

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION #21-04-004

Royalty Reduction
Program

(LEGAL & TITLE CONTROVERSY)

On motion of Mr. Watkins and seconded by Ms. Michaud-Dugas, the following Resolution was offered and adopted:

WHEREAS, pursuant to La. R.S. 30:129, the State Mineral and Energy Board ("Board") has full supervision of all mineral leases and is authorized to take all appropriate action to assure that all undeveloped or nonproducing state lands and water bottoms are reasonably and prudently explored, developed, and produced for the public good; and

WHEREAS, due to the decreased leasing and drilling activity within the State of Louisiana, the Board, pursuant to Resolution #19-07-007 dated July 10, 2019, created the temporary Royalty Reduction Program ("RRP") as incentive to encourage new development of future state leases; and

WHEREAS, in order to continue encouraging leasing and drilling activity within the State of Louisiana, the Board wishes to extend the RRP for an additional year so that the program will continue in existence through December of 2022; and

WHEREAS, additionally, there has been confusion from the State's lessees and potential lessees as to the application of the twenty-four (24) month period set forth in the first paragraph No. 2 in Resolution #19-07-007. The Board wishes to clarify that provision and to insure that it was and is the Board's intention that said twenty-four (24) month period is to begin running from the date of each individual state lease that is taken during the existence of the RRP; and

WHEREAS, the Board hereby deemed it to be in the best interest of the State to amend and restate Resolution #19-07-007.

NOW, THEREFORE, BE IT RESOLVED, the Board authorizes the Staff of the Office of Mineral Resources ("OMR") to extend and continue the existence of the RRP through December of 2022 and to clarify the application of the twenty-four (24) month period contained in the first paragraph No. 2 of the original Resolution #19-07-007.

RESOLVED FURTHER, Resolution #19-07-007 shall be amended and restated as follows:

1. The RRP will take effect on the date of the initial state lease issued and approved by the Board utilizing the revised 2019 state lease form and shall sunset and expire December 31, 2022. Upon the termination of the RRP, all prior approved temporary reduction in the royalty rate shall survive the termination of the RRP and shall remain in full force and effect in accordance with the requirements as set forth herein; and

2. The RRP, upon verification and approval as required herein, shall allow OMR to temporarily reduce the royalty rate by 5.5%, but in no case shall it be lower than 18.5%, on a state lease where production from the leased premises or lands pooled or unitized therewith is established pursuant to the terms thereof and is brought on line and sales thereof are commenced within twenty-four (24) months of the effective date of each state lease in question taken during the existence of the RRP. Said twenty-four (24) month period shall survive the termination of the RRP, so that as an example, a state lease with an effective date of November 2022 shall still have the full twenty-four (24) months even though the RRP will terminate in December 31, 2022; and

3. The reduced royalty shall be for a term not to exceed the first thirty-six (36) consecutive months from the first sales of production. There will be only one thirty-six (36) consecutive month period per state lease and a new or different period will not begin to run with the commencement of production from subsequent wells. However, for the single thirty-six (36) consecutive month period, the reduced royalty shall apply to any production obtained from the leased premises or lands pooled or unitized therewith, regardless of when said production comes on line or whether said production is obtained from an initial well or any subsequent wells; and

BE IT FURTHER RESOLVED, OMR shall develop and implement an application process for the RRP which shall comply with the following minimum requirements:

1. A lessee seeking approval for the reduced royalty must make a written request to the Office of Mineral Resources at 617 N. 3rd Street, LaSalle Building, 8th Floor, Baton Rouge, Louisiana 70802 or Post Office Box 2827, Baton Rouge, Louisiana 70821-2827. The application shall be considered received by OMR (i) upon receipt if delivered personally; or (ii) if properly addressed, upon deposit in the U.S. mail, registered or certified, postage prepaid, return receipt requested; or (iii) if properly addressed, upon deposit with a recognized commercial courier service; and

2. In order for production attributable to the state lease to be eligible for the reduced royalty, the application must further be received by OMR within ninety (90) days following commencement of production. There will be no qualifications, retroactive adjustments or credits for applications that are not received timely by OMR; and

3. The staff of OMR will review the application and implement the reduced royalty if the lessee's application demonstrates satisfaction of the requirements of the RRP as stated herein; and

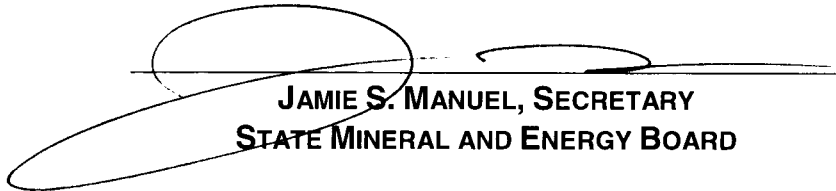
BE IT FURTHER RESOLVED, the Board does hereby grant OMR the authority to approve a lessee's application for a reduced royalty pursuant to the RRP.

BE IT FURTHER RESOLVED, the reduced royalty rates approved by the OMR shall be effective beginning the first payment of royalty which is due within one hundred twenty (120) days following commencement of production.

BE IT FURTHER RESOLVED, Resolution #19-07-007, as amended and restated herein, is effective as of July 10, 2019, the date first authorized by the Board.

CERTIFICATE

I hereby certify, that the above is a true and correct copy of a Resolution which was adopted at a meeting of the State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 14th day of April, 2021, pursuant to due notice, that at said meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



**JAMIE S. MANUEL, SECRETARY
STATE MINERAL AND ENERGY BOARD**