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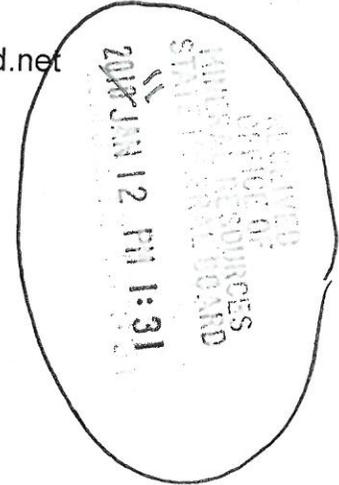
LAFAYETTE ASSOCIATION
OF
PROFESSIONAL LANDMEN

P.O. Box 53491
Lafayette, Louisiana 70505
Thomas A. Simon, CPL
LAPL President
337-232-3383 office
337-501-8667 cell
tsimon@simonland.net

October 28, 2010

Received after
deadline →

Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
P. O Box 2827
Baton Rouge, Louisiana 70821-2827



Re: Proposed Revised State Lease Form

Dear Mr. Heck:

This letter is being sent on behalf of the members of the Lafayette Association of Professional Landmen. Our organization is based out of Lafayette, Louisiana and is comprised of approximately 500 members and associate members who are landmen as well as oil and gas attorneys. We do have members out of state but all are engaged in the petroleum industry.

Please let it be known that our organization, and its members, does take issue with many of the new provisions found in the proposed revised Lease for Oil, Gas and other Liquid or Gaseous Hydrocarbon Minerals that has been made available on the OMR website.

Specifically, below are a few items of interest:

- 1) "Actual drilling operations" as defined, along with other types of operations, need to be more clearly defined and used consistently throughout the document.
- 2) The Financial Security/Bonding Provisions in Article 4. This provision is quite burdensome and would be detrimental to operations for small operators hoping to drill on State owned lands and/or water bottoms.
- 3) Article 8. Assignment Provision. This provision, as written, is unclear and lends itself to interpretation in a manner that would be very troublesome to non-operators assigning leasehold interests.
- 4) Article 9(e). This provision would hamper the operations of a company trying to maintain deep rights. Possibly putting a continuous drilling provision that would go beyond the primary term.
- 5) Article 10(b). This amended provision would not be fair to Lessees. Confidentiality is of the utmost importance.

These are a few of the many items with which we are concerned and there are many others. We understand the need to amend/improve the State Lease form yet we hope that the OMR will further consider the concerns for operators and other interested parties.

Finally, members of LAPL would welcome the opportunity to meet with and discuss these matters in more detail in an effort to make the new form palatable for all parties involved.

Sincerely,

Thomas Simon, CPL
LAPL President



16825 NORTHCHASE DR., SUITE 400, HOUSTON TEXAS 77060 • 281/874-2700

SWIFT ENERGY OPERATING, LLC

October 29, 2010

Office of Mineral Resources
Petroleum Lands Division
P.O. Box 2827
Baton Rouge, Louisiana 70821-2827

Attention: Rick Heck, Director

RE: Comments regarding Proposed New State of Louisiana Oil and Gas Lease Form

Dear Mr. Heck:

Thank you for providing Swift Energy Operating, LLC ("Swift") with the opportunity to comment upon the proposed new Lease for Oil, Gas and Other Liquid or Gaseous Hydrocarbon Minerals. Our Legal and Land Groups along with other associated personnel at Swift have reviewed this document and our comments are as follows:

- As to shut-in periods under this proposed lease form, Swift believes the implied duty to market under Louisiana law can adequately cover these issues and any new requirements will be excessive.
- As to bonding requirements, Swift would suggest that a waiver from any of the new bonding requirements be allowed for companies who can demonstrate their financial viability through other means. These new bonding requirements will likely result in some operators having to post multiple bonds which will be a duplicative effort.
- In Section 6(a), after the words "plus any market adjustments," and before the word "or", insert the words "including but not limited to adjustments for grade and quality".
- In Section 6(b), after the words "a pipeline index in the field," and before the word "or", insert the words "in the pipeline zone including the field".
- In Section 6(c), delete the words "In no case should total royalty on residue gas and liquids extracted be less than the royalty which would be payable at the Lease on the unprocessed gas." Processing is often necessary for the gas to meet the quality specifications of the pipelines for transportation downstream of the processing plant.
- As to the deferred development clause, the operator should get the benefit of the partial development of the lease and not be penalized for it by being required to pay a proportionate deferred development payment.
- The new offset provision has certain language that is far too vague. This particularly applies to the new lease form putting the onus on the lessee to prevent drainage, even as to the drilling of an offset well, "should Lessee know or have reason to know that drainage of the leased premises is occurring". The "have reason to know" standard is very vague and needs considerably more definition.
- As far as rental provisions, the new lease form appears to say that if lessee does not commence drilling or reworking operations or production within 90 days of cessation,

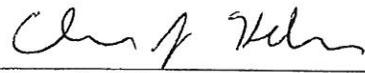
the lease will terminate unless lessee pays a pro-rata rental which holds the lease from the end of the 90 day period until the next anniversary date. Apparently, the lessee does not get the benefit of a full-year rental. A lessee should get the benefit of developing or attempting to develop the acreage under the lease and should not have to pay such a pro-rata rental.

- The present lease form indicates that no transfer of a lease interest is valid without State Mineral and Energy Board approval. This existing requirement should be sufficient to protect the State's interest. The new proposed lease form adds a further requirement that no transfer is valid unless provision is made in such transfer document for maintenance of financial security and insurance with written evidence thereof. This further requirement is excessive because it would require an operator to get deeply involved in reviewing the financial capacity of its potential assignees.
- Confidentiality of wildcat well information is a concern under this new proposed lease form. There seems to be a strong flavor in the new proposed lease form of making everything public record. Depending on the interpretation of this new proposed lease form language, this new proposed lease form may break a long-standing tradition of allowing an operator to maintain well data confidential for 1 year for new "wildcat" discoveries.
- As to force majeure, the new proposed lease form requires an affidavit stating the date and type of fortuitous event, effects and steps to eliminate effects and requires monthly written reports. The affidavit and these monthly written reports will be a significant administrative burden during an already difficult time.
- The new proposed lease form states that if Lessor or the Commissioner of Conservation determines that Lessee's operations cause unsafe operating conditions, pollution, or contamination of air, fresh water, or soil, they may order discontinuance of exploration and production operations until such time as the detrimental conditions are alleviated. This standard is too discretionary and subjective on this important issue of field, facility and/or well shut-in.
- Audit records should not generally be made public record by the State at any time. Also, there is not a firm requirement that some specific reasonable notice period be given before an audit is conducted by the State. There is not enough detail on what required notice the State must give an operator before an audit is conducted.

If you or your colleagues have any questions regarding Swift's comments, please do not hesitate to contact either myself, Rick Sumrall or Carol Sledge at 281-874-2700.

Very truly yours,

SWIFT ENERGY OPERATING, LLC

By: 
Clinton J. Helmke
E&P Counsel

Office of Mineral Resources
October 29, 2010
Page 3

cc: Carol Sledge
Rick Sumrall



MARTIN-MARKS MINERALS L.L.C.

2424 Edenborn Ave, Suite 450

Metairie, LA 70001

504/828-2564

FAX: 504/828-2566

everard@martin-marks.com

September 20, 2010

Rick Heck-Petroleum Lands Director
617 North Third St.
P.O. Box 2827
Baton Rouge, Louisiana 70821-2827

Re: Proposed New State lease Form

Dear Mr. Heck:

I am writing to voice my opposition to the proposed new lease form being contemplated by the state. There are many letters being drafted by attorneys who are a lot smarter than I am, but I wanted to write to you from a small operator's perspective. The proposed lease form contains many provisions that various large landowners use in their lease forms. As such, small operators (like myself) seldom consider exploring on their acreage, since it is too difficult to be able to abide by the lease form with limited resources. Furthermore, many provisions make it too expensive for us to operate. For example, the bonding requirement contained in the State's new lease form is too difficult to abide by, so if this provision were included in a private lease, we would either not enter into the lease or negotiate the bond out of the lease form. Therein lies the problem. Once this form, or any form for that matter, is adopted, the language contained therein is cast in stone without the flexibility of being negotiated as to the content of the lease form.

While there is Haynesville activity in northern Louisiana, the days of the major companies exploring South Louisiana (where most of the State's minerals are located) is largely over. Mostly small operators are responsible for new exploration in South Louisiana. Some of the larger independents drill wells in South Louisiana, but primarily in mature fields that are subject to older state lease forms. Therefore, the new form will mainly affect small operators.

The two primary methods for generating income from an oil and gas lease are through the bonus and royalties. The State of Louisiana is currently being paid fairly under the current system of granting leases. Under the sealed bid system, the State is granting leases for the highest price per acre and royalty that the market will bear. The rest of the terms and conditions contained in the lease adequately protect the State from various pitfalls, which would not allow the State to realize its royalties and their timely payment. Additionally, the current lease form promotes timely development with drill or release clauses contain therein.

In every respect, the proposed new lease form is unusable to small operators.

Rick Heck
Page Two (2)
September 20, 2010

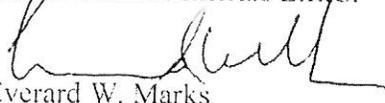
- The terms and conditions added to the current lease form cover items that are typically addressed through regulation, thus adding to an already highly regulated industry;
- The proposed lease form makes all information (geologic and financial) public which would be confidential in a private lease;
- The bonding requirement is outrageous; and
- The lease form is filled with "approvals from Lessor" though out, but fails to identify who from that State will grant such approval. Each provisions requiring permission is a delay in the development of the lease. An Operator would be making needless appeals for permission on routine matters.

I can attest that wells drilled within the State of Louisiana have enough oversight. The permitting process with the US Corps of Engineers, Office of Coastal Management, State Lands Office, Department of Wildlife and Fisheries, Department of Health and Hospitals, Department of Conservation, Department of Environment Quality and various other Parish permits scrutinize every aspect of a well's life cycle. Once a well is in production, the State of Louisiana is already setup to insure the payment of its royalties through its auditing department. We just went through three weeks of four full-time State auditors examining only four wells. I think it is safe to say that they have examined every aspect of the production and revenue concerning the same.

In closing, the new proposed lease form will exclude our company from future leasing of State owned minerals. I hope that we can continue to use the current lease form, as I remain,

Very truly yours,

Martin-Marks Minerals L.L.C.



Everard W. Marks
Manager

Cc: Mr. Scott Angelle
Mr. Paul Segura, Jr.
Mr. Robert D. Harper
Mr. Thomas L. Arnold, Jr.
Mr. Emile B. Cordaro
Mr. John C. Diez
Mr. Bay E. Ingram
Mr. Robert Morton
Mr. Thomas W. Sanders



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OFFICE OF
MINERAL RESOURCES
STATE MINERAL BOARD

2010 OCT -4 PM 1:47

1021 Main (One City Centre)
Suite 2626
Houston, Texas 77002
Tel 713-351.3000 Fax 713.351.3300
www.energyxxi.com

September 29, 2010

Mr. Frederick D. Heck
Petroleum Lands Director
Office of Mineral Resources
P.O. Box 2827
Baton Rouge, LA 70821-2827

Re: Proposed new version of the State Lease form

Dear Mr. Heck:

On behalf of Energy XXI Onshore, LLC, I would like to provide the following comments regarding the proposed new "Lease for Oil, Gas and Other Liquid or Other Gaseous Hydrocarbon Minerals," which is under consideration by the State Mineral and Energy Board. Energy XXI has been an active and committed operator in Louisiana, and has a vested interest in the future lessee's obligations on State land, especially in South Louisiana. Due to our significant drilling investment and cooperation with the State in recent years, we hope to take part in the dialogue regarding these proposed changes and offer our input as to how to best promote cooperation and development of the State's resources.

We are aware the Professional Landman's Association of New Orleans ("PLANO") has submitted a list of comments and concerns regarding the proposed changes. We concur with their recommendations, and especially agree with their request for a public meeting for industry representatives and lessees to provide their comments to the Mineral Board staff on the proposed changes.

In particular, Energy XXI is concerned that the new requirement of bonding or alternate financial security in the amount of one million dollars presents an excessive and onerous burden on lessees/operators. While we recognize that orphan wells are problematic to the State, we believe that a one million dollar requirement is an excessive amount in order to ensure that a well is properly plugged and abandoned. In addition, the steep financial burden presented by this requirement could stifle development and discourage operators from further drilling in Louisiana.

Also, under Paragraph 8(c) of the new lease form, the requirement that an assignee demonstrate financial capacity in order to continue reasonable development of the lease presents a vague requirement on the assignee and leaves the determination of the validity of said assignment to the Lessor. We fear that this requirement may lead to unnecessary litigation as to the transfer of State leases and presents a burdensome obligation on the mineral board staff to determine each assignee's financial capacity. In

Mr. Frederick D. Heck
September 29, 2010
Page two

addition, Energy XXI agrees with the PLANO request that the new royalty calculation provision of Paragraph 6(a) be subject to industry discussion and input by operators and marketers before said formula is utilized by the State.

Thank you for the opportunity to present our comments on the proposed lease form. We hope to continue this discussion in a cooperative environment for industry and the State to achieve a reasonable balance and facilitate further development of Louisiana's natural resources. Upon your request, we would be happy to provide further clarification or input on the provisions noted above. After the industry comments have been compiled, we look forward to seeing any revisions to the form, or the opportunity to present our concerns to you in person.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Granger Anderson III". The signature is fluid and cursive, with a long horizontal stroke at the end.

J. Granger Anderson III
Vice President, Land

/jga



MICHAEL D. DEVILLE
Land Manager

P.O. Box 52807
Lafayette, Louisiana 70505
625 East Kaliste Saloom Road
Lafayette, Louisiana 70508
Telephone: (337) 237-0410, Ext. 2184
Direct: (337) 521-2184
Fax: (337) 521-0296

VIA ELECTRONIC MAIL (Rick.Heck@la.gov)

September 29, 2010

Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
P. O. Box 2827
Baton Rouge, Louisiana 70821-2827

RE: Proposed New Louisiana State Lease Form

Dear Mr. Heck:

Stone Energy Corporation has completed a review of the proposed changes to the Louisiana State Lease form and has much concern with many of the proposed changes to said form.

Stone's concerns with the new proposed Lease form changes are adequately addressed in the comments provided to your office from The Professional Landmen's Association of New Orleans ("PLANO"). Stone is an active participant and supporter of the PLANO organization and its industry representative committee. This letter is to advise you that Stone is in full support of PLANO's stated positions and comments provided to your office on the subject matter.

Should you have any questions, please do not hesitate to give me a call.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Michael D. Deville".

Michael D. Deville
Land Manager



THE PROFESSIONAL LANDMEN'S ASSOCIATION OF NEW ORLEANS

P.O. Box 51123
New Orleans, Louisiana 70151-1123

September 29, 2010

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Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
P. O. Box 2827
Baton Rouge, Louisiana 70821-2827

Re: Proposed New Lease Form

Dear Mr. Heck:

This letter is being written in response to the request for comments from the public on the proposed revised Lease for Oil, Gas and other Liquid or Gaseous Hydrocarbon Minerals that is posted on the OMR website.

The Professional Landmen's Association of New Orleans ("PLANO") has approximately 630 members and associate members including both landmen and oil and gas attorneys. Most of our members are local, though a significant number of our members reside in Houston and other out-of-State venues, but are employed by companies with active operations in Louisiana.

PLANO has established a committee of landmen and attorneys in order to review the proposed changes in the lease form. Although the revised form has introduced some issues that we support in principal, there are many changes in the form to which we are very much opposed.

We support the OMR's efforts to require a release of deep rights under State leases, but adamantly disagree with the proposed language. The requirement for each Lessee to furnish the OMR with a list of all unplugged wells and facilities at the end of the lease along with the plans for abandonment within the one year required period is a positive change, but the financial security/bonding requirements as proposed as part of the lease form will prevent smaller companies from operating on

State owned lands and waterbottoms and will discourage larger companies from drilling new wells in our State. We are not opposed to bonding as needed, but we feel that it should be done exclusively through the State in its capacity as a regulatory body through the Office of Conservation, not through the lease form. These financial security requirements are already in effect under LAC 43:XIX 104. A point by point list of our comments on the proposed lease form is contained in the attachment to this letter.

We respectfully request that the contents of this letter and the attachment be considered as you move forward in this effort. Should you wish, representatives from our committee will be glad to meet with you in order to discuss this in more detail. I can be reached at 504-457-3864 or dmackenroth@grayoil.com.

Yours truly,



D. Irwin Mackenroth
President

cc: Mr. Scott A. Angelle
Mr. W. Paul Segura, Jr.
Mr. Robert D. Harper
Mr. Thomas L. Arnold, Jr.
Mr. Emile B. Cordaro
Mr. John C. Diez
Mr. Bay E. Ingram
Mr. Robert Morton
Mr. Thomas W. Sanders
Mr. Darryl D. Smith
Ms. Helen G. Smith

**Attachment to PLANO's letter dated September 27, 2010
to Rick Heck, Office of Mineral Resources**

**PLANO'S COMMENTS REGARDING PROPOSED REVISIONS
TO THE STATE'S LEASE FORM – references to articles, pages
and lines are from the copy of the lease posted
on the OMR's website**

1. General Comments – the definitions are somewhat inconsistent and vague at times. Several of the provisions have changed significantly such as the royalty, offset well, force majeure, lessee liabilities, title dispute and the audit provisions. It would be beneficial to have a true “redline” version of the proposed lease for comparison purposes. Interactive meetings and discussions should be held between the OMR and industry representatives in order to review the language to be utilized in the official revised form once the concepts of the revisions are finalized. A review by the Mineral Law Institute may also be beneficial.
2. Definition of “actual drilling operations” – this definition and the use of related terms like “actual downhole operations” and “lease operations” need to be standardized in the definition section and as used throughout the lease.
3. Definition of “paying quantities” – requires that Lessee meet two separate standards i.e. (a) as defined by Article 124 of the Mineral Code and (b) the royalties must be sufficient to constitute serious or adequate consideration to Lessor. This second test is too subjective and could be unfair to a Lessee who is still making a profit or in the process of recouping its investment in wells drilled on a lease.
4. Definition of “non-affiliated party” and “affiliated party” – these definitions are confusing – it would appear easier to define an “affiliated party” and provide that all others are non-affiliated.
5. Article 1. (Rental Provision) – on page 5, lines 25 – 35, appears as if other acreage based payments i.e. deferred development, shut-in and force majeure payments also should be referenced.
6. Article 3. (e) (Force Majeure Provision) – although the term “commercial quantities” is utilized in the current force majeure provision utilized by the State, we feel that this should be a defined term tied to the definition

of paying quantities under the Mineral Code – the idea of having the provision apply to oil wells is a great idea.

7. Article 4. (Financial Security/Bonding Provision) – although conceptually we agree that operators should not be able to shirk their obligation to plug and abandon wells within one year of lease expiration, we do not agree with how this is handled in the proposed form. The initial minimum requirement of posting \$1,000,000 in financial security/bonding for the first well is excessive. Even offshore geopressured wells do not generally cost \$1,000,000 to P&A much less an onshore normally pressured well. Also, the State's proposed lease language is not consistent with the current requirements of the Office of Conservation relative to financial security/bonding. It seems that there should only be one standard for operators to follow. It is our recommendation that financial security/bonding should be a function of the State in its capacity as a regulatory body with the requirements set forth by the Office of Conservation. The proposed lease provision would prevent small operators from drilling new wells on State owned lands/waterbottoms and would be onerous to larger companies that qualify as exempt parties from bonding with the MMS/BOEMRE due to their financial capabilities.
8. Article 5. (Offset Well Provision) – this provision should provide that wells drilled outside of the lease and on lands/waterbottoms owned by the State should not be included as wells drilled on "adjoining property" for the purposes of this article.
9. Article 6. (Royalty Provision) – although we are not opposed to modernizing this provision to more accurately describe the manner in which oil and gas are currently marketed, this provision is basically a complete re-write and should be part of the interactive discussions referenced in item 1 of this attachment.
10. Article 8. (Assignment Provision) – as written in the proposed form, the approval of assignments is conditioned on the new owner providing the proper financial security as required in the lease. As referenced above, we feel that financial security should be an Office of Conservation function and the OOC's approval of a change of operatorship of assets tied to assumption of this security. As written, this provision will also be problematic in assignments of the leasehold interests of non-operators. Would the OMR require financial security from all owners of undivided interest in a lease?
11. Article 9. (c) – among other things, this provision states that if a surface and/or subsurface agreement is granted by the State Land Office that affects the Lease, a presumption will exist that a unit for the well

should be formed and Lessee will be required to make application for a Conservation Unit including a portion of the Lease. The Surface Lease and Subsurface agreement issued by the State Lands Office has a provision that addresses this situation, but does not state that a presumption will exist for the existence of a unit and it does not require unitization to be by Commissioner's Unit. If the OMR wishes to cover this matter in the new lease form, we feel that the State Land Office language is more appropriate.

12. Article 9. (e) - on page 22, lines 17 - 21, Lessee is required to release all rights below 100' below the deepest formation producing or behind pipe and capable of producing at the end of the primary term. Although we are in support of a provision in the Lease that would allow the State to receive a release of deep rights, as written, we are adamantly against it. With the proposed language, a company could be drilling a well across the end of the primary term to a proposed depth of 18,000' and lose all rights below its current production if at a shallower depth. We would be supportive of a provision that would allow a Lessee another 3 years beyond the primary term to maintain rights below its deepest production, subject to being able to maintain such deep rights by continuous "deep" drilling with a reasonable grace period between wells.
13. Article 10. (a) - this provision requires the Lessee to provide Lessor with certain well information and other data. The addition of geophysical surveys to the list of items previously described in the State's current lease form will be a major problem to Lessees. In any event, geophysical data merely licensed by Lessees should be exempt from any such requirement as providing such data will violate the typical license agreement.
14. Article 10. (b) - this provision states that all records received by OMR or DNR shall be deemed public records except where designated as confidential by law. The existing lease form provides that these records will be held confidential and there is no reason for change in this respect. This proposed revision is extremely unjust to Lessees.
15. Article 15. (Insurance Requirements) - we have no issue with the amount of insurance coverage required, but in lieu of having the coverage be "in full force and effect during the term of the Lease" it should be in effect prior to commencing operations of any kind under the lease. To do so otherwise would eliminate the current practice of using independent landmen to bid on leases on behalf of operators.
16. Article 16. - on page 29, lines 31 and 32, the proposed lease form reads "In case of ambiguity, this Lease shall always be construed in favor of Lessor and against Lessee." This proposed language is extremely

unfair to the Lessee. We would support a provision that would state that in case of ambiguity, it will not be considered that the Lease was drafted by either Lessor or Lessee or something similar in nature.

17. Article 17. (Title Disputes/Litigation) - this provision has been revised significantly and would benefit from interactive meetings and discussions as referenced in item 1 of this attachment.
18. Article 19. (Audit Rights) - much of the information that the Lessor has the right to obtain in an audit is highly proprietary. All information related to an audit should remain confidential as between Lessor and Lessee even after the audit has been deemed complete by OMR.
19. "Date" vs "Effective Date" - in places throughout the Lease, each of these terms are utilized. There should be a consistent reference to one term or the other in the Lease.
20. \$100/day fines/penalties/liquidated damage payments - although we understand the Lessor needs to be able to receive information timely under the Lease, these penalties are potentially excessive. We propose that these payments be due after a short grace period once notice is received from Lessor that information is due.



CENTURY EXPLORATION NEW ORLEANS, INC.

Three Lakeway Center, Suite 2800
3838 North Causeway Blvd.
Metairie, LA 70002-8319

(504) 832-3750
Fax: (504) 832-3760

September 29, 2010

Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
State of Louisiana
P. O. Box 2827
Baton Rouge, Louisiana 70821-2827

RECEIVED
OFFICE OF
MINERAL RESOURCES
STATE MINERAL BOARD
2010 SEP 30 PM 3:00

Re: Proposed Lease Form

Dear Mr. Heck:

This letter is being written in response to the request for comments from the public on the proposed revised Lease for Oil, Gas and other Liquid or Gaseous Hydrocarbon Minerals that is posted on the OMR website. Century has been very active in the State owned waterbottoms of Breton Sound. In fact, we have paid the State approximately two hundred million dollars (\$200,000,000.00) in royalties and severance taxes since 2003.

We support the OMR's efforts to require a release of deep rights under State leases, but feel that a lessee should be able to maintain deep rights beyond the primary term for 2 – 3 years and then release deep rights if not then developed by a continuous deep drilling program. This is the manner in which deep rights are addressed in many large land owner lease forms in South Louisiana. The State of Texas' lease form handles this somewhat as I am proposing after a primary term of 5 years with \$10 per acre delay rentals.

We agree with the proposed requirement for each Lessee to furnish the OME with a list of all unplugged wells and facilities at the end of the lease along with the plans for abandonment within the one year required period, but the financial security/bonding requirements as proposed as part of the lease form are potentially very onerous to Century. We are very active in the federally owned waterbottoms in the Gulf of Mexico and we are exempt from supplemental bonding as a result of our financial capabilities. It seems like the State should also have a similar program. We are not adverse to bonding as needed, but we feel that it should be done exclusively through

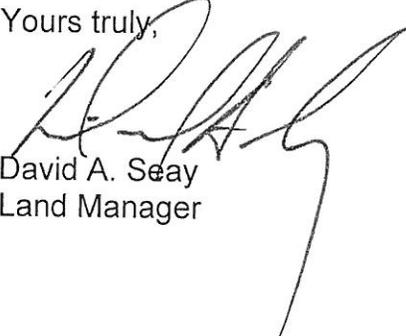
the State in its capacity as a regulatory body through the Office of Conservation, not through the lease form. These financial security requirements are already in effect under LAC 43:XIX 104. Additionally, the \$1,000,000 requirement for the first well is excessive. I have never seen a landowner's lease form with a financial security/bond amount at this level.

We also have an issue with all of the information that we provide to the State becoming part of the public records. This is not the way information and data is typically handled by private landowners, the State of Texas or the MMS/BOEMRE.

I have heard that there are several large companies that are considering investing a portion of their exploration budget in coastal Louisiana as a result of the overreaction of the MMS/BOEMRE to the Macondo spill. It seems like Louisiana may have a chance to have an increase in activity in this area as a result of the Macondo spill; however, adopting the lease form as proposed will be counterproductive and will discourage new activity.

We respectfully request that the contents of this letter be considered as you move forward in this effort. Should you wish, I will be glad to meet with you in order to discuss this in more detail. I can be reached at 504.832.3742 or daseay@centuryx.com.

Yours truly,



David A. Seay
Land Manager

Rick Heck

From: Babin, Marty P [MartyBabin@chevron.com]
Sent: Wednesday, September 29, 2010 8:46 PM
To: Rick Heck
Cc: Jones, Larry; Rewerts, Carl (CarlRewerts); Frisbie, Charles (CFrisbie); Kratz, Todd
Subject: state of Louisiana Oil and Gas Lease form

September 29, 2010
Rick Heck
State Mineral Board
Via email at: rick.heck@la.gov

Re: State of Louisiana Oil and Gas Lease form revisions

Gentlemen:

Thank you for the opportunity to comment on this most important document regarding the relationship of the State with its mineral lessees.

As a general comment, Chevron U.S.A. Inc. responds that these are numerous, material and substantive changes that significantly alter the relationship, the rights and the obligations between the parties and there was not sufficient timely to adequate review and comment on all of the changes. It is suggested that an extension to further respond be granted to the industry and that the State open hearings and direct negotiations with representative oil and gas industry associations before these revisions are adopted. Change without careful insight and review can cause unintended consequences for each the lessor and the lessee.

Lease in the first whereas is not a defined term.

It is inappropriate to incorporate binding legal terms in a whereas provision, and the insert at the proposed second whereas provision seeks to state an interpretation of law rather than a contract provision. That provision is ambiguous and may be legally unenforceable, as drawn.

It is clearer to incorporate the definition as article in the body of the agreement rather than in a whereas provision and revisions of the definition should seek to clarify or improve any prior use.

"Actual drilling operations" should include any down-hole operation conducted in good faith to enhance or restore production. It is unnecessary and ambiguous to include cleaning and reconditioning. This term excludes surface facilities installation but later include "installation of equipment" as an act extending the period of operations. This could be read as a conflict.

What are the basis and the improvement to the form to expand the definition of non-affiliated party? Could the same result occur with clarification of already defined term, Independent Party, which has a meaning within the industry? This revision makes conditional, uncertain and subject to lessor interpretations the status of a 10 to 50% ownership. Why not retain existing definitions which have established meaning and use within the industry and have legal interpretation?

Alternative energy is not defined at LRS 30:124.

Mineral Lease is not a defined term.

The change in the indemnity scheme for coastal protection projects is ambiguous, would materially alter and devalue the rights of the lessee and places a disproportionate risk on the lessee. This change devalues the lease rights to the lessee.

The Article 1 attempt require additional payment for claimed or possible additional acreage during a set period make indefinite what the lessee is acquiring and will creation title curative matters that could delay drilling. Who has the obligation to survey? Is there a unilateral right to the lessor? What is the method of protest? Can the protest be handled timely to address a clearance for a drilling program? Title program rely on a definitive description of the lands claims. This revision makes lessor title ambiguous, will delay drilling programs, makes uncertain the grant from the lessor and creates a conflict with any title warranty in the lease.

The new Article 3 b, formerly Article 4 a, revision use of "pro-rata" and a day count of unknown commencement makes unclear the calculation of the delay rental amount.

The new Article 3 e is a material change in the shut-in rights and infers that trucking of oil from a location is not longer required and change materially the marketing rights and obligations between the parties and sets asides years of prior legal interpretation of the obligations to market. The per acre amounts chosen are arbitrary. This revision should only be considered after careful discussion with the industry on its effects and to more properly reflect a per acre amount consistent with the mutual intentions of the parties. Unilateral termination by the lessor is extreme based on a one sided determination by the lessor based on subjective judgment and not a clear breach and will lead to litigation. Louisiana law on resolatory condition requires a clear and unequivocal breach.

The new Article 4 is a material change in the bonding and surety relationship between the State and mineral lessee and requires extensive review and consideration by the industry. The \$1 MM amount chosen surety amount is arbitrary, when not constructed in alignment with the number of wells, location and depths. This change may also be subject to challenge where contrary to existing legislation which sought to address abandonment obligations by statute.

Lease cancellation under Article 5 c is extreme for drainage. Drainage can be adequately addressed by money damages. The threat of lease cancellation weighs disproportionately against the lessee, when money damages can satisfy the claim.

Fair Market Value works as a concept, but the revisions at Article 6 a make uncertain the calculation of the royalty payment obligation and the satisfaction of the royalty amount, as adequate and not subject to an audit claim, where any cited index is appropriate, whether the highest or not and which fails to include a contract price, which is or may representative of any such index and which contract price should remain as a minimum. The concept of contract price should be retained as one limit, if it satisfies. The multiple indices make royalty administration more difficult and create uncertainty for both lessor and lessee. The exclusion of posted price in the field is appropriate but the new provision should be clear in its application. It is not. Discuss these Article 6 revisions with industry.

The same concepts of multiple indices in 6 b will cause confusion. What is the effect of a new method of fair market valuation may be utilized? Is that a sole determination by lessor by edict, or does it make indefinite royalty payments made in any interim? What line loss is excluded? Is it vent or flare or catastrophic line loss? How will such losses be measured or estimated or accounted for? The revisions in Article 6 create a conflict for accounting for takes versus entitlements, without resolution in the form and a requirement for dual accounting. The Article 6 definitions of residue gas valuation and the processing deduction are unclear and should be more transparent. The processing deduction definition fails to account for multiple lessees at a single plant.

The new form appears to delete the retention of 40 acres and 160 acres around a producing well in the event of a cancellation. That deletion leaves unclear the ownership of that mineral interest, the well, the production and the rights and obligations of the lessee.

Certain State required conditions on transfer in Article 8 make indefinite any transfer and potentially any approval by the State, unless waiver are expressly cited as met in the assignment.

The Article 9 b penalty should require prior notice from the lessor and should apply only 90 days after receipt of that notice.

Unit formation under Article 9 c is the domain of the Commissioner and should not be pre-determined by the lessor in the lease form.

"Shall furnish" in Article 10 a creates an obligation. The Article 10 a data requirement should include a provision, "if run". Some of the data is not warranted for certain wells and will not be run without risk to the well or additional expense that might affect the paying quantities definition. The last sentence of 10 a is overly broad and should be limited to data in lessee possession.

The Article 10 d penalty should require prior notice from the lessor and should apply only 30 days after receipt of that notice.

The last sentence of 11 a should be in the affirmative that title to the hard assets always remains in the lessee.

The new abandonment rights asserted by the lessor in Article 11 are material and require discussion and negotiations with the industry to avoid unintended consequences or conflict with existing legislation.

Article 12 fails to include recompletion operations as maintaining a lease.

Article 13 requires extensive review by oil industry environmental experts where the lessor changes the environmental standards for materials and seeks to rely on federal CERCLA laws, which may not be consistent with state environmental laws.

The Commissioner rights are clearly defined by statute and regulation. It is inappropriate at 13 d to grant the Commissioner unilateral rights to require or order the immediate cessation of operations without due process or as required by those statutes and regulations.

The 15 e right of cancelation ought to arise only after demand and a failure to respond or cure.

The second sentence of Article 16 is onerous and encourages the drafting of ambiguous provision by lessor or claiming in every suit, the provision is ambiguous, despite being drafted by the lessor. Delete that sentence entirely.

Article 17 requires careful alignment with the laws of concursus proceedings in Louisiana to avoid conflict.

Thank you for this opportunity to comment.

Sincerely,

Marty Babin ●●
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October 27, 2010

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Via E-Mail

Mr. Frederick Heck
Louisiana State Mineral Board
Office of Mineral Resources
P. O. Box 2827
Baton Rouge, LA 70821-2827

Re: Comments to Proposed Revised State Lease Form

Dear Rick:

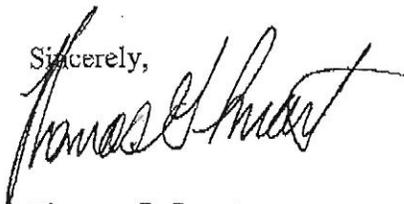
Attached please find my comments to the proposed revised State Lease form. While I did speak with a number of clients and others within the industry, who had a lot of problems and issues with the form, these are my own personal comments.

Your office does a great job representing the State, and I know revising the State Lease form is a difficult task. In my opinion, it is important that the form be as balanced as possible, protecting the State's interests, but not placing additional and/or undue burdens on lessees. An onerous provision in a large landowner's lease form can be problematical, but it is usually limited to a relatively small geographic area. However, the State is the largest single landowner in Louisiana. The more onerous the State Lease form is, the more potential there is for fewer companies to decide to do business in Louisiana, for fewer leases to get nominated, for fewer wells to be drilled or for fewer deals to be done, all resulting in adverse economic impact to our State. The proposed State Lease form contains a number of provisions that are very problematical from an industry standpoint (especially the bonding and security provisions; the changes to the approval of assignment provisions, including provisions whereby the State can evaluate the financial capability of lessees; and the provision regarding depth termination at end of the primary term). I would also suggest that many of the provisions, including the ones just referenced, are going to be very difficult for the State to administer, especially given the staff and resource limitations that your office is forced to operate under. These provisions are going to increase the burdens on your already limited staff, and if the provisions are to be applied, activity is going to be slowed down substantially, again resulting in adverse economic impact to the State.

Mr. Frederick Heck
October 27, 2010
Page 2

I appreciate you taking the time to consider my comments. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas G. Smart". The signature is written in a cursive style with a large, sweeping initial "T".

Thomas G. Smart

TGS

ONEBANE LAW FIRM

A Professional Corporation

MEMORANDUM

TO: Rick Heck

FROM: Thomas Smart

DATE: October 27, 2010

RE: Comments to Proposed Revised State Lease Form

My comments are as follows, and follow the order the provisions are found in the lease and are not in order of importance.

1. General reference to other laws and regulations (Lines 15-25 on Page 1): Is this intended to make the terms of the lease more subject to change by laws and regulations? For example, MMS lease form has historically been more subject to change or adjustment by regulation. Lessee is subject to new laws and regulations, but substantive provisions of the lease should not be subject to change outside of the lease form itself.
2. Rentals (Para 1): The additional cash payment for additional State owned acreage is onerous and would seem to create a number of issues and uncertainty. Who determines that there is additional State owned acreage? When is that determination to be made? When is that rental due? What if it is discovered after rental payments have been made for prior years or after the primary term? What if the lease has been assigned in the meantime? Also, given that this deals with delay rentals, any risk of uncertainty could equate to expiration/termination of the lease (if rentals are not properly paid, the lease terminates). The coverage of additional lands that become owned by the State is a good change (erosion or adjudicated lands) (along with the provision that no additional rental is due, is there a reason why other lands acquired by the State during the term are not excepted from the rental requirement-e.g., movements of navigable rivers?).
3. Extension of Primary Term (Para 2): Why are extensions only allowed in the case of secondary or tertiary recovery? There are other instances where it benefits the lessor and lessee to extend the lease. Also, perhaps this would be better dealt with via amendment to the lease rather than built into the lease form.
4. Proportionate Rental Payment (Para 3.(b)): The proportionate rental after drilling through anniversary date is new. This is not unusual, but it does increase the cost to lessees and changes the way State Leases have been historically maintained.
5. Directional Drilling (Para 3.(d)): This appears to be the same as the prior form. You should consider adding reference to penetration of surface of unit boundary (in addition to lease premises).

6. Shut-In Clause (Para 3.(e)): Consider adding "transportation facilities". Also, a part of the delay being experienced in North Louisiana is lack of fracking equipment. Consider addressing here (perhaps "completion equipment") or elsewhere. Cost of shut-in rentals has been doubled, increasing cost to lessee.
7. Bonding (Para 4): This provision is extremely problematical, both for the lessee and the lessor. There is already a provision in the current lease form for a site specific trust account that isn't utilized because, as I understand it, the State was not staffed to handle or never got around to promulgating the rules. From the lessor's perspective, it would seem that this would be time and resource consuming to administer. From the lessee's standpoint, it would be costly and would result in fewer wells being drilled (the cost of bonding will drive up the cost of projects). It is open ended at the discretion of the lessor. Also, even if the lessee attempts to comply, is the State going to be able to keep up with the administration of the program or are fewer wells going to get drilled while waiting on the State? This will create timing and delay issues for Operators. What about effect on lease maintenance? What about smaller interest owners? Overall, the State has other remedies and ways to ensure that plugging and abandonment take place, without driving up the cost of doing business and slowing down development of the State's resources. Also, if the State is going to proceed in requiring bonding, then it should consider utilizing a method for determining whether an exemption should be allowed based upon the financial strength of the Operator, or whether area or statewide bonds should be allowed.
8. Offset/Compensatory (Para 5): Should also exclude wells on other lands owned by lessor or for which lessor has acreage in unit. If you have two (2) adjoining State Leases, you should not have an offset well obligation from lease to lease.
9. Release of Lease/Listing of Wells and Equipment (Para 7.(c)): The requirement to list wells and equipment with the releases is going to make getting releases, especially from smaller interest owners, more problematical, as they often do not have the requisite information.
10. Assignment (Para 8): "(a)" requires "prior" approval of the assignment by the lessor or the assignment is null and void. That is contrary to the established process, whereby the assignments are executed and then submitted for approval. That process has worked well for several years. Also, requiring prior approval, especially with the null and void consequence, will slow down transactions. As far as "(c)", see comments above regarding bonding. Also, this provision would be problematical for assignments by depth, i.e., if assignor reserves shallow rights and wells, does assignee have to put up security and insurance? Also, anytime you have the risk of the assignment being null and void, you create unforeseeable problems. "(d)" is problematical as well, getting the State involved in determining whether someone is financially capable (assuming that is for P&A but it doesn't say) and the ability to continue reasonable development. The State will already have the prior owners on the line financially. The discretion to determine whether a company can continue reasonable development is very problematical. Often a party will acquire the lease by assignment and then put a deal together. The financial capacity is not always there upfront (even if one is buying an already producing property). Also, what standards will be used by the State for the owners of different interests? Are smaller interest owners going to have to meet the same standards? How long is it going to take to get assignments approved while the State evaluates all of this information? Does the

State have the staff to do this? As far as development, the State already has the deferred development clause and the ability to make development demands.

11. Unitization/Survey (Para 9.(b)): A final unit survey plat must be completed and supplied to the State within 90 days of initial unit production and, if not, the lessee must pay the State \$100/day cumulative liquidated damage assessment until the State receives the completed plat. A final unit plat identifying State acreage/State unit participation in areas covering town lot lease plays, areas with adverse claims, etc. can go beyond 90 days even for prudent lessees. Exterior unit boundaries are normally easy to determine but interior tract boundaries many times are not. This provision could be very problematical in town lot plays (e.g., Haynesville units).

12. Subsurface Easements by State Lands/Requirement to Unitize (Para 9.(c)): This is unnecessary as the lessor already has the protection of the offset/drainage clause. Going beyond that may result in the drilling of fewer wells. Parties applying for the subsurface easement will know they will be facing a unit application, potentially affecting their unit participation and potentially creating other land problems (depending upon what other leases they have tied up in the area).

13. Deferred Development/Depth Clause (Para 9.(e)): This is very problematical, especially considering the size of and amount of acreage covered by State leases. Even if such a clause is included, the proposed language has a number of problems. The use of the end of the primary term (especially with the common onshore three (3) year primary term) does not give enough time to fully develop the lease as to all depths. The depth pugh clause is often found in leases with longer primary terms or leases where the lessee has an option to pay to extend the primary term. What is the bottom of the deepest formation? Is it determined by the applicable unit? What if there is no unit? What does a "behind pipe formation capable of producing at that time" mean?

14. Data/Information/Public (Para 10, Pages 22-23): The State requires lessee to provide Well Information to the State without request, and failure to provide the information within 30 days from reaching TD triggers a \$100/day penalty. The required well information is "deemed public record except where the record is designated as confidential by law". The current provision is much more workable and allows the State to request information. The lessee should not be required to provide the information without request and then have it open and obtainable as part of the public record.

15. Force Majeure (Para 12): The new clause adds a force majeure shut-in payment. If there is a force majeure event approved by the board, there should not be an additional payment. For example, consider what the impact on industry would have been if on top of the damage caused by Rita and Katrina, in addition to all of the money needed to be spent to repair and get production back on line, they would have had to pay shut-in payments.

16. Pollution (Para 14.(a)): For purposes of the lease, "pollution" includes the intrusion of oil, natural gas and other hydrocarbons or CO2 into any segment of the environment not previously containing same. What does this mean? Is CO2 injection pollution? Is gas lift injection pollution? Is the movement of hydrocarbons caused by fracking, pressure maintenance, secondary recovery or storage, the intrusion of "pollution" for purposes of this lease? There are all kinds of legitimate, prudent and very useful operations that could be deemed to be adding pollution under this clause.

When referencing that it is a segment of the environment that did not previously contain "same," you may be trying to exclude oil and gas bearing sands or zones, but it could be read to include those sands and zones because they did not contain the exact substances being injected or that are being caused to intrude. In my opinion the State is protected by existing tort and environmental laws and this clause would just cause a lot of unnecessary problems.

17. Insurance (Para 15): Consider changing to require prior to conducting operations. Often landmen or other consultants bid on leases for purposes of confidentiality. In other instances, parties acquire leases and then try to sell or put the deal together. Also, consider removing or changing the right to terminate to after a notice and opportunity to cure. Any rights to terminate the lease are problematical.

18. Law/Ambiguity (Para 16): The provision regarding ambiguity should at least be revised to only negate the construction against the preparer. Creating the presumption against the lessee is unfair under the circumstances and sends the wrong message to companies looking at doing business in the State.

19. Minimum Royalties (Para 17.b): This paragraph, which appears to require the payment of minimum royalties while the remaining unpaid amount gets deposited, needs to be deleted. This is contrary to the current practice which is set out in Para 17.a. In essence, a lessee would have to pay the full royalty amount into the concursus and then pay an additional non-refundable minimum royalty to the State. This is overly burdensome and often lessees looking at the potential to have to pay double or triple royalties decide not to drill wells, killing projects. It happens enough currently and this would make it worse.

20. Overall Comment/Size of Lease: Various provisions in the new form are not only significantly more onerous to lessees, but increase the administrative burden to both the lessee and the lessor. Assuming these provisions are necessary or make sense, they may justify the burden and cost for the lessee and the State when we are dealing with larger tracts (e.g., offshore acreage), but when we are dealing with smaller tracts (e.g., isolated rivers, streets) the cost and burden may not be justifiable for either party. You should consider not utilizing the new form or certain of its provisions as to tracts below a certain size.



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t: 713 401 0000
f: 713 401 0088
www.woodside.com.au

October 6, 2010

Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
P.O. Box 2827
Baton Rouge, Louisiana 70821-2827

**Subj: Proposed New Lease Form
Woodside Energy Comments**

Dear Mr. Heck:

This letter is being written in response to the Louisiana Office of Mineral Resources' request for comments on the proposed Louisiana oil & gas lease form revision.

Woodside appreciates the opportunity to provide you with these comments. Woodside generally supports the comments provided to you from the Petroleum Landman's Association of New Orleans (PLANO). In addition to PLANO's comments, we have concerns with suggested changes to the royalty, deep rights retention, confidential information, and the construction interpretation of the proposed form.

We also question the timing of this initiative being that our industry is faced with unprecedented challenges from our government at all levels.

We strongly support PLANO's suggestion that the State of Louisiana work with our industry to jointly and cooperatively develop a lease form which is mutually beneficial to all parties at the appropriate time.

Sincerely,

Woodside Energy (USA) Inc.

A handwritten signature in black ink, appearing to read "Leon Hirsch".

Leon Hirsch

Vice President Land & Business Development



PetroQuest
ENERGY, L.L.C.

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2010 NOV -1 PM 1:33

TRANSMITTED VIA EMAIL
Rick.Heck@la.gov and
Regular US Mail Services

October 29, 2010

Mr. Rick Heck Director of Petroleum Lands
Louisiana Office of Mineral Resources
P. O. Box 2827
Baton Rouge, Louisiana 70821-2827

Re: Proposed Revisions to
Lease for Oil, Gas and Other Liquid or Gaseous Hydrocarbon Minerals

Gentlemen:

Reference is made to the request of the Louisiana Office of Mineral Resources ("OMR") for comments in regard to the proposed revised Lease for Oil, Gas and other Liquid or Gaseous Hydrocarbon Minerals (the "State Lease Form") provided on the OMR website. Further reference is made to that certain letter dated September 29, 2010, from the Professional Landmen's Association of New Orleans ("PLANO") to OMR and PLANO's comments attached to said letter.

PetroQuest Energy, L.L.C. ("PetroQuest") appreciates the opportunity to provide comments regarding proposed changes to the current State Lease Form. After reviewing the proposed revised State Lease Form PetroQuest is in general agreement with and support PLANO's comments provided to OMR in the above described letter. However, should OMR decide to hold public meetings to discuss the proposed changes we ask that you include PetroQuest in your distribution list when calling for such a meeting.

Should you have any questions regarding this matter, please contact the undersigned at 337-272-7428 or send email message to tbarry@petroquest.com.

Very truly yours,

Tommy Barry, CPL
Gulf Coast Onshore Land Manager



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URBAN F. O'BRIEN

Vice President, Governmental & Regulatory Affairs

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October 29, 2010

Mr. Rick Heck
Office of Mineral Resources
Louisiana Department of Natural Resources
P.O. Box 2827
Baton Rouge, LA 70821-2827

VIA EMAIL: Rick.Heck@la.gov

Subject: Apache Corporation comments on proposed changes to the state lease form

Dear Mr. Heck:

Apache Corporation appreciates the opportunity to submit comments to the Office of Mineral Resources on the proposed changes to the state lease form.

Apache Corporation is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. In the United States, the Company's onshore exploration and production interests are focused in Louisiana, New Mexico, Oklahoma, and Texas. Apache thanks the Department of Natural Resources for the opportunity to comment on the proposed changes. We trust you will consider our views as you prepare the final revisions.

Following are our specific comments related to proposed changes to various articles of the lease.

1. **DNR Proposed change:**

The following language was added to Article 1:

Should there be shown to have existed at the time the lease was awarded additional State owned acreage within the polygon of this lease, Lessee shall owe an additional cash payment equal to the per acre bid price for this lease times the number of additional acres owned by the State. This additional cash payment shall not apply to lands which erode into State owned water bottoms within the lease boundary nor to acreage which is adjudicated to the State within the lease boundary while this lease is in effect, though such acreage will be covered by this lease. Hereinafter, the rental payment shall be the higher of either the annual rental payment as declared in the Bid Form submitted to Lessor; or one half (1/2) the amount of the price per acre as stated in the Bid Form multiplied by the actual number of acres comprising this lease, including additional acreage within the lease boundary which existed at the time, but was not discovered until after the lease was awarded.

Apache Comment:

This language leaves open the possibility of an erroneous rental payment. The provision should include language which states that Lessee is not liable for an erroneous rental payment until Lessee has received notice from the Lessor by certified letter of the additional acreage and revised rental amount.

2. **DNR Proposed change:**

The following language is included in Article 4:

In accepting this lease and its terms, Lessee herein agrees that, if the Lessee, its successors or assigns, or an operator drilling on this lease, is exempted from furnishing financial security to accompany the permit to drill any and all wells on these leased premises as set forth in LAC 43:XIX§104, then Lessee, its successors or assigns shall, within ninety (90) days of the first onset of downhole drilling operations, furnish Lessor with evidence of a bond or alternate financial security acceptable in form, content and amount to Lessor (but under no circumstances less than One Million and No/100 (\$1,000,000.00) Dollars) sufficient for plugging and abandoning the well being drilled in compliance with the rules and regulations promulgated by the Office of Conservation from an approved corporate surety company authorized to transact the business of indemnity and suretyship in the State of Louisiana, or such other financial assurance as may be acceptable to the Lessor.

Apache Comment:

We feel that the Bonding and Financial Security requirements should be a function of the Office of Conservation as currently set out in LAC 43:XIX.104 (Statewide Order 29-B). If we are exempted under 29-B, we should not have to furnish a separate bond or proof of financial security to the State Mineral and Energy Board, as Lessor.

3. **DNR Proposed change:**

The following language is included in Article 9. (b):

If a unit or units including all or any part of the leased premises are created by order of the Commissioner, Lessee shall submit to Lessor a survey plat of each unit or units so created, either prior to or within ninety (90) days of initial production from the unit. The survey plat of the unit or units must clearly identify the state lease acreage, tract acreage and the unit percentage participation for each state lease tract. Failure to submit such a plat shall result in a cumulative liquidated damage assessment against Lessee in the amount of one hundred dollars (\$100.00) per day, beginning on the ninety-first (91st) day, from onset of unit production until the required plat is in the office of Lessor.

Apache Comment:

If we have an Escrow Agreement to produce a well during the unitization process which will be prior to the approval of a unit, we most likely will not be able to comply with the requirement of furnishing the required survey plat within 90 days of commencing production. However, this issue could be addressed in the Escrow Agreement.

4. **DNR Proposed change:**

The following language is included in Article 9. (e):

At the end of the primary term Lessee shall release back to and in favor of Lessor all of Lessee's right, title and interest in this Lease as to all depths below one hundred feet (100') below the deepest formation producing, or the deepest formation behind pipe capable of producing at that time.

Apache Comment:

This language does not address the situation whereby the Lessee is drilling a well at the end of the primary term which has a projected total depth below the existing production. The current language does not allow for continuous operations below the current productive zone past the primary term of the lease.

5. **DNR Proposed change:**

The following language is included in Article 10. (a):

For the first well drilled on the leased premises or lands pooled therewith, Lessee shall furnish Lessor all of the following types of data: (1) all wire line surveys in open or cased holes, including, but not limited to, all electrical and radioactive logs, porosity logs of all types and dip-meters, all in both 1" and 5" hard copy format and composite digital curve data in LAS or LIS; (2) directional surveys; (3) mud logs and core descriptions of both sidewall samples and conventional cores; (4) drill stem and production test data; (5) daily drilling reports to be supplied weekly; (6) paleontological reports; (7) velocity surveys including vertical seismic profiles; (8) all geological and geophysical survey data derived from surveys on the leased premises and consistent with the rites of the State under permits as set forth in R.S. 30:213 and (9) production data, current and cumulative, including oil, gas and water production, surface and subsurface pressures. For subsequent wells drilled on the leased premises or lands pooled therewith, upon request by Lessor, Lessee shall furnish Lessor any or all of the above data.

Apache Comment:

This provision should provide that the data will be furnished if the data is obtained by Lessee. We most likely will not take core samples and therefore cannot provide that data. Article 10 (c) provides that "nothing herein shall be construed as requiring Lessee to secure any such data solely for the purposes of this paragraph" but this should be clear that the reference is to Article 10. (a). Also, the furnishing of data should be subject to applicable license and confidentiality agreements which Lessee has with third parties which may prohibit the furnishing of said data.

6. **DNR Proposed change:**

The following language is included in Article 10. (b):

All records which are filed by or received from any person by the Office of Mineral Resources of the Department of Natural Resources, or any official or employee in the Office of Mineral Resources of the Department of Natural Resources, or which in any manner is in the custody or control of the Office of Mineral Resources of the Department of Natural Resources, or any official or employee in the office of mineral resources of the Department of Natural Resources shall be deemed public record except where the record is designated as confidential by law.

Apache Comment:

We feel this information should remain confidential as the previous lease form provided that such information shall be retained in confidence.

7. **DNR Proposed change:**

The following language is included in Article 10. (d):

Failure to comply with this requirement shall result in liquidated damages to be paid by Lessee to Lessor of \$100 per day for each day of non-compliance starting 30 days after the date on which the well reaches total vertical depth.

Apache Comment:

We are comfortable with furnishing the data to the Lessor 30 days after reaching total vertical depth, but the \$100/day liquidated damages should not be imposed until after we receive notice from the Lessor that certain data was not furnished. The omission of furnishing data could be the result of an oversight that is not discovered until long after the well reaches total vertical depth, and therefore we could be subject to large liquidated damages.

8. **DNR Proposed change:**

The following language is included in Article 15 (a):

Lessee shall, at its sole expense, provide and maintain in full force and effect during the term of this Lease a general comprehensive liability insurance with Lessor as a named insured party in an amount not less than One Million Dollars (\$1,000,000.00) for each occurrence and Five Million Dollars (\$5,000,000.00) in the aggregate, which shall cover Lessee and Lessor for damage claims including, but not limited to, personal injury, accidental death, property loss, environmental impairment or pollution that may arise from operations conducted under this Lease or any occurrence on or about the leased premises whether such operations are by Lessee or anyone directly, or indirectly, employed by Lessee.

Apache Comment:

This provision requires the Lessee to maintain the required insurance "during the term of the lease" and Article 15 (c) requires the Lessee to furnish certificates prior to commencing operations. We believe that the obtaining of insurance should be prior to commencing any operations and not with the effective date of the lease.

9. **DNR Proposed change:**

The following language is included in Article 16:

In case of ambiguity, this Lease shall always be construed in favor of Lessor and against Lessee.

Apache Comment:

We would support language that states, "In case of ambiguity, it will not be considered that the lease was drafted by either Lessor or Lessee."

10. **DNR Proposed change:**

The following language is included in Article 19 (a):

Once the audit investigation has been deemed complete by the Office of Mineral Resources, all audit working papers, records and information obtained under this Subtitle shall be made available to the public except where the record is designated as confidential by law.

Apache Comment:

We believe the audit records should remain confidential between Lessor and Lessee.

Apache appreciates the opportunity to comment on the proposed changes. Should you have any questions related to our comments described above, please contact Castlen Kennedy, Manager of Governmental Affairs, at (713) 296-7189.

Sincerely,

A handwritten signature in cursive script, appearing to read "Obie O'Brien".

Obie O'Brien
Vice President, Governmental Affairs

PXP

Plains Exploration & Production Company

October 29, 2010

Mr. Frederick Heck
Office of Mineral Resources
P. O. Box 2827
Baton Rouge, LA 70821-2827

Re: Proposed New State Lease Form

Dear Mr. Heck:

This letter and accompanying attachment constitute the response by Plains Exploration & Production Company ("PXP") to the request for public comment made by the Office of Mineral Resources regarding its proposed revision to the current State Lease form. As you may know, PXP has an exemplary record of operations in the State of Louisiana. We take seriously our responsibility to fully comply with all laws and regulations of the State. It is in a spirit of cooperation that we make our comments to the proposed new State Lease form.

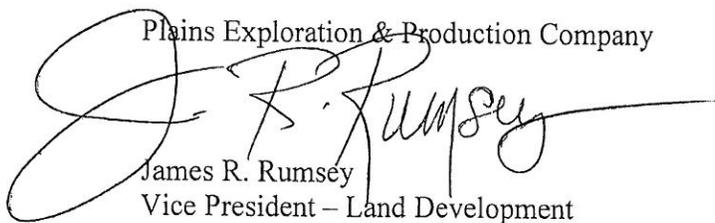
After a careful review of the form, PXP has identified a list of concerns, which have been set forth in bullet form on the attached pages. To summarize briefly, we believe that the proposed draft would (a) increase the costs of all operators in the State as they work to comply with certain provisions contained in the form; (b) present possible points of confusion for operators due to questions that many of the provisions raise by implication, but which remain unanswered; and (c) ultimately have an adverse economic impact to the State in the areas of leasing and drilling activity.

Because many of the issues set forth on the attached pages are concerns shared by others in our industry, we suggest that a discussion or series of discussions/forums between your office and members of industry might be useful to enable all sides to better understand the concerns of each. The end product of such discussions should be a State Lease Form that both government and industry will find workable.

In closing let me say that PXP greatly appreciates this opportunity to make comments. Should you have any questions concerning the matters raised herein, we will be more than happy to answer your questions at your convenience.

Sincerely,

Plains Exploration & Production Company



James R. Rumsey
Vice President – Land Development

**Attachment
To
Letter to Frederick Heck, Office of Mineral Resources,
Dated October 29, 2010**

**Comments of Plains Exploration & Production Company
To Proposed New Louisiana State Lease Form**

The following bullet points reference issues raised by certain provisions contained in the proposed new State Lease Form. The points raised are listed the order in which they appear in the lease and not necessarily in the order of their importance.

- Paying Quantities Definition (page 2). The phrase "...sufficient to constitute a serious or adequate consideration to Lessor..." is new and appears subjective as opposed to objective, we recommend its removal and that the definition be limited to Article 124 of the Mineral Code.
- Rentals (Paragraph 1). The provision regarding additional cash payment leaves unanswered questions regarding timing, determination, effect on previously paid rentals, etc. that will make compliance/implementation difficult and confusing.
- Bonding/Financial Strength (Paragraph 4). We suggest that this provision is (a) unnecessary given existing regulatory framework; (b) will be costly to operators; and (c) adds uncertainty because additional bonding requirements are at the sole discretion of the State. Additionally the provision determination of financial strength does not contain criteria by which the determination will be made. We recommend removal of this provision.
- Release (Paragraph 7). The requirement to list all wells and facilities on a release will prove unnecessarily burdensome to lessees. We recommend removal of this provision.
- Assignment (Paragraph 8). The requirement for prior approval of assignments will inhibit the acquisition and divestiture of oil and gas properties. We recommend removal of this requirement.
- Unit Plat Surveys (Paragraph 9(b)). The requirement to supply unit plat surveys within 90 days of production in many instances may be very impractical or impossible. We recommend removal of this requirement.
- Deferred Development (Paragraph 9(e)). The release as to depth as drafted tends to penalize operators that may have deeper projects on those lands where shallow production has been previously obtained. We suggest removal of the revisions or clarification to protect the legitimate proprietary interest of operators regarding deeper projects.

- Data (Paragraph 10(a)). This provision could (a) make proprietary data public information; and (b) either place operators/State in violation of existing seismic licenses which require data confidentiality. We suggest removal of the revisions or clarification to protect both the State and lessees.
- Force Majeure (Paragraph 12). The provision regarding force majeure shut-in payments is new and we suggest unfair in circumstances of force majeure. We recommend removal of this requirement.
- Pollution (Paragraph 14(a)). There is a concern and uncertainty regarding the addition of CO2 as a pollutant. We suggest that the uncertainties be removed and the instances in which CO2 will be considered a pollutant be clarified.
- Insurance (Paragraph 15). The requirement that insurance be maintained for the term of the lease would affect the current State Lease acquisition process. We suggest that insurance be required prior to a Lessee conducting operations.
- Ambiguity (Paragraph 16). The statement that “ambiguity...shall always be construed in favor of Lessor and against Lessee.”, appears patently unfair and seemingly adversarial given the fact that the form was prepared by the State. We recommend removal of this provision.
- Minimum Royalties (Paragraph 17(b)). Appears to require payment of minimum royalties while royalties are being paid in a concursus proceeding. We recommend removal of this revision or clarification to exclude double payments of royalties.

Hilcorp Energy Company

October 29, 2010

Mr. Rick Heck
Director of Petroleum Lands
Office of Mineral Resources
P.O. Box 2827
Baton Rouge, Louisiana 70821-2827

Post Office Box 61229
Houston, TX 77208-1229

1201 Louisiana Street
Suite 1400
Houston, TX 77002

Phone: 713/209-2400
Fax: 713/209-2420



Re: **Proposed New State Lease Form
Comments from Hilcorp Energy Company**

Dear Mr. Heck:

This letter is being written on behalf of Hilcorp Energy Company and its affiliates ("Hilcorp") in response to the Louisiana Office of Mineral Resources' ("OMR") request for comments on the proposed Louisiana oil and gas lease form revision.

As you are aware, Hilcorp is one of the largest producers of oil and gas in the State of Louisiana. As of the date of this letter, Hilcorp owns an interest in over 200 state leases, operates over 2770 wells statewide, and for the years 2005-2009 has paid the State of Louisiana over \$570 million in the form of royalty, severance taxes and restoration taxes. Hilcorp values its relationship with the State of Louisiana and anticipates increased oil and gas activity and acquisitions within the state in the future.

Hilcorp appreciates the opportunity to provide you with comments, but rather than providing a detailed mark-up of the proposed lease form at this time, Hilcorp generally supports the comments provided to you from the Petroleum Landman's Association of New Orleans ("PLANO") on or about September 29, 2010. A few of the highest priority concerns to Hilcorp, most of which are also highlighted in the PLANO letter, relate to the proposed revisions concerning financial security/bonding, royalty calculations, deep rights retention, confidential information and unitization. In addition, some proposed changes are ambiguous or incomplete and, along with the overall construction of the form, deserve closer scrutiny.

Hilcorp respectfully requests that the contents of this letter be considered as the OMR moves forward with its lease revision efforts. Hilcorp also supports PLANO's suggestion for interactive meetings between industry representatives and the OMR, including the formation of a joint focus/drafting group, and would welcome the opportunity to have a Hilcorp representative[s] participate in such discussions. Hilcorp appreciates the OMR's desire to update the proposed lease form, but remains hopeful that the OMR can take the proper amount of time to do

so in a cooperative manner with our industry and develop a lease form that will be mutually beneficial to all parties.

Please contact the undersigned if you would like to discuss this matter further.

Sincerely,



Curtis Smith
Vice President – Land

cc: Mr. Scott A. Angelle
Mr. W. Paul Segura, Jr.
Mr. Robert D. Harper
Mr. Thomas L. Arnold, Jr.
Mr. Emile B. Cordaro
Mr. John C. Diez
Mr. Bay E. Ingram
Mr. Robert Morton
Mr. Thomas W. Sanders
Mr. Darryl D. Smith
Ms. Helen G. Smith



LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION

730 NORTH BOULEVARD, BATON ROUGE, LA 70802
TELEPHONE (225) 387-3205 FAX (225) 344-5502
E-MAIL info@lmoga.com

OCTOBER 29, 2010

MR. RICK HECK
OFFICE OF MINERAL RESOURCES
P.O. BOX 2827
BATON ROUGE, LA. 70821-2827

RE: LOUISIANA STATE LEASE FORM REVISIONS

DEAR MR. HECK:

LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION (LMOGA) IS A TRADE ASSOCIATION REPRESENTING INDIVIDUALS AND COMPANIES WHO PRODUCE, TRANSPORT, REFINE OR MARKET MOST OF THE OIL AND GAS RESOURCES PRODUCED WITHIN LOUISIANA AND ON THE OCS OFF LOUISIANA'S COAST. WE ARE APPRECIATIVE OF THIS OPPORTUNITY TO COMMENT ON THE SUGGESTED CHANGES TO THE LOUISIANA STATE MINERAL LEASE FORM.

AT THE OUTSET, WE NOTE THAT THE CHANGES ARE NUMEROUS AND SIGNIFICANT. WE WERE FRANKLY SURPRISED THAT THE OFFICE OF MINERAL RESOURCES WOULD RELEASE THIS DOCUMENT WITHOUT PRIOR EXTENSIVE DIALOGUE WITH THE OIL AND GAS INDUSTRY. IN LIGHT OF THE COMPLEXITY AND SIGNIFICANCE OF THE PROPOSED REVISIONS, WE RESPECTFULLY ASK THAT THE OFFICE OF MINERAL RESOURCES ESTABLISH A WORKGROUP OR TASK FORCE, INCLUDING STATE MINERAL LESSEES AND THE TRADE ASSOCIATIONS REPRESENTING THESE FIRMS, TO WORK THROUGH THE MANY CHANGES AND DISCUSS THE POTENTIAL IMPLICATIONS OF EACH CHANGE. IT IS IN THE INTEREST OF BOTH THE STATE AND FUTURE STATE LESSEES THAT THERE BE A CLEAR UNDERSTANDING OF THE NEW PROVISIONS AND OPPORTUNITY TO DISCUSS EACH CHANGE.

AS YOU KNOW, THE INDUSTRY IS FACING UNPRECEDENTED CHALLENGES IN THE CURRENT POLITICAL CLIMATE. IT IS HOPED THAT THE STATE OF LOUISIANA WILL NOT, AT THIS TIME, CREATE YET ANOTHER POTENTIAL IMPEDIMENT OR ADD ADDITIONAL CONFUSION TO FUTURE INDUSTRY OPERATIONS.

I KNOW THAT LMOGA MEMBERS HAVE SUBMITTED COMMENTS AND I DO NOT WANT TO UNNECESSARILY RESTATE THOSE COMMENTS HERE, BUT I WILL HIGHLIGHT SOME OF OUR MORE SIGNIFICANT CONCERNS IN THE INTEREST OF BEING RESPONSIVE TO YOUR REQUEST FOR COMMENTS.

1. IT IS INAPPROPRIATE TO PUT THE PROPOSED DEFINITIONS IN THE “WHEREAS” PROVISIONS OF THE LEASE. THE DEFINITIONS SHOULD BE INCLUDED IN THE BODY OF THE LEASE FORM. SEVERAL DEFINITIONS ARE TROUBLING AND CONFUSING. IN PARTICULAR, THE TERM “NON-AFFILIATED PARTY” CREATES UNCERTAINTY AND OPENS THE TERM TO LESSOR INTERPRETATION.
2. THE BROAD INDEMNITY PROVISION INCLUDED FOR COASTAL RESTORATION PROJECTS IS AMBIGUOUS AND CLEARLY DEVALUES THE RIGHTS OF THE LESSEE.
3. THE REVISED ARTICLE 1 RAISES A NUMBER OF QUESTIONS: WHO HAS THE OBLIGATION TO SURVEY? IS THERE UNILATERAL RIGHT TO THE LESSOR? WHAT IS THE METHOD OF PROTEST? THE PROPOSED CHANGE MAKES LESSOR TITLE AMBIGUOUS.
4. THE PROPOSED ARTICLE 3 (E) IS A MATERIAL CHANGE IN SHUT-IN RIGHTS AND MARKETING RIGHTS AND OBLIGATIONS, SETTING ASIDE YEARS OF PRIOR LEGAL INTERPRETATION OF THE OBLIGATIONS TO MARKET. THIS REVISION SHOULD ONLY BE CONSIDERED AFTER FULL DISCUSSION WITH THE INDUSTRY ON ITS EFFECTS AND TO MORE PROPERLY REFLECT A PER ACRE AMOUNT CONSISTENT WITH THE MUTUAL INTENTIONS OF THE PARTIES. UNILATERAL TERMINATION BY THE LESSOR IS EXTREME BASED ON SUBJECTIVE JUDGMENT OF THE LESSOR AND NOT A CLEAR BREACH AND WILL LEAD TO LITIGATION.
5. THE NEW ARTICLE 4 IS A SIGNIFICANT CHANGE IN THE BONDING AND SURETY RELATIONSHIP BETWEEN THE STATE AND THE MINERAL LESSEE AND SHOULD BE SUBJECT TO EXTENSIVE DIALOGUE BETWEEN THE STATE AND INDUSTRY PRIOR TO ADOPTION.
6. LEASE CANCELLATION UNDER ARTICLE 5 (C) IS EXTREME FOR DRAINAGE. MONEY DAMAGES ARE MORE APPROPRIATE IN SUCH CASES TO SATISFY THE CLAIM.
7. “FAIR MARKET PRICE” WORKS AS A CONCEPT, BUT THE REVISIONS TO ARTICLE 6 MAKE UNCERTAIN THE ROYALTY PAYMENT OBLIGATION AND THE SATISFACTION OF THE ROYALTY AMOUNT. THE USE OF MULTIPLE INDICES WILL CAUSE CONFUSION. THERE ARE NUMEROUS INDUSTRY CONCERNS WITH THE NEW ARTICLE 6 WHICH SHOULD BE FULLY DISCUSSED AND ADDRESSED BEFORE INCORPORATION OF ARTICLE 6.
8. THE CONDITIONS CONTAINED IN THE REVISED ARTICLE 8 MAKE INDEFINITE ANY TRANSFER AND APPROVAL BY THE STATE.

9. PRIOR NOTICE FROM THE LESSOR SHOULD BE REQUIRED IN THE ARTICLE 9 PENALTY PROVISION. UNIT FORMATION UNDER ARTICLE 9 (C) IS UNDER THE JURISDICTION OF THE COMMISSIONER AND SHOULD NOT BE PRE-DETERMINED IN THE MINERAL LEASE.
10. ARTICLE 10 PROVIDES THAT THE LESSEE "SHALL FURNISH" CERTAIN DATA. IT SHOULD NOT BE AN OBLIGATION, BUT CONDITIONED ON WHETHER THE DATA IS RUN. THE ARTICLE SHOULD BE LIMITED TO DATA IN THE LESSEE'S POSSESSION. AS IN COMMENT 9 ABOVE, THE PENALTY PROVISION OF ARTICLE 9 (C) SHOULD REQUIRE NOTICE AND TIME FOR RESPONSE.
11. THE REVISED ABANDONMENT RIGHTS ASSERTED BY THE LESSOR IN ARTICLE 11 ARE OF MATERIAL CONCERN. THESE PROVISIONS COULD LEAD TO CONFLICT WITH EXISTING LEGISLATION.
12. THERE SHOULD BE ADDITIONAL DISCUSSION WITH INDUSTRY ENVIRONMENTAL EXPERTS ON THE CHANGES TO ARTICLE 13 AND POTENTIAL IMPACTS OF CHANGING ENVIRONMENTAL STANDARDS.
13. THE RIGHT OF CANCELLATION PROVISION OF ARTICLE 15 (E) SHOULD ARISE ONLY AFTER DEMAND AND FAILURE TO RESPOND OR CURE.
14. WE RECOMMEND THE DELETION OF THE SECOND SENTENCE OF ARTICLE 16. IT IS INAPPROPRIATE TO RESOLVE ANY LEASE AMBIGUITY IN FAVOR OF THE LESSOR (WHICH DRAFTED THE LEASE).
15. ARTICLE 17 REQUIRES CAREFUL ALIGNMENT WITH THE LAWS OF LOUISIANA CONCURSUS PROCEEDINGS TO AVOID CONFLICT.

AGAIN, WE ARE APPRECIATIVE OF THE OPPORTUNITY AFFORDED TO COMMENT ON THESE DRAFT MINERAL LEASE REVISIONS. OBVIOUSLY, WE BELIEVE EXPANDED DISCUSSION OF THE SUGGESTED CHANGES WILL BENEFIT BOTH THE STATE AND ITS MINERAL LESSEES. IT IS OUR HOPE THAT THE OFFICE OF MINERAL RESOURCES WILL SEE THE BENEFIT OF CREATING A WORKGROUP OR TASK FORCE TO MORE FULLY EXPLORE AND DISCUSS THE CHANGES.

SINCERELY,

R. MICHAEL LYONS
GENERAL COUNSEL