

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION #19-07-007

Royalty Reduction
Program

(LEGAL & TITLE CONTROVERSY)

On motion of Mr. Hollenshead and seconded by Mr. Watkins, 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 mineral leases and is authorized to take all appropriate action to assure that all undeveloped or nonproducing state lands and water bottoms are reasonably and prudently explored, developed, and produced for the public good; and

WHEREAS, due to the decreased leasing and drilling activity within the State of Louisiana, the Board offers the following proposed temporary Royalty Reduction Program ("RRP") as incentive to encourage new development of future state leases.

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 will take effect on the date of the initial lease issued and approved by the Board utilizing the revised 2019 state lease form ("Lease") and will remain in effect for two (2) years following that date. Upon the termination of the RRP, all prior approved temporary reduction in the royalty rate shall survive the termination of the RRP and shall remain in full force and effect in accordance with the requirements as set forth herein; and
2. The RRP, upon verification and approval as required herein, shall allow OMR to temporarily reduce the royalty rate by 5.5%, but in no case shall it be lower than 18.5%, on a Lease where production from the leased premises or lands pooled or unitized therewith is established pursuant to the terms thereof and is brought on line and sales thereof are commenced within twenty-four (24) months of the effective date of the Lease; and
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. There will be only one thirty six (36) consecutive month period per lease and a new or different period will not begin to run with the commencement of production from subsequent wells. However, for the single thirty six (36) consecutive month period, the reduced royalty shall apply to any production obtained from the leased premises or lands pooled or unitized therewith, regardless of when said production comes on line or whether said production is obtained from an initial well or any subsequent wells; and

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

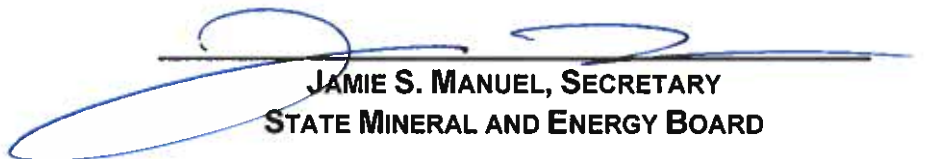
1. A lessee seeking approval for the reduced royalty must make a written request to the Office of Mineral Resources at 617 N. 3rd Street, LaSalle Building, 8th Floor, Baton Rouge, Louisiana 70802 or Post Office Box 2827, Baton Rouge, Louisiana 70821-2827. The application shall be considered received 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. In order for production attributable to the Lease to be eligible for the reduced royalty, the application must further be received by OMR within ninety (90) days following commencement of production. There will be no qualifications, retroactive adjustments or credits for applications that are not received timely by OMR; and
3. The staff of OMR will review the application and implement the reduced royalty if the lessee's application demonstrates satisfaction of the requirements of the RRP as stated herein; and

BE IT FURTHER RESOLVED, the Board does hereby grant OMR the authority to approve a lessee's application for a reduced royalty pursuant to the RRP.

BE IT FURTHER RESOLVED, the reduced royalty rates approved by the OMR shall be effective beginning the first payment of royalty which is due within one hundred twenty (120) days following commencement of production.

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 10th day of July, 2019, 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.



JAMIE S. MANUEL, SECRETARY
STATE MINERAL AND ENERGY BOARD