

1 **ARTICLE 15 - FINANCIAL SECURITY**

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3 **EXISTING LEASE LANGUGE**

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5 12. Lessee shall be obligated to plug and abandon all wells on the premises no longer
6 necessary for operations or production on this lease, and to remove from the premises all
7 structures and facilities serving said wells, all at Lessee’s sole risk, cost and expense and subject
8 to compliance with laws, rules and regulations. Failure of Lessee to do so within a reasonable
9 time shall subject Lessee to and make Lessee liable for any and all costs or expenses of any kind
10 incurred by the State for removing said facilities, but in no instance shall title to or ownership of
11 said facilities automatically vest in or transfer to the State nor shall said facilities be deemed
12 “improvements” to the leased premises for purposes of vesting title in same to the State. **Prior to**
13 **the date of first production from any site on this lease, Lessee shall create or cause to be created,**
14 **under the direction of the Commissioner of Conservation pursuant to the Memorandum of**
15 **Understanding¹ among the Department of Natural Resources, the Commissioner of Conservation**
16 **and the State Mineral and Energy Board dated August 8, 1995, a Site Specific Trust Account to**
17 **be funded in a manner satisfactory to the Commissioner of Conservation in accordance with the**
18 **rules and regulations promulgated under L.R.S. 30:80, et seq. The Site Specific Trust Account**
19 **shall be reassessed and, if necessary, modified by the Secretary of the Department of Natural**
20 **Resources and the Commissioner of Conservation prior to the date of first production of each**
21 **additional well. In connection therewith, the right of Lessee to draw and remove casing from**
22 **wells and to further remove any facilities no longer utilized in the operations or production on**
23 **this lease is recognized, provided such right is exercised by Lessee not later than one year after**
24 **termination of this lease or portion thereof on which the well is located. If such right of salvage**
25 **is not timely exercised, Lessee shall be subject to and liable for any costs or expenses of any kind**
26 **incurred by the State in removing or disposing of casing or other facilities, but under no**
27 **circumstances shall title to said salvage transfer to or vest in the State nor shall it be forfeited by**
28 **Lessee to the State. In addition to restoration of the leased premises as contemplated and required**
29 **by this lease, Lessee shall be responsible for all damages to the leased premises, and in addition**
30 **and without limitation for all damages to any timber, crops, roads, buildings, fences, and other**
31 **improvements thereon.**

32
33 NOTE: THE **HIGHLIGHTED LANGUAGE** WAS SET ASIDE BY BOARD RESOLUTION IN
34 1997 SO NO REAL LANGUAGE EXISTS IN THE LEASE FOR FINANCIAL SECURITY.
35 (SEE ATTACHED)

36
37
38 **AUGUST DRAFT LANGUAGE**

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

¹ This MOU was tied to the Texaco Apache lease transfer.

1 Premises.

- 2
- 3 (B) The nature and extent of the financial security required hereby shall be as set forth in
4 LAC 43:XIX §104. ~~In no event, however, shall the financial security requirements of
5 this Lease be less than those set forth in said regulation as such was in effect on
6 September 1, 2015.~~
- 7
- 8 (C) Lessee's obligation under this Lease to provide financial security for the plugging and
9 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully
10 and continually complying with the applicable statutes, rules and regulations of the
11 Office of Conservation as set forth in (B) above.
- 12
- 13 (D) Lessee shall furnish to Lessor, upon request, evidence of the financial security so
14 provided to the Commissioner of Conservation.
- 15

16 **PROPOSED RE-WRITE (WITH TRACK CHANGES)**

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- 18 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on
19 the Leased Premises shall provide financial security for the plugging and abandoning,
20 and associated site restoration of each well drilled. Lessee's obligation to provide
21 financial security also is required upon a change of operatorship of a well on the Leased
22 Premises.
- 23
- 24 (B) ~~The nature and extent of the financial security required hereby shall be as set forth in
25 LAC 43:XIX §104. In no event, however, shall the financial security requirements of
26 this Lease be less than those set forth in said regulation as such was in effect on
27 September 1, 2015.~~
- 28
- 29 ~~(C)~~ Lessee's obligation under this Lease to provide financial security for the plugging and
30 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully
31 establishing and maintaining continually financial security of a nature, to the extent, and
32 in the amount required to complying with the applicable statutes, rules and regulations of
33 the Office of Conservation ~~as set forth in (B) above.~~
- 34
- 35 ~~(D)~~ Lessee shall furnish to Lessor, upon request, evidence of the financial security so
36 provided to the Commissioner of Conservation.
- 37

38 **PROPOSED RE-WRITE (CLEAN VERSION)**

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- 40 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on
41 the Leased Premises shall provide financial security for the plugging and abandoning,
42 and associated site restoration of each well drilled. Lessee's obligation to provide
43 financial security also is required upon a change of operatorship of a well on the Leased
44 Premises.
- 45

- 1 (B) Lessee's obligation under this Lease to provide financial security for the plugging and
2 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully
3 establishing and maintaining financial security of a nature, to the extent, and in the
4 amount required to comply with the applicable statutes, rules and regulations of the
5 Office of Conservation.
6
- 7 (C) Lessee shall furnish to Lessor, upon request, evidence of the financial security so
8 provided to the Commissioner of Conservation.
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RESOLUTION

On motion of Mr. Caldwell, seconded by Mr. Allain, the following Resolution was offered and unanimously adopted:

WHEREAS, the State Mineral Board passed a Resolution dated June 14, 1995, declaring that all mineral leases given by the Board subsequent to that date contain a provision for the establishment of a site specific trust account for each well drilled on said new leases prior to the establishment of any production from those wells for the purpose of guaranteeing the plugging and abandonment of said wells once production had depleted; and

WHEREAS, the establishment of such site specific trust accounts is burdensome and, therefore few such funds have been established, and further, other methods can guarantee the plugging and abandonment of said wells; and

WHEREAS, the Board believes it is in the best interest of the State to retroactively suspend the provision requiring the establishment of a site specific trust account prior to establishing production from all wells drilled on new leases granted subsequent to the June 14, 1995 resolution date.

NOW THEREFORE BE IT RESOLVED THAT the State Mineral Board does hereby suspend retroactively the provision added to all mineral leases granted subsequent to June 14, 1995, requiring the establishment of a site specific trust account for each well drilled on said leases prior to the establishment of production therefrom until such time as the Board deems it in the best interest of the State to reactivate said provision.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral Board held in the City of Baton Rouge, Louisiana, on the 12th day of March, 1997, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral Board