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MINERAL RESOURCES

STEVEN M. GIAMBRONE
INTERIM DIRECTOR
CONSERVATION

DEPARTMENT OF ENERGY AND NATURAL RESOURCES

REGULAR MEETING JANUARY 8, 2025

The Regular Meeting of the State Mineral and Energy Board was held on Wednesday, January 8, 2025, beginning at 9:42 a.m. in the LaBelle Room of the LaSalle Building, 617 N. 3rd Street, First Floor, Baton Rouge, Louisiana.

I. Call to Order

Mr. Sidney W. Degan III, Chairman of the State Mineral and Energy Board, called the meeting to order.

II. Roll Call

The Chairman then requested a roll call for the purpose of establishing a quorum.

Sidney W. Degan III, Chairman
J. Todd Hollenshead, Vice-Chairman
Andrew Young, Secretary Gray's Designee
Robert D. Watkins
Matthew G. Moncla
Charles W. "Wes" Shepherd Sr.
Benjamin C. Bienvenu
Billy A. Busbice, Jr.
Richard A. Nelson, Governor Landry's Designee (left at 11:36 a.m. before Executive Session)

The following members were recorded as absent:

Magnus J. "Jake" Arceneaux IV
Clifton Dale Sittig

The Chairman 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. Approval of the December 11, 2024 Minutes

The Chairman stated that the next order of business was the approval of the December 11, 2024 Minutes.

A motion was made by Mr. Busbice to adopt the December 11, 2024 Minutes as submitted, and to waive reading said minutes in entirety. His motion was seconded by Mr. Watkins and unanimously adopted by the Board. No public comments were made at this time.

V. Update on reorganization of the Department of Energy and Natural Resources and governance of the Natural Resources Trust Authority

This matter was informational only, and no Board action was taken.

VI. Staff Reports

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

- a) Lease Review Report – Presented by Jason Talbot, Petroleum Scientist Manager, Geology and Engineering Division
- b) Nomination and Tract Report – Presented by Greg Roberts, Energy Lands Director, Energy Lands Division
- c) Audit Report – Presented by Taletha Shorter, Audit Director, Mineral Income Division
- d) Legal and Title Controversy Report – Presented by Greg Roberts, Energy Lands Director, Energy Lands Division
- e) Docket Review Report – Presented by Greg Roberts, Energy Lands Director, Energy Lands Division

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

A) Lease Review Report
January 8, 2025

I. GEOLOGICAL AND ENGINEERING STAFF REVIEW

According to the SONRIS database, there are 963 active State Leases containing approximately 419,015 acres. Since the last Lease Review Report, the Geological and Engineering Division reviewed 97 leases covering approximately 26,154 acres for lease maintenance and development.

II. BOARD REVIEW

There were no State Lease items brought before the Board for discussion or action.

III. FORCE MAJEURE

There were no Force Majeure items brought before the Board for discussion or action.

IV. STAFF PRESENTATION

A presentation was held regarding the management of State Leases Absent a “Pugh” Clause.

This matter was a presentation only, and no Board action was required.

b) NOMINATION AND TRACT REPORT

January 8, 2025
(Resolution No. 25-01-001)

The Board heard the report of Mr. Greg Roberts on Wednesday, January 8, 2025, relative to nominations received in the Office of Mineral Resources for the March 12, 2025 Mineral Lease Sale and other matters as follows:

I. PRESENT LEASE SALE

- A. Approval by the State Mineral and Energy Board (Board) was previously granted to the Staff of the Office of Mineral Resources (OMR) to process and advertise the thirty-four (34) tracts that were nominated for the January 2025 Mineral Lease Sale.

By comparison, OMR received twenty-nine (29) nominations for advertisement concerning the January 2024 Mineral Lease Sale.

II. FUTURE LEASE SALE

- A. Three (3) nominations for advertisement were received by OMR for the March 12, 2025 Mineral Lease Sale.

Staff recommended that the Board grant authority to advertise the three (3) nominations received by OMR for the March 12, 2025 lease sale.

Based upon Staff's recommendation, and on motion of Mr. Hollenshead, seconded by Mr. Shepherd and by unanimous vote of the Board, 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. 25-01-001)**

c) AUDIT REPORT
January 8, 2025
(Resolution No. 25-01-002)

The Board heard the report of Ms. Taletha Shorter, Audit Director, on Wednesday, January 8, 2025, relative to the following:

As of December 31, 2024, field audit collections totaled \$88,349.42 in penalties. The current number of open royalty audits is 35.

Royalties collected in December 2024 totaled \$9,831,462.81 and Fiscal Year to Date \$65,836,991.37, as compared to last year's Fiscal Year to Date Royalties of \$79,723,913.70 as of December 31, 2023.

Monthly state royalty reports submitted in December totaled 194 which include 78 SR1s for oil, 97 SR2s for gas and 19 SR5s for plant products.

Items on the report are as follows:

1. Staff report to the Board that the election for January 2025 gas royalty is 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.

Upon motion of Mr. Shepherd, seconded by Assistant Secretary Young, the Board voted unanimously to acknowledge and approve the election of the January 2025 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. **(Resolution No. 25-01-002)**

d) Legal & Title Controversy Report

January 8, 2025
(Resolution No. 25-01-003)

1. SMTP Energy, LLC (SMTP) has requested an extension for the commencement of operations outlined in Additional Consideration within their bid form to acquire State Lease No. 22175 (SL 22175).

On December 13, 2024, SMTP was awarded SL 22175, which encompasses nominated tract number 45697. As a part of its bid, SMTP committed to paying liquidated damages to the State if it failed to perform specific operations within designated timeframes. However, SMTP has informed Staff that it will not meet these timeframes and is requesting a one-year extension to initiate the specified operations.

The request seeks a 12-month extension to commence operations, including a workover of SL 20482 Well No. 1 and the drilling of a new well to a total vertical depth of approximately 10,500 feet. If granted, this extension would allow SMTP until December 13, 2025, to begin these operations without incurring the liquidated damages outlined in the bid form.

Staff recommended that the Board grant a 12-month extension to commence operations, including a workover of SL 20482 Well No. 1 and the drilling of a new well to a total vertical depth of approximately 10,500 feet. If granted, this extension would allow SMTP until December 13, 2025, to begin these operations without incurring the liquidated damages outlined in the bid form.

After lengthy discussion, and upon motion of Mr. Watkins, seconded by Mr. Bienvenu, the Board voted unanimously to grant SMTP Energy, LLC a 12-month extension to commence operations, including a workover of SL 20482 Well No. 1 and the drilling of a new well to a total vertical depth of approximately 10,500 feet. This extension allows SMTP until December 13, 2025, to begin these operations without incurring the liquidated damages outlined in the bid form. Upon request for comments from the public, Rob Schroeder addressed the Board with his comments on this matter. **(Resolution No. 25-01-003)**

2. An update on the process to acquire operating agreements for carbon sequestration and wind energy developments.

This matter was informational only, and no Board action was taken.

e) DOCKET REVIEW REPORT
January 8, 2025
(Resolution No(s). 25-01-004 through 25-01-007)

The Board heard the report from Greg Roberts on Wednesday, January 8, 2025, relative to the following:

- Category A: State Agency Lease
There were no items in this category
- Category B: State Lease Transfers
Docket Item Nos. 1 through 4
- 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 Mr. Shepherd, duly seconded by Mr. Young, the Board voted to accept the following recommendations:

- Category B: State Lease Transfers
Docket Item Nos. 1 through 4
(Resolution No. 25-01-004 through No. 25-01-007)

VII. Executive Session

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

Upon motion of Mr. Shepherd, seconded by Mr. Hollenshead, and a roll call of the Board Members, the Board went into Executive Session at 11:36 a.m.

Upon motion of Mr. Watkins, seconded by Mr. Busbice, and a roll call of the Board Members, the Board reconvened in open session at 12:12 p.m. for consideration of the following matters discussed in Executive Session:

- a. Technical Briefing on the Bids

VIII. Awarding of Leases

Mr. Jason Talbot presented the Staff's recommendations to the Board:

Mr. Talbot reported that thirty-four (34) tracts were up for bid at today's lease sale with a total of ten (10) bids received.

The following was Staff's recommendation on the one (1) tract Mr. Talbot discussed in detail:

Upon review of the single bid received on Tract No. 45896, Staff recommended rejecting the bid of Border Exploration, LLC for insufficient consideration.

All other bids received on the remaining tracts were also recommended for approval at today's lease sale.

Upon motion of Mr. Busbice, and seconded by Mr. Shepherd, the Board voted to accept Staff's recommendations regarding the following bids and award leases on the following tracts:

Tract 45892
(Entire: 16.220 acres)

<u>Bidder:</u>	Cypress Energy Partners, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$2,433.00
<u>Annual Rental:</u>	\$1,216.50
<u>Royalties:</u>	25% on oil and gas 25% on other minerals

Additional Consideration: This lease covers and affects those depths from the surface of the ground to 100 feet below the stratigraphic equivalent of the base of the Wilcox

formation, defined as correlative to the depth of 9,500 feet on the electric log of the Trail Mountain, Inc. – Black Stone D-1 Well (API No. 17-009-2055600; Well Serial No. 221132), located in the Northwest Quarter of Section 13, Township 2 North, Range 6 East, Avoyelles Parish, Louisiana. Lessor reserves all depths below 100 feet of the base of the Wilcox formation.

Tract 45894

(Entire: 115.000 acres)

<u>Bidder:</u>	Border Exploration, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$18,745.00
<u>Annual Rental:</u>	\$9,372.50
<u>Royalties:</u>	20% on oil and gas 20% on other minerals
<u>Additional Consideration:</u>	None

Tract 45895

(Entire: 45.000 acres)

<u>Bidder:</u>	Border Exploration, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$7,740.00
<u>Annual Rental:</u>	\$3,870.00
<u>Royalties:</u>	20% on oil and gas 20% on other minerals
<u>Additional Consideration:</u>	None

Tract 45903

(Entire: 1.852 acres)

<u>Bidder:</u>	Cypress Energy Partners, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$6,482.00
<u>Annual Rental:</u>	\$3,241.00
<u>Royalties:</u>	25.2% on oil and gas 25.2% on other minerals
<u>Additional Consideration:</u>	None

Tract 45905

(Entire: 1.528 gross/0.764 net acres)

<u>Bidder:</u>	Cypress Energy Partners, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$2,674.00
<u>Annual Rental:</u>	\$1,337.00
<u>Royalties:</u>	25.2% on oil and gas 25.2% on other minerals
<u>Additional Consideration:</u>	None

Tract 45906

(Entire: 20.000 acres)

<u>Bidder:</u>	Border Exploration, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$3,440.00
<u>Annual Rental:</u>	\$1,720.00
<u>Royalties:</u>	20% on oil and gas 20% on other minerals
<u>Additional Consideration:</u>	None

Tract 45910

(Entire: 40.000 acres)

<u>Bidder:</u>	Border Exploration, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$6,520.00
<u>Annual Rental:</u>	\$3,260.00
<u>Royalties:</u>	20% on oil and gas 20% on other minerals
<u>Additional Consideration:</u>	None

Tract 45912

(Entire: 40.000 acres)

<u>Bidder:</u>	Border Exploration, LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$6,880.00
<u>Annual Rental:</u>	\$3,440.00
<u>Royalties:</u>	20% on oil and gas 20% on other minerals
<u>Additional Consideration:</u>	None

Tract 45913
(Entire: 1.000 acres)

<u>Bidder:</u>	SandPoint Energy Partners LLC
<u>Primary Term:</u>	Three (3) years
<u>Cash Payment:</u>	\$68.75
<u>Annual Rental:</u>	\$34.50
<u>Royalties:</u>	23% on oil and gas 23% on other minerals
<u>Additional Consideration:</u>	None

Lease(s) awarded were conditioned on the tract description(s) being accurate, overlapped prior leases being subtracted from acreage bid on, acreage amount(s) being verified and agreed between bidder and state and portion bids verified as being located within advertised boundary of tract.

This concluded the awarding of the leases.

IX. Presentation by Harry Crawford, III of Diligence Offshore Services

This matter was a presentation only, and no Board action was required.

X. New Business

There was no new business discussed.

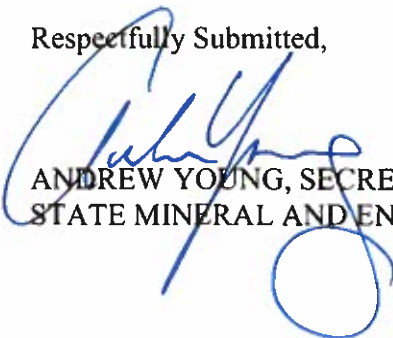
XI. Announcements

Mr. Young stated that the total cash payments received for the January 8, 2025 Lease Sale totaled \$54,982.75 bringing the fiscal year-to-date total to \$5,190,633.29.

XII. Adjournment

The Chairman then stated that there being no further business to come before the Board, upon motion of Mr. Busbice, seconded by Mr. Watkins, the meeting was adjourned at 12:34 p.m.

Respectfully Submitted,


ANDREW YOUNG, SECRETARY
STATE MINERAL AND ENERGY BOARD