

JOHN BEL EDWARDS
GOVERNOR



THOMAS F. HARRIS
SECRETARY

State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF MINERAL RESOURCES
STATE MINERAL AND ENERGY BOARD

TO: STATE MINERAL AND ENERGY BOARD MEMBERS

FROM: EMILE FONTENOT *E.F.*
PETROLEUM LANDS DIRECTOR
OFFICE OF MINERAL RESOURCES

DATE: DECEMBER 12, 2018

LEGAL & TITLE CONTROVERSY REPORT

1. A report on the total number of bankruptcy audits and money due/collected in the last decade and a discussion of Resolution No. 18-09-005.
2. A discussion of schedule for voting on and approving OMR Staff's Proposed New Lease Form.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

Non-Payment of
Royalty Demand
Procedures

RESOLUTION # 18-09-005

(AUDIT REPORT)

WHEREAS, pursuant to La. R.S. 30:136.A(1)(a), all bonuses, rentals, royalties, shut-in payments and other such sums payable to the State of Louisiana (State) for mineral leases upon state-owned lands shall be paid to the Office of Mineral Resources (OMR); and;

WHEREAS, non-payment or underpayment of royalty comes to the attention of the Mineral Income Division Staff (Staff) of OMR that is not timely resolved by the Payor;

WHEREAS, Staff seeks authority from the State Mineral and Energy Board (Board) to proceed in the following manner without any further direction from the Board when it comes to the attention of Staff that a Payor has submitted a State Royalty Report documenting that royalty payment is due without submission of sufficient corresponding payment or in any other situation where staff determines that a threat of nonpayment on future or ongoing production exists:

- 1) Staff will contact the Payor company regarding the non-payment and an incorrect reporting penalty billing will be issued;
- 2) Should payment not be made immediately after the Payor is contacted, the Attorney General is authorized by the Board to make a written demand for payment, in accordance with La. R.S. 31:137, for any past due royalties and/or penalty billings from the Payor and all parties associated with the leases;
- 3) Should compliance with the written demand not be made within the time required by statute, the Attorney General is authorized to seek all remedies prescribed by law including, but not limited to, judicial demand for all sums due, double the amount due as damages, attorney's fees and lease dissolution; and
- 4) If necessary and prudent under the particular circumstances, Staff, in conjunction with DNR Legal and the Attorney General's office, will contact the Purchaser of the product in an attempt to have the Purchaser remit payments directly to OMR on behalf of Payor.

WHEREAS, Staff, upon thorough review and consideration, recommended that the foregoing procedures be approved by the State Mineral and Energy Board;

LEGAL & TITLE CONTROVERSY REPORT

ATTACHMENT #1

Resolution No. 18-09-005

Page 1 of 2

ON MOTION of Mr. Haik, seconded by Mr. Hollenshead, the following Resolution was offered and unanimously adopted by the State Mineral and Energy Board:

NOW THEREFORE, BE IT RESOLVED that the State Mineral and Energy Board does hereby authorize the Mineral Income Division Staff to proceed in the following manner without any further direction from the State Mineral and Energy Board when it comes to the attention of Staff that a Payor has submitted a State Royalty Report documenting that royalty payment is due without submission of sufficient corresponding payment or in any other situation where staff determines that a threat of nonpayment on future or ongoing production exists:

- 1) Staff will contact the Payor company regarding the non-payment and an incorrect reporting penalty billing will be issued;
- 2) Should payment not be made immediately after the Payor is contacted, the Attorney General is authorized by the Board to make a written demand for payment, in accordance with La. R.S. 31:137, for any past due royalties and/or penalty billings from the Payor and all parties associated with the leases;
- 3) Should compliance with the written demand not be made within the time required by statute, the Attorney General is authorized to seek all remedies prescribed by law including, but not limited to, judicial demand for all sums due, double the amount due as damages, attorney's fees and lease dissolution; and
- 4) If necessary and prudent under the particular circumstances, Staff, in conjunction with DNR Legal and the Attorney General's office, will contact the Purchaser of the product in an attempt to have the Purchaser remit payments directly to OMR on behalf of the Payor.

CERTIFICATE

I HEREBY CERTIFY that the above is a true and correct copy of a Resolution adopted at a meeting on the 12th day of September, 2018 of the State Mineral and Energy Board in the City of Baton Rouge, State of Louisiana, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of the State Mineral and Energy Board and is now in full force and effect.



JAMIE S. MANUEL, SECRETARY
State Mineral and Energy Board