

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION #18-11-003

(LEGAL & TITLE CONTROVERSY)

CREOLE OFFSHORE FIELD ORPHAN WELLS LEASE AMENDMENT NOTICE SL NOS. 18423, 18521, 18524, AND 19190
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On motion of Mr. Arnold, duly seconded by Secretary Harris, the following Resolution was offered and adopted by the State Mineral and Energy Board (Board):

WHEREAS, Orphan wells are a significant problem and pose potential financial and environmental liabilities for the people of the State of Louisiana; and

WHEREAS, there are in excess of 4,000 orphaned wells existing in the State and these wells can create a threat to the environment, ecology, and public health of the State; and

WHEREAS, Northstar Offshore Group, LLC ("Northstar"), was previously lessee of several State mineral leases, including former State Lease Nos. 18423, 18521, 18524, and 19190, ("Creole Leases") in the Creole Offshore Field located in State waters of Cameron Parish; and

WHEREAS, Northstar abandoned certain assets, including the Creole Leases, in the bankruptcy proceedings titled "In re: Northstar Offshore, Group, LLC," Case No. 16-34028 (Ch. 11), USBC – Southern Dist. of Texas; and

WHEREAS, due to the abandonment by Northstar of the Creole Leases, approximately 22 oil and gas wells (number counts dually completed wells separately) were abandoned and subsequently declared as orphaned well sites by the Louisiana Commissioner of Conservation pursuant to the Louisiana Oilfield Site Restoration Law (LA R.S. 30:80, et seq.); and

WHEREAS, the State does not currently have sufficient funds to ensure the timely plugging and site restoration of every orphaned well, including the approximately 22 orphaned oil and gas wells in the Creole Offshore Field; and

WHEREAS, the Board has determined that it is in the best interest of the State to establish an innovative pilot program, known as the Royalty Set-Aside Program ("RSAP"), to help alleviate the problem of orphan wells by providing additional funds for the proper plugging and site restoration of dangerous orphaned oil and gas well sites in the Creole Offshore Field, while at the same time promoting responsible oil and gas development of the State acreage in that field; and

WHEREAS, the RSAP is design to assist qualified operators in funding a Site Specific Trust Account ("SSTA"), via a reduced royalty set-aside, which will encourage and promote the private sector to develop the oil and gas reserves in the Creole Offshore Field by using existing orphan wells; and

WHEREAS, the Board, under LA R.S. 30:129, may amend a mineral lease to which it is a party in whatever manner that it determines would most benefit the State; and

WHEREAS, the RSAP will authorize the Office of Mineral Resources ("OMR") to negotiate an amendment, of a State Lease granted for development of the oil and gas reserves in the Creole Offshore Field, which will reduce the royalty paid to the State by an amount not below the statutory limits of LA R.S. 30:127 and use the amount attained from said royalty reduction to fund a SSTA for the orphan wells in the Creole Offshore Field.

THEREFORE BE IT RESOLVED, that the Board does hereby authorize OMR Staff, following awarding of an oil and gas lease over State acreage within the Creole Offshore Field, to negotiate in good faith with the lessee an amendment to such lease that will provide a reduced royalty rate incentive and set-aside to fund the plugging and restoration costs associated with the orphaned oil and gas wells within the Creole Offshore Field; and

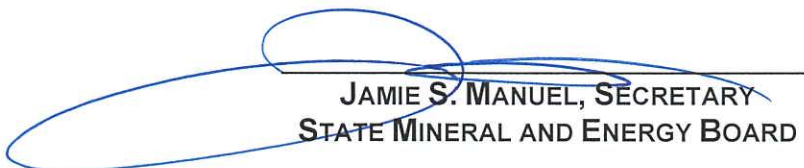
BE IT FURTHER RESOLVED, that any such lease amendment will require the approval of the Board prior to becoming effective; and

BE IT FURTHER RESOLVED, that any such royalty relief incentive approved by a subsequent lease amendment shall not be available to any individual, partnership, corporation, or other entity, which was previously lessee or operator of an oilfield site declared orphaned at the time of orphaning, or to any partnership, corporation, or other entity for which a general partner, an owner of more than twenty-five percent ownership interest, or a trustee, held a position of ownership or control in another partnership, corporation, or other entity which was previously the lessee or operator of an oilfield site declared orphaned at the time of orphaning; and

BE IT FURTHER RESOLVED, that any State acreage within the Creole Offshore Field advertised for lease shall include language consistent with this resolution sufficient to place the public on notice of the authority granted herein.

CERTIFICATE

I HEREBY CERTIFY that this is a true and correct copy of a Resolution adopted at a meeting on the 14th day of November, 2018 of the State Mineral and Energy Board in the City of Baton Rouge, State of Louisiana, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said State Mineral and Energy Board and is now in full force and effect.


JAMIE S. MANUEL, SECRETARY
STATE MINERAL AND ENERGY BOARD