

MINUTES

STATE MINERAL AND ENERGY BOARD

LEASE SALE AND BOARD MEETING (via Zoom)

JUNE 10, 2020

JOHN BEL EDWARDS
GOVERNOR



THOMAS F. HARRIS
SECRETARY

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

Opening of Bids
June 10, 2020

A public meeting for the purpose of opening sealed bids was held on Wednesday, May 13, 2020, beginning at 9:15 a.m. via Zoom.

Emile Fontenot presided over the meeting. He then read the letter of notification certifying the legal sufficiency of the advertisement of Tract No. 45337 which was published for lease by the Board at today's sale.

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

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 Fontenot stated that there were no tracts to be withdrawn from today's Lease Sale.

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

	<u>Tract 45337</u>	
	(Entire: 4 acres)	
Bidder	:	Zachry Exploration, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$804.00
Annual Rental	:	\$402.00
Royalties	:	21% on oil and gas
	:	21% on other minerals
Additional Consideration	:	None

This concluded the reading of the bids.

There being no further business, the meeting was concluded at 9:18 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board

JOHN BEL EDWARDS
GOVERNOR



THOMAS F. HARRIS
SECRETARY

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

REGULAR MEETING
June 10, 2020

The Regular Meeting of the State Mineral and Energy Board was held on **Wednesday, June 10, 2020**, beginning at 9:30 a.m. via Zoom.

I. CALL TO ORDER

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

II. ROLL CALL

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

W. Paul Segura, Jr., Chairman
Carol R. LeBlanc, Vice-Chair
Thomas F. Harris, DNR Secretary
Robert D. Watkins
Rochelle A. Michaud-Dugas
J. Todd Hollenshead
Thomas L. Arnold, Jr.
Harvey "Ned" White
Willie J. Young, Sr.

The following members of the Board were recorded as absent:

Kyle "Chip" Kline, Jr.
Darryl D. Smith

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

III. PLEDGE OF ALLEGIANCE

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

IV. APPROVAL OF THE MAY 13, 2020 MINUTES

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

A motion was made by Mr. Arnold to adopt the May 13, 2020 Minutes as submitted and to waive reading of same. His motion was seconded by Ms. Michaud-Dugas and unanimously adopted by the Board. (No public comment was made at this time.)

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

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

VI. STAFF REPORTS

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

**a) LEASE REVIEW REPORT
JUNE 10, 2020**

I. GEOLOGICAL AND ENGINEERING STAFF REVIEW

According to the SONRIS database, there are 1,115 active State Leases containing approximately 468,516 acres. Since the last Lease Review Report, the Geological and Engineering Division reviewed 107 leases covering approximately 23,119 acres for lease maintenance and development issues.

II. BOARD REVIEW

1. There were no State Lease items discussed.

III. FORCE MAJEURE

1. There were no Force Majeure items discussed.

b) NOMINATION AND TRACT REPORT
June 10, 2020
(Resolution No. 20-06-001)

The Board heard the report of Mr. Emile Fontenot on Wednesday June 10, 2020 relative to nominations received in the Office of Mineral Resources for the August 12, 2020 Mineral Lease Sale and other matters.

Based upon Staff's recommendation, and on motion of **Mr. Arnold**, duly seconded by **Mr. Harris**, the Board granted authority to Staff to advertise all such tracts that have been received by the Staff of the Office of Mineral Resources as well as any tracts that have been previously advertised and rolled over and otherwise approve the Nomination and Tract Report. **(Resolution No. 20-06-001)**

c) AUDIT REPORT
JUNE 10, 2020
(Resolution No. 20-06-002)

The first matter on the audit report was a recoupment request from Chesapeake Operating Company for an overpayment in the amount of \$629,468.84.

Upon recommendation of the staff and upon motion of Mr. Watkins, seconded by Mr. Arnold, the Board voted unanimously to approve the recoupment request of Chesapeake Operating Company for the overpayment of \$629,468.84. **(Resolution No. 20-06-002)**

The second matter on the audit report was the election of the June 2020 gas royalty to be paid on a processed basis at the Discovery Plant at Larose and the Sea Robin Plant at Henry per the terms of the State Texaco Global Settlement Agreement.

No action required.

d) LEGAL & TITLE CONTROVERSY REPORT
June 10, 2020
(Resolution Nos. 20-06-003 thru 20-06-004)

The first matter considered by the State Mineral and Energy Board (Board) was a request by Staff for approval to include the attached Lessor's Security Interest Provision for all leases being amended.

Staff recommended that the Board approve the inclusion of the attached Provision as requested above.

Upon motion of Mr. Watkins, seconded by Secretary Harris, and by unanimous vote of the Board, the Board voted to approve the inclusion of the attached Lessor's Security Interest Provision for all leases being amended. **(Resolution No. 20-06-003)**

The second matter considered by the Board was a request by Staff for authority to schedule and hold a public hearing on the proposed operating agreement between the State and Gulf South Pipeline Company, LP for continued operation of the natural gas underground storage facility located in Bossier and Bienville Parishes in accordance with La. R.S. 30:6 pursuant to La. R.S. 30:209.

Staff recommended that the Board grant authority for the aforementioned request.

Upon motion of Mr. Arnold, seconded by Mr. White, and by unanimous vote of the Board, the Board granted authority to the Staff to schedule and hold a public hearing on the proposed operating agreement between the State and Gulf South Pipeline Company, LP for continued operation of the natural gas underground storage facility located in Bossier and Bienville Parishes in accordance with La. R.S. 30:6 pursuant to La. R.S. 30:209. **(Resolution No. 20-06-004)**

ARTICLE 24 – LESSOR’S SECURITY INTEREST

- (a) In order to secure all of Lessee’s monetary obligations under this Lease to Lessor, including particularly payment of royalties, Lessee does hereby grant a security interest in, and specifically pledges and assigns in favor of Lessor, a lien and security interest in Lessee’s interest in (i) all minerals that are extracted from the Leased Premises or lands pooled therewith and which are attributable to the Lease and (ii) all proceeds from the sale or other transfer of any such minerals, whether such proceeds are held by Lessee or a third party (collectively “Lessor’s Security Interest”).
- (b) Lessee further acknowledges the right of, and hereby authorizes, Lessor to file UCC financing statements covering Lessor’s Security Interest. Promptly upon execution of this amended Lease, Lessee will file with the clerk of court of any parish a UCC financing statement for Lessor’s Security Interest and deliver a recorded copy of said UCC financing statement to Lessor within ten (10) days of recording said amendment. Lessee will execute and record any other documents reasonably requested by Lessor to perfect Lessor’s Security Interest. It is further agreed that Lessor may exercise all of the rights of a secured party under Louisiana law (including particularly under the Louisiana Uniform Commercial Code-Secured Transactions contained in R.S. 10:9-101 et seq.) with respect to Lessor’s Security Interest.
- (c) Lessee further represents and warrants that at the time of execution of this amendment to the Lease that there are no prior or superior liens or security interests and that, at the time, the UCC financing statement for Lessor’s Security Interest is filed in the UCC records of any parish, there will be no prior or superior liens or security interests to Lessor’s Security Interest, including such liens or security interests arising from, or relating to, Lessee’s activities under this Lease and/or

Lessee’s acquisition of this Lease, except for the mortgage, lien and security interest in favor of _____ . Should Lessor determine that this representation and warranty is not true and correct, or if Lessee fails to timely make any and all payments due to Lessor under this Lease, then Lessor may exercise any and all rights under this Lease and/or under Louisiana law to seek recovery of all sums due, plus legal interest, from the date(s) due until paid, and all costs and its reasonable attorney fees, and/or to file suit to have the Lease dissolved and/or terminated in accordance with the Louisiana Mineral Code, and to recover all costs and its reasonable attorney fees related thereto.

e) DOCKET REVIEW REPORT
June 10, 2020
(Resolution No(s). 20-06-005 thru 20-06-012)

The Board heard the report from Emile Fontenot on Wednesday, June 10, 2020, relative to the following:

- Category A: State Agency Leases
There were no items for this category
- Category B: State Lease Transfers
Docket Item Nos. 1 through 8
- Category C: Department of Wildlife & Fisheries State Agency Lease
There were no items for this category
- Category D: Advertised Proposals
There were no items for this category

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

- Category B: State Lease Transfers
Approve Docket Item Nos. 1 through 8
(Resolution Nos. 20-06-005 through 20-06-012)

VII. EXECUTIVE SESSION

The Chairman stated that the next order of business was discussions in Executive Session to consider matters before the Board which were confidential in nature.

At 9:50 a.m. Ms. Michaud-Dugas left the meeting and was no longer a part of the established quorum.

Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board Members went into Executive Session at 9:50 a.m.

Upon motion of Mr. Watkins, seconded by Ms. Michaud-Dugas, the Board reconvened in open session at 10:06 a.m. for consideration of the following matters discussed in Executive Session:

- a. A discussion regarding the matter entitled: LLOX, LLC, et al. v. State of Louisiana, et al., Docket No. 787-453, 24th Judicial District Court, Jefferson Parish

Upon motion of Mr. Arnold, seconded by Mr. White, the Board granted authority to the Attorney General's office to reject the counter offer of the Meyers family and respond with a counter-counter offer as per the terms discussed in Executive Session. No comments were made by the public.
(Resolution No. 20-06-013)

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

VIII. AWARDING OF LEASES

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

Upon motion by Mr. White, seconded by Mr. Harris, the Board unanimously voted to accept Staff's recommendation to accept all bids received and awarded leases on the following bids:

	Tract 45337	
	(Entire: 4 acres)	
Bidder	:	Zachry Exploration, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$804.00
Annual Rental	:	\$402.00
Royalties	:	21% on oil and gas
	:	21% on other minerals
Additional Consideration	:	None

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

This concluded the awarding of the leases.

IX. NEW BUSINESS

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

No new business was presented.

X. ANNOUNCEMENTS

Mr. Manuel stated that the one (1) lease awarded totaled \$804.00 for the June 10, 2020 Lease Sale bringing the fiscal year total to \$2,623,808.35.

XI. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Mr. Arnold, seconded by Mr. White, the meeting was adjourned at 10:17 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board