

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

As Engrossed: S3/19/25

## A Bill

HOUSE BILL 1656

5 By: Representative Beck  
6 By: Senator B. Davis  
7

### For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW REGARDING OIL AND GAS  
10 PRODUCTION AND CONSERVATION; TO CLARIFY THE  
11 ALLOCATION OF PRODUCTION AND COST FOLLOWING  
12 INTEGRATION ORDER BY DEFINING "NET PROCEEDS"; TO  
13 REQUIRE CERTAIN INFORMATION BE INCLUDED IN AN  
14 ITEMIZED STATEMENT TO ROYALTY OWNERS; TO ADDRESS  
15 OBLIGATIONS OF OPERATORS AND WORKING INTEREST OWNERS  
16 TO MINERAL OWNERS; AND FOR OTHER PURPOSES.

### Subtitle

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20 TO AMEND THE LAW REGARDING OIL AND GAS  
21 PRODUCTION AND CONSERVATION.  
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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25 SECTION 1. Arkansas Code § 15-72-305, concerning the allocation of  
26 production and cost following integration order, is amended to add additional  
27 subsections to read as follows:

28 (c) As used in this section, "net proceeds" means the same as defined  
29 in § 15-72-325.  
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31 SECTION 2. Arkansas Code Title 15, Chapter 72, Subchapter 3, is  
32 amended to add an additional section to read as follows:

33 15-72-325. Obligation of operators and working interest owners to  
34 mineral owners – Definition.

35 (a) As used in this section, "net proceeds" means:

36 (1) If a mineral interest within a drilling unit is an



1 integrated interest not covered by an executed lease, the gross proceeds from  
2 the sale of gas, including royalty gas, minus applicable taxes, assessments,  
3 and true third-party costs or costs specifically allowed by the form lease  
4 adopted by the Oil and Gas Commission; and

5 (2) If a mineral interest within a drilling unit is covered by  
6 an executed lease, the gross proceeds from the sale of gas, including royalty  
7 gas, minus applicable tax, assessments, and charges or deductions  
8 specifically allowed by the terms of the lease.

9 (b)(1) Ownership of minerals, including the proceeds paid as royalty  
10 from the sale of the production of the mineral estate, is a property right.

11 (2) Subject to subsection (c) of this section, a mineral owner  
12 shall have the right to contract pertaining to their owned mineral interest.

13 (c)(1) The minimum royalty payable to royalty owners from the  
14 production of gas shall be one-eighth (1/8) of the net proceeds from the sale  
15 of the gas.

16 (2) A mineral owner may negotiate a higher royalty with a lessee  
17 by contract.

18 (d) An operator shall provide a royalty owner with an itemized  
19 statement of accounting with the payment of royalty distributed under this  
20 section and § 15-72-305 that:

21 (1) Is itemized for each separate deduction, if any, to the  
22 amount paid as royalty to each royalty owner; and

23 (2) Clearly identifies each deduction purpose and amount.

24 (e)(1) If a mineral interest within a drilling unit is covered by an  
25 executed lease, then the working interest owner or owners of the respective  
26 lease is or are responsible for ensuring the full amount of royalties are  
27 paid to a royalty owner in compliance with the terms of the lease regardless  
28 of whether the payments are made by the operator or, if applicable the  
29 nonoperating working interest owner or owners that is or are a party to the  
30 lease.

31 (2) If deductions or expenses are taken by the operator or the  
32 nonoperating working interest owner or owners that is or are a party to the  
33 lease that are not in accordance with the lease terms, including deductions  
34 and expenses pertaining to royalty gas, then the deductions or expenses not  
35 specifically allowed by the applicable lease shall be reimbursed to the  
36 royalty owner within thirty (30) days of the deduction being taken from the

1 royalty payment of the royalty owner.

2 (3) This section and § 15-72-305 shall not excuse or relieve the  
3 obligation of a working interest owner as it pertains to the contractual  
4 lease obligations with the royalty owner.

5 (f) This section is not applicable to any producing unit or well that  
6 produces liquid hydrocarbons only, liquid hydrocarbons associated with the  
7 production of gas, or gas produced associated with the production of liquid  
8 hydrocarbons.

9 (g) This section is applicable only to unconventional sources of  
10 supply drilling as defined by Oil and Gas Commission rule, 15 CAR § 275-230,  
11 as it existed on March 18, 2025.

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13 /s/Beck  
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