

**LEASE FOR OIL, GAS AND OTHER LIQUID  
OR GASEOUS HYDROCARBON MINERALS**

STATE OF LOUISIANA  
PARISH OF EAST BATON ROUGE  
Louisiana State Lease Form Revised 2016

State Lease No. \_\_\_\_\_

**WHEREAS**, under the provisions of Subpart A of Chapter 2, Title 30 of the Louisiana Revised Statutes, and other applicable laws, the State Mineral and Energy Board ("**Board**") of the State of Louisiana ("**State**" or "**Lessor**") advertised for bids for a lease covering oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the property described below; and

**WHEREAS**, in response to required advertisements, bids were received and duly opened in the City of Baton Rouge, Parish of East Baton Rouge, State of Louisiana on the \_\_\_\_ day of \_\_\_\_\_, 20XX at a meeting of the Board; and

**WHEREAS**, on the \_\_\_\_ day of \_\_\_\_\_, 20XX ("**Effective Date**"), the Board accepted the bid of \_\_\_\_\_ and awarded this Lease to \_\_\_\_\_ ("**Lessee**"), whose address is \_\_\_\_\_, as the most advantageous to the State as Lessor.

**NOW THEREFORE**, be it known and remembered that the Board, acting under said authority for and on behalf of the State, as Lessor, does hereby lease, let and grant unto said Lessee, and Lessee's successors, transferees and assigns, the Leased Premises as defined below for the purpose of exploring by any method including, but not limited to seismic, geophysical and geological exploration for formations or structures, prospecting, drilling for and producing oil, gas and any other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas, hereinafter sometimes referred to as oil, gas or other liquid or gaseous minerals. This grant of authority shall include the exclusive right to explore and produce oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the Leased Premises at the depths covered by this Lease. In connection therewith, Lessee shall have the right to use so much of the Leased Premises as reasonably may be necessary for such operations including, but not limited to storing minerals and fluids in facilities (or by means other than subsurface storage), laying pipelines, dredging canals, building roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and/or facilities.

The property ("**Leased Premises**") subject to this Lease, situated in the Parish(es) of \_\_\_\_\_, State of Louisiana, is more fully described as follows:

**(PROPERTY DESCRIPTION)**

This Lease excludes free sulfur, potash, lignite, salt and other solid minerals, and geothermal energy. Lessee shall not have any right to explore, drill for, mine, produce or take any action whatsoever in regard to any such solid mineral deposits, nor any right under this Lease in regard to alternative energy sources as defined by La. R.S. 30:124.

Should this Lease, when executed or thereafter, not cover all depths as to the Leased Premises or a portion thereof, the rights of Lessor or another lessee to conduct operations for the exploration, development and production of oil, gas or other liquid or gaseous minerals as to such excluded depths shall be exercised with reasonable regard for the rights of Lessee (as provided in La. R.S. 31:11), and vice versa.

1 Notwithstanding any language herein to the contrary, the rights granted herein to  
2 Lessee shall be subject to the surface usage for seismic and geophysical exploration by  
3 any seismic permittee of the State whose valid permit predates the Effective Date of this  
4 Lease but only to the extent that such permit covers all or a portion of the surface area  
5 encompassed within the geographical boundary of the Leased Premises. The said seismic  
6 permittee shall owe Lessee no duty to share seismic or geophysical information acquired  
7 under the predating permit nor to reimburse Lessee for surface usage, but said seismic  
8 permittee shall not unreasonably interfere with Lessee's exercise of its rights acquired  
9 hereunder.

10  
11 Notwithstanding any language herein to the contrary, the rights granted herein to  
12 Lessee shall be subject and subservient to surface usage for integrated coastal protection  
13 or hurricane and flood protection projects promulgated, funded and/or effected through  
14 the State of Louisiana, the Coastal Protection and Restoration Authority, the Department  
15 of Natural Resources and/or their divisions, whether solely or in conjunction with other  
16 federal, state or local government agencies, or with private individuals or entities. Lessee  
17 shall hold the State, its departments, agencies, boards and commissions including, without  
18 limitation, the Coastal Protection and Restoration Authority, the Department of Natural  
19 Resources, the Office of Mineral Resources ("**OMR**"), the State Mineral and Energy  
20 Board and their officers, employees, agents and representatives, and the United States  
21 government, its departments, agencies and divisions, together with their respective  
22 officers, employees, agents and representatives, free and harmless of and from any claims,  
23 actions and/or causes of action, except as limited by law, for loss, harm or damage to the  
24 rights of any party arising under this Lease or any other contract, permit or license of  
25 Lessee related to this Lease caused by the diversion of freshwater or sediment, depositing  
26 of dredged or other materials, integrated coastal protection projects, or any other such  
27 action taken for the purpose of management, preservation, enhancement, creation,  
28 protection or restoration of coastal wetlands, water bottoms or related public or renewable  
29 resources. Lessee, in the exercise of its rights granted hereunder, shall utilize the best  
30 technology commercially available, including directional drilling, so as to minimize  
31 interference with the ongoing surface usage entailed in the development, construction and  
32 maintenance of said integrated coastal protection and/or hurricane and flood protection  
33 projects.

34  
35 The captions or headings in this Lease are for convenience only and in no way define,  
36 limit or describe the scope or intent of any provision of this Lease.

37  
38 The references in this Lease to statutes and regulations apply to the statute and  
39 regulation as such existed at the time this Lease was revised and also to any amended or  
40 successor statute or regulation.

## 41 **DEFINITIONS**

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43  
44 For purposes of this Lease, the following definitions shall apply:

45  
46 (A) "**Acceptable Lease Operations**" shall mean either Actual Drilling Operations or  
47 Actual Reworking Operations, as defined below, on the Leased Premises or on  
48 lands pooled or unitized with any or all portions thereof.

49  
50 (1) "**Actual Drilling Operations**" shall mean any of the following on the  
51 Leased Premises or on lands pooled or unitized therewith (a) drilling  
52 commenced by spudding-in of a new well, (b) deepening or sidetracking of  
53 an existing well, (c) plugging back or attempted recompletion in a separate  
54 interval of an existing well (all such operations being commenced by actual  
55 downhole operations), or (d) completing any such well.

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Actual Drilling Operations shall be deemed to terminate on the last day downhole operations of any kind, such as drilling, testing or Installation of Equipment, are conducted in good faith for the purpose of attempting to discover minerals or complete a well as a producer.

(2) **“Actual Reworking Operations”** shall mean reconditioning, cleaning out or otherwise attempting to directly establish, increase or restore production in an existing well located on the Leased Premises or on lands pooled or unitized therewith by downhole operations.

Actual Reworking Operations shall be deemed to terminate on the last day any such downhole operations are conducted in good faith for the purpose of establishing, increasing or restoring production.

Under no circumstances shall drilling or otherwise creating salt water disposal wells constitute actual drilling or reworking operations for purposes of maintaining this Lease.

(3) **“Installation of Equipment”** shall mean the installation of equipment in the wellbore that is necessary to complete the well as a producer and/or to maintain downhole completion activity. The installation of flowlines or other surface facilities needed to produce the well shall not be considered as Actual Drilling Operations.

(B) **“Affiliated Party”** shall mean any business concern, organization, or individual that controls, is controlled by or is under common control with Lessee. The power to control is the key factor in affiliation with another business concern, whether exercised or not.

(1) Control may consist of:  
(a) Shared management or ownership;  
(b) Common use of facilities, equipment, and employees; and/or  
(c) Family interest.

(2) Indicators of Lessee affiliates may include:  
(a) Common ownership; and/or  
(b) Common management and identity of interest.

(3) Power to control exists when a person or entity has 50% or more ownership. It may also exist with considerably less than 50% ownership by contractual arrangement or when a person or entity owns a large share compared to other parties.

(4) The term “Affiliated Party” shall apply to an Affiliated Party (as defined above) that is a marketing firm engaged in the sale of Lessee’s oil, gas or products.

(C) **“Anniversary Date”** shall mean the same date on each next ensuing year or years after the Effective Date of this Lease.

(D) **“Lessee”** shall include the original Lessee and such Lessee’s successors, transferees, sublessees and assigns.

- 1 (E) **“Leasehold Payments”** shall mean rental payments, Deferred Development  
2 Payments, Shut-In Payments and any other payments allowed to maintain this  
3 Lease in whole or in part.  
4
- 5 (F) **“Non-Affiliated Party”** shall mean a person, company, firm or other business unit  
6 that is not an Affiliated Party.  
7
- 8 (G) **“Outside Acreage”** shall mean that portion of the Leased Premises not included in  
9 a Unit or Units on which Unitized Operations are being conducted.  
10
- 11 (H) **“Production in Paying Quantities”** shall mean production in paying quantities as  
12 defined by La. R.S. 31:124 from Leased Premises or lands pooled therewith and, in  
13 addition, notwithstanding the provisions of La. R.S. 31:125, the amount of  
14 royalties payable on such production must also be sufficient to constitute serious or  
15 adequate consideration.  
16
- 17 (I) **“Rental Paying Date”** shall mean the Anniversary Date during the Primary Term.  
18
- 19 (J) **“Restore”** or **“Restoration”** with respect to any specified portion of the Leased  
20 Premises means to restore such portion of the Leased Premises, to the extent  
21 possible and practical, in accordance with the regulatory standards provided in  
22 Office of Conservation Statewide Order 29-B (or any future replacement  
23 regulations therefor), except to the extent any changes are due to normal erosion,  
24 settlement and topographical changes or changes caused by Lessor, one or more  
25 third parties or acts of God.  
26
- 27 (K) **“Unit”** shall mean pooled mineral acreage by order of a governmental agency or  
28 by conventional agreement.  
29
- 30 (L) **“Unitized Operations”** shall mean Production in Paying Quantities and/or  
31 Acceptable Lease Operations attributed to one or more wells designated or  
32 otherwise constituting unit wells, cross unit wells, substitute unit wells and/or  
33 alternate unit wells in one or more Units encompassing all or a portion of the  
34 Leased Premises.  
35

## 36 **ARTICLE 1 - BONUS**

37  
38 Lessee has this day paid to Lessor a cash bonus payment of \_\_\_\_\_ (\$\_\_\_\_\_)   
39 Dollars, one-half (1/2) of which is (a) full and adequate consideration for every right   
40 granted hereunder, and one-half (1/2) of which is (b) the annual rental for the first year of   
41 this Lease.  
42

## 43 **ARTICLE 2 - PRIMARY TERM**

- 44  
45 (A) Subject to the provisions hereof, this Lease shall be for a term of \_\_\_\_ ( ) years   
46 (**“Primary Term”**) and for so long thereafter as Acceptable Lease Operations are   
47 in progress or Production in Paying Quantities is being obtained, or Leasehold   
48 Payments are made or conditions exist that continue this Lease in force and effect   
49 according to its terms.  
50
- 51 (B) However, if this Lease is for an inland tract that originally carries a Primary Term   
52 of three (3) years or less, the Board may extend the Primary Term by two (2) years   
53 if, prior to expiration of the original Primary Term, Lessee shall demonstrate to the   
54 satisfaction of the Board that at least one of the following conditions has been met:  
55

1 (1) This Lease is included within a Unit (or a pilot project has been approved by  
2 the Office of Conservation for a Unit, or Lessee has filed an application for  
3 a Unit under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased  
4 Premises within a Unit) for the purpose of conducting a secondary or  
5 tertiary recovery project; or

6 (2) Lessee has commenced activities necessary for the drilling of an ultra-deep  
7 well including, but not limited to having applied for a permit to drill an  
8 ultra-deep well, having formed a Unit including all or a portion of the  
9 Leased Premises for the purpose of drilling an ultra-deep well, or having  
10 provided a signed affidavit by Lessee stating that this Lease will be  
11 included, in whole or in part, in a Unit for the purpose of drilling an ultra-  
12 deep well, or that this Lease is included in a lease block maintained in  
13 support of the drilling of an ultra-deep well. For purposes of this paragraph  
14 only, **“ultra-deep”** shall mean a true vertical depth (**“TVD”**) of twenty-two  
15 thousand feet (22,000’) or greater.

16  
17 The Board may extend the Primary Term of this Lease through an  
18 acknowledgment Resolution having the effect of an amendment of this Lease.

19  
20 (C) If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of  
21 Lessee (or the designated operator), before the end of the extended Primary Term,  
22 to commence secondary or tertiary recovery operations or to commence drilling of  
23 the ultra-deep well and reach the required TVD (unless prevented due to  
24 mechanical or other related downhole causes), shall subject Lessee, after demand,  
25 to liquidated damages equal to double the annual rental payment, payment of  
26 which shall be due within thirty (30) days after demand, regardless of whether this  
27 Lease is held by other production or Acceptable Lease Operations not qualifying as  
28 a secondary or tertiary recovery project.

29  
30 Should the drilling of the ultra-deep well fail to reach the depth requirements for  
31 ultra-deep designation during the extended Primary Term, no liquidated damages  
32 will be due as long as continuous drilling operations on the well required by  
33 Article 2(B)(2) above on said well (and/or another ultra-deep well) are ongoing  
34 without cessation of those operations for greater than one hundred eighty (180)  
35 consecutive days and the required depth is reached.

36  
37 **ARTICLE 3 - LEASE MAINTENANCE PAYMENTS**

38  
39 (A) Rental Payments:  
40  
41 If Actual Drilling Operations on or Production in Paying Quantities are not  
42 commenced hereunder on or before the first Anniversary Date, this Lease shall  
43 then terminate unless Lessee, on or before such date, pays to Lessor the sum of  
44 \_\_\_\_\_ (\$\_\_\_\_\_) Dollars as rental as set forth in Article 1(b), which  
45 payment shall extend for twelve (12) months the time within which Actual Drilling  
46 Operations and/or Production in Paying Quantities may be commenced. Thereafter,  
47 annually, in like manner and upon like payments, all of Lessee’s rights hereunder  
48 may be maintained without Actual Drilling Operations for successive periods of  
49 twelve (12) months each during the Primary Term. Payment of rental by Lessee  
50 may be made by check, wire or draft payable to the order of the Office of Mineral  
51 Resources and delivered or mailed to OMR on or before the Rental Paying Date.

52  
53 (1) On any Rental Paying Date, if Actual Drilling Operations are being  
54 conducted on or Production in Paying Quantities is being obtained from the

1 Leased Premises, no rental shall be due (and this Lease shall remain in  
2 effect) for the annual rental period then commencing. If Actual Drilling  
3 Operations are abandoned and/or Production in Paying Quantities ceases at  
4 any time within a period of ninety (90) days prior to any Rental Paying  
5 Date, Lessee shall have a period of ninety (90) days after the date of such  
6 abandonment of Actual Drilling Operations or cessation of Production in  
7 Paying Quantities within which to commence or resume such Actual  
8 Drilling Operations or Production in Paying Quantities on the Leased  
9 Premises, or make the rental payment. The commencement or resumption of  
10 Actual Drilling Operations or Production in Paying Quantities or payment  
11 of rental within the ninety (90) day period shall have the same effect as  
12 though such were commenced, resumed or paid on or before the Rental  
13 Paying Date.  
14

- 15 (2) In the final year of the Primary Term, if Acceptable Lease Operations or  
16 Production in Paying Quantities are not in progress ninety (90) days or more  
17 prior to expiration of the Primary Term, then this Lease shall expire at the  
18 end of the Primary Term. If Lessee commences or resumes Acceptable  
19 Lease Operations or Production in Paying Quantities within ninety (90) days  
20 prior to expiration of the Primary Term, this Lease shall continue for so long  
21 as Acceptable Lease Operations or Production in Paying Quantities continue  
22 without a lapse of greater than ninety (90) days between cessation of  
23 Acceptable Lease Operations and Production in Paying Quantities and the  
24 recommencement of Acceptable Lease Operations or Production in Paying  
25 Quantities.  
26

27 If Acceptable Lease Operations and Production in Paying Quantities cease  
28 within ninety (90) days prior to expiration of the Primary Term or at any  
29 time after the Primary Term, and Lessee commences or resumes Acceptable  
30 Lease Operations or Production in Paying Quantities within ninety (90) days  
31 after such cessation, this Lease will continue for so long as Acceptable  
32 Lease Operations or Production in Paying Quantities continue without a  
33 lapse of greater than ninety (90) days between cessation of Acceptable  
34 Lease Operations and Production in Paying Quantities and the  
35 recommencement of Acceptable Lease Operations or Production in Paying  
36 Quantities.  
37

- 38 (3) This Lease may be maintained by directional drilling operations (deviation  
39 from vertical), in which event such Actual Drilling Operations shall be  
40 considered to have commenced on the Leased Premises when the drill stem  
41 penetrates beneath the surface of the Leased Premises or lands pooled or  
42 unitized with any or all portions thereof.  
43

44 (B) Deferred Development Payments:  
45

46 Consistent with La. R.S. 30:129, and notwithstanding any other provision of this  
47 Lease, during the Primary Term of this Lease or within one (1) year thereafter (if  
48 this Lease is then in force and effect), if a portion of the Leased Premises is  
49 included in a Unit, then commencement of Unitized Operations on that Unit shall  
50 maintain this Lease as to the entirety of the Leased Premises. This provision is  
51 subject, however, to the following:  
52

- 53 (1) This Lease shall terminate (as provided herein) on the next Anniversary  
54 Date after the commencement of such Unitized Operations as to the Outside  
55 Acreage unless:

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- (a) On or before such Anniversary Date, Lessee pays Lessor a sum equal to one-half of the per-acre cash bonus payment made for this Lease multiplied by the number of acres then comprising the Outside Acreage (“*Deferred Development Payment*”); or
- (b) Within ninety (90) days of commencement of such Unitized Operations if commenced within ninety (90) days before such Anniversary Date, Lessee pays Lessor a full Deferred Development Payment; or
- (c) Acceptable Lease Operations are being conducted and/or Production in Paying Quantities is being obtained from the Outside Acreage as of such Anniversary Date; or
- (d) Acceptable Lease Operations and Production in Paying Quantities on the Outside Acreage ceased within ninety (90) days before such Anniversary Date, and Acceptable Lease Operations or Production in Paying Quantities are resumed as to the Outside Acreage within ninety (90) days of such cessation; or
- (e) Acceptable Lease Operations and Production in Paying Quantities on the Outside Acreage ceased within ninety (90) days before such Anniversary Date, and Lessee pays Lessor a full Deferred Development Payment within ninety (90) days of said cessation; or
- (f) Lessee is otherwise maintaining the Outside Acreage as of such Anniversary Date by annual rental payments or Shut-In Payments.

- (2) The Deferred Development Payment shall maintain the Outside Acreage until the next Anniversary Date. Lessee may maintain the Outside Acreage of this Lease by Deferred Development Payments for up to two (2) years beyond the Primary Term.
- (3) After expiration of the periods for which a Deferred Development Payment would be available, if the Outside Acreage of this Lease is not otherwise being maintained, this Lease shall terminate as to all Outside Acreage.
- (4) Nothing contained in this Article 3(B) is intended to create nor shall have the effect of creating several or separate Leases, or in any manner serve to extend, increase or limit the obligation of Lessee to protect the Leased Premises from drainage as stated in this Lease or otherwise.
- (5) The provisions of this Article 3(B) shall apply to any Unit that wholly or partially underlies any or all of the Leased Premises.

(C) Shut-In Payments:

If at any time or times (during or after the Primary Term) there are Qualifying Conditions (as defined below) in effect and the Lease (in its entirety or as to any Outside Acreage) is not otherwise being maintained, then the Lease can be maintained in full force and effect in its entirety by the payment of a Shut-In Payment (as defined below) in accordance with the following provisions.

1 Lessee's utilization of this provision requires Lessor's approval and shall be at the  
2 sole discretion of Lessor, which approval shall not be unreasonably withheld.  
3 Lessee's request for such approval must include proof of the Qualifying  
4 Conditions (as set forth below) and must be received by Lessor before the  
5 commencement of the applicable Shut-In Period (as defined below).  
6

7 (1) Lessee may request to make a semi-annual payment ("***Shut-In Payment***")  
8 to maintain this Lease for a six (6) month period ("***Shut-In Period***")  
9 provided the following conditions ("***Qualifying Conditions***") are met:

10  
11 (a) There is a shut-in well(s) on the Leased Premises or within a Unit(s)  
12 that include all or a portion of the Leased Premises;

13  
14 (b) Such well(s) is capable of oil and/or gas Production in Paying  
15 Quantities;

16  
17 (c) Oil and/or gas from such well(s) is not being used, produced or  
18 marketed because of the lack of a marketing contract or  
19 production/marketing facilities;

20  
21 (d) Lessee has made and is continuing to make good faith reasonable  
22 efforts to secure a marketing contract or production/marketing  
23 facilities;

24  
25 (e) A period of ninety (90) days has not elapsed after the cessation of  
26 Acceptable Lease Operations and/or Production; and

27  
28 (f) Acceptable Lease Operations or Production have not commenced or  
29 resumed from such well(s).  
30

31 (2) Lessee's requests to Lessor and the required Shut-In Payments shall be in  
32 accordance with the following:

33  
34 (a) During any year for which this Lease is maintained pursuant to (A) or  
35 (B) of Article 3, a Shut-In Payment shall not be required before the  
36 next Anniversary Date. Lessee's request for Shut-In Payment  
37 authority must be received prior to such Anniversary Date.  
38

39 (b) If the onset of the Qualifying Conditions occurs less than ninety (90)  
40 days prior to an Anniversary Date for which a rental payment may be  
41 made, Lessee's request must be received and the Shut-In Payment  
42 submitted within ninety (90) days.  
43

44 (c) If the onset of the Qualifying Conditions occurs less than ninety (90)  
45 days prior to the end of the Primary Term or any time beyond the  
46 Primary Term, Lessee's request and the Shut-In Payment must be  
47 received prior to expiration of the Lease.  
48

49 (d) Subsequent requests for consecutive Shut-In Periods must be  
50 received prior to the end of the existing Shut-In Period. The requested  
51 period, if authorized, shall commence upon expiration of the then  
52 existing Shut-In Period.  
53

54 (3) Each Shut-In Payment shall be at the rate of Fifty (\$50.00) Dollars per acre  
55 for the acreage not otherwise maintained under the terms of this Lease, but



1 in no event shall payment be less than One Thousand (\$1,000.00) Dollars.  
2 Shut-In Payments are due prior to the commencement of each Shut-In  
3 Period.  
4

5 (4) Each Shut-In Payment shall maintain this Lease for a period of six (6)  
6 months. During each such period, it shall be considered that there is  
7 Production in Paying Quantities for Lease maintenance purposes only.  
8

9 (5) Lessee may request up to a maximum of six (6) consecutive Shut-In Periods  
10 if the aforestated Qualifying Conditions persist and provided that, prior to  
11 the end of each Shut-In Period, Lessee obtains Lessor's authorization in  
12 accordance herewith. Thereafter, if circumstances warrant, at a future date  
13 Lessee may again request and be authorized by Lessor to utilize this shut-in  
14 provision in accordance with the terms and requirements herein.  
15

16 (6) Notwithstanding the limitation upon consecutive Shut-In Periods in Article  
17 3(C)(5) above, for compelling reasons proven to the satisfaction of the  
18 Board, Lessee may request, and the Board may grant an additional Shut-In  
19 Period or periods in accordance with the terms and requirements herein,  
20 with any such extension(s) to be approved via an acknowledgment  
21 Resolution having the effect of an amendment of this Lease.  
22

23 (7) After the last day of any Shut-In Period, this Lease shall terminate unless  
24 another Shut-In Period is authorized or this Lease is maintained under any  
25 other provision under this Lease.  
26

#### 27 ARTICLE 4 – TRANSFERS AND ASSIGNMENTS

28

29 In accordance with La. R.S. 30:128, the parties hereto understand and agree to the  
30 following:  
31

32 (A) No assignment, sublease or other transfer (collectively "**Assignment**"), in whole or  
33 in part, of any rights or interests granted to Lessee under this Lease shall be valid  
34 unless approved by the Board.  
35

36 (B) Board approval is not required for the granting of a mortgage in, collateral  
37 assignment of production from, or other security interest in a mineral lease or  
38 sublease or the transfer of an overriding royalty interest, production, payment, net  
39 profits interest, or similar interest in a mineral lease or sublease.  
40

41 (C) Prior or subsequent to any Assignment, but in no event later than sixty (60) days  
42 from the date of execution of the Assignment, the assignor shall present to OMR a  
43 request for approval of the Assignment by the Board. Failure to do so shall subject  
44 the assignor to the required statutory penalty beginning on the sixty-first (61<sup>st</sup>) day  
45 following the date of execution of the Assignment.  
46

47 Additionally, upon the Board's approval of an Assignment of any undivided  
48 interest of less than 100% granted under this Lease in the Leased Premises (or any  
49 portion thereof), the assignor, in collaboration with the assignee, the  
50 assignee(s)/transferee(s) shall designate in writing the individual responsible for  
51 receiving the notices required or permitted hereby. Exceptions from this  
52 requirement shall require Board approval.  
53

54 (D) An Assignment by Lessee, notwithstanding approval by the Board and regardless  
55 of any understanding, agreement, language or reference set forth in the Assignment

1 instrument, does not release nor relieve the assigning/transferring Lessee from  
2 satisfying and complying with any of its obligations accrued prior to the Board  
3 approval date of such Assignment arising under the terms, conditions, duties,  
4 responsibilities and/or obligations required by this Lease. The assigning Lessee  
5 shall not be responsible for any obligations its approved assignee/transferee  
6 accrues after the approval date of the Assignment in favor of such party.  
7

8 (E) Lessee understands and agrees that the Board may refuse to consent to such  
9 Assignment if, in the Board's reasonable opinion, the proposed assignee/transferee  
10 lacks the necessary financial capacity to meet the obligations required by this  
11 Lease or technical capacity to sustain reasonable development of the Leased  
12 Premises. Should the Board not approve the Assignment, regardless of whether  
13 the Assignment instrument is duly recorded, the assignor and its ancestors in title  
14 shall remain responsible for satisfying and complying with the terms, conditions,  
15 duties, responsibilities and obligations of this Lease.  
16

17 (F) Upon approval of the Assignment by the Board, all terms, provisions, conditions,  
18 duties, responsibilities and obligations of this Lease shall be binding upon and  
19 inure to the benefit of approved assignee(s)/transferee(s), except as otherwise set  
20 forth herein.  
21

22 (G) Assignees, sublessees and other transferees are responsible for researching the  
23 records maintained by OMR and the Clerk of Court in and for the parish(es)  
24 wherein the Leased Premises is located to determine whether this Lease proposed  
25 for assignment remains valid and is subject to lawful assignment by the assignor.  
26

#### 27 **ARTICLE 5 - FORCE MAJEURE AND SUSPENDING EVENTS**

28  
29 (A) If, at any time this Lease is being maintained, Lessee is prevented from continuing  
30 Acceptable Lease Operations and/or Production in Paying Quantities by the  
31 occurrence of a Force Majeure or Suspending Event (herein "**Incident**"), both  
32 hereinbelow defined, and Lessee cannot maintain this Lease under any other  
33 operative provision hereof, such as the payment of annual rental, Deferred  
34 Development Payment or Shut-In Payment, then and only then shall the date for  
35 Lessee to re-commence Acceptable Lease Operations and/or Production in Paying  
36 Quantities be postponed on a day-for-day basis for so long as the adverse effects  
37 upon Lessee's Acceptable Lease Operations and/or Production in Paying  
38 Quantities prevail.  
39

40 (B) Lessor may recognize the Incident provided that Lessee has submitted:  
41

42 (1) Written notice of the occurrence within ninety (90) days of the Incident  
43 onset;  
44

45 (2) An affidavit containing:  
46

47 (a) The onset date, description and nature of the Incident;

48 (b) The effects preventing continuation of Acceptable Lease Operations  
49 or Production in Paying Quantities;

50 (c) The steps being taken to mitigate and eliminate those effects; and

51 (d) An estimated time for resumption of Acceptable Lease Operations or  
52 Production in Paying Quantities.  
53

54 (3) Evidence of Lessee's diligent, reasonable and good faith efforts to mitigate  
55 and eliminate the effects of the Incident and to resume Acceptable Lease

1 Operations and/or Production in Paying Quantities; and

2  
3 (4) Any other information or documentation evidencing the existence of the  
4 Incident requested by Lessor.

5  
6 (C) If Acceptable Lease Operations and/or Production in Paying Quantities cease prior  
7 to the Incident onset (or during the period in which the Incident is still in effect),  
8 and the Incident prevents Lessee from re-establishing Acceptable Lease Operations  
9 and/or Production in Paying Quantities, then the date for Lessee to re-establish  
10 Acceptable Lease Operations and/or Production in Paying Quantities shall be  
11 extended by the period of time during which Lessee was prevented from re-  
12 establishing Acceptable Lease Operations and/or Production in Paying Quantities.

13  
14 (D) The occurrence of an Incident shall not maintain this Lease for more than twelve  
15 (12) months from the date of the Incident onset unless extended by the Board. To  
16 utilize Article 5, Lessee shall be required to submit written, detailed reports on a  
17 monthly basis to OMR and demonstrate the ongoing efforts by Lessee to mitigate  
18 the effects of the Incident.

19  
20 (E) A “*Force Majeure*” event, as herein utilized, shall be a fortuitous event that is  
21 beyond Lessee’s control and is not ultimately determined to be caused by Lessee  
22 nor due to Lessee’s negligent or intentional commission or omission, or failure to  
23 take reasonable and timely foreseeable preventative measures that would have  
24 mitigated or negated the effects of the event. A Force Majeure event may include  
25 (1) a major storm, major flood or other similar natural disaster, or (2) a major  
26 accident such as a blowout, fire or explosion.

27  
28 (F) A “*Suspending Event*”, as herein utilized, shall be (1) the lack of availability, after  
29 Lessee has diligently, timely and in good faith attempted to secure same, of any  
30 required equipment and/or personnel, such as the specific type of rig or specific  
31 type of casing or drill pipe, or (2) the unreasonable delay by any government  
32 agency or political subdivision in granting permits necessary for Acceptable Lease  
33 Operations or Production in Paying Quantities, or (3) an order of any federal or  
34 state court of competent jurisdiction preventing Acceptable Lease Operations or  
35 Production in Paying Quantities, or (4) the act of a third party, not under the  
36 control or at the instigation of Lessee, in shutting down and unreasonably refusing  
37 to reopen any facility through which hydrocarbons from this Lease are necessarily  
38 passed as part of production (and provided there is no other reasonably economical  
39 method of carrying on production), or (5) other events not described herein that are  
40 recognized by Lessor.

41  
42 (G) If the reports are not timely submitted or if Lessee did not attempt in good faith to  
43 mitigate the effects of the Incident, the Board, after notice and opportunity to be  
44 heard, may declare the Incident recognition to be ended and that Lessee may not  
45 after such failure utilize this provision to excuse any failure to comply with any  
46 obligations of this Lease relating to the particular Incident involved.

47  
48 (H) For purposes of this Article:

49  
50 (1) An increase in costs of performing the obligations set forth in this Lease  
51 shall not constitute circumstances beyond Lessee’s control;

52  
53 (2) Lessee’s financial inability to comply with any of the obligations of this  
54 Lease shall not be grounds for an extension of time;

- 1 (3) Notice (as required under Article 5(B)(1) above) given beyond ninety (90)  
2 days shall be deemed unreasonable barring consequential extenuating  
3 circumstances; and  
4  
5 (4) The interpretation and operation of any term of this Force Majeure and  
6 Suspending Event provision are at the sole, reasonable discretion of the  
7 Board.  
8

9 **ARTICLE 6 - POOLING AND UNITIZATION**  
10

- 11 (A) Lessee may, by order of the Commissioner of Conservation or by conventional  
12 agreement with the consent and approval of Lessor, pool or unitize the Leased  
13 Premises (or any portion thereof), including in combination with other property or  
14 leases (or portions thereof). Unitized Operations from property other than the  
15 Leased Premises within the pooled or unitized area shall have the same effect as if  
16 said operations had occurred on the Leased Premises with respect to Lease  
17 maintenance.  
18

19 No conventional unit or pooling agreement shall be approved by Lessor unless a  
20 unit plat compiled and certified by a licensed surveyor showing the unit outline and  
21 each lease or other property interest within the Unit as having been surveyed  
22 accompanies and is attached to the Unit or pooling agreement unless waived by  
23 Lessor.  
24

- 25 (B) Should Lessee apply or give notice of intent to apply to the Commissioner of  
26 Conservation for the creation of any Unit or Units that would include all or any  
27 portion of the Leased Premises, Lessee shall furnish Lessor with a copy of the  
28 notice or application, accompanying unit plat, and all other attached information.  
29 Said copies shall be furnished to Lessor either at the time the application is filed  
30 with the Commissioner of Conservation or at the time required by applicable  
31 orders or regulations of the Commissioner of Conservation for furnishing such  
32 information, whichever is earlier. Unless waived by Lessor, if a Unit or Units  
33 including all or any portion of the Leased Premises are created by order of the  
34 Commissioner of Conservation, Lessee shall submit to Lessor a survey plat of each  
35 Unit or Units so created, either prior to or within ninety (90) days of initial  
36 production from the Unit (which time period may be extended by Lessor). The  
37 survey plat of the Unit or Units must clearly identify the Leased Premises, the tract  
38 acreage, and the unit percentage participation for same.  
39

40 Failure of Lessee, after notice, to timely submit such a plat shall subject Lessee to  
41 liquidated damages in the amount of One Hundred (\$100.00) Dollars per day. This  
42 assessment shall commence on the thirty-first (31<sup>st</sup>) day after receipt of such notice  
43 and continue until the required plat is provided. If Lessee submits the survey plat  
44 within thirty (30) days after its receipt of such notice, then no damages are due.  
45

- 46 (C) If a surface and/or subsurface agreement requested by Lessee for the drilling of a  
47 well on or traversing the Leased Premises is granted by an agency of the State to  
48 Lessee during the term of this Lease, Lessee shall furnish to Lessor copies of any  
49 and all data required on the subject well in accordance with Article 8 below.  
50 Further, a presumption shall exist, unless Lessee can reasonably demonstrate the  
51 contrary to Lessor, that a Unit for the well should be formed to include a portion of  
52 this Lease, and Lessee agrees to form a Unit either by a conventional agreement  
53 approved by the Board or make application to the Commissioner of Conservation  
54 for the formation of such a Unit within six (6) months after completion of the  
55 subject well. Once the Unit is formed, royalties attributable to the Leased Premises

1 included in the Unit will be paid back to the first date of production from the well.

- 2
- 3 (D) If on the Effective Date, all or any portion of the Leased Premises is included in a
- 4 Unit established by order of the Commissioner of Conservation with one or more
- 5 unit wells producing at that time and Lessee is a working interest owner in such
- 6 unit well or wells, Lessee agrees to pay royalty on all oil, gas or other liquid or
- 7 gaseous mineral produced and saved or utilized from such unit wells or wells and
- 8 attributable to the Leased Premises from the effective date of such Unit or from the
- 9 date Lessee acquired an interest in such well or wells, whichever is later, regardless
- 10 of whether all development and operating costs chargeable to the Leased Premises
- 11 have been paid. Nothing herein shall be construed as requiring Lessee to pay
- 12 royalties under this Article 6(D) if royalties (or state interests) on such production
- 13 were paid pursuant to the terms of a previous lease (or state operating agreement)
- 14 with the State.
- 15

### 16 ARTICLE 7 - OFFSET WELLS

17

18 The obligations set forth in this Article apply to only wells that are drilled on “*Adjoining*

19 *Property*” (which is defined as property that is (1) not the Leased Premises, (2) not part of

20 a Unit that contains all or any portion of the Leased Premises, and (3) not part of state

21 lease or state operating agreement having a royalty or state interest rate greater than that

22 set forth herein). Wells drilled on Adjoining Property are hereafter referred to as

23 “*Adjoining Wells*”.

24

- 25 (A) At any time during or after the Primary Term, if there is completed an Adjoining
- 26 Well located within six hundred and sixty feet (660’) of the Leased Premises (or
- 27 within any spacing or pooling unit distance greater than 660’ established by the
- 28 Commissioner of Conservation) and such Adjoining Well has production in paying
- 29 quantities for twenty (20) days (that need not be consecutive) during any period of
- 30 thirty (30) days, or produces its monthly allowable during any period of thirty (30)
- 31 days, Lessee agrees that the following rebuttable presumptions will arise: (1) that
- 32 the Leased Premises is thereby being drained; (2) that the Leased Premises is not
- 33 reasonably being protected from drainage by any well or wells on the Leased
- 34 Premises or lands pooled or unitized with any or all portions thereof hereafter
- 35 referred to as “Offset Well(s)”; and (3) that an Offset Well would be economically
- 36 feasible.
- 37

- 38 (1) If Lessee is the operator of or has a working interest in such Adjoining Well,
- 39 Lessee shall within ninety (90) days after the end of the above thirty (30)
- 40 day period either begin Actual Drilling Operations for an Offset Well or
- 41 commence (or cause to be commenced) unitization for the Adjoining Well.
- 42
- 43 (2) In all other cases, Lessee shall be required to begin such Actual Drilling
- 44 Operations for an Offset Well or commence (or cause to be commenced)
- 45 unitization for the Adjoining Well within ninety (90) days after receipt of
- 46 written notice from the Board which notice shall not be sent until after the
- 47 end of the above thirty (30) day period.
- 48

49 The last day of the ninety (90) day periods addressed in (1) and (2) above shall be

50 referred to as the “*Maturity Date*”.

51

- 52 (B) No Offset Well shall be necessary if, on or before the Maturity Date, as it may be
- 53 deferred as hereinafter provided, any of the stated presumptions is rebutted or if a
- 54 Unit for the Adjoining Well in question is formed by agreement with the Board or
- 55 created or under consideration by the Commissioner of Conservation.

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(C) In lieu of commencing operations for an Offset Well or unitization for the Adjoining Well as above provided, Lessee may, at its option, commence compensatory payments to Lessor equal to the royalty herein provided, computed on one-half (1/2) of the oil, gas or other liquid or gaseous minerals produced by the Adjoining Well in question on and after the Maturity Date, value to be determined in accordance with the royalty payment provisions of this Lease. Such payments may be commenced on or before sixty (60) days after the Maturity Date, but shall include any accrued compensatory payment commencing on the Maturity Date. Thereafter, payments shall be due monthly in accordance with royalty payment provisions herein.

Lessee shall not be in default in commencing compensatory payments or in making further payments as above provided if, despite due diligence, Lessee is unable to timely obtain the production information on which such payments are to be based. In such case, however, Lessee must, on or before the payment due date, notify Lessor, in writing, of Lessee's inability to make such payment, the reason(s) therefor and Lessee's intention of making such payment at the earliest reasonable time.

Compensatory payments may be continued, at Lessee's discretion, for not more than one (1) year from the Maturity Date. At the end of that time, or within thirty (30) days from the end of any lesser period for which payments are made, Lessee shall comply with this offset obligation if the Adjoining Well continues to have production in paying quantities or to produce its allowable, and the other conditions making this obligation operative continue to exist. The right to make compensatory payments is intended to permit Lessee to further evaluate the producing Adjoining Well, and the making of such payments shall not of itself be sufficient to maintain this Lease if this Lease is not otherwise being maintained; however, the making of such payments shall not prejudice Lessee's right to rebut any of the above enumerated presumptions.

(D) In addition to the specific offset drilling obligation above provided, if Lessee knows or reasonably has access to information, by examination of geological, seismic or other relevant data, that drainage of the Leased Premises is occurring, Lessee agrees to protect the Leased Premises from drainage of oil, gas or other liquid or gaseous minerals by a producing Adjoining Well that may be more than six hundred and sixty feet (660') from the Leased Premises by whatever means necessary, including the drilling of an Offset Well or obtaining the formation of appropriate drilling or production units for the Adjoining Well. If Lessee is the operator of or has a working interest in a producing Adjoining Well, Lessee shall be obligated, within ninety (90) days from the time Lessee knows or reasonably has access to information that drainage is occurring, to take such steps as reasonably necessary to protect the Leased Premises. In all other cases, Lessee shall not be obligated to begin such operations or take other steps until receipt of written notice from the Board.

(E) In those instances in which notice from the Board is expressly required under this Article, if due, damages shall be computed only from the date that notice is received or, if Lessee commences compensatory payments, the date on which such payments are discontinued. In those instances in which there is no requirement of notice, if due, damages shall be computed from the time Lessee knew or reasonably had access to information that drainage was occurring. The damages Well, and may include lease cancellation (except as contemplated herein shall consist of the royalty percentage of this Lease, multiplied by one-half of the value

1 of the production from the draining Adjoining provided in Article 18(C) below) for  
2 refusal by Lessee to take the steps necessary to prevent drainage. Written notice  
3 from Lessor containing a demand for performance and Lessee's failure to timely  
4 comply with such notice shall be necessary as a prerequisite to any action for  
5 cancellation of this Lease for Lessee's nonperformance of its obligation to protect  
6 the Leased Premises against drainage.  
7

## 8 **ARTICLE 8 - LESSEE REPORTING**

9  
10 (A) Lessee shall furnish Lessor, upon request, all of the following types of well and  
11 survey data in Lessee's possession, or reasonably accessible to Lessee in  
12 connection with this Lease including, but not limited to: (1) all wire line surveys in  
13 open or cased holes including, but not limited to electrical and radioactivity logs,  
14 porosity logs of all types and dip-meters, with all such logs to be provided, in  
15 standard fanfold paper format at scales of 1 inch to 100 feet and 5 inches to 100  
16 feet, digital image files in TIF and PDF formats, and composite digital curve data  
17 in LAS (Log ASCII Standard) format or other format requested by Lessor if  
18 maintained by Lessee; (2) directional surveys; (3) mud logs and core descriptions  
19 of both sidewall samples and conventional cores; (4) drill stem and production test  
20 data; (5) daily drilling reports (to be supplied weekly); and (6) production data,  
21 current and cumulative, including oil, gas and water production, surface and  
22 subsurface pressures (collectively "**Data**").  
23

24 Upon request, Lessee also shall furnish Lessor with any other information and data  
25 in Lessee's possession or reasonably available to Lessee in order to keep Lessor  
26 fully informed of Lessee's good faith compliance with the provisions of this Lease  
27 and continuing development of and operations on the Leased Premises. This  
28 information together with the Data shall be referred as to the "**Records**".  
29

30 Notwithstanding anything herein to the contrary, Lessee's obligation to provide  
31 such information or data is limited to the format actually used by Lessee or  
32 reasonably available to Lessee. Furthermore, to the extent allowed by law, Lessor  
33 agrees to keep confidential any such Records not already part of the public domain.  
34

35 (B) Nothing in this Article shall require Lessee to furnish or permit inspection of  
36 Lessee's interpretation of the types of data referred to above, and nothing herein  
37 shall be construed as requiring Lessee to secure any such data solely for the  
38 purpose of this Article. Lessor's representatives shall have access, at reasonable  
39 times and intervals, to examine and inspect Lessee's Records and operations being  
40 conducted on the Leased Premises or lands pooled or unitized with any or all  
41 portions thereof. To the extent allowed by law, Lessor shall keep confidential any  
42 information (including Records) not part of the public domain.  
43

44 (C) Failure of Lessee, after notice, to satisfy the requirements of this Article shall  
45 subject Lessee to liquidated damages in the amount of One Hundred (\$100.00)  
46 Dollars per day for each day of non-compliance, commencing on the thirty-first  
47 (31<sup>st</sup>) day after receipt of notice. If Lessee satisfies such requirements within thirty  
48 (30) days after its receipt of such notice, then no damages are due.  
49

## 50 **ARTICLE 9 – ROYALTY**

51  
52 Unless Lessor elects to take in-kind all or any part of the portion due Lessor as royalty on  
53 minerals produced and saved hereunder, which option is hereby expressly reserved by  
54 Lessor pursuant to La. R.S. 30:127(C), and which option is to be exercised by written  
55 notice by Lessor to Lessee at any time and from time to time while this Lease is in effect

1 (either prior or subsequent to acceptance by Lessor of royalties other than in-kind), it  
2 being understood that nothing contained in this Lease shall ever be interpreted as limiting  
3 or waiving said option, Lessee shall pay to Lessor as royalty:

4  
5 (A) \_\_\_\_\_(\_\_\_\_%) percent of the value, as  
6 hereinafter provided, of all oil, including condensate or other liquid mineral,  
7 produced (includes sales, stored or traded in-kind) and saved or utilized by  
8 methods considered ordinary production methods at the time of production. The  
9 price of such oil sold to a Non-Affiliate or Affiliate shall not be less than the "**Fair  
10 Market Price**". Fair Market Price is considered the average sales price for oil of  
11 like grade and quality in the field in which the lease is situated. If the Lessee is the  
12 sole Producer within the field, Fair Market Price shall be deemed the average sales  
13 price of oil of like grade and quality for the three nearest surrounding fields.  
14 Consideration may be given to one or more of the following when determining the  
15 Fair Market Price: NYMEX, NYMEX + roll, any of the major Oil Market Centers  
16 (for example, St. James, Cushing, Empire or Argus) or any amalgamation of Field  
17 Posted Price, plus Platt's P+, plus any market adjustments (including for kind and  
18 quality). If at a future date, an industry recognized and accepted index changes to  
19 something other than those listed above, the new standard may be considered  
20 and/or utilized. If Lessee enters into a prudently negotiated, arm's length oil sales  
21 contract, which at the time of execution, provides for a price equal to or in excess  
22 of the Fair Market Price as described above, the price payable under the terms of  
23 the contract at the time such oil is run shall be the value of such oil, even though  
24 the appropriate average changes during the life of the contract.

25  
26 Lessee shall not make any deduction whatsoever for the cost of any operation,  
27 process, facility or other item considered to be a production function or facility at  
28 the time such oil is run. Without limiting the foregoing sentence and without  
29 regard to classification as production costs or otherwise, the following costs shall  
30 not be deducted from the value of production: (1) costs incurred for gathering,  
31 moving or transporting production within the field boundaries; (2) costs incurred  
32 for handling, treating, separating, fractionating or in any way processing  
33 production to make it marketable by methods considered ordinary at the time such  
34 oil is run; (3) the cost of storage on the Lease or in the field; (4) marketing fees,  
35 any other miscellaneous fee, or unspecified discounts and/or subtractions from the  
36 base price incurred during or related to the sale of oil by Lessee, an Affiliated Party  
37 or a Non-Affiliated Party; and (5) line loss. The performance of any producing  
38 function or any function mentioned within clauses (2) and (3) above at a  
39 commingled facility in or outside the field in which this Lease is situated shall not  
40 make the cost of any such function deductible.

41  
42 If Lessee delivers oil at a point outside the field in which this Lease is situated by  
43 means of facilities belonging to a Non-Affiliated Party, Lessee may deduct from  
44 the value of such oil a reasonable sum not in excess of actual costs, as evidenced  
45 by invoices from the transporter(s) or other documentation Lessor deems  
46 appropriate, for the transportation from the field boundary to the point of delivery.  
47 If such transportation is by means of facilities owned by an Affiliated Party, Lessee  
48 may deduct the lesser of the actual cost of such transportation, or the fair market  
49 value of the services performed. If actual cost is greater than fair market value, the  
50 fair market value shall determine the amount subject to deduction. However, if the  
51 facilities used are regulated as a common carrier by a state or federal regulatory  
52 agency, the authorized tariff chargeable and paid by Lessee for the services  
53 rendered shall be deemed the fair market value of such services. If such  
54 transportation is by means of facilities owned by Lessee, Lessee may deduct from  
55 the value of production a reasonable sum for such services computed as follows:



1 the amount deductible shall include only (1) the direct cost of operations and  
2 maintenance, including costs of labor, direct supervision, fuel, supplies, ordinary  
3 repairs and ad valorem taxes; and (2) depreciation of the facility computed over the  
4 estimated life of the field or the reserves. Transportation or location differential, as  
5 a component of a contract between seller and buyer, is subject to the same terms  
6 and restrictions, listed here-in.  
7

8 If Lessee receives any compensation for any function or process for which Lessee  
9 is responsible to Lessor without right to deduct costs including, but not limited to  
10 (1) handling, gathering or transporting such oil, or (2) treating or processing such  
11 oil by ordinary methods to make it marketable, the amount of such compensation  
12 shall be added to the value of such oil when computing royalties. If Lessee is  
13 deducting costs for any functions for which it also is receiving compensation,  
14 deductions may be made for costs only to the extent they are in excess of any such  
15 compensation.  
16

17 (B) \_\_\_\_\_ (\_\_\_\_%) percent of the  
18 value, as hereinafter provided, of all gas, including casinghead gas, produced  
19 (including sales, vented, flared, flash, stored, interlease sales and utilized gas), sold  
20 and stored, saved or utilized by methods considered as ordinary production  
21 methods at the time of production. The value of such gas sold to a Non-Affiliated  
22 Party or Affiliated Party (and the value of gas vented, flared, or utilized (includes  
23 gas used in lift operations) by Lessee in the field) shall not be less than the Fair  
24 Market Price. **“Fair Market Price”** shall be the average price paid for gas of like  
25 kind and quality from the field produced. If the Lessee is the sole Producer within  
26 the field, Fair Market Price shall be deemed the average sales price paid for gas of  
27 like kind and quality for the three nearest surrounding fields. Consideration may  
28 be given to one or more of the following when determining the Fair Market Price:  
29 a pipeline index in the field or adjacent to the field; Bloomberg Liquefied  
30 Petroleum Gas Prices; Platt’s LP Gas Wire; a NYMEX closing price; and/or a  
31 Henry Hub price or other comparable HUB price; plus/minus premium and/or  
32 transportation outside the field. If at a future date an industry recognized and  
33 accepted index changes to something other than those listed above, the new  
34 standard may be considered and/or utilized. If Lessee enters into a prudently  
35 negotiated, arm’s length gas sales contract, which at the time of execution provides  
36 for a price equal to or in excess of the Fair Market Price as described above, the  
37 price payable under the terms of the contract at the time such gas is produced shall  
38 be the value of such gas, even though the appropriate average changes during the  
39 life of the contract. Except as expressly authorized hereby, Lessee shall not make  
40 any deduction whatsoever for the cost of any operation, process, facility or other  
41 item considered to be a producing function at the time such gas is produced.  
42 Without limiting the foregoing sentence and without regard to classification as  
43 production costs or otherwise, the following costs are not to be deducted from the  
44 value of production: (1) costs incurred for gathering, moving or transporting  
45 production within the field boundaries; (2) costs incurred for dehydrating,  
46 decontaminating (as with an amine plant inside the field), fractionating or in any  
47 way processing production to make it marketable by methods considered ordinary  
48 at the time such gas is produced; (3) marketing fees, any other miscellaneous fee,  
49 or unspecified discounts and/or subtractions from the base price incurred during or  
50 related to the sale of gas by Lessee, an Affiliated Party or Non-Affiliated Party;  
51 and (4) line loss. The performance of any producing function or any function  
52 mentioned in (2) above at a commingled facility inside or outside the field in which  
53 this Lease is situated shall not make the cost of any such function deductible.  
54 Without regard to classification as production costs or otherwise, Lessee may  
55 deduct costs incurred for compression of gas at a point in or adjacent to the field

1 for insertion into a purchaser's line or into a line owned by Lessee or a carrier for  
2 transportation to a point of delivery outside the field.

3  
4 If Lessee delivers gas at a point outside the field in which this Lease is situated by  
5 means of facilities belonging to a Non-Affiliated Party, Lessee may deduct from  
6 the value of such gas a reasonable sum not in excess of actual costs, as evidenced  
7 by invoices from the transporter(s) or other documentation Lessor deems  
8 appropriate, for transportation from the field boundary to the point of delivery. If  
9 such transportation is by means of facilities owned by an Affiliated Party, Lessee  
10 may deduct the lesser of the actual cost of such transportation or the fair market  
11 value of the services performed. If actual cost is greater than fair market value, the  
12 fair market value shall determine the amount subject to deduction. If such  
13 transportation is by means of facilities owned by Lessee, Lessee may deduct from  
14 the value of production a reasonable sum for such services computed as follows:  
15 the amount deductible shall include only (1) the direct cost of operations and  
16 maintenance, including costs of labor, direct supervision, fuel, supplies, ordinary  
17 repairs and ad valorem taxes, and (2) depreciation of the facility calculated over the  
18 estimated life of the field or the reserves.

19  
20 If Lessee receives any compensation for any function or process for which Lessee  
21 is responsible to Lessor without right to deduct costs including, but not limited to  
22 handling, gathering or transporting such gas, or dehydrating, decontaminating or in  
23 any way processing production to make it marketable, the amount of such  
24 compensation shall be added to the value of such gas when computing royalties. If  
25 Lessee is deducting costs for any functions for which it also is receiving  
26 compensation, deductions may be made for costs only to the extent they are in  
27 excess of any such compensation.

28  
29 (C) In addition to the separation of condensate or other liquid mineral from gas by  
30 ordinary production methods (as to which Lessor shall receive royalties as  
31 provided in Article 9(B) above and for which separation, no charge may be made  
32 by Lessee), gas produced hereunder, including casinghead gas, may be processed  
33 in a gasoline or other extraction plant in or serving the field, and products may be  
34 recovered therefrom either directly by Lessee or under prudently negotiated arm's  
35 length contracts executed by Lessee. If Lessee enters into a prudently negotiated  
36 arm's length contract for the processing of gas with a Non-Affiliated Party or  
37 parties under which such party or parties retain in-kind a portion of the products  
38 recovered from or attributed to such gas, in lieu of processing fees, the in-kind  
39 portion of the products kept as the processing fee must be reasonable and prudently  
40 negotiated. Lessee may deduct from the value of liquids, the value of the retained  
41 in-kind portion or costs specifically identified as processing fees, but not both.  
42 Lessee shall be held accountable for royalty due on excessive in-kind retention.  
43 Lessee shall pay royalty on residue gas sold as detailed for gas sold in (B) above  
44 based on the value, as hereinafter determined, of Lessee's share of such products  
45 under such negotiated contract. Residue gas is defined as: all plant source gas  
46 delivered by a producer for processing, less shrinkage due to liquid extraction; fuel  
47 required for plant equipment necessary for liquid extraction; flare gas; and  
48 unavoidable losses. In all other cases, Lessee shall pay the royalty provided for gas  
49 in Article 9(B) above based on the value, as hereinafter determined, of the total  
50 products recovered, after deducting therefrom the costs of processing as specified  
51 below.

52  
53 Sales of products to a Non-Affiliate are subject to audit utilizing the criteria in the  
54 following paragraph, and subject to the right of Lessor to verify sales and  
55 subsequent royalty payment based upon Fair Market Price.

1 If the products are sold by Lessee to an Affiliated Party under a prudently  
2 negotiated arm's length contract or under a contract that would not have been  
3 considered prudently negotiated arm's length if executed by a Non-Affiliated  
4 Party, the value of the products shall be the fair market value as detailed above.  
5 The value of such products (or Lessee's share thereof) sold in the absence of a  
6 prudently negotiated arm's length contract shall be determined as follows: (1) the  
7 fair market value for products sold at the plant; (2) if no products are being sold at  
8 said plant, the average of market values for like products of the same grade and  
9 quality at the three nearest plants where such products are sold. In no event shall  
10 products be valued at an amount less than fair market value as detailed above.  
11

12 When the cost of processing is not met by retention by the processor of a share of  
13 the products or in any other case in which Lessee may deduct from the value of  
14 such products the reasonable and prudent costs of processing, the charges shall be  
15 determined as follows: (1) if the gas is processed by a Non-Affiliated Party under a  
16 prudently negotiated arm's length contract, the reasonable costs that may be  
17 deducted shall be those provided in such contract; or (2) if the gas is processed by  
18 an Affiliated Party, or is processed at a plant in which Lessee has an ownership  
19 interest, the combined value of the residue gas as set forth herein and the liquid or  
20 gaseous products resulting from such processing used to determine royalty shall  
21 not be less than as though royalty were calculated on the value (as determined  
22 under the provisions of (B) above of volume on said gas before processed,  
23 produced, saved and utilized from the Leased Premises).  
24

25 The following costs are never to be deducted: (1) any and all marketing fees  
26 incurred for the sale of the plant products; and (2) any and all costs for which  
27 Lessee is reimbursed by another party.  
28

29 When processing involves an Affiliated Party or parties, or Lessee has an  
30 ownership interest in the plant, charges are determined by the contract between  
31 Lessee as producer and processor. In the absence of such a contract, deductible  
32 charges are limited to the proportionate part of (1) the annual direct costs of  
33 operating and maintaining the plant, including costs of labor and on-site  
34 supervision, shrinkage, materials, supplies and ordinary repairs, (2) plant  
35 depreciation, less salvage value, computed over the life of the field(s) served by the  
36 plant, or other such method as agreed upon by the Board and Lessee, and (3) ad  
37 valorem taxes.  
38

39 In accordance with the provisions of this Article 9(C) above, Lessor shall be  
40 entitled to the royalty for gas provided in Article 9(B) above based on the value of  
41 Lessee's share of the residue gas sold or otherwise disposed of after extraction of  
42 natural gas liquids.  
43

44 Royalty on residue gas and liquids, in aggregate, shall not be less than royalty  
45 calculated using unprocessed gas volume (keep whole) available for sale at the  
46 wellhead. Consideration will be given for circumstances in which Lessee is  
47 compelled to process either by an independent third party or contractual obligation.  
48

49 (D) \_\_\_\_\_ (\_\_\_\_%) percent of  
50 any and all other liquid or gaseous hydrocarbon minerals in solution produced with  
51 oil or gas and saved or utilized that are not specifically mentioned herein, said  
52 royalties to be delivered or paid when marketed or utilized in accordance with the  
53 accepted practice in such matters.  
54

55 Lessor's royalty shall be calculated and paid after deduction of all severance taxes.

1  
2 The first payment of royalty shall be made within one hundred twenty (120) days  
3 following commencement of production from or allocation of production to the Leased  
4 Premises, except that in the case of any production from or allocable to the Leased  
5 Premises that has occurred prior to the Effective Date, but which is deemed to be covered  
6 by this Lease, Lessee hereby agrees to pay royalty on all such prior production within one  
7 hundred twenty (120) days from the Effective Date. Thereafter, royalty on oil, including  
8 condensate or other liquid mineral, produced and saved at the well by ordinary production  
9 methods shall be paid by the 25<sup>th</sup> day of each month on production from the previous  
10 month. Thereafter, royalty on gas, including liquids or other products extracted or  
11 processed from gas other than by ordinary production methods, or other liquid or gaseous  
12 mineral not specifically mentioned, shall be paid on or before the 25th day of the second  
13 month following that in which such product was produced or extracted or processed. In  
14 the event any royalty payment is not correctly or timely made, the remedies provided by  
15 La. R.S. 30:136 and 31:137-142 relative to penalties, notice, damages, interest, attorney  
16 fees and dissolution shall be applicable, except that interest shall be payable thereon until  
17 paid without any requirement for prior written notice by Lessor to Lessee.

18  
19 Unless otherwise authorized by the Board, Lessee shall be responsible for designating one  
20 payor of all royalties due under this Lease per LeaseUnitWell (“LUW”) Code or Lease in  
21 the event the Leased Premises is not unitized in accordance with La. R.S. 30:9 and 30:10.

22 Designation of a payor for each LUW Code or Lease shall be made to the Property  
23 Section of the Mineral Income Division of the Office of Mineral Resources. If reporting  
24 and payments are not received timely and properly, such Lessee, its successor, transferees  
25 and assigns shall be subject to penalties, after notice, in accordance with La. R.S.  
26 30:136(B).

27  
28 Lessee shall report all production of hydrocarbons and associated liquid or gaseous  
29 minerals from or attributable to this Lease to the Production Audit Division of the Office  
30 of Conservation and to the Mineral Income Division of the Office of Mineral Resources  
31 by appropriate forms containing both the LUW Code and the Well Serial Number. Failure  
32 to report production as herein specified shall be deemed improper reporting, which shall  
33 subject Lessee to the penalty specified therefor.

### 34 35 **ARTICLE 10 - AUDIT RIGHTS**

36  
37 (A) Lessee shall keep a complete and accurate account of all its books and records  
38 pertaining to its calculation of royalty utilizing accounting systems and methods in  
39 compliance with Generally Accepted Accounting Principles consistently applied to  
40 ensure the most accurate figures reasonably available. Lessee shall retain in its  
41 possession detailed papers, books, records, accounts and other documents relative  
42 to its calculation and payment of royalties and other sums due by Lessee hereunder  
43 for examination by OMR personnel at all reasonable times. Such documentation  
44 shall be maintained in an organized manner and otherwise in the manner that such  
45 documentation is regularly maintained by Lessee in the ordinary course of its  
46 business which best facilitates its review, inspection, examination and audit. Upon  
47 reasonable notice, the Board, through OMR, shall have the right to review and  
48 audit such documents and systems for purposes of verifying their accuracy and  
49 reporting requirements. To the extent allowed by law, all documents, working  
50 papers and information provided for review, audit and/or access shall be  
51 maintained by OMR personnel in strict confidence.

52  
53 (B) In addition to all other audit rights set forth in this Lease or required by law, OMR  
54 personnel shall have access to all books, records, papers, reports, accounts and  
55 documents of Lessee to facilitate any such examination or investigation. If records

1 are maintained in machine-sensible and hard copy formats, Lessee shall make such  
2 records available to OMR in said format.

3  
4 **ARTICLE 11 - LEASE ACCESS**  
5

- 6 (A) This Lease is subject to the requirements of La. R.S. 30:127(G) such that the  
7 public's access to public waterways throughout the State lands covered by this  
8 Lease shall be maintained and preserved for the public by Lessee.  
9
- 10 (B) Lessor retains the right, throughout the life of this Lease, to use all existing roads  
11 and waterways and those constructed or reconstructed by Lessee for any and all  
12 purposes deemed necessary or desirable in connection with the control,  
13 management, administration and harvest of Lessor-owned land or resources  
14 thereof, including timber management.  
15
- 16 (C) Lessor retains the right, throughout the life of this Lease, to use any and all  
17 portions of the Leased Premises for any and all purposes so long as doing so does  
18 not unreasonably interfere with the rights and performance of Lessee under this  
19 Lease.  
20
- 21 (D) Lessor shall have the right to sell, exchange, transfer or otherwise dispose of all or  
22 any portion of the Leased Premises. Further, Lessor shall have the right to issue  
23 rights-of-way and easements upon the Leased Premises so long as such rights-of-  
24 way or easements do not unreasonably interfere with Lessee's operations  
25 conducted pursuant to the rights granted by this Lease.  
26
- 27 (E) Lessor reserves the right to access the Leased Premises at all reasonable times in  
28 order to inspect the Leased Premises and to investigate and secure compliance by  
29 Lessee with all Lease requirements.  
30
- 31 (F) The rights reserved hereunder may be exercised by Lessor or any other person or  
32 entity acting under the authority of Lessor in any manner that does not  
33 unreasonably interfere with or endanger Lessee's operations under this Lease.  
34
- 35 (G) All rights pertaining to the Leased Premises not expressly granted to Lessee by this  
36 Lease, or necessarily implied herein, are hereby reserved to Lessor.  
37

38 **ARTICLE 12 - LESSOR'S RIGHTS**  
39

40 Lessee agrees that any failure by Lessor to enforce any provision, obligation, condition,  
41 right or privilege of this Lease shall not constitute a waiver or relinquishment by Lessor  
42 of its rights, privileges and/or remedies afforded herein or by law. Furthermore, Lessee  
43 agrees that it shall not hold or use Lessor's failure to enforce any provision, obligation,  
44 condition, right or privilege as a defense in any future dispute or litigation. As such, all  
45 provisions, obligations, conditions, rights and privileges granted hereby or by operation  
46 of law shall remain valid, in force and enforceable despite Lessor's failure to previously  
47 enforce them.  
48

49 **ARTICLE 13 - ENVIRONMENTAL LAWS AND REGULATIONS**  
50

- 51 (A) Lessee hereby agrees that in exercising the rights granted hereunder, it will comply  
52 with and be subject to all applicable state and federal environmental laws and  
53 regulations. Lessee also agrees that it will comply with all minimum water quality  
54 standards adopted by any governmental authority with respect to pollution, noxious  
55 chemicals and waste being introduced into affected water areas. Further, in

1 conducting operations under this Lease requiring dredging, filling or navigation in  
2 order to conduct oil and gas exploration and production operations, Lessee shall  
3 comply with all applicable state and federal requirements for the permitting of such  
4 activities in the operational area.  
5

- 6 (B) For purposes of this Lease, any material now or hereinafter designated as or  
7 containing components now or hereinafter designated as hazardous, toxic,  
8 dangerous or harmful, and/or that are subject to regulation as hazardous, toxic,  
9 dangerous or harmful material by any federal or state law, regulation, statute or  
10 ordinance, shall be transported, stored and handled in accordance and in  
11 compliance with the provisions of such laws including, but not limited to 42  
12 U.S.C. 6901 *et seq.* (RCRA) and 42 U.S.C. 9601 *et seq.* (CERCLA), as presently  
13 existing or as subsequently enacted or amended.  
14

15 **ARTICLE 14 - RESPONSIBILITY FOR ENVIRONMENTAL DAMAGE**  
16

- 17 (A) Lessee shall be responsible for environmental damage as defined in La. R.S. 30:29  
18 that occurs as a result or consequence of Lessee's occupation, oil and gas  
19 exploration, production operations and/or use of the Leased Premises, irrespective  
20 of whether such damage is due to negligence, the inherent nature of Lessee's  
21 activities or operations or other reason(s). Lessee must conduct operations as a  
22 reasonably prudent operator using standard industry practices and procedures and  
23 proper safeguards to prevent environmental damage. Lessee shall be responsible  
24 for all environmental damage to aquatic or marine life, wildlife, birds and any  
25 public property that may result from Lessee's operations hereunder. Lessee shall  
26 report all unpermitted and reportable discharges as required by applicable state and  
27 federal environmental and conservation statutes and regulations ("Environmental  
28 and Conservation Laws and Regulations") to the Louisiana Department of  
29 Environmental Quality, the Louisiana Office of Conservation and any other  
30 appropriate entity.  
31

32 All reasonably necessary preparations and precautions shall be taken by Lessee to  
33 prevent fire and explosion and, subject to Environmental and Conservation Laws  
34 and Regulations, to prevent contamination of any portion of the total environment  
35 of the Leased Premises, provided that nothing herein shall be construed as  
36 lessening or reducing Lessee's obligations under all Environmental and  
37 Conservation Laws and Regulations.  
38

- 39 (B) Lessee shall indemnify, defend and hold harmless Lessor, its officers, employees,  
40 agents and representatives, with respect to any and all damages, costs, liability,  
41 fees, attorney fees, penalties (civil or criminal), fines (civil or criminal) and  
42 cleanup costs arising out of or in any way related to the use, disposal,  
43 transportation, generation, sale and location upon or affecting the Leased Premises  
44 of hazardous substances as defined in Article 13 above by Lessee or any of  
45 Lessee's officers, employees, agents, representatives, contractors, subcontractors,  
46 licensees and invitees (or by any assigns or sublessees of Lessee whose  
47 Assignment is not approved by the Board in accordance with Article 4 above).  
48 Lessee shall further indemnify, defend and hold Lessor harmless from any and all  
49 damage, cost, liability, fees, attorney fees, penalties (civil or criminal), fines (civil  
50 or criminal) and cleanup costs arising out of or related to any breach by Lessee of  
51 the provisions of this Lease concerning hazardous substances and/or negligent  
52 operations. This indemnity is in addition to and in no way limits the general  
53 indemnity contained under Article 21 below.  
54

- 55 (C) In conducting any activity under this Lease that requires dredging, filling or

1 navigating in order to conduct oil and gas exploration and production operations,  
2 Lessee shall comply with all applicable state and federal requirements for the  
3 permitting of such activities in the operational area.  
4

- 5 (D) Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises,  
6 all improvements thereon owned, placed and/or caused to be placed by Lessee and  
7 all facilities appurtenant to such improvements in good order and repair and in the  
8 appropriate condition for the safe conduct of any activities or enterprises conducted  
9 on the Leased Premises pursuant to the rights granted hereunder, and any  
10 applicable state or federal laws.  
11

## 12 **ARTICLE 15 - FINANCIAL SECURITY**

- 13  
14 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator  
15 drilling on the Leased Premises shall provide financial security for the plugging  
16 and abandoning, and associated site restoration of each well drilled. Lessee's  
17 obligation to provide financial security also is required upon a change of  
18 operatorship of a well on the Leased Premises.  
19

- 20 (B) The nature and extent of the financial security required hereby shall be as set forth  
21 in LAC 43:XIX §104. In no event, however, shall the financial security  
22 requirements of this Lease be less than those set forth in said regulation as such  
23 was in effect on September 1, 2015.  
24

- 25 (C) Lessee's obligation under this Lease to provide financial security for the plugging  
26 and abandoning, and associated site restoration of each well drilled shall be  
27 satisfied by fully and continually complying with the applicable statutes, rules and  
28 regulations of the Office of Conservation as set forth in (B) above.  
29

- 30 (D) Lessee shall furnish to the Board, upon request, evidence of the financial security  
31 so provided to the Commissioner of Conservation.  
32

## 33 **ARTICLE 16 - GENERAL LIABILITY INSURANCE**

- 34  
35 (A) Lessee, at its sole expense, shall purchase and maintain in full force and effect,  
36 throughout the Operational Term (as defined below) and continuing until all Lease  
37 obligations are fulfilled, a policy(s) of commercial general liability insurance  
38 having a minimum limit per occurrence of One Million (\$1,000,000.00) Dollars  
39 and excess liability insurance having a minimum limit per occurrence of Two  
40 Million (\$2,000,000.00) Dollars (or other such limits as deemed reasonably  
41 appropriate and necessary by the Board after notice and Board review). This  
42 policy shall identify Lessor as an additional insured, be applicable to the Leased  
43 Premises and provide coverage, except as may be limited by law, to Lessor and  
44 Lessee against claims for bodily injury, death and property damage, and for  
45 pollution incidents of a sudden and accidental nature causing such harm that may  
46 arise from or in connection with the development and production activities and  
47 operations conducted pursuant to this Lease by Lessee, its operators, contractors,  
48 employees, agents, representatives and their successors and assigns.  
49

50 For purposes of this Article, the "***Operational Term***" shall commence thirty (30)  
51 days prior to any surface activity on the Leased Premises in furtherance of the  
52 development and production of oil and gas including, but not limited to surveying,  
53 mobilization, location preparation and other such activities preliminary to  
54 development of this Lease.  
55

1 (B) The insurance coverage required hereby shall be provided at Lessee's sole expense  
2 and the insurer shall have no recourse against Lessor for payment of premiums or  
3 any assessments required by the policy(s). Deductibles and/or self-insured  
4 retentions must be reasonable, within industry standards and, upon request,  
5 disclosed by Lessee to the Board, with Lessee solely responsible for paying all  
6 such deductibles and/or self-insured retentions.

7  
8 (C) The insurance coverage required hereby of Lessee shall be provided by a company  
9 authorized to do business in the State of Louisiana having an A.M. Best's rating of  
10 A-:VI or higher. At any time, if an insurer issuing such policy(s) does not meet the  
11 minimum A.M. Best rating, Lessee shall obtain a substitute policy(s) with an  
12 insurer possessing such rating and submit a substitute Certificate of Insurance in  
13 compliance herewith.

14  
15 (D) Lessee shall furnish to Lessor, initially as required by (A) above, and on an annual  
16 basis thereafter within thirty (30) days of the policy's annual renewal date, a  
17 Certificate(s) of Insurance fully completed and signed by the insurer's authorized  
18 representative evidencing satisfaction of the insurance coverage requirements of  
19 this Article. Additionally, upon request, Lessee shall provide to Lessor the  
20 Declaration Page and the Cancellation Endorsement for the policy(s), along with  
21 any additional endorsements that may be requested by Lessor. These documents  
22 shall be provided to Lessor prior to commencement of the Operational Term, with  
23 the Certificate Holder listed as:

24  
25 State of Louisiana  
26 Office of Mineral Resources  
27 LaSalle Building – 8<sup>th</sup> Floor  
28 617 North Third Street  
29 Baton Rouge, Louisiana 70802  
30 Ref: State Lease No. \_\_\_\_\_

31  
32 If Lessee's obligation to maintain insurance coverage is provisionally suspended in  
33 accordance with (H) below, Lessee still must furnish proof or cause its operator to  
34 furnish proof to Lessor of such coverage as required hereby.

35  
36 (E) As soon as practicable, but in no event later than fifteen (15) days prior to  
37 occurrence, Lessee shall advise Lessor of the suspension or cancellation of any  
38 policy of insurance. In such event, Lessee shall secure replacement insurance in  
39 compliance with the requirements herein to ensure that continuous coverage is  
40 maintained on the Leased Premises.

41  
42 (F) Failure of Lessee to maintain and furnish proof of insurance as required hereby  
43 may, at the sole option of Lessor, after notice, reasonable opportunity to cure and  
44 opportunity to be heard, cause this Lease to be terminated. Additionally, Lessee's  
45 failure, after notice, to obtain insurance or provide proof of insurance within thirty  
46 (30) days of receipt of such notice shall subject Lessee to liquidated damages in the  
47 amount of One Hundred (\$100.00) Dollars per day until the earlier of when proof  
48 of such insurance is provided to OMR or the termination or surrender of this  
49 Lease. The liquidated damage assessment may be waived, in whole or in part, for  
50 cause by the Board. Such failure, however, shall not relieve Lessee of liability nor  
51 its duty to perform the obligations required by this Lease.

52  
53 (G) In the event of:

54  
55 (1) An Assignment or other transfer of the entirety of Lessee's interest in this



1 Lease, upon producing acceptable proof that Lessee's  
2 assignee(s)/transferee(s) has secured insurance coverage as required hereby,  
3 Lessee shall be relieved of its obligation to maintain such coverage.  
4

5 (2) An Assignment or other transfer causing this Lease to be held in indivision,  
6 Lessee and/or its assignee(s)/transferee(s) shall maintain or cause to be  
7 maintained such insurance.  
8

9 (3) An Assignment or other transfer causing this Lease to be held in divisible  
10 portions, Lessee and its assignee(s)/transferee(s) shall maintain such  
11 coverage on their respective portions.  
12

13 Nothing herein shall require a duplication of coverage, with Lessee and/or its  
14 assignee(s)/transferee(s) responsible for ensuring that such coverage is provided.  
15

16 (H) Lessee and/or its assignee(s)/transferee(s) may request Board authority to  
17 provisionally suspend its obligation to maintain insurance by demonstrating to the  
18 satisfaction of the Board that an operator(s), actively engaged in development and  
19 production activities and operations on the Leased Premises on behalf of Lessee,  
20 has obtained and will continually maintain insurance coverage compliant with the  
21 requirements set forth herein. In the event coverage by the operator(s) lapses or  
22 terminates for any reason, such suspension shall automatically terminate and  
23 Lessee shall again obtain and maintain insurance coverage as required hereby.  
24

25 (I) At the discretion of the Board, Lessee may be authorized to satisfy the  
26 requirements of this Article by means of self-insurance. Such authorization will  
27 not be unreasonably withheld if Lessee is able to demonstrate sustained financial  
28 stability and satisfy all other Board requirements.  
29

### 30 **ARTICLE 17 - TITLE DISPUTES**

31

32 (A) In the event of a *bona fide* dispute or litigation involving Lessor's ownership or  
33 title to any portion of the Leased Premises, Lessee agrees to promptly notify  
34 Lessor, in writing, and upon Lessor's request provide any information and/or  
35 documentation in Lessee's possession or to which Lessee has access regarding  
36 such dispute, including the identity of the adverse claimant(s) and the nature of the  
37 dispute. Nothing herein shall be construed as requiring Lessee to secure any such  
38 data solely for the purpose of this Article.  
39

40 (B) During the pendency of and through resolution of the dispute or litigation, Lessee  
41 shall comply with all terms, provisions and requirements of this Lease, including  
42 the payment of royalty, and shall be deemed in default of payment of royalty if  
43 Lessee suspends or stops making royalty payments in compliance with this Lease.  
44 However, in lieu of making said payments directly to Lessor, pending settlement or  
45 final and definitive adjudication of the title dispute or litigation, Lessee may:  
46

47 (1) Request and obtain authorization from the Board to suspend the direct  
48 payment of royalty due on the production attributable to the disputed  
49 acreage, deposit the royalty payments into an interest bearing escrow  
50 account at a FDIC insured financial institution having a presence within the  
51 State and otherwise fully comply with the title dispute protocol approved by  
52 the Board; or  
53

54 (2) Initiate a concursus proceeding and deposit the royalty payments attributable  
55 to the disputed acreage into the court registry; or

1  
2 (3) Take other action as authorized by the Board.  
3

4 (C) Lessor shall accept the funds so deposited as royalty payments attributable to the  
5 disputed acreage such that Lessee shall not be held in default in payment of royalty  
6 if properly computed and timely made in accordance with the terms and provisions  
7 of this Lease, pursuant to an order of the court or in accordance with the Board's  
8 authorization.  
9

10 (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any  
11 rights Lessor may have to review, examine, audit, dispute, challenge or contest any  
12 payments made or not made by or on behalf of Lessee on the production  
13 attributable to the disputed acreage. In the event an audit or other examination  
14 should reveal that the sums deposited into an escrow account or into the registry of  
15 the court are incorrect, Lessee shall remain fully responsible for all royalty  
16 amounts determined to be due and owing, and may be subject to payment of  
17 interest and penalties as required by law or the terms of this Lease.  
18

19 (E) Upon termination of any escrow authority, concursus proceeding or other action  
20 authorized by the Board, royalty payments due on the production attributable to the  
21 disputed acreage shall be made in accordance with the terms of any settlement,  
22 compromise or final, definitive adjudication and pursuant to the terms and  
23 provisions of this Lease.  
24

25 **ARTICLE 18 - TERMINATION AND RELEASE**  
26

27 (A) Lessee may surrender all or any portion(s) of the Leased Premises at any time this  
28 Lease is in effect and thereby be relieved of lease development and maintenance  
29 obligations thereafter accruing as to the acreage surrendered, except that no partial  
30 surrender shall reduce or otherwise affect the amount of rental to be paid to  
31 maintain this Lease during the Primary Term, nor shall any surrender of this Lease,  
32 in whole or in part, relieve Lessee, its successors, transferees or assigns, of its duty  
33 to satisfy unfulfilled lease obligations including, but not limited to plugging and  
34 abandoning wells acquired or drilled by Lessee, Restoring well/production sites, or  
35 complying with Office of Conservation regulations or Commissioner of  
36 Conservation orders pertaining to the status of the well sites/facilities acquired or  
37 installed by such Lessee.  
38

39 (B) Within ninety (90) days of any such surrender or upon expiration or termination of  
40 this Lease or any portion thereof, either voluntarily or by its own terms, whether  
41 during or after the Primary Term, Lessee shall execute and record a formal release  
42 evidencing such surrender, expiration or termination with the Clerk of Court of the  
43 parish(es) wherein the Leased Premises is located. Within this same period, Lessee  
44 shall provide a certified copy of this Release to Lessor.  
45

46 (C) In the event this Lease is otherwise determined to be null *ab initio* or is cancelled  
47 under Article 7(E) above, Lessee may nonetheless retain (and this Lease shall  
48 remain in effect as a single lease as to) forty (40) acres around each well capable of  
49 or producing oil in Paying Quantities, and one hundred sixty (160) acres around  
50 each well capable of or producing gas in Paying Quantities (including wells drilled  
51 under this Lease by directional drilling). If any well is then being drilled or  
52 worked on, Lessee shall have the right to complete such operations and, in the  
53 event such activity results in completion of a well capable of producing oil or gas  
54 in Paying Quantities, Lessee may also retain (and this Lease shall also remain in  
55 effect as a single lease as to) acreage around each such well as above provided.

1  
2 Retained acreage around any well shall form as near a square tract as is practical. If  
3 any acreage covered by this Lease shall have been included in a Unit, whether  
4 established by order of the Commissioner of Conservation or by conventional  
5 agreement, or if any such acreage shall have been assigned to a producing or shut-  
6 in well under statewide allowable orders of the Commissioner of Conservation and  
7 such acreage is actually being drained by the well or would be drained by it if the  
8 well were produced, Lessee may retain all of the acreage included in such Unit(s)  
9 or so assigned for allowable purposes. Thereafter, each area so retained by Lessee  
10 shall be subject to the terms of this Lease and shall not create or constitute a  
11 separate lease.

12  
13 Notwithstanding the foregoing, under no circumstance may Lessee retain acreage  
14 within the Leased Premises if Lessor has obtained a final, non-appealable  
15 judgment terminating this Lease for reasons other than non-development.

16  
17 (D) In complying with the requirements of this Article, Lessee additionally shall  
18 compile a listing of all unplugged wells and facilities owned, or placed and/or  
19 caused to be placed by Lessee on the acreage released and no longer in use that  
20 require abandonment. This list shall be submitted to OMR along with a copy of  
21 the recorded Release required hereby. With these documents, in furtherance of  
22 Lessee's obligation to Restore the Leased Premises as herein contemplated, Lessee  
23 also shall provide to Lessor a proposal, in writing, clearly setting forth Lessee's  
24 preliminary plan for plugging and abandoning all such wells and removing all such  
25 facilities in accordance with Article 19 below.

26  
27 (E) In the event, after notice and a reasonable opportunity to cure, Lessee fails to  
28 timely and/or fully comply with the requirements set forth in this Article, Lessee  
29 shall be liable for the reasonable attorney fees and costs incurred by Lessor in  
30 obtaining such Release, and for liquidated damages in the amount of One Hundred  
31 (\$100.00) Dollars per day for each day of non-compliance after expiration of said  
32 ninety (90) day period.

33  
34 **ARTICLE 19 - ABANDONMENT AND RESTORATION**

35  
36 (A) Lessee, no later than the applicable Restoration Period (as defined in Article 19(F)  
37 below) for the Leased Premises (or portion thereof) as to which this Lease has  
38 expired, terminated or been surrendered ("***Expired Leased Premises***"), regardless  
39 of whether a formal release has been duly recorded as required by Article 18  
40 above, shall be obligated to (1) plug and abandon all wells Lessee drilled or  
41 acquired on the Expired Leased Premises that are no longer producing or utilized  
42 for operations, (2) remove from the Expired Leased Premises all structures and  
43 facilities owned, placed or caused to be placed by Lessee no longer utilized for  
44 operations or production (it being understood that Lessee may continue to use, as  
45 long as it is being utilized for operations or production under this Lease or is  
46 authorized under a separate agreement, permit or other legal right, any structure or  
47 facility owned, placed or caused to be placed by Lessee on the Expired Leased  
48 Premises before such expiration, termination or surrender), and (3) Restore the  
49 Expired Leased Premises at Lessee's sole risk, cost and expense, and subject to  
50 compliance with all applicable laws, rules and regulations.

51  
52 Lessor recognizes Lessee's right and obligation to draw and remove casing from  
53 wells and further, to remove any structures and facilities no longer utilized in  
54 operations or production on the Expired Leased Premises during the Restoration  
55 Period. However, unless otherwise approved by Lessor, Lessee or its agent shall

1 not be permitted to salvage and/or remove from the Expired Leased Premises  
2 equipment, machinery, structures or facilities no longer utilized by any wells until  
3 the said wells on the Expired Leased Premises are first plugged and abandoned in  
4 accordance with all applicable laws, rules and regulations.  
5

6 (B) Failure of Lessee to satisfy the duties, responsibilities and obligations set forth in  
7 Article 19(A) above during the Restoration Period shall render Lessee liable for  
8 any and all costs and expenses incurred by Lessor for plugging and abandoning  
9 such wells, removing and disposing of said casing, structures and facilities and  
10 Restoration of the Expired Leased Premises. However, under no circumstance  
11 shall title to or ownership of said casing, structures or facilities be forfeited to, vest  
12 in or transfer to Lessor, nor shall said casing, structures or facilities be deemed  
13 “improvements” to the Expired Leased Premises for ownership purposes.  
14

15 (C) Lessee agrees that upon completion of oil and gas exploration and production  
16 activities under this Lease, Lessee shall remove all associated facilities, materials  
17 and equipment (including without limitation all submerged materials, equipment or  
18 debris) that were placed on the Expired Leased Premises by or for the account of  
19 Lessee and may impede commercial fishing and trawling. Additionally, Lessee  
20 shall Restore all affected water bottoms under the Expired Leased Premises.  
21

22 (D) In addition to Restoration of the Leased Premises as contemplated and required by  
23 this Lease, Lessee shall be responsible, without limitation, for all damage to the  
24 Leased Premises caused by its operations including, but not limited to loss or  
25 damage to timber, crops, roads, buildings, fences, bridges, soil, surface and  
26 subsurface water, aquifers and vegetation, and also all environmental damage as  
27 that term is defined in La. R.S. 30:29.  
28

29 (E) After the Restoration Period, Lessee may not trespass upon the released portion of  
30 the Expired Leased Premises to remove any machinery, equipment, structures or  
31 facilities, draw casing from any well or initiate plugging and abandonment or  
32 cleanup obligations without the express approval of the Board.  
33

34 (F) The “**Restoration Period**” for any Expired Leased Premises shall be one (1) year  
35 from the date when this Lease has expired, terminated or been surrendered as to  
36 such Expired Lease Premises; provided that the Restoration Period may be  
37 extended to provide additional time for Lessee to fulfill obligations under this  
38 Article. To obtain such an extension, Lessee shall appear before the Board to  
39 make such request and present an abandonment plan for the Expired Leased  
40 Premises and a time schedule to fulfill its obligation to properly plug and abandon  
41 such wells located on, remove from the premises such structures and facilities  
42 serving and Restore the Expired Leased Premises in accordance with this Article.  
43 The Board may grant Lessee temporary access to the Expired Leased Premises to  
44 carry out its plan, or the Board may exercise its option to pursue any and all other  
45 means available to satisfy these obligations.  
46

47 (G) Failure of Lessee, after notice and a reasonable opportunity to cure, to satisfy the  
48 duties, responsibilities or obligations set forth in this Article shall subject Lessee to  
49 liquidated damages in the amount of One Hundred (\$100.00) Dollars per day,  
50 commencing the day immediately after the applicable Restoration Period. Such  
51 liquidated damages shall accrue until all such duties, responsibilities and  
52 obligations are fully satisfied unless Lessee, prior to expiration of the Restoration  
53 Period, requests and for good cause shown receives approval from the Board of an  
54 extension of time to satisfy such requirements.  
55

1 **ARTICLE 20 – NOTICES**

2  
3 Any notice required or permitted to be given under this Lease must be in writing and  
4 addressed to the following (or such other address(es) provided in accordance with this  
5 Article):

6  
7 For Lessee: Name: \_\_\_\_\_  
8 Title: \_\_\_\_\_  
9 Address: \_\_\_\_\_  
10 \_\_\_\_\_  
11 Tel. #: \_\_\_\_\_  
12

13 For Board: Office of Mineral Resources  
14 Post Office Box 2827  
15 Baton Rouge, Louisiana 70821-2827  
16 Telephone (225) 342-4615  
17

18 Notice provided by certified mail, return receipt requested, will be deemed to have been  
19 received by the addressee party on the earlier of the actual date of receipt by the addressee  
20 party (as reflected by postal records) or the seventh (7<sup>th</sup>) calendar day after mailing of  
21 such notice; notice provided otherwise shall be deemed given upon receipt by the  
22 addressee party. Failure to update and/or maintain accurate contact information shall not  
23 invalidate any notice given by any party hereto in accordance with the information of  
24 record with OMR. Each party shall have the right to change its address at any time and  
25 from time to time by giving written notice thereof to the other party. Upon an  
26 Assignment, Lessee may also specify additional and/or alternative parties and applicable  
27 information for purposes of notice hereunder.  
28

29 **ARTICLE 21 - INDEMNITY AND HOLD HARMLESS**

30  
31 Lessee unconditionally agrees to respond to, investigate, provide defense for, protect  
32 against, save, indemnify and hold free and harmless the State, the Department of Natural  
33 Resources, the Board and the OMR of, from and against any and all demands, claims,  
34 causes of action, damages, judgments, costs, fees, expenses and attorney fees arising from  
35 any harm, loss, injury or death to any person, or any harm, loss, damage or destruction of  
36 any property resulting from any act, omission, fault or negligence of Lessee or any of  
37 Lessee’s officers, employees, agents, representatives, contractors, subcontractors,  
38 licensees and invitees (or by any assigns or sublessees of Lessee whose Assignment is not  
39 approved by the Board in accordance with Article 4 above) in conducting activities or  
40 operations in, upon or under the Leased Premises pursuant to the rights granted by this  
41 Lease. The protections afforded by this provision equally apply to the officers,  
42 employees, agents and representatives of the referenced governmental entities.  
43

44 This general indemnity provision is in addition to and shall not be limited in any way by  
45 any specific indemnity provision contained elsewhere within this Lease.  
46

47 **ARTICLE 22 - NO WARRANTY OF TITLE**

48  
49 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and  
50 accepted without any warranty of title and without any recourse against Lessor  
51 whatsoever, either expressed or implied. It is expressly agreed that Lessor shall  
52 not be required to return any payments received hereunder or be otherwise  
53 responsible to Lessee therefor. Lessee represents that it has investigated title to the  
54 Leased Premises and is satisfied with such title as Lessor may have. Lessor hereby  
55 disclaims any covenant of quiet enjoyment or peaceful possession of the Leased

1 Premises.

2

3 (B) Lessor makes no warranties as to the condition of the Leased Premises and Lessee  
4 accepts the Leased Premises "AS IS". Lessor has no obligation to make any  
5 repairs, additions or improvements to the Leased Premises, and Lessor does not  
6 warrant the suitability of the Leased Premises for any purposes intended by Lessee  
7 or contemplated by this Lease.

8

9

**ARTICLE 23 - EXECUTORY CONTRACT**

10

11 Lessor and Lessee herein agree that for so long as this Lease remains in full force and  
12 effect, it is deemed to be an executory contract and an unexpired lease within the meaning  
13 of Section 365 of the United States Bankruptcy Code (or successor statute).

14

15

**ARTICLE 24 - LAW AND FORUM**

16

17 Lessee agrees that the terms and provisions of this Lease shall be construed in accordance  
18 with the laws of the State of Louisiana and that the courts of this State shall be the proper  
19 forum for any litigation related to this Lease, unless such litigation is required to be filed  
20 in or is removed to a federal court of this State.

21

22 Lessee further agrees that the rule of construction requiring that the terms and provisions  
23 of an instrument be construed against the drafting party is not and shall not be applicable  
24 to this Lease.

25

26

**ARTICLE 25 - CONFLICT**

27

28 Notwithstanding any language herein to the contrary, this Lease and Lessee are subject to  
29 all laws, statutes, rules and regulations, state and federal, applicable to the subject matter  
30 of this Lease during the term this Lease is in force and effect, whether in whole or in part.  
31 In the event this Lease imposes on a party any duties, requirements, responsibilities or  
32 obligations greater than those under any applicable law, statute, rule or regulation, the  
33 provisions set forth herein shall control. Furthermore, Lessee shall not use this Lease or  
34 any language contained herein to circumvent any obligation which may be imposed on  
35 Lessee by any applicable law, statute, rule or regulation in effect during the term this  
36 Lease is in force and effect.

37

38

**ARTICLE 26 - SEVERABILITY**

39

40 This Lease sets forth the full terms of the agreement between the parties. If any provision  
41 hereof is found to be invalid for any reason, such provision shall be severed from the  
42 agreement and the remaining terms and provisions shall be fully binding upon the parties.

43

44

**ARTICLE 27 - COUNTERPARTS**

45

46 This Lease may be signed in any number of counterparts, each of which shall be binding  
47 on the parties and constitute the same single agreement. For convenience in recording, a  
48 signature page may be detached from any counterpart and attached to another counterpart.

49

50

51