

FOR OFFICE USE ONLY
20-004
Cooperative Agreement No.

COOPERATIVE AGREEMENT

STATE OF LOUISIANA,
PARISH OF EAST BATON ROUGE

KNOW ALL MEN BY THESE PRESENTS that on the last date of signature below the OFFICE OF CONSERVATION, STATE OF LOUISIANA (hereinafter "OOC"), through RICHARD P. IEYOUB, Commissioner of Conservation, pursuant to the provisions of Title 43.Part XIX. Subpart 1. Section 104, did enter into the following agreement (the "Agreement") with the Louisiana Oilfield Restoration Association, Inc., ("LORA"), providing as follows:

WHEREAS, the Louisiana Legislature established the Oilfield Site Restoration (OSR) program in 1993 with approximately 1,900 orphaned wells in the program, and although more than 3,200 wells have been plugged to date, approximately 4,100 wells remain orphaned in the OSR program;

WHEREAS, the Legislative Auditor, in a report released in May, 2014, recommended that Conservation amend its rules to protect the state from the expense and burden of orphaned wells and to increase the financial security requirements to that end, but to not make the requirements so burdensome on the regulated community that the rules would force current operators out of business leaving additional wells orphaned and expand the number of orphaned wells in the state.

WHEREAS, Conservation initiated the rulemaking process to amend its financial security rules in accordance with the Legislative Audit's recommendations in July of 2014 at which time the price of oil was approximately \$105 per barrel and when the rule was fully implemented, the price of oil was approximately \$30 per barrel;

WHEREAS, upon implementation of the amended financial security rules, the financial burden, combined with historic market lows, has adversely affected many operators, leaving additional wells orphaned and expanded the number of orphaned wells in the state, in direct contradiction of the Legislative Audit's desired results;

WHEREAS, HCR 72 of the 2016 regular session of the Louisiana legislature recognized the shortcomings of the OSR program and encouraged OOC to develop a less

expensive and more efficient means of plugging wells towards a goal of reducing and eventually eliminating orphan wells;

WHEREAS, LORA has been established to operate as a private, voluntary program to supplement and work in conjunction with the OSR program by providing financial security in accordance with OOC requirements and collecting fees from each operator volunteering to participate, and to plug wells on the orphan list, including associated equipment removal and site clearance, in accordance with the terms hereof, at no cost to OOC or the OSR Program;

WHEREAS, OOC and LORA are both agreeable to the implementation of said pilot program, subject to such conditions as are hereinafter provided;

NOW, THEREFORE, LORA does hereby agree to offer to each operator in possession of a validly issued OOC operator code the opportunity to obtain financial security in compliance with LAC 43.XIX.1.104 in exchange for an annual contribution not to exceed three and one-half percent (3.5%) of the amount of financial security provided.

LORA does hereby agree to operate as a private, voluntary program and expend a percentage of Fees received, as set forth herein, directly on plugging wells and associated insurance, operating taxes, equipment removal and site clearance of wells on the orphan list, that have not been included in an OSR bid package, at no cost to OOC or the OSR Program. For participating operators, LORA shall issue a letter of credit (the "Letter of Credit") in favor of OOC to secure all of its obligations hereunder, including without limitation any and all of the financial security obligations of the operator secured by LORA ("Secured Operators"). Should any wells secured by LORA ("Secured Wells") be declared orphaned, LORA shall be given the opportunity to plug and abandon the Secured Wells in a reasonable amount of time prior to OOC calling on the Letter of Credit. LORA will address any such Secured Wells as a priority. In the event that OOC does call upon the Letter of Credit with respect to any specific Secured Operator, LORA shall only be liable under said Letter of Credit for the maximum amount of the financial security required by LAC 43.XIX.1.104 as listed on the exhibit for the Secured Operator attached to the Letter of Credit.

Consistent with OOC's current rules, should a valid operator desire to take over Secured Wells of an orphaned operator, this shall be allowed but only under the condition

that all remaining Secured Wells of the orphaned operator are either also taken over and assumed by said valid operator or transferred or plugged by LORA.

Should a Secured Operator fail to make any required Fees or other payments to LORA, upon notification by LORA, OOC will issue a Compliance Order directing the Secured Operator to comply with the financial security requirements. Upon expiration of the date set forth in the Compliance Order for compliance, Conservation will orphan the Secured Operator and their wells in order to allow for LORA to plug and abandon the Secured Wells and perform site clearance in accordance with Statewide Order 29-B, prior to OOC calling on the Letter of Credit.

In order to establish a reserve account to pay amounts due under the Letter of Credit if called upon to do so, or to be expended in the event of an emergency involving Secured Wells, and further to provide the funds to address Secured Wells, LORA agrees that all fees for financial security collected from Secured Operators (the "Fees") shall be allocated as follows:

- (1) A minimum of Eighty percent (80%) of all Fees shall be utilized as operating and reserve funds (the "Operating and Reserve Funds"); and
- (2) A maximum of Twenty percent (20%) shall be utilized for the administrative and day-to-day operating expenses of LORA.

LORA agrees to deposit the Operating and Reserve Funds into a reserve account (the "Reserve Account") until such time as the Reserve Account reaches five million dollars (\$5,000,000.00) (the "Minimum Reserve Amount"). Until the Reserve Account reaches the Minimum Reserve Amount, after payment, or provision for payment, of all local, state and federal taxes, as may be applicable, all Operating and Reserve Funds will be deposited and maintained in such Reserve Account except for those amounts as may be directly necessary to expend on the actual plugging and abandonment of Secured Wells which are orphaned by OOC. After the Minimum Reserve Amount has been accumulated in the Reserve Account, and after payment, or provision for payment, of all local, state and federal taxes, as may be applicable, LORA agrees to use up to eighty percent (80%) of the Operating and Reserve Funds to plug and abandon other wells on the OOC orphaned wells list that are not secured by LORA ("Unsecured Orphan Wells"), as commercially and reasonably viable without, in the discretion of the management of LORA, endangering or

impairing LORA's obligations with respect to Secured Wells and Secured Operators. LORA may fulfill such obligation with respect to Unsecured Orphan Wells directly, though an affiliated organization or charitable endeavor. If at any time, the Reserve Account falls below the Minimum Reserve Amount, LORA's obligation to plug and abandon Unsecured Orphan Wells hereunder will be suspended until such time as the Reserve Account has again reached the Minimum Reserve Amount. The division of Fees described herein is not applicable to any other assets, income, fees or expenses generated or collected by LORA, its operations or investments. Further, the division of Fees described herein shall not be applicable if, at any time, the number of wells listed on the OOC orphan well list falls below one hundred (100) wells.

Wells plugged by LORA shall not be entitled to plugging credits as established under La. R.S. 30:4.C.(1)(a)(v).

LORA does hereby agree to submit an annual report of contributions, expenses and reserves to OOC and allow an inspection of its records by OOC at any time to verify the reports are accurate.

LORA does hereby agree that it will have the above referenced work performed in accordance with Statewide order No. 29-B and all other federal, state and local regulations applicable to said work and will have all equipment and materials at the oilfield site removed and disposed of in compliance with all federal, state, and local regulations.

Notwithstanding any other indemnity agreement between the parties, and to the maximum extent permitted by law, LORA shall protect, indemnify and save harmless OOC and the Department of Natural Resources and their respective officers, directors and employees from and against all liabilities, claims, suits, forfeitures, penalties, bodily injuries, deaths, damage to property or environment, losses, fines, demands and causes of action of every kind and character (including attorney fees and expenses), and all costs and expenses, incident thereto, arising in connection with the site assessment or the conducting of operations on the above-referenced operations, including any claims by its employees or subcontractors, or their employees, if any, which OOC may incur, become responsible for or pay out as a result of any act or omission of LORA pursuant to this agreement. This indemnity obligation and the liabilities assumed by LORA shall be without monetary limit and without regard to the cause or causes thereof. Notwithstanding the foregoing, this

Agreement is by and between LORA and OOC; LORA shall not be responsible or liable hereunder to any third party or parties with respect to any duty or obligation set forth in this Agreement. Further, nothing herein shall create any private right of action against LORA.

WHEREAS Conservation's rules hold that Letters of Credit must be issued by a financial institution acceptable to the Commissioner, insofar as LORA has agreed to operate as a private, voluntary program under the terms above, OOC does hereby recognize LORA as a financial institution acceptable to the Commissioner and agrees to accept Letters of Credit submitted by LORA on behalf of its Secured Operators.

This agreement will continue until terminated in writing by the parties hereto.

THUS DONE AND SIGNED on the date stated before the undersigned witnesses:

WITNESSES:

OFFICE OF CONSERVATION
STATE OF LOUISIANA

Sign: Jennifer M. Boyd
Print: Jennifer M. Boyd

Richard P. Ieyoube
By: RICHARD P. IEYOUBE, Commissioner

Sign: Gaby P. Ross
Print: Gaby P. Ross

Date: November 4, 2019

LOUISIANA OILFIELD RESTORATION
ASSOCIATION, INC. (LORA)

Sign1: ANDREW BERTHELOT
Print1: ANDREW BERTHELOT

Van R. Mayhall III
By: VAN R. MAYHALL, III, President

Sign2: LARA WHITE ADAMS
Print2: LARA WHITE ADAMS

Date: NOVEMBER 1, 2019

ACKNOWLEDGMENT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for said Parish and State aforesaid, personally came and appeared;

VAN R. MAYHALL, III,
President of the Louisiana Oilfield Restoration Association, Inc.

to me known, who declared and acknowledged to me, Notary, that he executed the foregoing instrument, as his own free and voluntary act and deed and for the object and purposes therein set forth.

IN TESTIMONY WHEREOF, the said appearer has executed this instrument in my presence this 1st day of NOVEMBER, 2019.

Louisiana Oilfield Restoration Association, Inc.



Van R. Mayhall, III, President



NOTARY PUBLIC #45213

John W. Adams

My commission expires: with Life



(SEAL)

ACKNOWLEDGMENT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for said Parish and State aforesaid, personally came and appeared;

RICHARD P. IEYOUB

to me known, who declared and acknowledged to me, Notary, that he is the Commissioner of Conservation, State of Louisiana, and that as such duly authorized officer, by and with authority of said state agency, he signed and executed the foregoing instrument, as the free and voluntary act and deed of said state agency, for and on behalf of the Office of Conservation, State of Louisiana, and for the object and purposes therein set forth.

IN TESTIMONY WHEREOF, the said appearer has executed this instrument in my presence this 4th day of November, 2019.


RICHARD P. IEYOUB
Commissioner of Conservation


NOTARY PUBLIC **JOHN W. ADAMS**
NOTARY #45213

My commission expires: with Life

(SEAL)