

MINUTES

STATE MINERAL AND ENERGY BOARD

SPECIAL BOARD MEETING (via Zoom)

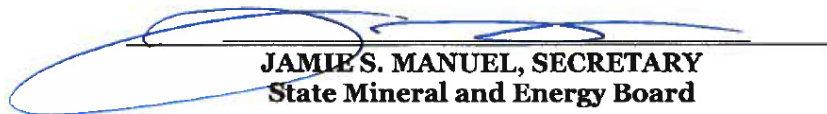
APRIL 29, 2020



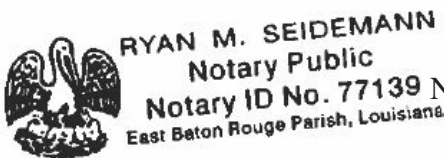
State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF MINERAL RESOURCES


**CERTIFICATION OF INABILITY TO MEET IN PERSON DUE TO
COVID-19 PUBLIC HEALTH EMERGENCY
FOR STATE MINERAL AND ENERGY BOARD**

In accordance with Executive Proclamations JBE 2020-30 and 2020-33, issued by Governor John Bel Edwards on March 16, 2020 and March 22, 2020, respectively (and as amended and extended by JBE 2020-41), this notice shall serve as a certification of the Louisiana State Mineral and Energy Board ("Board") inability to otherwise operate in accordance with the Louisiana Open Meetings Law as a result of the COVID-19 public health emergency. Pursuant to Section 4 of 30-JBE-2020, the Board will provide for attendance and quorum at its essential government meeting on April 29, 2020, via video conference. In addition, under Section 2 of 33-JBE-2020, Governor Edwards ordered all public gatherings of ten (10) or more people to be suspended or postponed. The Board is composed of ten (10) members, not including the necessary staff to run regular meetings. It is essential for the Board to continue to operate because it must administer the state's proprietary interest in minerals by granting leases on state owned lands, has full supervision of all mineral leases granted by the state, and has general authority to take any action for the protection of the interests of the state under Louisiana Revised Statute 30:121 et seq. This is especially true as Board action may be necessary for the continued operation of certain aspects of the energy industry, which has been recognized as essential by the Governor in Section 3 of Proclamation No. 33-JBE-2020 and by the U.S. Department of Homeland Security, see <https://www.cisa.gov/identifying-critical-infrastructure-during-covid-19>. Considering the foregoing, and in accordance with Proclamation Numbers JBE 2020-30 and JBE 2020-33(as amended and extended by JBE 2020-41), the Board's meeting on Wednesday, April 29, 2020, at 10:00 a.m. will be held via video conference and in a manner that allows for observation and input by members of the public, as set forth in the Notice posted on April 22, 2020.


JAMIE S. MANUEL, SECRETARY
State Mineral and Energy Board

SWORN TO AND SUBSCRIBED BEFORE ME, the undersigned Notary Public, in Baton Rouge, Louisiana this 20th day of April 2020




Ryan M. Seidemmann
NOTARY PUBLIC, STATE OF LOUISIANA
Notary Public No. 77139
My Commission Expires at Death



State of Louisiana

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF MINERAL RESOURCES
STATE MINERAL AND ENERGY BOARD

SPECIAL MEETING
April 29, 2020

A Special Meeting of the State Mineral and Energy Board was held on **Wednesday, April 29, 2020**, beginning at 10:05 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.
Darryl D. Smith

The following members of the Board were recorded as absent:

Kyle "Chip" Kline, Jr.

Mr. Manuel announced 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. DISCUSSION

A discussion for the purpose of, among other things, implementing a process to address and grant relief to our lessees for lease maintenance issues caused by the Covid-19 virus and the historically low prices

- a. A discussion and presentation of a proposed Resolution on Moratorium on Enforcement
- b. A discussion and presentation of a proposed Resolution on Covid19 Penalty Waiver

After discussion of same and presentation of the proposed language of the resolutions brought before the Board, a request for public comment was made and the State Mineral and Energy Board heard from the following members of the public:

Richard Kimberlin-Land Manager-TPIC
David Seay-Land Manager-LLOX, L.L.C.
Gifford Briggs-President-LOGA
Tommy Smart-Onebane Law Firm

Upon motion of Mr. Arnold, seconded by Mr. Harris, and a roll call vote of the Board, a resolution regarding a Moratorium on Enforcement was adopted by the Board. **(Resolution No. 20-04-001)**

Upon motion of Mr. Arnold, seconded by Ms. Michaud-Dugas, and a roll call vote of the Board, a resolution regarding Covid19 Penalty Waiver was adopted by the Board. **(Resolution No. 20-04-002)**

XI. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Ms. Michaud-Dugas, seconded by Mr. Smith, and a roll call vote of Board, the meeting was adjourned at 10:36 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION # 20-04-001

On motion of Mr. Arnold, seconded by Mr. Harris, the following resolution was offered and adopted:

WHEREAS, the novel Coronavirus Disease 2019 (COVID-19) is a serious respiratory illness that can be spread among humans through respiratory transmission and is an immediate danger to public health, safety, and welfare of the citizens of the State of Louisiana;

WHEREAS, Governor Edwards proclaimed a Public Health Emergency on March 11, 2020 (25 JBE 2020), for the state of Louisiana as a result of the outbreak of COVID-19 and such proclamation has been supplemented on March 13, 2020 (27 JBE 2020), March 14, 2020 (29 JBE 2020), March 16, 2020 (30 JBE 2020), March 19, 2020 (32 JBE 2020), March 22, 2020 (33 JBE 2020 and 34 JBE 2020), March 26, 2020 (37 JBE 2020), March 31, 2020 (38 JBE 2020), April 2, 2020 (41 JBE 2020), and April 7, 2020 (43 JBE 2020);

WHEREAS, Governor Edwards issued a “stay-at-home” order (33 JBE 2020) closing all state office buildings to the public, requiring the cancellation of all meetings of 10 people or more, and directing all members of the public to remain home unless performing an essential activity; and as of April 7, 2020, forty-two (42) other state governors have issued similar orders with an additional three (3) governors issuing “partial lock-down” orders;

WHEREAS, a significant outbreak of COVID-19 has been detected across the entire United States and its territories and State Lessees and the many various Petroleum Industry service companies necessary to support continued and safe operations, in all probability reside in states or territories affected by COVID-19, are under “stay-at-home” orders, and are confronting staffing issues due to social distancing;

WHEREAS, COVID-19 may cause disruption in the supply chains and the labor force, thereby impacting the ability of many of the State Lessees to make lease hold payments, conduct lease maintenance operations, maintain production in paying quantities, comply with their obligation to reasonably develop the entire lease premises for minerals, and/or respond to demands made by the Board to timely develop and maintain their state leases;

WHEREAS, due to a combination of substantially increased oil production in Saudi Arabia and Russia and a substantial decrease in demand for oil throughout the world due to the ongoing COVID-19 pandemic, oil prices in Louisiana, the United States, and the world, generally, have fallen to historically low prices and there is a danger of insufficient storage capacity for oil in the near future;

WHEREAS, due to the historically low prices and lack of excess storage capacity, as well as a drop-in demand for oil as a result of COVID-19, operators and lessees may find it difficult to economically produce minerals from state leases and/or to market their oil, forcing them to either decrease production substantially or to shut-in otherwise productive wells;

WHEREAS, the Board recognizes that the oil and natural gas industries are important industries in Louisiana that employ many citizens of this state and that these industries need to remain strong in order to help continue to drive the state's economy;

WHEREAS, COVID-19 and the historically low prices are causing and are expected to cause serious negative impacts on the oil and gas industries, to the state and local economies, and are causing financial hardships to the citizens of Louisiana in the substantial loss of income due to the loss of compensable work hours, wages, layoffs, and business closures;

WHEREAS, the Board recognizes that the challenges to lease maintenance caused by COVID-19, related governmental directives, the historically low oil prices, and the limitations on oil storage capacity were unforeseeable and not susceptible to mitigation by most State Lessees;

WHEREAS, requiring separate requests by State Lessees and resolving such requests as to each State lease, operating agreement or voluntary unit agreement (referred to collectively in this Resolution as a "State Lease"), or requiring formal amendments to each State Lease, would be a substantial drain on time and resources for both industry and the State, especially now when workforce is limited by COVID-19;

WHEREAS, the Board recognizes that some State Lessees are still producing and continuing lease operations and are making royalty payments on the production that they obtain from State Leases. As the State is in need of this revenue, the Board encourages those State Lessees to continue producing and paying royalties, exploring for production on these leases in addition to making lease maintenance payments where possible, and

WHEREAS, the Board has determined that it is in the State's interest to take additional measures to promote stability and security in the oil and natural gas industries during this public health emergency.

NOW, THEREFORE, BE IT RESOLVED that due to the unprecedented effects of COVID-19, historically low oil prices, the unavailability of storage and the other findings herein, the Board hereby enacts a temporary moratorium on the enforcement of any and all lease maintenance obligations and conditions for all State Leases for the period beginning on March 11, 2020, and ending July 13, 2020 ("Temporary Moratorium"). At the conclusion of this period the Board will allow for another 30 days ("Resumption Period") for Lessees to resume or begin operations, production or lease maintenance payments sufficient to maintain the State Leases in effect. If any lease maintenance obligation comes due during the Temporary Moratorium or the Resumption Period and is not met by the end of the Resumption Period, the Board shall at that time have the right


to enforce such obligation. Any and all lease maintenance obligations that are complied with prior to or during the Resumption Period will be deemed to have occurred retroactively prior to the actual due date required by the terms of the State Lease. Similarly, if any State Lease would expire in whole or in part during the Temporary Moratorium or Resumption Period but for a rental, shut-in or other payment to the State, the performance of certain operations and/or the commencement or resumption of production and such payment is made, such operations are commenced and/or such production is commenced or resumed before the end of the Resumption Period, then for purposes of lease maintenance such payment shall be deemed to have been made, such operations shall be deemed to have commenced and such production shall be deemed to have commenced or resumed immediately before the time such State Lease would have otherwise expired without such payment, production or operations. All State Leases are hereby amended, without further action, to include the terms and provisions of this Resolution.

BE IT FURTHER RESOLVED that the Board wishes to emphasize that the Temporary Moratorium and Resumption Period enacted by this Resolution do not allow an operator or lessee to fail to pay royalties if they continue to obtain production during these times. If an operator or lessee continues to obtain production from State Leases, royalties and state production interests must be timely paid in accordance with the terms of the State Lease and applicable laws.

BE IT FURTHER RESOLVED that the Board, based on the findings stated above, finds it appropriate and does hereby postpone, delay, and suspend the specified deadlines established by the Board or OMR for State Lessees to respond to requests for reasonable development that were required to be submitted to OMR from March 11, 2020, through August 13, 2020, unless extended by future Board resolution, and the Board authorizes OMR to reschedule these deadlines to respond to reasonable development demands in a manner that allows for the orderly management of lease reviews and grants State Lessees sufficient time to perform their other obligations timely.

CERTIFICATE

I hereby certify that the above is true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on April 29, 2020, 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.


JAMIE S. MANUEL, SECRETARY
State Mineral and Energy Board

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

RESOLUTION # 20-04-002

On motion of Mr. Arnold, seconded by Ms. Michaud-Dugas, the following resolution was offered and adopted:

WHEREAS, the novel Coronavirus Disease 2019 (COVID-19) is a serious respiratory illness that can be spread among humans through respiratory transmission and is an immediate danger to public health, safety, and welfare of the citizens of the State of Louisiana;

WHEREAS, Governor Edwards proclaimed a Public Health Emergency on March 11, 2020 (25 JBE 2020) for the state of Louisiana as a result of the outbreak of COVID-19 and such proclamation has been supplemented on March 13, 2020 (27 JBE 2020), March 14, 2020 (29 JBE 2020), March 16, 2020 (30 JBE 2020), March 19, 2020 (32 JBE 2020), March 22, 2020 (33 JBE 2020 and 34 JBE 2020), March 26, 2020 (37 JBE 2020), March 31, 2020 (38 JBE 2020), April 2, 2020 (41 JBE 2020), and April 7, 2020 (43 JBE 2020);

WHEREAS, Governor Edwards issued a “stay-at-home” order (33 JBE 2020) closing all state office buildings to the public, requiring the cancellation of all meetings of 10 people or more, and directing all members of the public to remain home unless performing an essential activity; and as of April 7, 2020, forty-two (42) other state governors have issued similar orders with an additional three (3) governors issuing “partial lock-down” orders;

WHEREAS, a significant outbreak of COVID-19 has been detected across the entire United States and its territories;

WHEREAS, State Lessees and the many and various Petroleum Industry service companies necessary to support continued and safe operations, in all probability, reside in states affected by COVID-19, are under “stay-at-home” orders, and are confronting staffing issues due to social distancing;

WHEREAS, although oil field and refinery workers are classified as essential to maintain the energy infrastructure, they are not immune to the disease or the potential to contract COVID-19;

WHEREAS, COVID-19 may cause disruption in the supply chains and the labor force, thereby impacting the ability of many of the State Lessees to make lease hold payments, to conduct lease maintenance operations, to comply with their obligation to reasonably develop the entire lease premise for minerals and/or to respond to demands made by Board to timely develop and maintain their State Leases;

WHEREAS, for the same reasons stated herein, State Lessees may have difficulties in resolving disputes over underpayments of royalties or requesting waivers of penalties for such underpayments or other alleged violations of lease and statutory obligations;

WHEREAS, certain penalties are to be assessed against State Lessees for lease and statutory obligations, in accordance with the following non-exclusive list of statutory provisions: La. R.S. 30:123.1(C), 128(B), 136(A)(1)(b), 136(B)(1)-(3), 144(A)(8), 213(B), and 217(B)(5);

WHEREAS, the State Mineral & Energy Board (“Board”) is authorized to waive such penalties; and

WHEREAS, the Board finds that in-person public meetings and hearings pose a potential risk to the public and in order to comply with the “stay-at-home” orders and limitations placed on large gatherings for the prevention and/or reduction of the spread of COVID-19, an obstacle to the Board’s regular scheduled monthly meetings may arise which will prevent, hinder, or delay necessary Board consideration and action regarding requests associated with penalty waivers, the settlements of royalty payments, and other lease or statutory obligation disputes.

NOW, THEREFORE, BE IT RESOLVED that the Louisiana State Mineral and Energy Board, based on the findings stated above, finds it appropriate and does hereby postpone, delay, suspend and waive the penalties mentioned above and accruing from March 11, 2020, through August 12, 2020 (unless extended by Board resolution), for alleged breaches of lease or statutory obligations that occurred prior to March 11, 2020, and for those alleged breaches that occur after March 11, 2020, and appear to be caused by either: 1) a good-faith error or disagreement over lease obligations; or, 2) are directly caused by the COVID-19 pandemic, are hereby postponed, delayed, suspended and waived in full.

CERTIFICATE

I hereby certify that the above is true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board in the City of Baton Rouge, Louisiana, on April 29, 2020, 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.


JAMIE S. MANUEL, SECRETARY
State Mineral and Energy Board

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