

POYDRAS ENERGY

ADDENDUM

Attached is an addendum regarding Poydras Energy, specifically regarding my statement on the top of page 4 of my report regarding payments released to LORA. After the completion of this report, I obtained a copy of an email that John Adams sent to Van Mayhall authorizing the release of a payment of \$255,000. Note that his email states it is for "work to be done" and not work completed. The CEA agreement (the full document is in the "Poydras Energy Exhibit" in the ZIP file) states that the funds would be released "upon the completion of certain work on or related to the Wells" therefore it appears that this disbursement was released inappropriately.

I also found in the LORA annual report from 12/31/2021 where they acknowledge the Poydras funds were to be held separate from LORA's funds. (page 17 of the LORA Annual Reports Exhibit)

## AGREEMENT REGARDING SITE SPECIFIC TRUST ACCOUNT

This Agreement Regarding Site Specific Trust Account (the "Agreement") is effective as of the last date executed below (the "Effective Date"), by and between, the Louisiana Oilfield Restoration Association, Inc. d/b/a LORA Financial Security ("LORA"), Poydras Energy Partners, LLC (the "Operator"), and the Office of Conservation (the "OOC") of the Louisiana Department of Natural Resources (LORA, the Operator and OOC are sometimes collectively, referred to as the "Parties" or individually as a "Party").

WHEREAS, Operator is currently the registered operator with OOC for several oil and/or gas wells in the Main Pass Block 26 and 35 Oil and Gas Fields, which wells are identified on "Exhibit 1" hereto (the "Wells") for which a Site Specific Trust Account pursuant to La. R.S. 30:80, *et seq.* and bearing OOC account no. 04-11 has been established (the "SSTA") with a balance of \$2,403,832.00 (the "SSTA Funds");

WHEREAS, Operator has requested access to a portion of the funds for certain uses in connection with the Wells to be approved by OOC and as contemplated by the terms of the SSTA; OOC is agreeable to a release of the SSTA Funds to LORA upon receipt of satisfactory alternative financial security from LORA and on the terms set forth herein below; and LORA is agreeable to providing such alternative financial security for the SSTA and holding the SSTA Funds on the terms and conditions set forth herein below;

NOW THEREFORE, the Parties agree as follows:

1. Operator shall provide to LORA a fully completed and executed LORA Agreement on terms acceptable to LORA (in LORA's sole discretion) together with the first annual fee payment required under the terms set forth in the LORA Agreement (the "Fees"), which Fees shall be in the approximate initial amount of \$84,134.12 and payable annually thereafter as set forth in the LORA Agreement. LORA shall thereafter provide to OOC, financial security in a form acceptable to the OOC, as contemplated by that certain Cooperative Agreement between OOC and LORA dated November 4, 2019 and bearing OOC Cooperative Agreement No. 20-004 (the "Cooperative Agreement") as such Cooperative Agreement may be amended, modified or supplemented from time-to-time, in the amount of \$2,403,832.00 (the "SSTA FS").
2. Upon receipt of the SSTA FS described above from LORA, OOC shall cause the SSTA Funds to be transferred to LORA to be held and partially distributed by LORA to Operator subject to the limitations and conditions set forth herein:
  - A. The SSTA Funds shall be held by LORA in a reserve account.
  - B. Up to a total of one-half ( $\frac{1}{2}$ ) of the SSTA Funds (or \$1,201,916.00) shall be subject to periodic distribution to Operator upon express written authorization and direction by OOC provided directly to LORA. It anticipated that such funds may be made available for distribution to Operator in four (4) separate payments in varying amounts upon the completion of certain work on or related to the Wells all as agreed

between Operator and OOC and approved by OOC. LORA shall have no obligation or liability to inspect such work or make any determinations related to the work. LORA may rely solely on written authorization and direction provided by OOC that a distribution may be made to Operator and the amount of such distribution.

- C. Except for any limited funds authorized to be distributed to Operator as provided herein, all SSTA Funds shall be held by LORA and may be utilized by LORA to satisfy any obligations of the SSTA FS or the obligations of the SSTA. Such SSTA Funds shall be the primary source for satisfying the obligations of the SSTA. The financial security provided pursuant to the SSTA FS shall be secondary to and in excess of the SSTA Funds. In no event shall LORA be liable for more than the amount of \$2,403,832.00 under or in connection with this Agreement.
3. Pursuant to the terms of the LORA Agreement, the LORA Agreement shall remain in effect and the annual Fees required thereby shall be paid annually by Operator to LORA until SSTA Termination (as defined herein below).
  4. The Operator certifies and warrants that all information it has provided to LORA and OOC relating to the Wells is true, valid and correct.
  5. LORA shall have no obligation to pay interest on any payments, prepayments, deposits or other amounts held by or paid to LORA in connection with this Agreement. Without limitation, any interest earned on the SSTA Funds held by LORA shall be the property of LORA.
  6. Operator will indemnify and hold LORA and OOC (including without limitation, their officers, directors, employees, agents and affiliates, and affiliates' officers, directors, managers, members, and attorneys) harmless from and against any claim, damage, expense, liability or loss arising out of or related to this Agreement (including any claim, damage, expense, liability or loss arising in whole or in part from the negligence of the party seeking indemnification, but excluding any such claim, damage, expense, liability or loss resulting from the gross negligence or willful misconduct of the party seeking indemnification), and any cost, claim, damage, expense, liability or loss (including reasonable attorneys' fees and legal expenses) of all claims or legal proceedings arising out of or related to this Agreement. The foregoing obligations of Operator are continuing and shall survive the termination or expiration of this Agreement.
  7. Without limiting any rights of LORA hereunder or under the LORA Agreement, to secure Operator's full and timely performance of all obligations owed to LORA (including those owed hereunder or under the LORA Agreement), Operator hereby grants to LORA a continuing security interest in to all of the Operator's right, title and interest in and to the SSTA Funds held by LORA.
  8. The duties of LORA are limited to those affirmatively set forth herein. The standard of care of LORA in holding the SSTA Funds shall be limited to ordinary diligence, and LORA shall not in any event be required to construe or determine the rights of the other Parties.

## Mark Normand (DENR)

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**From:** John Adams (DNR)  
**Sent:** Thursday, February 4, 2021 11:02 AM  
**To:** vanmayhall@lora-inc.com  
**Cc:** Shannon Terry  
**Subject:** Poydras Energy

Mr. Mayhall, please let this email serve as confirmation that Conservation is satisfied with the completion of the phase one work required by Poydras Energy, prior to release of the phase two funds. Please proceed with phase two by releasing funds in the amount of \$255,000 from your account on Poydras for the work to be done by Poydras in phase two of the project.

John W. Adams, Attorney  
LDNR / Office of Conservation  
P.O. Box 94275  
Baton Rouge, LA 70804-9275  
Phone: (225) 342-7889

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225-330-7060

## Notes to Financial Statements

### Note 1 – Detail of Security Deposits

Louisiana Oilfield Restoration Association, Inc. (LORA) received its first client and fee for financial security on November 18, 2019. Since that date, LORA has received fees for over 240 contracts from over 140 unique clients.

Per LORA's cooperative agreement with the Office of Conservation, State of Louisiana, "a minimum of eighty percent (80%) of all fees shall be utilized as operating and reserve funds and a maximum of twenty percent (20%) shall be utilized for the administrative and day-to-day operating expenses of LORA."

As of December 31, 2021, LORA has received \$3,129,450.45 in fees over the previous 12 months. Based on the agreement, \$2,503,560.36 has been set into the "Financial Security Reserve" liability account for reserve of the 80% requirement. \$625,890.09 accrued or paid for administrative management services.

### Note 2 – Morgan Stanley Investments and Interest Income

In August 2020, LORA invested with Morgan Stanley into a low interest yield money market account.

In October 2020, LORA invested funds received from the Louisiana Department of Natural Resources for a client, Poydras Energy Partners. These reserve funds were deposited in a low interest yield money market account at Morgan Stanley separate of LORA funds.

Each account held at Morgan Stanley yields at one tenth of a percent (0.1%) annual interest rate payable at the end of each month to the money market accounts.