

MINUTES

STATE MINERAL AND ENERGY BOARD

BOARD MEETING

OCTOBER 11, 2017



State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF MINERAL RESOURCES
STATE MINERAL AND ENERGY BOARD

REGULAR MEETING
October 11, 2017

The Regular Meeting of the State Mineral and Energy Board was held on **Wednesday, October 11, 2017**, beginning at 9:38 a.m. in the LaBelle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana, subject to the call of the Governor and Ex-Officio Chairman.

I. CALL TO ORDER

Mr. Paul Segura, Chairman, called the meeting to order.

II. ROLL CALL

He then requested Mr. Jamie Manuel, Assistant Secretary of the Office of Mineral Resources, call the roll for the purpose of establishing a quorum.

W. Paul Segura, Jr., Chairman
Carol R. LeBlanc, Vice-Chair
Thomas F. Harris, DNR Secretary
Thomas L. Arnold, Jr.
Emile B. Cordaro
Theodore M. "Ted" Haik, Jr.
Robert D. Watkins
J. Todd Hollenshead
Rochelle A. Michaud-Dugas

The following members of the Board were recorded as absent:

Johnny B. Bradberry
Gregory C. Carter

Mr. Manuel announced that nine (9) members of the Board were present and that a quorum was established.

Also recorded as present were:

Stacey Talley – Business Analytics Specialist of the Office of Mineral Resources
Ryan Seidemann - Assistant Attorney General
Christopher Lento - Assistant Attorney General
Rachel Newman - Director, Mineral Income Division
Boyd Handley – Administrator, Geology, Engineering & Land Division
Emile Fontenot - Director, Petroleum Lands
Byron Miller –Supervisor, Geology
Jason Talbot – Supervisor, Geology
Charles Bradbury – Supervisor, Engineering
Blake Canfield – Executive Counsel, Department of Natural Resources
James Devitt - Deputy General Counsel, Department of Natural Resources

III. PLEDGE OF ALLEGIANCE

The Chairman led the Board in reciting the Pledge of Allegiance to the Flag of the United States of America.

IV. APPROVAL OF THE SEPTEMBER 13, 2017 MINUTES

The Chairman stated that the first order of business was the approval of the September 13, 2017 Minutes. A motion was made by Mr. Arnold to adopt the Minutes as submitted and to waive reading of same. His motion was seconded by Mr. Haik and unanimously adopted by the Board. (No public comment was made at this time.)

The Chairman then stated that the next order of business was the presentation of the following Staff Reports:

** Resolutions are in chronological order at the end of the minutes*

V. STAFF REPORTS

- a) Lease Review Report
- b) Nomination and Tract Report
(Resolution No. 17-10-001)
- c) Audit Report
- d) Legal and Title Controversy Report
(Resolution No. 17-10-002)
- e) Docket Review Report
(Resolution No. 17-10-003 thru 17-10-014)

a) LEASE REVIEW REPORT
October 11, 2017

I. Geological and Engineering Staff Review

According to the SONRIS database, there were 1,255 active State Leases containing approximately 544,000 acres. Since the last Lease Review Board meeting, the Geological and Engineering Division reviewed 99 leases covering approximately 52,000 acres for lease maintenance and development issues.

II. Board Review

There were no leases brought before the Board.

III. Force Majeure

Force Majeure Report Summary – (Tracking) Update October 2, 2017

Company Name	Lease Numbers (Next Review)
Lobo Operating Inc.	16432, 16692, 16819 (December, 2017)

b) NOMINATION AND TRACT REPORT
October 11, 2017

The Board heard the report of Mr. Emile Fontenot on Wednesday October 11, 2017 relative to nominations received in the Office of Mineral Resources for the December 13, 2017 Mineral Lease Sale and other matters. Based upon the staff's recommendation, on motion of Mr. Arnold, duly seconded by Ms. Michaud-Dugas, the Board granted authority to the staff to advertise all such tracts as have been reviewed by the staff of the Office of Mineral Resources as well as any tracts that have been previously advertised and rolled over and otherwise approve the Nomination and Tract Report presented by Mr. Fontenot.

c) AUDIT REPORT
October 11, 2017

The first matter on the audit report was the election of the October 2017 gas royalty to be paid on a processed basis at the Discovery Plant at Larose and the Sea Robin Plant at Henry per the terms of the State Texaco Global Settlement Agreement.

No action required.

d) LEGAL AND TITLE CONTROVERSY REPORT
October 11, 2017

The first matter considered by the State Mineral and Energy Board (Board) was a request by Energy XXI to reduce the liquidated damage assessment of \$17,200.00 to \$10,000.00 for failure to file a timely release on former State Lease No. 14031; to reduce the assessment from \$17,200.00 to \$3,700.00 each, for failure to file a timely release on former State Lease No. 18737 and former State Lease No. 18738.

During the Board's thorough and careful consideration of this request, Mr. Haik asked that an inquiry be made to the audience as to the presence of an Energy XXI representative. There was no response from the audience.

Upon motion of Mr. Haik, seconded by Mr. Arnold, and by unanimous vote of the Board, the State Mineral and Energy Board denied the request by Energy XXI for a reduction of liquidated damage assessment of former State Lease Nos. 14031, 18737 and 18738. No comments were made by the public. (Resolution No. 17-10-002)

The second matter considered by the Board was a staff report in reference to Mr. Hollenshead's request at the September 13, 2017 Board Meeting for staff to research possible royalty relief measures for orphan and shut-in wells.

A report was presented to the Board by Mr. Blake Canfield, DNR Executive Counsel, on the preliminary research that has been done on reviewing royalty relief measures for orphan and shut-in wells.

The third matter considered by the Board was an update on the Lease Form Compilation Process.

Assistant Secretary Jamie Manuel addressed the Board that he has completed his review of the Deep Rights Provision but still has to meet with staff. He continued that he is currently working on Articles 4 and 5 right now and will also meet with staff on those quickly. He stated that next month he wants to get through Article 8 and have meetings on those in December; then tackle Article 9 for the remainder of the year.

e) DOCKET REPORT
October 11, 2017

The Board heard the report of Emile Fontenot on Wednesday, October 11, 2017, relative to the following:

Category A: State Agency Leases
There were no items for this category

Category B: State Lease Transfers.
Docket Item Nos. 1 through 12

Category C: Department of Wildlife & Fisheries State Agency Lease
Transfers
There were no items for this category

Category D: Advertised Proposals
There were no items for this category

Based upon the staff's recommendation, on motion of Mr. Arnold, duly seconded by Mr. Haik, the Board voted unanimously to accept the following recommendations:

Category B: State Lease Transfers
Approve Docket Item Nos. 1 through 12

The Chairman stated that the next order of business was discussions in Executive Session to consider matters before the Board which were confidential in nature. Upon motion of Mr. Arnold, seconded by Ms. Michaud-Dugas, the Board Members went into Executive Session at 10:18 a.m.

Upon motion of Ms. LeBlanc, seconded by Mr. Harris, the Board reconvened in open session at 10:37 a.m. for consideration of the following matters discussed in Executive Session:

VI. EXECUTIVE SESSION

(Resolution Nos. 17-10-015 thru 17-10-017)

- a. A discussion regarding the matter entitled: Callon Petroleum Operating Company vs. State of Louisiana et al, Docket No. C-136424, 26th Judicial District Court, Parish of Bossier, State of Louisiana

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, the Board voted unanimously to grant authority to the Attorney General's office to negotiate settlement of this matter as discussed in Executive Session. No comments were made by the public. (Resolution No. 17-10-015)

- b. A status update regarding settlement of outstanding audit issues with ChevronTexaco, Texaco E&P Inc. and Unocal

This matter was a discussion, and no action was taken by the Board.

- c. A discussion regarding a settlement offer received from Hunt Oil Company regarding State Claimed Unleased Acreage No. B1098, Section 10, T12N-R10E, Ark-La Resources #2 Well, Lake Marydale Field, Tensas Parish, Louisiana

Upon motion of Mr. Arnold, seconded by Mr. Haik, the Board voted unanimously to grant authority to Staff to accept the settlement offer as discussed in Executive Session. No comments were made by the public. (Resolution No. 17-10-016)

- d. A discussion and request for authority regarding termination of State Lease Nos. 17621, 17623, 17624, 17762, 17763, 17764, 17765, and 17766 pooled into a single Voluntary Unit – Main Pass Blk 15/16 VUA; LUW 305485) operated by Lobo Operating, Inc; SMEB Doc 05-58, Main Pass Blk 16 Field (6334), Plaquemines Parish, Louisiana. Lobo Oil & Gas, LLC is the state's lessee for all eight (8) state leases.

Upon motion of Ms. LeBlanc, seconded by Mr. Harris, the Board voted unanimously to grant Staff the authority to send a letter of termination and demand for release of State Lease Nos. 17621, 17623, 17624, 17762, 17763, 17764, 17765, and 17766. No comments were made by the public. (Resolution No. 17-10-017)

VII. NEW BUSINESS

No new business was discussed by the Board.

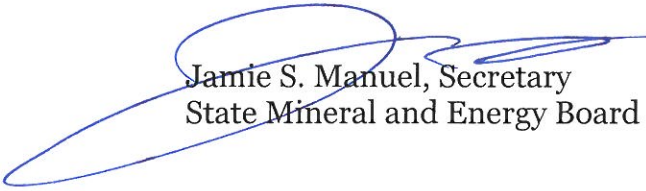
VII. ANNOUNCEMENTS

Mr. Manuel stated that there were no leases awarded this month.

IX. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Mr. Arnold, seconded by Mr. Hollenshead, the meeting was adjourned at 10:39 a.m.

Respectfully Submitted,



Jamie S. Manuel, Secretary
State Mineral and Energy Board