

Bill No.: HB0014 **Effective:** 7/1/2020 12:00:00 AM
LSO No.: 20LSO-0206
Enrolled Act No.: HEA No. 0014
Chapter No.: 20
Prime Sponsor: Joint Minerals, Business & Economic Development Interim Committee
Catch Title: **Drilling units-risk penalties and mandatory royalties.**
Subject: Risk penalties and royalties for drilling units under pooling orders.

Summary/Major Elements:

- The Wyoming Oil and Gas Conservation Commission has authority under current statute to issue pooling orders to pool mineral interests located within a drilling and spacing unit. When a nonconsenting mineral owner is included in a pooling order, that owner must pay his share of a risk penalty to the operator of up to three hundred percent (300%) of the costs and expenses of drilling the well and up to two hundred percent (200%) of newly acquired equipment for the well.
- The act amends the risk penalty to provide that:
 - The existing risk penalty applies to nonconsenting owners who have entered into a lease for oil and gas development;
 - For the first well drilled and when the nonconsenting owner is not subject to a lease, the risk penalty is two hundred percent (200%) of the drilling costs and one hundred twenty-five percent (125%) of the costs of newly acquired equipment for the well;
 - For every subsequent well when the nonconsenting owner isn't subject to a lease, the risk penalty is one hundred fifty percent (150%) of the drilling costs and one hundred twenty-five percent (125%) of the costs of newly acquired equipment for the well.
- The act also provides mandatory royalty payments to nonconsenting owners who are not subject to a lease. The royalty payment is paid during the period that the operator is recovering the risk penalty and is the greater of sixteen percent (16%) or the acreage weighted average royalty interest of the leased tracts within the drilling unit.
- After the operator has collected the full amount of the risk penalty, the unleased, nonconsenting owner has the option of electing to participate as a working interest owner in the drilling unit or to continue receiving the royalty.

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