

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

# 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

17  
18  
19 TO AMEND THE LAW REGARDING OIL AND GAS  
20 PRODUCTION AND CONSERVATION.  
21  
22

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
24

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) An operator shall provide a royalty owner with an itemized  
29 statement of accounting as described in § 15-72-325.

30 (d) As used in this section, "net proceeds" means the same as defined  
31 in § 15-72-325.  
32

33 SECTION 2. Arkansas Code Title 15, Chapter 72, Subchapter 3, is  
34 amended to add an additional section to read as follows:

35 15-72-325. Obligation of operators and working interest owners to  
36 mineral owners – Definition.



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

2               (1) If a mineral interest within a drilling unit is an  
3 integrated interest not covered by an executed lease, the gross proceeds from  
4 the sale of gas, including royalty gas, minus applicable taxes, assessments,  
5 and true third-party costs or costs specifically allowed by the form lease  
6 adopted by the Oil and Gas Commission; and

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

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

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

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

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

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

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

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

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

33               (2) If deductions or expenses are taken by the operator or the  
34 nonoperating working interest owner or owners that is or are a party to the  
35 lease that are not in accordance with the lease terms, including deductions  
36 and expenses pertaining to royalty gas, then the deductions or expenses not

1 specifically allowed by the applicable lease shall be reimbursed to the  
2 royalty owner within thirty (30) days of the deduction being taken from the  
3 royalty payment of the royalty owner.

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

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36