



1 buildings to the public and closing nonessential businesses, requiring the cancellation of all  
2 meetings of ten people or more, and directing all members of the public to remain home  
3 unless performing an essential activity; and

4 WHEREAS, as of April 7, 2020, forty-two other state governors have issued similar  
5 orders with an additional three governors issuing "partial lock-down" orders; and

6 WHEREAS, the legislature further notes that the numerous petroleum industry  
7 service companies necessary to support continued and safe operations likely reside in states  
8 or territories affected by COVID-19 and are confronting staffing issues due to social  
9 distancing; and that COVID-19 has caused disruption in the supply chains and the labor  
10 force which impacts the ability of many mineral lessees to make leasehold payments,  
11 conduct lease maintenance operations, maintain production in paying quantities, and comply  
12 with their obligation to reasonably develop the entire lease premises for minerals including  
13 oil; and

14 WHEREAS, the legislature recognizes that, due to the historically low prices, lack  
15 of excess storage capacity, and the extreme drop in demand for oil as a result of COVID-19,  
16 operators and mineral lessees that produce oil are struggling to produce or market the oil  
17 from leases within Louisiana, which forces such operators and mineral lessees to either  
18 decrease production substantially or to shut-in otherwise productive wells, which creates a  
19 hardship for both mineral lessees and mineral lessors; and

20 WHEREAS, the legislature recognizes that mineral lessors are harmed if, on the one  
21 hand, their lessees continue to produce oil at drastically reduced prices, reducing greatly the  
22 prices upon which royalties would be paid, or, on the other hand, if their lessees lose their  
23 leases when they shut-in production, resulting in premature lease termination, plugging of  
24 otherwise productive wells, removal of necessary infrastructure and loss of recoverable  
25 reserves; and

26 WHEREAS, the legislature further recognizes that the foregoing government  
27 restrictions impede the ability of mineral lessors and mineral lessees to attempt to negotiate  
28 and execute contractual provisions to specifically deal with these circumstances; and

29 WHEREAS, the legislature further recognizes that the oil industry is vital to the  
30 Louisiana economy, employs many citizens of this state, and must remain strong in order

1 to help continue to drive the state's economy; and that the challenges to lease maintenance  
2 caused by COVID-19, related governmental directives, the historically low oil prices, and  
3 the limitations on oil storage capacity were unforeseeable and not susceptible to mitigation  
4 by most operators and mineral lessors in the state; and

5 WHEREAS, this resolution is enacted to prevent additional hardship on operators  
6 and mineral lessees that produce oil, and their mineral lessors, by temporarily allowing  
7 certain mineral leases to be deemed to have continued to produce oil in paying quantities  
8 regardless of the actual production from such leases during the temporary period, which will  
9 in turn promote stability and security in the oil industry during this public health emergency  
10 and unprecedented period for the state.

11 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana hereby suspends  
12 until September 30, 2020, the provisions of R.S. 31:124 relative to oil and gas leases that  
13 were producing in paying quantities on March 11, 2020, within the state of Louisiana except  
14 those leases on lands and water bottoms owned by the state of Louisiana which are affected  
15 by Resolution Number 20-04-001 adopted by the State Mineral and Energy Board and those  
16 leases which all parties have entered into a specific agreement on or after March 11, 2020  
17 with respect to the effect on lease maintenance of the unprecedented collapse of oil prices.

18 BE IT FURTHER RESOLVED that it is the intention of the Legislature of Louisiana  
19 that as a result and during the period of this suspension, the mineral leases to which it applies  
20 shall be deemed to have continued to produce oil in paying quantities regardless of the actual  
21 amount of production.

22 BE IT FURTHER RESOLVED that this suspension shall become effective upon  
23 adoption of the resolution and shall remain in effect until and through September 30, 2020.

24 BE IT FURTHER RESOLVED that for periods on and after October 1, 2020, actual  
25 production, proceeds and costs shall be used to determine production of oil in paying  
26 quantities for applicable mineral leases.

27 BE IT FURTHER RESOLVED that royalties and other payments for production of  
28 oil during the period of suspension payable under applicable mineral leases shall be  
29 calculated and paid at the time and in the manner provided for by the provisions of said  
30 leases using actual production, proceeds, or other factors provided in said lease.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HCR 90 Original

2020 Regular Session

Coussan

**Abstract:** Suspends from March 11, 2020, until September 30, 2020, the provisions of law applicable to oil and gas leases maintained in production in paying quantities.

Present law provides that when a mineral lease is being maintained by production of oil or gas, the production must be in paying quantities. Further, present law specifies that paying quantities means that production allocable to the total original right of the lessee to share in production under the lease is sufficient to induce an operator to continue production in an effort to secure a return on his investment or to minimize any loss.

Proposed law suspends this provision until Sept. 30, 2020, for wells that were producing in paying quantities on March 11, 2020. Further, present law excepts leases on lands and water bottoms owned by the state of Louisiana which are affected by Resolution Number 20-04-001 adopted by the State Mineral and Energy Board and those leases for which all parties have entered into a specific agreement on or after March 11, 2020, with respect to the effect on lease maintenance of the unprecedented collapse of oil prices.

Proposed law further provides that it is the intention of the Legislature of Louisiana that during the period of suspension, the mineral leases to which it applies shall be deemed to have continued to produce oil in paying quantities regardless of the actual amount of production.

Further provides that for periods on and after October 1, 2020, actual production, proceeds and costs shall be used to determine production of oil in paying quantities for applicable mineral leases.

Further provides that royalties and other payments for production of oil during the period of suspension payable under applicable mineral leases shall be calculated and paid at the time and in the manner provided for by the provisions of said leases using actual production, proceeds or other factors provided in said lease.

Effective upon adoption of the resolution and it shall remain in effect through September 30, 2020.

(Suspends R.S. 31:124)