

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

Policy Resolution
Escrow Authority

RESOLUTION # 15-06-016

(LEGAL & TITLE CONTROVERSY COMMITTEE)

WHEREAS, La. R.S. 30:129 grants the State Mineral and Energy Board (Board) authority for supervising all mineral leases granted by the State of Louisiana and for taking action to protect the mineral interests of the State; and

WHEREAS, disputes regarding the ownership of minerals to which the State claims title periodically occur; and

WHEREAS, Lessees are required to promptly notify the Office of Mineral Resources (OMR) of a *bona fide* dispute because of an adverse claim by an individual or entity not a party to the lease agreement regarding the ownership or title to all or a portion of any premises under lease by the State; and

WHEREAS, the Board desires to enable operators to continue producing minerals while title disputes are adjudicated or settlements are negotiated; and

WHEREAS, the Board desires to ensure that the State is fully compensated when said title dispute is resolved; and

WHEREAS, existing Board policies dated May 12, 1971 and April 12, 1972 provide for the suspension of royalty payments during the pendency of title disputes; and

WHEREAS, the Board recognizes that the suspension of royalty payments is not a favored remedy in that the royalties remain within the accounts of the operator and are not segregated into a separate and designated account for later payment to royalty owners; and

WHEREAS, OMR Staff recommends the following for consideration by the Board:

- A. Previous Board Resolutions dated May 12, 1971 and April 12, 1972 be rescinded.
- B. During the pendency of title disputes involving State mineral interests, operators be required to take one of the following three actions:
 1. Continue to directly pay royalties to OMR;
 2. File a concursus proceeding and deposit royalties attributable to the disputed acreage into the Registry of the Court; or

Resolution #15-06-016
(Legal & Title Controversy Committee)

3. Request approval of the Board to escrow royalties attributable to the disputed acreage to allow claimants time to negotiate an out-of-court settlement. If the Board approves the request to escrow royalties, such approval be granted subject to the following conditions:
 - a) Royalties be deposited in a federally insured financial institution that has a presence in Louisiana;
 - b) Royalties be deposited into an interest bearing account;
 - c) Lessee timely provide documentary proof of royalty deposits to OMR on a monthly basis;
 - d) Claimants diligently attempt to negotiate an out-of-court settlement; and
 - e) Authority to escrow royalties be for a fixed period not to exceed 180 days;

C. OMR Staff be authorized to develop a written procedure to implement the provisions and requirements of this Resolution.

ON MOTION of Mr. Arnold, seconded by Mr. Smith, after discussion and careful consideration, the foregoing OMR Staff recommendation was offered and unanimously accepted by the Legal & Title Controversy Committee.

WHEREAS, after discussion and careful consideration of the foregoing OMR Staff recommendation and action of the Legal & Title Controversy Committee;

ON MOTION of Mr. Sanders, seconded by Mr. Brouillette, the following Resolution was offered and unanimously adopted by the Board:

NOW, THEREFORE, BE IT RESOLVED that the State Mineral and Energy Board hereby adopts the following policy related to title disputes affecting mineral interests in and upon lands owned by the State of Louisiana:

- A. Previous Board Resolutions dated May 12, 1971 and April 12, 1972 be and are hereby rescinded.
- B. During the pendency of title disputes involving State mineral interests, operators shall take one of the following three actions:
 1. Continue to directly pay royalties to OMR;
 2. File a concursus proceeding and deposit royalties attributable to the disputed acreage into the Registry of the Court; or

Resolution #15-06-016
(Legal & Title Controversy Committee)

3. Request approval of the Board to escrow royalties attributable to the disputed acreage to allow claimants time to negotiate an out-of-court settlement. If the Board approves the request to escrow royalties, such approval shall be subject to the following conditions:
 - a) Royalties shall be deposited in a federally insured financial institution that has a presence in Louisiana;
 - b) Royalties shall be deposited into an interest bearing account;
 - c) Lessee shall timely provide documentary proof of royalty deposits to OMR on a monthly basis;
 - d) Claimants shall diligently attempt to negotiate an out-of-court settlement; and
 - e) Authority to escrow shall be for a fixed period not to exceed 180 days;
- C. OMR Staff develop a written procedure to implement the provisions and requirements of this Resolution.

CERTIFICATE

I HEREBY CERTIFY that the above is a true and correct copy of a Resolution adopted at a meeting on the 10th day of June, 2015 of the State Mineral and Energy Board in the City of Baton Rouge, State of Louisiana, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said State Mineral and Energy Board and is now in full force and effect.



**Victor M. Vaughn, Executive Officer
State Mineral and Energy Board**

Resolution #15-06-016
(Legal & Title Controversy Committee)