

MINUTES

STATE MINERAL AND ENERGY BOARD

REGULAR MEETING AND LEASE SALE

AUGUST 11, 2010

A Regular Meeting and Lease Sale of the State Mineral and Energy Board was held on Wednesday, August 11, 2010, beginning at 11:00 a.m. in the La Belle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana, subject to the call of the Governor and Ex-Officio Chairman.

Mr. W. Paul Segura, Jr., acting as Chairman in the absence of Chairman Scott A. Angelle, called the meeting to order. He then requested Mr. Louis Buatt, Acting Secretary to the State Mineral and Energy Board, to call the roll for the purpose of establishing a quorum.

W. Paul Segura, Jr., Vice-Chairman
Thomas L. Arnold, Jr.
Emile B. Cordaro
John C. "Juba" Diez
Bay E. Ingram
Thomas W. Sanders
Darryl D. Smith
Helen G. Smith
Robert D. Harper, DNR Secretary

The following members of the Board were recorded as absent:

Scott A. Angelle, Chairman
Robert "Michael" Morton

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

Also recorded as present were:

Louis Buatt, Acting Assistant Secretary of the Office of Mineral Resources, and
Acting Secretary to the State Mineral and Energy Board
Victor Vaughn, Geologist Administrator-Geological & Engineering Division, and
Executive Officer to the State Mineral and Energy Board
Stacey Talley, Deputy Assistant Secretary of the Office of Mineral Resources
Frederick Heck, Director-Petroleum Lands Division
Rachel Newman, Director-Mineral Income Division
Emile Fontenot, Assistant Director-Petroleum Lands Division
Isaac Jackson, DNR General Counsel
Ryan Seidemann, Assistant Attorney General

The Chairman then stated that the next order of business was the approval of the July 14, 2010 Minutes. A motion was made by Mr. Arnold to adopt the Minutes as submitted by the Executive Officer of the State Mineral and Energy Board and to waive reading of same. His motion was seconded by Mr. Ingram and unanimously adopted by the Board. (No public comment was made at this time.)

The Chairman then stated that the next order of business would be the adoption of the Committee recommendations. Upon motion of Mr. Arnold, seconded by Ms. Smith, the recommendations of the following respective Committees regarding their reports were unanimously adopted by resolutions of the Board. (No public comment was made at this time.)

- Lease Review Committee
- Nomination & Tract Committee
- Audit Committee

The reports and resolutions are hereby attached and made a part of the Minutes by reference.

At this time, upon motion of Mr. Sanders, seconded by Mr. Smith, and unanimously adopted by the Board, the Board recessed at 11:07 a.m. in order to continue with the remaining committee meetings.

At 11:45 a.m., upon motion of Mr. Sanders, seconded by Mr. Arnold, and unanimously adopted by the Board, the Board reconvened its meeting.

The Chairman then announced that the Board would recess its regular meeting at 11:46 a.m. and go into executive session for technical briefing in order to consider matters before the Board which were confidential in nature. A motion was made by Mr. Arnold, seconded by Mr. Cordaro, and unanimously adopted by the Board.

During the technical briefing, the Board conferred with staff personnel concerning the merit of the bids that were submitted and opened earlier today at a public meeting*, based on geological, engineering and other confidential data and analyses available to the Board and staff, after which, upon motion of Mr. Sanders, seconded by Mr. Diez, and unanimously adopted by the Board, the Board reconvened in open session at 1:00 p.m.

*The Minutes of the Opening of the Bids meeting are hereby attached and made a part of the Minutes by reference.

The Chairman then stated that the next order of business was the awarding of the leases. Based upon recommendations announced by Mr. Victor Vaughn, the following action was then taken by the Board. 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.)

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41557, said portion being 1,056.01 acres more particularly described in said bid and outlined on accompanying plat with a cash payment of \$184,801.75, to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on another portion of Tract 41557, said portion being 562.0 acres more particularly described in said bid and outlined on accompanying plat, to Patrick L. Donohue Petroleum Properties, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41559, said portion being 1,186.71 acres more particularly described in said bid and outlined on accompanying plat with a cash payment of \$237,342.00, to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41561 with a cash payment of \$148,618.00 to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41562, said portion being 851.56 acres more particularly described in said bid and outlined on accompanying plat with a cash payment of \$149,023.00, to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41566, said portion being 390.79 acres more particularly described in said bid and outlined on accompanying plat, to S2 Energy 1, LP.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41568 to Encana Oil & Gas (USA) Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41569 to Encana Oil & Gas (USA) Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41570 to Encana Oil & Gas (USA) Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to reject the bid on Tract 41571 for improper check. **(Note: An oral bid was submitted and subsequently awarded on this tract. Refer to the end of the awarding of the leases.)**

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to reject the bid on Tract 41572 for improper check. **(Note: An oral bid was submitted and subsequently awarded on this tract. Refer to the end of the awarding of the leases.)**

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to reject the bid on Tract 41573 for improper check. **(Note: An oral bid was submitted and subsequently awarded on this tract. Refer to the end of the awarding of the leases.)**

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41574, said portion being 406.0 acres more particularly described in said bid and outlined on accompanying plat, to Pryme Lake Exploration LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41575, said portion being 10.00 acres more particularly described in said bid and outlined on accompanying plat, to Pride Oil & Gas Properties, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41576 to Pride Oil & Gas Properties, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41577, said portion being 109.694 acres more particularly described in said bid and outlined on accompanying plat, to Apple Energy Corps, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41580, said portion being 280.0 acres more particularly described in said bid and outlined on accompanying plat, to Sulphur River Exploration, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41581 to Patrick L. Donohue Petroleum Properties, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41582, said portion being 35.0 acres more particularly described in said bid and outlined on accompanying plat with a cash payment of \$7,000.00, to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41583 with a cash payment of \$38,150.00 to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41584 with a cash payment of \$89,950.00 to Theophilus Oil, Gas & Land Services, LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on a portion of Tract 41587, said portion being 111.99 acres more particularly described in said bid and outlined on accompanying plat, to S2 Energy 1, LP.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41588 to Classic Petroleum, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41591 to Classic Petroleum, Inc.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to award a lease on Tract 41592 to Samson Contour Energy E&P LLC.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Board voted unanimously to reject the bid on Tract 41594 for improper check. **(Note: An oral bid was submitted and subsequently awarded on this tract. Refer to the end of the awarding of the leases.)**

At this time, the Chairman stated that the Board would open up bidding from the floor regarding Tract Nos. 41571, 41572, 41573 & 41594. There was only one bid submitted on each of the tracts and the bids were rejected due to improper check.

At this time, Mr. Joey Landry came forward and stated that he was authorized by Comstock Oil and Gas-Louisiana, LLC to represent them in bidding from the floor on the following tracts.

Tract 41571 consisted of the entirety of the tract with a cash payment of \$90,000.00, annual rental of \$45,000.00, 25% royalties and a price per acre of \$6,000.00. No other bidders came forward and based upon recommendation by the staff, upon motion of Mr. Arnold, seconded by Mr. Sanders and unanimously adopted by the Board, the lease was awarded to Comstock Oil and Gas-Louisiana, LLC. (No public comment was made at this time.)

Tract 41572 consisted of the entirety of the tract with a cash payment of \$60,000.00, annual rental of \$30,000.00, 25% royalties and a price per acre of \$6,000.00. No other bidders came forward and based upon recommendation by the staff, upon motion of Mr. Arnold, seconded by Mr. Sanders and unanimously adopted by the Board, the lease was awarded to Comstock Oil and Gas-Louisiana, LLC. (No public comment was made at this time.)

Tract 41573 consisted of the entirety of the tract with a cash payment of \$72,000.00, annual rental of \$36,000.00, 25% royalties and a price per acre of \$6,000.00. No other bidders came forward and based upon recommendation by the staff, upon motion of Mr. Arnold, seconded by Ms. Smith and unanimously adopted by the Board, the lease was awarded to Comstock Oil and Gas-Louisiana, LLC. (No public comment was made at this time.)

Tract 41594 consisted of the entirety of the tract with a cash payment of \$21,000.00, annual rental of \$10,500.00, 25% royalties and a price per acre of \$6,000.00. No other bidders came forward and based upon recommendation by the staff, upon motion of Ms. Smith, seconded by Mr. Arnold and unanimously adopted by the Board, the lease was awarded to Comstock Oil and Gas-Louisiana, LLC. (No public comment was made at this time.)

This concluded the awarding of the leases.

At this time, upon motion of Mr. Sanders, seconded by Ms. Smith, and unanimously adopted by the Board, the Board recessed at 1:15 p.m. in order to continue with the Legal & Title Controversy Committee meeting.

At 2:33 p.m., upon motion of Mr. Sanders, seconded by Mr. Arnold, and unanimously adopted by the Board, the Board reconvened its meeting.

The Chairman then stated that the next order of business would be the adoption of the remaining Committee recommendations. Upon motion of Ms. Smith, seconded by Mr. Cordaro, the recommendations of the following respective Committees regarding their reports were unanimously adopted by resolutions of the Board. (No public comment was made at this time.)

Legal & Title Controversy Committee
Docket Review Committee

The reports and resolutions are hereby attached and made a part of the Minutes by reference.

Mr. Buatt was recognized and stated that there was a recent Legislative Auditor's Performance Report with regard to auditing the royalties collected by DNR/Office of Mineral Resources. He further stated that Ms. Stacey Talley would make a presentation of that audit report and findings.

At this time, Ms. Talley made a presentation regarding the Legislative Auditor's Performance Audit Report. After discussion and comments by Board and staff, a motion was made by Ms. Smith, seconded by Mr. Cordaro and unanimously adopted by the Board, to direct the office or possibly one of the Board members to prepare a letter to the editorial boards of the newspapers in answer to the recent article appearing in the newspapers regarding royalty audits.

(Ms. Talley's powerpoint report is hereby attached along with the Legislative Auditor's Performance Report and Checklist for Audit Recommendations and made a part of the Minutes by reference.)

The Chairman then stated that the next item would be a Special Resolution thanking Senators Nick Gautreaux and Mike Michot and Rep. Jeff Arnold for their leadership in getting legislation passed during the 2010 regular session which legislation would promote the development of alternative energy sources. Secretary Buatt then read the following resolution into the record:

WHEREAS, the state of Louisiana is thankful for its abounding natural resources, at the hand of an all-wise Providence; and

WHEREAS, the state of Louisiana has a strong and vital interest in developing its natural resources for the benefit of its citizens; and

WHEREAS, the development of alternative energy sources will contribute to the energy security of the United States, reduce dependence on fossil fuel resources and provide opportunities for mitigating greenhouse gases; and

WHEREAS, the state of Louisiana is committed to formulate, fund, and implement a comprehensive plan to address our nation's short and long term energy needs in a sustainable and environmentally sound manner; and

WHEREAS, the state of Louisiana recognizes the need to reduce the State's reliance on nonrenewable carbon-based resources by increasing the availability of renewable alternate energy resources; and

WHEREAS, renewable alternate energy presents an unlimited energy source and will provide benefits for the state by reducing local pollution caused by traditional gas-fired generators and greenhouse gas emissions caused by fossil fuel-fired power plants, thus creating a cleaner environment and reducing global climate change; and

WHEREAS, due to the leadership of Senator Nicholas "Nick" Gautreaux, Senator Michael J. "Mike" Michot and Representative Jeffery "Jeff" J. Arnold, Act 875 and Act 930, hereinafter referred to as "THE ACT", was passed by the legislature of the State of Louisiana during the 2010 regular session,

WHEREAS, THE ACT authorizes the State Mineral and Energy Board to lease state lands for the exploration, development, and production of energy from alternative energy resources;

WHEREAS, THE ACT will result in significant environmental and economical benefit for the state of Louisiana and it will encourage the employment and training of the state's workforce for the development, construction and operation of alternate energy sources; and

WHEREAS, THE ACT will increase the research and development of new sources of energy by Louisiana engineers, scientists, and entrepreneurs and it will provide an incentive in the private sector's effort in creating a clean energy future; and

WHEREAS, THE ACT will promote investment made in the state of Louisiana for the development of alternative energy sources such as solar power, wind power, geothermal power, hydroelectric power, and hydrokinetic power in the state of Louisiana; and

WHEREAS, the board recognizes that Louisiana can serve as a national leader for the development of alternative energy sources because the state has a highly-skilled and productive workforce, a hospitable business climate, a great heritage of energy development, and has the expertise and infrastructure necessary to develop alternative energy sources;

NOW, THEREFORE, BE IT RESOLVED, that the Louisiana State Mineral and Energy Board, in consideration of Act 875 and Act 930, adopts this resolution of thanks and congratulates Senator Nicholas "Nick" Gautreaux, Senator Michael J. "Mike" Michot and Representative Jeffery "Jeff" J. Arnold for their political and visionary leadership in enacting legislation which would promote the development of alternative energy sources which will meet the energy demands of the citizens of the state of Louisiana.

A motion was made by Ms. Smith, seconded by Messrs. Arnold and Harper, and unanimously adopted by the Board, to adopt the resolution thanking Senators Gautreaux and Michot and Rep. Arnold. (No public comment was made at this time.)

(The formal resolution is hereby attached and made a part of the Minutes by reference.)

The next item on the agenda was a DRAFT Incentive Resolution. Secretary Buatt recalled during the May Mineral Board meeting that then Secretary Angelle, now Lt. Governor Angelle, made a presentation to the Board regarding the "state" of oil and gas in Louisiana. The short of it was and the data and information provided during that presentation was that the activity in south Louisiana was incredibly anemic and the Board was asked to consider and provide some leadership in ways to stimulate activities in south Louisiana. He further stated that at that time a DRAFT of a resolution for

consideration of incentives was presented. He reviewed what that resolution provided and what the current version provides.

After reviewing the contents of the resolution, Secretary Buatt recommended that the Board allow the staff an opportunity to solicit more comments and gather additional information for the Board and that an economist would be retained to evaluate the proposed incentives. After a discussion and comments by the Board and staff, Ms. Smith requested that when the economic impact report would be ordered, that whoever does the study that there would be some "what ifs", a couple of scenarios, so that we would have more than one viewpoint, more than one landscape to view and have some idea of the impact of reduced royalties versus the incentive to drill so that we would know that we are making the best decisions.

It was the consensus of the Board that the staff move forward and Secretary Buatt stated that we would more thoroughly "vet" the draft that we currently have and that we would consult an economist and get professional opinion on the impacts and bring his recommendation factored into the staff's recommendation and provide that to the Board. **(The DRAFT Incentive Resolution is hereby attached and made a part of the Minutes by reference.)**

At this time, Secretary Buatt gave an update on the BP Oil Spill. He stated that at the last Board meeting he went through a claim that the office had made as a result of wells that were shut in. Ms. Stacey Talley then gave a review of that claim and also the status of the claim that has been submitted to BP.

The following announcements were then made:

Secretary Buatt: "Total cash payments for the August 11, 2010 Lease Sale are \$3,716,759.96 and the year-to-date cash payments for 2010-2011 are \$8,313,215.28.

Also, I would like to thank Mr. Ike Jackson and his staff for preparation of your policy manual and, Mr. Jackson, if you could explain that for the folks I would appreciate it."

Ike Jackson: "I owe a big thanks to my clerk, Mr. Brad Laperouse, who put this together. What we essentially did was go through the various policy resolutions that had been compiled by the Board over probably the last 20 or 30 years of which a lot were duplicates and replaced by later resolutions. We tried to cull through them and come up with what we see as the current standing policies of the Board and put them in order so that you could have something more 'user friendly', something that you would have at your disposal and maybe start to get a little more familiar with. Each of you have a copy before you and, I think, that Stacey and other staff have looked at it and concluded that it might need a little more 'tweaking'. It is about half the size that it was and should be a lot more 'user friendly'."

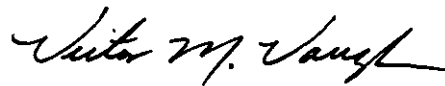
Secretary Buatt: "A reminder that the SONRIS to Sunset seminar is August 23rd and 24th at The Roosevelt Hotel in New Orleans. There is still time to register so we encourage you to register and attend. We have a lot of great topics. In fact, if you want to learn more about the lease form, Mr. Heck is going to be talking about the lease form some more and the Cooperative Endeavor Agreement. Act 955 also will be a topic of discussion among several other important topics. Thank you."

The Chairman then thanked everyone present for their endurance during this longer than usual meeting.

At this time, Emile Cordaro was recognized and acknowledged that Helen Smith was awarded Business Person of the Year by the Chamber of Commerce.

The Chairman then stated there being no further business to come before the Board, upon motion of Mr. Arnold, seconded by Mr. Cordaro, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Victor M. Vaughn". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Victor M. Vaughn
Executive Officer
State Mineral and Energy Board

DEPARTMENT OF NATURAL RESOURCES
PROCESS OF AUDITING MINERAL ROYALTIES



PERFORMANCE AUDIT
ISSUED JULY 28, 2010

Finding #1

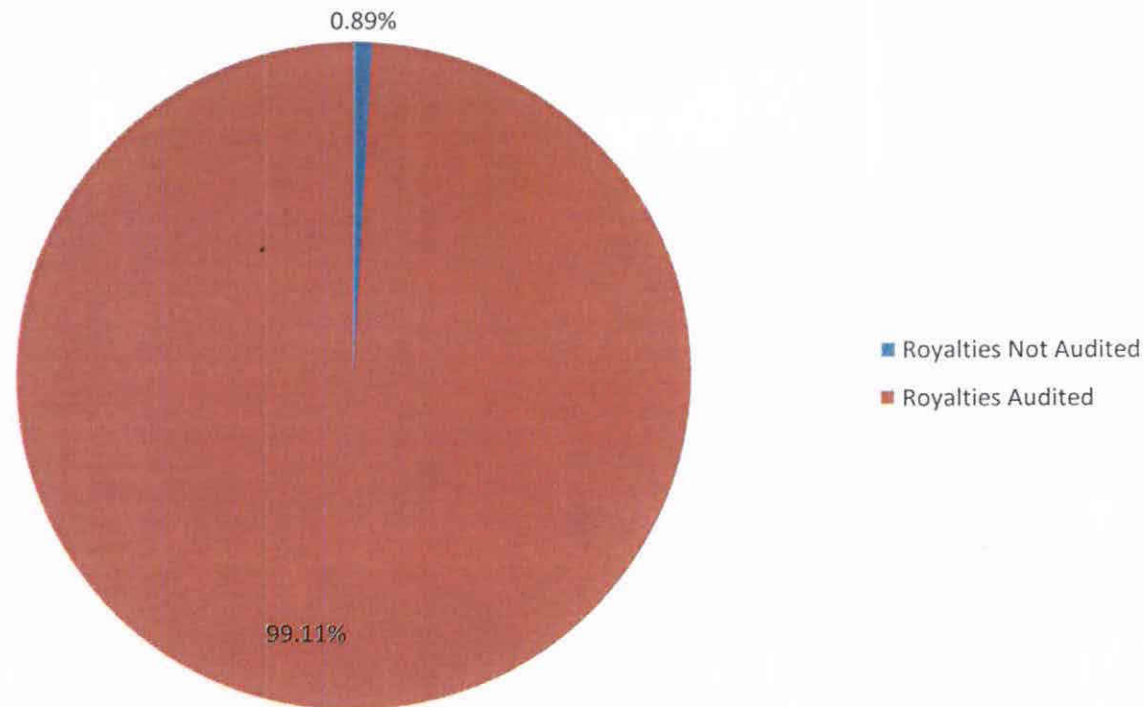
- **OMR has audited approximately 21% of royalties and has recovered over \$75 million during the last five fiscal years. However, according to OMR data, OMR has not audited 168 of 522 (32%) of payors who have paid approximately \$43 million in royalties over the last 10 fiscal years.**

Comments on Finding #1

- All royalty reports are subjected to desk audits on a monthly basis.
- Payors are selected for field audits based upon a risk model, which includes many factors such as amount of royalty paid, time elapsed since previous audit, previous audit findings, findings with payors in the same units, problems found during lease review, etc.

Comments on Finding #1

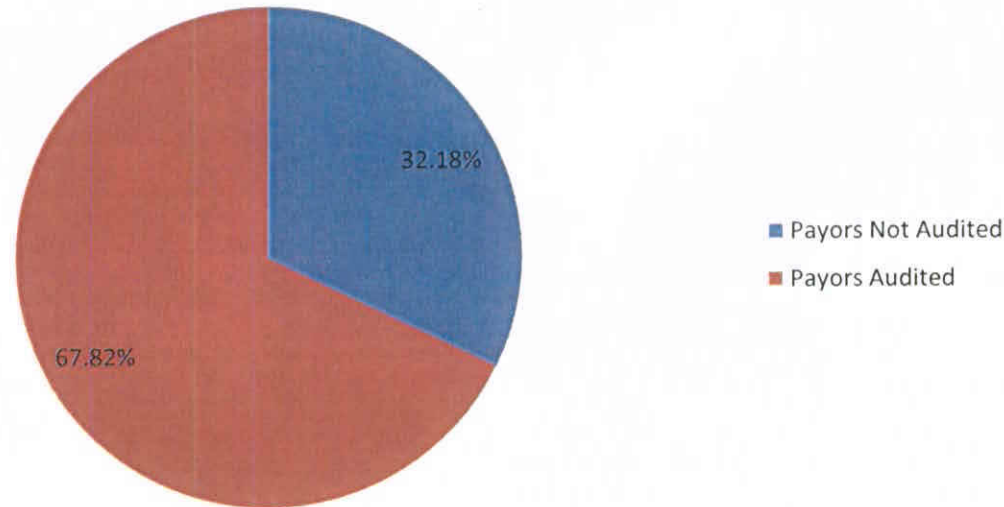
- The 68% of payors subjected to a field audit account for 99.11% of the royalties received.



Comments on Finding #1

Average Annual Royalty Payments:

- Payors field audited **\$1,232,273**
- Payors not field audited **8,612**



Comments on Finding #1

- 82 payors paid an average of less than \$1,000 per year in royalties
- Field audits involve payroll and travel costs.
- Conducting a field audit of a payor submitting royalties less than \$1,000 per year is not considered cost effective.

Comments on Finding #1

- Lessees have more than one payor on many properties (LeaseUnitWell codes). This is the primary reason for payors not being subjected to field audits.
- During fiscal year 2010, there were 212 LUW codes that had more than one payor, with one LUW code having 6 different payors.
- If lessees were required by law to designate one payor per property, the percentage of payors subjected to field audits would increase.

Finding #2

- **OMR has not conducted a desk audit of volume since 2000.**

Comments on Finding #2

- In fiscal year 2000, the Office of Mineral Resources had 81 authorized employee positions. Currently, the office has 68, which is a 16% reduction in staff.
- In 2000, the Mineral Income Division, which conducts audits, had a staff size of 30. The division currently has 24, which is a 20% reduction.

Comments on Finding #2

- Volume audits were discontinued as a result of the staff reductions.
- An on-line system for royalty reporting has been implemented.
- Staff time saved by payors using the on-line reporting system will be used to resume volume auditing.

Finding #3

- **DNR has not coordinated audit activities that could affect the accuracy of royalty payments.**

Comments on Finding #3

- Until recently, the Office of Mineral Resources did not have a formal system of communications with the Department of Revenue or the Office of Conservation.
- However, the accuracy of royalty payments was not affected.

Comments on Finding #3

- During field audits, severance tax deductions are tested for accuracy. Findings are written and audit billings are issued if incorrect severance taxes resulted in underpayments of royalty.
- Field auditors review third party documents such as purchaser statements and meter reports to determine actual volumes. The Office of Conservation does not have these documents.

Comments on Finding #3

- The Office of Mineral Resources has entered into a Cooperative Endeavor Agreement with the Department of Revenue to perform severance tax field audits.
- The Office of Mineral Resources has entered into a Memorandum of Understanding with the Office of Conservation to receive notification of production audit findings.

DEPARTMENT OF NATURAL RESOURCES
PROCESS OF AUDITING MINERAL ROYALTIES



PERFORMANCE AUDIT
ISSUED JULY 28, 2010

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL
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LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

DIRECTOR OF PERFORMANCE AUDIT
PATRICK W. GOLDSMITH, CIA, CGAP, MPA

**FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
MIKE BATTLE, PERFORMANCE AUDIT MANAGER,
AT 225-339-3800.**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twelve copies of this public document were produced at an approximate cost of \$36.84. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9726 or Report ID No. 40090002 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 28, 2010

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit on the Department of Natural Resources' process of auditing mineral royalties. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains our findings, conclusions, and recommendations. Appendix A contains the response of the Department of Natural Resources. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of the Department of Natural Resources for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

DNR 2010

Office of Legislative Auditor

Daryl G. Purpera, CPA, CFE, Legislative Auditor

Department of Natural Resources Process of Auditing Mineral Royalties

July 2010



Audit Control # 40090002

Executive Summary

We conducted a performance audit on the Office of Mineral Resources (OMR) within the Department of Natural Resources (DNR). We focused our audit efforts on its process to ensure that the state is collecting accurate royalty payments for all minerals produced from state lands. Our objective and the overall results of our audit are summarized below.

Objective: Has DNR developed a comprehensive auditing process to ensure that the state is receiving accurate mineral royalties?

We identified weaknesses with OMR's audit coverage and its current process for auditing royalties. Those weaknesses are as follows:

- **OMR has audited approximately 21% of royalties and has recovered over \$75 million during the last five fiscal years. However, according to OMR data, OMR has not audited 168 of 522 (32%) of companies who have paid approximately \$43 million in royalties over the last 10 fiscal years.** OMR stated that it would like to audit a larger percentage of royalties and periodically audit smaller companies as these audits may bring in additional revenue to the state. According to their data, OMR auditors have generated approximately \$1.2 million per auditor per year over the last 10 fiscal years.
- **OMR has not conducted a desk audit of volume since 2000.** Desk audits compare the volume of oil and gas sold to the volume of oil and gas produced and help OMR ensure that royalty payments submitted by companies are reasonable. These audits also help ensure that all production wells on state lands are submitting royalty payments. In a July 2009 audit report on the Minerals Management Service (MMS),¹ the Governmental Accounting Office (GAO) conducted work similar to a volume audit for a sample of companies in the Gulf of Mexico and found approximately \$117 million in royalties that may not have been collected by the federal government. By not conducting these volume audits, DNR could be missing opportunities to identify extra royalty payments that are owed to the state.

¹ The Minerals Management Service is a federal agency within the Department of the Interior and is responsible for reviewing royalty payments for wells on federally owned lands and water bottoms.

- **DNR has not coordinated audit activities that could affect the accuracy of royalty payments.** Both the Office of Conservation (OOC) within DNR and the Louisiana Department of Revenue (LDR) conduct audits that could help OMR verify the accuracy of royalty payments. However, OMR does not coordinate with OOC to obtain errors that OOC finds in its production audits or to obtain information on problems that OOC inspectors find at well sites. In addition, OMR does not coordinate with LDR to obtain the results of LDR severance tax audits. Because severance taxes are deducted when calculating royalty payments, incorrect severance taxes may result in incorrect royalty payments. If DNR improved coordination and communication with other departments and agencies, OMR would be better equipped to verify royalty payments and possibly identify additional dollars owed to the state.

Audit Initiation, Scope and Methodology

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In accordance with state law, the legislative auditor scheduled a performance audit of DNR. This audit focused on determining whether DNR has established an audit process to ensure that royalty payments are accurate. We primarily focused on oil and gas royalty payments since these make up the majority of royalties. Our audit scope generally covered FY 2008 and FY 2009. To answer our objective, we performed the following steps:

- Researched state law, the administrative code, executive budget documents, and other internal reports to understand the department's legal authority, responsibilities, mission, goals, and objectives
- Interviewed various staff and key personnel related to oil and gas regulation, royalty reporting, and audit
- Interviewed LDR personnel concerning severance tax auditing
- Accompanied DNR personnel on a well/lease inspection
- Obtained and reviewed relevant internal audit procedures and plans from DNR
- Obtained fiscal data from DNR such as royalty payments collected, audits conducted, and monetary returns from audits
- Interviewed officials in the Texas General Land Office to obtain information on certain procedures in Texas
- Reviewed information from the Bureau of Land Management and the MMS within the U.S. Department of the Interior to obtain information on their procedures
- Reviewed relevant audit reports from the GAO

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Background

Overview of DNR

The overall mission of DNR is to manage, protect, and preserve the state's nonrecurring natural resources which include oil, gas, lignite and other minerals, groundwater and coastal wetlands, and renewable energy. DNR plans to accomplish its mission through conservation, regulation, and scientifically sound management. DNR is composed of four offices. These offices and their FY 2009 expenditures and staffing are summarized in Exhibit 1.

Exhibit 1 DNR Offices, Expenditures, and Staffing FY 2009		
Office	FY 2009 Expenditures	FY 2009 Staffing
Office of the Secretary	\$32,258,078	89
Office of Conservation	16,764,485	187
Office of Mineral Resources	12,351,992	75
Office of Coastal Restoration and Management	109,245,619	159
Total	\$170,620,174	510
Source: Prepared by legislative auditor's staff using actual expenditures reported in the FY 2010 executive budget.		

Our audit focused on whether DNR has a comprehensive process to ensure that royalties submitted to the state are accurate. Ensuring that the state receives optimal revenues from royalty payments is the primary responsibility of OMR. However, the OOC also has regulatory authority over oil and gas wells so its duties also affect the accuracy of royalty payments. The definition of royalties, as well as specific details about the role of DNR in auditing royalties, is outlined in the sections that follow.

Definition of Royalties

Louisiana produces minerals such as crude oil, natural gas, sulfur, salt, gravel, and lignite. If these minerals are produced from state-owned land or water bottoms, the state takes in revenue called royalties. DNR is responsible for collecting and auditing these royalty payments to ensure that the state receives the accurate amount of royalties it is owed.

Royalty amounts are derived by multiplying a percentage up to 25% (also called the "state decimal") on the net value of oil, gas, and other mineral productions. According to DNR, there are approximately 2,000 active state leases on over one million acres of state lands. Exhibit 2 outlines the formula for calculating the amount of royalties.

**Exhibit 2
Royalty Calculation**

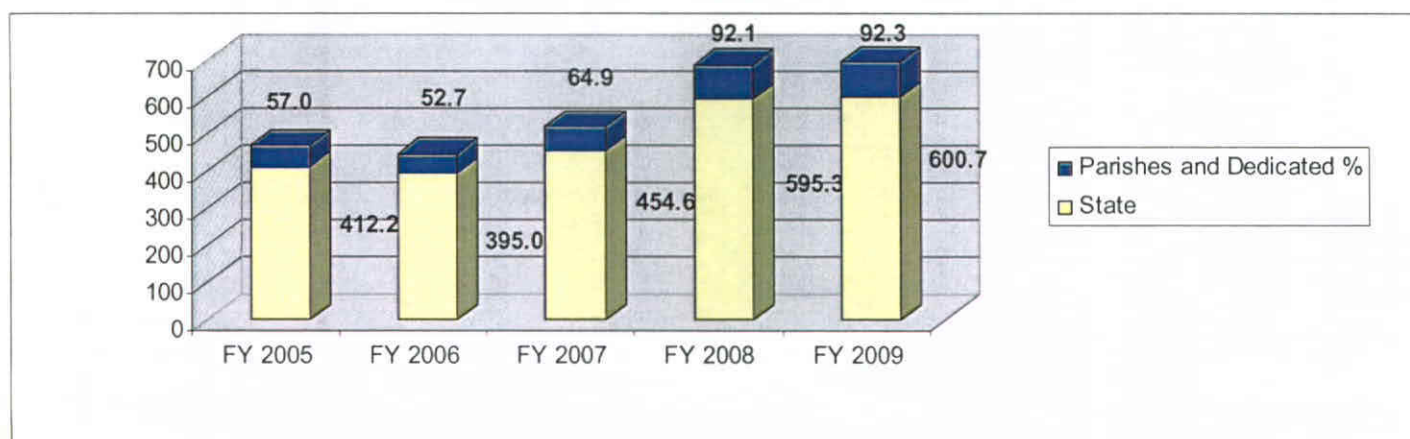
(Price x Volume) - Severance Tax - Allowable Expenses = Net Value

Net Value x State Decimal (up to 25%) = Royalty Payment

Source: Developed by legislative auditor's staff using information from DNR.

The accuracy of royalty payments is important to the state because royalties provide revenue to the state. As shown in Exhibit 3, the total amount of royalties received was \$693 million in FY 2009. One-tenth of royalty revenue each month is distributed to the parishes where the production occurs. A certain percentage is also statutorily dedicated to certain entities, such as the Department of Wildlife and Fisheries. However, most royalties go to the State General Fund in accordance with Article VII, Section 9 of the Louisiana Constitution. Exhibit 3 summarizes the total amount of royalty revenues from FY 2005 to FY 2009.

**Exhibit 3
Total Amount of Revenue in Millions From Royalties
FY 2005-2009**



Source: Prepared by legislative auditor's staff using data from OMR. Total royalties collected differ from Exhibit 4 because of the timing of data collection.

DNR's Role in Auditing Royalty Payments (OMR)

According to Louisiana Revised Statute (R.S.) 30:129, the State Mineral Board is required to determine whether the companies complied with all lease terms. To fulfill this requirement, DNR's OMR conducts (or has conducted) a variety of audits to help ensure that companies are submitting accurate royalty payments. These audits are summarized below.

Desk Audits of State Royalty Reports. Desk audits of state royalty reports consist of reviewing exception reports generated by the Strategic Online Natural Resources Information System (SONRIS). Companies are required to submit monthly royalty reports that document their sale of oil, gas, and other mineral products and the amount of royalty due to the state. Five staff in the Royalty Reporting Section within OMR review each report for obvious errors and recalculate totals. Once obvious errors are corrected, the reports are entered in SONRIS and the system performs a series of validations on each report. For example, SONRIS validates that the price and severance tax is reasonable and validates that the state's percentage share of royalty is correct. Once all reports have been entered, SONRIS generates exceptions. Some exceptions are rejected and must be sent back to the companies for correction. Companies may be billed for additional royalties that they did not initially submit.

Desk Audits of Volume (or Compliance Reviews). As stated above, companies submit monthly royalty reports to OMR. To conduct desk audits of volume, OMR staff in the Royalty Reporting Section compare the state royalty reports to the production reports and transporter reports submitted to OOC. Staff then send letters to the companies requesting an explanation for any variances between these reports. Depending on their response, OMR may bill the companies for additional royalties. However, these audits have not been conducted in over 10 years. See page 10 for more information on this issue.

Field/Desk Audits of Royalty Payments. Twelve auditors in the regional offices conduct field audits on a certain percentage of royalty dollars each year. Field audits are generally conducted on companies with royalties totaling \$100 million or greater. The auditors conduct onsite audits at company offices and review documentation such as meter statements, check details, and wire transfers to verify the volume and price of oil and gas sold. Also, desk audits are generally conducted on companies with royalties totaling \$1 million or less. These audits are similar to field audits except they are conducted in the regional offices of DNR. Both types of audits detect problems that often result in DNR billing companies for additional royalties. For example, in FY 2009, auditors collected from companies approximately \$6.4 million in additional royalties.

Other Audits That Affect Accuracy of Royalty Payments (OOC and LDR)

In addition to OMR's role in auditing royalty payments described previously, both DNR's OOC and LDR conduct audits which impact the accuracy of royalty payments. These duties are summarized below.

DNR's OOC. R.S. 30:4 gives the commissioner of OOC the jurisdiction and authority over all persons and property necessary to effectively enforce laws relating to oil and gas. As such, this office has the authority to inspect and examine properties and leases and to test and gauge all oil and gas wells, tanks, refineries and modes of transportation for compliance with regulations. OOC also issues permits for companies to drill wells on both public and private lands and determines the allowable amount (volume) that each well can produce. A total of 22 staff in the Production Audit Section within the OOC are responsible for inputting data from production and transporter reports into SONRIS. SONRIS reviews and reconciles reports and generates error reports that production auditors review and correct. Some errors may require that companies submit corrected data. The purpose of these audits is to ensure that companies are submitting required reports and complying with production regulations.

LDR. LDR has four auditors that are responsible for conducting audits to ensure that companies are paying the correct amount of severance taxes on all required wells. Severance taxes are calculated based on the total volume of oil and gas produced. Severance taxes also affect the accuracy of royalty payments because companies are allowed to deduct severance taxes when calculating royalty payments.

Objective: Has DNR developed a comprehensive auditing process to ensure that the state is receiving accurate oil and gas royalties?

While DNR conducts field audits that have generated over \$75 million in additional royalty payments over the last five fiscal years to the state, OMR's audit process could be more comprehensive by periodically auditing smaller companies. OMR has never audited approximately 32% of companies who have submitted approximately \$43 in royalties over the last 10 fiscal years. Although these companies have not paid a large amount of royalties overall, there is no assurance that what these companies have been paying over the years is accurate.

In addition, DNR has not conducted a desk audit of volume (see page 5) in over 10 years. These audits are used extensively in other states as a cost-effective way of identifying errors in royalty payments. Finally, DNR is not currently using all available sources of data to help ensure that royalty payments are accurate. These issues are discussed in more detail below.

OMR field auditors have audited 21% of royalties and have recovered over \$75 million in additional royalties over the last five fiscal years

As mentioned in the background section, OMR conducts field audits of royalty payments to ensure that companies pay the state the correct amount of royalties. According to OMR data, OMR has conducted field audits on over \$469 million in royalties over the last five fiscal years. These audits have resulted in over \$75 million of additional royalties for the state.

According to DNR, the number of audits OMR conducts each year is dictated by its objective in the executive budget and its staffing levels. The current FY 2010 objective requires that OMR increase the percentage of royalties audited to total royalties paid by 1% per year up to a maximum of 25%. Exhibit 4 on the following page summarizes total royalty dollars submitted to OMR, the percentage of royalty dollars audited by OMR, the amount recovered by OMR, and the requirements specified in OMR's objective in the executive budget for the last five fiscal years.

Exhibit 4
Total and Percentage of Royalties Collected and Audited,
Percentage of Additional Royalties Collected From Audits,
and Audit Requirements in Executive Budget
FY 2005 to FY 2009

Fiscal Year	Total Royalties Collected in Audited Year*	Total Amount Audited	% Audited	Amount of Additional Royalties Collected From Audits	Requirement per Objective in Executive Budget for Fiscal Year
2009	\$519,528,580	\$96,657,718	19%	\$6,389,061	To increase the percentage of royalties audited to royalties paid by 1% each year
2008	447,669,081	102,375,023	23%	2,805,081	To increase the percentage of royalties audited to royalties paid by 1% each year
2007	469,216,638	105,783,589	23%	3,490,560	To increase the percentage of royalties audited to royalties paid by 1% each year
2006	431,821,285	74,985,155	17%	7,097,735	To increase the percentage of royalties audited to royalties paid by 1% each year
2005	374,217,632	89,813,476	24%	55,469,241**	Maintain the percentage of royalties audited to royalties paid at 25%
Total	\$2,242,453,215	\$469,614,961	21%	\$75,251,678	

*The total royalty dollars collected differ from the numbers in Exhibit 3 because audits are based on royalty dollars collected two years back. For example, the audits conducted in FY 2008 are for royalties from FY 2006.

**FY 2005 audit collections were higher than normal because of two settlements the state received resulting from audits.

Source: Prepared by legislative auditor's staff using data from OMR.

As the exhibit shows, OMR has audited from 17% to 24% of royalty dollars each year over the last five fiscal years. However, DNR stated that because the objective specifies a target percentage to audit, it limits the number and variety of companies who are audited each year. To meet its objective, OMR generally uses the amount of royalties as the primary criteria² in selecting companies to audit. As a result, it is possible that many of the same companies have been reviewed year after year and some companies have never been audited at all. According to OMR data, approximately 168 of 522 (32%) of companies have never been audited. These companies have submitted approximately \$43 million in royalties over the last 10 fiscal years. Although these companies paid a relatively small amount of royalties, there is no assurance that what these companies have been submitting in royalties during that time frame is accurate. Because more comprehensive audit coverage may mean increased revenue to the state, OMR should plan to include smaller companies in its audit schedule as well.

² OMR also uses additional risk factors, such as leads from other divisions and previous audit findings, to select some companies but larger companies are first priority to meet the objective

Other states, such as Texas and Alaska, are not required to audit a certain percentage of royalties each year. These states use a variety of risk-based criteria to select companies to audit and then try to audit as many as their resources allow. At the federal level, a similar performance goal at MMS that specified a required percentage to audit was criticized in an Inspector General's report for reducing the number of companies subjected to compliance work.

According to OMR, the reason that it has not increased the percentage of royalties it audits to include these smaller companies is due to a lack of audit staff. OMR has evaluated the cost-effectiveness of hiring more auditors and found that over the last 10 years, each auditor has generated an average of \$1.2 million in increased revenue each year. Hiring additional auditors to increase audit coverage may result in a cost-effective way to increase revenue to the state. According to OMR, it requested 10 additional auditors in the FY 2010 budget request; however, the request was not approved.

To better show its performance and potentially justify more positions, OMR should consider revising its current performance information to show the outcomes from its audit efforts. As discussed above, OMR auditors recover a large amount as a result of their audits. However, OMR's current objective does not include performance indicators that show these outcomes resulting from audits. Texas uses several indicators to show the outcomes of its audits, including the percent of oil and gas revenue resulting from audits and the average revenue generated per auditor. Outcome measures such as these would allow the legislature and other decision makers to better evaluate the cost-effectiveness and success of audit efforts. For example, the average amount recovered per audit or auditor would be a useful indicator to show the effectiveness of OMR audits.

Recommendation: DNR should consider adjusting its selection criteria for audits to provide the most comprehensive audit coverage as possible, which includes periodically auditing smaller companies.

Summary of Management's Response: DNR disagrees with this recommendation and stated that their current selection criteria are sufficiently comprehensive and provide the greatest return on investment.

Recommendation: DNR should assess its agency resources as a whole and determine if it would be cost effective to transfer existing resources within DNR to audit a larger percentage of royalties.

Summary of Management's Response: DNR agrees with this recommendation and stated that they will evaluate their resources to determine if some resources can be transferred to the auditing function.

Recommendation: DNR should consider working with the Office of Planning and Budget to revise its overall objective and associated performance indicators to ensure appropriate audit coverage while better reflecting the actual outcomes.

Summary of Management's Response: DNR partially agrees with this recommendation and stated that if they were granted the staff resources, they would revise their current performance indicator to audit 33% of royalties per year. DNR stated that auditing all payors on a three-year rotating cycle is the most effective methodology.

OMR has not conducted desk audits of volume since 2000

OMR's Royalty Reporting Section previously conducted desk audits of volume (also called compliance reviews) which helped ensure that royalty payments were reasonable and complete. This review compared the sales volume of oil and gas reported to OMR with the production volume of oil and gas reported to OOC in production reports and transporter reports. However, OMR has not conducted these desk audits since 2000. Although OMR did not have any data on the amount of revenue generated from these past audits, OMR staff said that these audits were lucrative for the state because they found additional royalties owed to the state from companies. In addition, these audits require fewer staff and less time so they can be more cost-effective than field audits.

Other states, such as Texas and Oklahoma, and the federal government (MMS) all use these types of audits to help ensure that royalties reported by companies are reasonable. In FY 2009, Texas generated an additional \$3.1 million in additional revenue for the state from these types of audits.

Not only are these audits important for ensuring that royalty payments are reasonable, they are also important for ensuring that royalties have been collected from all wells that are reporting production on state lands. For example, in a July 2009 audit report on MMS, GAO compared a sample of federal leases in the Gulf of Mexico producing gas to royalty reports for the same time frame and found that 5.5% of royalty reports were missing. These reports represented approximately \$117 million in royalties that may not have been collected.

According to OMR, it has not performed these audits because of a lack of staff. OMR currently has five audit staff in this section and there are approximately 250 companies who send in royalty reports to review on a monthly basis. However, OMR is in the process of converting to an online system that will accept royalty reports electronically and will automate some of the preliminary audit steps. According to OMR, this system should allow auditors more time to focus on conducting volume audits.

Another alternative is to automate the actual desk audits of volume. Since both OOC and OMR enter data on volume into the SONRIS, DNR should investigate whether a query or program could be developed to compare these reports and generate exceptions when differences exist between OOC and OMR reports. Texas is currently pursuing automating this review as well.

Recommendation: DNR should require companies to use electronic reporting for both production reports and royalty reports. Requiring companies to enter these reports directly into SONRIS would allow auditors more time to conduct desk audits of volume.

Summary of Management's Response: DNR agrees with this recommendation and stated they are currently working toward this goal.

Recommendation: DNR should resume conducting desk audits of volume. The results of these audits should be documented and additional collections resulting from these audits should be tracked.

Summary of Management's Response: DNR agrees with this recommendation and stated they have a written plan for resuming volume audits.

Recommendation: Once all companies are reporting electronically and DNR resumes conducting desk audits of volume, DNR should consider developing a program within SONRIS that automates volume audits. This program should also include exception reports that are generated when volume numbers do not match between OOC and OMR.

Summary of Management's Response: DNR agrees with this recommendation and stated they will work with their information technology staff to automate the process.

Recommendation: Once DNR resumes its desk audits of volume, it should use the results of these audits as part of its selection criteria for scheduling companies for field audits.

Summary of Management's Response: DNR agrees with this recommendation and stated that volume audit results will be included in the audit selection criteria when they are resumed.

DNR has not coordinated audit activities that could affect the accuracy of royalty payments

DNR has not ensured that all audit activities that could affect the accuracy of royalties are coordinated with other departments and agencies. Although both OOC and LDR conduct audits related to the accuracy of oil and gas volume, neither entity reports the results of their audits to OMR nor does OMR try to obtain such results. Since the volume of oil and gas is a key input into the royalty calculation, having this information would help OMR verify the accuracy of royalty payments.

As mentioned on page 6, a total of 22 OOC production auditors input data into SONRIS from production and transportation reports showing the volume of oil and gas produced and transported from all wells in the state. SONRIS reconciles the reports and generates an error report if it finds a discrepancy between what is reported. Production auditors review the error reports and companies may be asked to submit corrected data. However, OMR does not coordinate with OOC to obtain the results of OOC's production audits.

In addition, OOC field agents conduct a variety of inspections of wells. In FY 2009, they conducted approximately 27,000 field inspections. These inspections are designed to ensure that wells are operating in accordance with rules and regulations. However, OOC does not report problems that its inspectors found to OMR. Some of these problems could affect royalties. We asked OOC to provide us with inspection findings that could affect the accuracy of royalties, but OOC said that production inspections are generally handwritten as narrative inspections and the results could not easily be quantifiable.

LDR also has useful information that could help OMR better verify the accuracy of royalty payments. LDR auditors review a sample of severance tax reports and conduct field audits to ensure that severance taxes were calculated correctly. Severance taxes, like royalties, are based on the volume of oil and gas produced. Ensuring that severance tax is calculated correctly is important because companies are allowed to deduct severance taxes when calculating royalty payments. Therefore, if severance taxes are incorrect, it is likely that royalties will also be incorrect. Although OMR verifies severance tax information when it conducts royalty field audits, it does not coordinate with LDR to obtain the results of its severance tax audits. Routinely obtaining the results of LDR audits would help OMR verify the accuracy of severance taxes on a more frequent basis.

LDR audits have consistently found problems related to companies who both under pay and over pay their severance taxes. For example, from FY 2007 to FY 2009, LDR data shows that some companies have overpaid approximately \$22 million in severance taxes and others have underpaid approximately \$32 million in severance taxes resulting in a net underpayment of taxes of approximately \$10 million. Exhibit 5 summarizes this information.

Exhibit 5				
Total Amount of Severance Tax Overpayments and Underpayments				
FY 2007 to FY 2009				
	FY 2007	FY 2008	FY 2009	TOTAL
Overpayments	\$5,275,443	\$6,121,742	\$10,775,007	\$22,172,192
Underpayments	14,079,007	7,386,479	11,097,711	32,563,197
			Net Underpayment	\$10,391,005
Source: Prepared by legislative auditor's staff using data from LDR.				

As the exhibit shows, LDR audits find substantial errors related to the correct calculation of severance taxes. DNR is currently pursuing a cooperative endeavor agreement that transfers the severance tax auditing function from LDR to OMR. Transferring this function to DNR may resolve the problems discussed above.

Recommendation: DNR should develop a system or process whereby OOC would report any production discrepancies, errors, or violations it discovers in its compliance work to OMR. This process would help ensure that royalty payments are based on accurate data.

Summary of Management's Response: DNR agrees with this recommendation and stated that they are in the process of executing a Memorandum of Understanding between OMR and OOC to accomplish this goal.

Recommendation: DNR management should require OMR auditors to coordinate and communicate with LDR to verify the accuracy of severance tax data.

Summary of Management's Response: DNR agrees with this recommendation but states that this is a moot point since DNR will conduct LDR's severance tax field audits beginning July 1, 2010.

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APPENDIX A: MANAGEMENT'S RESPONSE

BOBBY JINDAL
GOVERNOR



ROBERT D. HARPER
SECRETARY

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

June 23, 2010

Mr. Daryl Purpera, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

The Department of Natural Resources has reviewed the revised draft of your office's performance audit report on the process of auditing mineral royalties. The Department, for the most part, concurs with the findings and recommendations contained in that report. As requested, we have included the enclosed completed checklist. Our comments regarding the weaknesses identified in the report are as follows.

Finding #1: • OMR has audited approximately 21% of royalties and has recovered over \$75 million during the last five fiscal years. However, according to OMR data, they have not audited 168 of 522 (32%) of companies who have paid approximately \$43 million in royalties over the last ten fiscal years.

DNR's Response: We concur that 168 of companies who have paid royalties in the past ten years have not been audited. We also concur that auditing more companies would generate additional revenue for the state.

Finding #2: • OMR has not conducted a desk audit of volume since 2000.

DNR's Response: We concur that OMR has not conducted a desk audit of volume since 2000. We also recognize the importance of this function and have been working to resume this program. We anticipate that we will be able to resume volume auditing by the end of fiscal year 2011.

Finding #3: • DNR has not coordinated audit activities that could affect the accuracy of royalty payments.

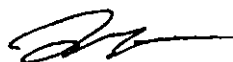
DNR's Response: We concur, in part, with the finding that OMR has not coordinated audit activities with the Office of Conservation (OOC) and the Department of Revenue (LDR). To date, there has been no system of communications with either entity. However, we do not concur that incorrect severance taxes may result in incorrect royalty payments because severance tax deductions are audited for accuracy during royalty field audits. As part of the Streamlining Commission's recommendations, OMR will take over LDR's severance tax field audit program and the two audits will be integrated beginning July 1, 2010. We concur that a

Daryl Purpera, CPA
June 24, 2010
Page 2

system of communications between OMR and OOC will be beneficial. Consequently, we have executed a Memorandum of Understanding to establish a system of communications in which OMR will be notified of production audit findings.

In closing, we greatly appreciate the professional efforts of your office in the preparation of this report. We are proud that our performance information is valid and relevant to the department's mission, goals, and objectives, and demonstrates the success of our audit program. We believe that the reports recommendations will be useful in our administration of our audit program.

Sincerely,



Louis E. Buatt
Acting Assistant Secretary

Enclosure

cc: Robert D. Harper, Secretary



Louisiana Legislative Auditor
Performance Audit Division

Checklist for Audit Recommendations

Instructions to Audited Agency: Please check the appropriate box below for each recommendation. A summary of your response for each recommendation will be included in the body of the report. The entire text of your response will be included as an appendix to the audit report.

RECOMMENDATIONS	AGREE	DISAGREE
<p>Recommendation 1: DNR should consider adjusting its selection criteria for audits to provide the most comprehensive audit coverage as possible, which includes periodically auditing smaller companies (pg. 10 of the report)</p> <p>DNR Comments: We do not agree with this recommendation. Our audit selection criteria include the amount of royalty paid, the time period since last audit, prior audit findings, audit findings of affiliated companies, audit findings of OMR desk auditors, and any other audit leads received. We believe that these selection criteria are sufficiently comprehensive and provide for the greatest return on our auditing investment.</p>		✓
<p>Recommendation 2: DNR should assess its agency resources as a whole and determine if it would be cost-effective to transfer existing resources within DNR to audit a larger percentage of royalties (pg. 10 of the report)</p> <p>DNR Comments: We concur with this recommendation and will evaluate our resources to determine if some resources can be transferred to the auditing function.</p>	✓	
<p>Recommendation 3: DNR should consider working with OPB to revise their overall objective and associated performance indicators to ensure appropriate audit coverage while better reflecting their actual outcomes (pg. 10 of the report)</p> <p>DNR Comments: We partially concur with this recommendation. If we were granted the staff resources, we would revise our performance indicator to audit 33% of royalties per year. We believe that auditing all payors on a three-year rotating cycle is the most effective methodology.</p>	✓	

<p>Recommendation 4: DNR should require companies to use electronic reporting for both production reports and royalty reports. Requiring companies to enter these reports directly into SONRIS will allow auditors more time to conduct desk audits of volume (pg. 11 of the report)</p> <p>DNR Comments: We concur with this recommendation and are currently working toward this goal.</p>	✓	
<p>Recommendation 5: DNR should resume conducting desk audits of volume. The results of these audits should be documented and additional collections resulting from these audits should be tracked (pg. 11 of the report)</p> <p>DNR Comments: We concur with this recommendation and we have a written plan for resuming volume audits.</p>	✓	
<p>Recommendation 6: One (<i>sic</i>) all companies are reporting electronically and DNR resumes conducting desk audits of volume, DNR should consider developing a program within SONRIS that automates volume audits. The program should also include exception reports that are generated when volume numbers do not match between OOC and OMR (pg. 11 of the report)</p> <p>DNR Comments: We concur with this recommendation and will work with our information technology staff to automate the process.</p>	✓	
<p>Recommendation 7: Once DNR resumes its desk audits of volume it should use the results of these audits as part of its selection criteria for scheduling companies for field audits (pg. 11 of the report)</p> <p>DNR Comments: We concur with this recommendation and volume audit results will be included in the audit selection criteria when they have resumed.</p>	✓	
<p>Recommendation 8: DNR should develop a system or process where OOC reports any production discrepancies, errors, or violations it discovers in its compliance work to OMR. This would help ensure that royalty payments are based on accurate data (pg. 13 of the report).</p> <p>DNR Comments: We concur with this recommendation and are in the process of executing a Memorandum of understanding between OMR and OOC to accomplish this goal.</p>	✓	

<p>Recommendation 9: DNR management should require OMR auditors to coordinate and community with LDR to verify the accuracy of severance tax data (pg. 13 of the report).</p> <p>DNR Comments: We concur that communications between LDR and DNR are beneficial. However, we believe that this recommendation is a moot point because DNR will conduct LDR's severance tax field audits beginning July 1, 2010.</p>		
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RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

ON MOTION OF Ms. Smith, duly seconded by Messrs. Arnold & Harper, the following resolution was unanimously adopted by the Louisiana State Mineral and Energy Board, to-wit:

WHEREAS, the state of Louisiana is thankful for its abounding natural resources, at the hand of an all-wise Providence; and

WHEREAS, the state of Louisiana has a strong and vital interest in developing its natural resources for the benefit of its citizens; and

WHEREAS, the development of alternative energy sources will contribute to the energy security of the United States, reduce dependence on fossil fuel resources and provide opportunities for mitigating greenhouse gases; and

WHEREAS, the state of Louisiana is committed to formulate, fund, and implement a comprehensive plan to address our nation's short and long term energy needs in a sustainable and environmentally sound manner; and

WHEREAS, the state of Louisiana recognizes the need to reduce the State's reliance on nonrenewable carbon-based resources by increasing the availability of renewable alternate energy resources; and

WHEREAS, renewable alternate energy presents an unlimited energy source and will provide benefits for the state by reducing local pollution caused by traditional gas-fired generators and greenhouse gas emissions caused by fossil fuel-fired power plants, thus creating a cleaner environment and reducing global climate change; and

WHEREAS, due to the leadership of Senator Nicholas "Nick" Gautreaux, Senator Michael J. "Mike" Michot and Representative Jeffery "Jeff" J. Arnold, Act 875 and Act 930, hereinafter referred to as "THE ACT", was passed by the legislature of the State of Louisiana during the 2010 regular session,

WHEREAS, THE ACT authorizes the State Mineral and Energy Board to lease state lands for the exploration, development, and production of energy from alternative energy resources;

WHEREAS, THE ACT will result in significant environmental and economical benefit for the state of Louisiana and it will encourage the employment and training of the state's workforce for the development, construction and operation of alternate energy sources; and

WHEREAS, THE ACT will increase the research and development of new sources of energy by Louisiana engineers, scientists, and entrepreneurs and it will provide an incentive in the private sector's effort in creating a clean energy future; and


WHEREAS, THE ACT will promote investment made in the state of Louisiana for the development of alternative energy sources such as solar power, wind power, geothermal power, hydroelectric power, and hydrokinetic power in the state of Louisiana; and

WHEREAS, the board recognizes that Louisiana can serve as a national leader for the development of alternative energy sources because the state has a highly-skilled and productive workforce, a hospitable business climate, a great heritage of energy development, and has the expertise and infrastructure necessary to develop alternative energy sources;

NOW, THEREFORE, BE IT RESOLVED, that the Louisiana State Mineral and Energy Board, in consideration of Act 875 and Act 930, adopts this resolution of thanks and congratulates Senator Nicholas "Nick" Gautreaux, Senator Michael J. "Mike" Michot and Representative Jeffery "Jeff" J. Arnold for their political and visionary leadership in enacting legislation which would promote the development of alternative energy sources which will meet the energy demands of the citizens of the state of Louisiana.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



Secretary
State Mineral and Energy Board

ON MOTION OF _____, duly seconded by _____, the following resolution was adopted by the Louisiana State Mineral and Energy Board, to-wit:

WHEREAS, the state of Louisiana has a strong and vital interest in developing its natural resources for the benefit of its citizens; and

WHEREAS, Louisiana Revised Statute 30:129 requires the State Mineral and Energy Board, hereinafter referred to as the "board", to take all appropriate action to assure that undeveloped or nonproducing state lands and water bottoms are reasonably and prudently explored, developed, and produced for the public good; and

WHEREAS, pursuant to Louisiana Revised Statute 30:129, the board is the body designate to award and administer mineral leases on lands and water bottoms belonging to the State or the title to which is in the public trust; and

WHEREAS, the board recognizes that it is essential to continue the growth and development of the mineral resources of the state of Louisiana in order to ensure the continued prosperity and welfare of the people of the state; and

WHEREAS, the board understands that the continued development of the mineral resources of the state of Louisiana has a significant stimulating effect on the economy of Louisiana, will create good jobs and increase the personal income to Louisiana families, will increase spending in communities throughout the state and help grow local economies, will increase the collection of taxes levied on income and ad valorem taxes levied on property and money derived from service and other secondary industries related to the oil and gas industry; and

WHEREAS, the Obama Administration on May 28, 2010 issued an moratorium which suspend deepwater exploratory drilling, drilling in depths greater than five hundred (500) feet, for a minimum of six month in response to the Deepwater Horizon disaster which occurred off the Louisiana coast on April 20, 2010; and

WHEREAS, the citizen of Louisiana are at the epicenter of the systemic economic damage now being inflicted by the Obama Administration's ill-considered actions; and

WHEREAS, the moratorium will result in immediate and long-term economic dislocations for Louisiana workers and their families, for associated support industries, for the deepwater drilling industries and Louisiana's fiscal health by restricting major deepwater development operations, some of which were already underway and which vast resources have been committed,

WHEREAS, according to article titled "*Economic Impact of the Gulf Oil Spill*", written by Marisa di Natale in Moody's Analytics Report, the oil and gas infrastructure of Louisiana accounts for a large share of its GDP – up to twenty (20) percent in some metro areas near the Gulf Coast; and

WHEREAS, the moratorium will overwhelmingly impact deepwater rigs directly off Louisiana's coast and extinguish thousands of jobs on those rigs and in the support and service industries; and

WHEREAS, numerous funds established by the Louisiana Constitution are dependent on oil and gas revenue, such as the Budget Stabilization (or "Rainy Day") Fund (LA. CONST. art. VII, §10.3); The Coastal Protection and Restoration Fund (LA. CONST. art. VII, §10.2); First Use Tax Trust (LA. CONST. art. IX, §9) and the Louisiana Oil Spill Contingency Fund (LA. CONST. art. VII, §10.7), and these funds will be adversely impacted by the moratorium; and;

WHEREAS, the board recognizes the state of Louisiana faces a forecasted budget deficit of approximately one point three (1.3) billion dollar for the 2010-11 fiscal year and that income generated from oil and gas exploration and production is vital to the state in order to provide funds each year for colleges and university, education, health-care programs for the poor and other state services; and

WHEREAS, Article VII, §4(D) of the 1974 Louisiana Constitution requires that twenty (20) percent of severance taxes, up to eight hundred fifty thousand dollars (\$850,000), be remitted to the parish in which the severance or production occurs; and

WHEREAS, Article VII, §4(E) of the 1974 Louisiana Constitution requires that ten (10) percent of royalties collected be remitted to the parish in which severance or production occurs; and

WHEREAS, the board recognizes the great impact on parish government tax revenues attributable to oil and gas exploration and extraction which are generated as a result of drilling and extraction activities in Louisiana; and

WHEREAS, for the five fiscal years which ended June 30, 2009, state mineral income from royalty and severance taxes distributed to the parishes totaled \$438,004,960; and

WHEREAS, the board recognizes that oil and gas exploration and production related activity, except for the Haynesville Shale, has significantly declined in the rest of Louisiana over the past several years; and

WHEREAS, the board recognizes that the discovery of the Shale Resource Plays have significantly altered the investment dynamic of oil and gas exploration activity in the state of Louisiana by shifting the majority of new well development to the northwestern part of the state. The board attaches importance to the facts that the shale is found at depths of 10,000 to 14,000 feet, that there has been an increase in the number of operating rigs in northwestern part of the state while the rig count in coastal Louisiana has decline, no dry hole has been drilled in the Haynesville Shale Play and that well and exploration companies are rapidly recovering their cost of drilling and completing each well in the Haynesville Shale Play; and

WHEREAS, the board recognizes that the data from Baker Hughes and the Louisiana Department of Conservation indicates that as of August 6, 2010, there are one hundred forty one (141) operating rigs in northwestern Louisiana compare to only twenty eight (28) operating rigs in the southern part of Louisiana; and

WHEREAS, the board recognizes that the majority of the lands owned by the state of Louisiana in which it has the majority of its mineral interest are located in the coastal zone; and

WHEREAS, the board recognizes that Louisiana can serve as a national leader for the development of deep oil and gas exploration because the state has a highly-skilled and productive workforce, a hospitable business climate, and has a great heritage of oil and gas development; and

WHEREAS, the board is desirous of attracting to and keeping in Louisiana those companies capable of and engaged in the type of deep and ultra-deep drilling necessary to reach and produce from the remaining significant hydrocarbon reservoirs in Louisiana; and

WHEREAS, the board acknowledges that in South Louisiana, that out of the twenty eight (28) active drilling rigs, sixteen (16) are located on land, ten (10) are located on inland waters and two (2) are located on offshore waters; and

WHEREAS, the board recognizes that through its aggressive management, the average royalty per acre in offshore Louisiana has been between twenty one and seven tenths (21.7) and twenty four and five tenths (24.5) percent which surpasses the minimum royalty required by Louisiana Revised Statute 30:127 of one-eighth on all oil and gas produced; and

WHEREAS, Senate Concurrent Resolution No. 146, passed by the legislature of the State of Louisiana during the 2009 regular session, requested the board to consider adopting policies which encourages the development of wells drilled to a depth of at least fifteen thousand feet true vertical depth from the surface;

WHEREAS, the board is aware of the fact that a majority of the shallow hydrocarbon production in Louisiana has been garnered in the past and that the bulk of future production may necessitate deeper drilling; and

WHEREAS, the board recognizes that it is more difficult to a drill deep well, the drilling cost of a well increases significantly with the depth of the well, and that the oil and gas exploration, development and production company bear a greater financial risk in drilling deep wells; and

WHEREAS, the board believes that financial relief made available to such companies to offset those increased costs of drilling and production, such as royalty relief, may be one means of rendering Louisiana more appealing to engage in drilling deep wells.

NOW, THEREFORE, BE IT RESOLVED, that the Louisiana State Mineral and Energy Board, in consideration of Senate Concurrent Resolution No. 146 and other factors set forth hereinabove and in order to provide an economic incentive to allow producers to invest in drilling wells in south Louisiana and in drilling wells to depths greater than a true vertical depth (TVD) of twenty thousand (20,000) feet, hereinafter referred to as "deep well", does herein and hereby acknowledge that in order to promote the leasing of state owned lands in the Louisiana Coastal Zone and deep well drilling to the ultimate benefit to the state of Louisiana, it will provide a royalty relief incentive for any new lease granted and for existing lease in the Louisiana Coastal Zone which drills a well between 15,000 to 20,000 feet (TVD) and which has obtained production in paying quantities from these depths and for any new deep well drilled within the Coastal Zone and which has obtained production in paying quantities from below 20,000 feet (TVD). The board directs the office of mineral resources to provide a royalty relief incentive for a period of three (3) years from the signing of this resolution. The royalty relief incentive may be extended beyond the three year period by the board through the adoption of a new resolution. In order to accomplish the purpose set forth above, the office of mineral resources shall include as an addendum to the royalty payment provisions of any future mineral lease granted in the Coastal Zone and for any new deep well drilled after the adoption of this resolution, for a period of three (3) years, the following royalty relief incentives:

- 1.) For any new lease granted in which a well is drilled or for any existing lease in which a new exploratory well is drilled in a new and unproduced sand, zone or formation certified by the Commissioner of Conservation, in Louisiana Coastal Zone after the adoption of this resolution, for which a well is drilled during the term of the Lease, to a true vertical depth (TVD) of 15,000 to 20,000 feet, a royalty relief period shall commence on the date of first production and shall terminate three (3) years after this date or when the well stops production in paying quantities from these depths. During this royalty relief period, the minimum acceptable royalty rate shall be set as defined below:
 - a. The initial royalty relief will be at a rate of one-sixth until the production volume has reached a volume of 5 Bcfe (billion cubic feet equivalent) of Gas utilizing any method of production in the field. The production volume limit shall consist of the total number of barrels of oil (including condensate) produced plus the volume of gas (including casinghead gas) produced. The barrels of oil shall be converted to a gas equivalent utilizing a conversion factor of 1 barrel of oil per 5.8 Mcfe (thousand cubic feet equivalent) at 15.025 psia;
 - b. The secondary royalty relief will be at rate of 18.75% for the remainder of the 3 year royalty relief period;
 - c. At the end of the royalty relief period the royalty rate will be the lease royalty for the remainder of the lease term; and
 - d. In order to allocate the wells cost among the mineral owners participating in either a conventional or voluntary unit, the production volume trigger level as state in part a above will be adjusted and limited to the same proportion of the state-owned lands share in unit production.
- 2.) If during the primary term of a lease for any inland tract a well is spud and drilled to a true vertical depth (TVD) of 20,000 feet or greater (Deep Well), the primary term may be extended to 5 years (Extended Primary Term) upon recognition by Board resolution.
- 3.) For any well drilled during the term of this lease, and completed at a TVD depth of 20,000' or greater, a royalty relief period will commence on the date of first production and terminate 5 years after this date. During this royalty relief period the royalty rate shall be set as defined below,
 - a. The initial royalty relief will be at a rate of 12.5% until the production volume has reached 5 Bcfe (billion cubic feet equivalent) of Gas for the Deep Well utilizing any method of production in the field. The production volume limit shall consist of the total number of barrels of oil (including condensate) produced plus the volume of gas (including casinghead gas) produced. The barrels of oil shall be converted to a gas equivalent utilizing a conversion factor of 1 barrel of oil per 5.8 Mcfe (thousand cubic feet equivalent) at 15.025 psia;
 - b. The secondary royalty relief will be at rate of 18.75% for the remainder of the 5 year royalty relief period for the Deep Well,
 - c. At the end of the royalty relief period the royalty rate will be the lease royalty for the remainder of the lease term.
 - d. In order to allocate the wells cost among the mineral owners participating in either a conventional or voluntary unit, the production volume trigger level as state in part a above will be adjusted and limited to the same proportion of the state-owned lands share in unit production.

- 4.) If a well is drilled to a TVD of 25,000' or greater (Ultra Deep Well) during the primary term or extended primary term, the lease may be extended an additional 2 years upon recognition by Board resolution.

Any deep well royalty relief incentive shall only take effect when the lessee awarded the state mineral lease establishes a drilling or production unit for each particular sand, zone or formation with the Commissioner of Conservation and the deep well qualifies for the royalty relief.

Any prospective lease holder may submit a bid for a mineral lease which proffers Additional Consideration than those stated above, such as but not limited to a commitment for drilling operations with accompanying financial security payable to the state for failure to perform, comply or observe its drilling commitment; and/or a commitment for drilling operations with the payment of a fee payable to the state for failure to perform, comply or observe its drilling commitment; and etc. The board shall accept the bid most advantageous to the state and may lease upon whatever terms it considers proper and in accordance with applicable statutory requirements.

Any prospective lease holder desiring to take advantage of the royalty relief incentive policy should do so through the regular competitive royalty bid form in the space set aside for Additional Consideration on said bid form.

To take advantage of the royalty relief incentives as set forth above, the prospective lease holder shall agree to further compensate for the adverse impacts to coastal wetlands in an amount equal to at least one hundred twenty-five percent (125%) of the habitat value of the affected wetlands, calculated in accordance with an evaluation method adopted by the Department of Natural Resources.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the ____ day of _____, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.

Secretary
State Mineral and Energy Board

**THE FOLLOWING BID OPENING MEETING REPORT,
COMMITTEE REPORTS AND RESOLUTIONS
WERE MADE A PART OF THE AUGUST 11, 2010 MINUTES
BY REFERENCE**

A public meeting for the purpose of opening sealed bids was held on Wednesday, August 11, 2010, beginning at 8:30 a.m. in the La Belle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana.

Recorded as present were:

Bay E. Ingram, Mineral and Energy Board member

Victor Vaughn, Geologist Administrator-Geological & Engineering Division, and
Executive Officer to the State Mineral and Energy Board

Stacey Talley, Deputy Assistant Secretary of the Office of Mineral Resources

Frederick Heck, Director-Petroleum Lands Division

Rachel Newman, Director-Mineral Income Division

Emile Fontenot, Assistant Director-Petroleum Lands Division

Ryan Seidemann, Assistant Attorney General

Mr. Victor Vaughn, at the request of Acting Secretary Louis Buatt, presided over the meeting. He then read the letter of notification certifying the legal sufficiency of the advertisement of tracts which had been published for lease by the Board at today's sale. Mr. Vaughn read the letter as follows:

August 11, 2010

TO: MEMBERS OF THE STATE MINERAL AND ENERGY BOARD AND
REPRESENTATIVES OF THE OIL AND GAS INDUSTRY

Gentlemen:

Certified proofs of publication have been received in the Office of Mineral Resources on behalf of the State Mineral and Energy Board for the State of Louisiana from the "Advocate," official journal for the State of Louisiana, and from the respective parish journals as evidence that Tract Nos. 41557 through 41595 have been advertised in accordance with and under the provisions of Chapter 2, Title 30 of the Revised Statutes of 1950, as amended.

Yours very truly,

(Original signed)

Louis Buatt
Acting Secretary

Mr. Vaughn then stated that there was one (1) letter of protest received and had been examined by legal counsel for the Board who advised that the Board was in a position to consider bids and award a lease on the protested tracts if so desired. Mr. Vaughn stated that the letter of protest was as follows:

1. Exxon Mobil Corporation, dated August 4, 2010, involving Tract Nos. 41581, 41582, 41583, 41584 & 41595.

The Letter of Protest is hereby attached and made a part of the Minutes by reference.

For the record, Mr. Vaughn stated that Tract Nos. 41585, 41586 & 41593 will be recommended by staff to be withdrawn and will be taken up at the Nomination and Tract Committee meeting. It was further stated that if there were any bids received on these tracts, the bids would be returned unopened at the conclusion of the Board meeting.

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

OFFSHORE TRACTS

Tract 41557
(Portion – 1,056.01 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$184,801.75
Annual Rental	:	\$92,400.88
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41557
(Portion – 562.0 acres)

Bidder	:	Patrick L. Donohue Petroleum Properties, Inc.
Primary Term	:	Five (5) years
Cash Payment	:	\$101,160.00
Annual Rental	:	\$50,580.00
Royalties	:	22% on oil and gas
	:	22% on other minerals
Additional Consideration	:	None

Tract 41557
(Portion – 1,056.01 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$205,921.95
Annual Rental	:	\$102,960.67
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41558

No Bids

Tract 41559
(Portion – 1,186.71 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$237,342.00
Annual Rental	:	\$118,671.00
Royalties	:	23.25% on oil and gas 23.25% on other minerals
Additional Consideration	:	None

Tract 41559
(Portion – 1,186.71 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$261,076.20
Annual Rental	:	\$130,538.10
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41560

No Bids

Tract 41561

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$148,618.00
Annual Rental	:	\$74,309.00
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41561

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$163,479.80
Annual Rental	:	\$81,739.90
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41562
(Portion – 851.56 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$149,023.00
Annual Rental	:	\$74,511.50
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41562
(Portion – 851.56 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Five (5) years
Cash Payment	:	\$166,054.20
Annual Rental	:	\$83,027.10
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

August 11, 2010

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Tract 41563

No Bids

Tract 41564

No Bids

Tract 41565

No Bids

Tract 41566
(Portion – 390.79 acres)

Bidder	:	S2 Energy 1, LP
Primary Term	:	Five (5) years
Cash Payment	:	\$108,639.62
Annual Rental	:	\$54,319.81
Royalties	:	22.00% on oil and gas
	:	22.00% on other minerals
Additional Consideration	:	None

Tract 41567

No Bids

INLAND TRACTS

Tract 41568

Bidder	:	Encana Oil & Gas (USA) Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$16,167.84
Annual Rental	:	\$8,083.92
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	None

Tract 41569

Bidder	:	Encana Oil & Gas (USA) Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$611,728.00
Annual Rental	:	\$305,864.00
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	None

Tract 41570

Bidder	:	Encana Oil & Gas (USA) Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$922,896.00
Annual Rental	:	\$461,448.00
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	None

Tract 41571

Bidder	:	Comstock Oil and Gas-Louisiana, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$90,000.00
Annual Rental	:	\$45,000.00
Royalties	:	1/4th on oil and gas
	:	1/4th on other minerals
Additional Consideration	:	None

Tract 41572

Bidder	:	Comstock Oil and Gas-Louisiana, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$60,000.00
Annual Rental	:	\$30,000.00
Royalties	:	1/4th on oil and gas
	:	1/4th on other minerals
Additional Consideration	:	None

Tract 41573

Bidder	:	Comstock Oil and Gas-Louisiana, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$72,000.00
Annual Rental	:	\$36,000.00
Royalties	:	1/4th on oil and gas
	:	1/4th on other minerals
Additional Consideration	:	None

Tract 41574
(Portion – 406.0 acres)

Bidder	:	Pryme Lake Exploration LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$62,227.62
Annual Rental	:	\$31,113.81
Royalties	:	20.5% on oil and gas
	:	20.5% on other minerals
Additional Consideration	:	None

Tract 41575
(Portion – 10.00 acres)

Bidder	:	Pride Oil & Gas Properties, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$3,010.00
Annual Rental	:	\$1,505.00
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	10% Leasing Fee=\$301.00 \$20.00/ac. Fee=\$200.00 Total=\$501.00

Tract 41576

Bidder	:	Pride Oil & Gas Properties, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$2,709.00
Annual Rental	:	\$1,354.50
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	10% Leasing Fee=\$270.90 \$20.00/ac. Fee=\$180.00 Total=\$450.09

Tract 41577
(Portion – 109.694 acres)

Bidder	:	Apple Energy Corps, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$21,938.80
Annual Rental	:	\$10,969.40
Royalties	:	21.5% on oil and gas
	:	21.5% on other minerals
Additional Consideration	:	None

Tract 41578

No Bids

Tract 41579

No Bids

Tract 41580
(Portion – 280.0 acres)

Bidder	:	Sulphur River Exploration, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$91,560.00
Annual Rental	:	\$45,780.00
Royalties	:	21.50% on oil and gas
	:	21.50% on other minerals
Additional Consideration	:	10% Leasing Fee=\$9,156.00 \$20.00 per Acre Payment=\$5,600.00

Tract 41581

Bidder	:	Patrick L. Donohue Petroleum Properties, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$58,500.00
Annual Rental	:	\$29,250.00
Royalties	:	23.5% on oil and gas
	:	23.5% on other minerals
Additional Consideration	:	None

Tract 41582
(Portion – 35.0 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$7,000.00
Annual Rental	:	\$3,500.00
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41582
(Portion – 35.0 acres)

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$7,700.00
Annual Rental	:	\$3,850.00
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41583

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$38,150.00
Annual Rental	:	\$19,075.00
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41583

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$41,965.00
Annual Rental	:	\$20,982.50
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41584

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$89,950.00
Annual Rental	:	\$44,975.00
Royalties	:	23.25% on oil and gas
	:	23.25% on other minerals
Additional Consideration	:	None

Tract 41584

Bidder	:	Theophilus Oil, Gas & Land Services, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$98,945.00
Annual Rental	:	\$49,472.50
Royalties	:	25% from the surface to 24,000' and 1/6 below 24,000' on Oil, Gas, Other Liquid or Gaseous minerals in solution and produced with oil and gas saved or utilized
Additional Consideration	:	None

Tract 41585

Withdrawn

Tract 41586

Withdrawn

Tract 41587
(Portion – 111.99 acres)

Bidder	:	S2 Energy 1, LP
Primary Term	:	Three (3) years
Cash Payment	:	\$28,333.47
Annual Rental	:	\$14,166.74
Royalties	:	22.00% on oil and gas
	:	22.00% on other minerals
Additional Consideration	:	None

STATE AGENCY TRACTS

Tract 41588

Bidder	:	Classic Petroleum, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$151,066.86
Annual Rental	:	\$75,533.43
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	None

Tract 41589

No Bids

Tract 41590

No Bids

Tract 41591

Bidder	:	Classic Petroleum, Inc.
Primary Term	:	Three (3) years
Cash Payment	:	\$354,975.50
Annual Rental	:	\$177,487.75
Royalties	:	25.00% on oil and gas
	:	25.00% on other minerals
Additional Consideration	:	None

Tract 41592

Bidder	:	Samson Contour Energy E&P LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$83,962.50
Annual Rental	:	\$41,981.25
Royalties	:	25% on oil and gas
	:	25% on other minerals
Additional Consideration	:	None

Tract 41593

Withdrawn

Tract 41594

Bidder	:	Comstock Oil and Gas-Louisiana, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$21,000.00
Annual Rental	:	\$10,500.00
Royalties	:	1/4th on oil and gas
	:	1/4th on other minerals
Additional Consideration	:	None

ROCKEFELLER WMA TRACT


Tract 41595

No Bids

This concluded the reading of the bids.

There being no further business, the meeting was concluded at 9:13 a.m.

Respectfully submitted,



Victor M. Vaughn
Executive Officer
State Mineral and Energy Board

DENNIS, BATES & BULLEN, L.L.P.

ATTORNEYS AND COUNSELORS AT LAW
318 ST. CHARLES STREET
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OFFICE OF
MINERAL RESOURCES
STATE MINERAL BOARD

2010 AUG -4 PH 4: 12

James C. Bates
PARTNER
BATON ROUGE OFFICE

106 HEYMANN BOULEVARD
P. O. BOX 53319
LAFAYETTE, LOUISIANA 70505-3319
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August 4, 2010

Office of Mineral Resources
Department of Natural Resources
617 N. Third Street, 8th Floor
Baton Rouge, Louisiana 70802
Attn: Mr. Rick Heck

Re: Tract Nos. 41581, 41582, 41583, 41584, and 41595, Vermilion
Parish, Louisiana, August 11, 2010 State Lease Sale

Gentlemen:

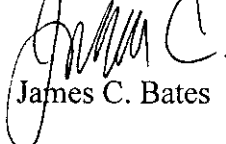

We represent Exxon Mobil Corporation ("ExxonMobil") with respect to the matters set forth herein. ExxonMobil is the owner of an imprescriptible mineral servitude on all or a portion of acreage included in the descriptions of the captioned tracts. This servitude was reserved in the sale of the described lands to the Louisiana Wildlife and Fisheries Commission in 1968. To the extent that the captioned tracts overlap ExxonMobil's mineral servitude, there are no state owned lands or waterbottoms within the described tracts and ExxonMobil requests that the tracts insofar as they overlap ExxonMobil's mineral servitude be withdrawn from the August 11, 2010 lease sale.

Additionally, Tract No. 41595 shows a base map discrepancy between the nomination plat and the unit plat for the McMoRan Oil & Gas, L.L.C. VUA in Rollover Bayou Field, a copy of which is attached. The unit plat shows the bottom hole location of the unit well as being in Section 6, Township 17 South, Range 1 West, with State Lease 19119 being located in the eastern portion of Section 1, Township 17 South, Range 2 West. The nomination plat shows State Lease 19119 as being located in the eastern portion on Section 6. Clearly, this discrepancy should be resolved before any new leases are granted on this area.

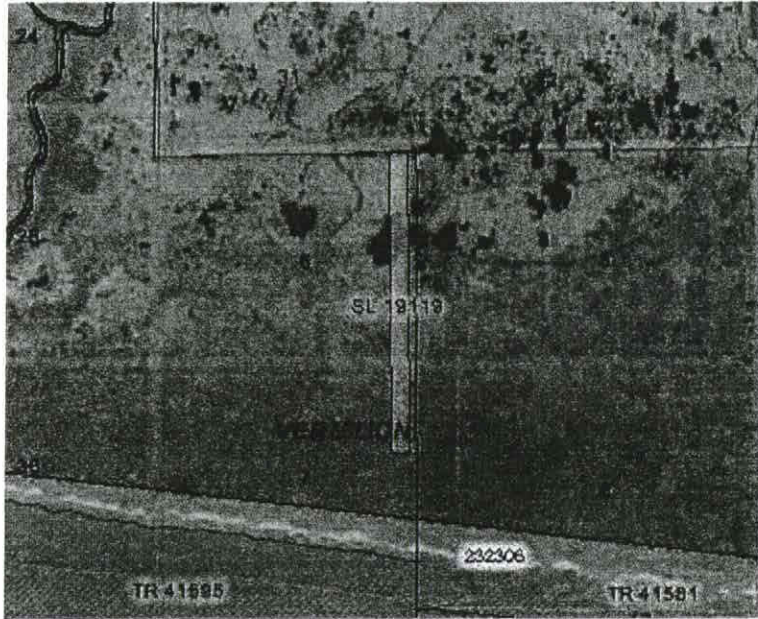
Should the tracts not be withdrawn please notify all prospective bidders of ExxonMobil's claim and inform them that ExxonMobil will defend its title should a lease be granted purporting to include any acreage owned by it.

Very truly yours,

DENNIS, BATES & BULLEN, L.L.P.

 
James C. Bates

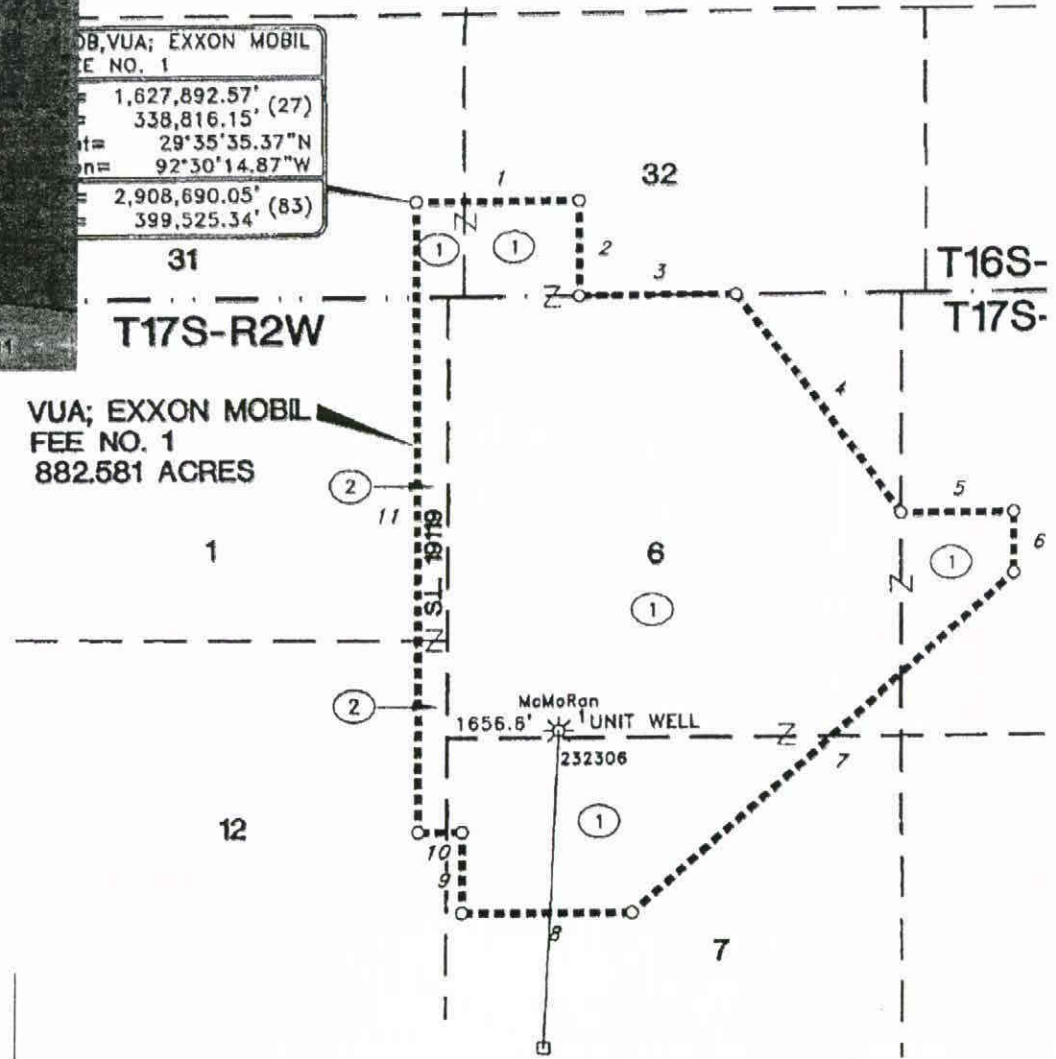
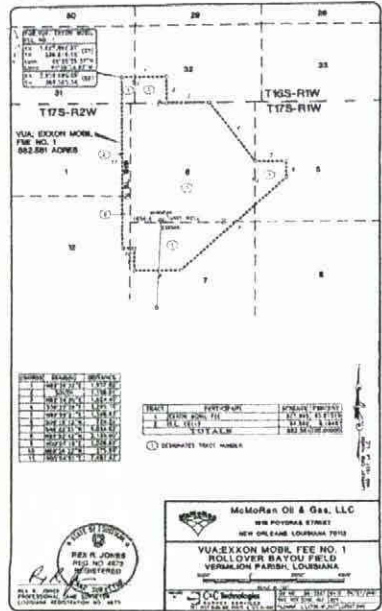
JCB/cmf
cc: Ms. Peggy Carr



OB, VUA; EXXON MOBIL
 FEE NO. 1
 = 1,627,892.57' (27)
 = 338,816.15' (27)
 = 29°35'35.37"N
 = 92°30'14.87"W
 = 2,908,690.05' (83)
 = 399,525.34' (83)

T17S-R2W

VUA; EXXON MOBIL
 FEE NO. 1
 882.581 ACRES





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

LEASE REVIEW COMMITTEE REPORT

A meeting of the Lease Review Committee of the State Mineral and Energy Board convened on Wednesday, August 11, 2010 at 9:50 a.m. with the following members of the board in attendance: Mr. Bay E. Ingram, Mr. Emile B. Cordaro, Mr. Darryl D. Smith, Mr. Thomas W. Sanders, Mr. W. Paul Segura, Jr., Mr. Thomas L. Arnold, Jr. and Mr. John C. "Juba" Diez.

Items on the Lease Review Committee Agenda submitted to the Board by Mr. Gregory J. Dugas, Geologist Supervisor, were as follows:

I. Geological and Engineering Staff Review

According to SONRIS there are 1771 active State Leases covering approximately 837,714 acres. The Geological and Engineering Division has reviewed 210 leases covering nearly 70,365 acres.

II. Committee Review

A staff report on **State Lease 328-A**, Bay Baptiste Field Selection, located in Terrebonne and Lafourche Parishes, Louisiana. Hilcorp Energy I, L.P. is the lessee.

The recommendation was that Hilcorp is to appear before the Board on September 8, 2010 to present their plans to restore State Lease 328-A to production.

III. Report on actions exercised by the Staff under delegated authority

No Objection to 29-E Waiver for Energy Partners, LTC for the SL 1007 No. 64 Well (Serial Number 241414) located in South Pass Block 24 Field, Plaquemines Parish, affecting State Leases 1007 and 1008.

No Objection to 29-E Waiver and Royalty Escrow Request for Apache Corporation for the LL&E No. 240 Well (SN 241051) located in Golden Meadow Field, Lafourche Parish, affecting State Lease 378.

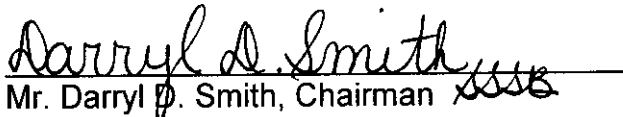
IV. Report on Force Majeure

Last Updated: 8/3/2010	
Company Name	Lease Numbers
Leases Off Due to Non-storm Related Force Majeure Events	
Apache	16473, 16475, 18121
Leases affected by BP Oil Spill	
Century	17767, 17965
Mariner Energy	8690, 12457, 13287
Nippon	13287,14860,14861,15042,15764
O'Meara	2192, 16324, 16386

On motion of Mr. Sanders, seconded by Mr. Segura, the Committee moved to accept and approve all reviews and recommendations by the staff.

On motion of Mr. Sanders, seconded by Mr. Segura, the Committee moved to adjourn its August 11, 2010 meeting at 10:07 a.m.

Respectfully submitted,


Mr. Darryl D. Smith, Chairman
Lease Review Committee
Louisiana State Mineral and Energy Board

Refer to Board Meeting Minutes for any action taken by the Board regarding matters in this report.

Louisiana Department of Natural Resources (DNR)

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Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 1 New Orleans- East

Get Review Date August 11, 2010

Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
01212		POINTE A LA HACHE	VUE;DELACROIX	965	965	AUG. AR
01319		POINTE A LA HACHE	UL 3A RJ SUA, A J BESHEL ETUX 10/25/2005 462-F-3	63	63	AUG. AR
01349		QUARANTINE BAY	S-4 VUA;	426	661.48	AUG. AR
01350		QUARANTINE BAY	QB 0 2 RF SU 05/01/1992	320.4	320.4	AUG. AR
01958		MAIN PASS BLOCK 35	983.262 10/10/2000	220	1506.828	AUG. RCD 6/30/10 XPLOR RPT DUE BY 6/10/10
01961		MAIN PASS BLOCK 35	MPB35 UM0 RA SU 12/01/1988	1600	2500.39	AUG. RCD 6/30/10 XPLOR RPT BY 6/10/10
02125		MAIN PASS BLOCK 35	221990-SL 2125-012 05/24/1998	10.49	389	AUG. RCD 6/30/10 RPT DUE FROM XPLOR BY JUNE 10, 2010
04407		BRETON SOUND BLOCK 31		160	677.227	AUG. AR 7/13/10 REC'D SARATAGO RPT ON 3D PURCHASE
04458		BRETON SOUND BLOCK 31, BRETON SOUND BLOCK 33	BIG HUM I RA SUA; SL 4458 05/01/1985	40	439.63	AUG. AR 7/13/10 REC'D SARATAGO RPT ON 3D PURCHASE;
04865		BRETON SOUND BLOCK 31		160	367	AUG. AR 7/13/10 REC'D SARATOGA RPT ON 3D PURCHASE
05049		BRETON SOUND BLOCK 31		40	161.844	AUG. AR 7/13/10 REC'D SARATAGO RPT ON 3D PURCHASE;; 5-18-10 OMR TO SARATOGA ACCEPT RPT AND REQ UPDATE BY 12-8 10;; RCD SARATOGA SPECIFIC TIME WHEN 3D SEISMIC WILL BE PURCHASED DUE BY 5-12- 10
08191		BRETON SOUND BLOCK 20	222414-SL 8191-004 08/11/1998	760	760	AUG. AR
16935		MAIN PASS BLOCK 26		107.84	107.84	AUG. 7/6/10 REL RQD
17086		BAYOU BILOXI	399.336 05/21/2003	27.664	27.664	AUG. AR
17088		BAYOU BILOXI	24.587 08/11/2005	9.413	9.413	AUG. AR
17143		LAKE BORGNE	263.02 07/30/2003	96.4	96.4	AUG. AR
17767		BRETON SOUND BLOCK 33	92 03/27/2008	197.88	197.88	AUG. 4/26/10 CK 3 MOS PER MIKE B MAY. AR
17860		BRETON SOUND BLOCK 53	VUC;SL 17861 07/12/2006	523.7	523.7	AUG. AR

Louisiana Department of Natural Resources (DNR)

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Staff Reviews

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District Code 1 New Orleans- East

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Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
17863		BRETON SOUND BLOCK 53	VUB;SL 17860 07/12/2006	264.66	264.66	AUG AR
17965		BRETON SOUND BLOCK 33	246.6 04/11/2007	158.13	158.13	AUG. 4/26/10 PROD THRU 01/10 - CK 3 MOS PER MIKE B MAY. AR
18165		EMPIRE		40	660	AUG. 7/31/09 JMB: JUST GOT WELL BACK ON, REVIEW AGAIN NEXT YR
18194		CHANDELEUR SOUND BLOCK 71		270.85	270.85	AUG. AR 7/7/10 CCB: LEASE OK, CO HAD DOWNHOLE OPS DURING 3 MOS OF ZERO PROD.
18514		POINTE A LA HACHE	670 05/15/2008	196	196	AUG AR 7/7/10 CCB: LEASE OK, CO HAD DOWNHOLE OPS DURING 3 MOS OF ZERO PROD.
18550		MAIN PASS BLOCK 46		160	296.08	AUG. PT 5/11/10
18564		LAKE BORGNE	VUA;SL 18065	105.18	105.18	AUG. AR
18565		LAKE BORGNE	VUA;SL 18065	21.51	21.51	AUG. AR
18567		LAKE BORGNE	VUA;SL 18065	132	132	AUG. AR
18581		COQUILLE BAY	8.64 08/23/2007	12.68	12.68	AUG. AR
19050		BRETON SOUND BLOCK 53	TEX W-CRIS I VUA;SL 19050 07/08/2009	304.6	834.79	AUG. 7/21/10 DDPMT TO JMB, & GJD APPROVED TO DD 8/9/11 PT 8/9/11
19079		BRETON SOUND BLOCK 45	SL 17689 05/09/2007	85.53	331.83	AUG. 7/21/10 FINAL DDPMT TO JMB, & GJD APPROVED TO DD 8/9/11 PT 8/9/09
19080		BRETON SOUND BLOCK 53	TEX W-CRIS I VUA;SL 19050 07/08/2009	20.17	107.36	AUG. 7/21/10 FINAL DDPMT TO JMB, & GJD APPROVED TO DD 8/9/11 PT 8/9/09
19347				0	2.24	AUG. PT 5/9/12
19563		STUARDS BLUFF, EAST	TEX W RA SUA;DELACROIX CORP 01/06/2009 891-F 09-18	59.335	132.29	AUG 6/29/10 RCD UNOFL PR OF 72.655, RTNG 59.335 2/19/10 PR REQD <DD/RNTL/DRLG? PT 1/9/11 237067=615442
19677		SOUTHEAST PASS	239224-J-5 RB SUA;SL 19677-001 01/19/2009	264.766	264.766	AUG. PT 5/14/11 NOT*AC 239224



Louisiana Department of Natural Resources (DNR)

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Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code	1W	New Orleans- West				
Get Review Date	August 11, 2010					
Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
02383		LITTLE LAKE	L TP 6 RA SUA;SL 19864 12/16/2008 604-T	92	980	AUG. 7/21/10 CHANGED PRODD FROM 661 TO 92 AC PER GREG D;; RCD SHORELINE RPT DUE 7-14-10
02453		LITTLE LAKE	VUB;	375	596.63	AUG. AR
02552		BURRWOOD	225700-BURR T RA SU;SL 2552-005 04/25/2001	101.8	333.2	AUG. AR
03035		SATURDAY ISLAND	233361-SL 3035-005 05/19/2006	480	801	AUG. AR
03278		LAKE RACCOURCI	221994-VUB;LR UB-007 04/25/1998	238.56	238.56	AUG AR
03382		SOUTH PASS BLOCK 24	727 10/07/2008	148	148	AUG. AR
03723		LAKE RACCOURCI	O R370 SUA,SL 15029 06/01/1997	217.83	217.83	AUG. AR
04219		BAYOU HENRY	UMT SUM;WILBERT E 07/01/1976	2.11	2.36	AUG. AR
09637		BOURG	104.26 05/28/1993	393.669	393.669	AUG. AR
11036		MANILA VILLAGE, SOUTHEAST	VUK;SL 11036	39.334	57.962	AUG. AR 11/17/09 RCD UNOFL PR OF 18.628 AC, RTNG 38.334
12036		BAY BATISTE	211632-SL 12036 SWD-002 05/12/1990	484.897	484.897	AUG AR
12499		BAY BATISTE	219.46 05/31/1991	150.54	150.54	AUG AR
12721		MANILA VILLAGE, SOUTHEAST	VUK;SL 11036	31.254	31.254	AUG. AR
13407		MANILA VILLAGE	7.97 01/13/2006	77.21	77.21	AUG. AR
13566		DRAKES BAY	10.041 03/07/2008	1.854	1.854	AUG. AR
14142		NAPOLEONVILLE	STRAY RA SUB,DUGAS-LEBLANC 06/15/1999 140-T	2.7	2.7	AUG. AR
14534		SATURDAY ISLAND	223045-VUA;SL 14534-005 05/10/1999	186.87	186.87	AUG. AR
15310		BAY MARCHAND BLOCK 2 OFFSHORE	VUA;	16.43	16.43	AUG. AR
16256		BAY MARCHAND BLOCK 2 OFFSHORE	VUA;	32	32	AUG. AR
16709		LITTLE LAKE	82.458 08/26/2002	97.389	97.389	AUG. AR



Louisiana Department of Natural Resources (DNR)

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Staff Reviews

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District Code	1W	New Orleans- West				
Get Review Date	August 11, 2010					
Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
17140		BAYOU VILLARS		505.79	505.79	AUG. AR 6/28/10 PROD THRU 4/10 SN 230295 LUW 049587
17193		BURRWOOD	VUG;SL 17381 03/10/2004	645.19	645.19	AUG. AR
17267		LAKE WASHINGTON	CM 244 RA SUA;COCKRELL- MORAN 01/19/2010 149-GGG-3	34.912	34.912	AUG. AR
17714		STELLA	8750 RA SUA;MEYER ETAL 02/17/2004 27-J 04-127	1.93	1.93	AUG. AR
18146		LITTLE LAKE		160	608.72	AUG. RCD POD FROM CHROMA DUE 5/12/10
18148		LAKE WASHINGTON		40	1461	AUG. GEOL REV: PROD/ UNITZ/ SWIFT PLANS DUE 5/12/10> 5/19/10 POD MTG
18603		BAY MARCHAND BLOCK 2 OFFSHORE		101.06	101.06	AUG. SUGGEST AR 231760 305694 GAS LEASE WELL PRDG 4/10 PT 6/8/10
18878		TIMBALIER BAY ONSHORE	240016-VUA; SL 18878-002 07/25/2009	646.75	646.75	AUG. AR
19025		QUEEN BESS ISLAND	1-1 RA SUA;SL 2084	45.402	123	AUG. SUGGEST AR UPON RCT OF PR, RQD 7/6/10 6/30/10 RS TO JMB:45.402 HBP, REQ PR DD 6/14/10 PT 6/14/09
19385				0	215	AUG. PT 5/9/10
19660				0	53.805	AUG. PT 5/14/13
19661				0	200.911	AUG PT 5/14/13
19671				0	523	AUG. PT 5/14/11
19673				0	619.2	AUG. PT 5/14/11
19917		KINGSTON , WEST BAY	145.703 01/29/2010	2.297	2.297	AUG. 7/10 REL LIST: 2/22/10 RCD OFL PR OF 145.703, RTNG 2.297 EFF 1/29/10 PT 12/10/11 10/8/11
20047				0	224	AUG. PT 5/13/12
20048				0	273	AUG. PT 5/13/12
20049				0	52	AUG. PT 5/13/12
20050				0	252	AUG. PT 5/13/12
20054				0	184	AUG. PT 5/13/12
20056				0	1014	AUG. PT 5/13/12
20057				0	918	AUG. PT 5/13/12



Louisiana Department of Natural Resources (DNR)

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Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 1W New Orleans- West
Get Review Date August 11, 2010

Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
20058				0	307	AUG. PT 5/13/12
20059				0	574	AUG. PT 5/13/12
20060				0	1502	AUG. PT 5/13/12
20061				0	888	AUG. PT 5/13/12
20062				0	2261	AUG. PT 5/13/12
20063				0	698	AUG. PT 5/13/12
20065				0	55.58	AUG. PT 5/13/12
20066				0	146.74	AUG. PT 5/13/12
20067				0	107	AUG. PT 5/13/12
20068				0	70.45	AUG. PT 5/13/12
20069				0	279.1	AUG. PT 5/13/12
20070				0	251.04	AUG. PT 5/13/12
20071				0	164.58	AUG. PT 5/13/12



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

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District Code 2 Lafayette
Get Review Date August 11, 2010

Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
00200B		DOG LAKE	VUJ;DGL U10	2484	3895.736	AUG. RCD 7/21/10 HLCP PROPOSES APPROX 160 AC PR 7/6/10 OMR TO HLCP - RQD PR IN SW, MAP ATTACHED. JUL. AR
00328A		BAY BAPTISTE	4 04/01/2009	0	1400	AUG. OB DEFERRED 7/14/10. 7/21/10 JPT: WORKING W/HLCP TO ID AC TO REL. 0-PRDG, 6-SI LEASE, 0-PRD AC, N/A-UNIT ACT, 0-PRDG UNITS
00334	0	SOUTH PASS BLOCK 24 , VERMILION BAY	1340.157 06/28/2005	2700	3021.018	AUG. AR 7/21/10 JPT: HBP, LEASE PRD 7-PRDG, 19-SI LEASE, 2700-PRD AC, N/A-UNIT ACT, 0-PRDG UNITS
02234		HOLLYWOOD	SOUTHDOWN SUGARS 06/26/2007 276-Z 07-679	34.614	34.614	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 3-PRDG, 1-SI LEASE, 35-PRD AC, T-X RA SUA; EFF 2007-UNIT ACT, 3-PRDG UNITS
02856	0	CAILLOU ISLAND	U-W1 RA SUA;SL 2856 02/26/2009 411-UUUU 09-204	501	806	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 2-PRDG, 0-SI LEASE, 500-PRD AC, U-W1 RA SUA;SL2856 EFF 2009-UNIT ACT, 3-PRDG UNITS
02857		CAILLOU ISLAND	670.22 03/28/2005	131.62	131.62	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 1-PRDG, 0-SI LEASE, 132-PRD AC, LWR X R080 SUA EFF 2006-UNIT ACT, 1-PRDG UNITS
03132		LAKE SAND, EAST	46.638 07/02/2004	85.649	85.649	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 1-PRDG, 0-SI LEASE, 86-PRD AC, RC 3 RA SUB,SL 10251-UNIT ACT, 1-PRDG UNITS
03317		LAKE SAND	LSA OP 10 RA SU 216-F-2 00-358	101	255.48	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 2-PRDG, 0-SI LEASE, 101-PRD AC, OPERC VUA;SL 3209, EFF 2009-UNIT ACT, 2-PRDG UNITS
03401		LAKE PAGIE	285.59 06/18/1990	56	68	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 1-PRDG, 0-SI LEASE, 56-PRD AC, TEX W 7 RB SUA; EFF 1976-UNIT ACT, 1-PRDG UNITS
04237		SOUTH TIMBALIER BLOCK 8	239104-SL 4237-004 12/06/2008	80	459.85	AUG. 2/19/10 RCD BLACK ELK LTR RQG UNTIL 4/14/11 FOR POD. 1/20/10 JPT: OMR TO BLACK ELK 1,2,3 POD FOR NP AC BY 4/14/10 2AR
05623		JEANERETTE	S B ROANE	30	48	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 3-PRDG, 0-SI LEASE, 30-PRD AC, VUC; EFF 2009-UNIT ACT, 2-PRDG UNITS
10251		LAKE SAND, EAST	226688-VUA;SL 10251- 001 01/04/2002	274.351	274.351	AUG. AR 7/21/10 JPT: HBP, UNIT PRD. 1-PRDG, 0-SI LEASE, 274-PRD AC, RC 3 RA SUB;SL10251 EFF 1996-UNIT ACT, 1-PRDG UNITS



Louisiana Department of Natural Resources (DNR)

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Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 2 Lafayette
Get Review Date August 11, 2010

Table with 7 columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 18 rows of lease data including fields like LAKE SAND, PASS WILSON, MYETTE POINT, NW, and BAY ST ELAINE.



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

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District Code 2 Lafayette
Get Review Date August 11, 2010

Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 15 rows of lease data including fields like PASS WILSON, BAYOU CARLIN, BROUSSARD, PATTERSON, CAILLOU ISLAND, LAKE BOUDREAUX, LAKE PELTO, BAY ST ELAINE, and BUCK POINT.



Louisiana Department of Natural Resources (DNR)

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District Code 2 Lafayette
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Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 15 rows of lease data including fields like BAYOU CARLIN, RABBIT ISLAND, EUGENE ISLAND BLOCK, WYANDOTTE, and WHITE LAKE, WEST.



Louisiana Department of Natural Resources (DNR)

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Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 2 Lafayette
Get Review Date August 11, 2010

Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Rows include lease numbers 19698, 19731, 19749, 20035, 20053, 20055, 20072, and F0006 with their respective acreage and review details.



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 3 Lake Charles- North
Get Review Date August 11, 2010

Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 18 rows of lease data.



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 3 Lake Charles- North

Get Review Date August 11, 2010

Lease Num	DA	Field	Latest lease Activity	Productive Acreage	Present Acreage	Flagged for Review In
			361-E-233 05-06			
16827		CATAHOULA LAKE	33.89 03/31/2006	17	17	AUG. AR 7/9/10 SAM: 049780 & 049513 PRDG 4/10
17124		THORN LAKE	78.114 08/24/2004	36.886	36.886	AUG. AR 7/9/10 SAM: 304565 PRDG 4/10
17217		CASPIANA	CV RA SU63;SAM W SMITH ETAL 32 10/15/1975 191-A-1 75-353	93.087	93.087	AUG. AR 7/9/10 SAM: 3 LUWS PRDG 4/10
18182		ELM GROVE	LCV RA SU67;FRIERSON 30 06/01/2004	35.58	35.58	AUG. AR 7/9/10 SAM: 612170 & 614061 PRDG 4/10
18635		CASPIANA	87.56 01/28/2008	189.35	189.35	AUG. AR 7/9/10 SAM: 614927 PRDG 5/10
18635		CASPIANA	87.56 01/28/2008	189.35	189.35	AUG. AR 7/9/10 SAM: 614927 TO 5/10
18641		ELM GROVE	HA RA SUZZ;POWERS 21 H 01/27/2009 361-L-20 09-134	21	21	AUG. AR 7/9/10 SAM: 614565 & 615541 PRDG 4/10
19027				108.015	108.015	AUG. AR 6/30/10 SRVY PLAT RQD 614382 6/29/10 GJD DD DISAPPROVE, 100% HBP 5/27/10 DDPMT TO GAD: SAL OMR MANAGED WLF PT 6/14/09
19542				0	234	AUG. 7/21/10 SRVY PLAT RQD 616073 MAR. PT 12/12/10
19693		WOODARDVILLE	HOSS RB SUKK;L L GOLSON INC 9 07/17/2007 990-C-21 07-757	18.41	35	AUG. 7/12/10 DD APPROVED TO 6/11/11 6/15/10 DDPMT TO SAM DD 6/11/10 PT 6/11/11
19765		THORN LAKE	HA RA SUU;EDGAR CASON 12 H 03/03/2009 1145-B-9 09-236	427	549	AUG. 6/26/10 RCD UNOFL PR OF 233, RTNG 316 6/11/10 SAM EST PRD AC 7/13/10 SRVY PLAT RQD 616045 6/3/10 SRVY PLAT RQD 615021 2/19/10 2ND FUL 11/19/09 FUL PR NOV. PT 8/13/11
19769		RED RIVER-BULL BAYOU	HA RD SUP;JAMES MARSTON 19 H 03/03/2009 109-X-26 09-233	135	420	AUG. 6/26/10 RCD UNOFL PR OF 261, RTNG 159 6/9/10 3RD FUL PR REQD 2/19/10 2ND FUL PR NOV. PT 8/13/11
19782		SWAN LAKE	HA RA SUA;NINOCK 25 11/18/2008 691-C 08-1787	.56	.56	AUG. 7/30/10 SWAN LAKE 615589, 238459 HA RA SUA;NINOCK 25 PRDG TO 5/10 W/ .56 AC TO 19782 PT 8/13/11 SCHOOL INDEMNITY LANDS
19830		RED RIVER-BULL BAYOU	HA RB SUV;NINOCK 12 H 02/10/2009 109-X-20 09-164	353	353	AUG. 4 LUWS PRDG TO 4/10 ~ 353.67 PRD AC MAR. PT 12/10/11 10/8/11
19844				0	89	AUG. 7/12/10 SRVY PLAT RQD 306337 LUW PT 12/10/11



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 3 Lake Charles- North
Get Review Date August 11, 2010

Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 15 rows of lease data including fields like CATAHOULA LAKE, CASPIANA, WOODARDVILLE, RED RIVER-BULL BAYOU, BRACKY BRANCH, and CASPIANA.



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 3S Lake Charles- South
Get Review Date August 11, 2010

Table with 7 columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Contains 18 rows of lease data including fields like HOG BAYOU-OFFSHORE, LITTLE PECAN LAKE, KINGS BAYOU, ELBA, NIBLETT BLUFF, SUGARTOWN, BAYOU ROGERS, PROFIT ISLAND, SABINE LAKE, SOUTH, WEST CAMERON BLOCK, MALLARD BAY, and GILLIS-ENGLISH BAYOU.



Louisiana Department of Natural Resources (DNR)

SONRIS

Staff Reviews

Report run on: August 3, 2010 6:49 AM

District Code 3S Lake Charles- South
Get Review Date August 11, 2010

Table with columns: Lease Num, DA, Field, Latest lease Activity, Productive Acreage, Present Acreage, Flagged for Review In. Rows include lease numbers 18984, 19014, 19067, 19068, 19095, 20052, and a total row with values 210, 32,926.298, and 70,365.208.



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

NOMINATION AND TRACT COMMITTEE REPORT

The Nomination and Tract Committee, convened at **10:06 a.m.** on Wednesday, **August 11, 2010** with the following members of the Board in attendance:

Mr. Thomas L. Arnold, Jr. Mr. Emile B. Cordaro Mr. John C. Diez
Mr. Bay E. Ingram Mr. Thomas W. Sanders Mr. W. Paul Segura, Jr.
Mr. Darryl David Smith

The Committee heard the report of Mr. Emile Fontenot, relative to nominations received for the October 13, 2010 Mineral Lease Sale and other matters. Based upon the staff's recommendation, on motion of **Mr. Segura** duly seconded by **Mr. Sanders**, the Committee voted unanimously to recommend to the Board the granting of authority to the staff to advertise all such tracts as have been reviewed by the State Land Office and 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.

The Committee was informed of a letter of protest from Dennis, Bates & Bullen, L.L.P. dated August 4, 2010 pertaining to Tract Nos. 41581-84 and 41595, Vermilion Parish, Louisiana. No action was required.


The Committee was informed of a request by the applicant, JCS Resources, LLC to withdraw Tract No. 41593 due to erroneous description. On the motion of **Mr. Sanders**, duly seconded by **Mr. Diez**, the Committee vote unanimously to withdraw Tract No. 41593 from today's lease sale.

The Committee recommended that Tract Nos. 41585 and 41586 be withdrawn due to title issues. On the motion of **Mr. Sanders**, duly seconded by **Mr. Arnold**, the Committee vote unanimously to withdraw Tract Nos. 41585 and 41586 from today's lease sale.

Nomination and Tract Committee Report
August 11, 2010
Page -2-

The Committee, on motion of *Mr. Arnold*, seconded by *Mr. Segura*, voted to adjourn at *10:11 a.m.*

Respectfully Submitted,

 by E.B.

Emile B. Cordaro

Chairman

Nomination and Tract Committee

Refer to Board Meeting Minutes for any action taken by the Board regarding matters in this report.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

NOMINATION AND TRACT COMMITTEE

ON MOTION of *Mr. Segura*, seconded by, *Mr. Sanders*, the following Resolution was offered and adopted:

WHEREAS, Mr. Emile Fontenot presented to the State Mineral and Energy Board 47 tracts that had been nominated for the October 13, 2010 Mineral Lease Sale, and that same are to be advertised pending staff review; now therefore

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the State Mineral and Energy Board does hereby approve and authorize the advertising of all such tracts as have been reviewed by the State Land Office and the staff of the Office of Mineral Resources, as well as any tracts that have been previously advertised and rolled over, and to otherwise approve the Nomination and Tract Report presented by Mr. Heck and Mr. Fontenot.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

NOMINATION AND TRACT COMMITTEE

ON MOTION of *Mr. Sanders*, seconded by *Mr. Diez*, the following Resolution was offered and adopted:

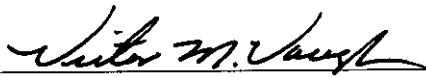
WHEREAS, the staff presented to the Board a recommendation to withdraw Tract No. 41593.

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the State Mineral and Energy Board does hereby approve authorize the withdrawal of said tract from the August 11, 2010 Lease Sale.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

NOMINATION AND TRACT COMMITTEE

ON MOTION of *Mr. Sanders*, seconded by *Mr. Arnold*, the following Resolution was offered and adopted:

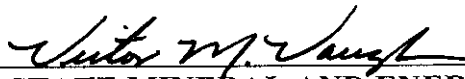
WHEREAS, the staff presented to the Board a recommendation to withdraw Tract Nos. 41585 and 41586.

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the State Mineral and Energy Board does hereby approve authorize the withdrawal of said tracts from the August 11, 2010 Lease Sale.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD



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

AUDIT COMMITTEE REPORT

The regular meeting of the Audit Committee of the State Mineral and Energy Board was held on Wednesday, August 11, 2010, following the Nomination and Tract Committee Meeting, in the LaBelle Room, First Floor, LaSalle Building, located at 617 North Third Street, Baton Rouge, Louisiana. Committee Members present were:

Thomas L. Arnold, Jr.
Bay E. Ingram
Darryl D. Smith

Emile B. Cordaro
Thomas W. Sanders
Helen G. Smith

John C. "Juba" Diez
W. Paul Segura, Jr.

Mr. Arnold convened the Committee at 10:11 a.m.

The first matter considered by the Committee was a penalty waiver requested by Newfield Exploration Company.

Upon recommendation of the staff and upon motion of Mr. Cordaro, seconded by Mr. Smith, the Committee voted to approve 75% penalty waiver of \$178,079.99.

The second matter considered by the Committee was a request to remove Axis Onshore, LLC audit from the current three year audit cycle.

Upon recommendation of the staff and upon motion of Mr. Sanders, seconded by Ms. Smith, the Committee voted unanimously to approve removing Axis Onshore, LLC audit from the 2012 audit cycle.

The third matter considered by the Committee was a discussion on the Penalty Waiver Protocol per Mr. Sanders' request.

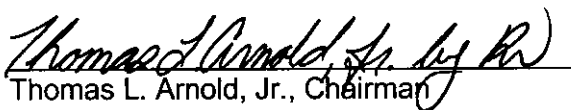
No action required. For the record, Mr. Sanders requested draft language be prepared to revise the Penalty Waiver Protocol which will be presented at the September 8, 2010 Audit Committee meeting.

The fourth matter considered by the Committee was the election of the August 2010 Texaco 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.

Audit Committee Report
August 11, 2010
Page 2

On Motion of Mr. Sanders, seconded by Ms. Smith, the Board voted unanimously to adjourn the Audit Committee at 10:18 a.m.


Thomas L. Arnold, Jr., Chairman
Audit Committee

Refer to State Mineral and Energy Board Meeting Minutes for additional information on actions taken by the Board regarding matters in this report.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

AUDIT COMMITTEE

ON MOTION of Mr. Cordaro, seconded by Mr. Smith, the following Resolution was offered and adopted:

WHEREAS, the State Mineral and Energy Board caused an audit to be performed of Newfield Exploration Co. payments of state royalty in the South Pass Block 24 and West Delta Block 27 fields; State Leases 998 and 2869 which audit revealed that Newfield Exploration Co. owed the state \$734,351.91 in underpayment of royalty and \$504,574.99 in interest and penalty for a total of \$1,238,926.96; and

WHEREAS, Newfield Exploration Co. has remitted payment of \$1,001,486.92 for the outstanding principal and interest; and

WHEREAS, Newfield Exploration Co. has made a letter application for reduction of penalties assessed in the amount of \$237,439.98 due to incorrect royalty payments; and

WHEREAS, the Mineral Income Division has reviewed the background and circumstances connected with Newfield Exploration Co.'s penalty assessment, including the reason for incorrect payment, the company's response to the audit and any suggested corrective measures, and the degree of cooperation and timeliness of providing information, and has verified that the underpayment of royalties was discovered by a Field Audit and was in fact paid by Newfield Exploration Co.; and


WHEREAS, the Mineral Income Division staff recommends that seventy-five percent (75%) of the penalty be waived; and

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached.

THEREFORE, BE IT RESOLVED, that the Board does waive seventy-five percent (75%), which amounts to \$178,079.99 of the total penalty assessed to Newfield Exploration Co.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana on the 11th day of August 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

AUDIT COMMITTEE

ON MOTION of Mr. Sanders, seconded by Ms. Smith, the following Resolution was offered and adopted:

WHEREAS, Tridimension Energy filed for Chapter 11 bankruptcy on May 28, 2010 and

WHEREAS, Axis Onshore, LLC is listed as a consolidated debtor in the bankruptcy and is an inactive payor.

WHEREAS, For the period of October 2005 through March 2008 Axis Onshore, LLC paid the state a total of \$15,771.62 for one property for a very small decimal with no additional issues to note.

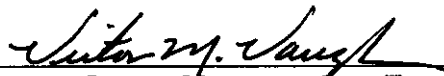
WHEREAS, the Mineral Income Division staff recommends that the Axis Onshore, LLC be removed from the 2012 audit cycle because no royalty is at risk.

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached.

THEREFORE BE IT RESOLVED, that the Board does approve that the Axis Onshore, LLC be removed from the 2012 audit cycle.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD



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

LEGAL AND TITLE CONTROVERSY COMMITTEE REPORT

The regular meeting of the Legal and Title Controversy Committee of the State Mineral and Energy Board was held on August 11, 2010, following the Audit Committee Meeting, in the LaBelle Room, First Floor, LaSalle Building located at 617 North Third Street, Baton Rouge, Louisiana. Committee Members present were:

Secretary Robert D. Harper
Mr. Emile B. Cordaro
Mr. Darryl David Smith
Mr. Bay Elliott Ingram
Mr. W. Paul Segura, Jr.

Mr. Thomas W. Sanders
Mr. Thomas L. Arnold, Jr.
Mr. John C. "Juba" Diez
Ms. Helen Godfrey Smith

The Legal and Title Controversy Committee was called to order by Mr. Sanders at 10:20 a.m.

A request was made by Staff to add fourteen items to the Legal & Title Controversy Committee Agenda, all of which are requests for approval of Running Surface Water Cooperative Endeavor Agreements entered into by the Red River Waterway Commission and various parties on forms not previously approved by the Mineral and Energy Board.

Upon recommendation of the staff, no objections or comments made from the public, and upon motion of Mr. Segura, seconded by Mr. Arnold, the Committee voted unanimously to recommend that the State Mineral and Energy Board add fourteen (14) items to the Legal & Title Controversy Committee Agenda which will be referenced as the tenth through twenty-third matters in this report.

Upon motion of Mr. Arnold, seconded by Mr. Segura, the Committee went into Executive Session at 10:21 a.m.

Upon motion of Mr. Segura, seconded by Mr. Arnold, the Legal and Title Controversy Committee returned to open session at 11:03 a.m. and recessed the Legal and Title Controversy Committee to convene the State Mineral and Energy Board Meeting.

Upon motion of Mr. Sanders, seconded by Mr. Smith, the Legal and Title Controversy Committee reconvened at 11:07 a.m.

The first matter considered by the Committee in executive session was a discussion of the suit entitled Chevron U.S.A., Inc., et al v. State of Louisiana, et al, Suit No. 46-169-

A, c/w 46-170-B, c/w 46-171-B, c/w 48-696-A, c/w 48-697, c/w 49-438-B, 25th Judicial District Court, Plaquemines Parish.

Upon motion of Ms. Smith, seconded by Mr. Segura, the Committee voted unanimously to recommend that the Louisiana State Mineral and Energy Board authorize Staff to negotiate a settlement of this matter on the terms discussed in executive session. No comments from the public were made.

The second matter considered by the Committee in executive session was a discussion of the suit entitled Chevron U.S.A., Inc., et al v. State of Louisiana, et al, Suit No. 51-097-A, 25th Judicial District Court, Plaquemines Parish.

This matter was merely a discussion and requires no action by the Mineral and Energy Board.

The third matter considered by the Committee in executive session was a discussion of the suit entitled Chevron U.S.A., Inc., et al v. State of Louisiana, et al, Suit No. 51-098-B, 25th Judicial District Court, Plaquemines Parish.

This matter was merely a discussion and requires no action by the Mineral and Energy Board.

The fourth matter considered by the Committee in executive session was a discussion of the suit entitled Hunt Petroleum Corporation and Rosewood Resources, Inc. v. Texaco, Inc., et al, Suit No. 34-592-B, 25th Judicial District Court, Plaquemines Parish.

This matter was merely a discussion and requires no action by the Mineral and Energy Board.

The fifth matter considered by the Committee in executive session was a discussion of the suit entitled Vintage Petroleum, Inc. v. State of Louisiana, et al, Suit No. 48-788-A, 25th Judicial District Court, Plaquemines Parish.

This matter was merely a discussion and requires no action by the Mineral and Energy Board.

The sixth matter considered by the Committee in executive session was a discussion of the suit entitled State of Louisiana ex rel Plaquemines Parish School Board v. Louisiana Department of Natural Resources, Suit No. 57-419-A, 25th Judicial District Court, Plaquemines Parish.

Upon recommendation of the staff and upon motion of Mr. Segura, seconded by Ms. Smith, the Committee voted unanimously to recommend that the State Mineral and Energy Board give Staff the authority to negotiate a settlement of this matter on the terms discussed in executive session. No comments from the public were made.

The seventh matter considered by the Committee was a discussion in executive session of the concursus entitled McMoRan Oil & Gas, LLC v. DC, Jr. Partnership, et al, 121,851, Div. C, 16th JDC, St. Mary Parish.

Upon recommendation of the staff and upon motion of Mr. Ingram, seconded by Mr. Segura, the Committee voted unanimously to recommend that the State Mineral and Energy Board approve the settlement offer presented in executive session, in principal, subject to the drafting and execution of an appropriate settlement agreement, and its due advertisement and placement on the Docket for final approval. No comments from the public were made.

The eighth matter considered by the Committee in executive session was a discussion of claims by private landowners to State claimed water bottoms in regard to production from said title contested water bottoms involving portions of Operating Agreement No. 220 and State Lease Nos. 192, 19250, and 19550 in the K RA SUA unit, Drakes Bay Field, Plaquemines Parish, Louisiana pursuant to a demand made by landowners.

Upon recommendation of the staff and upon motion of Mr. Cordaro, seconded by Mr. Segura, the Committee voted unanimously to recommend that the State Mineral and Energy Board approve the settlement offer presented in executive session, in principal, subject to the drafting and execution of an appropriate settlement agreement, and its due advertisement and placement on the Docket for final approval. No comments from the public were made.

The ninth matter considered by the Committee was a presentation of the Proposed New Lease Form.

Upon motion of Mr. Segura, seconded by Mr. Arnold, the Legal and Title Controversy Committee recessed the Legal and Title Controversy Committee at 11:43 a.m.

Upon motion of Mr. Segura, seconded by Mr. Arnold, the Legal and Title Controversy Committee reconvened at 1:16 p.m. and continued with the presentation of the Proposed New Lease Form.

Upon motion of Mr. Segura, seconded by Mr. Arnold, the Committee voted unanimously to recommend that the State Mineral and Energy Board allow Staff the authority to present the Proposed New Lease Form to the public for comment.

The following matters, being the tenth through the twenty-third, were addressed by the Louisiana State Mineral and Energy Board as one:

A request for approval of fourteen (14) Running Surface Water Cooperative Endeavor Agreements brought by the Red River Waterway Commission and various parties.

Upon recommendation of staff and upon motion of Mr. Segura, seconded by Mr. Cordaro, the Committee voted unanimously to approve the fourteen (14) Running Surface Water Cooperative Endeavor Agreements entered into by the Red River Waterway Commission and various parties by a resolution read into the record by Isaac Jackson pertaining to these agreements. No comments from the public were made.

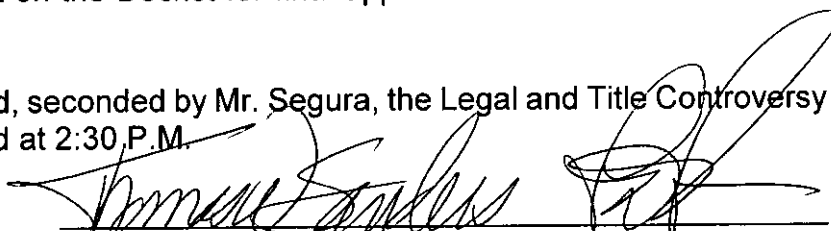
The twenty-fourth matter considered by the Committee was a presentation of the Louisiana Running Surface Water Use Cooperative Endeavor Agreement.

Upon recommendation of the staff and upon motion of Mr. Segura, seconded by Ms. Smith, with Mr. Sanders abstaining, the Committee voted unanimously to adopt the proposed Louisiana Running Surface Water Use Cooperative Endeavor Agreement form and application. No comments from the public were made.

The twenty-fifth matter considered by the Committee was a request by Exxon Mobil Corporation for a one year extension of the primary term on State Lease Nos. 18737 and 18738 located in Grand Isle Block 16, Plaquemines, Parish, Louisiana for a consideration of the payment of a full bonus and an increase of 0.5% in the royalty of each lease.

Upon recommendation of the staff and upon motion of Ms. Smith, seconded by Mr. Segura, the Committee voted unanimously to grant the extension, in principal, subject to the drafting and execution of the extension in the form of a lease amendment, and its due advertisement and placement on the Docket for final approval. No comments from the public were made.

On motion of Mr. Arnold, seconded by Mr. Segura, the Legal and Title Controversy Committee meeting adjourned at 2:30 P.M.



Mr. Thomas W. Sanders, Chairman
Legal and Title Controversy Committee
Louisiana State Mineral and Energy Board

Refer to the State Mineral and Energy Board Meeting Minutes for additional information on actions taken by the Board regarding matters listed in this Report.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Ms. Smith, seconded by Mr. Segura, the following resolution was offered and unanimously adopted:

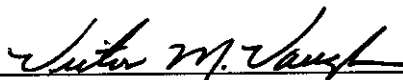
WHEREAS, a discussion in executive session was held in regard to the suit entitled Chevron U.S.A., Inc., et al v. State of Louisiana, et al, Suit No. 46-169-A, c/w 46-170-B, c/w 46-171-B, c/w 48-696-A, c/w 48-697, c/w 49-438-B, 25th Judicial District Court, Plaquemines Parish;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the State Mineral and Energy Board authorize Staff to negotiate a settlement of this matter on the terms discussed in executive session.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Segura, seconded by Ms. Smith, the following resolution was offered and unanimously adopted:

WHEREAS, a discussion in executive session was held in regard to the suit entitled State of Louisiana ex rel Plaquemines Parish School Board v. Louisiana Department of Natural Resources, Suit No. 57-419-A, 25th Judicial District Court, Plaquemines Parish;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the State Mineral and Energy Board give Staff the authority to negotiate a settlement of this matter on the terms discussed in executive session.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Ingram, seconded by Mr. Segura, the following resolution was offered and unanimously adopted:

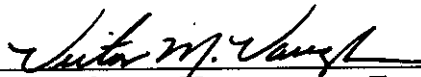
WHEREAS, a discussion in executive session was held in regard to the concursus entitled McMoRan Oil & Gas, LLC v. DC, Jr. Partnership, et al, 121,851, Div. C, 16th JDC, St. Mary Parish;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the State Mineral and Energy Board approve the settlement offer presented in executive session, in principal, subject to the drafting and execution of an appropriate settlement agreement, and its due advertisement and placement on the Docket for final approval.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Cordaro, seconded by Mr. Segura, the following resolution was offered and unanimously adopted:

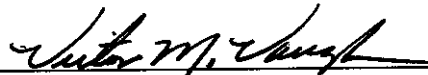
WHEREAS, a discussion in executive session was held in regard to the claims by private landowners to State claimed water bottoms regarding production from said title contested water bottoms involving portions of Operating Agreement No. 220 and State Lease Nos. 192, 19250, and 19550 in the K RA SUA unit, Drakes Bay Field, Plaquemines Parish, Louisiana pursuant to a demand made by landowners;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the State Mineral and Energy Board approve the settlement offer presented in executive session, in principal, subject to the drafting and execution of an appropriate settlement agreement, and its due advertisement and placement on the Docket for final approval.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Segura, seconded by Mr. Arnold, the following resolution was offered and adopted:

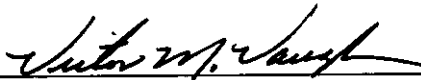
WHEREAS, a presentation by Staff was made in regard to the Proposed New Lease Form;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the State Mineral and Energy Board allow Staff the authority to present the Proposed New Lease Form to the public for comment.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Segura, seconded by Mr. Cordaro, the following Resolution was offered and adopted:

WHEREAS, on July 2, 2010, Act 955 of the 2010 Regular session was signed by the governor, said law which provides for cooperative endeavor agreements for the withdrawal of running surface water for certain purpose; and

WHEREAS, Act 955 now requires that such cooperative endeavor agreements be contained on a form developed and prescribed by the State Mineral & Energy Board ("SMEB") and approved by the attorney general; and

WHEREAS, between the time of the effective date of Act 955 and the SMEB's formal development and adoption of an SMEB approved form, staff was presented with several cooperative endeavor agreements which were tendered in accordance with the Memorandum to All State Surface Water Managers from the state of Louisiana, Office of the Attorney General, and the secretary of the Department of Natural Resources dated February 5, 2010 and in recognition of Attorney General opinions 08-0176, 09-0028, 09-0066 and 09-0291; and

WHEREAS, due to their timing such cooperative endeavor agreements are currently pending approval by the SMEB; and

WHEREAS, the attorney general and staff have examined said cooperative endeavor agreements and given a recommendation of their approval as to form and legality of such agreements pending development and prescription of a uniform form for these agreements by the SMEB, and with the further proviso that they must nevertheless undergo the careful review and examination by the secretary of the Department of Natural Resources as mandated by Act 955; and

WHEREAS, after careful consideration, it is deemed by the Board to be desirable, beneficial, and advantageous to the State of Louisiana to accept and follow the recommendation of the Attorney General and staff on this issue:

NOW THEREFORE BE IT RESOLVED, the Louisiana State Mineral and Energy Board does hereby give its approval as to form and legality of such agreements pending development and prescription of a uniform form for these agreements by the SMEB, and with the further proviso that they must nevertheless undergo the careful review and examination by the secretary of the Department of Natural Resources as mandated by Act 955.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary of the Department of Natural Resources, Deputy Assistant Secretary or Chief Landman of the Office of Mineral Resources be and the same are hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to this Resolution.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Mr. Segura, seconded by Ms. Smith, with Mr. Sanders abstaining, the following resolution was offered and adopted:

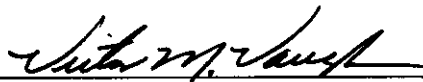
WHEREAS, a presentation was made by Staff of the Louisiana Running Surface Water Use Cooperative Endeavor Agreement Form and Application;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the Louisiana State Mineral and Energy Board adopt the proposed Louisiana Running Surface Water Use Cooperative Endeavor Agreement Form and Application attached hereto and made a part of this Resolution.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

1 WHEREAS, pursuant to Act 955, the Secretary, in his evaluation, has considered the potential and real effects of this Agreement on
2 the sustainability and navigability of the Water Resources set forth in the Plan.

3 NOW THEREFORE, the Secretary and the Water User agree that 1.) the Water User requires the use of the amount of running
4 surface water (hereinafter "Water") set forth herein below over which the State of Louisiana has either ownership or jurisdictional
5 control, and 2.) the Water is needed for the specific uses delineated in the Plan of Water Use (hereinafter "Plan") filed with the
6 application for this Agreement, a copy of which is attached hereto and made a part hereof as Exhibit "A", and 3.) the Plan expressly
7 manifests how the use as set forth therein constitutes a "public purpose" as that phrase appears in Article VII§ 14(C) of the 1974
8 Constitution of the State of Louisiana, as amended. Pursuant to said agreement between the parties, the following shall constitute the
9 terms, conditions and considerations thereof, to-wit:

0 I.

1
2 **RIGHTS AND OBLIGATIONS OF THE WATER USER:**

3 A. Water User shall be allowed to withdraw a total of _____ Gallons of water per _____
4 from the Water Resources and at the specific withdrawal points set forth in the Plan only. The Water shall be used solely for the uses
5 set forth in the Plan.

6 B. Water User shall, utilizing a meter complying with current American Water Works Association standards, record the monthly
7 amount of Water withdrawn from each withdrawal point set forth in the Plan, and shall tabulate and compile same in an annual report
8 in the form of an authentic act (hereinafter "Water Volume Report") which shall be sent to the Secretary on an annual basis from the
9 effective date of this agreement to be received by the Secretary no later than the end of the thirteenth (13) month after the effective
0 date of this Agreement, for each successive annual period. The Secretary, at his sole discretion, may require, and the Water User shall
1 provide, more frequent Water Volume Reports when necessary to protect the environmental and ecological balance of the water
2 resource. Failure to file the required Water Volume Report, or inclusion of any false information in said reports, shall allow the
3 Secretary, in his sole discretion, to either suspend Water User's rights under this Agreement and allow Water User to correct any error
4 or file any required reports, or terminate the Agreement with notice, or without notice when necessary to prevent substantial damage
5 to the environment or ecological resources.

6 C. Water User shall not sell, convey, donate, or otherwise transfer use of the Water to any other entity, in return for any
7 consideration or cause greater than that given by the Water User under this Agreement, nor without the approval in writing of the
8 Secretary. However, parties other than the Water User may receive reasonable, fair compensation for the transportation, treatment and
9 disposal of the Water used by Water User under this Agreement. Water User shall not withdraw or utilize the Water in any manner or
0 for any purpose other than as delineated in the Plan. Should Water User violate any of the terms of this Part, it shall be deemed an
1 active default and may terminate this Agreement at the option of the Secretary.

2 D. At all times the Secretary, his agents or representatives, shall have access to Water User's operations and records, for
3 purposes including auditing payment, inspecting the meters, ascertaining use to which water is being put and verifying economic
4 benefit of operations to the State, for the limited purpose of ensuring compliance with this Agreement. Such inspections are without
5 prejudice to, and in addition to, the right of duly constituted federal, state, or local enforcement officials to make such inspections.

6 E. Water User shall be vigilant and utilize the best management practices in preventing the contamination of surrounding soils,
7 ground water, and Water resources by any and all uses to which the Water is put.

8 F. For, and as cause and consideration for any and all rights to withdraw and use Water in the amounts set forth herein, and
9 according to the Plan, Water User shall remunerate the State in one of the manners set forth hereinafter as indicated by the initials of

1 the Secretary and the duly authorized representative of the Water User affixed before the option chosen, to-wit
2 _____ i. Water User has submitted evidence in the form of an economic impact report (hereinafter "Report") attached to this
3 Agreement and made a part hereof as Exhibit "B" that the use to which the Water will be put is sufficiently in the public interest in
4 that the citizens of Louisiana will see further economic and social development in the form of increased employment and tax revenue
5 derived from the use under the Plan. The Report further shows: a.) the Plan sufficiently balances environmental considerations and
6 ecological impacts b.) the Plan considers the existing and potential impact of the Water use on the continued viability of the Water
7 Resources being utilized as well as the public enjoyment and continued usage thereof c.) the Water use under the Plan does not
8 interfere with, nor render untenable, any other use of the Water presently, or which may legally occur in the future, for purposes
9 including, but not necessarily limited to, public consumption, agriculture, industrial purposes, recreation, or navigation. The Report
0 shall be deemed evidence that the use of the Water withdrawn and the attendant results hereinabove described are deemed fair market
1 value in return for taking the Water. If the use of the Water by Water User does not achieve the economic and social development
2 predicted in the Report, then the Water User shall pay the State for the Water withdrawn and used according to the terms of Paragraph
3 F(i).herein below

4 _____ ii Water User shall pay to the State an administrative payment in the full, current sum of One Hundred and No/100
5 (\$100 00) Dollars monthly for each withdrawal point set forth in the Plan, with the first payment due on execution of this Agreement,
6 as well as _____ per Thousand Gallons of water withdrawn under the Plan per _____ payable no later than the tenth
7 (10th) of the month following the withdrawal. Attached hereto and made a part hereof as Exhibit "C" is written evidence that the price
8 charged by the State as herein set forth constitutes fair market value to the State for the Water taken. Additionally, to help assure the
9 State receives fair market value for its resources, beginning calendar year 2011, the price per Thousand Gallons of Water shall be
0 adjusted annually by the rate of change in the Consumer Price Index United States city average for all urban consumers (CPI-U), as
1 reported by the Bureau of Labor Statistics of the United States Department of Labor for all urban consumers or its successor
2 publications

4 II.

5 OBLIGATIONS OF THE STATE:

6 In accordance with the terms and conditions set forth in this Agreement and pursuant to La. R.S. 30:961-963, the State,
7 through the Secretary, hereby grants to the Water User the authority to cumulatively withdraw no more than
8 _____ () of Water per month from the Water Resources set
9 forth in the Plan at only those withdrawal points identified in the Plan. The authority to withdraw granted herein is limited solely
0 to the methods, resources and withdrawal points as set forth in the Plan. If the Water User desires to deviate from the Plan in any
1 manner, it must obtain written permission from the Secretary, or negotiate for and obtain an amendment of this Agreement, or enter
2 into a new Running Surface Water Use Agreement, to encompass the deviations from the Plan. The authority to withdraw is non-
3 exclusive and the Water User acknowledges that the State may authorize others to withdraw Water from the Water Resources set forth
4 in the Plan. Notwithstanding the foregoing, the State makes no representation or warranty, express or implied, as to 1) the nature or
5 extent of its regulatory authority, 2) the availability of water from the Water Resources in the Plan at any time; or 3) the quality,
6 suitability, purity, palatability, potability, or fitness of the Water from the Water Resources in the Plan for Water User's intended use,
7 or for any other uses or purposes whatsoever. Water User understands and acknowledges that the Water Resources in the Plan are
8 multiple purpose water sources and may be subject to other plans which may result in considerable fluctuations of the water level in
9 the Water Resources. The Secretary makes no guarantee as to the elevation at which the Water can be withdrawn from the Water

1 Resources to meet Water User's commitments and obligations.

2

3

III.

4 **LIMITATION OF LIABILITY:**

5 It is agreed and understood that a principal cause of the State's entry into this Agreement is Water User's consent to and
6 acceptance of the terms of indemnification and limitation of liability set forth in this Paragraph III, and elsewhere in the Agreement,
7 without which consent and acceptance by Water User, the State would not have entered into this Agreement. Therefore, the State and
8 Water User agree as follows:

9 **A. Water User understands and acknowledges that the withdrawal of Water as contemplated by this Agreement and the**
0 **use of said Water (whether intermediate or ultimate use) after withdrawal is at its sole risk.** Water User understands, stipulates
1 and agrees that, except for a breach of an express warranty contained in this Agreement, the State and the Secretary shall have no
2 liability to the Water User (or its agents, servants, employees, visitors or licensees) and Water User assumes all liability arising out of
3 or in any way connected with 1.) this Agreement; 2.) the State's lack of authority to authorize Water User to withdraw and/or use
4 Water from the Water Resources; 3.) the failure or interruption of any business operation of the Water user or any other person or
5 entity, or loss of business of Water User or any other person or entity as a result of Water User's (or its agents, servants, employees,
6 visitors or licensees) inability to withdraw Water from the Water Resources, 4) any negligence or fault of the State or the Secretary,
7 its agents, employees, representatives or any person or entity for whom or for which the State may be held responsible in connection
8 with the withdrawal and/or use of the Water from the Water Resources; 5.) any damages resulting from the Secretary's use of his
9 authority to compel reduction or termination of water withdrawal from any or all of the withdrawal points withdrawing from the Water
0 Resources as set forth herein after, 6.)any negligence or fault of the Water User or its agents, servants, employees, visitors or
1 licensees; and/or 7) Water User's (or its agents, servants, employees, visitors or licensees) withdrawal and/or use of Water from the
2 Water Resources, including without limitation (a) fluctuation of the water level of the Water Resources, (b) Water User's (or its
3 agents, servants, employees, visitors or licensees) inability to withdraw Water from the Water Resources for whatever reason, (c)
4 damage to the Water Resources, property surrounding the Water Resources, or users of the Water Resources, (d) charges or fees made
5 by any person or entity for water withdrawn by the Water User; (e) Water User's (or its agents, servants, employees, visitors or
6 licensees) installation, maintenance, or use of any pumping or diversion facility; and/or (f) Water User's (or its agents, servants,
7 employees, visitors or licensees) failure to make reasonable use of the Water withdrawn from the Water Resources

8 **B. Water User shall defend, indemnify and hold harmless the State (and the Secretary) against any expenses, losses, costs,**
9 **damages, claims (including without limitation claims for loss of life or illness to persons, or for damage to property), actions,**
0 **proceedings, or liabilities of any kind, character or type arising out of or in any way connected with 1.) this Agreement; 2) the State's**
1 **lack of authority to authorize Water User to withdraw and/or use Water from the Water Resources; 3) the failure or interruption of**
2 **any business operation of Water User or any other person or entity or loss of business of Water User or any other person or entity as a**
3 **result of Water User's (or its agents, servants, employees, visitors or licensees) inability to withdraw Water from the Water Resources;**
4 **4) any negligence or fault of the State, its agents, employees, representatives, or any person or entity for whom or for which the State**
5 **may be held responsible in connection with the withdrawal and/or use of Water from the Water Resources; 5) any negligence of fault**
6 **of Water User or its agents, servants, employees, visitors or licensees in connection with the withdrawal and/or use of the Water from**
7 **the Water Resources, and/or 6) Water Users (or its agents, servants, employees, visitors or licensees) withdrawal and/or use of the**
8 **Water from the Water Resources, including without limitation (a) fluctuation of the water level of the Water Resources, (b) Water**
9 **User's (or its agents, servants, employees, visitors or licensees) inability to withdraw Water from the Water Resources, for whatever**

1 reason; (c) damage to the Water Resources, property surrounding the Water Resources, or users of the Water Resources; (d) charges or
2 fees made by any person or entity for Water withdrawn by Water User (or its agents, servants, employees, visitors or licensees) from
3 the Water Resources, (e) Water User's (or its agents, servants, employees, visitors or licensees) installation, maintenance, or use of
4 any pumping or diversion facility; and/or Water User's (or its agents, servants, employees, visitors, or licensees) failure to make
5 reasonable use of the Water withdrawn from the Water Resources.

6 C. The State shall have no liability for, and Water User shall assume all liability for any expenses, losses, costs, damages, claims
7 (including without limitation claims for loss of life or illness to persons, or for damage to property), actions, or proceedings of any
8 kind, character or type, arising out of or in any way connected with its withdrawal of or use of Water withdrawn from the Water
9 Resources, whether or not those expenses, losses, costs, damages, claims (including without limitation claims for loss of life or illness
0 to persons, or for damages to property), actions, or proceedings of any kind, character or type, resulted from or otherwise are caused
1 by the State's own negligence.

2 D. Water User's liability under this Agreement extends to the acts and omissions of any agent, servant, employee, customer,
3 visitor or licensee of the Water User. Water User agrees to provide legal defense for and defend any such claims, demands or suits,
4 including reasonable attorney's fees at Water User's sole expense and to bear all court costs and other expenses

5 E. The provisions of this Paragraph III and all other indemnification provisions herein, shall survive the expiration or
6 termination of this Agreement, and the Water User's obligations hereunder shall apply whenever the State incurs costs or liabilities of
7 the types described in this Paragraph III; which costs and liabilities shall include attorney fees expended by the State or the Secretary
8 for any enforcement or defense of this Agreement, including any actions or omissions of the Secretary, the State, or any of its
9 employees, agents or representatives arising from this Agreement.

1 IV.

2 TERM:

3 A. This Agreement shall take effect as of _____, _____ and shall continue for a term of two (2) years, or
4 until _____, _____ after which this Agreement will terminate unless on or before said date Water User
5 notifies the Secretary in writing that Water User desires to renew this Agreement under the terms and conditions set forth herein for an
6 additional two (2) year period. Thereafter, successive additional two (2) year periods desired by Water User shall run consecutively
7 upon due written notice to the Secretary on or before the expiration of the previous two (2) year additional period; with the cumulation
8 of successive periods not to go past December 31, 2020.

9 B. The Secretary may reduce, apply restrictive conditions to, or terminate the right of Water User to withdraw Water from any
0 or all Water Resources, or from any particular withdrawal point named in the Plan when necessary to protect the Water Resource and
1 maintain sustainability and environmental and ecological balance. The Secretary may terminate this Agreement, as to any or all of the
2 Water Resources, or any withdrawal point, named in the Plan if any Federal Resource Agency requests same for good cause, or Water
3 User breaches any term, condition or obligation set forth in this Agreement. Any action taken by the Secretary, that in his discretion,
4 does not present imminent substantial danger to health, public welfare, or the environment in this Subsection, shall be preceded by
5 receipt of written notice by Water User, at the address provided by the Water User in this Agreement, fifteen (15) days prior to
6 effective date of said action.

7 V.

8 RULES AND REGULATIONS:

9 A. The Water User agrees to abide by all the rules, regulations and resolutions, including, but not necessarily limited to, those
Page 5 of 10

1 set forth hereinafter in separate parts of this Agreement, promulgated by the State and its agencies, the Federal government and its
2 agencies with jurisdictional authority, and duly constituted local governments, including but not limited to, the Department of Natural
3 Resources, the Department of Wildlife and Fisheries and the Department of Environmental Quality for the state, which may have
4 jurisdiction over the Water Resources set forth in the Plan, which rules, regulations and resolutions are now in force or may
5 hereinafter be passed. The State, through the Secretary, is hereby given the option of terminating this Agreement should the Water
6 User fail to abide by such rules, regulations and resolutions; provided, however, the State shall give the Water User written notice of
7 any such violation and fifteen (15) days in which to correct such violation, in which event, should said violation not be corrected, the
8 State, without further notice, may, notwithstanding the provisions of Article IV, immediately terminate this Agreement. When the
9 State is notified by the Federal government or any of its agencies of a violation of any of its rules, regulations or resolutions, the State
10 shall as soon as practicable notify the Water User, and may suspend operations under this Agreement while allowing Water User a
11 reasonable set time to resolve the issues with the appropriate Federal authority, and, if resolution is not obtained in a reasonable time,
12 terminate this Agreement.

13 **B.** The Water User acknowledges that the withdrawal of water from the Water Resources involves the public interest and may
14 be subject to regulation and oversight by other governmental agencies and changes in law. Water User acknowledges that persons or
15 entities (including without limitation federal and local governments) have, or in the future may acquire, the right to regulate the
16 withdrawal, use and depths of the water in the Water Resources. Water User acknowledges that this Agreement shall be subject to all
17 current and future regulations, and that the State shall not be liable to the Water User for any loss or damage whatsoever resulting
18 from or associated with current or future regulation of the Water Resources.

19 VI.

20 INSURANCE:

21 **A.** The Water User shall obtain and carry from an insurance company licensed in the State of Louisiana and acceptable to the
22 State, liability or indemnity insurance (or self insurance acceptable to the State) providing minimum coverage of one million
23 (\$1,000,000.00) Dollars per occurrence with respect damages including, but not necessarily limited to, bodily injury, death, property
24 damage or environmental damage suffered by any person or entity resulting from Water User's withdrawal of water from the Water
25 Resources, **with the State named as an additional named insured.** The policy must be written on an "occurrence" basis, "claims
26 made" coverage is unacceptable.

27 **B.** Water User shall obtain and carry worker's compensation insurance complying with all applicable workers' compensation
28 statutes of the State of Louisiana and shall obtain and carry United States Longshore and Harbor Workers' Compensation Act
29 coverage on employees if required by law.

30 **C.** All policies of insurance required to be maintained by Water User shall provide that in the event of cancellation, non-renewal,
31 or material change, thirty (30) days written notice prior to cancellation, non-renewal or material change shall be given to the Secretary
32 by certified mail. Water User shall furnish to the Secretary a certificate evidencing maintenance by Water User of the above required
33 policies. Given the long term nature of this Agreement, the State may, from time to time, require Water User to obtain additional
34 insurance whether it be additional types of insurance and/or an increase in the amount of coverage under the existing insurance
35 policies.

36 VII.

37 ENVIRONMENTAL AND OTHER PROTECTION:

38 **A.** Water User will comply with all applicable environmental laws and regulations and all other Federal, State, and local laws,
39 regulations and standards that are applicable to Water User's activities, relating to the withdrawal, use and disposal of Water and other

1 waste related to the use of Water from the Water Resources

2 B. Water User shall be solely responsible for obtaining at its cost and expense any environmental or other permits or licenses
3 required to withdraw and/or use Water from the Water Resources and for the disposal of Water and other waste related to the use of
4 Water from the Water Resources.

5 C. Water User shall save, indemnify, defend and hold harmless the State from any costs, expenses, liabilities, fines, or penalties
6 resulting from discharges, emissions, spills, storage, disposal, or any other action committed in connection with the performance of
7 this Agreement by Water User, its officers, agents, employees, or contractors, the invitees of any of them, and third parties, giving rise
8 to the State liability, civil or criminal, or responsibility under Federal, State, or local environmental laws. This provision shall survive
9 the expiration or termination of this Agreement, and Water User's obligations hereunder shall apply whenever the State incurs costs or
0 liabilities of the types described in this Paragraph VII.

1 D. In connection with the performance of this Agreement, Water User must comply with all Federal, State, and local laws,
2 regulations, and other requirements

3 E. Water User shall maintain and make available, within fifteen (15) days of receipt of written notice from the Secretary, to the
4 State all records, inspection logs, and manifests that relate to the withdrawal and use of Water from the Water Resources, as well as all
5 other records required by applicable laws, regulations, and requirements of this Agreement. The State reserves the right to inspect the
6 records of Water User for compliance with Federal, State, and local laws, regulation, and other requirements of law or of this
7 Agreement as the same relate to the withdrawal and/or use of Water from the Water Resources. Violations of laws, regulations or
8 other requirements relating to the withdrawal and/or use of Water from the Water Resources shall be reported by Water User to the
9 State and appropriate regulatory agencies. Water User shall be liable for the payment of any fines and penalties which may accrue as
0 a result of such violations. However, the foregoing right of the State to inspect shall not be used as a basis of action by Water User
1 against the State.

2 F. Water User shall not store or otherwise unlawfully allow the discharge of hazardous waste or other waste. The Water User
3 shall use the highest degree of care and all proper safeguards to prevent land or water pollution resulting from Water withdrawal
4 operations pursuant to this Agreement. Water User shall use all means at its disposal to recapture all escaping pollutants and shall be
5 solely responsible for all damages, if any, to aquatic or marine life, wildlife, birds, and any public or private property that may result
6 from any such land, air or water pollution occasioned by Water User's Water withdrawal operations hereunder. Water User shall
7 report all unpermitted discharges of pollutants pursuant to any Federal or State statutes and regulations to the Louisiana Department of
8 Environmental Quality and the Louisiana Office of Conservation within the time required by Federal, State or local laws, but not later
9 than five (5) days from the occurrence, whichever is earlier.

0 G. Water User is hereby advised to familiarize itself with the State of Louisiana regulations relative to transportation of noxious
1 or invasive aquatic plants or wildlife from one body of water to another and Water User does hereby agree that it will comply with
2 such regulations. Water User acknowledges that transportation of plant material or wildlife may possibly occur as the result of
3 relocating the diversion facility and pumping equipment from one location to another or from one water body to another or by the
4 withdrawal of Water from one water body and discharging into a different water body. Water User agrees to use the highest degree of
5 care and all reasonable and proper safeguards to prevent the transportation of noxious or invasive aquatic plants or wildlife from one
6 body of water to another

7 **VIII.**

8 **PROTECTION OF WETLANDS AND FLOODPLAIN:**

9 In exercising its rights granted in this Agreement, Water User will not allow the unpermitted destruction, loss or degradation
Page 7 of 10

of wetlands as that term may be defined in any applicable State or Federal wetlands protection act or regulation, and further, see that its management under this Agreement shall be consistent with the comprehensive master plan for coastal restoration and protection as approved by the Coastal Protection and Restoration Authority and the legislature.

IX.

PUBLIC RIGHTS:

Water User may not take any action which restricts the right of the public to reasonably use the Water Resources, including, without limitation, the right to fish.

X.

ACCESS TO WATER:

Water User shall be responsible for securing authorization, easements, rights-of-way, leases or permission of land owners to obtain access to the water at the withdrawal points. This Agreement does not provide access to the Water Resources. At the time of contracting, Water User warrants that he has secured the necessary consent to withdraw water from the locations indicated in the Plan

XI.

MISCELLANEOUS:

A. Water User may not mortgage, pledge, or hypothecate this Agreement nor subject it to seizure and sale without the written consent of the Secretary. This Agreement may not be assigned or sold without prior written consent of the Secretary

B. Upon termination of this Agreement, Water User shall leave the Water Resources in the same good order as the resources were in at the commencement of this Agreement and shall remove all machinery, implements, property and improvements placed in the Water Resources.

C. This Agreement is entered into by the parties hereto, subject to the provisions of the applicable federal, state and local laws presently in force or any amendments thereto, and nothing contained herein shall be construed as exempting Water User from obtaining and complying with any permits, licenses or laws applicable to the Water withdrawal herein contemplated or the use and disposal of such Water

D. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Louisiana. This Agreement is a public record and a copy must be provided to anyone requesting same

E. All notices and communications under this Agreement shall be sufficiently given and shall be deemed given when sent by certified mail, postage prepaid, or other recognized delivery methods mutually agreed to, addressed to the last address designated in writing by the respective party for receipt of notice

F. In the event any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision.

G. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Agreement

H. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give rise to or be construed to give to any person, other than the parties hereto and such assigns, any legal or equitable rights hereunder. All references herein to the enforceability of agreements with third parties, the existence or non-existence of third-party rights, the absence of breaches or defaults by third parties, or similar matters or statements, are intended only to allocate rights and risks between the parties and were not intended to be admissions against interests, give rise to any inference or proof of accuracy, be admissible against any party by any non-party, or give rise to any claim or benefit to any non-party

I. Water User shall maintain its records and accounts of the quantity of water withdrawn pursuant to this Agreement for three

1 (3) years from the date this Agreement is terminated

2
3
4 THUS DONE, READ, ACCEPTED, AND SIGNED by the parties hereto in the presence of the respective undersigned
5 witnesses, as of the _____ day of _____, _____, which shall be the date of this lease for all purposes

6
7 WITNESSES to the signature of Grantor

8 _____ Department of Natural Resources

9
10 By: _____
11 Secretary, Grantor

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13 WITNESSES to the signature of Grantor:

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WITNESS FORM OF _____
ACKNOWLEDGMENT FOR THE DEPARTMENT OF NATURAL RESOURCES

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE

Before me, the undersigned authority, personally came and appeared _____, who by
me being first being duly sworn, deposed and said

That he is one of the witnesses to the execution of the foregoing instrument and that he saw
_____ sign said instrument as _____
of the Department of Natural Resources for and on behalf of the State of Louisiana, in the presence of appearer and
_____ the other subscribing witness

Sworn to and subscribed before me on this the
_____ day of _____, _____
_____ Appearer

Notary Public

WITNESS FORM OF _____
ACKNOWLEDGMENT FOR CORPORATE WATER USER

STATE OF _____
OF _____

Before me, the undersigned authority, personally came and appeared _____, who by
me being first being duly sworn, deposed and said.

That he is one of the witnesses to the execution of the foregoing instrument and that he saw
_____ sign said instrument as _____
of the free act and deed of said corporation in the presence of appearer and
_____ the other subscribing witness

Sworn to and subscribed before me on this the
_____ day of _____, _____
_____ Appearer

Notary Public

WITNESS FORM OF _____
ACKNOWLEDGMENT FOR INDIVIDUAL WATER USER

STATE OF _____
OF _____

Before me, the undersigned authority, personally came and appeared _____, who by
me being first being duly sworn, deposed and said.

That he is one of the witnesses to the execution of the foregoing instrument and that he saw
_____ sign said instrument as _____
as his/her free act and deed in the presence of appearer and
_____ the other subscribing witness.

1
2 Sworn to and subscribed before me on this the
3 _____ day of _____
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6 _____
7 Notary Public

Appearer

THIS BOX FOR DNR USE ONLY

Application # _____ Date Received _____

- Approval of Agreement Only
- DNR Agreement

Application for Louisiana Running Surface Water Use Cooperative Endeavor
Agreement

I. Instructions: Address each item below as indicted. DNR may require additional information depending upon the completeness of responses submitted, before an application and by extension “the Plan” is deemed complete.

II. Applicant Information

1. Identify the legal name and address of Applicant.
2. If applicable, provide the name, address and contact information of Applicant's agent.

III. Plan of Water Use

Attach in a separate document a plan for the proposed withdrawal of running surface waters that at a minimum addresses the following:

1. Legal name and common name for the Water Resource from which the withdrawal is proposed.
2. Describe in detail how entering into this proposed Louisiana Running Surface Water Use Cooperative Endeavor Agreement for withdrawal from the named Water Resources would be in the public interest.
3. Describe the proposed end use of the withdrawn water.
4. Identify the end user and any intermediated transferees of the water withdrawn.
 - a. Provide the name and address of each person/entity that water will be transferred to.
5. Provide each transferee's agent contact information.
6. Provide specific details about the amount of water that is proposed to be withdrawn, including:
 - a. Provide the anticipated withdrawal start date.
 - b. State the proposed number of gallons of water to be withdrawn per day.
 - c. State the maximum rate of water withdrawal in gallons per minute.
 - d. State the proposed average number of days per month water will be withdrawn.
 - e. State the maximum total number of gallons that will be withdrawn during the initial term of the agreement.
7. For each proposed withdrawal point:

Application for Louisiana Running Surface Water Use Cooperative Endeavor Agreement

- a. Identify the withdrawal point: (Parish, City or town, and nearest municipal address if applicable, and x-y coordinates of withdrawal point.
 - b. Provide written directions to the withdrawal point from nearest highway intersection.
 - c. Provide a map on 8½" by 11 ½" paper depicting, the withdrawal point, the nearest highway intersection identified above, an arrow indicating north, and the map scale.
 - d. Identify the property owner.
 - e. Provide the stream velocity in feet per second, the water depth or the center of the channel depth if withdrawn from a channel, the channel width, and the date this data was collected.
8. Identify and attach copies of all other permits, leases, authorizations (including land owner permission), etc. applied for or issued that relate to the proposed withdrawal.
9. Describe in detail how the plan for withdrawal addresses minimizing and mitigating adverse impacts to the water body from which the proposed withdrawal is to be made specifically including, but not limited to:
- a. Any impacts on navigation that the proposed withdrawal may have, and how the withdrawal plan will minimize and mitigate for any anticipated impacts.
 - b. The effect of the withdrawal on other users of the water body from which the withdrawal is proposed.
 - i. Describe the effects of the proposed withdrawal on human consumption.
 - ii. Describe the effects of the proposed withdrawal on agricultural uses.
 - iii. Describe the effects of the proposed withdrawal on industrial / mining uses.
 - c. Describe the impacts of the proposed withdrawal on:
 - i. Stream or water flow, including seasonal fluctuations
 - ii. Sediment load and distribution
 - iii. Aquatic Life
 - iv. Vegetation and wildlife other than aquatic life.
 - d. Describe any water body impairments, hydrological status, and potential for adverse impacts to the water body from which the proposed withdrawal is to be made, including:
 - i. A statement whether the water body identified as "impaired", and a list of any causes of "impairment."
 - ii. A statement identifying whether withdrawals occur in the dry season (June-October).

Application for Louisiana Running Surface Water Use Cooperative Endeavor
Agreement

10. The Plan shall demonstrate to the Agency that it will protect the resource and it will maintain sustainability and ecological balance by considering, but not limited to, the following:

- a. The Plan sufficiently balances environmental considerations and ecological impacts.
- b. The Plan considers the existing and potential impact of the Water use on the continued viability of the Water Resources being utilized as well as the public enjoyment and continued usage thereof.
- c. The water use under the Plan does not interfere with, nor render untenable, any other use of the Water presently, or which may legally occur in the future, for purposes including, but not necessarily limited to, public consumption, agriculture, industrial uses, recreation, or navigation.

IV. Economic Impact Report

If seeking recognition of in-kind value received in lieu of payment for the withdrawal, attach a report that describes in detail how the state will be compensated for the value of the water withdrawn pursuant to this agreement. That report should at minimum address how the use to which the Water will be put is sufficiently in the public interest in that the citizens of Louisiana will see further economic and social development in the form of, but not limited to, increased employment and tax revenue derived from the use under the Plan of Water Use.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

LEGAL AND TITLE CONTROVERSY COMMITTEE

ON MOTION of Ms. Smith, seconded by Mr. Segura, the following resolution was offered and unanimously adopted:


WHEREAS, a request was made by Exxon Mobil Corporation for a one year extension of the primary term on State Lease Nos. 18737 and 18738 located in Grand Isle Block 16, Plaquemines, Parish, Louisiana for a consideration of the payment of a full bonus and an increase of 0.5% in the royalty of each lease;

WHEREAS, after discussion and careful consideration by the State Mineral and Energy Board, a decision has been reached:

NOW, BE IT THEREFORE RESOLVED, that the Committee recommends that the Louisiana State Mineral and Energy Board grant the extension, in principal, subject to the drafting and execution of the extension in the form of a lease amendment, and its due advertisement and placement on the Docket for final approval.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the Louisiana State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Books of said Louisiana State Mineral and Energy Board and is now in full force and effect.



LOUISIANA STATE MINERAL AND ENERGY BOARD

BOBBY JINDAL
GOVERNOR



ROBERT D. HARPER
SECRETARY

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

DOCKET REVIEW COMMITTEE REPORT

The Docket Review Committee convened at 2:30 p.m. on Wednesday August 11, 2010. Board Members present were Mr. John C. "Juba" Diez, Mr. Thomas W. Sanders, Mr. Thomas L. Arnold, Jr., Mr. Emile Cordaro, Mr. Robert D. Harper, Ms. Helen G. Smith, Mr. Darryl D. Smith and Mr. W. Paul Segura, Jr.

The Committee made the following recommendations:

Approve State Agency Leases A on page 1;

Approve all Assignments on pages 2 through 8;

Upon Motion of Mr. Segura, seconded by Ms. Smith, the committee voted unanimously to accept the staff's recommendations.

There being no further business to come before the committee, upon motion of Mr. Segura, and seconded by Mr. Sander, the committee voted unanimously to adjourn the meeting at 2:32 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "John C. 'Juba' Diez" followed by a horizontal line.

John C. "Juba" Diez
Chairman
Docket Review Committee

Refer to Board Meeting Minutes for any action taken by the Board regarding matters in this report.

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura, seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item A from the August 11, 2010 Meeting be approved, said instrument being An Oil, Gas and Mineral Lease from the Plaquemines Parish Government, dated June 24, 2010, awarded to Clayton Williams Energy, Inc., covering lands located in Sections 7, 8, 17 and 18, Township 19 South, Range 18 East, Coquille Bay Field, Plaquemines Parish, Louisiana, containing 69 acres, more or less, with further contractual obligations being more enumerated in the instrument.

The State of Louisiana, through the State Mineral and Energy Board, asserts and claims title to the beds and bottoms of any navigable waterbed that may be located within the boundaries of the lands leased, and this approval shall not cover or extend to, or be construed as affecting the State's title to such submerged lands, if any. This lease is approved only so far as it covers lands in place, excluding from such approval any and all navigable waterbeds and sovereignty lands located within the tract leased.

BE IT FURTHER RESOLVED that this action is taken only in pursuance of Louisiana Revised Statutes 30:158 and without inquiry into the lessor's title to the leased premises or such rights, if any, that the State of Louisiana may have in the same. It is understood that this approval is solely given in order to comply with the statutory authority aforesaid.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to sign said lease to reflect the approval of the State Mineral and Energy Board.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted.

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 1 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from BP America Production Company to Chaparral Energy, L.L.C., of all of Assignor's right, title and interest in and to State Lease No. 376, DeSoto Parish, Louisiana, **INSOFAR AND ONLY INSOFAR AS** to rights from the surface of the earth to the stratigraphic equivalent of the top of the Haynesville Zone in the Logansport Field, with further particulars being stipulated in the instrument.

Chaparral Energy, L.L.C. is designated as the joint account Lessee (contact person) pursuant to State Mineral Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument,

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board,

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 2 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Merlin Oil & Gas, Inc. to PetroHawk Properties, LP, of all of Assignor's right, title and interest in and to State Lease No. 20287, Bossier Parish, Louisiana, with further particulars being stipulated in the instrument.

PetroHawk Properties, LP is designated as the joint account Lessee (contact person) pursuant to State Mineral Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument,

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board,

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

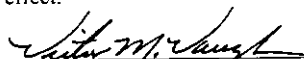
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 3 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Opicoil Andrea, LLC to El Paso E&P Company, L.P., of all of Assignor's right, title and interest in and to State Lease Nos. 19901, 19902 and 19903, Cameron Parish, Louisiana, with further particulars being stipulated in the instrument.

El Paso E&P Company, L.P. is designated as the joint account Lessee (contact person) pursuant to State Mineral Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any non-signatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof,

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind,

5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby, and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 4 from the August 11, 2010 Meeting be approved, said instrument being a Change of Name whereby Questar Exploration and Production Company is changing its name to QEP Energy Company, affecting State Lease Nos. 6708, 16125, 16438, 18370 and 19123, Bossier and Caddo Parishes, Louisiana, with further particulars being stipulated in the instrument

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R S 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

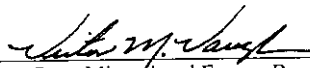
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No 5 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Castex Energy 2005, L.P., of an undivided interest to the following in the proportions set out below:

Castex Energy 2008, L P.	7 125% of 8/8ths
J&S 2008 Program, LLC	10 50% of 8/8ths

in and to State Lease No. 19732, Iberia Parish, Louisiana, with further particulars being stipulated in the instrument.

Castex Energy, Inc. is designated as the joint account Lessee (contact person) pursuant to State Mineral Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument,

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

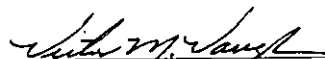
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 6 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Hook 'Em Energy Partners, Ltd. and Pearl Energy Partners, Ltd to Mack Oil Co., of all of Assignor's right, title and interest in and to State Lease No. 17140, Jefferson and St. Charles Parishes, Louisiana, with further particulars being stipulated in the instrument.

Mack Energy Co. is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;


5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 7 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Theophilus Oil, Gas & Land Services, LLC, to Phoenix Exploration Louisiana C LLC, of all of Assignor's right, title and interest in and to State Lease Nos 20367, 20368 and 20369, St. Mary Parish, with further particulars being stipulated in the instrument.

Phoenix Exploration Louisiana C LLC is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows.

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect


State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 8 from the August 11, 2010 Meeting be approved, said instrument being a Sublease from XH, LLC to Petrohawk Properties, L.P., of all of Assignor's right, title and interest in and to State Lease Nos. 542, Bienville Parish, Louisiana, **LIMITED** to the rights below the base of the Hosston Formation, being the stratigraphic equivalent of the electric log depth of 10,083 feet in the Tobin #1 well, with further particulars being stipulated in the instrument.

Petrohawk Properties, L.P. is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument,

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof,

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

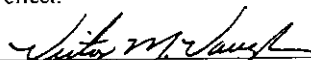
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No 9 from the August 11, 2010 Meeting be approved, said instrument being a Sublease from XH, LLC to Petrohawk Properties, L.P., of all of Assignor's right, title and interest in and to State Lease No. 543, Bienville Parish, Louisiana, **LIMITED** to the rights below the base of the Hosston Formation, being the stratigraphic equivalent of the electric log depth of 10,083 feet in the Tobin #1 well, with further particulars being stipulated in the instrument.

Petrohawk Properties, L.P. is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30.128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;


5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 10 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Houston Energy, L P. to U.S. Energy Corp , an undivided 50 0% of 8/8ths interest in and to State Lease No. 19863, Lafourche Parish, Louisiana, with further particulars being stipulated in the instrument.

Houston Energy, L P. is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board,

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any non-signatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

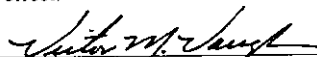
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 11 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from Pride Oil & Gas Properties, Inc. to Westgrove Energy Holdings, LLC, of all of Assignor's right, title and interest in and to State Lease No. 20344, Plaquemines Parish, Louisiana, with further particulars being stipulated in the instrument

Westgrove Energy Holdings, LLC is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;


5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 12 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from EnergyQuest II, LLC to Texas Petroleum Investment Company, of all of Assignor's right, title and interest in and to State Lease Nos 1230, 1237, 1997, 1998, 1999, 2000, 2001, 2326, 4409, 4574, 15958, 16666, 16667, 16710, 16849, 16850, 16851, 17340 and 17620, Plaquemines Parish, Louisiana, with further particulars being stipulated in the instrument.

Texas Petroleum Investment Company is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows.

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R.S. 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

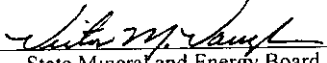
5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby; and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura seconded by Ms. Smith, the following Resolution was offered and adopted.

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 13 from the August 11, 2010 Meeting be approved, said instrument being an Assignment from EnergyQuest II, LLC to Texas Petroleum Investment Company, of all of Assignor's right, title and interest in and to State Lease Nos. 12725, 12848, 13465, 19098 and 19109, Cameron Parish, Louisiana, with further particulars being stipulated in the instrument

Texas Petroleum Investment Company is designated as the joint account Lessee (contact person) pursuant to State Mineral and Energy Board Resolution dated September 10, 1975.

This approval is expressly granted and accepted subject to certain conditions in the absence of which conditions approval of said instrument would not have been given as follows:

1) That all terms and conditions of the basic lease will be fulfilled, including but not limited to the full payment of rentals and royalties, regardless of the division of leasehold interests resulting from the instrument;

2) That failure to comply with the terms and conditions of the basic lease by the original lessee, or by any assignee, sublessor or sublessee, prior or subsequent hereto, shall not be deemed waived by the approval of said instrument by the State Mineral and Energy Board for the State of Louisiana, it being distinctly understood that the State Mineral and Energy Board for the State of Louisiana does not recognize said instrument as creating a novation, as regards any right or interest of the State or Board;

3) That in the event ownership of the basic mineral lease is or becomes vested in two or more lessees responsible to the lessor for compliance with indivisible obligations to maintain the lease, then said lessees shall designate in writing to the State Mineral and Energy Board the lessee representing the joint account of all lessees, who shall be accountable to the Board for discharge of indivisible obligations under the lease for all lessees or for release in lieu of compliance therewith, provided that in the event of failure of said lessees to comply with such condition, then the Board may withhold approval of and thereby deny validity to any pending or future assignment or transfer of an interest in the lease, and, provided further, that if any lessee should agree to release the lease or any segregated portion thereof in lieu of complying with an indivisible lease obligation to maintain the lease and no other lessee desires to assume and undertake the indivisible obligation, then all lessees agree to join in a release or to otherwise execute a similar release of their rights to lessor, relegating any nonsignatory lessee to such remedy, if any, as such party may have against the lessee or lessees, who may execute a release purporting to cover the entirety of the lease or of a segregated portion thereof;

4) That this approval is given merely for the purpose of validating the assignment or transfer under the provisions of R S 30:128, but by giving its approval, the Board does not recognize the validity of any other instrument referred to therein that has not also been considered and approved by the Board in its entirety nor of any descriptions nor adopt any of the terms and conditions in the assignment or transfer, including but not limited to any election to convert an overriding royalty interest to a working interest, and any such election shall not be effective until written notice thereof is given to the Board and assignment or transfer of such working interest in recordable form is docketed for approval and approved by the Board, and, furthermore, that this approval may not operate as the Board's approval of any sales contract, which may have been entered into by the parties to the assignment or transfer, inasmuch as the Board specifically reserves the right to take its royalty oil, gas and other minerals in kind;

5) That for purposes of recordation and notice, certified copies of this Resolution be attached to all docketed copies of the instrument approved hereby, and

6) That nothing herein shall be construed as approval for any assignment, sublease or transfer to or from any individual, partnership, corporation or other legal entity who has filed bankruptcy proceedings unless such status is specifically recognized in this resolution.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the State Mineral and Energy Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

RESOLUTION

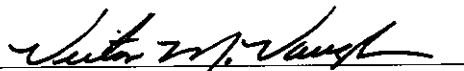
LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Segura, seconded by Ms. Smith, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 14 from the August 11, 2010, Meeting be approved, said instrument being a Correction of Resolution No. 24 from the July 13, 2005 Meeting, being a Change of Name whereby Penn Virginia Oil & Gas Corporation is changing its name to Penn Virginia Oil & Gas, L.P., whereas State Lease Nos. 17265, 17714, 17716, 17717, 17718 and 17720 were omitted from said resolution and are hereby being added, affecting State Lease Nos. 458, 13199, 13420, 17124, 17127, 17265, 17714, 17716, 17717, 17718, 17720, 17947, 17948, 18261, 18263, 18264, 18282, 18296, and Operating Agreement "A0165", Bossier, Caddo, Calcasieu, Jefferson, Plaquemines, Red River and St. Mary Parishes, Louisiana.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 11th day of August, 2010, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board