

Proposed Oil and Gas Lease Form Summary

General Information

The proposed lease form is better organized and easier to read than the present lease form. The proposed lease form has clearly labeled Articles and eliminates the use of long run-on sentences, which are common in the present lease form.

Recitals

This section contains no substantive changes. This section has been reworded to enhance its readability and clarity.

Definitions

This section is new and its purpose is to enhance the readability of the lease form by placing all definitions in a single location within the document.

Article 1 – Bonus

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 1 in the present lease form.

Article 2 – Primary Term

The substantive change in this article is a liquidated damages penalty if Lessee fails to commence secondary or tertiary recovery operations or commence the drilling of the ultra-deep well or reach the required depth during the extended Primary Term. This is paragraph 2 in the present lease form.

Article 3 – Lease Maintenance Payments

This article contains no substantive changes. The article has been reworded to consolidate all leasehold payment provisions into one article and to enhance its readability and clarity. This is paragraphs 3, 4, 6(d), and 23 in the present lease form.

Article 4 – Transfers and Assignments

This article was expanded to clarify the Lessor's rights in accordance with R.S. 30:128 and the Mineral Code (Title 31 of Louisiana Revised Statutes). This is paragraph 8 in the present lease form.

Article 5 – Force Majeure and Suspending Events

The substantive change in this article is the creation of Suspending Events and a differentiation of it from a Force Majeure. This is paragraph 13 in the present lease form.

Article 6 – Pooling and Unitization

The substantive change in this article is a liquidated damages penalty if Lessee fails to provide a survey unit plat upon request. Penalty assessment does not commence until after notice from Lessor. This is paragraphs 9 and 10 in the present lease form.

Article 7 – Offset Wells

The substantive change in this article is a clarification of the Lessee's obligation to protect the lease from drainage. This is paragraph 5 in the present lease form.

Article 8 – Lessee Reporting

The substantive change in this article is a liquidated damages penalty for Lessee's failure to provide the information upon request. The data required is consistent with rights under R.S. 30:209.1. This is paragraph 11 in the present lease form.

Article 9 – Royalty

The substantive changes in this article are replacement of the outdated concept of posted prices and a requirement for a single payor per LUW code. This article was further revised to clarify how certain costs may be deducted from royalty obligations. This article was derived from a provision in the current operating agreement form. This is paragraph 6 in the present lease form.

Article 10 – Audit Rights

This article has been expanded to clearly delineate the Lessee's recordkeeping requirements in accordance with R.S. 30:136(A)(1)(c). Lessee is also obligated to use Generally Accepted Accounting Principles. This article was derived from a provision in the current operating agreement form. This is paragraph 20 in the present lease form.

Article 11 – Lease Access

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 19 and the last sentence of paragraph 11 in the present lease form.

Article 12 – Lessor's Rights

This article is new and its purpose is to maintain lessor's rights if not enforced.

Article 13 – Environmental Laws and Regulations

This article contains no substantive changes. References to applicable laws have been added for clarity. This is paragraph 24 in the present lease form.

Article 14 – Responsibility for Environmental Damage

This article is new and its purpose is to provide the Lessee with notice of its responsibilities in accordance with R.S. 30:29.

Article 15 – Financial Security

The substantive change in this article is the requirement for the Lessee to comply with the financial security regulations of the Office of Conservation that were in effect on September 1, 2015. The present lease form requires a Site-Specific Trust Account. However, this requirement has been suspended in accordance with Board Resolution dated March 12, 1997. This is paragraph 12 in the present lease form.

Article 16 – General Liability Insurance

This article is new. Lessee is required to provide commercial general liability insurance of no less than \$1,000,000 per occurrence and \$2,000,000 aggregate. The insurance is required to begin 30 days prior to surface activity on the leased premises. Lessee must provide certificate proof of insurance annually or a liquidated damages penalty shall be assessed until insurance is obtained or proof of insurance is provided. This article was derived from a provision in the current operating agreement form.

Article 17 – Title Disputes

The substantive change in this article is to place the requirements of the existing Board policy into the lease form. When there is a bona fide title dispute, Board may authorize the Lessee to deposit the entire amount of royalties payable into an interest bearing account instead of paying OMR. This is paragraph 18 in the present lease form.

Article 18 – Termination and Release

Substantive changes in this article are a requirement for Lessee to submit a list of unplugged wells and facilities owned on lease and a plan for plugging and abandoning all such wells and removing all such facilities. This is paragraph 7 in the present lease form.

Article 19 – Abandonment and Restoration

The substantive change in this article is a liquidated damages penalty if lessee fails to satisfy his or her responsibilities for restoration of the leased premises. The article also has been reworded to enhance its readability and clarity. This is paragraph 12 as well as the latter part of paragraph 24 in the present lease form.

Article 20 – Notices

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 25 in the present lease form.

Article 21 – Indemnity and Hold Harmless

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 15 in the present lease form.

Article 22 – No Warranty of Title

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 17 in the present lease form.

Article 23 – Executory Contract

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 22 in the present lease form.

Article 24 – Law and Forum

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 16 in the present lease form.

Article 25 – Conflict

This article is new and its purpose is to confirm the controlling document in case of a conflict with applicable law.

Article 26 – Severability

This article contains no substantive changes. The article has been reworded to enhance its readability and clarity. This is paragraph 26 in the present lease form.

Article 27 – Counterparts

This article is new and its purpose is to formalize the current practice for executing lease documents.

Signature Page

Changes allow for an authentic act or a witness acknowledgement.