

"AN ACT TO REQUIRE IN CERTAIN INSTANCES THE OPERATOR OF A COMMERCIALY PRODUCTIVE GAS WELL TO SELL AND THE OPERATOR'S FIRST PURCHASER TO PURCHASE THE GAS PRODUCTION ATTRIBUTABLE TO THE INTEREST OF A PARTY WHO HAS PARTICIPATED IN THE COST AND EXPENSES OF THE GAS WELL; AND FOR OTHER PURPOSES."

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

SECTION 1. For any gas well completed as a commercially productive well subsequent to the passage of this Act, the party designated as operator of such well shall sell, and the operator's first purchaser shall purchase, the gas production attributable to the interest of any party who participated in any part of the costs and expenses of such well and who:

- (1) is not regularly engaged in the oil and gas business; and
- (2) owns no more than a five percent (5%) mineral interest in the well; and
- (3) is not an individual in the oil and gas industry; and
- (4) has made a reasonable, good faith attempt to obtain a market for or contract covering its proportionate share of production from such well and can demonstrate such efforts by objective evidence, such as letters from purchasers, but has failed to obtain such market or contract; and
- (5) agrees to pay a proportionate share of any costs associated with the construction of a pipeline which is to be or has been constructed to facilitate the marketing of production from such well and, in addition thereto, if the costs of said pipeline have been previously invoiced, simple interest at the maximum rate provided by law on the proportionate share to be paid by a party electing hereunder from the due date of such invoices; and
- (6) makes a written election hereunder, which is received by the operator within sixty (60) days of the date of first sales of production by the operator; and
- (7) agrees to pay to the operator a reasonable administrative and overhead charge for the initial setup of the necessary accounts and procedures and for operator's administration and oversight of monthly sales hereunder; provided, however, that the operator shall charge a monthly fee if a party electing hereunder desires to receive monthly revenue checks or an annual fee if such party desires to receive revenues only on an annual basis; and
- (8) agrees to indemnify and hold harmless the operator and its first purchaser for any inadvertent error or omission which may occur in the administration hereof; and
- (9) agrees to be bound by the terms and conditions of the operator's contract with its first purchaser until said contract terminates or production from such well ceases, whichever is earlier.

In the event that a new party should be designated as operator of such well, subsequent to any election made hereunder, the proportionate share of production of any party who avails itself of the benefits of this Act shall remain subject to, and be sold pursuant to, the terms and conditions of the contract of the initial operator.

SECTION 2. All laws and parts of laws in conflict with this Act are hereby repealed.

APPROVED: February 27, 1987

