

# RESOLUTION

## LOUISIANA STATE MINERAL AND ENERGY BOARD

### RESOLUTION # 20-04-001

On motion of Mr. Arnold, seconded by Mr. Harris, the following resolution was offered and adopted:

**WHEREAS**, the novel Coronavirus Disease 2019 (COVID-19) is a serious respiratory illness that can be spread among humans through respiratory transmission and is an immediate danger to public health, safety, and welfare of the citizens of the State of Louisiana;

**WHEREAS**, Governor Edwards proclaimed a Public Health Emergency on March 11, 2020 (25 JBE 2020), for the state of Louisiana as a result of the outbreak of COVID-19 and such proclamation has been supplemented on March 13, 2020 (27 JBE 2020), March 14, 2020 (29 JBE 2020), March 16, 2020 (30 JBE 2020), March 19, 2020 (32 JBE 2020), March 22, 2020 (33 JBE 2020 and 34 JBE 2020), March 26, 2020 (37 JBE 2020), March 31, 2020 (38 JBE 2020), April 2, 2020 (41 JBE 2020), and April 7, 2020 (43 JBE 2020);

**WHEREAS**, Governor Edwards issued a “stay-at-home” order (33 JBE 2020) closing all state office buildings to the public, requiring the cancellation of all meetings of 10 people or more, and directing all members of the public to remain home unless performing an essential activity; and as of April 7, 2020, forty-two (42) other state governors have issued similar orders with an additional three (3) governors issuing “partial lock-down” orders;

**WHEREAS**, a significant outbreak of COVID-19 has been detected across the entire United States and its territories and State Lessees and the many various Petroleum Industry service companies necessary to support continued and safe operations, in all probability reside in states or territories affected by COVID-19, are under “stay-at-home” orders, and are confronting staffing issues due to social distancing;

**WHEREAS**, COVID-19 may cause disruption in the supply chains and the labor force, thereby impacting the ability of many of the State Lessees to make lease hold payments, conduct lease maintenance operations, maintain production in paying quantities, comply with their obligation to reasonably develop the entire lease premises for minerals, and/or respond to demands made by the Board to timely develop and maintain their state leases;

**WHEREAS**, due to a combination of substantially increased oil production in Saudi Arabia and Russia and a substantial decrease in demand for oil throughout the world due to the ongoing COVID-19 pandemic, oil prices in Louisiana, the United States, and the world, generally, have fallen to historically low prices and there is a danger of insufficient storage capacity for oil in the near future;

**WHEREAS**, due to the historically low prices and lack of excess storage capacity, as well as a drop-in demand for oil as a result of COVID-19, operators and lessees may find it difficult to economically produce minerals from state leases and/or to market their oil, forcing them to either decrease production substantially or to shut-in otherwise productive wells;

**WHEREAS**, the Board recognizes that the oil and natural gas industries are important industries in Louisiana that employ many citizens of this state and that these industries need to remain strong in order to help continue to drive the state's economy;

**WHEREAS**, COVID-19 and the historically low prices are causing and are expected to cause serious negative impacts on the oil and gas industries, to the state and local economies, and are causing financial hardships to the citizens of Louisiana in the substantial loss of income due to the loss of compensable work hours, wages, layoffs, and business closures;

**WHEREAS**, the Board recognizes that the challenges to lease maintenance caused by COVID-19, related governmental directives, the historically low oil prices, and the limitations on oil storage capacity were unforeseeable and not susceptible to mitigation by most State Lessees;

**WHEREAS**, requiring separate requests by State Lessees and resolving such requests as to each State lease, operating agreement or voluntary unit agreement (referred to collectively in this Resolution as a "State Lease"), or requiring formal amendments to each State Lease, would be a substantial drain on time and resources for both industry and the State, especially now when workforce is limited by COVID-19;

**WHEREAS**, the Board recognizes that some State Lessees are still producing and continuing lease operations and are making royalty payments on the production that they obtain from State Leases. As the State is in need of this revenue, the Board encourages those State Lessees to continue producing and paying royalties, exploring for production on these leases in addition to making lease maintenance payments where possible, and

**WHEREAS**, the Board has determined that it is in the State's interest to take additional measures to promote stability and security in the oil and natural gas industries during this public health emergency.

**NOW, THEREFORE, BE IT RESOLVED** that due to the unprecedented effects of COVID-19, historically low oil prices, the unavailability of storage and the other findings herein, the Board hereby enacts a temporary moratorium on the enforcement of any and all lease maintenance obligations and conditions for all State Leases for the period beginning on March 11, 2020, and ending July 13, 2020 ("Temporary Moratorium"). At the conclusion of this period the Board will allow for another 30 days ("Resumption Period") for Lessees to resume or begin operations, production or lease maintenance payments sufficient to maintain the State Leases in effect. If any lease maintenance obligation comes due during the Temporary Moratorium or the Resumption Period and is not met by the end of the Resumption Period, the Board shall at that time have the right

to enforce such obligation. Any and all lease maintenance obligations that are complied with prior to or during the Resumption Period will be deemed to have occurred retroactively prior to the actual due date required by the terms of the State Lease. Similarly, if any State Lease would expire in whole or in part during the Temporary Moratorium or Resumption Period but for a rental, shut-in or other payment to the State, the performance of certain operations and/or the commencement or resumption of production and such payment is made, such operations are commenced and/or such production is commenced or resumed before the end of the Resumption Period, then for purposes of lease maintenance such payment shall be deemed to have been made, such operations shall be deemed to have commenced and such production shall be deemed to have commenced or resumed immediately before the time such State Lease would have otherwise expired without such payment, production or operations. All State Leases are hereby amended, without further action, to include the terms and provisions of this Resolution.

**BE IT FURTHER RESOLVED** that the Board wishes to emphasize that the Temporary Moratorium and Resumption Period enacted by this Resolution do not allow an operator or lessee to fail to pay royalties if they continue to obtain production during these times. If an operator or lessee continues to obtain production from State Leases, royalties and state production interests must be timely paid in accordance with the terms of the State Lease and applicable laws.

**BE IT FURTHER RESOLVED** that the Board, based on the findings stated above, finds it appropriate and does hereby postpone, delay, and suspend the specified deadlines established by the Board or OMR for State Lessees to respond to requests for reasonable development that were required to be submitted to OMR from March 11, 2020, through August 13, 2020, unless extended by future Board resolution, and the Board authorizes OMR to reschedule these deadlines to respond to reasonable development demands in a manner that allows for the orderly management of lease reviews and grants State Lessees sufficient time to perform their other obligations timely.

**CERTIFICATE**

I hereby certify that the above is true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on April 29, 2020, 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.

  
**JAMIE S. MANUEL, SECRETARY**  
**State Mineral and Energy Board**