

MINUTES

STATE MINERAL AND ENERGY BOARD

LEASE SALE AND BOARD MEETING

FEBRUARY 12, 2020



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

Opening of Bids
February 12, 2020

A public meeting for the purpose of opening sealed bids was held on Wednesday, February 12, 2020, beginning at 8:32 a.m. in the LaBelle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana.

Emile Fontenot presided over the meeting. He then read the letter of notification certifying the legal sufficiency of the advertisement of Tract Nos. 45265 through 45278 which were published for lease by the Board at today's sale.

Mr. Fontenot stated that there were no letters of protest received for today's Lease Sale.

Mr. Fontenot stated that there were no tracts to be withdrawn from today's Lease Sale.

The following bids were then opened and read aloud to the assembled public by Mr. Fontenot:

Tract 45269
(Portion Bid: 399.540 acres)

Bidder	:	K-Exploration Co.
Primary Term	:	Three (3) years
Cash Payment	:	\$79,908.00
Annual Rental	:	\$39,954.00
Royalties	:	18.5% on oil and gas
	:	18.5% on other minerals
Additional Consideration	:	None

Tract 45277
(Portion Bid: 107.32 acres)

Bidder	:	Hilcorp Energy I, L.P.
Primary Term	:	Three (3) years
Cash Payment	:	\$24,147.00
Annual Rental	:	\$12,073.50
Royalties	:	22.50% on oil and gas
	:	22.50% on other minerals
Additional Consideration	:	None

This concluded the reading of the bids.

There being no further business, the meeting was concluded at 8:36 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board

JOHN BEL EDWARDS
GOVERNOR



THOMAS F. HARRIS
SECRETARY

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

REGULAR MEETING
February 12, 2020

The Regular Meeting of the State Mineral and Energy Board was held on **Wednesday, February 12, 2020**, beginning at 9:57 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. W. Paul Segura, Jr. 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
Robert D. Watkins
J. Todd Hollenshead
Thomas L. Arnold, Jr.
Harvey "Ned" White
Willie J. Young, Sr.

The following members of the Board were recorded as absent:

Rochelle A. Michaud-Dugas
Kyle "Chip" Kline, Jr.
Darryl D. Smith

Mr. Manuel announced that eight (8) members of the Board were present when the roll call was taken and that a quorum was established.

The Chairman welcomed our two (2) new board members, Harvey “Ned” White and Willie J. Young, Sr, and announced that Darryl D. Smith had also returned to the Board and that they were looking forward to having him on the Board again.

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 JANUARY 8, 2020 MINUTES

The Chairman stated that the first order of business was the approval of the Minutes.

A motion was made by Mr. Arnold to adopt the January 8, 2020 Minutes as submitted and to waive reading of same. His motion was seconded by Mr. Harris 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*

VI. STAFF REPORTS

- a) Lease Review Report**
presented by Jason Talbot, Geology Supervisor
and Charles Bradbury, Engineering Supervisor
Geology, Engineering & Land Division
- b) Nomination and Tract Report**
presented by Emile Fontenot, Petroleum Lands Director
Geology, Engineering & Land Division
- c) Audit Report**
presented by Rachel Newman, Audit Director
Mineral Income Division
- d) Legal and Title Controversy Report**
presented by Emile Fontenot, Petroleum Lands Director
Geology, Engineering & Land Division
- e) Docket Review Report**
presented by Emile Fontenot, Petroleum Lands Director
Geology, Engineering & Land Division

a) LEASE REVIEW REPORT
February 12, 2020
(Resolution Nos. 20-02-001 thru 20-02-003)

I. GEOLOGICAL AND ENGINEERING STAFF REVIEW

According to the SONRIS database, there are 1,118 active State Leases containing approximately 471,405 acres. Since the last Lease Review Report, the Geological and Engineering Division reviewed 92 leases covering approximately 39,642 acres for lease maintenance and development issues.

II. BOARD REVIEW

1. A staff report on State Lease 192, Selection C, West Bay Field, Plaquemines Parish. Hilcorp Energy Company is the lessee. Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, that Board accepts staff recommendation to accept Hilcorp's report and grants Hilcorp until February 11, 2021 to provide a status report on activities over the lease. **(Resolution No. 20-02-001)**
2. A staff report on State Lease 797, Grand Isle Block 18 Field, Plaquemines Parish. Energy XXI GOM, LLC is the lessee. Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board accepts staff recommendation to accept Cox's report and to move State Lease 797 to staff review for lease maintenance and development. **(Resolution No. 20-02-002)**
3. A staff report on State Lease 799, Grand Isle Block 16 Field, Jefferson Parish. Energy XXI GOM, LLC is the lessee. Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board accepts staff recommendation to accept Cox's report and to move State Lease 799 to staff review for lease maintenance and development. **(Resolution No. 20-02-003)**

III. FORCE MAJEURE

There were no Force Majeure items brought before the Board.

b) NOMINATION AND TRACT REPORT
February 12, 2020
(Resolution No. 20-02-004)

The Board heard the report of Mr. Emile Fontenot on Wednesday February 12, 2020 relative to nominations received in the Office of Mineral Resources for the April 8, 2020 Mineral Lease Sale and other matters.

Based upon Staff's recommendation, and on motion of Mr. Arnold, duly seconded by Mr. Hollenshead, the Board granted authority to Staff to advertise all such tracts that have been received 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. **(Resolution No. 20-02-004)**

c) AUDIT REPORT
February 12, 2020

The first matter on the audit report was the election of the February 2020 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 & TITLE REPORT
February 12, 2020
(Resolution Nos. 20-02-005 thru 20-02-011)

The first matter considered by the State Mineral and Energy Board (Board) was a request by the Attorney General's office to grant an extension of authority to BHP to suspend and escrow royalty payments from the HA RA SU70 (Clark et ux 7-H-1 Well).

Staff reported that the Board had granted authority to BHP to suspend and escrow royalty payments from the well for six (6) months with Resolution #19-08-018 at the August 8, 2019 Board Meeting.

Staff recommended that the Board approve the aforementioned request.

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, and by unanimous vote of the Board, the Board voted to extend authority to BHP to suspend and escrow royalty payments until August 12, 2020 from the HA RA SU70 (Clark et ux 7-H-1 Well). There were no comments from the public on this matter. **(Resolution No. 20-02-005)**

The second matter considered by the Board was a request by Krewe Energy, LLC (Krewe) to extend for six (6) months the authority to escrow funds derived from production attributable to Unit Tracts 4A and 6A within State Lease No. 21698 located in the EXPOSITO B RF SUA unit, Lapeyrouse Field, Terrebonne Parish, granted under Resolution #19-02-007 dated February 13, 2019.

Staff reported that Krewe has complied with the Board's escrow requirements as it relates to reporting bank statement submission.

Staff recommended that the Board approve the aforementioned request to extend authority to February 10, 2021.

Upon motion of Secretary Harris, seconded by Mr. Arnold, and by unanimous vote of the Board, the Board voted to extend the authority to escrow funds derived from production attributable to Unit Tracts 4A and 6A within State Lease No. 21698 located in the EXPOSITO B RF SUA unit, Lapeyrouse Field, Terrebonne Parish, to February 10, 2021. There were no comments from the public on this matter. **(Resolution No. 20-02-006)**

The third matter considered by the Board was a request by Krewe Energy, LLC (Krewe) to extend for six (6) months the authority to escrow funds derived from production attributable to Unit Tract 1 within State Lease No. 21662 located in the FF-GG RA SUA unit, Lapeyrouse Field, Terrebonne Parish, granted under Resolution #19-02-008 dated February 13, 2019.

Staff reported that Krewe has complied with the Board's escrow requirements as it relates to reporting bank statement submission.

Staff recommended that the Board approve the aforementioned request to extend authority to February 10, 2021.

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, and by unanimous vote of the Board, the Board voted to extend authority to Krewe to extend authority to escrow funds derived from production attributable to Unit Tract 1 within State Lease No. 21662 located in the FF-GG RA SUA unit, Lapeyrouse Field, Terrebonne Parish, to February 10, 2021. There were no comments from the public on this matter. **(Resolution No. 20-02-007)**

The fourth matter considered by the Board was a request by Krewe Energy, LLC (Krewe) to extend for six (6) months the authority to escrow funds derived from production attributable to Unit Tracts 1 through 7 and Unit Tracts 13 through 21 within State Lease Nos. 21662, 21696, and 21697 located in the BOURG B SUI unit, Lapeyrouse Field, Terrebonne Parish, granted under Resolution #19-02-009 dated February 13, 2019.

Staff reported that Krewe has complied with the Board's escrow requirements as it relates to reporting bank statement submission.

Staff recommended that the Board approve the aforementioned request to extend authority to February 10, 2021.

Upon motion of Mr. Arnold, seconded by Mr. Hollenshead, and by unanimous vote of the Board, the Board voted to extend authority to Krewe to escrow funds derived from production attributable to Unit Tracts 1 through 7 and Unit Tracts 13 through 21 within State Lease Nos. 21662, 21696, and 21697 located in the BOURG B SUI unit, Lapeyrouse Field, Terrebonne Parish, to February 10, 2021. There were no comments from the public on this matter. **(Resolution No. 20-02-008)**

The fifth matter considered by the Board was a request by Castex Energy Partners, LLC (Castex) to extend for six (6) months the authority to escrow funds derived from production in the LL&E No. 1 Well (Serial No. 250180), TEX L-CIB C RA SUA unit, King Lake Field, Terrebonne Parish, Louisiana, granted initially under Resolution #18-08-008 dated August 8, 2018.

Staff recommended that the Board approve the aforementioned request to extend authority to August 12, 2020.

Upon motion of Mr. Arnold, seconded by Secretary Harris, and by unanimous vote of the Board, the Board voted to extend authority to Castex to escrow funds derived from production in the LL&E No. 1 Well (Serial No. 250180), TEX L-CIB C RA SUA unit, King Lake Field, Terrebonne Parish, Louisiana, to August 12, 2020. There were no comments from the public on this matter. **(Resolution No. 20-02-009)**

The sixth matter considered by the Board was a request by Belle Exploration, Inc. (Belle) to extend for six (6) months the authority to escrow funds derived from production attributable to disputed ownership of active wells situated within State Lease Nos. 16826, 16827, and 17313 located in Catahoula Lake, LaSalle Parish, Louisiana, granted under Resolution #19-02-010 dated February 13, 2019.

Staff reported that litigation involving the above referenced leases, Crooks v. Department of Natural Resources, is currently pending in the Louisiana Supreme Court.

Staff recommended that the authority to escrow royalty payments be extended until August 12, 2020.

Upon motion of Mr. Arnold, seconded by Mr. Hollenshead, and by unanimous vote of the Board, the Board voted to extend authority to Belle to extend the authority to escrow funds derived from production attributable to disputed ownership of active wells situated within State Lease Nos. 16826, 16827, and 17313 located in Catahoula Lake, LaSalle Parish, Louisiana, to August 12, 2020. There were no comments from the public on this matter. **(Resolution No. 20-02-010)**

The seventh matter considered by the Board was a request for the Board to consider accepting the following set of criteria for the waiver of liquidated damages for the late registration of prospective leaseholders:

- A. First Infraction: Complete waiver of the entire assessment
- B. Second Infraction: 75% waiver of the entire assessment
- C. Third Infraction: 50% waiver of the entire assessment
- D. Fourth and Subsequent Infractions: No waiver.

Staff reported that subsequent to a Legislative audit performed, that DNR agreed that written criteria should be established for determining staff recommendations for the waiver of late registration damage assessments.

Staff further reported that the Board has the authority to alter or reject this criteria as stated in the audit.

Staff recommended that the Board accept the aforementioned criteria for the waiver of liquidated damages for the late registration of prospective leaseholders.

Upon motion of Ms. LeBlanc, seconded by Mr. Hollenshead, and by unanimous vote of the Board, the Board voted to accept the following set of criteria for the waiver of liquidated damages for the late registration of prospective leaseholders:

- A. First Infraction: Complete waiver of the entire assessment
- B. Second Infraction: 75% waiver of the entire assessment
- C. Third Infraction: 50% waiver of the entire assessment
- D. Fourth and Subsequent Infractions: No waiver.

There were no comments from the public on this matter. **(Resolution No. 20-02-011)**

The eighth matter considered by the Board was a discussion by Chris Lento of the Attorney General's Office, and Blake Canfield, DNR Executive Counsel, in reference to the Board's request to research amending State Leases at the time of assignment to add the new Security Interest Clause.

This matter was for informational purposes only. No action from the Board was necessary. Rob Schroeder, president of K-Exploration Co. commented on this matter.

e) DOCKET REVIEW REPORT
February 12, 2020
(Resolution No(s). 20-02-012 thru 20-02-021)

The Board heard the report from Emile Fontenot on Wednesday, February 12, 2020, 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 8
- Category C: Department of Wildlife & Fisheries State Agency Lease
Docket Item Nos. 1 and 2
- 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 Ms. LeBlanc, the Board voted unanimously to accept the following recommendations:

- Category B: State Lease Transfers
Approve Docket Item Nos. 1 through 8
(Resolution Nos. 20-02-012 through 20-02-019)
- Category C: Department of Wildlife & Fisheries State Agency Lease
Approve Docket Item Nos. 1 and 2
(Resolution Nos. 20-02-020 and 20-02-021)

VII. EXECUTIVE SESSION

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 Mr. Harris, the Board Members went into Executive Session at 10:37 a.m.

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, the Board reconvened in open session at 11:11 a.m. for consideration of the following matters discussed in Executive Session:

- a. The Board was briefed in Executive Session on the bids received at today's lease sale.

VIII. AWARDING OF LEASES

The Chairman stated that the next order of business was the awarding of the leases and called on Mr. Jason Talbot to present Staff's recommendations to the Board.

Upon motion by Mr. Arnold, seconded by Mr. Watkins, the Board unanimously voted to accept Staff's recommendations as follows:

1. Reject the bid of K-Exploration Co. on a portion of Tract No. 45269
2. Award a lease on a portion of Tract No. 45277 to Hilcorp Energy I, L.P.

Staff further recommended that Tract No. 45269 be opened to the floor for bidding.

Upon motion by Mr. Arnold, seconded by Mr. Harris, the Board unanimously voted to accept Staff's recommendations to open bidding from the floor.

A portion bid from Rob Schroeder representing K-Exploration Co. was presented from the floor on 399,540 acres of Tract No. 45269 as follows:

Primary Term	:	Three (3) years
Cash Payment	:	\$79,908.00
Annual Rental	:	\$39,954.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

No other bids were presented.

Upon motion by Mr. Arnold, seconded by Ms. LeBlanc, the Board unanimously voted to accept the bid of K-Exploration Co. presented by Rob Schroeder from the floor on a portion of Tract No. 45269.

Leases awarded were conditioned on tract descriptions being accurate, overlapped prior leases being subtracted from acreage bid on, acreage amount being verified and agreed between bidder and state and portion bids verified as being located within advertised boundary of tracts. (No public comment was made at this time.)

This concluded the awarding of the leases.

IX. NEW BUSINESS

The Chairman then announced that the next order of business would be the discussion of new business.

No new business was presented.

X. ANNOUNCEMENTS

Mr. Manuel stated that the two (2) leases awarded totaled \$104,055.00 for the February 12, 2020 Lease Sale bringing the fiscal year total to \$1,584,867.35.

XI. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Ms. LeBlanc, seconded by Mr. Hollenshead, the meeting was adjourned at 11:16 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board