

LEASE FOR OIL, GAS AND OTHER LIQUID OR GASEOUS HYDROCARBON MINERALS

STATE OF LOUISIANA State Lease No. _____
PARISH OF EAST BATON ROUGE
Louisiana State Lease Form Revised 2019

WHEREAS, under the provisions of Subpart A of Chapter 2, Title 30 of the Louisiana Revised Statutes, and other applicable laws, the State Mineral and Energy Board ("Board") as the agent of the State of Louisiana ("State" or "Lessor") advertised for bids for a lease covering oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the property described below; and

WHEREAS, in response to required advertisements, bids were received and duly opened in the City of Baton Rouge, Parish of East Baton Rouge, State of Louisiana on the ___ day of _____, 20XX at a meeting of the Board; and

WHEREAS, on the ___ day of _____, 20XX ("Effective Date"), the Board accepted the bid of and awarded this Lease to _____ ("Lessee"), whose address is _____, as the most advantageous to the State as Lessor.

NOW THEREFORE, be it known and remembered that the Board, acting under said authority for and on behalf of the State, as Lessor, does hereby lease, let and grant unto said Lessee the Leased Premises as defined below for the purpose of exploring by any method including, but not limited to seismic, geophysical and geological exploration for formations or structures, prospecting, drilling for and producing oil, gas and any other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas, hereinafter sometimes referred to as "oil, gas or other liquid or gaseous minerals". This grant of authority shall include the exclusive right to explore and produce oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the Leased Premises at the depths covered by this Lease. In connection therewith and as limited herein, Lessee shall have the right to use so much of the Leased Premises as reasonably may be necessary for such operations including, but not limited to storing minerals and fluids in facilities on the Leased Premises by means other than subsurface storage, laying pipelines, dredging canals, building roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and/or facilities.

The property ("Leased Premises") subject to this Lease, situated in the Parish(es) of _____, State of Louisiana, is more fully described as follows:

(PROPERTY DESCRIPTION)

This Lease excludes free sulfur, potash, lignite, salt and other solid minerals, and alternative energy sources including geothermal energy. Lessee shall not have any right to explore, drill for, mine, produce or take any action whatsoever in regard to any such solid mineral deposits, nor any right under this Lease in regard to alternative energy sources as defined by La. R.S. 30:124.

Should this Lease, when executed or thereafter, not cover all depths as to the Leased Premises or a portion thereof, the rights of Lessor or another lessee to conduct operations for the exploration, development and production of oil, gas or other liquid or gaseous minerals as to such excluded depths shall be exercised with reasonable regard for the rights of Lessee (as provided in La. R.S. 31:11), and vice versa.

Lessor makes no warranties as to the condition of the Leased Premises and Lessee accepts the Leased Premises "AS IS". Lessor has no obligation to make any repairs, additions or improvements to the Leased Premises, and Lessor does not warrant the suitability of the Leased Premises for any purposes intended by Lessee or contemplated by this Lease.

Lessor reserves the right to exclude certain sites from drilling and/or production activities in areas having special wildlife, environmental, or recreational significance on State surface lands and/or water bodies.

1
2 Notwithstanding any language herein to the contrary, the rights granted herein to Lessee
3 shall be subject to the surface usage for seismic and geophysical exploration by any seismic
4 permittee of the State whose valid permit predates the Effective Date of this Lease but only to the
5 extent that such permit covers all or a portion of the surface area encompassed within the
6 geographical boundary of the Leased Premises. The said seismic permittee shall owe Lessee no
7 duty to share seismic or geophysical information acquired under the predating permit nor to
8 reimburse Lessee for surface usage, but said seismic permittee shall not unreasonably interfere
9 with Lessee's exercise of its rights acquired hereunder.

10
11 Notwithstanding any language herein to the contrary, the rights granted herein to Lessee
12 shall be subject and subservient to surface usage for integrated coastal protection or hurricane and
13 flood protection projects promulgated, funded and/or effected through the State, the Coastal
14 Protection and Restoration Authority, the Department of Natural Resources and/or their divisions,
15 whether solely or in conjunction with other federal, state or local government agencies, or with
16 private individuals or entities. Lessee shall hold the State, its departments, agencies, boards and
17 commissions including, without limitation, the Coastal Protection and Restoration Authority, the
18 Department of Natural Resources, the Office of Mineral Resources ("**OMR**"), the Board and their
19 officers, employees, agents and representatives, and the United States government, its
20 departments, agencies and divisions, together with their respective officers, employees, agents and
21 representatives, free and harmless of and from any claims, actions and/or causes of action, except
22 as limited by law, for loss, harm or damage to the rights of any party arising under this Lease or
23 any other contract, permit or license of Lessee related to this Lease caused by the diversion of
24 freshwater or sediment, depositing of dredged or other materials, integrated coastal protection
25 projects, or any other such action taken for the purpose of management, preservation,
26 enhancement, creation, protection or restoration of coastal wetlands, water bottoms or related
27 public or renewable resources. Lessee, in the exercise of its rights granted hereunder, shall utilize
28 the best technology commercially available, including directional drilling, so as to minimize
29 interference with the ongoing surface usage entailed in the development, construction and
30 maintenance of said integrated coastal protection and/or hurricane and flood protection projects.

31
32 The captions or headings in this Lease are for convenience only and in no way define, limit or
33 describe the scope or intent of any provision of this Lease.

34
35 During the term of this Lease, Lessee shall comply with all federal, state, and local laws and
36 regulations, whether now in effect or enacted in the future, in carrying out the provisions of this
37 Lease.

38
39 The references in this Lease to statutes and regulations apply to the statute and regulation as
40 such existed at the time this Lease was revised and also to any amended or successor statute or
41 regulation.

42
43 **DEFINITIONS**

44
45 For purposes of this Lease, the following definitions shall apply:

46
47 (A) "**Acceptable Lease Operations**" shall mean either Actual Drilling Operations or Actual
48 Reworking Operations, as defined below, conducted on the Leased Premises in Good Faith
49 and with due diligence. Under no circumstances shall drilling or otherwise creating salt
50 water disposal wells constitute Acceptable Lease Operations.

51
52 (1) "**Actual Drilling Operations**" shall mean the following operations conducted
53 on the Leased Premises in Good Faith and with due diligence: (a) drilling
54 commenced by spudding-in of a new well, (b) deepening or sidetracking of an
55 existing well, (c) plugging back or attempted recompletion in a separate interval of
56 an existing well (all such operations being commenced by actual downhole
57 operations), or (d) completing any such well, including the installation of
58 equipment in the wellbore that is necessary to complete the well as a producer
59 and/or to maintain downhole completion activity. The installation of flowlines or
60 other surface facilities needed to produce the well shall not be considered as Actual
61 Drilling Operations.

1 Actual Drilling Operations shall include directional drilling operations (deviation
2 from vertical), in which event such Actual Drilling Operations shall be considered
3 to have commenced on the Leased Premises when the drill stem penetrates beneath
4 the surface of the Leased Premises.

5
6 Actual Drilling Operations shall be deemed to terminate on the last day downhole
7 operations of any kind are conducted, such as drilling, testing or completion.

8
9 (2) **“Actual Reworking Operations”** shall mean the following operations
10 conducted on the Leased Premises in Good Faith and with due diligence:
11 reconditioning, cleaning out or otherwise attempting to directly establish, increase
12 or restore production in an existing well by downhole operations.

13
14 Actual Reworking Operations shall be deemed to terminate on the last day any such
15 downhole operations are conducted.

16
17 (B) **“Affiliate”** shall mean any business concern, organization, or individual that controls, is
18 controlled by or is under common control with Lessee or operator. The power to control
19 is the key factor in affiliation with another business concern, whether exercised or not.

20
21 (1) Control may consist of:

- 22 (a) Shared management or ownership;
23 (b) Common use of facilities, equipment, and employees; and/or
24 (c) Family interest.

25
26 (2) Indicators of Lessee affiliates may include:

- 27 (a) Common ownership; and/or
28 (b) Common management and identity of interest.

29
30 (3) Power to control exists when a person or entity has 50% or more ownership. It may
31 also exist with considerably less than 50% ownership by contractual arrangement
32 or when a person or entity owns a large share compared to other parties.

33
34 (4) The term “Affiliate” shall also mean any business concern, organization, or
35 individual operating a well on the Leased Premises, making royalty payments, or
36 engaged in the sale of oil, gas or products for the Lessee or an operator.

37
38 (C) **“Anniversary Date”** shall mean the same date on each next ensuing year or years after the
39 Effective Date of this Lease.

40
41 (D) **“Good Faith”** as used in the definition of Acceptable Lease Operations, Actual Drilling
42 Operations and Actual Reworking Operations shall mean that each well operation must be:

- 43
44 (1) Commenced with reasonable expectation of discovering and producing
45 minerals in paying quantities at a particular point or depth; and
46 (2) Conducted in such a manner that constitutes a single operation although actual
47 drilling is not conducted at all times.

48
49 (E) **“Leasehold Payments”** shall mean Rental payments, Deferred Development Payments,
50 Shut-In Payments and any other payments allowed to maintain this Lease in whole or in
51 part.

52
53 (F) The term **“Lessee”** as used throughout this Lease, means and includes the original Lessee
54 named in this Lease, any Affiliate of Lessee, and all assignees, heirs, successors and any
55 Affiliate of any such assignees, heirs or successors.

56
57 (G) **“Non-Affiliate”** shall mean a person, company, firm or other business unit that is not an
58 Affiliate.

59
60 (H) **“Production in Paying Quantities”** shall mean production of oil, gas or other liquid or
61 gaseous minerals in paying quantities as defined by La. R.S. 31:124 from the Leased
62 Premises, in addition, notwithstanding the provisions of La. R.S. 31:125, the amount of

1 royalties payable on such production must also be sufficient to constitute serious or
2 adequate consideration to the Lessor.

- 3
4 (I) **“Unit”** shall mean unitized or pooled mineral acreage by order of a governmental agency
5 or by conventional agreement approved by Lessor.
6
7

8
9 **ARTICLE 1 – BONUS**

10 **3-13-19 Preliminarily Accepted as Written**

11
12 Lessee has this day paid to Lessor a cash payment of _____ (\$ _____)
13 Dollars one-half (1/2) of which is (a) full and adequate consideration for every right granted
14 hereunder and one-half (1/2) of which is (b) the annual rental for the first year of this lease.
15

16 **ARTICLE 2 – PRIMARY TERM**

17 **3-13-19 Preliminarily Accepted as Written**

- 18
19 (A) Subject to the provisions hereof, this Lease shall be for a term of ____ () years (**“Primary
20 Term”**) and for so long thereafter as this Lease is maintained in force in any manner
21 provided herein.
22
23 (B) If the Lessee is not in default under any of the terms and conditions of the Lease, the Lessee
24 may apply to the Board in writing to extend the Primary Term of this Lease by a maximum
25 of two (2) additional years. The Lessee must file his request to OMR not later than ninety
26 (90) days prior to the expiration of the initial Primary Term. The Board may extend the
27 Primary Term and said extension shall be on the same terms and conditions as set forth
28 herein, except for any additional consideration and/or modified terms accepted by the
29 Board for the granting of said extension.
30

31 **ARTICLE 3 - LEASE MAINTENANCE**

32 **5-8-19 Preliminarily Accepted as Written**

33
34 (A) **Lease Maintenance During the Primary Term**

- 35
36 (1) If Actual Drilling Operations or Production in Paying Quantities is not occurring on
37 the first Anniversary Date, this Lease shall terminate unless Lessee, on or before the
38 first Anniversary Date, pays to Lessor the sum of _____ (\$ _____) Dollars
39 (“Rental”). Timely payment of a Rental shall extend for twelve (12) months from
40 the Anniversary Date the time within which Actual Drilling Operations or Production
41 in Paying Quantities must be commenced in order to maintain this Lease. If, during
42 the Primary Term but after the first year thereof, this Lease has been maintained and
43 Actual Drilling Operations or Production in Paying Quantities is not occurring on an
44 Anniversary Date, this Lease shall terminate unless Lessee pays a Rental to the Lessor
45 on or before that Anniversary Date. The Lessor is not required to give notice that
46 Rentals are due. Rental payment by Lessee shall be made by check, draft or in a form
47 acceptable by the Board and made payable to the order of the “Office of Mineral
48 Resources” and delivered or mailed to OMR on or before the Anniversary Date.
49
50 (2) If Actual Drilling Operations or Production in Paying Quantities is occurring on an
51 Anniversary Date during the Primary Term, no Rental shall be due and this Lease
52 shall remain in effect for twelve (12) months from that Anniversary Date as if a
53 Rental had been paid.
54
55 (3) Should Actual Drilling Operations be abandoned or suspended or Production in
56 Paying Quantities cease at any time within a period of ninety (90) days prior to an
57 Anniversary Date during the Primary Term, Lessee shall have a period of ninety
58 (90) days after the date of such abandonment, suspension or cessation within which
59 to commence or resume Actual Drilling Operations or Production in Paying
60 Quantities on the Leased Premises, or make the Rental payment. The
61 commencement or resumption of Actual Drilling Operations or Production in
62 Paying Quantities or payment of Rental within the ninety (90) day period shall have

1 the same effect as though such were commenced, resumed or Rental paid on or
2 before the Anniversary Date.

3
4 **(B) Lease Maintenance at the end of the Primary Term and Thereafter**

5
6 (1) This Lease shall terminate at the end of the Primary Term unless Acceptable Lease
7 Operations or Production in Paying Quantities is occurring. If Acceptable Lease
8 Operations or Production in Paying Quantities is occurring at the end of the Primary
9 Term, this Lease shall terminate unless Acceptable Lease Operations or Production
10 in Paying Quantities continue without a lapse of greater than ninety (90) days
11 between cessation of Acceptable Lease Operations or Production in Paying
12 Quantities and their recommencement.

13
14 (2) If Acceptable Lease Operations or Production in Paying Quantities cease within
15 ninety (90) days prior to expiration of the Primary Term or at any time after the
16 Primary Term, and Lessee commences or resumes Acceptable Lease Operations or
17 Production in Paying Quantities within ninety (90) days after such cessation, this
18 Lease will continue for so long as Acceptable Lease Operations or Production in
19 Paying Quantities continue. If Lessee fails to commence Acceptable Lease
20 Operations or Production in Paying Quantities within ninety (90) days or there is a
21 lapse of greater than ninety (90) days between cessation of Acceptable Lease
22 Operations or Production in Paying Quantities, this Lease shall thereupon
23 terminate.

24
25 (3) This Lease may also be maintained in some cases after the primary term in
26 accordance with Article 3(C) (Deferred Development Payment), Article 3(D)
27 (Shut-In Payment) and Article 5 (Force Majeure).

28
29 **(C) Lease Maintenance when Leased Premises included in a Unit**

30 (1) Notwithstanding anything to the contrary herein contained, in the event all or a
31 portion of the Leased Premises is included by itself or with other lands in a Unit, then
32 Actual Drilling Operations, Actual Reworking Operations, Production in Paying
33 Quantities, Acceptable Lease Operations and/or Shut-in Payments attributed to that
34 Unit (“Unitized Operations”) shall serve to maintain this Lease, pursuant to the
35 applicable provisions found in sections (A), (B), or (D) of this article, only as to that
36 portion of the Leased Premises embraced in such a Unit and this Lease shall terminate
37 as to all acreage lying outside the Unit (“*Outside Acreage*”) unless maintained as set
38 forth herein below. For purposes of maintaining this Lease with Unitized Operations
39 pursuant to this section, the definitions for the defined terms Actual Drilling
40 Operations, Actual Reworking Operations, Production in Paying Quantities,
41 Acceptable Lease Operations and/or Shut-in Payments, are expanded to include
42 operations, production or payments attributed to wells whether located on the Leased
43 Premises or on lands pooled or unitized therewith. As used herein, the term
44 “*Deferred Development Payment*” shall mean a sum equal to one-half of the per-
45 acre cash bonus payment made for this Lease multiplied by the number of acres in
46 the Outside Acreage.

47
48 (2) This Lease may be maintained as to Outside Acreage as otherwise allowed under the
49 terms of this Lease or as follows:

50
51 (a) Lessee pays the Lessor a Deferred Development Payment on or before the
52 Anniversary Date of this Lease next ensuing after the commencement of
53 Unitized Operations; or

54
55 (b) In the event that Unitized Operations commence within ninety (90) days before
56 the Anniversary Date next ensuing after the commencement of Unitized
57 Operations, Lessee shall make a Deferred Development Payment within ninety
58 (90) days of said commencement of the Unitized Operations; or

59
60 (c) In the event that this Lease is being maintained as to Outside Acreage by
61 Acceptable Lease Operations and/or Production in Paying Quantities, and such

1 Acceptable Lease Operations and/or Production in Paying Quantities cease for
2 any cause and this Lease is not otherwise maintained as to Outside Acreage
3 under the terms of this Lease, Lessee shall, within ninety (90) days of said
4 cessation, resume Acceptable Lease Operations and/or Production in Paying
5 Quantities as to the Outside Acreage or make a Deferred Development Payment
6 on or before the end of the ninety (90) day period.
7

8 (3) The Deferred Development Payment shall maintain this Lease as to Outside Acreage
9 until the next Anniversary Date. By payment of the Deferred Development Payment
10 on or before each succeeding Anniversary Date, this Lease may be maintained as to
11 Outside Acreage during the remainder of the Primary Term and up to two (2) years
12 beyond the Primary Term.
13

14 (4) Nothing contained in this Article is intended to create nor shall have the effect of
15 creating several or separate Leases, or in any manner serve to extend, increase or limit
16 the obligation of Lessee to protect the Leased Premises from drainage as required in
17 this Lease or otherwise.
18

19 **(D) Shut-In Payments**
20

21 (1) If at any time or times (during or after the Primary Term) there is on the Leased
22 Premises a gas and/or oil well or wells capable of Production in Paying Quantities,
23 but gas and/or oil is not being used, produced or marketed therefrom because of the
24 lack of a reasonable market or production/marketing facilities ("**Qualifying**
25 **Conditions**"), and if this Lease is not then being otherwise maintained, Lessee may
26 make a request to maintain this Lease in force by making a payment at the rate of
27 Fifty (\$50.00) Dollars per acre for the acreage not otherwise maintained under the
28 terms of this Lease ("Shut-In Acreage"), but in no event shall payment be less than
29 One Thousand (\$1,000.00) Dollars ("**Shut-In Payment**"). A Shut-In Payment shall
30 maintain this Lease as to Shut-In Acreage for a period of six (6) months ("**Shut-In**
31 **Period**"), during which, it shall be considered that there is Production in Paying
32 Quantities for lease maintenance purposes only. The Shut-In Payment must be
33 made prior to the termination of this Lease as to the Shut-In Acreage.
34

35 (2) Lessee's request to make a Shut-In Payment must clearly demonstrate proof to the
36 Lessor the existence of the Qualifying Conditions and that Lessee has, and is
37 continuing, to diligently, and in good faith, attempt to remedy the lack of facilities
38 to produce or market the product or obtain a market contract for the product.
39 Lessee's request to make a Shut-In Payment requires Lessor's approval and shall
40 be at the sole discretion of Lessor, which approval shall not be unreasonably
41 withheld. However, if this Lease can be maintained by the payment of a Rental,
42 Lessor has the sole discretion to require the Lessee to maintain the Lease by
43 payment of a Rental rather than by a Shut-In Payment.
44

45 (3) Lessee may request up to a maximum of six (6) consecutive Shut-In Periods. For
46 each subsequent request following the initial Shut-In Period, Lessee must clearly
47 demonstrate proof to the Lessor the existence of Qualifying Conditions and that
48 Lessee has, and is continuing, to diligently, and in good faith, attempt to remedy
49 the lack of facilities to produce or market the product or obtain a market contract
50 for the product. Each such subsequent request requires Lessor's approval and shall
51 be at the sole discretion of Lessor, which approval shall not be unreasonably
52 withheld. However, if this Lease can be maintained by the payment of a Rental,
53 Lessor has the sole discretion to require the Lessee to maintain the Lease by
54 payment of a Rental rather than by a Shut-In Payment. Each such subsequent
55 request must be received prior to the end of the then existing Shut-In Period, and,
56 if authorized, shall commence upon expiration of the then existing Shut-In Period.
57 If Lessee's subsequent request is denied, then on the last day of the then existing
58 Shut-In Period, this Lease shall terminate unless it can be maintained under other
59 provisions hereof. Notwithstanding the limitation upon consecutive Shut-In
60 Periods, for compelling reasons proven to the satisfaction of Lessor, Lessee may
61 request, and Lessor may grant an additional Shut-In Period or periods in accordance
62 with the terms and requirements herein, with any such extension(s) to be approved

1 via an acknowledgment Resolution having the effect of an amendment of this
2 Lease.

3
4 **(E) Termination of Deep Rights:**

- 5
6 (1) The Lessor may terminate this Lease~~No sooner than on~~ the second Anniversary
7 Date beyond the end of the Primary Term,~~the Lessor may terminate this Lease as~~
8 ~~to all or a portion of the Leased Premises~~ as to the following depths: lying below
9 the stratigraphic equivalent of one hundred feet (100') below the base of the deepest
10 stratigraphic formation producing for vertical from a wells located on the Leased
11 Premises or on lands pooled or unitized therewith,~~one hundred feet (100') true~~
12 ~~vertical depth below the deepest depth at which casing is set; for horizontal wells~~
13 ~~located on the Leased Premises or on lands pooled or unitized therewith, three~~
14 ~~hundred feet (300') true vertical depth below the deepest depth reached by the~~
15 ~~horizontal lateral between the first takepoint and the last takepoint; or a deeper~~
16 depth agreed to by the Lessor ("**Deep Rights Acreage**"). ~~In applying this provision~~
17 ~~and arriving at a depth at which this Lease will terminate and the Deep Rights~~
18 ~~Acreage will begin ("**Termination Depth**"), unless otherwise agreed to by the~~
19 ~~Lessor, the Termination Depth shall be uniform, constant and unvarying throughout~~
20 ~~the entirety of the geographic confines of the Deep Rights Acreage. Prior to~~
21 ~~exercising its right to terminate this Lease as to the Deep Rights Acreage, Lessor~~
22 ~~shall send written notice of its intentions to exercise said right to the Lessee on or~~
23 ~~before the first Anniversary Date beyond the end of the Primary Term.~~
24
25 (2) In the event that Lessor exercises its right to terminate this Lease as to the Deep
26 Rights Acreage, Lessor shall have the right to enter into new agreements for the
27 exploration and production of minerals from the Deep Rights Acreage, and in
28 connection therewith to grant someone other than the Lessee the right to explore,
29 develop, produce and market minerals from the Deep Rights Acreage, together with
30 the rights of ingress and egress through the Leased Premises to conduct such
31 operations, commensurate with the rights granted to Lessee herein, including the
32 right to penetrate and drill through the formations above the Deep Rights Acreage.
33 The rights retained by the Lessee and the rights granted with respect to the Deep
34 Rights Acreage shall be exercised in such manner that neither shall unduly interfere
35 with the operations of the other upon the Leased Premises or the Deep Rights
36 Acreage.

37
38 **ARTICLE 4 – TRANSFERS AND ASSIGNMENTS**

39 **6-12-19 Preliminarily Accepted as Written**

- 40
41 (A) No assignment, sublease or other transfer, in whole or in part, of any rights or interest
42 granted to Lessee under this Lease (collectively hereinafter referred to as an
43 "**Assignment**") shall be valid unless approved by Lessor in accordance with La. R.S.
44 30:128 and as amended. Nonetheless, an Assignment shall not include, and the prior
45 sentence shall not apply to, the granting of a mortgage in, collateral assignment of
46 production from, or other security interest in this Lease or the transfer of an overriding
47 royalty interest, production payment, net profits interest, or similar interest in this Lease.
48
49 (B) An assignor, sublessor or transferor making an Assignment of this Lease is not relieved of
50 his obligations or liabilities under this Lease unless the Lessor has discharged him
51 expressly and in writing, notwithstanding approval of the Assignment by Lessor and
52 regardless of any understanding, agreement, language or reference to the contrary set forth
53 in the terms and conditions of the Assignment.
54
55 (C) All terms, provisions, conditions, duties, responsibilities and obligations of this Lease shall
56 be binding upon and inure to the benefit of an assignee(s), sublessee(s) and transferee(s).
57

58 **ARTICLE 5 – FORCE MAJEURE AND SUSPENDING EVENTS**

59 **3-13-19 Preliminarily Accepted as Written**

- 60
61 (A) (1) If, at any time this Lease is being maintained by Acceptable Lease Operations
62 and/or Production in Paying Quantities, and Lessee is prevented from continuing

1 Acceptable Lease Operations and/or Production in Paying Quantities by the
2 occurrence of a Force Majeure or Suspending Event as defined in this article,
3 (“**Incident**”), and Lessee cannot maintain this Lease under any other operative
4 provision of this Lease, such as the Rental payment, Deferred Development
5 Payment or Shut-In Payment, then and only then shall the date for Lessee to re-
6 commence Acceptable Lease Operations and/or Production in Paying Quantities in
7 order to maintain this Lease be postponed on a day-for-day basis for so long as the
8 adverse effects of the Incident continue, providing that Lessee provides OMR with
9 notice in accordance with section (B) of this article and that Lessee is diligently,
10 reasonably and in good faith attempting to mitigate and eliminate the effects of the
11 Incident. The occurrence of an Incident shall not maintain this Lease for more than
12 twelve (12) months from the date of the Incident onset unless extended by Lessor.
13

14 (2) A determination as to whether Lessee can utilize this article and whether Lessee
15 has complied with the requirements thereof is at the sole, reasonable discretion of
16 Lessor. In making such a determination, Lessor shall not consider Lessee’s
17 financial inability to comply with any of the obligations of this Lease and an
18 increase in costs of performing the obligations set forth in this Lease shall not
19 constitute circumstances beyond Lessee’s control.
20

21 (B) Within ninety (90) days of the Incident onset Lessee shall submit a written notice
22 containing the following: (1) the onset date, description and nature of the Incident; (2) the
23 effects preventing continuation of Acceptable Lease Operations or Production in Paying
24 Quantities; (3) a description and evidence of Lessee’s diligent, reasonable and good faith
25 efforts to mitigate and eliminate the effects of the Incident and to resume Acceptable Lease
26 Operations and/or Production in Paying Quantities; (4) an estimated time for resumption
27 of Acceptable Lease Operations or Production in Paying Quantities; and (5) any other
28 information or documentation evidencing the existence of the Incident requested by Lessor.
29 Notice given beyond ninety (90) days shall not be considered reasonable notice and the
30 application may be denied by Lessor barring consequential extenuating circumstances.
31

32 (C) Every thirty (30) days following the notice required in section (B) of this article, Lessee
33 shall be required to submit written, detailed reports on a monthly basis to OMR giving
34 therein a description and evidence of Lessee’s diligent, reasonable and good faith efforts
35 to mitigate and eliminate the effects of the Incident and to resume Acceptable Lease
36 Operations or Production in Paying Quantities. If the reports are not timely submitted or if
37 Lessee did not attempt in good faith to mitigate the effects of the Incident, Lessor, after
38 notice and opportunity to be heard, may declare the Incident recognition to be ended and
39 that Lessee may not after such failure utilize this provision to excuse any failure to comply
40 with any obligations of this Lease relating to the particular Incident involved.
41

42 (D) A “**Force Majeure**” event, as herein utilized, shall be a fortuitous event that is beyond
43 Lessee’s control and is not ultimately determined to be caused by Lessee or due to Lessee’s
44 negligent or intentional commission or omission, or failure to take reasonable and timely
45 foreseeable preventative measures that would have mitigated or negated the effects of the
46 event. An example of a Force Majeure event may include, depending on the specific
47 circumstances involved (1) a major storm, major flood or other similar natural disaster, or
48 (2) a major accident such as a blowout, fire or explosion.
49

50 (E) A “**Suspending Event**”, as herein utilized, shall be (1) the lack of availability, after Lessee
51 has diligently, timely and in good faith attempted to secure same, of any required
52 equipment and/or personnel, such as the specific type of rig or specific type of casing or
53 drill pipe, or (2) the unreasonable delay by any government agency or political subdivision
54 in granting permits necessary for Acceptable Lease Operations or Production in Paying
55 Quantities, or (3) an order of any federal or state court of competent jurisdiction preventing
56 Acceptable Lease Operations or Production in Paying Quantities, or (4) the act of a third
57 party, not under the control or at the instigation of Lessee, in shutting down and
58 unreasonably refusing to reopen any facility through which hydrocarbons from this Lease
59 are necessarily passed as part of production (and provided there is no other reasonably
60 economical method of carrying on production), or (5) other events not described herein
61 that are recognized by Lessor.
62

ARTICLE 6 – UNITS

6-12-19 Preliminarily Accepted as Written

- 1
2
3
4
5 (A) Lessee may include all or a portion of the Leased Premises within a Unit. Nonetheless,
6 Lessee must obtain Lessor’s approval prior to including all or a portion of the Leased
7 Premises in a Unit through a conventional agreement.
8
9 (B) If Lessee applies for, gives notice of the intent to apply for, or receives notice of an
10 application to the Commissioner of Conservation for the creation, dissolution, or
11 modification of any Unit that includes, or is seeking to include or exclude, all or a portion
12 of the Leased Premises, Lessee shall provide Lessor with copies of same, in addition to any
13 information attached thereto. If Lessee is the applicant, said copies shall be furnished to
14 Lessor either at the time the application or notice is filed with the Commissioner of
15 Conservation or at the time required by applicable orders or regulations of the
16 Commissioner of Conservation for furnishing such information, whichever is earlier; if
17 Lessee is not the applicant, said copies shall be furnished to Lessor promptly after Lessee
18 receives copies of such application or notice. For a Unit created by an order of the
19 Commissioner of Conservation, which includes all or a portion of the Leased Premises,
20 Lessee shall furnish Lessor a survey plat of each Unit so created.
21

ARTICLE 7 – PROTECTION AGAINST DRAINAGE

5-8-19 Preliminarily Accepted as Written

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23
24
25 (A) Lessee agrees to protect the Leased Premises from drainage of oil, gas or other liquid or
26 gaseous minerals by a well producing from adjacent or nearby property (“*Adjacent Well*”)
27 not owned by Lessor and not included in a Unit (“*Drainage*”). It shall be presumed, subject
28 to rebuttal by Lessee, that Drainage is occurring if the Adjacent Well is producing within
29 six hundred and sixty feet (660’) of the Leased Premises (or within any spacing or pooling
30 unit distance greater than 660 feet established by the Commissioner of Conservation),
31 [provided such well is not exempt from Statewide Order 29-E spacing requirements](#). This
32 presumption shall not serve to limit or preclude Lessee’s obligation to protect the Leased
33 Premises from Drainage in cases where the facts giving rise to the presumption do not exist.
34
35 (B) In order to satisfy its obligation to protect from Drainage, Lessee shall, within one hundred
36 twenty (120) days after the completion date of the Adjacent Well, begin Actual Drilling
37 Operations for a well drilled to a depth necessary to protect the Leased Premises from
38 Drainage, if a reasonably prudent operator would drill such a well (“*Offset Well*”). If
39 Lessee is not an operator or does not have an interest in the Adjacent Well, the Lessee shall
40 be required to begin such operations within one hundred twenty (120) days after receipt of
41 written notice from Lessor.
42 (C) Lessee may delay the drilling of an Offset Well for a period not to exceed one (1) year by
43 making payments to Lessor in the same manner and amount equal to one-half (1/2) the
44 royalties Lessee would have to pay pursuant to this Lease, as if the production being
45 obtained from the Adjacent Well was being obtained from a well producing from the
46 Leased Premises (“*Offset Royalties*”). Offset Royalties are intended to permit Lessee time
47 to further evaluate the producing Adjacent Well, and the payment of Offset Royalties shall
48 not of itself serve to maintain this Lease if not otherwise maintained.
49
50 (D) The obligation to protect the Leased Premises from Drainage and the requirements of this
51 article shall be satisfied with respect to a particular Adjacent Well on the date that Lessee
52 either releases the affected portion of the Leased Premises or initiates unitization
53 proceedings to include all or a portion of the Leased Premises within a Unit in which the
54 particular Adjacent Well is serving as the Unit well. Any damages from Drainage occurring
55 prior to the date such a release is executed or such Unit is created are owed by the Lessee
56 to the Lessor.
57

ARTICLE 8 – LESSEE REPORTING

6-12-19 Preliminarily Accepted as Written

- 58
59
60
61 (A) Lessee shall furnish Lessor, upon request, well and survey data reasonably available to
62 Lessee relating to the Leased Premises or lands pooled therewith including, but not limited

1 to: (1) all wire line surveys and all (open and cased hole) logs run in the well in paper and
2 digital formats to be determined by Lessor; (2) directional surveys; (3) mud logs and core
3 descriptions of both sidewall samples and conventional cores; (4) drill stem and production
4 test data; (5) daily drilling reports (to be supplied weekly); and (6) production data, current
5 and cumulative, including oil, gas and water production, surface and subsurface pressures.
6 Upon request, Lessee also shall furnish Lessor with any and all other information
7 reasonably available to Lessee to keep Lessor informed of Lessee's compliance with the
8 provisions of this Lease and operations on the Leased Premises. To the extent allowed by
9 law, Lessor agrees to keep confidential any information submitted under this article that is
10 not already part of the public domain.

11
12 (B) Nothing in this article shall require Lessee to furnish or permit inspection of Lessee's
13 interpretation of the information referred to above. Lessor's representatives shall have
14 access, at reasonable times and intervals, to examine and inspect Lessee's information and
15 operations being conducted on the Leased Premises or lands pooled or unitized.

16
17 **ARTICLE 9 – ROYALTY**
18 **8-14-19 Preliminarily Accepted as Written**
19

20 (A) Unless Lessor elects to take in-kind all or any part of the portion due Lessor as royalty on
21 minerals produced, saved, sold, utilized or severed hereunder pursuant to La. R.S.
22 30:127(C), which option may be exercised at any time and for any duration upon written
23 notice to Lessee, Lessee shall pay royalty to the Lessor as follows:

24
25 (B) ROYALTY ON OIL

26 (1) ^^ Percent of the value, as hereinafter provided, of all oil, including condensate or
27 other liquid mineral, produced, saved, sold, utilized or severed from, or attributable
28 to, the Leased Premises. When such oil is sold by Lessee to a Non-Affiliate
29 purchaser under an arms' length contract prudently negotiated under the facts and
30 circumstances existing at the time of its execution, the value of such oil shall be the
31 price received by Lessee for such oil under the contract. If such oil is sold by Lessee
32 to an Affiliate purchaser or the contract is not an arms' length contract, but the
33 contract would have been considered prudently negotiated under the facts and
34 circumstances existing at the time of its execution, then the value of the oil shall be
35 the price received by Lessee under the contract; if such contract would not have
36 been considered prudently negotiated at the time of its execution, the value of such
37 oil, including all premiums and consideration in whatever form, shall not be less
38 than the average of the prices paid for oil of like kind and quality from the field
39 from which such oil is being produced, or if no oil is being sold from that field, the
40 average of prices paid for oil of like kind and quality in the three nearest fields in
41 which oil of like kind and quality is being sold, all comparisons to be with contracts
42 made in the same market (either interstate or intrastate) and for the sale of similar
43 kinds, qualities and quantities of oil.

44
45 (2) Lessee shall place oil produced, saved, sold, utilized or severed from the Leased
46 Premises in marketable condition and Lessee cannot deduct from the value of said
47 oil any costs associated with putting the oil into a marketable condition, except as
48 specifically allowed elsewhere in this article. Marketable condition for oil means
49 sufficiently free from impurities and otherwise in a condition that it will be
50 acceptable by a Non-Affiliate purchaser under a sales contract typical for the field
51 or area.

52
53 (3) Lessee shall not make any deduction whatsoever for the cost of any operation,
54 process, facility, or other item considered to be a function of production,
55 exploration, development, primary or enhanced recovery or abandonment at the
56 time such oil is run. Without limiting the foregoing sentence, the following costs
57 are not to be deducted from the value of oil: (a) costs incurred for gathering, whether
58 inside or outside the field; (b) costs incurred for transportation within the field; (c)
59 costs incurred for pumping, lifting, recycling, handling, treating, separating,
60 dehydrating, removing contaminants, or in any way processing oil production to
61 put it in marketable condition; (d) the cost of storage on the Leased Premises or in

1 the field. The performance of any non-deductible function at a commingled facility
2 in or outside the field in which the Leased Premises is situated, shall not make the
3 cost of any such function deductible.

- 4
5 (4) If Lessee delivers such oil at a point outside the field in which the Leased Premises
6 is situated, Lessee may deduct from the value of such oil the reasonable, actual,
7 unreimbursed costs of transportation from the field boundary to the point of
8 delivery by means of facilities belonging to a Non-Affiliate party. If such
9 transportation is by means of facilities owned or co-owned by the Lessee or an
10 Affiliate, Lessee may deduct from the value of oil a reasonable sum for such
11 services, computed as follows: the amount deductible shall include only (1) the
12 direct cost of operation and maintenance, including cost of labor, direct supervision,
13 fuel, supplies, ordinary repairs, and ad valorem taxes; and (2) depreciation of the
14 facility computed over the estimated life of the field.

15
16 (C) ROYALTY ON GAS

- 17 (1) Percent of the value, as hereinafter provided, of all gas, including casinghead
18 gas, produced, saved, sold, utilized, or severed from, or attributable to, the Leased
19 Premises. When such gas is sold by Lessee to a Non-Affiliate purchaser under an
20 arms' length contract prudently negotiated under the facts and circumstances
21 existing at the time of its execution, the value of such gas shall be the price received
22 by Lessee for such gas under the contract. If such gas is sold by Lessee to an
23 Affiliate purchaser or the contract is not an arms' length contract, but the contract
24 would have been considered prudently negotiated under the facts and circumstances
25 existing at the time of its execution, then the value of the gas shall be the price
26 received by Lessee under the contract; if such contract would not have been
27 considered prudently negotiated at the time of its execution, the value of such gas,
28 including all premiums and consideration in whatever form, shall not be less than
29 the average of the prices paid for gas of like kind and quality from the field from
30 which such gas is being produced, or if no gas is being sold from that field, the
31 average of prices paid for gas of like kind and quality in the three nearest fields in
32 which gas of like kind and quality is being sold, all comparisons to be with contracts
33 made in the same market (either interstate or intrastate) and for the sale of similar
34 kinds, qualities and quantities of gas.

- 35
36 (2) Lessee shall place gas produced, saved, sold, utilized or severed from the Leased
37 Premises in marketable condition and Lessee cannot deduct from the value of said
38 gas any costs associated with putting the gas into a marketable condition, except as
39 specifically allowed elsewhere in this article. Marketable condition for gas means
40 sufficiently free from impurities and otherwise in a condition that it will be
41 acceptable by a Non-Affiliate purchaser under a sales contract typical for the field
42 or area, or when the gas meets the location, quality and pressure specifications for
43 transmission into an interstate pipeline or processing facility.

- 44
45 (3) Except as expressly permitted herein, Lessee shall not make any deduction
46 whatsoever for the cost of any operation, process, facility, or other item considered
47 to be a function of production, exploration, development, primary or enhanced
48 recovery or abandonment at the time such gas is produced. Without limiting the
49 foregoing sentence, the following costs are not to be deducted from the value of
50 gas: (a) costs incurred for gathering, whether inside or outside the field; (b) costs
51 incurred for transportation within the field; (c) costs incurred for lifting, recycling,
52 separating, treating, dehydrating, removing contaminants, amine treating, glycol,
53 methanol and chemical injection, or in any way processing gas production to put it
54 in marketable condition. The performance of any non-deductible function at a
55 commingled facility in or outside the field in which the Leased Premises is situated
56 shall not make the cost of any such function deductible. Lessee may deduct costs
57 incurred for compression of gas at a point in or adjacent to the field for insertion
58 into a purchaser's line or into a line owned by Lessee or a carrier for transportation
59 to a point of delivery outside the field.

60

1 (4) If Lessee delivers such gas at a point outside the field in which the Leased Premises
2 is situated, Lessee may deduct from the value of such gas the reasonable, actual,
3 unreimbursed costs for transportation from the field boundary to the point of
4 delivery by means of facilities belonging to a Non-Affiliate. If such transportation
5 is by means of facilities owned by the Lessee or an Affiliate, Lessee may deduct
6 from the value of gas a reasonable sum for such services, computed as follows: the
7 amount deductible shall include only (1) the direct cost of operation and
8 maintenance, including cost of labor, direct supervision, fuel, supplies, ordinary
9 repairs, and ad valorem taxes; and (2) depreciation of the facility computed over
10 the estimated life of the field.

11
12 (D) ROYALTY ON NGLS

13 (1) Gas produced hereunder, including casinghead gas, may be processed in a gasoline
14 or other extraction plant in or serving the field; and natural gasoline, natural gas
15 liquids or other products ("NGLs), may be recovered therefrom either directly by
16 Lessee or under contracts executed by Lessee. Lessor shall be paid a royalty on all
17 residue gas remaining after such processing or extraction pursuant to the amount
18 and terms set forth in section (C) of this article. Lessee shall pay the Lessor
19 ^^^^^% as royalty on the value, as hereinafter provided, of NGLs processed or
20 extracted from all gas, including casinghead gas, produced, saved, sold, utilized, or
21 severed from, or attributable to, the Leased Premises. If Lessee enters into an arm's
22 length contract with a Non-Affiliate for the processing of gas, which is prudently
23 negotiated under the facts and circumstances existing at the time of execution, and
24 under which such party retains in kind a portion of the NGLs recovered from or
25 attributed to such gas as consideration for processing, Lessee shall pay such royalty
26 on the NGLs allocated to Lessee under such contract. If Lessee enters into a
27 contract for processing gas with an Affiliate, or if the contact is not arm's length or
28 is not prudently negotiated under the facts and circumstances existing at the time
29 of execution, Lessee shall pay the royalty on the total NGLs recovered.

30
31 (2) The value of the NGLs shall be the price received by Lessee if sold to a Non-
32 Affiliate purchaser under an arm's length contract prudently negotiated under the
33 facts and circumstances existing at the time of execution. If the NGLs are sold by
34 Lessee to an Affiliate purchaser or the contract is not an arms' length contract, but
35 the contract would have been considered prudently negotiated under the facts and
36 circumstances existing at the time of its execution, then the value of the NGLs shall
37 be the price received by Lessee under the contract; if such contract would not have
38 been considered prudently negotiated at the time of its execution, or if the NGLs
39 are not sold under any contract, the value of NGLs, including all premiums and
40 consideration in whatever form, shall be calculated on the basis of Oil Price
41 Information Service (OPIS) at Mont Belvieu, Texas on the date sold. If at a future
42 date, an industry recognized and accepted index posting changes to something other
43 than OPIS at Mont Belvieu, Texas, a new standard may be agreed to by the parties
44 to this Lease.

45
46 (3) If the gas is processed by a Non-Affiliate under an arm's length contract prudently
47 negotiated under the facts and circumstances existing at the time of execution, the
48 charges deducted shall be those provided in such contract, and those charges may
49 include, but are not limited to, a combination of processing and retention of NGLs
50 by the processor. If the gas is processed at a facility owned or co-owned by an
51 Affiliate, or is processed pursuant to a non-arm's length contract with an Affiliate,
52 or if the contract was not prudently negotiated under the facts and circumstances
53 existing at the time of execution, the charges to be deducted shall include only the
54 Lessor's proportionate part of (1) the direct cost of operating and maintaining the
55 plant, computed annually, including cost of labor and on-site supervision, materials,
56 supplies, and ordinary repairs; (2) plant fuel and shrinkage; (3) depreciation of the
57 plant computed over the life or lives of the field or fields served by the plant, or by
58 such other method as is agreed upon by Lessor and Lessee; and (4) ad valorem
59 taxes.

1 (E) GENERAL PROVISIONS APPLICABLE TO ALL ROYALTY

- 2 (1) Lessee shall report all production of hydrocarbons and associated liquid or gaseous
3 minerals from, or attributable to, this Lease to the Production Audit Division of the
4 Office of Conservation and to the Mineral Income Division of the Office of Mineral
5 Resources by appropriate forms containing both LeaseUnitWell (LUW) code and,
6 beginning January 1, 2013, well serial number. Failure to report production as
7 herein specified shall be deemed “improper reporting” which shall subject Lessee
8 to the penalty as allow by law or this Lease.
9
- 10 (2) If Lessee receives compensation for any function, process or liability related to
11 production from the Leased Premises without the right given herein to deduct the
12 costs related to such compensation, such compensation amount shall be included in
13 the value for such production type when computing royalties.
14
- 15 (3) Lessor’s royalty shall be calculated and paid after deduction of all severance or
16 production taxes.
17
- 18 (4) The first payment of royalty shall be made within one hundred twenty (120) days
19 following commencement of production. In the case of any production which has
20 occurred prior to the Effective Date, but which is deemed to be covered by this
21 Lease, Lessee hereby agrees to pay Lessor’s royalty on all such prior production
22 within one hundred twenty (120) days from the Effective Date. Thereafter, royalty
23 on oil, including condensate or other liquid mineral, shall be paid by the 25th of
24 each month for production of the previous month; and royalty on gas, including
25 NGLs extracted or processed from gas, shall be paid on or before the 25th day of
26 the second month following that in which such gas was produced or extracted or
27 processed. In the event any royalty payment is not correctly or timely made, the
28 remedies provided by La.R.S. 31:137 through 142 and La. R.S. 30:136 relative to
29 notice, damages, penalty, interest, attorney fees, and dissolution shall be applicable,
30 except that interest shall be payable thereon until paid without any requirement for
31 prior written notice by Lessor to Lessee.
32
- 33 (5) Lessee may recycle gas or liquid hydrocarbons produced from the Leased Premises
34 for gas and/or oil lift purposes on the Leased Premises or for injection into any oil
35 or gas producing formation underlying the Leased Premises for stimulating the
36 production of oil or for secondary recovery purposes and no royalties shall be
37 payable on the gas or liquid hydrocarbon so recycled until such time as the same
38 may thereafter be severed from, produced, saved, sold, or utilized by Lessee in such
39 manner as to entitle Lessor to a royalty thereon under the royalty provisions of this
40 Lease.
41
- 42 (6) Lessee must exercise due diligence and make reasonable efforts to market all
43 production from the Leased Premises to obtain the best price reasonably available.
44 Lessee cannot charge Lessor any cost for the time and resources expended in the
45 performance of this obligation, such as, but not limited to, the charging of a
46 marketing fee.
47

48 **ARTICLE 10 – AUDIT RECORDS**
49 **7-10-19 Preliminarily Accepted as Written**
50

51 Lessee shall establish and maintain in an organized manner all records, reports and other
52 information reasonably relevant to its calculation of royalties, deductions and/or other sums due
53 by Lessee under the terms of this Lease for a period of seven (10) years after the records are
54 generated unless OMR notifies the Lessee that it has initiated an audit or investigation involving
55 such records and that such records must be maintained for a longer period. In any case, when an
56 audit or investigation is underway, records shall be maintained until OMR releases the Lessee of
57 the obligation to maintain such records. Upon reasonable notice, Lessor, through OMR, shall have
58 the right to access such records in the manner and format they are regularly maintained in the
59 ordinary course of business for the purpose of review, duplication and/or audit. To the extent
60 allowed by law, all such records, reports and other information provided for review, duplication
61 or audit shall be maintained by OMR personnel in strict confidence.

ARTICLE 11 – LEASE ACCESS

6-12-19 Preliminarily Accepted as Written

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4
5 (A) Pursuant to La. R.S. 30:127(G), Lessee shall maintain and preserve the public’s access to
6 public waterways throughout the State lands covered by this Lease.
7
8 (B) Lessee shall grant Lessor, or any other person or entity acting on behalf of Lessor, access
9 at all reasonable times via any road or waterway to inspect the Leased Premises to ensure
10 compliance with all Lease requirements or to exercise any right reserved explicitly or
11 impliedly in this Lease.
12
13 (C) Lessor retains the right to sell, exchange, transfer, or otherwise dispose of all or any portion
14 of the Leased Premises and all rights in the Leased Premises not expressly granted to
15 Lessee or necessarily implied by this Lease. Further, Lessor shall have the right to use any
16 and all portions of the Leased Premises for any purpose or to issue rights-of-ways and
17 servitudes upon the Leased Premises provided doing so does not unreasonably interfere
18 with the rights of Lessee.
19

ARTICLE 12 – LESSOR’S RIGHTS

5-8-19 Preliminarily Accepted as Written

20
21
22 The mention of any express obligation of Lessee herein shall never be construed as affecting any
23 implied obligation which Lessee may otherwise owe Lessor hereunder, but shall be considered as
24 being in addition thereto. Similarly, the mention of any right or remedy of Lessor herein shall not
25 preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be
26 entitled; and no failure of Lessor to enforce any provision of this lease shall operate as a waiver of
27 Lessor’s right to thereafter enforce such provision or any other provision.

ARTICLE 13 – SURFACE USE AND RESTORATION

6-12-19 Preliminarily Accepted as Written

28
29
30
31 (A) SURFACE USE

- 32
33 (1) Lessee shall comply with and be subject to all applicable state and federal laws and
34 regulations, in effect now and as amended, and all laws and regulations enacted
35 after the effective date of this Lease which govern: exploration and production (or
36 where applicable, hazardous or industrial) waste disposal, storage, treatment,
37 transportation, or management; environmental quality (regardless of the
38 environmental media involved); oil and gas conservation; navigation; archeological
39 resources; cemeteries; coastal resource management; and wetlands protection and
40 restoration.
41
42 (2) Lessee shall conduct operations with the highest degree of care as a prudent operator
43 using standard industry practices and procedures and proper safeguards and take all
44 reasonably necessary preparations and precautions to prevent pollution, fire,
45 explosion, and environmental damage to the Leased Premises. Lessee shall use all
46 reasonably necessary means at its disposal to recapture escaped hydrocarbon
47 minerals or other pollutants. Lessee shall be responsible, without limitation, for all
48 damage to the Leased Premises caused by its operations including, but not limited
49 to loss or damage to timber, crops, roads, buildings, fences, bridges, soil, surface
50 and subsurface water, aquifers and vegetation, and also all environmental damage
51 as that term is defined in La. R.S. 30:29. This responsibility shall be irrespective
52 of whether such damage is due to negligence, or to the inherent nature of Lessee's
53 activities or operations or other reason(s).
54
55 (3) ~~Within sixty (60) days following the completion of each operation under this Lease,~~
56 ~~Lessee shall remove all materials and equipment no longer necessary for~~
57 ~~exploration or production (including without limitation all submerged materials,~~
58 ~~equipment or debris) that were placed on the Leased Premises by or for the account~~
59 ~~of Lessee and may impede commercial fishing and trawling.~~
60

1 (4) Lessee shall report all unpermitted and reportable discharges on the Leased
2 Premises as required by applicable state and federal environmental and
3 conservation statutes and regulations to the Lessor and any other legally required
4 entity.

5
6 (5) Lessee shall, at its sole cost and expense, keep and maintain ~~the Leased Premises,~~
7 all improvements ~~thereon on the Leased Premises~~ utilized, owned, placed and/or
8 caused to be placed by Lessee and all facilities appurtenant to such improvements
9 in good order and repair and in the appropriate condition for the safe conduct of
10 any activities or enterprises conducted on the Leased Premises pursuant to the rights
11 granted hereunder, and any applicable state or federal laws.

12
13 (B) RESTORATION

14
15 (1) Lessee shall be obligated to plug and abandon all wells owned, utilized, placed or
16 caused to be placed by the Lessee on the Leased Premises no longer ~~producing or~~
17 ~~utilized~~ necessary for operations or production, to remove from the Leased Premises
18 all structures and facilities owned, utilized, placed or caused to be placed by Lessee
19 which are no longer utilized for operations or production on the Leased Premises,
20 and to restore the Leased Premises, as near as practicable, to the condition existing
21 on the Effective Date of this Lease ("**Restoration Obligations**"), all at Lessee's
22 sole risk, cost and expense and subject to compliance with laws, rules and
23 regulations. Lessee shall complete the Restoration Obligations within one (1) year
24 commencing on the earliest of the following dates: (a) the date said wells, structures
25 or facilities are no longer ~~actually producing or no longer actually utilized~~ necessary
26 for operations or production on the Leased Premises or lands pooled or unitized
27 therewith; or (b) the date this Lease has expired, terminated or been released
28 (whichever occurs first) as to all or a portion of the Leased Premises. The failure of
29 the Lessee to timely complete the Restoration Obligations shall subject Lessee to
30 and make Lessee liable for any and all costs or expenses of any kind incurred by
31 the State for plugging said wells or removing said structures or facilities, but in no
32 instance shall title to or ownership of said facilities automatically vest in or transfer
33 to the State nor shall said wells, structures or facilities be deemed "improvements"
34 to the Leased Premises for purposes of vesting title in same to the State.

35
36 (2) Lessor recognizes Lessee's right to draw and remove casing from wells and further,
37 to remove any structures and facilities no longer utilized in operations or production
38 on the Leased Premises. ~~However, unless otherwise approved by Lessor, Lessee or~~
39 ~~its agent shall not be permitted to salvage and/or remove from the Leased Premises~~
40 ~~equipment, machinery, structures or facilities no longer utilized by any wells until~~
41 ~~the said wells on the Leased Premises are first plugged and abandoned in~~
42 ~~accordance with all applicable laws, rules and regulations.~~

43
44 **ARTICLE 14 - FINANCIAL SECURITY**
45 **5-8-19 Preliminarily Accepted as Written**
46

47 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on
48 the Leased Premises shall provide financial security for the plugging and abandoning, and
49 associated site restoration of each well drilled. Lessee's obligation to provide financial
50 security also is required upon a change of operatorship of a well on the Leased Premises.

51
52 (B) Lessee's obligation under this Lease to provide financial security for the plugging and
53 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully
54 establishing and maintaining financial security of a nature, to the extent, and in the amount
55 required to comply with the applicable statutes, rules and regulations of the Louisiana
56 Office of Conservation.

57
58 (C) Lessee shall furnish to Lessor, upon request, evidence of the financial security so provided
59 to the Louisiana Commissioner of Conservation.
60
61
62

ARTICLE 15 - GENERAL LIABILITY INSURANCE

6-12-19 Preliminarily Accepted as Written

(A) Lessee, at its sole expense, shall purchase and maintain in full force and effect, throughout the Operational Term and continuing until all Lease obligations are fulfilled, a policy(s) of commercial general liability insurance having a minimum limit per occurrence of One Million (\$1,000,000.00) Dollars and excess liability insurance having a minimum limit per occurrence of Two Million (\$2,000,000.00) Dollars (or other such limits as deemed reasonably appropriate and necessary by Lessor after notice and Board review). This policy(s) shall identify Lessor as an additional insured, be applicable to the Leased Premises and provide coverage, except as may be limited by law, to Lessor and Lessee against claims for bodily injury, death and property damage, and for pollution incidents of a sudden and accidental nature causing such harm that may arise from or in connection with the development and production activities and operations conducted pursuant to this Lease by Lessee, its operators, contractors, employees, agents, representatives and their successors and assigns.

Documents evidencing satisfaction of the requirements of this section shall be provided to Lessor prior to commencement of the Operational Term, with the Certificate Holder listed as:

State of Louisiana
Office of Mineral Resources
LaSalle Building – 8th Floor
617 North Third Street
Baton Rouge, Louisiana 70802
Ref: State Lease No. _____

For purposes of this Article, the “*Operational Term*” shall commence upon the initiation of any surface activity on the Leased Premises in furtherance of the development and production of oil and gas including, but not limited, to surveying, mobilization, location preparation and other such activities preliminary to development of this Lease.

(B) At the discretion of Lessor, Lessee may be authorized to satisfy the requirements of this Article by means of self-insurance. Such authorization will not be unreasonably withheld if Lessee is able to demonstrate sustained financial stability and satisfy all other requirements of Lessor.

(C) The insurance coverage required hereby shall be provided at Lessee’s sole expense and the insurer shall have no recourse against Lessor for payment of premiums or any assessments required by the policy(s). Deductibles and/or self-insured retentions must be reasonable, within industry standards and, upon request, disclosed by Lessee to Lessor, with Lessee solely responsible for paying all such deductibles and/or self-insured retentions.

(D) Unless Lessor gives its written consent otherwise, (1) ~~T~~the insurance coverage required hereby of Lessee shall be provided by a company authorized to do business in the State of Louisiana having an A.M. Best’s rating of A-:VI or higher (or a comparable rating by another rating agency acceptable to Lessor); and (2) ~~A~~at any time, if an insurer issuing such policy(s) does not meet the minimum A.M. Best rating, Lessee shall obtain a substitute policy(s) with an insurer possessing such rating and submit a substitute Certificate of Insurance in compliance herewith.

(E) Lessee shall furnish to Lessor, on an annual basis within thirty (30) days of the policy’s annual renewal date, a Certificate(s) of Insurance fully completed and signed by the insurer’s authorized representative evidencing satisfaction of the insurance coverage requirements of this Article. Additionally, upon request, Lessee shall provide to Lessor the Declaration Page and the Cancellation Endorsement for the policy(s), along with any additional endorsements that may be requested by Lessor.

ARTICLE 16 – TITLE DISPUTES
7-10-19 Preliminarily Accepted as Written

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3
4 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and accepted
5 without any warranty of title and without any recourse against Lessor whatsoever, either
6 express or implied. It is expressly agreed that Lessor shall not be required to return any
7 payments received hereunder or be otherwise responsible to Lessee therefor. Lessor hereby
8 disclaims any covenant of quiet enjoyment or peaceful possession of the Leased Premises.
9
10 (B) In the event of a bona fide dispute or litigation involving Lessor’s ownership or title to any
11 portion of the Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and
12 provide any information and/or documentation in Lessee’s possession or to which Lessee
13 has access regarding such dispute, including the identity of the adverse claimant(s) and the
14 nature of the dispute.
15
16 (C) During the pendency of and through resolution of the dispute or litigation, Lessee shall
17 comply with all terms, provisions and requirements of this Lease, including the payment
18 of royalty, and shall be deemed in default of payment of royalty if Lessee suspends or stops
19 making royalty payments. However, in lieu of making said payments directly to Lessor,
20 Lessee may:
21
22 (1) Request and obtain authorization from Lessor to suspend the direct payment of
23 royalty due on the production attributable to the disputed acreage, deposit the
24 royalty payments into an interest bearing escrow account at a FDIC insured
25 financial institution having a presence within the State and fully comply with the
26 title dispute protocol approved by Lessor; or
27
28 (2) Initiate a concursus proceeding and deposit the royalty payments attributable to the
29 disputed acreage into the court registry; or
30
31 (3) Take other action as authorized by Lessor.
32 (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any rights
33 Lessor may have to review, examine, audit, dispute, challenge or contest any payments
34 made or not made by or on behalf of Lessee on the production attributable to the disputed
35 acreage. In the event an audit or other examination should reveal that the sums deposited
36 into an escrow account or into the registry of the court are incorrect, Lessee shall remain
37 fully responsible for all royalty amounts determined to be due and owing, and may be
38 subject to payment of interest and penalties as required by law or the terms of this Lease.
39
40 (E) Upon termination of any escrow authority, concursus proceeding or other action authorized
41 by Lessor, royalty payments due on the production attributable to the disputed acreage shall
42 be made directly to Lessor in accordance with the provisions of this Lease or the terms of
43 any settlement or final unappealable judgment that resolves the title dispute.
44

ARTICLE 17 - TERMINATION AND RELEASE
3-13-19 Preliminarily Accepted as Written

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47
48 (A) Lessee may release all or any portion or portions of the Leased Premises at any time this
49 Lease is in effect and thereby be relieved of all obligations thereafter accruing under this
50 Lease as to the portions surrendered; however, no partial release shall reduce or otherwise
51 affect the amount of Rentals required to maintain this Lease during the Primary Term
52 thereof. Nor shall any release of this Lease, in whole or in part, relieve the Lessee or any
53 of its successors or assigns of any obligations to plug and abandon wells, restore the Leased
54 Premises, or any other obligations arising under Louisiana Commissioner of Conservation
55 orders, decisions, or regulations pertaining to the remediation of well sites.
56
57 (B) Within ninety (90) days after termination of this Lease as to any portion of the Leased
58 Premises, either during or after the Primary Term hereof, Lessee shall execute and record
59 an appropriate release evidencing such expiration or termination, and shall also supply
60 Lessor with a copy or copies thereof properly certified by the recorder or recorders of the
61 parish or parishes in which the Leased Premises are located. In the event Lessee fails to

1 timely comply therewith, Lessee shall be liable for reasonable attorney fees and court costs
2 incurred in bringing suit for such cancellation, and for all damages resulting therefrom. It
3 is agreed, however, that damages to be paid by Lessee to Lessor shall be One Hundred
4 Dollars (\$100.00) per day for each day of non-compliance after expiration of said ninety
5 (90) day period, regardless of whether suit is filed for cancellation, and for such additional
6 compensatory damages as Lessor may prove. Lessee its successors or assigns, hereby
7 waives any further notice of default or otherwise and confesses judgment as regards the
8 liquidated damages accruing as herein set forth.
9

- 10 (C) Within ninety (90) days after termination of this Lease as to any portion of the Leased
11 Premises, either during or after the Primary Term, Lessee shall submit to OMR a listing of
12 all unplugged wells and facilities owned, or placed and/or caused to be placed by Lessee
13 on the acreage released and a written preliminary plan which sets forth the Lessee's
14 schedule for complying with its Restoration Obligations of the Leased Premises.
15

16 **ARTICLE 18 – NOTICES**

17 **7-10-19 Preliminarily Accepted as Written**

- 18
19 A) All notices required by this Lease or by law to be served on, given to, or delivered shall be
20 in writing and shall be properly addressed to the Lessee(s) at the last address provided to
21 OMR pursuant to La. R.S. 30:123.1 or section (B) of this article or to OMR at 617 N. 3rd
22 Street, LaSalle Building, 8th Floor, Baton Rouge, Louisiana 70802 or P.O. Box 2827 Baton
23 Rouge, Louisiana 70821-2827. Such notices shall be deemed effective and delivered (i)
24 upon receipt if delivered personally; or (ii) if properly addressed, upon deposit in the U.S.
25 mail, registered or certified, postage prepaid, return receipt requested; or (iii) if properly
26 addressed, one (1) business day after it is sent by recognized commercial overnight courier
27 service.
28
29 B) Each Lessee(s) desiring to change its physical and/or mailing address shall be responsible
30 for providing OMR with the new address. Written notice pursuant to this section is
31 required ten days prior to the effective date of the address change and must be transmitted
32 in accordance with section (A) of this article.
33
34 C) Upon an Assignment, Lessee(s)/Assignor(s) and/or the Assignee(s) shall ensure that the
35 information required pursuant to La. R.S. 30:123.1 for the Assignee(s) is current for
36 purposes of notice herein.
37
38 D) Failure of Lessee to update and/or maintain accurate contact information shall not
39 invalidate any notice given by OMR.
40

41 **ARTICLE 19 – INDEMNITY AND HOLD HARMLESS**

42 **6-12-19 Preliminarily Accepted as Written**

43
44 Lessee unconditionally agrees to respond to, investigate, defend, protect, save, indemnify, and hold
45 free and harmless the State, the Department of Natural Resources, the Board, the OMR and the
46 officers, employees, agents and representatives of Lessor from any and all demands, claims, causes
47 of action, damages, judgments, costs, fees, expenses and attorney fees arising from any harm, loss,
48 injury or death to any person, or any harm, loss, damage or destruction of any property resulting
49 from any act, omission, fault or negligence of Lessee or any of Lessee's officers, employees,
50 agents, representatives, contractors, subcontractors, licensees and invitees in conducting or failing
51 to conduct activities or operations pursuant to the rights granted by this Lease.
52

53 This general indemnity provision is in addition to and shall not be limited in any way by any
54 specific indemnity provision contained elsewhere within this Lease.
55

56 **ARTICLE 20 - EXECUTORY CONTRACTS**

57 **7-10-19 Preliminarily Accepted as Written**

58
59 Lessor and Lessee herein agree that for so long as this Lease remains in full force and effect, it is
60 deemed to be an executory contract and an unexpired lease within the meaning of Section 365 of
61 the United States Bankruptcy Code.
62

ARTICLE 21 – LAW AND FORUM

7-10-19 Preliminarily Accepted as Written

1
2
3
4 Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the
5 laws of the State of Louisiana. Lessee further agrees that any litigation arising in connection with
6 this Lease shall be instituted before the Nineteenth Judicial District Court in the Parish of East
7 Baton Rouge, unless such litigation is required to be filed in or is removed to a federal court of
8 this State.
9

10 Lessee further agrees that the rule of construction requiring that the terms and provisions of an
11 instrument be construed against the drafting party is not and shall not be applicable to this Lease.
12

ARTICLE 22 – SEVERABILITY

7-10-19 Preliminarily Accepted as Written

13
14
15
16 This Lease sets forth the full terms of the agreement between the parties. If any provision hereof
17 is found to be invalid for any reason, by final judgment of a court of competent jurisdiction or
18 pursuant to any applicable law, such provision shall be severed from the agreement and the
19 remaining terms and provisions shall be fully binding upon the parties. The parties agree that the
20 Lease shall then be reformed to replace such severed provision with a valid, lawful and enforceable
21 provision that comes as close as possible to expressing the intent of the severed provision.
22

ARTICLE 23 – MULTIPLE ORIGINALS

7-10-19 Preliminarily Accepted as Written

23
24
25
26 This Lease may be executed in multiple originals, each of which is intended to have the same force
27 and effect.
28

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State Lease No. ^^

THUS READ, ACCEPTED AND SIGNED by Lessor on this ____ day of _____, 20XX, but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign their names below.

WITNESSES: LESSOR: STATE MINERAL AND ENERGY BOARD
for and on behalf of the STATE OF LOUISIANA

By: _____

Print: _____ Print Name: _____

Title: _____

Print: _____

**Witness Form of Acknowledgment
For State Mineral and Energy Board**

State of Louisiana
Parish of East Baton Rouge

Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared _____ who, upon being duly sworn by me, did state that said appearer was one of the two witnesses to the execution of the foregoing instrument and saw _____ execute said instrument as _____ of the State Mineral and Energy Board for and on behalf of the State of Louisiana as the free act and deed of said Board and the State of Louisiana in the presence of said appearer and _____, the other subscribing witness.

Sworn to and signed before me on this
____ day of _____, 20__.

Print Name: _____

WITNESS

Print Name: _____

NOTARY PUBLIC

1 State Lease No. ^^

2
3 [The Lessee may execute this Lease either with a witness acknowledgment using the first signature block
4 below or in authentic form using the second signature block below.]

5
6 **THUS READ, ACCEPTED AND SIGNED** by Lessee on this ____ day of _____, 20XX, but
7 effective as of the Effective Date, in the presence of the undersigned competent witnesses, who sign their
8 names below.

9
10 WITNESSES: LESSEE:
11 _____ By: _____
12
13 Print: _____ Print Name: _____
14 _____ Title: _____
15 _____
16
17 Print: _____
18
19

20 **Witness Form of Acknowledgment**
21 **For Individual or Corporate Lessee**

22 State of _____

23
24 Parish/County of _____

25
26 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
27 _____ who, upon being duly sworn by me, did state that said appearer was one
28 of the two witnesses to the execution of the foregoing instrument and saw _____
29 execute said instrument (circle one)

- 30
31 1) as his/her individual free act and deed
32
33 2) in the duly authorized capacity of _____ of _____
34 as the free act and deed of said corporation
35

36 in the presence of said appearer and _____, the other subscribing witness.

37
38 Sworn to and signed before me on this
39 ____ day of _____, 20__.

40 _____
41 Print Name: _____
42 _____ WITNESS

43 _____
44 Print Name: _____

45 NOTARY PUBLIC

46 Bar/Notary # _____

47 Commission Expires: _____

48
49 *****
50

**Authentic Act Form
For Individual or Corporate Lessee**

THUS READ, ACCEPTED AND SIGNED by Lessee on this ____ day of _____, 20XX at _____, State of _____, but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign their names below with Lessee and me, Notary Public, after due reading of the whole.

WITNESSES:

Print: _____

Print: _____

LESSEE:
By: _____
Print Name: _____
Title: _____

Print Name: _____
NOTARY PUBLIC
Bar/Notary # _____
Commission Expires: _____

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