

1 **LEASE FOR OIL, GAS AND OTHER LIQUID**
2 **OR GASEOUS HYDROCARBON MINERALS**
3

4 STATE OF LOUISIANA
5 PARISH OF EAST BATON ROUGE
6 Louisiana State Lease **Form Revised 2019**
7

State Lease No. _____

8 **WHEREAS**, under the provisions of Subpart A of Chapter 2, Title 30 of the Louisiana
9 Revised Statutes, and other applicable laws, the State Mineral and Energy Board ("**Board**") as the
10 agent of the State of Louisiana ("**State**" or "**Lessor**") advertised for bids for a lease covering oil,
11 gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the
12 property described below; and
13

14 **WHEREAS**, in response to required advertisements, bids were received and duly opened
15 in the City of Baton Rouge, Parish of East Baton Rouge, State of Louisiana on the ___ day of
16 _____, 20XX at a meeting of the Board; and
17

18 **WHEREAS**, on the ___ day of _____, 20XX ("**Effective Date**"), the Board
19 accepted the bid of and awarded this Lease to _____ ("**Lessee**"),
20 whose address is _____, as the most
21 advantageous to the State as Lessor.
22

23 **NOW THEREFORE**, be it known and remembered that the Board, acting under said
24 authority for and on behalf of the State, as Lessor, does hereby lease, let and grant unto said Lessee
25 the Leased Premises as defined below for the purpose of exploring by any method including, but
26 not limited to seismic, geophysical and geological exploration for formations or structures,
27 prospecting, drilling for and producing oil, gas and any other liquid or gaseous hydrocarbon
28 minerals in solution produced with oil or gas, hereinafter sometimes referred to as "oil, gas or other
29 liquid or gaseous minerals". This grant of authority shall include the exclusive right to explore
30 and produce oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with
31 oil or gas on the Leased Premises at the depths covered by this Lease. In connection therewith and
32 as limited herein, Lessee shall have the right to use so much of the Leased Premises as reasonably
33 may be necessary for such operations including, but not limited to storing minerals and fluids in
34 facilities on the Leased Premises by means other than subsurface storage, laying pipelines,
35 dredging canals, building roads, bridges, docks, tanks, power stations, telephone and electric
36 transmission lines, and other structures and/or facilities.
37

38 The property ("**Leased Premises**") subject to this Lease, situated in the Parish(es) of
39 _____, State of Louisiana, is more fully described as follows:
40

41 **(PROPERTY DESCRIPTION)**
42

43 This Lease excludes free sulfur, potash, lignite, salt and other solid minerals, and
44 alternative energy sources including geothermal energy. Lessee shall not have any right to
45 explore, drill for, mine, produce or take any action whatsoever in regard to any such solid mineral
46 deposits, nor any right under this Lease in regard to alternative energy sources as defined by La.
47 R.S. 30:124.
48

49 Should this Lease, when executed or thereafter, not cover all depths as to the Leased
50 Premises or a portion thereof, the rights of Lessor or another lessee to conduct operations for the
51 exploration, development and production of oil, gas or other liquid or gaseous minerals as to such
52 excluded depths shall be exercised with reasonable regard for the rights of Lessee (as provided in
53 La. R.S. 31:11), and vice versa.
54

55 Lessor makes no warranties as to the condition of the Leased Premises and Lessee accepts
56 the Leased Premises "AS IS". Lessor has no obligation to make any repairs, additions or
57 improvements to the Leased Premises, and Lessor does not warrant the suitability of the Leased
58 Premises for any purposes intended by Lessee or contemplated by this Lease.
59

60 Lessor reserves the right to exclude certain sites from drilling and/or production activities
61 in areas having special wildlife, environmental, or recreational significance on State surface lands
62 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 **DEFINITIONS**

43
44 For purposes of this Lease, the following definitions shall apply:

45
46
47 (A) "**Acceptable Lease Operations**" shall mean either Actual Drilling Operations or Actual
48 Reworking Operations, as defined below, conducted on the Leased Premises in Good Faith
49 and with due diligence. Under no circumstances shall drilling or otherwise creating salt
50 water disposal wells constitute Acceptable Lease Operations.

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

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

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

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

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

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

20
21 (1) Control may consist of:

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

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

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

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

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

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

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

43
44 (1) commenced with reasonable expectation of discovering and producing 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

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

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

6
7 (J) **“Unitized Operations”** shall mean Actual Drilling Operations, Actual Reworking
8 Operations, Production in Paying Quantities, Acceptable Lease Operations and/or Shut-in
9 Payments attributed to one or more wells, ~~whether located on the Leased Premises or on~~
10 ~~lands pooled or unitized therewith~~, designated or otherwise constituting unit wells, cross
11 unit wells, substitute unit wells and/or alternate unit wells in one or more Units
12 encompassing all or a portion of the Leased Premises. For purposes of Unitized Operations,
13 the definitions for the defined terms Actual Drilling Operations, Actual Reworking
14 Operations, Production in Paying Quantities, Acceptable Lease Operations and/or Shut-in
15 Payments, are expanded to include operations, production or payments attributed to wells
16 whether located on the Leased Premises or on lands pooled or unitized therewith.

17
18 **ARTICLE 1 – BONUS**

19 Lessee has this day paid to Lessor a cash payment of _____ (\$ _____)
20 Dollars one-half (1/2) of which is (a) full and adequate consideration for every right granted
21 hereunder and one-half (1/2) of which is (b) the annual rental for the first year of this lease.
22

23 **ARTICLE 2 – PRIMARY TERM**

24 (A) Subject to the provisions hereof, this Lease shall be for a term of ____ () years (**“Primary**
25 **Term”**) and for so long thereafter as this Lease is maintained in force in any manner
26 provided herein.

27
28 (B) If the Lessee is not in default under any of the terms and conditions of the Lease, the Lessee
29 may apply to the Board in writing to extend the Primary Term of this Lease by a maximum
30 of two (2) additional years. The Lessee must file his request to OMR not later than ninety
31 (90) days prior to the expiration of the initial Primary Term. The Board may extend the
32 Primary Term and said extension shall be on the same terms and conditions as set forth
33 herein, except for any additional consideration and/or modified terms accepted by the
34 Board for the granting of said extension.

35
36 **ARTICLE 3 - LEASE MAINTENANCE**

37
38 (A) **Lease Maintenance During the Primary Term**

39
40 (1) If Actual Drilling Operations or Production in Paying Quantities is not occurring on
41 the first Anniversary Date, this Lease shall terminate unless Lessee, on or before the
42 first Anniversary Date, pays to Lessor the sum of _____ (\$ _____) Dollars
43 (“Rental”). Timely payment of a Rental shall extend for twelve (12) months from
44 the Anniversary Date the time within which Actual Drilling Operations or Production
45 in Paying Quantities must be commenced in order to maintain this Lease. If, during
46 the Primary Term but after the first year thereof, this Lease has been maintained and
47 Actual Drilling Operations or Production in Paying Quantities is not occurring on an
48 Anniversary Date, this Lease shall terminate unless Lessee pays a Rental to the Lessor
49 on or before that Anniversary Date. The Lessor is not required to give notice that
50 Rentals are due. Rental payment by Lessee shall be in a form acceptable by the Board
51 and made payable to the order of the “Office of Mineral Resources” and delivered or
52 mailed to OMR on or before the Anniversary Date.

53
54 (2) If Actual Drilling Operations or Production in Paying Quantities is occurring on an
55 Anniversary Date during the Primary Term, no Rental shall be due and this Lease
56 shall remain in effect for twelve (12) months from that Anniversary Date as if a
57 Rental had been paid.

58
59 (3) Should Actual Drilling Operations be abandoned or suspended or Production in
60 Paying Quantities cease at any time within a period of ninety (90) days prior to an
61 Anniversary Date during the Primary Term, Lessee shall have a period of ninety

1 (90) days after the date of such abandonment, suspension or cessation within which
2 to commence or resume Actual Drilling Operations or Production in Paying
3 Quantities on the Leased Premises, or make the Rental payment. The
4 commencement or resumption of Actual Drilling Operations or Production in
5 Paying Quantities or payment of Rental within the ninety (90) day period shall have
6 the same effect as though such were commenced, resumed or Rental paid on or
7 before the Anniversary Date.
8

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

10
11 (1) This Lease shall terminate at the end of the Primary Term unless Acceptable Lease
12 Operations or Production in Paying Quantities is occurring. If Acceptable Lease
13 Operations or Production in Paying Quantities is occurring at the end of the Primary
14 Term, this Lease shall terminate unless Acceptable Lease Operations or Production
15 in Paying Quantities continue without a lapse of greater than ninety (90) days
16 between cessation of Acceptable Lease Operations or Production in Paying
17 Quantities and their recommencement.
18

19 (2) If Acceptable Lease Operations or Production in Paying Quantities cease within
20 ninety (90) days prior to expiration of the Primary Term or at any time after the
21 Primary Term, and Lessee commences or resumes Acceptable Lease Operations or
22 Production in Paying Quantities within ninety (90) days after such cessation, this
23 Lease will continue for so long as Acceptable Lease Operations or Production in
24 Paying Quantities continue. If Lessee fails to commence Acceptable Lease
25 Operations or Production in Paying Quantities within ninety (90) days or there is a
26 lapse of greater than ninety (90) days between cessation of Acceptable Lease
27 Operations or Production in Paying Quantities, this Lease shall thereupon
28 terminate.
29

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

31 (1) Notwithstanding anything to the contrary herein contained, in the event all or a
32 portion of the Leased Premises is included by itself or with other lands in a Unit, then
33 Unitized Operations for that Unit shall serve to maintain this Lease only as to that
34 portion of the Leased Premises embraced in such a Unit and this Lease shall terminate
35 as to all acreage lying outside the Unit ("**Outside Acreage**") unless maintained as set
36 forth herein below. As used herein, the term "**Deferred Development Payment**" shall
37 mean a sum equal to one-half of the per-acre cash bonus payment made for this Lease
38 multiplied by the number of acres in the Outside Acreage.
39

40 (2) This Lease may be maintained as to Outside Acreage as otherwise allowed under the
41 terms of this Lease or as follows:
42

43 (a) Lessee pays the Lessor a Deferred Development Payment on or before the
44 Anniversary Date of this Lease next ensuing after the commencement of
45 Unitized Operations; or
46

47 (b) In the event that Unitized Operations commence within ninety (90) days before
48 the Anniversary Date next ensuing after the commencement of Unitized
49 Operations, Lessee shall make a Deferred Development Payment within ninety
50 (90) days of said commencement of the Unitized Operations; or
51

52 (c) In the event that this Lease is being maintained as to Outside Acreage by
53 Acceptable Lease Operations and/or Production in Paying Quantities, and such
54 Acceptable Lease Operations and/or Production in Paying Quantities cease for
55 any cause and this Lease is not otherwise maintained as to Outside Acreage
56 under the terms of this Lease, Lessee shall, within ninety (90) days of said
57 cessation, resume Acceptable Lease Operations and/or Production in Paying
58 Quantities as to the Outside Acreage or make a Deferred Development Payment
59 on or before the end of the ninety (90) day period.
60

1 (3) The Deferred Development Payment shall maintain this Lease as to Outside Acreage
2 until the next Anniversary Date. By payment of the Deferred Development Payment
3 on or before each succeeding Anniversary Date, this Lease may be maintained as to
4 Outside Acreage during the remainder of the Primary Term and up to two (2) years
5 beyond the Primary Term.
6

7
8 (4) Nothing contained in this Article is intended to create nor shall have the effect of
9 creating several or separate Leases, or in any manner serve to extend, increase or limit
10 the obligation of Lessee to protect the Leased Premises from drainage as required in
11 this Lease or otherwise.
12

13 **(D) Shut-In Payments**
14

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

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

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

60 **(E) Termination of Deep Rights:**
61

62 (1) No sooner than the second Anniversary Date beyond the end of the Primary Term,

1 the Lessor may terminate this Lease as to all or a portion of the Leased Premises as
2 to the following all depths: for vertical wells located on the Leased Premises or on
3 lands pooled or unitized therewith, one hundred feet (100') true vertical depth -for
4 vertical wells and three hundred feet (300') for horizontal wells below the deepest
5 depth at which casing is set; for horizontal wells producing perforation in the well
6 or wells located on the Leased Premises or on lands pooled or unitized therewith,
7 three hundred feet (300') true vertical depth below the deepest depth reached by the
8 horizontal lateral between the first takepoint and the last takepoint; or a deeper
9 depth as accepted by the Lessor ("Deep Rights Acreage"). In applying this
10 provision and arriving at a depth at which this Lease will terminate and the Deep
11 Rights Acreage will begin ("**Termination Depth**"), the Termination Depth shall be
12 ~~measured in true vertical depth and shall be~~ uniform, constant and unvarying
13 throughout the entirety of the geographic confines of the Deep Rights Acreage.

- 14
15 (2) In the event that Lessor exercises its right to terminate this Lease as to the Deep
16 Rights Acreage, Lessor shall have the right to enter into new agreements for the
17 exploration and production of minerals from the Deep Rights Acreage, and in
18 connection therewith to grant someone other than the Lessee the right to explore,
19 develop, produce and market minerals from the Deep Rights Acreage, together with
20 the rights of ingress and egress through the Leased Premises to conduct such
21 operations, commensurate with the rights granted to Lessee herein, including the
22 right to penetrate and drill through the formations above the Deep Rights Acreage.
23 The rights retained by the Lessee and the rights granted with respect to the Deep
24 Rights Acreage shall be exercised in such manner that neither shall unduly interfere
25 with the operations of the other upon the Leased Premises or the Deep Rights
26 Acreage.

27
28 **ARTICLE 4 – TRANSFERS AND ASSIGNMENTS**

- 29
30 (A) No assignment, sublease or other transfer, in whole or in part, of any rights or interest
31 granted to Lessee under this Lease (collectively hereinafter referred to as an
32 "**Assignment**") shall be valid unless approved by Lessor in accordance with La. R.S.
33 30:128 and as amended.
34
35 (B) An assignor, sublessor or transferor making an Assignment of this Lease is not relieved of
36 his obligations or liabilities under this Lease unless the Lessor has discharged him
37 expressly and in writing, notwithstanding approval of the Assignment by Lessor and
38 regardless of any understanding, agreement, language or reference to the contrary set forth
39 in the terms and conditions of the Assignment.
40
41 (C) All terms, provisions, conditions, duties, responsibilities and obligations of this Lease shall
42 be binding upon and inure to the benefit of an assignee(s), sublessee(s) and transferee(s).

43
44 **ARTICLE 5 – FORCE MAJEURE AND SUSPENDING EVENTS**

- 45
46 (A) (1) If, at any time this Lease is being maintained by Acceptable Lease Operations
47 and/or Production in Paying Quantities, and Lessee is prevented from continuing
48 Acceptable Lease Operations and/or Production in Paying Quantities by the
49 occurrence of a Force Majeure or Suspending Event as defined in this article,
50 ("**Incident**"), and Lessee cannot maintain this Lease under any other operative
51 provision of this Lease, such as the Rental payment, Deferred Development
52 Payment or Shut-In Payment, then and only then shall the date for Lessee to re-
53 commence Acceptable Lease Operations and/or Production in Paying Quantities in
54 order to maintain this Lease be postponed on a day-for-day basis for so long as the
55 adverse effects of the Incident continue, providing that Lessee provides OMR with
56 notice in accordance with section (B) of this article and that Lessee is diligently,
57 reasonably and in good faith attempting to mitigate and eliminate the effects of the
58 Incident. The occurrence of an Incident shall not maintain this Lease for more than
59 twelve (12) months from the date of the Incident onset unless extended by Lessor.
60
61 (2) A determination as to whether Lessee can utilize this article and whether Lessee
62 has complied with the requirements thereof is at the sole, reasonable discretion of

1 Lessor. In making such a determination, Lessor shall not consider Lessee's
2 financial inability to comply with any of the obligations of this Lease and an
3 increase in costs of performing the obligations set forth in this Lease shall not
4 constitute circumstances beyond Lessee's control.
5

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

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

27 (D) A "*Force Majeure*" event, as herein utilized, shall be a fortuitous event that is beyond
28 Lessee's control and is not ultimately determined to be caused by Lessee or due to Lessee's
29 negligent or intentional commission or omission, or failure to take reasonable and timely
30 foreseeable preventative measures that would have mitigated or negated the effects of the
31 event. An example of a Force Majeure event may include, depending on the specific
32 circumstances involved (1) a major storm, major flood or other similar natural disaster, or
33 (2) a major accident such as a blowout, fire or explosion.
34

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

48 **ARTICLE 6 – UNITS**
49

50 (A) Lessee may include all or a portion of the Leased Premises within a Unit. Nonetheless,
51 Lessee must obtain Lessor's approval prior to including all or a portion of the Leased
52 Premises in a Unit through a conventional agreement.
53

54 (B) If Lessee applies for, gives notice of the intent to apply for, or receives notice of an
55 application to the Commissioner of Conservation for the creation, dissolution, or
56 modification of any Unit that includes, or is seeking to include or exclude, all or a portion
57 of the Leased Premises, Lessee shall provide Lessor with copies of same, in addition to any
58 information attached thereto. Said copies shall be furnished to Lessor either at the time the
59 application or notice is filed with the Commissioner of Conservation or at the time required
60 by applicable orders or regulations of the Commissioner of Conservation for furnishing
61 such information, whichever is earlier. For a Unit created by an order of the Commissioner
62 of Conservation, which includes all or a portion of the Leased Premises, Lessee shall

1 furnish Lessor a survey plat for the Unit either prior to or within ninety (90) days of initial
2 production from said Unit. The Lessor may, upon written request by the Lessee, extend
3 the time period to furnish Lessor the survey plat or waive this requirement.
4

- 5 (C) Lessee agrees to pay the royalty required by this Lease from the effective date of a Unit
6 that includes all or a portion of the Leased Premises, regardless of whether or not
7 development and operating costs chargeable to the Leased Premises have been paid.
8

9 **ARTICLE 7 – PROTECTION AGAINST DRAINAGE**

- 10
11 (A) Lessee agrees to protect the Leased Premises from drainage of oil, gas or other liquid or
12 gaseous minerals by a well producing from adjacent or nearby property (“*Adjacent Well*”)
13 not owned by Lessor and not included in a Unit ~~containing all or a portion of the Leased~~
14 ~~Premises~~ (“*Drainage*”). It shall be presumed, subject to rebuttal by Lessee, that Drainage
15 is occurring if the Adjacent Well is producing within six hundred and sixty feet (660’) of
16 the Leased Premises ~~(or within any spacing or pooling unit distance greater than 660 feet~~
17 ~~established by the Commissioner of Conservation) or the boundary of any Unit containing~~
18 ~~all or a portion of the Leased Premises~~. This presumption shall not serve to limit or
19 preclude Lessee’s obligation to protect the Leased Premises from Drainage in cases where
20 the facts giving rise to the presumption do not exist.
21

- 22 (B) In order to satisfy its obligation to protect from Drainage, Lessee shall, within one hundred
23 twenty (120) days after the completion date of the Adjacent Well, begin Actual Drilling
24 Operations for a well drilled to a depth necessary to protect the Leased Premises from
25 Drainage (“*Offset Well*”). ~~Lessee may avoid application of this article if Lessee~~
26 ~~demonstrates that the Offset Well on the Leased Premises would not be economically~~
27 ~~feasible.~~
28

- 29 (C) Lessee may delay the drilling of an Offset Well for a period not to exceed one (1) year by
30 making payments to Lessor in the same manner and amount equal to ~~one-half (1/2)~~ the
31 royalties Lessee would have to pay pursuant to this Lease, as if the production being
32 obtained from the Adjacent Well was being obtained from a well producing from the
33 Leased Premises (“*Offset Royalties*”). Offset Royalties are intended to permit Lessee time
34 to further evaluate the producing Adjacent Well, and the payment of Offset Royalties shall
35 not of itself serve to maintain this Lease if not otherwise maintained.
36

- 37 (D) The obligation to protect the Leased Premises from Drainage and the requirements of this
38 article shall be satisfied with respect to a particular Adjacent Well on the date that all or a
39 portion of the Leased Premises is included within a Unit in which the particular Adjacent
40 Well is serving as the Unit well. Any damages from Drainage occurring prior to the date
41 such a Unit is created are owed by the Lessee to the Lessor.
42

43 **ARTICLE 8 – LESSEE REPORTING**

- 44 (A) Lessee shall furnish Lessor, upon request, well and survey data reasonably available to
45 Lessee relating to the Leased Premises or lands pooled therewith including, but not limited
46 to: (1) all wire line surveys and all (open and cased hole) logs run in the well in paper and
47 digital formats to be determined by Lessor; (2) directional surveys; (3) mud logs and core
48 descriptions of both sidewall samples and conventional cores; (4) drill stem and production
49 test data; (5) daily drilling reports (to be supplied weekly); and (6) production data, current
50 and cumulative, including oil, gas and water production, surface and subsurface pressures.
51 Upon request, Lessee also shall furnish Lessor with any and all other information
52 reasonably available to Lessee to keep Lessor informed of Lessee’s compliance with the
53 provisions of this Lease and operations on the Leased Premises. To the extent allowed by
54 law, Lessor agrees to keep confidential any information submitted under this article that is
55 not already part of the public domain.
56

- 57 (B) Nothing in this article shall require Lessee to furnish or permit inspection of Lessee’s
58 interpretation of the information referred to above. Lessor’s representatives shall have
59 access, at reasonable times and intervals, to examine and inspect Lessee’s information and
60 operations being conducted on the Leased Premises or lands pooled or unitized.
61

ARTICLE 9 – ROYALTY

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

(B) **ROYALTY ON OIL**

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

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

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

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

1 (C) ROYALTY ON GAS

- 2 (1) ^^ Percent of the value, as hereinafter provided, of all gas, including casinghead
3 gas, produced, saved, sold, utilized, or severed from, or attributable to, the Leased
4 Premises. When such gas is sold by Lessee to a Non-Affiliate purchaser under an
5 arms' length contract prudently negotiated under the facts and circumstances
6 existing at the time of its execution, the value of such gas shall be the price received
7 by Lessee for such gas under the contract. If such gas is sold by Lessee to an
8 Affiliate purchaser or the contract is not an arms' length contract, but the contract
9 would have been considered prudently negotiated under the facts and circumstances
10 existing at the time of its execution, then the value of the gas shall be the price
11 received by Lessee under the contract; if such contract would not have been
12 considered prudently negotiated at the time of its execution, the value of such gas,
13 including all premiums and consideration in whatever form, shall not be less than
14 the average of the prices paid for gas of like kind and quality from the field from
15 which such gas is being produced, or if no gas is being sold from that field, the
16 average of prices paid for gas of like kind and quality in the three nearest fields in
17 which gas of like kind and quality is being sold, all comparisons to be with contracts
18 made in the same market (either interstate or intrastate) and for the sale of similar
19 kinds, qualities and quantities of gas.
20
- 21 (2) Lessee must exercise due diligence and make reasonable efforts to market all gas
22 production from the Leased Premises to obtain the best price reasonably available
23 for the gas. Lessee shall place gas produced, saved, sold, utilized or severed from
24 the Leased Premises in marketable condition and Lessee cannot deduct from the
25 value of said gas any costs associated with putting the gas into a marketable
26 condition, except as specifically allowed elsewhere in this article. Marketable
27 condition for gas means sufficiently free from impurities and otherwise in a
28 condition that it will be acceptable by a Non-Affiliate purchaser under a sales
29 contract typical for the field or area, or when the gas meets the location, quality and
30 pressure specifications for transmission into an interstate pipeline or processing
31 facility.
32
- 33 (3) Except as expressly permitted herein, Lessee shall not make any deduction
34 whatsoever for the cost of any operation, process, facility, or other item considered
35 to be a function of production, exploration, development, primary or enhanced
36 recovery or abandonment at the time such gas is produced. Without limiting the
37 foregoing sentence, the following costs are not to be deducted from the value of
38 gas: (a) costs incurred for gathering, whether inside or outside the field; (b) costs
39 incurred for transportation within the field; (c) costs incurred for lifting, recycling,
40 separating, treating, dehydrating, removing contaminants, amine treating, glycol,
41 methanol and chemical injection, or in any way processing gas production to put it
42 in marketable condition; (d) any marketing fees. The performance of any non-
43 deductible function at a commingled facility in or outside the field in which the
44 Leased Premises is situated shall not make the cost of any such function deductible.
45 Lessee may deduct costs incurred for compression of gas at a point in or adjacent
46 to the field for insertion into a purchaser's line or into a line owned by Lessee or a
47 carrier for transportation to a point of delivery outside the field.
48
- 49 (4) If Lessee delivers such gas at a point outside the field in which the Leased Premises
50 is situated, Lessee may deduct from the value of such gas the reasonable, actual,
51 unreimbursed costs for transportation from the field boundary to the point of
52 delivery by means of facilities belonging to a Non-Affiliate. If such transportation
53 is by means of facilities owned by the Lessee or an Affiliate, Lessee may deduct
54 from the value of gas a reasonable sum for such services, computed as follows: the
55 amount deductible shall include only (1) the direct cost of operation and
56 maintenance, including cost of labor, direct supervision, fuel, supplies, ordinary
57 repairs, and ad valorem taxes; and (2) depreciation of the facility computed over
58 the estimated life of the field.
59
60
61

1 (D) ROYALTY ON NGLS

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

19
20 (2) The value of the NGLs shall be the price received by Lessee if sold to a Non-
21 Affiliate purchaser under an arm's length contract prudently negotiated under the
22 facts and circumstances existing at the time of execution. If the NGLs are sold by
23 Lessee to an Affiliate purchaser or the contract is not an arms' length contract, but
24 the contract would have been considered prudently negotiated under the facts and
25 circumstances existing at the time of its execution, then the value of the NGLs shall
26 be the price received by Lessee under the contract; if such contract would not have
27 been considered prudently negotiated at the time of its execution, or if the NGLs
28 are not sold under any contract, the value of NGLs, including all premiums and
29 consideration in whatever form, shall be calculated on the basis of Oil Price
30 Information Service (OPIS) at Mont Belvieu, Texas on the date sold. If at a future
31 date, an industry recognized and accepted index posting changes to something other
32 than OPIS at Mont Belvieu, Texas, a new standard may be agreed to by the parties
33 to this Lease.

34
35 (3) If the gas is processed by a Non-Affiliate under an arm's length contract prudently
36 negotiated under the facts and circumstances existing at the time of execution, the
37 charges deducted shall be those provided in such contract, and those charges may
38 include, but are not limited to, a combination of processing and retention of NGLs
39 by the processor. If the gas is processed at a facility owned or co-owned by an
40 Affiliate, or is processed pursuant to a non-arm's length contract with an Affiliate,
41 or if the contract was not prudently negotiated under the facts and circumstances
42 existing at the time of execution, the charges to be deducted shall include only the
43 Lessor's proportionate part of (1) the direct cost of operating and maintaining the
44 plant, computed annually, including cost of labor and on-site supervision, materials,
45 supplies, and ordinary repairs; (2) plant fuel and shrinkage; (3) depreciation of the
46 plant computed over the life or lives of the field or fields served by the plant, or by
47 such other method as is agreed upon by Lessor and Lessee; and (4) ad valorem
48 taxes.

49 (E) GENERAL PROVISIONS APPLICABLE TO ALL ROYALTY

50
51 (1) Lessee shall report all production of hydrocarbons and associated liquid or gaseous
52 minerals from, or attributable to, this Lease to the Production Audit Division of the
53 Office of Conservation and to the Mineral Income Division of the Office of Mineral
54 Resources by appropriate forms containing both LeaseUnitWell (LUW) code and,
55 beginning January 1, 2013, well serial number. Failure to report production as
56 herein specified shall be deemed "improper reporting" which shall subject Lessee
57 to the penalty as allow by law or this Lease.

58
59 (2) If Lessee receives compensation for any function, process or liability related to
60 production from the Leased Premises without the right given herein to deduct the

1 costs related to such compensation, such compensation amount shall be included in
2 the value for such production type when computing royalties.

3
4 (3) Lessor's royalty shall be calculated and paid after deduction of all severance or
5 production taxes.

6
7 (4) The first payment of royalty shall be made within one hundred twenty (120) days
8 following commencement of production. In the case of any production which has
9 occurred prior to the Effective Date, but which is deemed to be covered by this
10 Lease, Lessee hereby agrees to pay Lessor's royalty on all such prior production
11 within one hundred twenty (120) days from the Effective Date. Thereafter, royalty
12 on oil, including condensate or other liquid mineral, shall be paid by the 25th of
13 each month for production of the previous month; and royalty on gas, including
14 NGLs extracted or processed from gas, shall be paid on or before the 25th day of
15 the second month following that in which such gas was produced or extracted or
16 processed. In the event any royalty payment is not correctly or timely made, the
17 remedies provided by La..R.S. 31:137 through 142 and La. R.S. 30:136 relative to
18 notice, damages, penalty, interest, attorney fees, and dissolution shall be applicable,
19 except that interest shall be payable thereon until paid without any requirement for
20 prior written notice by Lessor to Lessee.

21
22 (5) Lessee may recycle gas or liquid hydrocarbons produced from the Leased Premises
23 for gas and/or oil lift purposes on the Leased Premises or for injection into any oil
24 or gas producing formation underlying the Leased Premises for stimulating the
25 production of oil or for secondary recovery purposes and no royalties shall be
26 payable on the gas or liquid hydrocarbon so recycled until such time as the same
27 may thereafter be severed from, produced, saved, sold, or utilized by Lessee in such
28 manner as to entitle Lessor to a royalty thereon under the royalty provisions of this
29 Lease.

30 **ARTICLE 10 – AUDIT RECORDS**

31
32
33 Lessee shall establish and maintain in an organized manner all records, reports and other
34 information reasonably relevant to its calculation of royalties, deductions and/or other sums due
35 by Lessee under the terms of this Lease. Upon reasonable notice, Lessor, through OMR, shall
36 have the right to access such records in the manner and format they are regularly maintained in the
37 ordinary course of business for the purpose of review, duplication and/or audit. To the extent
38 allowed by law, all such records, reports and other information provided for review, duplication
39 or audit shall be maintained by OMR personnel in strict confidence.

40 **ARTICLE 11 – LEASE ACCESS**

41
42
43 (A) Lessee shall maintain and preserve the public's access to public waterways throughout the
44 State lands covered by this Lease.

45
46 (B) Lessor or Lessor's representatives shall have access at all reasonable times to examine and
47 inspect Lessee's operations being conducted on, or records pertaining to, the Leased
48 Premises or lands pooled or unitized therewith, to ensure compliance with all Lease
49 requirements or to exercise any right of Lessor under this Lease.

50
51 (C) Lessor retains the right to sell, exchange, transfer, or otherwise dispose of all or any portion
52 of the Leased Premises and all rights in the Leased Premises not expressly granted to
53 Lessee or necessarily implied by this Lease. Further, Lessor shall have the right to use any
54 and all portions of the Leased Premises for any purpose or to issue rights-of-ways and
55 servitudes upon the Leased Premises provided doing so does not unreasonably interfere
56 with the rights of Lessee.

57 **ARTICLE 12 – LESSOR'S RIGHTS**

58
59 The mention of any express obligation of Lessee herein shall never be construed as affecting any
60 implied obligation which Lessee may otherwise owe Lessor hereunder, but shall be considered as
61 being in addition thereto. Similarly, the mention of any right or remedy of Lessor herein shall not

1 preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be
2 entitled; and no failure of Lessor to enforce any provision of this lease shall operate as a waiver of
3 Lessor's right to thereafter enforce such provision or any other provision.

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

5
6 (A) SURFACE USE

- 7
8 (1) Lessee shall comply with and be subject to all applicable state and federal laws and
9 regulations, in effect now and as amended, and all laws and regulations enacted
10 after the effective date of this Lease which govern: exploration and production (or
11 where applicable, hazardous or industrial) waste disposal, storage, treatment,
12 transportation, or management; environmental quality (regardless of the
13 environmental media involved); oil and gas conservation; navigation; archeological
14 resources; cemeteries; coastal resource management; and wetlands protection and
15 restoration.
16
17 (2) Lessee shall conduct operations with the highest degree of care using standard
18 industry practices and procedures and proper safeguards and take all reasonably
19 necessary preparations and precautions to prevent pollution, fire, explosion, and
20 environmental damage to the Leased Premises. Lessee shall use all means at its
21 disposal to recapture all escaped hydrocarbon minerals or other pollutants. Lessee
22 shall be responsible, without limitation, for all damage to the Leased Premises
23 caused by its operations including, but not limited to loss or damage to timber,
24 crops, roads, buildings, fences, bridges, soil, surface and subsurface water, aquifers
25 and vegetation, and also all environmental damage as that term is defined in La.
26 R.S. 30:29. This responsibility shall be irrespective of whether such damage is due
27 to negligence, or to the inherent nature of Lessee's activities or operations or other
28 reason(s).
29
30 (3) Within sixty (60) days following the completion of each operation under this Lease,
31 Lessee shall remove all materials and equipment no longer necessary for
32 exploration or production (including without limitation all submerged materials,
33 equipment or debris) that were placed on the Leased Premises by or for the account
34 of Lessee and may impede commercial fishing and trawling.
35
36 (4) Lessee shall report all unpermitted and reportable discharges on the Leased
37 Premises as required by applicable state and federal environmental and
38 conservation statutes and regulations to the Lessor and any other legally required
39 entity.
40
41 (5) Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises,
42 all improvements thereon utilized, owned, placed and/or caused to be placed by
43 Lessee and all facilities appurtenant to such improvements in good order and repair
44 and in the appropriate condition for the safe conduct of any activities or enterprises
45 conducted on the Leased Premises pursuant to the rights granted hereunder, and
46 any applicable state or federal laws.

47
48 (B) RESTORATION

- 49
50 (1) Lessee shall be obligated to plug and abandon all wells on the Leased Premises no
51 longer producing or utilized for operations or production on the Leased Premises,
52 to remove from the Leased Premises all structures and facilities owned, utilized,
53 placed or caused to be placed by Lessee which are no longer utilized for operations
54 or production on the Leased Premises, and to restore the Leased Premises, as near
55 as practicable, to the condition existing on the Effective Date of this Lease (
56 ***“Restoration Obligations”***), all at Lessee's sole risk, cost and expense and subject
57 to compliance with laws, rules and regulations. Lessee shall complete the
58 Restoration Obligations within one (1) year commencing on the earliest of the
59 following dates: (a) the date said wells, structures or facilities are no longer actually
60 producing or no longer actually utilized for operations or production on the Leased
61 Premises; or (b) the date this Lease has expired, terminated or been released

1 (whichever occurs first) as to all or a portion of the Leased Premises. The failure of
2 the Lessee to timely complete the Restoration Obligations shall subject Lessee to
3 and make Lessee liable for any and all costs or expenses of any kind incurred by
4 the State for plugging said wells or removing said structures or facilities, but in no
5 instance shall title to or ownership of said facilities automatically vest in or transfer
6 to the State nor shall said wells, structures or facilities be deemed "improvements"
7 to the Leased Premises for purposes of vesting title in same to the State.
8

9 (2) Lessor recognizes Lessee's right and obligation to draw and remove casing from
10 wells and further, to remove any structures and facilities no longer utilized in
11 operations or production on the Leased Premises. However, unless otherwise
12 approved by Lessor, Lessee or its agent shall not be permitted to salvage and/or
13 remove from the Leased Premises equipment, machinery, structures or facilities no
14 longer utilized by any wells until the said wells on the Leased Premises are first
15 plugged and abandoned in accordance with all applicable laws, rules and
16 regulations.
17

18 **ARTICLE 14 - FINANCIAL SECURITY**
19

20 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on
21 the Leased Premises shall provide financial security for the plugging and abandoning, and
22 associated site restoration of each well drilled. Lessee's obligation to provide financial
23 security also is required upon a change of operatorship of a well on the Leased Premises.
24

25 (B) Lessee's obligation under this Lease to provide financial security for the plugging and
26 abandoning, and associated site restoration, of each well, drilled shall be satisfied by fully
27 establishing and maintaining financial security of a nature, to the extent, and in the amount
28 required to comply with the applicable statutes, rules and regulations of the Louisiana
29 Office of Conservation.
30

31 (C) Lessee shall furnish to Lessor, upon request, evidence of the financial security so provided
32 to the Louisiana Commissioner of Conservation.
33

34 **ARTICLE 15 - GENERAL LIABILITY INSURANCE**
35

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

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

53 State of Louisiana
54 Office of Mineral Resources
55 LaSalle Building – 8th Floor
56 617 North Third Street
57 Baton Rouge, Louisiana 70802
58 Ref: State Lease No. _____
59

60 For purposes of this Article, the "**Operational Term**" shall commence thirty (30) days prior
61 to any surface activity on the Leased Premises in furtherance of the development and
62 production of oil and gas including, but not limited, to surveying, mobilization, location

1 preparation and other such activities preliminary to development of this Lease.

- 2
- 3 (B) At the discretion of Lessor, Lessee may be authorized to satisfy the requirements of this
4 Article by means of self-insurance. Such authorization will not be unreasonably withheld
5 if Lessee is able to demonstrate sustained financial stability and satisfy all other
6 requirements of Lessor.
7
- 8 (C) The insurance coverage required hereby shall be provided at Lessee's sole expense and the
9 insurer shall have no recourse against Lessor for payment of premiums or any assessments
10 required by the policy(s). Deductibles and/or self-insured retentions must be reasonable,
11 within industry standards and, upon request, disclosed by Lessee to Lessor, with Lessee
12 solely responsible for paying all such deductibles and/or self-insured retentions.
13
- 14 (D) The insurance coverage required hereby of Lessee shall be provided by a company
15 authorized to do business in the State of Louisiana having an A.M. Best's rating of A-:VI
16 or higher. At any time, if an insurer issuing such policy(s) does not meet the minimum
17 A.M. Best rating, Lessee shall obtain a substitute policy(s) with an insurer possessing such
18 rating and submit a substitute Certificate of Insurance in compliance herewith.
19
- 20 (E) Lessee shall furnish to Lessor, on an annual basis within thirty (30) days of the policy's
21 annual renewal date, a Certificate(s) of Insurance fully completed and signed by the
22 insurer's authorized representative evidencing satisfaction of the insurance coverage
23 requirements of this Article. Additionally, upon request, Lessee shall provide to Lessor
24 the Declaration Page and the Cancellation Endorsement for the policy(s), along with any
25 additional endorsements that may be requested by Lessor.
26

27 **ARTICLE 16 – TITLE DISPUTES**

- 28
- 29 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and accepted
30 without any warranty of title and without any recourse against Lessor whatsoever, either
31 express or implied. It is expressly agreed that Lessor shall not be required to return any
32 payments received hereunder or be otherwise responsible to Lessee therefor. Lessee
33 represents that it has investigated title to the Leased Premises and is satisfied with such
34 title as Lessor may have. Lessor hereby disclaims any covenant of quiet enjoyment or
35 peaceful possession of the Leased Premises.
36
- 37 (B) In the event of a bona fide dispute or litigation involving Lessor's ownership or title to any
38 portion of the Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and
39 provide any information and/or documentation in Lessee's possession or to which Lessee
40 has access regarding such dispute, including the identity of the adverse claimant(s) and the
41 nature of the dispute.
42
- 43 (C) During the pendency of and through resolution of the dispute or litigation, Lessee shall
44 comply with all terms, provisions and requirements of this Lease, including the payment
45 of royalty, and shall be deemed in default of payment of royalty if Lessee suspends or stops
46 making royalty payments. However, in lieu of making said payments directly to Lessor,
47 Lessee may:
48
- 49 (1) Request and obtain authorization from Lessor to suspend the direct payment of
50 royalty due on the production attributable to the disputed acreage, deposit the
51 royalty payments into an interest bearing escrow account at a FDIC insured
52 financial institution having a presence within the State and fully comply with the
53 title dispute protocol approved by Lessor; or
54
- 55 (2) Initiate a concursus proceeding and deposit the royalty payments attributable to the
56 disputed acreage into the court registry; or
57
- 58 (3) Take other action as authorized by Lessor.
- 59 (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any rights
60 Lessor may have to review, examine, audit, dispute, challenge or contest any payments
61 made or not made by or on behalf of Lessee on the production attributable to the disputed

1 acreage. In the event an audit or other examination should reveal that the sums deposited
2 into an escrow account or into the registry of the court are incorrect, Lessee shall remain
3 fully responsible for all royalty amounts determined to be due and owing, and may be
4 subject to payment of interest and penalties as required by law or the terms of this Lease.
5

- 6 (E) Upon termination of any escrow authority, concursus proceeding or other action authorized
7 by Lessor, royalty payments due on the production attributable to the disputed acreage shall
8 be made directly to Lessor in accordance with the provisions of this Lease or the terms of
9 any settlement or final unappealable judgment that resolves the title dispute.
10

11
12 **ARTICLE 17 - TERMINATION AND RELEASE**
13

- 14 (A) Lessee may release all or any portion or portions of the Leased Premises at any time this
15 Lease is in effect and thereby be relieved of all obligations thereafter accruing under this
16 Lease as to the portions surrendered; however, no partial release shall reduce or otherwise
17 affect the amount of Rentals required to maintain this Lease during the Primary Term
18 thereof. Nor shall any release of this Lease, in whole or in part, relieve the Lessee or any
19 of its successors or assigns of any obligations to plug and abandon wells, restore the Leased
20 Premises, or any other obligations arising under Louisiana Commissioner of Conservation
21 orders, decisions, or regulations pertaining to the remediation of well sites.
22

- 23 (B) Within ninety (90) days after termination of this Lease as to any portion of the Leased
24 Premises, either during or after the Primary Term hereof, Lessee shall execute and record
25 an appropriate release evidencing such expiration or termination, and shall also supply
26 Lessor with a copy or copies thereof properly certified by the recorder or recorders of the
27 parish or parishes in which the Leased Premises are located. In the event Lessee fails to
28 timely comply therewith, Lessee shall be liable for reasonable attorney fees and court costs
29 incurred in bringing suit for such cancellation, and for all damages resulting therefrom. It
30 is agreed, however, that damages to be paid by Lessee to Lessor shall be One Hundred
31 Dollars (\$100.00) per day for each day of non-compliance after expiration of said ninety
32 (90) day period, regardless of whether suit is filed for cancellation, and for such additional
33 compensatory damages as Lessor may prove. Lessee its successors or assigns, hereby
34 waives any further notice of default or otherwise and confesses judgment as regards the
35 liquidated damages accruing as herein set forth.
36

- 37 (C) Within ninety (90) days after termination of this Lease as to any portion of the Leased
38 Premises, either during or after the Primary Term, Lessee shall submit to OMR a listing of
39 all unplugged wells and facilities owned, or placed and/or caused to be placed by Lessee
40 on the acreage released and a written preliminary plan which sets forth the Lessee's
41 schedule for complying with its Restoration Obligations of the Leased Premises.
42

43 **ARTICLE 18 – NOTICES**
44

- 45 (A) All notices required by this Lease or by law to be served on, given to, or delivered shall be
46 in writing and shall be properly addressed to the Lessee(s) at the last address provided to
47 OMR pursuant to La. R.S. 30:123.1 or section (B) of this article or to OMR at 617 N. 3rd
48 Street, LaSalle Building, 8th Floor, Baton Rouge, Louisiana 70802 or P.O. Box 2827 Baton
49 Rouge, Louisiana 70821-2827. Such notices shall be deemed effective and delivered (i)
50 upon receipt if delivered personally; or (ii) if properly addressed, upon deposit in the U.S.
51 mail, registered or certified, postage prepaid, return receipt requested; or (iii) if properly
52 addressed, one (1) business day after it is sent by recognized commercial overnight courier
53 service.
54
- 55 (B) Each Lessee(s) desiring to change its physical and/or mailing address shall be responsible
56 for providing OMR with the new address. Written notice pursuant to this section is
57 required ten days prior to the effective date of the address change and must be transmitted
58 in accordance with section (A) of this article.
59
- 60 (C) Upon an Assignment, Lessee(s)/Assignor(s) and/or the Assignee(s) shall ensure that the
61 information required pursuant to La. R.S. 30:123.1 for the Assignee(s) is current for
62 purposes of notice herein.

1
2 D) Failure of Lessee to update and/or maintain accurate contact information shall not
3 invalidate any notice given by OMR.
4

5 **ARTICLE 19 – INDEMNITY AND HOLD HARMLESS**
6

7 Lessee unconditionally agrees to respond to, investigate, defend, protect, save, indemnify, and hold
8 free and harmless the State, the Department of Natural Resources, the Board and OMR from any
9 and all demands, claims, causes of action, damages, judgments, costs, fees, expenses and attorney
10 fees arising from any harm, loss, injury or death to any person, or any harm, loss, damage or
11 destruction of any property resulting from any act, omission, fault or negligence of Lessee or any
12 of Lessee’s officers, employees, agents, representatives, contractors, subcontractors, licensees and
13 invitees in conducting or failing to conduct activities or operations pursuant to the rights granted
14 by this Lease. The protections afforded by this provision equally apply to the officers, employees,
15 agents and representatives of Lessor, including the referenced governmental entities.
16

17 This general indemnity provision is in addition to and shall not be limited in any way by any
18 specific indemnity provision contained elsewhere within this Lease.
19

20 **ARTICLE 20 - EXECUTORY CONTRACTS**
21

22 Lessor and Lessee herein agree that for so long as this Lease remains in full force and effect, it is
23 deemed to be an executory contract and an unexpired lease within the meaning of Section 365 of
24 the United States Bankruptcy Code.
25

26 **ARTICLE 21 – LAW AND FORUM**
27

28 Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the
29 laws of the State of Louisiana. Lessee further agrees that any litigation arising in connection with
30 this Lease shall be instituted before the Nineteenth Judicial District Court in the Parish of East
31 Baton Rouge, unless such litigation is required to be filed in or is removed to a federal court of
32 this State.
33

34 Lessee further agrees that the rule of construction requiring that the terms and provisions of an
35 instrument be construed against the drafting party is not and shall not be applicable to this Lease.
36

37 **ARTICLE 22 – SEVERABILITY**
38

39 This Lease sets forth the full terms of the agreement between the parties. If any provision hereof
40 is found to be invalid for any reason, by final judgment of a court of competent jurisdiction or
41 pursuant to any applicable law, such provision shall be severed from the agreement and the
42 remaining terms and provisions shall be fully binding upon the parties. The parties agree that the
43 Lease shall then be reformed to replace such severed provision with a valid, lawful and enforceable
44 provision that comes as close as possible to expressing the intent of the severed provision.
45

46 **ARTICLE 23 –MULTIPLE ORIGINALS**
47

48 This Lease may be executed in multiple originals, each of which is intended to have the same force
49 and effect.
50

1
2
3 State Lease No. ^^
4
5

6 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this ____ day of _____, 20XX,
7 but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign
8 their names below.
9

10 WITNESSES: LESSOR: STATE MINERAL AND ENERGY BOARD
11 for and on behalf of the STATE OF LOUISIANA
12

13 _____ By: _____
14

15 Print: _____ Print Name: _____
16

Title: _____
17

18
19 Print: _____
20
21

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

24 State of Louisiana
25 Parish of East Baton Rouge
26

27 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
28 _____ who, upon being duly sworn by me, did state that said appearer was
29 one of the two witnesses to the execution of the foregoing instrument and saw _____
30 execute said instrument as _____ of the State Mineral and Energy Board
31 for and on behalf of the State of Louisiana as the free act and deed of said Board and the State of Louisiana
32 in the presence of said appearer and _____, the other subscribing witness.
33

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

36 Print Name: _____

37 WITNESS

38 _____
39 Print Name: _____

40 NOTARY PUBLIC
41

1 State Lease No. ^^

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

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

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

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

22 State of _____

23
24 Parish/County of _____

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

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

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

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

40 _____
41 Print Name: _____
42 _____ WITNESS

43
44 Print Name: _____

45 NOTARY PUBLIC

46 Bar/Notary # _____

47 Commission Expires: _____

48
49 *****
50

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

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

WITNESSES:

Print: _____

Print: _____

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

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