

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION #24-06-003

Royalty Reduction
Program

(LEGAL & TITLE CONTROVERSY)

On motion of Mr. Shepherd and seconded by Mr. Moncla, the following Resolution was offered and adopted:

WHEREAS, pursuant to La. R.S. 30:129, the State Mineral and Energy Board ("**Board**") has full supervision of all State mineral leases and is authorized to take all appropriate action to assure that undeveloped or nonproducing State lands and water bottoms are reasonably and prudently explored, developed, and produced for the public good; and

WHEREAS, the Board offers the following proposed temporary royalty reduction program ("**RRP**") as incentive to encourage exploration and production of the State's minerals;

NOW THEREFORE, BE IT RESOLVED, the Board authorizes the staff of the Office of Mineral Resources ("**OMR**") to develop and enact the RRP in accordance with the following terms:

1. The RRP shall apply to all State mineral leases issued during the period beginning on January 1, 2024 and ending on December 31, 2024. This time period shall hereinafter be referred to as the ("**Program Term**").
2. Upon verification and approval as required herein, OMR shall temporarily reduce the royalty rate of a qualifying State lease by an amount up to 5.5%, but in no case shall the royalty of the State lease be lower than 18.5%, on any State lease that is acquired during the Program Term. Royalty reduction shall not be granted unless sales of production from the leased premises or lands pooled or unitized therewith are commenced within the first thirty-six (36) months from the Effective Date of the subject inland State lease and the first sixty (60) months from the Effective Date of the subject offshore State lease.
3. The reduced royalty shall be for a term not to exceed the first thirty-six (36) consecutive months from the first sales of production from the leased premises or lands pooled or unitized therewith ("**Royalty Reduction Term**"). During the Royalty Reduction Term, the reduced royalty shall apply to all production obtained from the leased premises or lands pooled or unitized therewith, regardless of when said production is established from the initial well or subsequent well(s). There will be only one Royalty Reduction Term per State lease; a new or different term will not begin for subsequent production on the same lease, regardless of whether subsequent production is from one or more new well(s).

4. Royalty reduction granted pursuant to the RRP shall survive the expiration of the Program Term and shall remain in full force and effect for the extent of the Royalty Reduction Term. Upon expiration of the Royalty Reduction Term, royalty due on the subject State lease shall revert to the terms of the lease instrument.

BE IT FURTHER RESOLVED, OMR shall develop and implement an application process for the RRP which shall comply with the following minimum requirements:

1. A lessee seeking approval for the RRP must submit a written request to the Office of Mineral Resources at 617 N. 3rd Street, LaSalle Building, 8th Floor, Baton Rouge, Louisiana 70802 or Post Office Box 2827, Baton Rouge, Louisiana 70821-2827. The request shall be considered received by OMR (i) upon receipt if delivered personally; or (ii) if properly addressed, upon deposit in the U.S. mail, registered or certified, postage prepaid, return receipt requested; or (iii) if properly addressed, upon deposit with a recognized commercial courier service; and
2. The lessee shall not qualify for the RRP unless the lessee's request is received by OMR on or before the ninetieth (90th) day following the date of commencement of production from the leased premises or lands pooled or unitized therewith. There will be no qualifications, retroactive adjustments or credits for untimely requests unless expressly approved by the Board; and
3. OMR staff will review the request and implement the reduced royalty if the lessee's application demonstrates satisfaction of the requirements of the RRP as stated herein.

BE IT FURTHER RESOLVED, a lessee shall only qualify for royalty reduction pursuant to the RRP if, and for so long as, the lessee satisfies all leasehold payment obligations in a timely manner. If a lessee commits a breach of one or more leasehold payment obligation(s), OMR shall provide lessee written notice of the nonpayment. The lessee shall satisfy all outstanding leasehold payment obligations on or before the fifteenth (15th) day following receipt of aforesaid notice. The Board, at its sole discretion and without notice to the lessee, may terminate royalty reduction pursuant to the RRP for any lessee who fails to comply with the provisions herein.

BE IT FURTHER RESOLVED, in the event of a bona fide dispute or litigation involving the State's ownership or title to any portion of a State lease subject to the RRP, lessee agrees to promptly notify OMR, in writing, and provide any information and/or documentation in lessee's possession or to which lessee has access regarding such dispute, including the identity of the adverse claimant(s) and the nature of the dispute. The lessee shall initiate a concursus proceeding and deposit any and all payments attributable to the disputed acreage into the court registry. In no event shall the lessee suspend payments in the event of a bona fide dispute or litigation.

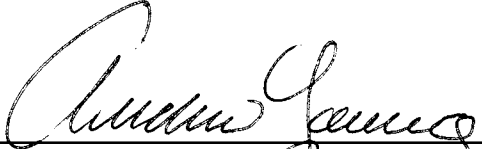
BE IT FURTHER RESOLVED, the Board does hereby grant OMR the sole authority to monitor and enforce the provisions herein. Said authority includes, but is not limited to, the authority to approve or deny requests for reduced royalty pursuant to the RRP, terminate RRP benefits, and/or resolve disputes concerning the RRP's terms, conditions, or applications. Notwithstanding, a lessee whose application has been denied by OMR shall have the right to bring OMR's refusal to the Board for their review and reconsideration.

BE IT FURTHER RESOLVED, the Board hereby grants authority to OMR's Assistant Secretary to act on behalf of the Board to approve retroactive adjustments or credits for untimely requests.

BE IT FURTHER RESOLVED, the reduced royalty rates approved by OMR shall apply to all royalty payments due during the Royalty Reduction Term.

CERTIFICATE

I hereby certify, that the above is a true and correct copy of a Resolution which was adopted at a meeting of the State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 12th day of June, 2024, pursuant to due notice, that at said meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



ANDREW YOUNG, SECRETARY
STATE MINERAL AND ENERGY BOARD