ARTICLE 2 – PRIMARY TERM

EXISTING LEASE LANGUAGE

2. Subject to the provisions hereof, this lease shall be for a term _______ years (hereinafter called “primary term”) and so long thereafter as oil, gas or other liquid or gaseous hydrocarbons are produced in paying quantities or any operation is conducted, payment is made, or condition exists, which continues this lease in force according to its terms. However, if this lease is for an inland tract which ordinarily carries a three year primary term, it will be possible to extend the primary term to five years if the Mineral Board determines that certain conditions have been met. Specifically, prior to the expiration of the three-year term Lessee must demonstrate to the Mineral Board by convincing evidence that: 1) the lease is included, or Lessee has made, and will continue to make, a good faith application for inclusion of the lease, within a unit already formed under R.S. 30:5 for a secondary or tertiary recovery project, and 2) bona fide secondary or tertiary recovery operations within the unit have already begun. If the Mineral Board determines that the Lessee has met its burden of proof regarding the required conditions set forth herein above, the Mineral Board shall extend the primary term of this lease by two additional years through an acknowledgment resolution having the effect of a lease amendment. Thereafter, this lease may be maintained under its terms and provisions as if the primary term had originally been five years.

Whenever evidence acceptable to the staff and Board is presented by Lessee, or its representative, and attested to by affidavit of Lessee, that Lessee has applied for a permit to drill an ultra-deep well, and that Lessee has initiated the forming of, or has formed, a unit—whether voluntary or by order of the Commissioner of Conservation— for the drilling of an ultra-deep well, which will include all or a portion of this lease, the Board, by resolution equivalent to a lease amendment, may increase the primary term of this lease by two (2) additional years. For purposes of the operation of this paragraph only, “ultra-deep” shall mean a depth of Twenty-two Thousand (22,000) feet or greater Total Vertical Depth (TVD), the application of this provision shall only apply to leases on inland tracts with a primary term of Three (3) years of less, and further, all of the requirements of this provision are completed and presented to the staff and Board in a timely manner such that approval by the Board occurs on or before the end of the original primary term of this lease.

AUGUST DRAFT LANGUAGE

(A) Subject to the provisions hereof, this Lease shall be for a term of _____ ( ) years (“Primary Term”) and for so long thereafter as Acceptable Lease Operations are in progress or Production in Paying Quantities is being obtained, or Leasehold Payments are made or conditions exist that continue this Lease in force and effect according to its terms.

(B) However, if this Lease is for an inland tract that originally carries a Primary Term of three (3) years or less, Lessor may extend the Primary Term by two (2) years if, prior to expiration of the original Primary Term, Lessee shall demonstrate to the satisfaction of Lessor that at least one of the following conditions has been met:

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(1) This Lease is included within a Unit (or a pilot project has been approved by the Office of Conservation for a Unit, or Lessee has filed an application for a Unit under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased Premises within a Unit) for the purpose of conducting a secondary or tertiary recovery project; or

(2) Lessee has commenced activities necessary for the drilling of an ultra-deep well including, but not limited to having applied for a permit to drill an ultra-deep well, having formed a Unit including all or a portion of the Leased Premises for the purpose of drilling an ultra-deep well, or having provided a signed affidavit by Lessee stating that this Lease will be included, in whole or in part, in a Unit for the purpose of drilling an ultra-deep well, or that this Lease is included in a lease block maintained in support of the drilling of an ultra-deep well. For purposes of this paragraph only, “ultra-deep” shall mean a true vertical depth ("TVD") of twenty-two thousand feet (22,000') or greater.

Lessor may extend the Primary Term of this Lease through an acknowledgment Resolution having the effect of an amendment of this Lease.

(C) If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of Lessee (or the designated operator), before the end of the extended Primary Term, to commence secondary or tertiary recovery operations or to commence drilling of the ultra-deep well and reach the required TVD (unless prevented due to mechanical or other related downhole causes), shall subject Lessee, after demand, to liquidated damages equal to double the annual rental payment, payment of which shall be due within thirty (30) days after demand, regardless of whether this Lease is held by other production or Acceptable Lease Operations not qualifying as a secondary or tertiary recovery project.

Should the drilling of the ultra-deep well fail to reach the depth requirements for ultra-deep designation during the extended Primary Term, no liquidated damages will be due as long as continuous drilling operations on the well required by Article 2(B)(2) above on said well (and/or another ultra-deep well) are ongoing without cessation of those operations for greater than one hundred eighty (180) consecutive days and the required depth is reached.

PROPOSED RE-WRITE (TRACK CHANGES)

(A) Subject to the provisions hereof, this Lease shall be for a term of ____ (   ) years ("Primary Term") and for so long thereafter as Acceptable Lease Operations are in progress or Production in Paying Quantities is being obtained, or Leasehold Payments are made or conditions exist that continue this Lease in force and effect according to its terms.

(B) However, if this Lease is for an inland tract that originally carries a Primary Term of three (3) years or less, Lessor may extend the Primary Term by two (2) years if, prior to expiration of the original Primary Term, Lessee shall demonstrate to the satisfaction of Lessor that at least one of the following conditions has been met:

(1) This Lease is included within a Unit (or a pilot project has been approved by the Office of Conservation for a Unit, or Lessee has filed an application for a Unit under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased Premises
within a Unit) for the purpose of conducting a secondary or tertiary recovery project; or

(2) Lessee has commenced activities necessary for the drilling of an ultra-deep well including, but not limited to having applied for a permit to drill an ultra-deep well, having formed a Unit including all or a portion of the Leased Premises for the purpose of drilling an ultra-deep well, or having provided a signed affidavit by Lessee stating that this Lease will be included, in whole or in part, in a Unit for the purpose of drilling an ultra-deep well, or that this Lease is included in a lease block maintained in support of the drilling of an ultra-deep well. For purposes of this paragraph only, “ultra-deep” shall mean a true vertical depth (“TVD”) of twenty two thousand feet (22,000’) or greater.

Lessor may extend the Primary Term of this Lease through an acknowledgment Resolution having the effect of an amendment of this Lease.

(C) If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of Lessee (or the designated operator), before the end of the extended Primary Term, to commence secondary or tertiary recovery operations or to commence drilling of the ultra deep well and reach the required TVD (unless prevented due to mechanical or other related downhole causes), shall subject Lessee, after demand, to liquidated damages equal to double the annual rental payment, payment of which shall be due within thirty (30) days after demand, regardless of whether this Lease is held by other production or Acceptable Lease Operations not qualifying as a secondary or tertiary recovery project.

Should the drilling of the ultra-deep well fail to reach the depth requirements for ultra-deep designation during the extended Primary Term, no liquidated damages will be due as long as continuous drilling operations on the well required by Article 2(B)(2) above on said well (and/or another ultra-deep well) are ongoing without cessation of those operations for greater than one hundred eighty (180) consecutive days and the required depth is reached.

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

PROPOSED RE-WRITE (CLEAN VERSION)

(A) Subject to the provisions hereof, this Lease shall be for a term of ____ (   ) years ("Primary Term") and for so long thereafter as Acceptable Lease Operations are in progress or Production in Paying Quantities is being obtained, or Leasehold Payments are
made or conditions exist that continue this Lease in force and effect according to its terms.

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