

1 **ARTICLE 2 – PRIMARY TERM**

2 **EXISTING LEASE LANGUAGE**

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

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

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34  
35 **AUGUST DRAFT LANGUAGE**

- 36 (A) Subject to the provisions hereof, this Lease shall be for a term of \_\_\_\_ ( ) years (“**Primary**  
37 **Term**”) and for so long thereafter as Acceptable Lease Operations are in progress or Production in  
38 Paying Quantities is being obtained, or Leasehold Payments are made or conditions exist that  
39 continue this Lease in force and effect according to its terms.  
40  
41 (B) However, if this Lease is for an inland tract that originally carries a Primary Term of three (3)  
42 years or less, Lessor may extend the Primary Term by two (2) years if, prior to expiration of the  
43 original Primary Term, Lessee shall demonstrate to the satisfaction of Lessor that at least one of  
44 the following conditions has been met:  
45

1 (1) This Lease is included within a Unit (or a pilot project has been approved by the Office  
2 of Conservation for a Unit, or Lessee has filed an application for a Unit under La. R.S.  
3 30:5(C) for inclusion of all or a portion of the Leased Premises within a Unit) for the  
4 purpose of conducting a secondary or tertiary recovery project; or

5  
6 (2) Lessee has commenced activities necessary for the drilling of an ultra-deep well  
7 including, but not limited to having applied for a permit to drill an ultra-deep well, having  
8 formed a Unit including all or a portion of the Leased Premises for the purpose of drilling  
9 an ultra-deep well, or having provided a signed affidavit by Lessee stating that this Lease  
10 will be included, in whole or in part, in a Unit for the purpose of drilling an ultra-deep  
11 well, or that this Lease is included in a lease block maintained in support of the drilling of  
12 an ultra-deep well. For purposes of this paragraph only, “*ultra-deep*” shall mean a true  
13 vertical depth (“*TVD*”) of twenty-two thousand feet (22,000’) or greater.

14  
15 Lessor may extend the Primary Term of this Lease through an acknowledgment Resolution  
16 having the effect of an amendment of this Lease.

17  
18 (C) If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of Lessee (or the  
19 designated operator), before the end of the extended Primary Term, to commence secondary or  
20 tertiary recovery operations or to commence drilling of the ultra-deep well and reach the required  
21 TVD (unless prevented due to mechanical or other related downhole causes), shall subject  
22 Lessee, after demand, to liquidated damages equal to double the annual rental payment, payment  
23 of which shall be due within thirty (30) days after demand, regardless of whether this Lease is  
24 held by other production or Acceptable Lease Operations not qualifying as a secondary or tertiary  
25 recovery project.

26  
27 Should the drilling of the ultra-deep well fail to reach the depth requirements for ultra-deep  
28 designation during the extended Primary Term, no liquidated damages will be due as long as  
29 continuous drilling operations on the well required by Article 2(B)(2) above on said well (and/or  
30 another ultra-deep well) are ongoing without cessation of those operations for greater than one  
31 hundred eighty (180) consecutive days and the required depth is reached.

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33 **PROPOSED RE-WRITE (TRACK CHANGES)**

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

40  
41 ~~(B) However, if this Lease is for an inland tract that originally carries a Primary Term of~~  
42 ~~three (3) years or less, Lessor may extend the Primary Term by two (2) years if, prior to~~  
43 ~~expiration of the original Primary Term, Lessee shall demonstrate to the satisfaction of~~  
44 ~~Lessor that at least one of the following conditions has been met:~~

45  
46 ~~(1) This Lease is included within a Unit (or a pilot project has been approved by the~~  
47 ~~Office of Conservation for a Unit, or Lessee has filed an application for a Unit~~  
48 ~~under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased Premises~~

1                   ~~within a Unit) for the purpose of conducting a secondary or tertiary recovery~~  
2                   ~~project; or~~

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

12  
13                   ~~— Lessor may extend the Primary Term of this Lease through an acknowledgment~~  
14                   ~~Resolution having the effect of an amendment of this Lease.~~

15  
16                   ~~(C) — If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of Lessee~~  
17                   ~~(or the designated operator), before the end of the extended Primary Term, to commence~~  
18                   ~~secondary or tertiary recovery operations or to commence drilling of the ultra-deep well~~  
19                   ~~and reach the required TVD (unless prevented due to mechanical or other related~~  
20                   ~~downhole causes), shall subject Lessee, after demand, to liquidated damages equal to~~  
21                   ~~double the annual rental payment, payment of which shall be due within thirty (30) days~~  
22                   ~~after demand, regardless of whether this Lease is held by other production or Acceptable~~  
23                   ~~Lease Operations not qualifying as a secondary or tertiary recovery project.~~

24  
25                   ~~— Should the drilling of the ultra-deep well fail to reach the depth requirements for ultra-~~  
26                   ~~deep designation during the extended Primary Term, no liquidated damages will be due~~  
27                   ~~as long as continuous drilling operations on the well required by Article 2(B)(2) above on~~  
28                   ~~said well (and/or another ultra-deep well) are ongoing without cessation of those~~  
29                   ~~operations for greater than one hundred eighty (180) consecutive days and the required~~  
30                   ~~depth is reached.~~

31  
32                   ~~(B) — If production of oil or gas has not been obtained at the expiration of the Primary Term of~~  
33                   ~~the Lease and the Lessee is not in default under any of the terms and conditions of the Lease at~~  
34                   ~~the time of the extension request, the Lessee may apply to the Board in writing to extend the~~  
35                   ~~Primary Term of this Lease by a maximum of two (2) additional years. The Lessee must file his~~  
36                   ~~request to the Office of Mineral Resources not later than ninety (90) days prior to the expiration~~  
37                   ~~of the initial Primary Term. The Board may extend the Primary Term and said extension shall be~~  
38                   ~~on the same terms and conditions as set forth herein, except for any additional consideration~~  
39                   ~~and/or modified terms accepted by the Board for the granting of said extension.~~

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41                    **PROPOSED RE-WRITE (CLEAN VERSION)**

42                   (A) Subject to the provisions hereof, this Lease shall be for a term of \_\_\_\_ ( ) years  
43                   (**“Primary Term”**) and for so long thereafter as Acceptable Lease Operations are in  
44                   progress or Production in Paying Quantities is being obtained, or Leasehold Payments are

1 made or conditions exist that continue this Lease in force and effect according to its  
2 terms.

- 3  
4 (B) If production of oil or gas has not been obtained at the expiration of the Primary Term of  
5 the Lease and the Lessee is not in default under any of the terms and conditions of the  
6 Lease at the time of the extension request, the Lessee may apply to the Board in writing  
7 to extend the Primary Term of this Lease by a maximum of two (2) additional years. The  
8 Lessee must file his request to the Office of Mineral Resources not later than ninety (90)  
9 days prior to the expiration of the initial Primary Term. The Board may extend the  
10 Primary Term and said extension shall be on the same terms and conditions as set forth  
11 herein, except for any additional consideration and/or modified terms accepted by the  
12 Board for the granting of said extension.