



## The Royalty Resiliency Act – A Small Bill with Big Implications

By Jacob Everhart

The Royalty Resiliency Act, [House Resolution 7377](#), (“the Act”) was signed into law by President Biden on September 20, 2024, and requires the Secretary of the Interior to issue all determinations of allocations of production for units and communitization agreements (“CA”) within 120 days of a request for determination. Sponsored by Rep. Wesley Hunt (R-TX-38) and passed by unanimous consent in the Senate, the Act amends the Federal Oil and Gas Royalty Management Act of 1982 and the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 to streamline the CA approval process.

For leaseholders who are applying to jointly develop federal land, the Act changes how royalty payments are allocated until the Department of Interior (DOI) issues a determination of royalty allocations. The DOI is responsible for approving revenue sharing agreements, which allow for drilling oil and gas in locations with multiple leases. Oil and gas leaseholders can enter into joint agreements to develop leased land and drill wells in areas where they could not independently comply with certain regulations. Such a joint application includes the proposed apportionment of production and royalties to be paid by each producer.

Historically, the operator of record submitted the proposed agreement to BLM prior to the date of first production or first sales. BLM then issued determinations of allocations of production within 120 days of a request for determination. Yet BLM frequently takes one to two years to review and approve agreements, and in some cases, much longer. In the interim, the lessee is mandated by the Office of Natural Resources Revenue (ONRR) to pay 100% royalty rates on production in the absence of an approved agreement.

Under the Royalty Resiliency Act, while the Secretary is reviewing the determination, the lessee of a unit or CA will be able to report and pay royalties on oil and gas production on public lands for each production month in accordance with the terms of the proposed allocation of production for that unit or CA.

After the Secretary issues the determination, the lessee will be required to correct such reports and the amount of royalties paid on oil and gas production under the unit or communitization agreement by not later than the end of the 3rd month following the month in which the lessee receives the determination from the Secretary.

One of the key features of the Act is that all interest due on obligations subject to the determination will be waived by the Secretary until the end of the 3rd month following the month in which the lessee or its designee receives the determination.

The Act will work to ensure that an operator lessee is charged only the accurate percentage that corresponds to its mineral ownership and will also simplify and streamline the BLM’s accounting process pertaining to energy royalties.

**\*Note:** The Act does not apply to unit or communitization agreements containing Indian lands.

For more information, contact Bret Sumner, Theresa Sauer or Jacob Everhart.

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