

1 resources. Lessee, in the exercise of its rights granted hereunder, shall utilize the best technology commercially
2 available, including directional drilling, so as to minimize interference with the ongoing surface usage entailed in
3 the development, construction and maintenance of said integrated coastal protection and/or hurricane and flood
4 protection projects.
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6 The captions or headings in this Lease are for convenience only and in no way define, limit or describe the
7 scope or intent of any provision of this Lease.
8

9 The references in this Lease to statutes and regulations apply to the statute and regulation as such existed at
10 the time this Lease was revised and also to any amended or successor statute or regulation.
11

12 DEFINITIONS

13
14 For purposes of this Lease, the following definitions shall apply:
15

16 (A) ***“Acceptable Lease Operations”*** shall mean either Actual Drilling Operations or Actual Reworking
17 Operations, as defined below, on the Leased Premises or on lands pooled or unitized with any or all
18 portions thereof.
19

20 (1) ***“Actual Drilling Operations”*** shall mean any of the following on the Leased Premises or
21 on lands pooled or unitized with any or all portions thereof: (a) drilling commenced by
22 spudding-in of a new well, (b) deepening or sidetracking of an existing well, (c) plugging back or
23 attempted recompletion in a separate interval of an existing well (all such operations being
24 commenced by actual downhole operations), or (d) completing any such well.
25

26 Actual Drilling Operations shall be deemed to terminate on the last day downhole operations of
27 any kind, such as drilling, testing or Installation of Equipment, are conducted in good faith for the
28 purpose of attempting to discover minerals or complete a well as a producer.
29

30 (2) ***“Actual Reworking Operations”*** shall mean reconditioning, cleaning out or otherwise attempting
31 to directly establish, increase or restore production in an existing well located on the Leased
32 Premises or on lands pooled or unitized with any or all portions thereof by downhole
33 operations.
34

35 Actual Reworking Operations shall be deemed to terminate on the last day any such downhole
36 operations are conducted in good faith for the purpose of establishing, increasing or restoring
37 production.
38

39 Under no circumstances shall drilling or otherwise creating salt water disposal wells constitute
40 actual drilling or reworking operations for purposes of maintaining this Lease.
41

42 (3) ***“Installation of Equipment”*** shall mean the installation of equipment in the wellbore that is
43 necessary to complete the well as a producer and/or to maintain downhole completion activity.
44 The installation of flowlines or other surface facilities needed to produce the well shall not be
45 considered as Actual Drilling Operations.
46

47 (B) ***“Affiliated Party”*** shall mean any business concern, organization, or individual that controls, is controlled
48 by or is under common control with Lessee. The power to control is the key factor in affiliation with
49 another business concern, whether exercised or not.
50

51 (1) Control may consist of:

- 52 (a) Shared management or ownership;
- 53 (b) Common use of facilities, equipment, and employees; and/or
- 54 (c) Family interest.

55 (2) Indicators of Lessee affiliates may include:

- 56 (a) Common ownership; and/or
- 57 (b) Common management and identity of interest.

58
59 (3) Power to control exists when a person or entity has 50% or more ownership. It may also exist
60 with considerably less than 50% ownership by contractual arrangement or when a person or
61 entity owns a large share compared to other parties.
62

63 (4) The term “Affiliated Party” shall apply to an Affiliated Party (as defined above) that is a
64 marketing firm engaged in the sale of Lessee’s oil, gas or products.
65

66 (C) ***“Anniversary Date”*** shall mean the same date on each next ensuing year or years after the Effective Date
67 of this Lease.
68

69 (D) ***“Leasehold Payments”*** shall mean rental payments, Deferred Development Payments, Shut-In Payments
70 and any other payments allowed to maintain this Lease in whole or in part.

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- (E) **“Non-Affiliated Party”** shall mean a person, company, firm or other business unit that is not an Affiliated Party.
- (F) **“Outside Acreage”** shall mean that portion of the Leased Premises not included in a Unit or Units on which Unitized Operations are being conducted.
- (G) **“Production in Paying Quantities”** shall mean production in paying quantities as defined by La. R.S. 31:124 from Leased Premises or lands pooled or unitized with any or all portions thereof and, in addition, notwithstanding the provisions of La. R.S. 31:125, the amount of royalties payable on such production must also be sufficient to constitute serious or adequate consideration.
- (H) **“Rental Paying Date”** shall mean the Anniversary Date during the Primary Term.
- ~~(I) **“Restore” or “Restoration”** with respect to any specified portion of the Leased Premises means to restore such portion of the Leased Premises, to the extent possible and practical, in accordance with the regulatory standards provided in Office of Conservation Statewide Order 29-B (or any future replacement regulations therefor), except to the extent any changes are due to normal erosion, settlement and topographical changes or changes caused by Lessor, one or more third parties or acts of God.~~
- (I) **“Unit”** shall mean pooled mineral acreage by order of a governmental agency or by conventional agreement approved by Lessor.
- (J) **“Unitized Operations”** shall mean Production in Paying Quantities and/or Acceptable Lease Operations attributed to one or more wells designated or otherwise constituting unit wells, cross unit wells, substitute unit wells and/or alternate unit wells in one or more Units encompassing all or a portion of the Leased Premises.

ARTICLE 1 - BONUS

Lessee has this day paid to Lessor a cash bonus payment of _____ (\$_____) Dollars, one-half (1/2) of which is (a) full and adequate consideration for every right granted hereunder, and one-half (1/2) of which is (b) the annual rental for the first year of this Lease.

ARTICLE 2 - PRIMARY TERM

- (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.

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2 Should the drilling of the ultra-deep well fail to reach the depth requirements for ultra-deep designation
3 during the extended Primary Term, no liquidated damages will be due as long as continuous drilling
4 operations on the well required by Article 2(B)(2) above on said well (and/or another ultra-deep well) are
5 ongoing without cessation of those operations for greater than one hundred eighty (180) consecutive days
6 and the required depth is reached.
7

8 **ARTICLE 3 - LEASE MAINTENANCE PAYMENTS**
9

10 (A) Rental Payments:
11

12 If Actual Drilling Operations or Production in Paying Quantities are not commenced hereunder on or
13 before the first Anniversary Date, this Lease shall then terminate unless Lessee, on or before such date,
14 pays to Lessor the sum of _____ (\$ _____) Dollars as rental as set forth in Article 1(b), which
15 payment shall extend for twelve (12) months the time within which Actual Drilling Operations or
16 Production in Paying Quantities may be commenced. Thereafter, annually, in like manner and upon like
17 payments, all of Lessee's rights hereunder may be maintained without Actual Drilling Operations or
18 Production in Paying Quantities for successive periods of twelve (12) months each during the Primary
19 Term. Payment of rental by Lessee may be made by check, wire or draft payable to the order of the Office
20 of Mineral Resources and delivered or mailed to OMR on or before the Rental Paying Date.
21

22 (1) On any Rental Paying Date, if Actual Drilling Operations are being conducted on or Production
23 in Paying Quantities is being obtained from the Leased Premises, no rental shall be due (and this
24 Lease shall remain in effect) for the annual rental period then commencing. If Actual Drilling
25 Operations are abandoned and/or Production in Paying Quantities ceases at any time within a
26 period of ninety (90) days prior to any Rental Paying Date, Lessee shall have a period of ninety
27 (90) days after the date of such abandonment of Actual Drilling Operations or cessation of
28 Production in Paying Quantities within which to commence or resume such Actual Drilling
29 Operations or Production in Paying Quantities on the Leased Premises, or make the rental
30 payment. The commencement or resumption of Actual Drilling Operations or Production in
31 Paying Quantities or payment of rental within the ninety (90) day period shall have the same
32 effect as though such were commenced, resumed or paid on or before the Rental Paying Date.
33

34 (2) In the final year of the Primary Term, if Acceptable Lease Operations or Production in Paying
35 Quantities are not in progress at the end of the Primary Term, then this Lease shall expire at the
36 end of the Primary Term. However, if Acceptable Lease Operations and Production in Paying
37 Quantities cease within ninety (90) days prior to expiration of the Primary Term or at any time
38 after the Primary Term, and Lessee commences or resumes Acceptable Lease Operations or
39 Production in Paying Quantities within ninety (90) days after such cessation, this Lease will
40 continue for so long as Acceptable Lease Operations or Production in Paying Quantities continue
41 without a lapse of greater than ninety (90) days between cessation of Acceptable Lease
42 Operations and Production in Paying Quantities and the recommencement of Acceptable Lease
43 Operations or Production in Paying Quantities.
44

45 (3) This Lease may be maintained by directional drilling operations (deviation from vertical), in
46 which event such Actual Drilling Operations shall be considered to have commenced on the
47 Leased Premises when the drill stem penetrates beneath the surface of the Leased Premises or
48 lands pooled or unitized with any or all portions thereof.
49

50 (B) Deferred Development Payments:
51

52 Consistent with La. R.S. 30:129, and notwithstanding any other provision of this Lease, during the
53 Primary Term of this Lease or within one (1) year thereafter (if this Lease is then in force and effect), if a
54 portion of the Leased Premises is included in a Unit, then commencement of Unitized Operations on that
55 Unit shall maintain this Lease as to the entirety of the Leased Premises. This provision is subject,
56 however, to the following:
57

58 (1) This Lease shall terminate (as provided herein) on the next Anniversary Date after the
59 commencement of such Unitized Operations as to the Outside Acreage unless:
60

61 (a) On or before such Anniversary Date, Lessee pays Lessor a sum equal to one-half of the
62 per-acre cash bonus payment made for this Lease multiplied by the number of acres then
63 comprising the Outside Acreage ("***Deferred Development Payment***"); or
64

65 (b) Within ninety (90) days of commencement of such Unitized Operations that are
66 commenced within ninety (90) days before such Anniversary Date, Lessee pays Lessor a
67 full Deferred Development Payment; or
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69 (c) Acceptable Lease Operations are being conducted and/or Production in Paying
70 Quantities is being obtained from the Outside Acreage as of such Anniversary Date; or

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- (d) Acceptable Lease Operations and Production in Paying Quantities on the Outside Acreage ceased within ninety (90) days before such Anniversary Date, and Acceptable Lease Operations or Production in Paying Quantities are resumed as to the Outside Acreage within ninety (90) days of such cessation; or
 - (e) Acceptable Lease Operations and Production in Paying Quantities on the Outside Acreage ceased within ninety (90) days before such Anniversary Date, and Lessee pays Lessor a Deferred Development Payment within ninety (90) days of said cessation; or
 - (f) Lessee is otherwise maintaining the Outside Acreage as of such Anniversary Date by annual rental payments or Shut-In Payments.
- (2) The Deferred Development Payment shall maintain the Outside Acreage until the next Anniversary Date. Lessee may maintain the Outside Acreage of this Lease by Deferred Development Payments for up to two (2) years beyond the Primary Term.
 - (3) After expiration of the periods for which a Deferred Development Payment would be available, if the Outside Acreage of this Lease is not otherwise being maintained, this Lease shall terminate as to all Outside Acreage.
 - (4) Nothing contained in this Article 3(B) is intended to create nor shall have the effect of creating several or separate Leases, or in any manner serve to extend, increase or limit the obligation of Lessee to protect the Leased Premises from drainage as stated in this Lease or otherwise.
 - (5) The provisions of this Article 3(B) shall apply to any Unit that wholly or partially underlies any or all of the Leased Premises.

(C) Shut-In Payments:

If at any time or times (during or after the Primary Term) there are Qualifying Conditions (as defined below) in effect and the Lease (in its entirety or as to any portions) is not otherwise being maintained, then the Lease can be maintained in full force and effect by the payment of a Shut-In Payment (as defined below) in accordance with the following provisions.

Lessee's utilization of this provision requires Lessor's approval and shall be at the sole discretion of Lessor, which approval shall not be unreasonably withheld. Lessee's request for such approval must include proof of the Qualifying Conditions (as set forth below) and must be received by Lessor before the commencement of the applicable Shut-In Period (as defined below).

- (1) Lessee may request to make a semi-annual payment ("**Shut-In Payment**") to maintain this Lease for a six (6) month period ("**Shut-In Period**") provided the following conditions ("**Qualifying Conditions**") are met:
 - (a) There is a shut-in well(s) on the Leased Premises or within a Unit(s) that include all or a portion of the Leased Premises;
 - (b) Such well(s) is capable of oil and/or gas Production in Paying Quantities;
 - (c) Oil and/or gas from such well(s) is not being used, produced or marketed because of the lack of a marketing contract or production/marketing facilities; and
 - (d) Lessee has made and is continuing to make good faith reasonable efforts to secure a marketing contract or production/marketing facilities.
- (2) Lessee's **initial** requests to Lessor and the required Shut-In Payments shall be in accordance with the following:
 - (a) During any year for which this Lease is maintained pursuant to (A) or (B) of Article 3, **a the initial** Shut-In Payment shall not be required before the next Anniversary Date. Except as provided in paragraphs (b) through (d) below, Lessee's request for Shut-In Payment authority must be received prior to such Anniversary Date.
 - (b) If **the commencement of the** Qualifying Conditions **occurs are-in-effect** less than ninety (90) days prior to an Anniversary Date for which a rental payment may be made, Lessee's request must be received and the **initial** Shut-In Payment submitted within ninety (90) days after such **commencement of the** Qualifying Conditions. ~~are first in effect.~~

- 1 (c) If the commencement of the Qualifying Conditions occurs are in effect less than ninety
2 (90) days prior to the end of the Primary Term or any time beyond the Primary Term,
3 Lessee's request and the initial Shut-In Payment must be received prior to expiration of
4 the Lease.
5
6 (d) Subsequent requests for consecutive Shut-In Periods must be received prior to the end of
7 the then existing Shut-In Period. The requested period, if authorized, shall commence
8 upon expiration of the then existing Shut-In Period.
9
10 (3) Each Shut-In Payment shall be at the rate of Fifty (\$50.00) Dollars per acre for the acreage not
11 otherwise maintained under the terms of this Lease, but in no event shall payment be less than
12 One Thousand (\$1,000.00) Dollars. Shut-In Payments are due prior to the commencement of
13 each Shut-In Period.
14
15 (4) Each Shut-In Payment shall maintain this Lease for a period of six (6) months. During each such
16 period, it shall be considered that there is Production in Paying Quantities for Lease maintenance
17 purposes only.
18
19 (5) Lessee may request up to a maximum of six (6) consecutive Shut-In Periods if the aforesaid
20 Qualifying Conditions persist and provided that, prior to the end of each Shut-In Period, Lessee
21 obtains Lessor's authorization in accordance herewith. Thereafter, if circumstances warrant, at a
22 future date Lessee may again request and be authorized by Lessor to utilize this shut-in provision
23 in accordance with the terms and requirements herein.
24
25 (6) Notwithstanding the limitation upon consecutive Shut-In Periods in Article 3(C)(5) above, for
26 compelling reasons proven to the satisfaction of Lessor, Lessee may request, and Lessor may
27 grant an additional Shut-In Period or periods in accordance with the terms and requirements
28 herein, with any such extension(s) to be approved via an acknowledgment Resolution having the
29 effect of an amendment of this Lease.
30
31 (7) After the last day of any Shut-In Period, this Lease shall terminate unless another Shut-In Period
32 is authorized or this Lease is maintained under any other provision under this Lease.
33

34 ARTICLE 4 – TRANSFERS AND ASSIGNMENTS

35
36 In accordance with La. R.S. 30:128, the parties hereto understand and agree to the following:

- 37
38 (A) No assignment, sublease or other transfer (collectively “Assignment”), in whole or in part, of any rights
39 or interests granted to Lessee under this Lease shall be valid unless approved by Lessor.
40
41 (B) Lessor's approval is not required for the granting of a mortgage in, collateral assignment of production
42 from, or other security interest in a mineral lease or sublease or the transfer of an overriding royalty
43 interest, production, payment, net profits interest, or similar interest in a mineral lease or sublease.
44
45 (C) Prior or subsequent to any Assignment, but in no event later than sixty (60) days from the date of
46 execution of the Assignment, the assignor shall present to OMR a request for approval of the Assignment
47 by Lessor. Failure to do so shall subject the assignor to the required statutory penalty beginning on the
48 sixty-first (61st) day following the date of execution of the Assignment.
49

50 Additionally, upon the Lessor's approval of an Assignment of any undivided interest of less than
51 100% granted under this Lease in the Leased Premises (or any portion thereof), the assignor(s), in
52 collaboration with the assignee(s)/transferee(s), shall designate in writing the individual responsible
53 for receiving the notices required or permitted hereby with respect to such co-owned portion of the
54 Leased Premises; provided, however, that Lessor shall not seek to terminate this Lease in whole or
55 in part or assess any penalty or liquidated damages on any co-lessee(s) without providing direct
56 written notice to such co-lessee(s). Exceptions from this requirement shall require Board approval.
57

- 58 (D) Unless discharged by the Board expressly and in writing, an Assignment by Lessee, notwithstanding
59 approval of the Assignment by Lessor, and regardless of any understanding, agreement, language or
60 reference set forth in the Assignment instrument, does not release affect nor relieve alter the Assignor(s)
61 from satisfying and complying with the terms, conditions, duties, responsibilities and/or obligations
62 required by this Lease. Rather, the continuing responsibilities and obligations of the Assignor(s) shall be
63 determined in accordance with or the applicable statutory and code provisions of the State of Louisiana.
64

65 Notwithstanding the foregoing, upon request and in conjunction with the processing of an Assignment of
66 all rights and interests under this Lease, any original Lessee acting on behalf of another who has not
67 engaged in any activity in furtherance of the development and production of oil and gas on or affecting
68 the Leased Premises, may be relieved and released and relieved by the Board from satisfying and
69 complying with any and/or all terms, conditions, duties, responsibilities and/or obligations required by this
70 Lease. Any such release shall be upon request and at the Board's discretion, and may be conditioned

1 upon posting of security of the nature and in the amount determined by the Board to serve the public's
2 interest.

- 3
- 4 (E) Lessee understands and agrees that Lessor may refuse to consent to such Assignment if, in the Lessor's
5 reasonable opinion, the proposed assignee/transferee lacks the necessary financial capacity to meet the
6 obligations required by this Lease or technical capacity to sustain reasonable development of the Leased
7 Premises. Should Lessor not approve the Assignment, regardless of whether the Assignment instrument
8 is duly recorded, the assignor and its ancestors in title shall remain responsible for satisfying and
9 complying with the terms, conditions, duties, responsibilities and obligations of this Lease.
- 10
- 11 (F) Upon approval of the Assignment by Lessor, all terms, provisions, conditions, duties, responsibilities and
12 obligations of this Lease shall be binding upon and inure to the benefit of approved
13 assignee(s)/transferee(s), except as otherwise set forth herein.
- 14
- 15 (G) Assignees, sublessees and other transferees are responsible for researching the records maintained by
16 OMR and the Clerk of Court in and for the parish(es) wherein the Leased Premises is located to determine
17 whether this Lease proposed for assignment remains valid and is subject to lawful assignment by the
18 assignor.
- 19

20 ARTICLE 5 - FORCE MAJEURE AND SUSPENDING EVENTS

- 21
- 22 (A) If, at any time this Lease is being maintained, Lessee is prevented from continuing Acceptable Lease
23 Operations and/or Production in Paying Quantities by the occurrence of a Force Majeure or Suspending
24 Event (herein "**Incident**"), both hereinbelow defined, and Lessee cannot maintain this Lease under any
25 other operative provision hereof, such as the payment of annual rental, Deferred Development Payment or
26 Shut-In Payment, then and only then shall the date for Lessee to re-commence Acceptable Lease
27 Operations and/or Production in Paying Quantities be postponed on a day-for-day basis for so long as the
28 adverse effects upon Lessee's Acceptable Lease Operations and/or Production in Paying Quantities
29 prevail.
- 30
- 31 (B) Lessor may recognize the Incident provided that Lessee has submitted:
- 32
- 33 (1) Written notice of the occurrence within ninety (90) days of the Incident onset;
- 34
- 35 (2) An affidavit containing:
- 36
- 37 (a) The onset date, description and nature of the Incident;
- 38 (b) The effects preventing continuation of Acceptable Lease Operations or Production in
39 Paying Quantities;
- 40 (c) The steps being taken to mitigate and eliminate those effects; and
- 41 (d) An estimated time for resumption of Acceptable Lease Operations or Production in
42 Paying Quantities.
- 43
- 44 (3) Evidence of Lessee's diligent, reasonable and good faith efforts to mitigate and eliminate the
45 effects of the Incident and to resume Acceptable Lease Operations and/or Production in Paying
46 Quantities; and
- 47
- 48
- 49 (4) Any other information or documentation evidencing the existence of the Incident requested by
50 Lessor.
- 51
- 52 (C) If Acceptable Lease Operations and/or Production in Paying Quantities cease prior to the Incident onset
53 (or during the period in which the Incident is still in effect), and the Incident prevents Lessee from re-
54 establishing Acceptable Lease Operations and/or Production in Paying Quantities, then the date for Lessee
55 to re-establish Acceptable Lease Operations and/or Production in Paying Quantities shall be extended by
56 the period of time during which Lessee was prevented from re-establishing Acceptable Lease Operations
57 and/or Production in Paying Quantities.
- 58
- 59 (D) The occurrence of an Incident shall not maintain this Lease for more than twelve (12) months from the
60 date of the Incident onset unless extended by Lessor. To utilize Article 5, Lessee shall be required to
61 submit written, detailed reports on a monthly basis to OMR and demonstrate the ongoing efforts by
62 Lessee to mitigate the effects of the Incident.
- 63
- 64 (E) A "**Force Majeure**" event, as herein utilized, shall be a fortuitous event that is beyond Lessee's control
65 and is not ultimately determined to be caused by Lessee nor due to Lessee's negligent or intentional
66 commission or omission, or failure to take reasonable and timely foreseeable preventative measures that
67 would have mitigated or negated the effects of the event. ~~A Force Majeure event may include (1) a major
68 storm, major flood or other similar natural disaster, or (2) a major accident such as a blowout, fire or
69 explosion.~~
- 70

- 1 (F) A **“Suspending Event”**, as herein utilized, shall be (1) the lack of availability, after Lessee has diligently,
2 timely and in good faith attempted to secure same, of any required equipment and/or personnel, such as
3 the specific type of rig or specific type of casing or drill pipe, or (2) the unreasonable delay by any
4 government agency or political subdivision in granting permits necessary for Acceptable Lease
5 Operations or Production in Paying Quantities, or (3) an order of any federal or state court of competent
6 jurisdiction preventing Acceptable Lease Operations or Production in Paying Quantities, or (4) the act of
7 a third party, not under the control or at the instigation of Lessee, in shutting down and unreasonably
8 refusing to reopen any facility through which hydrocarbons from this Lease are necessarily passed as part
9 of production (and provided there is no other reasonably economical method of carrying on production),
10 or (5) other events not described herein that are recognized by Lessor.
11
- 12 (G) If the reports are not timely submitted or if Lessee did not attempt in good faith to mitigate the effects of
13 the Incident, Lessor, after notice and opportunity to be heard, may declare the Incident recognition to be
14 ended and that Lessee may not after such failure utilize this provision to excuse any failure to comply with
15 any obligations of this Lease relating to the particular Incident involved.
16
- 17 (H) For purposes of this Article:
18
- 19 (1) An increase in costs of performing the obligations set forth in this Lease shall not constitute
20 circumstances beyond Lessee’s control;
21
- 22 (2) Lessee’s financial inability to comply with any of the obligations of this Lease shall not be
23 grounds for an extension of time;
24
- 25 (3) Notice (as required under Article 5(B)(1) above) given beyond ninety (90) days shall be deemed
26 unreasonable barring consequential extenuating circumstances; and
27
- 28 (4) The interpretation and operation of any term of this Force Majeure and Suspending Event
29 provision are at the sole, reasonable discretion of Lessor.
30

31 **ARTICLE 6 - POOLING AND UNITIZATION** 32

- 33 (A) Lessee may, by order of the Commissioner of Conservation or by conventional agreement with the
34 consent and approval of Lessor, pool or unitize the Leased Premises (or any portion thereof), including in
35 combination with other property or leases (or portions thereof). Unitized Operations from property other
36 than the Leased Premises within the pooled or unitized area shall have the same effect as if said
37 operations had occurred on the Leased Premises with respect to Lease maintenance.
38
- 39 No conventional unit or pooling agreement shall be approved by Lessor unless a unit plat compiled and
40 certified by a licensed surveyor showing the unit outline and each lease or other property interest within
41 the Unit as having been surveyed accompanies and is attached to the Unit or pooling agreement unless
42 waived by Lessor.
43
- 44 (B) Should Lessee apply or give notice of intent to apply to the Commissioner of Conservation for the
45 creation of any Unit or Units that would include all or any portion of the Leased Premises, Lessee shall
46 furnish Lessor with a copy of the notice or application, accompanying unit plat, and all other attached
47 information. Said copies shall be furnished to Lessor either at the time the application is filed with the
48 Commissioner of Conservation or at the time required by applicable orders or regulations of the
49 Commissioner of Conservation for furnishing such information, whichever is earlier. Unless waived by
50 Lessor, if a Unit or Units including all or any portion of the Leased Premises are created by order of the
51 Commissioner of Conservation, Lessee shall submit to Lessor a survey plat of each Unit or Units so
52 created, either prior to or within ninety (90) days of initial production from the Unit (which time period
53 may be extended by Lessor). The survey plat of the Unit or Units must clearly identify the Leased
54 Premises, the tract acreage, and the unit percentage participation for same.
55
- 56 Failure of Lessee, after notice, to timely submit such a plat shall subject Lessee to liquidated damages in
57 the amount of One Hundred (\$100.00) Dollars per day. This assessment shall commence on the thirty-
58 first (31st) day after receipt of such notice and continue until the required plat is provided. If Lessee
59 submits the survey plat within thirty (30) days after its receipt of such notice, then no damages are due.
60
- 61 (C) If a surface and/or subsurface agreement requested by Lessee for the drilling of a well on or traversing the
62 Leased Premises is granted by an agency of the State to Lessee during the term of this Lease, Lessee shall
63 furnish to Lessor copies of any and all data **required acquired** on the subject well in accordance with
64 Article 8 below. Further, a presumption shall exist, unless Lessee can reasonably demonstrate the
65 contrary to Lessor, that a Unit for the well should be formed to include a portion of this Lease, and Lessee
66 agrees to form a Unit either by a conventional agreement approved by Lessor or make application to the
67 Commissioner of Conservation for the formation of such a Unit within six (6) months after completion of
68 the subject well. Once the Unit is formed, royalties attributable to the Leased Premises included in the
69 Unit will be paid back to the first date of production from the well.
70

1 (D) If on the Effective Date, all or any portion of the Leased Premises is included in a Unit established by
2 order of the Commissioner of Conservation with one or more unit wells producing at that time and Lessee
3 is a working interest owner in such unit well or wells, Lessee agrees to pay royalty on all oil, gas or other
4 liquid or gaseous mineral produced and saved or utilized from such unit wells or wells and attributable to
5 the Leased Premises from the effective date of such Unit or from the date Lessee acquired an interest in
6 such well or wells, whichever is later, regardless of whether all development and operating costs
7 chargeable to the Leased Premises have been paid. Nothing herein shall be construed as requiring Lessee
8 to pay royalties under this Article 6(D) if royalties (or state interests) on such production were paid
9 pursuant to the terms of a previous lease (or state operating agreement) with the State.

10
11 **ARTICLE 7 - OFFSET WELLS**
12

13 The obligations set forth in this Article apply to only wells that are drilled on “*Adjoining Property*” (which is
14 defined as property that is (1) not the Leased Premises, (2) not part of a Unit and (3) not part of state lease or state
15 operating agreement having a royalty or state interest rate equal to or greater than that set forth herein). Wells
16 drilled on Adjoining Property are hereafter referred to as “*Adjoining Wells*”.

17
18 (A) At any time during or after the Primary Term, if there is completed an Adjoining Well located within six
19 hundred and sixty feet (660’) of the Leased Premises (or within any spacing or pooling unit distance
20 greater than 660’ established by the Commissioner of Conservation) and such Adjoining Well has
21 production in paying quantities for twenty (20) days (that need not be consecutive) during any period of
22 thirty (30) days, or produces its monthly allowable during any period of thirty (30) days, Lessee agrees
23 that the following rebuttable presumptions will arise: (1) that the Leased Premises is thereby being
24 drained; (2) that the Leased Premises is not reasonably being protected from drainage by any well or wells
25 on the Leased Premises or lands pooled or unitized with any or all portions thereof hereafter referred to as
26 “Offset Well(s)”; and (3) that an Offset Well would be economically feasible.

27
28 (1) If Lessee is the operator of or has a working interest in such Adjoining Well, Lessee shall within
29 ninety (90) days after the end of the above thirty (30) day period either begin Actual Drilling
30 Operations for an Offset Well or commence (or cause to be commenced) unitization for the
31 Adjoining Well.

32
33 (2) In all other cases, Lessee shall be required to begin such Actual Drilling Operations for an Offset
34 Well or commence (or cause to be commenced) unitization for the Adjoining Well within ninety
35 (90) days after receipt of written notice from Lessor which notice shall not be sent until after the
36 end of the above thirty (30) day period.

37
38 The last day of the ninety (90) day periods addressed in (1) and (2) above shall be referred to as the
39 “*Maturity Date*”.

40
41 (B) No Offset Well shall be necessary if, on or before the Maturity Date, as it may be deferred as hereinafter
42 provided, any of the stated presumptions is rebutted or if a Unit for the Adjoining Well in question is
43 formed by agreement with Lessor or created or under consideration by the Commissioner of Conservation.

44
45 (C) In lieu of commencing operations for an Offset Well or unitization for the Adjoining Well as above
46 provided, Lessee may, at its option, commence compensatory payments to Lessor equal to the royalty
47 herein provided, computed on one-half (1/2) of the oil, gas or other liquid or gaseous minerals produced
48 by the Adjoining Well in question on and after the Maturity Date, value to be determined in accordance
49 with the royalty payment provisions of this Lease. Such payments may be commenced on or before sixty
50 (60) days after the Maturity Date, but shall include any accrued compensatory payment commencing on
51 the Maturity Date. Thereafter, payments shall be due monthly in accordance with royalty payment
52 provisions herein.

53
54 Lessee shall not be in default in commencing compensatory payments or in making further payments as
55 above provided if, despite due diligence, Lessee is unable to timely obtain the production information on
56 which such payments are to be based. In such case, however, Lessee must, on or before the payment due
57 date, notify Lessor, in writing, of Lessee’s inability to make such payment, the reason(s) therefor and
58 Lessee’s intention of making such payment at the earliest reasonable time.

59
60 Compensatory payments may be continued, at Lessee’s discretion, for not more than one (1) year from the
61 Maturity Date. At the end of that time, or within thirty (30) days from the end of any lesser period for
62 which payments are made, Lessee shall comply with this offset obligation if the Adjoining Well continues
63 to have production in paying quantities or to produce its allowable, and the other conditions making this
64 obligation operative continue to exist. The right to make compensatory payments is intended to permit
65 Lessee to further evaluate the producing Adjoining Well, and the making of such payments shall not of
66 itself be sufficient to maintain this Lease if this Lease is not otherwise being maintained; however, the
67 making of such payments shall not prejudice Lessee’s right to rebut any of the above enumerated
68 presumptions.

1 (D) In addition to the specific offset drilling obligation above provided, if Lessee knows or reasonably has
2 access to information, by examination of geological, seismic or other relevant data, that drainage of the
3 Leased Premises is occurring, Lessee agrees to protect the Leased Premises from drainage of oil, gas or
4 other liquid or gaseous minerals by a producing Adjoining Well that may be more than six hundred and
5 sixty feet (660') from the Leased Premises by whatever means necessary, including the drilling of an
6 Offset Well or obtaining the formation of appropriate drilling or production units for the Adjoining Well.
7 If Lessee is the operator of or has a working interest in a producing Adjoining Well, Lessee shall be
8 obligated, within ninety (90) days from the time Lessee knows or reasonably has access to information
9 that drainage is occurring, to take such steps as reasonably necessary to protect the Leased Premises. In
10 all other cases, Lessee shall not be obligated to begin such operations or take other steps until ninety (90)
11 days after receipt of written notice from Lessor.
12

13 (E) In those instances in which notice from Lessor is expressly required under this Article, if due, damages
14 shall be computed only from the date that notice is received or, if Lessee commences compensatory
15 payments, the date on which such payments are discontinued. In those instances in which there is no
16 requirement of notice, if due, damages shall be computed from the time Lessee knew or reasonably had
17 access to information that drainage was occurring. The damages contemplated herein shall consist of the
18 royalty percentage of this Lease, multiplied by one half of the value of the production from the draining
19 Adjoining Well, and may include lease cancellation (except as provided in Article 18(C) below) for
20 refusal by Lessee to take the steps necessary to prevent drainage. Written notice from Lessor containing a
21 demand for performance and Lessee's failure to timely comply with such notice shall be necessary as a
22 prerequisite to any action for cancellation of this Lease for Lessee's nonperformance of its obligation to
23 protect the Leased Premises against drainage.
24

25 ARTICLE 8 - LESSEE REPORTING

26
27 (A) Lessee shall furnish Lessor, upon request, all of the following types of well and survey data in Lessee's
28 possession, or reasonably accessible to Lessee in connection with this Lease including, but not limited to:
29 (1) all wire line surveys in open or cased holes including, but not limited to electrical and radioactivity
30 logs, porosity logs of all types and dip-meters, with all such logs to be provided, in standard fanfold paper
31 format at scales of 1 inch to 100 feet and 5 inches to 100 feet, digital image files in TIF and PDF formats,
32 and composite digital curve data in LAS (Log ASCII Standard) format or other format requested by
33 Lessor if maintained by Lessee; (2) directional surveys; (3) mud logs and core descriptions of both
34 sidewall samples and conventional cores; (4) drill stem and production test data; (5) daily drilling reports
35 (to be supplied weekly); and (6) production data, current and cumulative, including oil, gas and water
36 production, surface and subsurface pressures (collectively "**Data**").
37

38 Upon request, Lessee also shall furnish Lessor with any other information and data in Lessee's possession
39 or reasonably available to Lessee in order to keep Lessor fully informed of Lessee's good faith
40 compliance with the provisions of this Lease and continuing development of and operations on the Leased
41 Premises. This information together with the Data shall be referred as to the "**Records**".
42

43 Notwithstanding anything herein to the contrary, Lessee's obligation to provide such information or data
44 is limited to the format actually used by Lessee or reasonably available to Lessee. Furthermore, to the
45 extent allowed by law, Lessor agrees to keep confidential any such Records not already part of the public
46 domain.
47

48 (B) Nothing in this Article shall require Lessee to furnish or permit inspection of Lessee's interpretation of the
49 types of data referred to above, and nothing herein shall be construed as requiring Lessee to secure any
50 such data solely for the purpose of this Article. Lessor's representatives shall have access, at reasonable
51 times and intervals, to examine and inspect Lessee's Records and operations being conducted on the
52 Leased Premises or lands pooled or unitized with any or all portions thereof. To the extent allowed by
53 law, Lessor shall keep confidential any information (including Records) not part of the public domain.
54

55 (C) Failure of Lessee, after notice, to satisfy the requirements of this Article shall subject Lessee to liquidated
56 damages in the amount of One Hundred (\$100.00) Dollars per day for each day of non-compliance,
57 commencing on the thirty-first (31st) day after receipt of notice. If Lessee satisfies such requirements
58 within thirty (30) days after its receipt of such notice, then no damages are due.
59

60 ARTICLE 9 – ROYALTY

61
62 Unless Lessor elects to take in-kind all or any part of the portion due Lessor as royalty on minerals produced and
63 saved hereunder, which option is hereby expressly reserved by Lessor pursuant to La. R.S. 30:127(C), and which
64 option is to be exercised by written notice by Lessor to Lessee at any time and from time to time while this Lease
65 is in effect (either prior or subsequent to acceptance by Lessor of royalties other than in-kind), it being understood
66 that nothing contained in this Lease shall ever be interpreted as limiting or waiving said option, Lessee shall pay to
67 Lessor as royalty:
68

69 (A) _____ (____%) percent of the value, as hereinafter provided, of
70 all oil, including condensate or other liquid mineral, produced (including sales, stored or traded in-kind)

1 and saved or utilized by methods considered ordinary production methods at the time of production. The
2 price of such oil sold to a Non-Affiliated Party or Affiliated Party shall not be less than the "Fair Market
3 Price". ~~Fair Market Price is considered the average sales price for oil of like grade and quality in the field~~
4 ~~in which the lease is situated. If the Lessee is the sole producer within the field, Fair Market Price shall~~
5 ~~be deemed the average sales price of oil of like grade and quality for the three nearest surrounding fields.~~
6 ~~Consideration may be given to one or more of the following when determining the Fair Market Price:~~
7 ~~NYMEX, NYMEX + roll, any of the major oil market centers (for example, St. James, Cushing, Empire~~
8 ~~or Argus) or any amalgamation of field posted price, plus Platt's P+, plus any market adjustments~~
9 ~~(including for kind and quality). For clarification: The following language that is struck-through and~~
10 ~~highlighted in grey was Staff's previous edit of the struck-through language in red above. The language~~
11 ~~below (highlighted in yellow) is Staff's present edit of this language. When determining the Fair Market~~
12 ~~Price, consideration may be given to one or more industry recognized and accepted market indices for like~~
13 ~~grade and quality, such as: Commodity Exchange prices (for example Light Louisiana Sweet, Heavy~~
14 ~~Louisiana Sweet); major oil market centers (for example, St. James, Empire); any amalgamations of field~~
15 ~~posted prices; any premiums; any discounts; or any market adjustments (for example, WTI/HLS~~
16 ~~WTI/LLS Differentials, Gravity Bank Adjustments). Lessor may consider the following when~~
17 ~~determining the Fair Market Price:~~

- 18
- 19 (i) the average sales price for oil of like grade and quality in the field in which the lease is situated;
20 or
21
- 22 (ii) if the Lessee is the sole producer within the field, the average sales price of oil of like grade and
23 quality for the three nearest surrounding fields; or
24
- 25 (iii) one or more industry recognized and accepted market postings major oil market centers; any
26 amalgamations of field posted prices; any premiums; any discounts; or any market adjustments.
27

28 If at a future date, an industry recognized and accepted ~~index posting~~ changes ~~to something other than~~
29 ~~those listed above~~, the new standard may be considered and/or utilized. If Lessee enters into a prudently
30 negotiated, arm's length oil sales contract, which at the time of execution, provides for a price equal to or
31 in excess of the Fair Market Price ~~as described above~~, the price payable under the terms of the contract at
32 the time such oil is run shall be the value of such oil, even though the appropriate average changes during
33 the life of the contract.
34

35 Lessee shall not make any deduction whatsoever for the cost of any operation, process, facility or other
36 item considered to be a production function or facility at the time such oil is run. Without limiting the
37 foregoing sentence and without regard to classification as production costs or otherwise, the following
38 costs shall not be deducted from the value of production: (1) costs incurred for gathering, moving or
39 transporting production within the field boundaries; (2) costs incurred for handling, treating, separating,
40 fractionating or in any way processing production to make it marketable by methods considered ordinary
41 at the time such oil is run; (3) the cost of storage on the Lease or in the field; (4) marketing fees, any
42 other miscellaneous fee, or unspecified discounts and/or subtractions from the base price incurred during
43 or related to the sale of oil by Lessee, an Affiliated Party or a Non-Affiliated Party; and (5) line loss. The
44 performance of any producing function or any function mentioned within clauses (2) and (3) above at a
45 commingled facility in or outside the field in which this Lease is situated shall not make the cost of any
46 such function deductible.
47

48 If Lessee delivers oil at a point outside the field in which this Lease is situated by means of facilities
49 belonging to a Non-Affiliated Party, Lessee may deduct from the value of such oil a reasonable sum not in
50 excess of actual costs, as evidenced by invoices from the transporter(s) or other documentation Lessor
51 deems appropriate, for the transportation from the field boundary to the point of delivery. If such
52 transportation is by means of facilities owned by an Affiliated Party, Lessee may deduct the lesser of the
53 actual cost of such transportation, or the fair market value of the services performed. If actual cost is
54 greater than fair market value, the fair market value shall determine the amount subject to deduction.
55 However, if the facilities used are regulated as a common carrier by a state or federal regulatory agency,
56 the authorized tariff chargeable and paid by Lessee for the services rendered shall be deemed the fair
57 market value of such services. If such transportation is by means of facilities owned by Lessee, Lessee
58 may deduct from the value of production a reasonable sum for such services computed as follows: the
59 amount deductible shall include only (1) the direct cost of operations and maintenance, including costs of
60 labor, direct supervision, fuel, supplies, ordinary repairs and ad valorem taxes; and (2) depreciation of the
61 facility computed over the estimated life of the field or the reserves. Transportation or location
62 differential, as a component of a contract between seller and buyer, is subject to the same terms and
63 restrictions, listed here-in.
64

65 If Lessee receives any compensation for any function or process for which Lessee is responsible to Lessor
66 without right to deduct costs including, but not limited to (1) handling, gathering or transporting such oil,
67 or (2) treating or processing such oil by ordinary methods to make it marketable, the amount of such
68 compensation shall be added to the value of such oil when computing royalties. If Lessee is deducting
69 costs for any functions for which it also is receiving compensation, deductions may be made for costs only
70 to the extent they are in excess of any such compensation.

1
2 (B) _____ (____%) percent of the value, as hereinafter
3 provided, of all gas, including casinghead gas, produced (including sales, vented, flared, flash, stored,
4 interlease sales and utilized gas), sold and stored, saved or utilized by methods considered as ordinary
5 production methods at the time of production. The price of such gas sold to a Non-Affiliated Party or
6 Affiliated Party and the price of gas vented, flared, or utilized (including gas ~~used in~~ **vented/flared after**
7 **use in** lift operations) by Lessee in the field shall not be less than the Fair Market Price. ~~Fair Market Price~~
8 ~~shall be the average price paid for gas of like kind and quality from the field produced. If the Lessee is~~
9 ~~the sole producer within the field, Fair Market Price shall be deemed the average sales price paid for gas~~
10 ~~of like kind and quality for the three nearest surrounding fields. Consideration may be given to one or~~
11 ~~more of the following when determining the Fair Market Price: a pipeline index in the field or adjacent to~~
12 ~~the field; Bloomberg Liquefied Petroleum Gas Prices, Platt's LP Gas Wire, a NYMEX closing price;~~
13 ~~and/or a Henry Hub price (or other comparable Hub price), plus/minus premium; and/or transportation~~
14 ~~outside the field. For clarification: The following language that is struck-through and highlighted in grey~~
15 ~~was Staff's previous edit of the struck-through language in red above. The language below (highlighted~~
16 ~~in yellow) is Staff's present edit of this language. When determining the Fair Market Price, consideration~~
17 ~~may be given to one or more industry recognized and accepted market indices for like kind and quality,~~
18 ~~such as: Commodity Exchange prices (for example, NYMEX closing price, Henry or other comparable~~
19 ~~Hub price); a pipeline index in the field or in the surrounding fields (for example, Trunkline, LA, ANR,~~
20 ~~LA); plus/minus any premium; and/or transportation outside the field. Lessor may consider the following~~
21 ~~when determining the Fair Market Price:~~

- 22
23 (i) the average price paid for gas of like kind and quality from the field produced; or
24
25 (ii) if the Lessee is the sole producer within the field, the average sales price paid for gas of like kind
26 and quality for the three nearest surrounding fields; or
27
28 (iii) one or more industry recognized and accepted market indices; a pipeline index in the field or in
29 the surrounding fields; plus/minus any premium; and/or transportation outside the field.

30
31 If at a future date an industry recognized and accepted index changes ~~to something other than those listed~~
32 ~~above~~, the new standard may be considered and/or utilized. If Lessee enters into a prudently negotiated,
33 arm's length gas sales contract, which at the time of execution provides for a price equal to or in excess of
34 the Fair Market Price ~~as described above~~, the price payable under the terms of the contract at the time
35 such gas is produced shall be the value of such gas, even though the appropriate average changes during
36 the life of the contract.

37
38 Except as expressly authorized hereby, Lessee shall not make any deduction whatsoever for the cost of
39 any operation, process, facility or other item considered to be a producing function at the time such gas is
40 produced. Without limiting the foregoing sentence and without regard to classification as production
41 costs or otherwise, the following costs are not to be deducted from the value of production: (1) costs
42 incurred for gathering, moving or transporting production within the field boundaries; (2) costs incurred
43 for dehydrating, decontaminating (as with an amine plant inside the field), fractionating or in any way
44 processing production to make it marketable by methods considered ordinary at the time such gas is
45 produced; (3) marketing fees, any other miscellaneous fee, or unspecified discounts and/or subtractions
46 from the base price incurred during or related to the sale of gas by Lessee, an Affiliated Party or Non-
47 Affiliated Party; and (4) line loss. The performance of any producing function or any function mentioned
48 in (2) above at a commingled facility inside or outside the field in which this Lease is situated shall not
49 make the cost of any such function deductible. **(Paragraph separated here)**

50
51 Without regard to classification as production costs or otherwise, Lessee may deduct costs incurred for
52 compression of gas at a point in or adjacent to the field for insertion into a purchaser's line or into a line
53 owned by Lessee or a carrier for transportation to a point of delivery outside the field.

54
55 If Lessee delivers gas at a point outside the field in which this Lease is situated by means of facilities
56 belonging to a Non-Affiliated Party, Lessee may deduct from the value of such gas a reasonable sum not
57 in excess of actual costs, as evidenced by invoices from the transporter(s) or other documentation Lessor
58 deems appropriate, for transportation from the field boundary to the point of delivery. If such
59 transportation is by means of facilities owned by an Affiliated Party, Lessee may deduct the lesser of the
60 actual cost of such transportation or the fair market value of the services performed. If actual cost is
61 greater than fair market value, the fair market value shall determine the amount subject to deduction. If
62 such transportation is by means of facilities owned by Lessee, Lessee may deduct from the value of
63 production a reasonable sum for such services computed as follows: the amount deductible shall include
64 only (1) the direct cost of operations and maintenance, including costs of labor, direct supervision, fuel,
65 supplies, ordinary repairs and ad valorem taxes, and (2) depreciation of the facility calculated over the
66 estimated life of the field or the reserves.

67
68 If Lessee receives any compensation for any function or process for which Lessee is responsible to Lessor
69 without right to deduct costs including, but not limited to handling, gathering or transporting such gas, or
70 dehydrating, decontaminating or in any way processing production to make it marketable, the amount of

1 such compensation shall be added to the value of such gas when computing royalties. If Lessee is
2 deducting costs for any functions for which it also is receiving compensation, deductions may be made for
3 costs only to the extent they are in excess of any such compensation.
4

5 (C) In addition to the separation of condensate or other liquid mineral from gas by ordinary production
6 methods (as to which Lessor shall receive royalties as provided in Article 9(B) above and for which
7 separation, no charge may be made by Lessee), gas produced hereunder, including casinghead gas, may
8 be processed in a gasoline or other extraction or processing plant in or serving the field, and products may
9 be recovered therefrom either directly by Lessee or under prudently negotiated arm's length contracts
10 executed by Lessee. If Lessee enters into a prudently negotiated arm's length contract for the processing
11 of gas with a Non-Affiliated Party or parties under which such party or parties retain in-kind a portion of
12 the products recovered from or attributed to such gas, in lieu of processing fees, the in-kind portion of the
13 products kept as the processing fee must be reasonable and prudently negotiated. Lessee may deduct from
14 the value of liquids, the value of the retained in-kind portion or costs specifically identified as processing
15 fees, but not both. Lessee shall be held accountable for royalty due on excessive in-kind retention. Lessee
16 shall pay royalty on residue gas sold, as detailed for gas sold in Article 9(B) above, based on the value, as
17 hereinafter determined, of Lessee's share of such products under such negotiated contract. Residue gas is
18 defined as: all plant source gas delivered by a producer for processing, less shrinkage due to liquid
19 extraction; fuel required for plant equipment necessary for liquid extraction; flare gas; and unavoidable
20 losses within the plant. In all other cases, Lessee shall pay the royalty provided for gas in Article 9(B)
21 above based on the value, as hereinafter determined, of the total products recovered, after deducting
22 therefrom the costs of processing as specified below.
23

24 Sales of products to a Non-Affiliated Party are subject to audit utilizing the criteria in the following
25 paragraphs, and subject to the right of Lessor to verify sales and subsequent royalty payment based upon
26 Fair Market Price.
27

28 If the products are sold by Lessee to an Affiliated Party under a prudently negotiated arm's length contract
29 or under a contract that would not have been considered prudently negotiated arm's length if executed by
30 a Non-Affiliated Party, the value of the products shall be the fair market value as detailed above. The
31 value of such products (or Lessee's share thereof) sold in the absence of a prudently negotiated arm's
32 length contract shall be determined as follows: (1) the fair market value for products sold at the plant; (2)
33 if no products are being sold at said plant, the average of market values for like products of the same
34 grade and quality at the three nearest plants where such products are sold. In no event shall products be
35 valued at an amount less than "fair market value" as detailed above.
36

37 When the cost of processing is not met by retention by the processor of a share of the products or in any
38 other case in which Lessee may deduct from the value of such products the reasonable and prudent costs
39 of processing, the charges shall be determined as follows: (1) if the gas is processed by a Non-Affiliated
40 Party under a prudently negotiated arm's length contract, the reasonable costs that may be deducted shall
41 be those provided in such contract; or (2) if the gas is processed by an Affiliated Party, or is processed at a
42 plant in which Lessee has an ownership interest, the combined value of the residue gas as set forth herein
43 and the liquid or gaseous products resulting from such processing used to determine royalty shall not be
44 less than as though royalty were calculated on the value (as determined under the provisions of (B) above
45 of volume on said gas before processed, produced, saved and utilized from the Leased Premises).
46

47 The following costs are never to be deducted: (1) any and all marketing fees incurred for the sale of the
48 plant products; and (2) any and all costs for which Lessee is reimbursed by another party.
49

50 When processing involves an Affiliated Party or parties, or Lessee has an ownership interest in the plant,
51 charges are determined by the contract between Lessee as producer and processor. In the absence of such
52 a contract, deductible charges are limited to the proportionate part of (1) the annual direct costs of
53 operating and maintaining the plant, including costs of labor and on-site supervision, shrinkage, materials,
54 supplies and ordinary repairs, (2) plant depreciation, less salvage value, computed over the life of the
55 field(s) served by the plant, or other such method as agreed upon by Lessor and Lessee, and (3) ad
56 valorem taxes.
57

58 In accordance with the provisions of (C) above, Lessor shall be entitled to the royalty for gas provided in
59 (B) above based on the value of Lessee's share of the residue gas sold or otherwise disposed of after
60 extraction of natural gas liquids.
61

62
63 Royalty on residue gas and liquids, in aggregate, shall not be less than royalty calculated using
64 unprocessed gas volume (keep whole) available for sale at the wellhead. Consideration will be given for
65 circumstances in which Lessee is compelled to process either by a Non-Affiliated Party or contractual
66 obligation.
67
68
69
70

1 (D) _____ (_____%) percent of any and all other liquid
2 or gaseous hydrocarbon minerals in solution produced with oil or gas and saved or utilized that are not
3 specifically mentioned herein, said royalties to be delivered or paid when marketed or utilized in
4 accordance with the accepted practice in such matters.
5

6 Lessor's royalty shall be calculated and paid after deduction of all severance taxes.
7

8 The first payment of royalty shall be made within one hundred twenty (120) days following commencement of
9 production from or allocation of production to the Leased Premises, except that in the case of any production from
10 or allocable to the Leased Premises that has occurred prior to the Effective Date, but which is deemed to be
11 covered by this Lease, Lessee hereby agrees to pay royalty on all such prior production within one hundred twenty
12 (120) days from the Effective Date. Thereafter, royalty on oil, including condensate or other liquid mineral,
13 produced and saved at the well by ordinary production methods shall be paid by the 25th day of each month on
14 production from the previous month. Thereafter, royalty on gas, including liquids or other products extracted or
15 processed from gas other than by ordinary production methods, or other liquid or gaseous mineral not specifically
16 mentioned, shall be paid on or before the 25th day of the second month following that in which such product was
17 produced or extracted or processed. In the event any royalty payment is not correctly or timely made, the remedies
18 provided by La. R.S. 30:136 and 31:137-142 relative to penalties, notice, damages, interest, attorney fees and
19 dissolution shall be applicable, except that interest shall be payable thereon until paid without any requirement for
20 prior written notice by Lessor to Lessee.
21

22 Unless otherwise authorized by Lessor, Lessee shall be responsible for designating one payor of all royalties due
23 under this Lease per LeaseUnitWell ("LUW") Code. Designation of a payor for each LUW Code shall be made to
24 the Property Section of the Mineral Income Division of the Office of Mineral Resources. If reporting and
25 payments are not received timely and properly, such Lessee shall be subject to penalties, after notice, in
26 accordance with La. R.S. 30:136(B).
27

28 Lessee shall report all production of hydrocarbons and associated liquid or gaseous minerals from or attributable to
29 this Lease to the Production Audit Division of the Office of Conservation and to the Mineral Income Division of
30 the Office of Mineral Resources by appropriate SR forms containing both the LUW Code and the Well Serial
31 Number. Failure to report production as herein specified shall be deemed improper reporting, which shall subject
32 Lessee to the penalty specified therefor.
33

34 ARTICLE 10 - AUDIT RIGHTS

35
36 (A) Lessee's ~~shall keep a complete and accurate account of all its~~ books and records pertaining to its
37 calculation of royalty ~~should use~~ utilizing accounting systems and methods in compliance with Generally
38 Accepted Accounting Principles consistently applied to ensure the most accurate figures reasonably
39 available. Lessee's ~~shall retain in its possession detailed~~ papers, books, records, accounts and other
40 documents relative to its calculation and payment of royalties and other sums due by Lessee hereunder ~~are~~
41 ~~to be made available~~ for examination by OMR personnel at all reasonable times. Such documentation
42 shall be maintained in an organized manner ~~and~~ or otherwise in the manner that such documentation is
43 regularly maintained by Lessee in the ordinary course of its business. Upon reasonable notice, Lessor,
44 through OMR, shall have the right to review and audit such documents and systems for purposes of
45 verifying their accuracy and reporting requirements. To the extent allowed by law, all documents,
46 working papers and information provided for review, audit and/or access shall be maintained by OMR
47 personnel in strict confidence.
48

49 (B) In addition to all other audit rights set forth in this Lease or required by law, OMR personnel shall have
50 access to all books, records, papers, reports, accounts and documents of Lessee to facilitate any such
51 examination or investigation. ~~If records are maintained in machine-sensible and hard-copy formats,~~
52 ~~Lessee shall make such records available to OMR in said format.~~
53

54 ARTICLE 11 - LEASE ACCESS

55
56 (A) This Lease is subject to the requirements of La. R.S. 30:127(G) such that the public's access to public
57 waterways throughout the State lands covered by this Lease shall be maintained and preserved for the
58 public by Lessee.
59

60 (B) Lessor retains the right, throughout the life of this Lease, to use all existing roads and waterways and
61 those constructed or reconstructed by Lessee for any and all purposes deemed necessary or desirable in
62 connection with the control, management, administration and harvest of Lessor-owned land or resources
63 thereof, including timber management.
64

65 (C) Lessor retains the right, throughout the life of this Lease, to use any and all portions of the Leased
66 Premises for any and all purposes so long as doing so does not unreasonably interfere with the rights and
67 performance of Lessee under this Lease.
68

69 (D) Lessor shall have the right to sell, exchange, transfer or otherwise dispose of all or any portion of the
70 Leased Premises. Further, Lessor shall have the right to issue rights-of-way and easements upon the

1 Leased Premises so long as such rights-of-way or easements do not unreasonably interfere with Lessee's
2 operations conducted pursuant to the rights granted by this Lease.

- 3
4 (E) Lessor reserves the right to access the Leased Premises at all reasonable times in order to inspect the
5 Leased Premises and to investigate and secure compliance by Lessee with all Lease requirements.
6
7 (F) The rights reserved hereunder may be exercised by Lessor or any other person or entity acting under the
8 authority of Lessor in any manner that does not unreasonably interfere with or endanger Lessee's
9 operations under this Lease.
10
11 (G) All rights pertaining to the Leased Premises not expressly granted to Lessee by this Lease, or necessarily
12 implied herein, are hereby reserved to Lessor.
13

14 **ARTICLE 12 - LESSOR'S RIGHTS**

15
16 Lessee agrees that any failure by Lessor to enforce any provision, obligation, condition, right or privilege of this
17 Lease shall not constitute a waiver or relinquishment by Lessor of its rights, privileges and/or remedies afforded
18 herein or by law. Furthermore, Lessee agrees that it shall not hold or use Lessor's failure to enforce any provision,
19 obligation, condition, right or privilege as a defense in any future dispute or litigation. As such, all provisions,
20 obligations, conditions, rights and privileges granted hereby or by operation of law shall remain valid, in force and
21 enforceable despite Lessor's failure to previously enforce them.
22

23 **ARTICLE 13 - ENVIRONMENTAL LAWS AND REGULATIONS**

- 24
25 (A) Lessee hereby agrees that in exercising the rights granted hereunder, it will comply with and be subject to
26 all applicable state and federal environmental laws and regulations. Lessee also agrees that it will comply
27 with all minimum water quality standards adopted by any governmental authority with respect to
28 pollution, noxious chemicals and waste being introduced into affected water areas. Further, in conducting
29 operations under this Lease requiring dredging, filling or navigation in order to conduct oil and gas
30 exploration and production operations, Lessee shall comply with all applicable state and federal
31 requirements for the permitting of such activities in the operational area.
32
33 (B) For purposes of this Lease, any material now or hereinafter designated as or containing components now
34 or hereinafter designated as hazardous, toxic, dangerous or harmful, and/or that are subject to regulation
35 as hazardous, toxic, dangerous or harmful material by any federal or state law, regulation, statute or
36 ordinance, shall be transported, stored and handled in accordance and in compliance with the provisions
37 of such laws including, but not limited to 42 U.S.C. 6901 *et seq.* (RCRA) and 42 U.S.C. 9601 *et seq.*
38 (CERCLA), as presently existing or as subsequently enacted or amended.
39

40 **ARTICLE 14 - RESPONSIBILITY FOR ENVIRONMENTAL DAMAGE**

- 41
42 (A) Lessee shall be responsible for environmental damage as defined in La. R.S. 30:29 that occurs as a result
43 or consequence of Lessee's occupation, oil and gas exploration, production operations and/or use of the
44 Leased Premises, irrespective of whether such damage is due to negligence, the inherent nature of
45 Lessee's activities or operations or other reason(s). Lessee must conduct operations as a reasonably
46 prudent operator using standard industry practices and procedures and proper safeguards to prevent
47 environmental damage. Lessee shall be responsible for all environmental damage to aquatic or marine life,
48 wildlife, birds and any public property that may result from Lessee's operations hereunder. Lessee shall
49 report all unpermitted and reportable discharges as required by applicable state and federal environmental
50 and conservation statutes and regulations ("Environmental and Conservation Laws and Regulations") to
51 the Louisiana Department of Environmental Quality, the Louisiana Office of Conservation and any other
52 appropriate entity.
53

54 All reasonably necessary preparations and precautions shall be taken by Lessee to prevent fire and
55 explosion and, subject to Environmental and Conservation Laws and Regulations, to prevent
56 contamination of any portion of the total environment of the Leased Premises, provided that nothing
57 herein shall be construed as lessening or reducing Lessee's obligations under all Environmental and
58 Conservation Laws and Regulations.
59

- 60 (B) Lessee shall indemnify, defend and hold harmless Lessor, its officers, employees, agents and
61 representatives, with respect to any and all damages, costs, liability, fees, attorney fees, penalties (civil or
62 criminal), fines (civil or criminal) and cleanup costs arising out of or in any way related to the use,
63 disposal, transportation, generation, sale and location upon or affecting the Leased Premises of hazardous
64 substances as defined in Article 13 above by Lessee or any of Lessee's officers, employees, agents,
65 representatives, contractors, subcontractors, licensees and invitees (or by any assigns or sublessees of
66 Lessee whose Assignment is not approved by Lessor in accordance with Article 4 above). Lessee shall
67 further indemnify, defend and hold Lessor harmless from any and all damage, cost, liability, fees, attorney
68 fees, penalties (civil or criminal), fines (civil or criminal) and cleanup costs arising out of or related to any
69 breach by Lessee of the provisions of this Lease concerning hazardous substances and/or negligent
70 operations. This indemnity is in addition to and in no way limits the general indemnity contained under

1 Article 21 below.
2

3 (C) In conducting any activity under this Lease that requires dredging, filling or navigating in order to conduct
4 oil and gas exploration and production operations, Lessee shall comply with all applicable state and
5 federal requirements for the permitting of such activities in the operational area.
6

7 (D) Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises, all improvements
8 thereon owned, placed and/or caused to be placed by Lessee and all facilities appurtenant to such
9 improvements in good order and repair and in the appropriate condition for the safe conduct of any
10 activities or enterprises conducted on the Leased Premises pursuant to the rights granted hereunder, and
11 any applicable state or federal laws.
12

13 ARTICLE 15 - FINANCIAL SECURITY 14

15 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on the Leased
16 Premises shall provide financial security for the plugging and abandoning, and associated site restoration
17 of each well drilled. Lessee's obligation to provide financial security also is required upon a change of
18 operatorship of a well on the Leased Premises.
19

20 (B) The nature and extent of the financial security required hereby shall be as set forth in LAC 43:XIX §104.
21 ~~In no event, however, shall the financial security requirements of this Lease be less than those set forth in~~
22 ~~said regulation as such was in effect on September 1, 2015..~~
23

24 (C) Lessee's obligation under this Lease to provide financial security for the plugging and abandoning, and
25 associated site restoration, of each well, drilled shall be satisfied by fully and continually complying with
26 the applicable statutes, rules and regulations of the Office of Conservation as set forth in (B) above.
27

28 (D) Lessee shall furnish to Lessor, upon request, evidence of the financial security so provided to the
29 Commissioner of Conservation.
30

31 ARTICLE 16 - GENERAL LIABILITY INSURANCE 32

33 (A) Lessee, at its sole expense, shall purchase and maintain in full force and effect, throughout the
34 Operational Term (as defined below) and continuing until all Lease obligations are fulfilled, a policy(s) of
35 commercial general liability insurance having a minimum limit per occurrence of One Million
36 (\$1,000,000.00) Dollars and excess liability insurance having a minimum limit per occurrence of Two
37 Million (\$2,000,000.00) Dollars (or other such limits as deemed reasonably appropriate and necessary by
38 Lessor after notice and Board review). This policy shall identify Lessor as an additional insured, be
39 applicable to the Leased Premises and provide coverage, except as may be limited by law, to Lessor and
40 Lessee against claims for bodily injury, death and property damage, and for pollution incidents of a
41 sudden and accidental nature causing such harm that may arise from or in connection with the
42 development and production activities and operations conducted pursuant to this Lease by Lessee, its
43 operators, contractors, employees, agents, representatives and their successors and assigns.
44

45 For purposes of this Article, the "**Operational Term**" shall commence thirty (30) days prior to any surface
46 activity on the Leased Premises in furtherance of the development and production of oil and gas
47 including, but not limited to surveying, mobilization, location preparation and other such activities
48 preliminary to development of this Lease.
49

50 (B) The insurance coverage required hereby shall be provided at Lessee's sole expense and the insurer shall
51 have no recourse against Lessor for payment of premiums or any assessments required by the policy(s).
52 Deductibles and/or self-insured retentions must be reasonable, within industry standards and, upon
53 request, disclosed by Lessee to Lessor, with Lessee solely responsible for paying all such deductibles
54 and/or self-insured retentions.
55

56 (C) The insurance coverage required hereby of Lessee shall be provided by a company authorized to do
57 business in the State of Louisiana having an A.M. Best's rating of A:-VI or higher. At any time, if an
58 insurer issuing such policy(s) does not meet the minimum A.M. Best rating, Lessee shall obtain a
59 substitute policy(s) with an insurer possessing such rating and submit a substitute Certificate of Insurance
60 in compliance herewith.
61

62 (D) Lessee shall furnish to Lessor, initially as required by (A) above, and on an annual basis thereafter within
63 thirty (30) days of the policy's annual renewal date, a Certificate(s) of Insurance fully completed and
64 signed by the insurer's authorized representative evidencing satisfaction of the insurance coverage
65 requirements of this Article. Additionally, upon request, Lessee shall provide to Lessor the Declaration
66 Page and the Cancellation Endorsement for the policy(s), along with any additional endorsements that
67 may be requested by Lessor. These documents shall be provided to Lessor prior to commencement of the
68 Operational Term, with the Certificate Holder listed as:
69

1 State of Louisiana
2 Office of Mineral Resources
3 LaSalle Building – 8th Floor
4 617 North Third Street
5 Baton Rouge, Louisiana 70802
6 Ref: State Lease No. _____
7

8 If Lessee's obligation to maintain insurance coverage is provisionally suspended in accordance with (H)
9 below, Lessee still must furnish proof or cause its operator to furnish proof to Lessor of such coverage as
10 required hereby.

11
12 (E) As soon as practicable, but in no event later than fifteen (15) days prior to occurrence, Lessee shall advise
13 Lessor of the suspension or cancellation of any policy of insurance. In such event, Lessee shall secure
14 replacement insurance in compliance with the requirements herein to ensure that continuous coverage is
15 maintained on the Leased Premises.

16
17 (F) Failure of Lessee to maintain and furnish proof of insurance as required hereby may, at the sole option of
18 Lessor, after notice, reasonable opportunity to cure and opportunity to be heard, cause this Lease to be
19 terminated. Additionally, Lessee's failure, after notice, to obtain insurance or provide proof of insurance
20 within thirty (30) days of receipt of such notice shall subject Lessee to liquidated damages in the amount
21 of One Hundred (\$100.00) Dollars per day until the earlier of when proof of such insurance is provided to
22 OMR or the termination or surrender of this Lease. The liquidated damage assessment may be waived, in
23 whole or in part, for cause by Lessor. Such failure, however, shall not relieve Lessee of liability nor its
24 duty to perform the obligations required by this Lease.

25
26 (G) In the event of:

27
28 (1) An Assignment or other transfer of the entirety of Lessee's interest in this Lease, upon producing
29 acceptable proof that Lessee's assignee(s)/transferee(s) has secured insurance coverage as
30 required hereby, Lessee shall be relieved of its obligation to maintain such coverage.

31
32 (2) An Assignment or other transfer causing this Lease to be held in indivision, Lessee and/or its
33 assignee(s)/transferee(s) shall maintain or cause to be maintained such insurance.

34
35 (3) An Assignment or other transfer causing this Lease to be held in divisible portions, Lessee and its
36 assignee(s)/transferee(s) shall maintain such coverage on their respective portions.

37
38 Nothing herein shall require a duplication of coverage, with Lessee and/or its assignee(s)/transferee(s)
39 responsible for ensuring that such coverage is provided.

40
41 (H) Lessee and/or its assignee(s)/transferee(s) may request Lessor's authority to provisionally suspend its
42 obligation to maintain insurance by demonstrating to the satisfaction of Lessor that an operator(s), actively
43 engaged in development and production activities and operations on the Leased Premises on behalf of
44 Lessee, has obtained and will continually maintain insurance coverage compliant with the requirements
45 set forth herein. In the event coverage by the operator(s) lapses or terminates for any reason, such
46 suspension shall automatically terminate and Lessee shall again obtain and maintain insurance coverage
47 as required hereby.

48
49 (I) At the discretion of Lessor, Lessee may be authorized to satisfy the requirements of this Article by means
50 of self-insurance. Such authorization will not be unreasonably withheld if Lessee is able to demonstrate
51 sustained financial stability and satisfy all other requirements of Lessor.

52
53 **ARTICLE 17 - TITLE DISPUTES**

54
55 (A) In the event of a *bona fide* dispute or litigation involving Lessor's ownership or title to any portion of the
56 Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and upon Lessor's request provide
57 any information and/or documentation in Lessee's possession or to which Lessee has access regarding
58 such dispute, including the identity of the adverse claimant(s) and the nature of the dispute. Nothing
59 herein shall be construed as requiring Lessee to secure any such data solely for the purpose of this Article.

60
61 (B) During the pendency of and through resolution of the dispute or litigation, Lessee shall comply with all
62 terms, provisions and requirements of this Lease, including the payment of royalty, and shall be deemed
63 in default of payment of royalty if Lessee suspends or stops making royalty payments in compliance with
64 this Lease. However, in lieu of making said payments directly to Lessor, pending settlement or final and
65 definitive adjudication of the title dispute or litigation, Lessee may:

66
67 (1) Request and obtain authorization from Lessor to suspend the direct payment of royalty due on the
68 production attributable to the disputed acreage, deposit the royalty payments into an interest
69 bearing escrow account at a FDIC insured financial institution having a presence within the State
70 and otherwise fully comply with the title dispute protocol approved by Lessor; or

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- (2) Initiate a concursus proceeding and deposit the royalty payments attributable to the disputed acreage into the court registry; or
- (3) Take other action as authorized by Lessor.
- (C) Lessor shall accept the funds so deposited as royalty payments attributable to the disputed acreage such that Lessee shall not be held in default in payment of royalty if properly computed and timely made in accordance with the terms and provisions of this Lease, pursuant to an order of the court or in accordance with Lessor's authorization.
- (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any rights Lessor may have to review, examine, audit, dispute, challenge or contest any payments made or not made by or on behalf of Lessee on the production attributable to the disputed acreage. In the event an audit or other examination should reveal that the sums deposited into an escrow account or into the registry of the court are incorrect, Lessee shall remain fully responsible for all royalty amounts determined to be due and owing, and may be subject to payment of interest and penalties as required by law or the terms of this Lease.
- (E) Upon termination of any escrow authority, concursus proceeding or other action authorized by Lessor, royalty payments due on the production attributable to the disputed acreage shall be made in accordance with the terms of any settlement, compromise or final, definitive adjudication and pursuant to the terms and provisions of this Lease.

ARTICLE 18 - TERMINATION AND RELEASE

- (A) Lessee may surrender all or any portion(s) of the Leased Premises at any time this Lease is in effect and thereby be relieved of lease development and maintenance obligations thereafter accruing as to the acreage surrendered, except that no partial surrender shall reduce or otherwise affect the amount of rental to be paid to maintain this Lease during the Primary Term, nor shall any surrender of this Lease, in whole or in part, relieve Lessee, its successors, transferees or assigns, of its duty to satisfy unfulfilled lease obligations including, but not limited to plugging and abandoning wells acquired or drilled by Lessee, Restoring well/production sites, or complying with Office of Conservation regulations or Commissioner of Conservation orders pertaining to the status of the well sites/facilities acquired or installed by such Lessee.
- (B) Within ninety (90) days of any such surrender or upon expiration or termination of this Lease or any portion thereof, either voluntarily or by its own terms, whether during or after the Primary Term, Lessee shall execute and record a formal release evidencing such surrender, expiration or termination with the Clerk of Court of the parish(es) wherein the Leased Premises is located. Within this same period, Lessee shall provide a certified copy of this release to Lessor.
- (C) In the event this Lease is otherwise determined to be null *ab initio* or is cancelled under Article 7(E) above, Lessee may nonetheless retain (and this Lease shall remain in effect as a single lease as to) forty (40) acres around each well capable of oil Production in Paying Quantities, and one hundred sixty (160) acres around each well capable of gas Production in Paying Quantities (including wells drilled under this Lease by directional drilling). If any well is then being drilled or worked on, Lessee shall have the right to complete such operations and, in the event such activity results in completion of a well capable of oil or gas Production in Paying Quantities, Lessee may also retain (and this Lease shall also remain in effect as a single lease as to) acreage around each such well as above provided.

Retained acreage around any well shall form as near a square tract as is practical. If any acreage covered by this Lease shall have been included in a Unit, whether established by order of the Commissioner of Conservation or by conventional agreement, or if any such acreage shall have been assigned to a producing or shut-in well under statewide allowable orders of the Commissioner of Conservation and such acreage is actually being drained by the well or would be drained by it if the well were produced, Lessee may retain all of the acreage included in such Unit(s) or so assigned for allowable purposes. Thereafter, each area so retained by Lessee shall be subject to the terms of this Lease and shall not create or constitute a separate lease.

Notwithstanding the foregoing, under no circumstance may Lessee retain acreage within the Leased Premises if Lessor has obtained a final, non-appealable judgment terminating this Lease for reasons other than non-development.
- (D) In complying with the requirements of this Article, Lessee additionally shall compile a listing of all unplugged wells and facilities owned, or placed and/or caused to be placed by Lessee on the acreage released and no longer in use that require abandonment. This list shall be submitted to OMR along with a copy of the recorded release required hereby. With these documents, in furtherance of Lessee's obligation to Restore the Leased Premises as herein contemplated, Lessee also shall provide to Lessor a proposal, in writing, clearly setting forth Lessee's preliminary plan for plugging and abandoning all such wells and

1 removing all such facilities in accordance with Article 19 below.

- 2
3 (E) In the event, after notice **as required in this Lease** and a reasonable opportunity to cure, Lessee fails to
4 timely and/or fully comply with the requirements set forth in this Article, Lessee shall be liable for the
5 reasonable attorney fees and costs incurred by Lessor in obtaining such release, and for liquidated
6 damages in the amount of One Hundred (\$100.00) Dollars per day for each day of non-compliance after
7 expiration of said ninety (90) day period.

8
9 **ARTICLE 19 - ABANDONMENT AND RESTORATION**

- 10
11 (A) Lessee, no later than the applicable Restoration Period (as defined in Article 19(F) below) for the Leased
12 Premises (or portion thereof) as to which this Lease has expired, terminated or been surrendered
13 (“**Expired Leased Premises**”), regardless of whether a formal release has been duly recorded as required
14 by Article 18 above, shall be obligated to (1) plug and abandon all wells Lessee drilled or acquired on the
15 Expired Leased Premises that are no longer producing or utilized for operations, (2) remove from the
16 Expired Leased Premises all structures and facilities owned, placed or caused to be placed by Lessee no
17 longer utilized for operations or production (it being understood that Lessee may continue to use, as long
18 as it is being utilized for operations or production under this Lease or is authorized under a separate
19 agreement, permit or other legal right, any structure or facility owned, placed or caused to be placed by
20 Lessee on the Expired Leased Premises before such expiration, termination or surrender), and (3) **R**estore
21 the Expired Leased Premises, **as near as practicable, to the condition existing on the Effective Date of this**
22 **Lease**, at Lessee’s sole risk, cost and expense, and subject to compliance with all applicable laws, rules
23 and regulations.

24
25 Lessor recognizes Lessee’s right and obligation to draw and remove casing from wells and further, to
26 remove any structures and facilities no longer utilized in operations or production on the Expired Leased
27 Premises during the Restoration Period. However, unless otherwise approved by Lessor, Lessee or its
28 agent shall not be permitted to salvage and/or remove from the Expired Leased Premises equipment,
29 machinery, structures or facilities no longer utilized by any wells until the said wells on the Expired
30 Leased Premises are first plugged and abandoned in accordance with all applicable laws, rules and
31 regulations.

- 32
33 (B) Failure of Lessee to satisfy the duties, responsibilities and obligations set forth in Article 19(A) above
34 during the Restoration Period shall render Lessee liable for any and all costs and expenses incurred by
35 Lessor for **environmental cleanup and/or remediation**, plugging and abandoning such wells, removing and
36 disposing of said casing, structures and facilities and **R**estoration of the Expired Leased Premises.
37 However, under no circumstance shall title to or ownership of said casing, structures or facilities be
38 forfeited to, vest in or transfer to Lessor, nor shall said casing, structures or facilities be deemed
39 “improvements” to the Expired Leased Premises for ownership purposes.

- 40
41 (C) Lessee agrees that upon completion of oil and gas exploration and production activities under this Lease,
42 Lessee shall remove all associated facilities, materials and equipment (including without limitation all
43 submerged materials, equipment or debris) that were placed on the Expired Leased Premises by or for the
44 account of Lessee and may impede commercial fishing and trawling. Additionally, Lessee shall **R**estore
45 all affected water bottoms, **in accordance with this Article**, under the Expired Leased Premises.

- 46
47 (D) In addition, **to in Restoration restoring** of the Leased Premises as contemplated and required by this Lease,
48 Lessee shall **also** be responsible, without limitation, for all damage to the Leased Premises caused by its
49 operations including, but not limited to loss or damage to timber, crops, roads, buildings, fences, bridges,
50 soil, surface and subsurface water, aquifers and vegetation, and also all environmental damage as that
51 term is defined in La. R.S. 30:29.

- 52
53 (E) After the Restoration Period, Lessee may not trespass upon the released portion of the Expired Leased
54 Premises to remove any machinery, equipment, structures or facilities, draw casing from any well or
55 initiate plugging and abandonment or cleanup obligations without the express approval of Lessor.

- 56
57 (F) The “**Restoration Period**” for any Expired Leased Premises shall be one (1) year from the date when this
58 Lease has expired, terminated or been surrendered as to such Expired Lease Premises; provided that the
59 Restoration Period may be extended to provide additional time for Lessee to fulfill obligations under this
60 Article. To obtain such an extension, Lessee shall appear before Lessor to make such request and present
61 an abandonment plan for the Expired Leased Premises and a time schedule to fulfill its obligation to
62 properly plug and abandon such wells located on, remove from the premises such structures and facilities
63 serving and **R**estore the Expired Leased Premises in accordance with this Article. Lessor may grant
64 Lessee temporary access to the Expired Leased Premises to carry out its plan, or Lessor may exercise its
65 option to pursue any and all other means available to satisfy these obligations.

- 66
67 (G) Failure of Lessee, after notice and a reasonable opportunity to cure, to satisfy the duties, responsibilities or
68 obligations set forth in this Article shall subject Lessee to liquidated damages in the amount of One
69 Hundred (\$100.00) Dollars per day, commencing the day immediately after the applicable Restoration
70 Period. Such liquidated damages shall accrue until all such duties, responsibilities and obligations are

1 fully satisfied unless Lessee, prior to expiration of the Restoration Period, requests and for good cause
2 shown receives approval from Lessor of an extension of time to satisfy such requirements.
3

4 **ARTICLE 20 – NOTICES**
5

6 Any notice required or permitted to be given under this Lease must be in writing and addressed to the following
7 (or such other address(es) provided in accordance with this Article):
8

9 For Lessee: Name: _____
10 Title: _____
11 Address: _____
12 _____
13 Tel. #: _____
14

15 For Lessor: Office of Mineral Resources
16 Post Office Box 2827
17 Baton Rouge, Louisiana 70821-2827
18 Telephone (225) 342-4615
19

20 Notice provided by certified mail, return receipt requested, will be deemed to have been received by the addressee
21 party on the earlier of the actual date of receipt by the addressee party (as reflected by postal records) or the
22 seventh (7th) calendar day after mailing of such notice; notice provided otherwise shall be deemed given upon
23 receipt by the addressee party. Failure to update and/or maintain accurate contact information shall not invalidate
24 any notice given by any party hereto in accordance with the information of record with OMR. Each party shall
25 have the right to change its address at any time and from time to time by giving written notice thereof to the other
26 party. Upon an Assignment, Lessee may also specify additional and/or alternative parties and applicable
27 information for purposes of notice hereunder.
28

29 **ARTICLE 21 - INDEMNITY AND HOLD HARMLESS**
30

31 Lessee unconditionally agrees to respond to, investigate, provide defense for, protect against, save, indemnify and
32 hold free and harmless the State, the Department of Natural Resources, the Board and the OMR of, from and
33 against any and all demands, claims, causes of action, damages, judgments, costs, fees, expenses and attorney fees
34 arising from any harm, loss, injury or death to any person, or any harm, loss, damage or destruction of any
35 property resulting from any act, omission, fault or negligence of Lessee or any of Lessee's officers, employees,
36 agents, representatives, contractors, subcontractors, licensees and invitees (or by any assigns or sublessees of
37 Lessee whose Assignment is not approved by Lessor in accordance with Article 4 above) in conducting activities
38 or operations in, upon or under the Leased Premises pursuant to the rights granted by this Lease. The protections
39 afforded by this provision equally apply to the officers, employees, agents and representatives of the referenced
40 governmental entities.
41

42 This general indemnity provision is in addition to and shall not be limited in any way by any specific indemnity
43 provision contained elsewhere within this Lease.
44

45 **ARTICLE 22 - NO WARRANTY OF TITLE**
46

47 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and accepted without any
48 warranty of title and without any recourse against Lessor whatsoever, either expressed or implied. It is
49 expressly agreed that Lessor shall not be required to return any payments received hereunder or be
50 otherwise responsible to Lessee therefor. Lessee represents that it has investigated title to the Leased
51 Premises and is satisfied with such title as Lessor may have. Lessor hereby disclaims any covenant of
52 quiet enjoyment or peaceful possession of the Leased Premises.
53

54 (B) Lessor makes no warranties as to the condition of the Leased Premises and Lessee accepts the Leased
55 Premises "AS IS". Lessor has no obligation to make any repairs, additions or improvements to the Leased
56 Premises, and Lessor does not warrant the suitability of the Leased Premises for any purposes intended by
57 Lessee or contemplated by this Lease.
58

59 **ARTICLE 23 - EXECUTORY CONTRACT**
60

61 Lessor and Lessee herein agree that for so long as this Lease remains in full force and effect, it is deemed to be an
62 executory contract and an unexpired lease within the meaning of Section 365 of the United States Bankruptcy
63 Code (or successor statute).
64
65
66
67
68
69
70

1 **ARTICLE 24 - LAW AND FORUM**

2
3 Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the laws of the
4 State of Louisiana and that the courts of this State shall be the proper forum for any litigation related to this Lease,
5 unless such litigation is required to be filed in or is removed to a federal court of this State.
6

7 Lessee further agrees that the rule of construction requiring that the terms and provisions of an instrument be
8 construed against the drafting party is not and shall not be applicable to this Lease.
9

10 **ARTICLE 25 - CONFLICT**

11
12 Notwithstanding any language herein to the contrary, this Lease and Lessee are subject to all laws, statutes, rules
13 and regulations, state and federal, applicable to the subject matter of this Lease during the term this Lease is in
14 force and effect, whether in whole or in part. In the event this Lease imposes on a party any duties, requirements,
15 responsibilities or obligations greater than those under any applicable law, statute, rule or regulation, the
16 provisions set forth herein shall control. Furthermore, Lessee shall not use this Lease or any language contained
17 herein to circumvent any obligation which may be imposed on Lessee by any applicable law, statute, rule or
18 regulation in effect during the term this Lease is in force and effect.
19

20 **ARTICLE 26 - SEVERABILITY**

21
22 This Lease sets forth the full terms of the agreement between the parties. If any provision hereof is found to be
23 invalid for any reason, such provision shall be severed from the agreement and the remaining terms and provisions
24 shall be fully binding upon the parties.
25

26 **ARTICLE 27 - COUNTERPARTS**

27
28 This Lease may be signed in any number of counterparts, each of which shall be binding on the parties and
29 constitute the same single agreement. For convenience in recording, a signature page may be detached from any
30 counterpart and attached to another counterpart.
31

1 [Lessor may execute this Lease either in authentic form using the first signature block below or with a witness
2 acknowledgment using the second signature block below.]
3

4 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this ____ day of _____, 20XX at Baton Rouge,
5 Louisiana, but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign
6 their names below with Lessor and me, Notary Public, after due reading of the whole.

7
8 WITNESSES: **LESSOR: STATE MINERAL AND ENERGY BOARD**
9 for and on behalf of the STATE OF LOUISIANA

10
11 _____ By: _____
12 Print: _____ Print Name: _____
13 _____ Title: _____

14
15 Print: _____

16
17
18 _____
19 Print Name: _____
20 Notary Public
21 Bar/Notary # _____
22 Commission Expires: _____
23

24 *****

25
26 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this ____ day of _____, 20XX, but
27 effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign their names
28 below.

29
30 WITNESSES: **LESSOR: STATE MINERAL AND ENERGY BOARD**
31 for and on behalf of the STATE OF LOUISIANA

32
33 _____ By: _____
34 Print: _____ Print Name: _____
35 _____ Title: _____

36
37 Print: _____

38
39
40 **Witness Form of Acknowledgment**

41 State of Louisiana
42 Parish of East Baton Rouge

43
44 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
45 _____ who, upon being duly sworn by me, did state that said appearer was one of
46 the two witnesses to the execution of the foregoing instrument and saw _____
47 execute said instrument as _____ of the State Mineral and Energy Board for and on behalf of
48 the State of Louisiana as the free act and deed of said Board and the State of Louisiana in the presence of said
49 appearer and _____, the other subscribing witness.

50
51 Sworn to and signed before me on this
52 ____ day of _____, 20__.

53 _____
54 Print Name: _____

55
56 Print Name: _____
57 Notary Public
58 Bar/Notary # _____
59 Commission Expires: _____
60

1 [The original Lessee may execute this Lease either in authentic form using the first signature block below or with a
2 witness acknowledgment using the second signature block below.]
3

4 **THUS READ, ACCEPTED AND SIGNED** by Lessee on this ____ day of _____, 20XX at
5 _____, State of _____, but effective as of the Effective Date, in the presence of the undersigned
6 competent witnesses who sign their names below with Lessee and me, Notary Public, after due reading of the
7 whole.
8

9 WITNESSES: **LESSEE:** _____
10 _____
11 _____ By: _____
12 Print Name: _____ Print Name: _____
13 _____ Title: _____
14 _____
15 Print Name: _____
16

17
18 _____
19 Print Name: _____
20 Notary Public
21 Bar/Notary # _____
22 Commission Expires: _____
23

24 *****
25

26 **THUS READ, ACCEPTED AND SIGNED** by Lessee on this ____ day of _____, 20XX, but effective as
27 of the Effective Date, in the presence of the undersigned competent witnesses, who sign their names below.
28

29 WITNESSES: **LESSEE:** _____
30 _____
31 _____ By: _____
32 Print Name: _____ Print Name: _____
33 _____ Title: _____
34 _____
35 Print Name: _____
36

37
38 **Witness Form of Acknowledgment for Lessee that is not an Individual**

39 State of _____
40 Parish/County of _____
41

42 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
43 _____ who, upon being duly sworn by me, did state that said appearer was one of the
44 two witnesses to the execution of the foregoing instrument and saw _____ execute said
45 instrument as _____ of _____ as the free act and deed of
46 said entity in the presence of said appearer and _____, the other subscribing witness.
47

48 Sworn to and signed before me on this
49 ____ day of _____, 20____.
50 _____
51 Print Name: _____
52 _____
53 Print Name: _____
54 Notary Public
55 Bar/Notary # _____
56 Commission Expires: _____
57

Witness Form of Acknowledgment for Individual Lessee

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State of _____
Parish/County of _____

Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared _____ who, upon being duly sworn by me, did state that said appearer was one of the two witnesses to the execution of the foregoing instrument and saw _____ execute said instrument as his/her free act and deed in the presence of said appearer and _____, the other subscribing witness.

Sworn to and signed before me on this _____ day of _____, 20__.

Print Name: _____

Print Name: _____

Notary Public

Bar/Notary # _____

Commission Expires: _____