

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.

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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 minerals in  
45 paying quantities at a particular point or depth;

46 ~~(2) —continued at the site chosen to reach that point or depth;—~~ and

47 (3) conducted in such a manner that constitutes a single operation.

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

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

(I) "Unit" shall mean unitized or pooled mineral acreage by order of a governmental agency or by conventional agreement approved by Lessor.

~~(J) "Unitized Operations" shall mean Actual Drilling Operations, Actual Reworking Operations, Production in Paying Quantities, Acceptable Lease Operations and/or Shut-in Payments attributed to one or more wells, whether located on the Leased Premises or on lands pooled or unitized therewith, designated or otherwise constituting unit wells, cross unit wells, substitute unit wells and/or alternate unit wells in one or more Units encompassing all or a portion of the Leased Premises.~~

**ARTICLE 1 – BONUS**

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

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

**ARTICLE 2 – PRIMARY TERM**

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

(A) Subject to the provisions hereof, this Lease shall be for a term of \_\_\_\_ ( ) years ("Primary Term") and for so long thereafter as this Lease is maintained in force in any manner provided herein.

(B) If the Lessee is not in default under any of the terms and conditions of the Lease, the Lessee may apply to the Board in writing to extend the Primary Term of this Lease by a maximum of two (2) additional years. The Lessee must file his request to OMR not later than ninety (90) days prior to the expiration of the initial Primary Term. The Board may extend the Primary Term and said extension shall be on the same terms and conditions as set forth herein, except for any additional consideration and/or modified terms accepted by the Board for the granting of said extension.

**ARTICLE 3 - LEASE MAINTENANCE**

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

(1) If Actual Drilling Operations or Production in Paying Quantities is not occurring on the first Anniversary Date, this Lease shall terminate unless Lessee, on or before the first Anniversary Date, pays to Lessor the sum of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars ("Rental"). Timely payment of a Rental shall extend for twelve (12) months from the Anniversary Date the time within which Actual Drilling Operations or Production in Paying Quantities must be commenced in order to maintain this Lease. If, during the Primary Term but after the first year thereof, this Lease has been maintained and Actual Drilling Operations or Production in Paying Quantities is not occurring on an Anniversary Date, this Lease shall terminate unless Lessee pays a Rental to the Lessor on or before that Anniversary Date. The Lessor is not required to give notice that Rentals are due. Rental payment by Lessee shall be in a form acceptable by the Board and made payable to the order of the "Office of Mineral Resources" and delivered or mailed to OMR on or before the Anniversary Date.

(2) If Actual Drilling Operations or Production in Paying Quantities is occurring on an Anniversary Date during the Primary Term, no Rental shall be due and this Lease shall remain in effect for twelve (12) months from that Anniversary Date as if a Rental had been paid.

(3) Should Actual Drilling Operations be abandoned or suspended or Production in Paying Quantities cease at any time within a period of ninety (90) days prior to an Anniversary Date during the Primary Term, Lessee shall have a period of ninety (90) days after the date of such abandonment, suspension or cessation within which

1 to commence or resume Actual Drilling Operations or Production in Paying  
2 Quantities on the Leased Premises, or make the Rental payment. The  
3 commencement or resumption of Actual Drilling Operations or Production in  
4 Paying Quantities or payment of Rental within the ninety (90) day period shall have  
5 the same effect as though such were commenced, resumed or Rental paid on or  
6 before the Anniversary Date.  
7

8 **(B) Lease Maintenance at the end of the Primary Term and Thereafter**  
9

10 (1) This Lease shall terminate at the end of the Primary Term unless Acceptable Lease  
11 Operations or Production in Paying Quantities is occurring. If Acceptable Lease  
12 Operations or Production in Paying Quantities is occurring at the end of the Primary  
13 Term, this Lease shall terminate unless Acceptable Lease Operations or Production  
14 in Paying Quantities continue without a lapse of greater than ninety (90) days  
15 between cessation of Acceptable Lease Operations or Production in Paying  
16 Quantities and their recommencement.  
17

18 (2) If Acceptable Lease Operations or Production in Paying Quantities cease within  
19 ninety (90) days prior to expiration of the Primary Term or at any time after the  
20 Primary Term, and Lessee commences or resumes Acceptable Lease Operations or  
21 Production in Paying Quantities within ninety (90) days after such cessation, this  
22 Lease will continue for so long as Acceptable Lease Operations or Production in  
23 Paying Quantities continue. If Lessee fails to commence Acceptable Lease  
24 Operations or Production in Paying Quantities within ninety (90) days or there is a  
25 lapse of greater than ninety (90) days between cessation of Acceptable Lease  
26 Operations or Production in Paying Quantities, this Lease shall thereupon  
27 terminate.  
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”) for that Unit shall serve to maintain this Lease, pursuant  
35 to the applicable provisions found in sections (A), (B), or (D) of this article, only as  
36 to that portion of the Leased Premises embraced in such a Unit and this Lease shall  
37 terminate as to all acreage lying outside the Unit (“**Outside Acreage**”) unless  
38 maintained as set forth herein below. For purposes of maintaining this Lease with  
39 Unitized Operations pursuant to this section, the definitions for the defined terms  
40 Actual Drilling Operations, Actual Reworking Operations, Production in Paying  
41 Quantities, Acceptable Lease Operations and/or Shut-in Payments, are expanded to  
42 include operations, production or payments attributed to wells whether located on the  
43 Leased 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  
15 (4) Nothing contained in this Article is intended to create nor shall have the effect of  
16 creating several or separate Leases, or in any manner serve to extend, increase or limit  
17 the obligation of Lessee to protect the Leased Premises from drainage as required in  
18 this Lease or otherwise.  
19

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

21  
22 (1) If at any time or times (during or after the Primary Term) there is on the Leased  
23 Premises a gas and/or oil well or wells capable of Production in Paying Quantities,  
24 but gas and/or oil is not being used, produced or marketed therefrom because of the  
25 lack of a reasonable market or production/marketing facilities (“**Qualifying**  
26 **Conditions**”), and if this Lease is not then being otherwise maintained, Lessee may  
27 make a request to maintain this Lease in force by making a payment at the rate of  
28 Fifty (\$50.00) Dollars per acre for the acreage not otherwise maintained under the  
29 terms of this Lease (“Shut-In Acreage”), but in no event shall payment be less than  
30 One Thousand (\$1,000.00) Dollars (“**Shut-In Payment**”). A Shut-In Payment shall  
31 maintain this Lease as to Shut-In Acreage for a period of six (6) months (“**Shut-In**  
32 **Period**”), during which, it shall be considered that there is Production in Paying  
33 Quantities for lease maintenance purposes only. The Shut-In Payment must be  
34 made prior to the termination of this Lease as to the Shut-In Acreage.  
35

36 (2) Lessee’s request to make a Shut-In Payment must clearly demonstrate proof to the  
37 Lessor the existence of the Qualifying Conditions and that Lessee has, and is  
38 continuing, to diligently, and in good faith, attempt to remedy the lack of facilities  
39 to produce or market the product or obtain a market contract for the product.  
40 Lessee’s request to make a Shut-In Payment requires Lessor’s approval and shall  
41 be at the sole discretion of Lessor, which approval shall not be unreasonably  
42 withheld. However, if this Lease can be maintained by the payment of a Rental,  
43 Lessor has the sole discretion to require the Lessee to maintain the Lease by  
44 payment of a Rental rather than by a Shut-In Payment.  
45

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

with the terms and requirements herein, with any such extension(s) to be approved via an acknowledgment Resolution having the effect of an amendment of this Lease.

(E) Termination of Deep Rights:

(1) No sooner than the second Anniversary Date beyond the end of the Primary Term, the Lessor may terminate this Lease as to all or a portion of the Leased Premises as to ~~the following all depths: for vertical wells located on the Leased Premises or on lands pooled or unitized therewith,~~ one hundred feet (100') ~~true vertical depth for vertical wells and three hundred feet (300') for horizontal wells~~ below the deepest depth at which casing is set; ~~for horizontal wells producing perforation in the well or wells~~ located on the Leased Premises or on lands pooled or unitized therewith, ~~three hundred feet (300') true vertical depth below the deepest depth reached by the horizontal lateral between the first takepoint and the last takepoint; or a deeper depth agreed to by the Lessor ("Deep Rights Acreage").~~ In applying this provision and arriving at a depth at which this Lease will terminate and the Deep Rights Acreage will begin ("*Termination Depth*"), ~~unless otherwise agreed to by the Lessor,~~ the Termination Depth shall be ~~measured in true vertical depth and shall be~~ uniform, constant and unvarying throughout the entirety of the geographic confines of the Deep Rights Acreage.

(2) In the event that Lessor exercises its right to terminate this Lease as to the Deep Rights Acreage, Lessor shall have the right to enter into new agreements for the exploration and production of minerals from the Deep Rights Acreage, and in connection therewith to grant someone other than the Lessee the right to explore, develop, produce and market minerals from the Deep Rights Acreage, together with the rights of ingress and egress through the Leased Premises to conduct such operations, commensurate with the rights granted to Lessee herein, including the right to penetrate and drill through the formations above the Deep Rights Acreage. The rights retained by the Lessee and the rights granted with respect to the Deep Rights Acreage shall be exercised in such manner that neither shall unduly interfere with the operations of the other upon the Leased Premises or the Deep Rights Acreage.

**ARTICLE 4 – TRANSFERS AND ASSIGNMENTS**

(A) No assignment, sublease or other transfer, in whole or in part, of any rights or interest granted to Lessee under this Lease (collectively hereinafter referred to as an "*Assignment*") shall be valid unless approved by Lessor in accordance with La. R.S. 30:128 and as amended.

(B) An assignor, sublessor or transferor making an Assignment of this Lease is not relieved of his obligations or liabilities under this Lease unless the Lessor has discharged him expressly and in writing, notwithstanding approval of the Assignment by Lessor and regardless of any understanding, agreement, language or reference to the contrary set forth in the terms and conditions of the Assignment.

(C) All terms, provisions, conditions, duties, responsibilities and obligations of this Lease shall be binding upon and inure to the benefit of an assignee(s), sublessee(s) and transferee(s).

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

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

(A) (1) If, at any time this Lease is being maintained by Acceptable Lease Operations and/or Production in Paying Quantities, and Lessee is prevented from continuing Acceptable Lease Operations and/or Production in Paying Quantities by the occurrence of a Force Majeure or Suspending Event as defined in this article, ("*Incident*"), and Lessee cannot maintain this Lease under any other operative provision of this Lease, such as the Rental payment, Deferred Development Payment or Shut-In Payment, then and only then shall the date for Lessee to recommence Acceptable Lease Operations and/or Production in Paying Quantities in

1 order to maintain this Lease be postponed on a day-for-day basis for so long as the  
2 adverse effects of the Incident continue, providing that Lessee provides OMR with  
3 notice in accordance with section (B) of this article and that Lessee is diligently,  
4 reasonably and in good faith attempting to mitigate and eliminate the effects of the  
5 Incident. The occurrence of an Incident shall not maintain this Lease for more than  
6 twelve (12) months from the date of the Incident onset unless extended by Lessor.  
7

8 (2) A determination as to whether Lessee can utilize this article and whether Lessee  
9 has complied with the requirements thereof is at the sole, reasonable discretion of  
10 Lessor. In making such a determination, Lessor shall not consider Lessee's  
11 financial inability to comply with any of the obligations of this Lease and an  
12 increase in costs of performing the obligations set forth in this Lease shall not  
13 constitute circumstances beyond Lessee's control.  
14

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

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

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

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

#### 57 ARTICLE 6 – UNITS

58  
59 (A) Lessee may include all or a portion of the Leased Premises within a Unit. Nonetheless,  
60 Lessee must obtain Lessor's approval prior to including all or a portion of the Leased  
61 Premises in a Unit through a conventional agreement.  
62



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1 (B) If Lessee applies for, gives notice of the intent to apply for, or receives notice of an  
2 application to the Commissioner of Conservation for the creation, dissolution, or  
3 modification of any Unit that includes, or is seeking to include or exclude, all or a portion  
4 of the Leased Premises, Lessee shall provide Lessor with copies of same, in addition to any  
5 information attached thereto. Said copies shall be furnished to Lessor either at the time the  
6 application or notice is filed with the Commissioner of Conservation or at the time required  
7 by applicable orders or regulations of the Commissioner of Conservation for furnishing  
8 such information, whichever is earlier. For a Unit created by an order of the Commissioner  
9 of Conservation, which includes all or a portion of the Leased Premises, Lessee shall  
10 furnish Lessor a survey plat for the Unit either prior to or within ninety (90) days of initial  
11 production from said Unit. The Lessor may, upon written request by the Lessee, extend  
12 the time period to furnish Lessor the survey plat or waive this requirement.

13  
14 (C) Lessee agrees to pay the royalty required by this Lease from the effective date of a Unit  
15 that includes all or a portion of the Leased Premises, regardless of whether or not  
16 development and operating costs chargeable to the Leased Premises have been paid.

### ARTICLE 7 – PROTECTION AGAINST DRAINAGE

17  
18  
19  
20 (A) Lessee agrees to protect the Leased Premises from drainage of oil, gas or other liquid or  
21 gaseous minerals by a well producing from adjacent or nearby property (“*Adjacent Well*”)  
22 not owned by Lessor and not included in a Unit ~~containing all or a portion of the Leased~~  
23 ~~Premises (“*Drainage*”).~~ It shall be presumed, subject to rebuttal by Lessee, that Drainage  
24 is occurring if the Adjacent Well is producing within six hundred and sixty feet (660’) of  
25 the Leased Premises (or within any spacing or pooling unit distance greater than 660 feet  
26 established by the Commissioner of Conservation) ~~or the boundary of any Unit containing~~  
27 ~~all or a portion of the Leased Premises.~~ This presumption shall not serve to limit or  
28 preclude Lessee’s obligation to protect the Leased Premises from Drainage in cases where  
29 the facts giving rise to the presumption do not exist.

30  
31 (B) In order to satisfy its obligation to protect from Drainage, Lessee shall, within one hundred  
32 twenty (120) days after the completion date of the Adjacent Well, begin Actual Drilling  
33 Operations for a well drilled to a depth necessary to protect the Leased Premises from  
34 Drainage, if a reasonably prudent operator would drill such a well (“*Offset Well*”). If  
35 Lessee is not an operator or does not have an interest in the Adjacent Well, the Lessee shall  
36 be required to begin such operations within one hundred twenty (120) days after receipt of  
37 written notice from Lessor.

38  
39 (C) Lessee may delay the drilling of an Offset Well for a period not to exceed one (1) year by  
40 making payments to Lessor in the same manner and amount equal to one-half (1/2) the  
41 royalties Lessee would have to pay pursuant to this Lease, as if the production being  
42 obtained from the Adjacent Well was being obtained from a well producing from the  
43 Leased Premises (“*Offset Royalties*”). Offset Royalties are intended to permit Lessee time  
44 to further evaluate the producing Adjacent Well, and the payment of Offset Royalties shall  
45 not of itself serve to maintain this Lease if not otherwise maintained.

46  
47 (D) The obligation to protect the Leased Premises from Drainage and the requirements of this  
48 article shall be satisfied with respect to a particular Adjacent Well on the date that Lessee  
49 either releases the affected portion of the Leased Premises or initiates unitization  
50 proceedings to include all or a portion of the Leased Premises ~~is included~~ within a Unit in  
51 which the particular Adjacent Well is serving as the Unit well. Any damages from Drainage  
52 occurring prior to the date such a release is executed or such ~~a~~ Unit is created are owed by  
53 the Lessee to the Lessor.

### ARTICLE 8 – LESSEE REPORTING

54  
55  
56 (A) Lessee shall furnish Lessor, upon request, well and survey data reasonably available to  
57 Lessee relating to the Leased Premises or lands pooled therewith including, but not limited  
58 to: (1) all wire line surveys and all (open and cased hole) logs run in the well in paper and  
59 digital formats to be determined by Lessor; (2) directional surveys; (3) mud logs and core  
60 descriptions of both sidewall samples and conventional cores; (4) drill stem and production  
61 test data; (5) daily drilling reports (to be supplied weekly); and (6) production data, current

1 and cumulative, including oil, gas and water production, surface and subsurface pressures.  
2 Upon request, Lessee also shall furnish Lessor with any and all other information  
3 reasonably available to Lessee to keep Lessor informed of Lessee's compliance with the  
4 provisions of this Lease and operations on the Leased Premises. To the extent allowed by  
5 law, Lessor agrees to keep confidential any information submitted under this article that is  
6 not already part of the public domain.  
7

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

13 **ARTICLE 9 – ROYALTY**

- 14 (A) Unless Lessor elects to take in-kind all or any part of the portion due Lessor as royalty on  
15 minerals produced, saved, sold, utilized or severed hereunder pursuant to La. R.S.  
16 30:127(C), which option may be exercised at any time and for any duration upon written  
17 notice to Lessee, Lessee shall pay royalty to the Lessor as follows:  
18

19 (B) **ROYALTY ON OIL**

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

39 (2) Lessee must exercise due diligence and make reasonable efforts to market all  
40 production from the Leased Premises to obtain the best price reasonably available  
41 for the oil. Lessee shall place oil produced, saved, sold, utilized or severed from  
42 the Leased Premises in marketable condition and Lessee cannot deduct from the  
43 value of said oil any costs associated with putting the oil into a marketable  
44 condition, except as specifically allowed elsewhere in this article. Marketable  
45 condition for oil means sufficiently free from impurities and otherwise in a  
46 condition that it will be acceptable by a Non-Affiliate purchaser under a sales  
47 contract typical for the field or area.  
48

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

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

11  
12 (C) ROYALTY ON GAS

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

- 31  
32 (2) Lessee must exercise due diligence and make reasonable efforts to market all gas  
33 production from the Leased Premises to obtain the best price reasonably available  
34 for the gas. Lessee shall place gas produced, saved, sold, utilized or severed from  
35 the Leased Premises in marketable condition and Lessee cannot deduct from the  
36 value of said gas any costs associated with putting the gas into a marketable  
37 condition, except as specifically allowed elsewhere in this article. Marketable  
38 condition for gas means sufficiently free from impurities and otherwise in a  
39 condition that it will be acceptable by a Non-Affiliate purchaser under a sales  
40 contract typical for the field or area, or when the gas meets the location, quality and  
41 pressure specifications for transmission into an interstate pipeline or processing  
42 facility.

- 43  
44 (3) Except as expressly permitted herein, Lessee shall not make any deduction  
45 whatsoever for the cost of any operation, process, facility, or other item considered  
46 to be a function of production, exploration, development, primary or enhanced  
47 recovery or abandonment at the time such gas is produced. Without limiting the  
48 foregoing sentence, the following costs are not to be deducted from the value of  
49 gas: (a) costs incurred for gathering, whether inside or outside the field; (b) costs  
50 incurred for transportation within the field; (c) costs incurred for lifting, recycling,  
51 separating, treating, dehydrating, removing contaminants, amine treating, glycol,  
52 methanol and chemical injection, or in any way processing gas production to put it  
53 in marketable condition; (d) any marketing fees. The performance of any non-  
54 deductible function at a commingled facility in or outside the field in which the  
55 Leased Premises is situated shall not make the cost of any such function deductible.  
56 Lessee may deduct costs incurred for compression of gas at a point in or adjacent  
57 to the field for insertion into a purchaser's line or into a line owned by Lessee or a  
58 carrier for transportation to a point of delivery outside the field.

- 59  
60 (4) If Lessee delivers such gas at a point outside the field in which the Leased Premises  
61 is situated, Lessee may deduct from the value of such gas the reasonable, actual,

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

10 (D) ROYALTY ON NGLS

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

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

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

59 (E) GENERAL PROVISIONS APPLICABLE TO ALL ROYALTY

60 (1) Lessee shall report all production of hydrocarbons and associated liquid or gaseous  
61 minerals from, or attributable to, this Lease to the Production Audit Division of the

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1 Office of Conservation and to the Mineral Income Division of the Office of Mineral  
2 Resources by appropriate forms containing both LeaseUnitWell (LUW) code and,  
3 beginning January 1, 2013, well serial number. Failure to report production as  
4 herein specified shall be deemed “improper reporting” which shall subject Lessee  
5 to the penalty as allow by law or this Lease.  
6

- 7 (2) If Lessee receives compensation for any function, process or liability related to  
8 production from the Leased Premises without the right given herein to deduct the  
9 costs related to such compensation, such compensation amount shall be included in  
10 the value for such production type when computing royalties.  
11
- 12 (3) Lessor’s royalty shall be calculated and paid after deduction of all severance or  
13 production taxes.  
14
- 15 (4) The first payment of royalty shall be made within one hundred twenty (120) days  
16 following commencement of production. In the case of any production which has  
17 occurred prior to the Effective Date, but which is deemed to be covered by this  
18 Lease, Lessee hereby agrees to pay Lessor’s royalty on all such prior production  
19 within one hundred twenty (120) days from the Effective Date. Thereafter, royalty  
20 on oil, including condensate or other liquid mineral, shall be paid by the 25th of  
21 each month for production of the previous month; and royalty on gas, including  
22 NGLs extracted or processed from gas, shall be paid on or before the 25th day of  
23 the second month following that in which such gas was produced or extracted or  
24 processed. In the event any royalty payment is not correctly or timely made, the  
25 remedies provided by La..R.S. 31:137 through 142 and La. R.S. 30:136 relative to  
26 notice, damages, penalty, interest, attorney fees, and dissolution shall be applicable,  
27 except that interest shall be payable thereon until paid without any requirement for  
28 prior written notice by Lessor to Lessee.  
29
- 30 (5) Lessee may recycle gas or liquid hydrocarbons produced from the Leased Premises  
31 for gas and/or oil lift purposes on the Leased Premises or for injection into any oil  
32 or gas producing formation underlying the Leased Premises for stimulating the  
33 production of oil or for secondary recovery purposes and no royalties shall be  
34 payable on the gas or liquid hydrocarbon so recycled until such time as the same  
35 may thereafter be severed from, produced, saved, sold, or utilized by Lessee in such  
36 manner as to entitle Lessor to a royalty thereon under the royalty provisions of this  
37 Lease.  
38

39 **ARTICLE 10 – AUDIT RECORDS**

40  
41 Lessee shall establish and maintain in an organized manner all records, reports and other  
42 information reasonably relevant to its calculation of royalties, deductions and/or other sums due  
43 by Lessee under the terms of this Lease. Upon reasonable notice, Lessor, through OMR, shall  
44 have the right to access such records in the manner and format they are regularly maintained in the  
45 ordinary course of business for the purpose of review, duplication and/or audit. To the extent  
46 allowed by law, all such records, reports and other information provided for review, duplication  
47 or audit shall be maintained by OMR personnel in strict confidence.  
48

49 **ARTICLE 11 – LEASE ACCESS**

- 50  
51 (A) Lessee shall maintain and preserve the public’s access to public waterways throughout the  
52 State lands covered by this Lease.  
53
- 54 (B) Lessor or Lessor’s representatives shall have access at all reasonable times to examine and  
55 inspect Lessee’s operations being conducted on, or records pertaining to, the Leased  
56 Premises or lands pooled or unitized therewith, to ensure compliance with all Lease  
57 requirements or to exercise any right of Lessor under this Lease.  
58
- 59 (C) Lessor retains the right to sell, exchange, transfer, or otherwise dispose of all or any portion  
60 of the Leased Premises and all rights in the Leased Premises not expressly granted to  
61 Lessee or necessarily implied by this Lease. Further, Lessor shall have the right to use any  
62 and all portions of the Leased Premises for any purpose or to issue rights-of-ways and

1 servitudes upon the Leased Premises provided doing so does not unreasonably interfere  
2 with the rights of Lessee.

3  
4 **ARTICLE 12 – LESSOR’S RIGHTS**

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

11 **ARTICLE 13 – SURFACE USE AND RESTORATION**

12  
13 (A) SURFACE USE

14  
15 (1) Lessee shall comply with and be subject to all applicable state and federal laws and  
16 regulations, in effect now and as amended, and all laws and regulations enacted  
17 after the effective date of this Lease which govern: exploration and production (or  
18 where applicable, hazardous or industrial) waste disposal, storage, treatment,  
19 transportation, or management; environmental quality (regardless of the  
20 environmental media involved); oil and gas conservation; navigation; archeological  
21 resources; cemeteries; coastal resource management; and wetlands protection and  
22 restoration.

23  
24 (2) Lessee shall conduct operations with the highest degree of care using standard  
25 industry practices and procedures and proper safeguards and take all reasonably  
26 necessary preparations and precautions to prevent pollution, fire, explosion, and  
27 environmental damage to the Leased Premises. Lessee shall use all means at its  
28 disposal to recapture all escaped hydrocarbon minerals or other pollutants. Lessee  
29 shall be responsible, without limitation, for all damage to the Leased Premises  
30 caused by its operations including, but not limited to loss or damage to timber,  
31 crops, roads, buildings, fences, bridges, soil, surface and subsurface water, aquifers  
32 and vegetation, and also all environmental damage as that term is defined in La.  
33 R.S. 30:29. This responsibility shall be irrespective of whether such damage is due  
34 to negligence, or to the inherent nature of Lessee's activities or operations or other  
35 reason(s).

36  
37 (3) Within sixty (60) days following the completion of each operation under this Lease,  
38 Lessee shall remove all materials and equipment no longer necessary for  
39 exploration or production (including without limitation all submerged materials,  
40 equipment or debris) that were placed on the Leased Premises by or for the account  
41 of Lessee and may impede commercial fishing and trawling.

42  
43 (4) Lessee shall report all unpermitted and reportable discharges on the Leased  
44 Premises as required by applicable state and federal environmental and  
45 conservation statutes and regulations to the Lessor and any other legally required  
46 entity.

47  
48 (5) Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises,  
49 all improvements thereon utilized, owned, placed and/or caused to be placed by  
50 Lessee and all facilities appurtenant to such improvements in good order and repair  
51 and in the appropriate condition for the safe conduct of any activities or enterprises  
52 conducted on the Leased Premises pursuant to the rights granted hereunder, and  
53 any applicable state or federal laws.

54  
55 (B) RESTORATION

56  
57 (1) Lessee shall be obligated to plug and abandon all wells on the Leased Premises no  
58 longer producing or utilized for operations or production on the Leased Premises,  
59 to remove from the Leased Premises all structures and facilities owned, utilized,  
60 placed or caused to be placed by Lessee which are no longer utilized for operations

1 or production on the Leased Premises, and to restore the Leased Premises, as near  
2 as practicable, to the condition existing on the Effective Date of this Lease (  
3 **“Restoration Obligations”**), all at Lessee’s sole risk, cost and expense and subject  
4 to compliance with laws, rules and regulations. Lessee shall complete the  
5 Restoration Obligations within one (1) year commencing on the earliest of the  
6 following dates: (a) the date said wells, structures or facilities are no longer actually  
7 producing or no longer actually utilized for operations or production on the Leased  
8 Premises; or (b) the date this Lease has expired, terminated or been released  
9 (whichever occurs first) as to all or a portion of the Leased Premises. The failure of  
10 the Lessee to timely complete the Restoration Obligations shall subject Lessee to  
11 and make Lessee liable for any and all costs or expenses of any kind incurred by  
12 the State for plugging said wells or removing said structures or facilities, but in no  
13 instance shall title to or ownership of said facilities automatically vest in or transfer  
14 to the State nor shall said wells, structures or facilities be deemed “improvements”  
15 to the Leased Premises for purposes of vesting title in same to the State.  
16

17 (2) Lessor recognizes Lessee’s right and obligation to draw and remove casing from  
18 wells and further, to remove any structures and facilities no longer utilized in  
19 operations or production on the Leased Premises. However, unless otherwise  
20 approved by Lessor, Lessee or its agent shall not be permitted to salvage and/or  
21 remove from the Leased Premises equipment, machinery, structures or facilities no  
22 longer utilized by any wells until the said wells on the Leased Premises are first  
23 plugged and abandoned in accordance with all applicable laws, rules and  
24 regulations.  
25

26 **ARTICLE 14 - FINANCIAL SECURITY**  
27

28 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on  
29 the Leased Premises shall provide financial security for the plugging and abandoning, and  
30 associated site restoration of each well drilled. Lessee’s obligation to provide financial  
31 security also is required upon a change of operatorship of a well on the Leased Premises.  
32

33 (B) Lessee’s obligation under this Lease to provide financial security for the plugging and  
34 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully  
35 establishing and maintaining financial security of a nature, to the extent, and in the amount  
36 required to comply with the applicable statutes, rules and regulations of the Louisiana  
37 Office of Conservation.  
38

39 (C) Lessee shall furnish to Lessor, upon request, evidence of the financial security so provided  
40 to the Louisiana Commissioner of Conservation.  
41

42 **ARTICLE 15 - GENERAL LIABILITY INSURANCE**  
43

44 (A) Lessee, at its sole expense, shall purchase and maintain in full force and effect, throughout  
45 the Operational Term and continuing until all Lease obligations are fulfilled, a policy(s) of  
46 commercial general liability insurance having a minimum limit per occurrence of One  
47 Million (\$1,000,000.00) Dollars and excess liability insurance having a minimum limit per  
48 occurrence of Two Million (\$2,000,000.00) Dollars (or other such limits as deemed  
49 reasonably appropriate and necessary by Lessor after notice and Board review). This  
50 policy(s) shall identify Lessor as an additional insured, be applicable to the Leased  
51 Premises and provide coverage, except as may be limited by law, to Lessor and Lessee  
52 against claims for bodily injury, death and property damage, and for pollution incidents of  
53 a sudden and accidental nature causing such harm that may arise from or in connection  
54 with the development and production activities and operations conducted pursuant to this  
55 Lease by Lessee, its operators, contractors, employees, agents, representatives and their  
56 successors and assigns.  
57

58 Documents evidencing satisfaction of the requirements of this section shall be provided to  
59 Lessor prior to commencement of the Operational Term, with the Certificate Holder listed  
60 as:  
61  
62

1 State of Louisiana  
2 Office of Mineral Resources  
3 LaSalle Building – 8<sup>th</sup> Floor  
4 617 North Third Street  
5 Baton Rouge, Louisiana 70802  
6 Ref: State Lease No. \_\_\_\_\_  
7

8 For purposes of this Article, the “*Operational Term*” shall commence thirty (30) days prior  
9 to any surface activity on the Leased Premises in furtherance of the development and  
10 production of oil and gas including, but not limited, to surveying, mobilization, location  
11 preparation and other such activities preliminary to development of this Lease.  
12

- 13 (B) At the discretion of Lessor, Lessee may be authorized to satisfy the requirements of this  
14 Article by means of self-insurance. Such authorization will not be unreasonably withheld  
15 if Lessee is able to demonstrate sustained financial stability and satisfy all other  
16 requirements of Lessor.  
17
- 18 (C) The insurance coverage required hereby shall be provided at Lessee’s sole expense and the  
19 insurer shall have no recourse against Lessor for payment of premiums or any assessments  
20 required by the policy(s). Deductibles and/or self-insured retentions must be reasonable,  
21 within industry standards and, upon request, disclosed by Lessee to Lessor, with Lessee  
22 solely responsible for paying all such deductibles and/or self-insured retentions.  
23
- 24 (D) The insurance coverage required hereby of Lessee shall be provided by a company  
25 authorized to do business in the State of Louisiana having an A.M. Best’s rating of A-:VI  
26 or higher. At any time, if an insurer issuing such policy(s) does not meet the minimum  
27 A.M. Best rating, Lessee shall obtain a substitute policy(s) with an insurer possessing such  
28 rating and submit a substitute Certificate of Insurance in compliance herewith.  
29
- 30 (E) Lessee shall furnish to Lessor, on an annual basis within thirty (30) days of the policy’s  
31 annual renewal date, a Certificate(s) of Insurance fully completed and signed by the  
32 insurer’s authorized representative evidencing satisfaction of the insurance coverage  
33 requirements of this Article. Additionally, upon request, Lessee shall provide to Lessor  
34 the Declaration Page and the Cancellation Endorsement for the policy(s), along with any  
35 additional endorsements that may be requested by Lessor.  
36

37 **ARTICLE 16 – TITLE DISPUTES**  
38

- 39 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and accepted  
40 without any warranty of title and without any recourse against Lessor whatsoever, either  
41 express or implied. It is expressly agreed that Lessor shall not be required to return any  
42 payments received hereunder or be otherwise responsible to Lessee therefor. Lessee  
43 represents that it has investigated title to the Leased Premises and is satisfied with such  
44 title as Lessor may have. Lessor hereby disclaims any covenant of quiet enjoyment or  
45 peaceful possession of the Leased Premises.  
46
- 47 (B) In the event of a bona fide dispute or litigation involving Lessor’s ownership or title to any  
48 portion of the Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and  
49 provide any information and/or documentation in Lessee’s possession or to which Lessee  
50 has access regarding such dispute, including the identity of the adverse claimant(s) and the  
51 nature of the dispute.  
52
- 53 (C) During the pendency of and through resolution of the dispute or litigation, Lessee shall  
54 comply with all terms, provisions and requirements of this Lease, including the payment  
55 of royalty, and shall be deemed in default of payment of royalty if Lessee suspends or stops  
56 making royalty payments. However, in lieu of making said payments directly to Lessor,  
57 Lessee may:  
58
- 59 (1) Request and obtain authorization from Lessor to suspend the direct payment of  
60 royalty due on the production attributable to the disputed acreage, deposit the  
61 royalty payments into an interest bearing escrow account at a FDIC insured



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- 1 financial institution having a presence within the State and fully comply with the  
2 title dispute protocol approved by Lessor; or  
3  
4 (2) Initiate a concursus proceeding and deposit the royalty payments attributable to the  
5 disputed acreage into the court registry; or  
6  
7 (3) Take other action as authorized by Lessor.
- 8 (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any rights  
9 Lessor may have to review, examine, audit, dispute, challenge or contest any payments  
10 made or not made by or on behalf of Lessee on the production attributable to the disputed  
11 acreage. In the event an audit or other examination should reveal that the sums deposited  
12 into an escrow account or into the registry of the court are incorrect, Lessee shall remain  
13 fully responsible for all royalty amounts determined to be due and owing, and may be  
14 subject to payment of interest and penalties as required by law or the terms of this Lease.  
15
- 16 (E) Upon termination of any escrow authority, concursus proceeding or other action authorized  
17 by Lessor, royalty payments due on the production attributable to the disputed acreage shall  
18 be made directly to Lessor in accordance with the provisions of this Lease or the terms of  
19 any settlement or final unappealable judgment that resolves the title dispute.  
20

21  
22 **ARTICLE 17 - TERMINATION AND RELEASE**  
23 **3-13-19 Preliminarily Accepted as Written**  
24

- 25 (A) Lessee may release all or any portion or portions of the Leased Premises at any time this  
26 Lease is in effect and thereby be relieved of all obligations thereafter accruing under this  
27 Lease as to the portions surrendered; however, no partial release shall reduce or otherwise  
28 affect the amount of Rentals required to maintain this Lease during the Primary Term  
29 thereof. Nor shall any release of this Lease, in whole or in part, relieve the Lessee or any  
30 of its successors or assigns of any obligations to plug and abandon wells, restore the Leased  
31 Premises, or any other obligations arising under Louisiana Commissioner of Conservation  
32 orders, decisions, or regulations pertaining to the remediation of well sites.  
33
- 34 (B) Within ninety (90) days after termination of this Lease as to any portion of the Leased  
35 Premises, either during or after the Primary Term hereof, Lessee shall execute and record  
36 an appropriate release evidencing such expiration or termination, and shall also supply  
37 Lessor with a copy or copies thereof properly certified by the recorder or recorders of the  
38 parish or parishes in which the Leased Premises are located. In the event Lessee fails to  
39 timely comply therewith, Lessee shall be liable for reasonable attorney fees and court costs  
40 incurred in bringing suit for such cancellation, and for all damages resulting therefrom. It  
41 is agreed, however, that damages to be paid by Lessee to Lessor shall be One Hundred  
42 Dollars (\$100.00) per day for each day of non-compliance after expiration of said ninety  
43 (90) day period, regardless of whether suit is filed for cancellation, and for such additional  
44 compensatory damages as Lessor may prove. Lessee its successors or assigns, hereby  
45 waives any further notice of default or otherwise and confesses judgment as regards the  
46 liquidated damages accruing as herein set forth.  
47
- 48 (C) Within ninety (90) days after termination of this Lease as to any portion of the Leased  
49 Premises, either during or after the Primary Term, Lessee shall submit to OMR a listing of  
50 all unplugged wells and facilities owned, or placed and/or caused to be placed by Lessee  
51 on the acreage released and a written preliminary plan which sets forth the Lessee's  
52 schedule for complying with its Restoration Obligations of the Leased Premises.  
53

54 **ARTICLE 18 – NOTICES**  
55

- 56 A) All notices required by this Lease or by law to be served on, given to, or delivered shall be  
57 in writing and shall be properly addressed to the Lessee(s) at the last address provided to  
58 OMR pursuant to La. R.S. 30:123.1 or section (B) of this article or to OMR at 617 N. 3<sup>rd</sup>  
59 Street, LaSalle Building, 8<sup>th</sup> Floor, Baton Rouge, Louisiana 70802 or P.O. Box 2827 Baton  
60 Rouge, Louisiana 70821-2827. Such notices shall be deemed effective and delivered (i)  
61 upon receipt if delivered personally; or (ii) if properly addressed, upon deposit in the U.S.

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1 mail, registered or certified, postage prepaid, return receipt requested; or (iii) if properly  
2 addressed, one (1) business day after it is sent by recognized commercial overnight courier  
3 service.

4  
5 B) Each Lessee(s) desiring to change its physical and/or mailing address shall be responsible  
6 for providing OMR with the new address. Written notice pursuant to this section is  
7 required ten days prior to the effective date of the address change and must be transmitted  
8 in accordance with section (A) of this article.

9  
10 C) Upon an Assignment, Lessee(s)/Assignor(s) and/or the Assignee(s) shall ensure that the  
11 information required pursuant to La. R.S. 30:123.1 for the Assignee(s) is current for  
12 purposes of notice herein.

13  
14 D) Failure of Lessee to update and/or maintain accurate contact information shall not  
15 invalidate any notice given by OMR.

16  
17 **ARTICLE 19 – INDEMNITY AND HOLD HARMLESS**

18  
19 Lessee unconditionally agrees to respond to, investigate, defend, protect, save, indemnify, and hold  
20 free and harmless the State, the Department of Natural Resources, the Board and OMR from any  
21 and all demands, claims, causes of action, damages, judgments, costs, fees, expenses and attorney  
22 fees arising from any harm, loss, injury or death to any person, or any harm, loss, damage or  
23 destruction of any property resulting from any act, omission, fault or negligence of Lessee or any  
24 of Lessee’s officers, employees, agents, representatives, contractors, subcontractors, licensees and  
25 invitees in conducting or failing to conduct activities or operations pursuant to the rights granted  
26 by this Lease. The protections afforded by this provision equally apply to the officers, employees,  
27 agents and representatives of Lessor, including the referenced governmental entities.

28  
29 This general indemnity provision is in addition to and shall not be limited in any way by any  
30 specific indemnity provision contained elsewhere within this Lease.

31  
32 **ARTICLE 20 - EXECUTORY CONTRACTS**

33  
34 Lessor and Lessee herein agree that for so long as this Lease remains in full force and effect, it is  
35 deemed to be an executory contract and an unexpired lease within the meaning of Section 365 of  
36 the United States Bankruptcy Code.

37  
38 **ARTICLE 21 – LAW AND FORUM**

39  
40 Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the  
41 laws of the State of Louisiana. Lessee further agrees that any litigation arising in connection with  
42 this Lease shall be instituted before the Nineteenth Judicial District Court in the Parish of East  
43 Baton Rouge, unless such litigation is required to be filed in or is removed to a federal court of  
44 this State.

45  
46 Lessee further agrees that the rule of construction requiring that the terms and provisions of an  
47 instrument be construed against the drafting party is not and shall not be applicable to this Lease.

48  
49 **ARTICLE 22 – SEVERABILITY**

50  
51 This Lease sets forth the full terms of the agreement between the parties. If any provision hereof  
52 is found to be invalid for any reason, by final judgment of a court of competent jurisdiction or  
53 pursuant to any applicable law, such provision shall be severed from the agreement and the  
54 remaining terms and provisions shall be fully binding upon the parties. The parties agree that the  
55 Lease shall then be reformed to replace such severed provision with a valid, lawful and enforceable  
56 provision that comes as close as possible to expressing the intent of the severed provision.

57  
58 **ARTICLE 23 –MULTIPLE ORIGINALS**

59  
60 This Lease may be executed in multiple originals, each of which is intended to have the same force  
61 and effect.

1  
2 State Lease No. ^^

3  
4  
5 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this \_\_\_\_ day of \_\_\_\_\_, 20XX,  
6 but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign  
7 their names below.

8  
9 WITNESSES: LESSOR: STATE MINERAL AND ENERGY BOARD  
10 for and on behalf of the STATE OF LOUISIANA

11  
12 \_\_\_\_\_ By: \_\_\_\_\_

13  
14 Print: \_\_\_\_\_ Print Name: \_\_\_\_\_  
15 Title: \_\_\_\_\_

16  
17  
18 Print: \_\_\_\_\_

19  
20  
21 **Witness Form of Acknowledgment**  
22 **For State Mineral and Energy Board**

23 State of Louisiana  
24 Parish of East Baton Rouge

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  
28 one of the two witnesses to the execution of the foregoing instrument and saw \_\_\_\_\_  
29 execute said instrument as \_\_\_\_\_ of the State Mineral and Energy Board  
30 for and on behalf of the State of Louisiana as the free act and deed of said Board and the State of Louisiana  
31 in the presence of said appearer and \_\_\_\_\_, the other subscribing witness.

32  
33 Sworn to and signed before me on this  
34 \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

35 \_\_\_\_\_  
36 Print Name: \_\_\_\_\_  
37 WITNESS

38 \_\_\_\_\_  
39 Print Name: \_\_\_\_\_  
40 NOTARY PUBLIC

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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

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25

**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: \_\_\_\_\_