

MINUTES

STATE MINERAL AND ENERGY BOARD

BOARD MEETING

December 13, 2017



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

Opening of Bids

December 13, 2017

A public meeting for the purpose of opening sealed bids was held on Wednesday, December 13, 2017, beginning at 8:30 a.m. in the LaBelle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana.

Recorded as present were:

- Jamie Manuel** – Assistant Secretary of the Office of Mineral Resources
- Stacey Talley** - Business Analytics Specialist of the Office of Mineral Resources
- Rachel Newman** – Director, Mineral Income Division
- Boyd Handley** – Administrator, Geology, Engineering & Lands Division
- Emile Fontenot** – Director, Petroleum Lands

Mr. Manuel presided over the meeting. He then read the letter of notification certifying the legal sufficiency of the advertisement of Tract Nos. 44802 through 44808 which were published for lease by the Board at today's sale.

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

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 Manuel stated that there were no tracts to be withdrawn from today's Lease Sale.

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

INLAND TRACTS

Tract 44802
(Portion Bid: 216.826 acres)

Bidder	:	MARQUIS RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$59,843.98
Annual Rental	:	\$29,921.99
Royalties	:	23.00000% on oil and gas
	:	23.00000% on other minerals

Additional Consideration:

The waterbottoms covered by this bid are all of the State-owned waterbottoms within the EE-PCC2 RA SUA Unit, Leeville Field. The bidder is the operator of the unit well, the EE-PCC2 RA SUA; SL 20783 No. 2, which ceased production on November 6, 2015 due to collapsed tubing and which, despite several attempts, the bidder has been unable to get back on production. The bidder has elected to submit this nomination and bid in lieu of requesting an Operating Agreement, which was discussed with OMR Staff at a meeting on August 23, 2017.

Tract 44804
(Portion Bid: 98.3 acres)
(Discrepancy Noted: Bid form indicated that the bid was for the entire tract)

Bidder	:	Hilcorp Energy I, L.P.
Primary Term	:	Three (3) years
Cash Payment	:	\$22,117.50
Annual Rental	:	\$11,058.75
Royalties	:	21.00000% on oil and gas
	:	21.00000% on other minerals
Additional Consideration	:	None

STATE AGENCY TRACTS

Tract 44806

Bidder	:	ORBIT ENERGY, INC.
Primary Term	:	Three (3) years
Cash Payment	:	\$150.00
Annual Rental	:	\$150.00
Royalties	:	20.00000% on oil and gas
	:	20.00000% on other minerals
Additional Consideration	:	None

Tract 44807

Bidder	:	ROVIG MINERALS, INC.
Primary Term	:	Three (3) years
Cash Payment	:	\$184.80
Annual Rental	:	\$92.40
Royalties	:	20.00000% on oil and gas
	:	20.00000% on other minerals
Additional Consideration	:	None

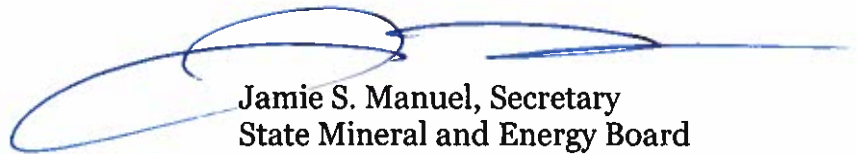
Tract 44808

Bidder	:	LLOLA, L.L.C.
Primary Term	:	Three (3) years
Cash Payment	:	\$3,080.00
Annual Rental	:	\$1,540.00
Royalties	:	21.00000% on oil and gas
	:	21.00000% on other minerals
Additional Consideration	:	None

This concluded the reading of the bids.

There being no further business, the meeting was concluded at 8:41 a.m.

Respectfully Submitted,



Jamie S. Manuel, Secretary
State Mineral and Energy Board



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

REGULAR MEETING
December 13, 2017

The Regular Meeting of the State Mineral and Energy Board was held on **Wednesday, December 13, 2017**, beginning at 9:38 a.m. in the LaBelle Room, First Floor, LaSalle Office Building, Baton Rouge, Louisiana, subject to the call of the Governor and Ex-Officio Chairman.

I. CALL TO ORDER

Mr. Paul Segura, 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
Thomas L. Arnold, Jr.
Emile B. Cordaro
Theodore M. "Ted" Haik, Jr.
Robert D. Watkins
J. Todd Hollenshead
Rochelle A. Michaud-Dugas

The following members of the Board were recorded as absent:

Johnny B. Bradberry
Gregory C. Carter

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

Also recorded as present were:

Stacey Talley – Business Analytics Specialist of the Office of Mineral Resources
Ryan Seidemann - Assistant Attorney General
Christopher Lento - Assistant Attorney General
Rachel Newman - Director, Mineral Income Division
Boyd Handley – Administrator, Geology, Engineering & Land Division
Emile Fontenot - Director, Petroleum Lands
Byron Miller –Supervisor, Geology
Jason Talbot – Supervisor, Geology
Charles Bradbury – Supervisor, Engineering
Blake Canfield – Executive Counsel, Department of Natural Resources
James Devitt - Deputy General Counsel, Department of Natural Resources

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 November 8, 2017 MINUTES

The Chairman stated that the first order of business was the approval of the November 8, 2017 Minutes. A motion was made by Ms. Michaud-Dugas to adopt the Minutes as submitted and to waive reading of same. His motion was seconded by Mr. Watkins 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*

V. STAFF REPORTS

- a) Lease Review Report
(Resolution #17-12-001 thru 17-12-002)
- b) Nomination and Tract Report
(Resolution Nos. 17-12-003)
- c) Audit Report
- d) Legal and Title Controversy Report
(Resolution Nos. 17-12-004 thru 17-12-007)
- e) Docket Review Report
(Resolution Nos. 17-12-008 thru 17-12-017)

a) LEASE REVIEW REPORT
December 13, 2017

I. Geological and Engineering Staff Review

According to the SONRIS database, there were 1,229 active State Leases containing approximately 540,000 acres. Since the last Lease Review Board meeting, the Geological and Engineering Division reviewed 122 leases covering approximately 75,000 acres for lease maintenance and development issues.

II. Board Review

1.) A staff report on State Lease 195-C, Quarantine Bay Field, Plaquemines and St. Bernard Parishes. Cox Operating L.L.C. is a lessee and the field operator. Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board requested that Cox schedule a meeting with staff by March 14, 2018 to discuss the specifics of their seismic anomaly over the southwestern portion of this lease as well as their negotiations with another party on prospects that may affect the north and west portion of this lease.

2.) A staff report on State Lease Nos. 2220, 2221, 4039 and 4147, Eloi Bay and or Half Moon Lake Fields, Plaquemines and St. Bernard Parishes. Cox Operating L.L.C. is the operator. Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board requested that Cox schedule a meeting with the staff by March 14, 2018 to discuss their future activities and plans over these leases.

b) NOMINATION AND TRACT REPORT
December 13, 2017

The Board heard the report of Mr. Emile Fontenot on Wednesday December 13, 2017 relative to nominations received in the Office of Mineral Resources for the February 14, 2018 Mineral Lease Sale and other matters. Based upon the staff's recommendation, on motion of Mr. Arnold, duly seconded by Ms. LeBlanc, the Board granted authority to the staff to advertise all such tracts as have been reviewed 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 presented by Mr. Fontenot. (Resolution 17-12-003)

c) AUDIT REPORT
December 13, 2017

The first matter on the audit report was the election of the December 2017 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 AND TITLE CONTROVERSY REPORT
December 13, 2017

The first matter considered by the State Mineral and Energy Board (Board) was a request from Texas Petroleum Investment Company (TPIC) for a full waiver of liquidated damages in the amount of \$21,300.00 for the late release of State Lease No. 17174, in West Lake DeCade Field, Terrebonne Parish, Louisiana.

Kris Korte, Landman, and Kevin Kimberlin, Landman, representing TPIC, addressed the Board to provide information and answer the Board's questions regarding TPIC's request for a full waiver of liquidated damages.

Mr. Ted Haik asked the TPIC representatives if there was a reason for this oversight. Mr. Korte responded that there was a miscommunication between the land department and the geology department whether to develop it, or release it and it just slipped through the cracks.

Mr. Emile Cordaro asked Mr. Korte if he stated that TPIC did not receive a notice. Mr. Korte responded that they did not receive a notice that the lease had expired until August 2017, which was seven or eight months after it stopped producing for greater than ninety (90) days.

Mr. Haik asked staff to comment on Mr. Korte's statement as to if a notice was sent. Mr. Boyd Handley answered that OMR is not required, under the lease agreement, to send notices to the lessees.

Mr. Haik asked Mr. Korte if there was production during the 213 days. Mr. Korte responded that there was not.

Mr. Haik asked Mr. Korte if he was familiar with the previous waiving of approximately \$80,000.00. Mr. Korte answered that he was not aware; he stated that he came right after the 2014 failure to release.

Mr. Haik asked if Mr. Korte could address the waiver on the previous two instances. Mr. Korte answered that he could not.

Mr. Haik asked Mr. Korte if he could address whether the \$24,600.00 paid in April 2014, was a reduced penalty or not. Mr. Korte responded that he did not think it was a reduced amount and he did not think that TPIC had a hearing about it – TPIC decided to just pay it.

Mr. Emile Fontenot added that the \$24,600.00 paid by TPIC was a full payment with no reduction.

Mr. Haik asked Mr. Fontenot if he could state that the staff's recommendation was based upon the May 13, 2009 Board protocol. Mr. Fontenot stated that the May 2009 Resolution by the Board is the latest protocol for a waiver request of a late release.

Mr. Haik continued by asking Mr. Fontenot if there is anything mandatory or discretionary in the protocol. Mr. Fontenot responded that the decision is up to the Board.

Mr. Haik asked Mr. Fontenot and Mr. Handley if they could address the circumstances of the approximate \$30,000.00 waivers in 2007. Mr. Fontenot stated that he could not at this time.

Mr. Haik asked Mr. Fontenot and Mr. Handley if they knew the reason why the infractions were waived. Mr. Handley answered that they did not know but could get the information for him.

Mr. Haik stated that he would like to make a motion that the Board table a decision on this particular waiver until at such time as staff provides the Board with the details of the waiving of the infraction that was given in January 2007. The motion was seconded by Mr. Hollenshead.

Mr. Hollenshead asked about State Lease No. 19677 that was released by TPIC within the last 18 months, and if there was a well on that state lease that had not been plugged and abandoned. He asked the TPIC representatives to update him on the plug and abandonment procedures for this well. TPIC's representatives stated that they were unfamiliar with that well and would get back with him on that matter. Mr. Hollenshead asked if TPIC's representatives could come back at the January Board Meeting with the information for this question.

Mr. Tom Arnold asked if staff's recommendation was 100% of the penalty on the acreage that was released. Mr. Fontenot answered that it was 73.5%. He continued that there was approximately 600 acres originally awarded; TPIC released approximately 200 acres.

Mr. Arnold asked Mr. Fontenot if TPIC released 200 acres previously on time without notification from the state, to which Mr. Fontenot answered that was correct. Mr. Fontenot continued that at this point, we took 400 over the 600 and came up with the percentage and reduced the assessment to 73.5%.

Mr. Haik asked staff if they used the acreage released late or the total acreage in the computation. Mr. Fontenot stated that he used both to come up with the percentage.

Mr. Haik asked how is it that TPIC released 200 acres timely and just forget about the other acres. OMR Assistant Secretary Jamie Manuel answered that it was probably just an area they agreed to release because they did not have production on it. Mr. Haik stated that they did not have production on the other acreage either, according to the representative's earlier response. Assistant Secretary Manuel continued that TPIC released the 200 before and while the 400 was still being produced. Companies do that all the time; OMR asks them to do that – to release sections of leases while still maintaining other portions of the lease that are still productive or has potential.

Mr. Haik continued, so they were receiving dollars as opposed to following the dictates of the lease. In other words, there was an income from at least a portion of those 400 acres during a time in which they should have released that property.

Assistant Secretary Manuel stated that there was no production during this period of time. Once the lease was terminated, it was terminated on a basis of lack of production.

Mr. Haik asked what would be the cost to plug and abandon if, in fact, TPIC were to take on that responsibility. Mr. Kimberlin responded that each well can be anywhere from \$75,000.00 to \$150,000.00.

Mr. Haik asked if TPIC had any plans to plug and abandon on the acreage. Mr. Kimberlin answered that he was not aware of any.

Mr. Haik continued that for a company that was just going to abandon a well. Mr. Kimberlin commented that TPIC would not abandon the well, they would plug it

Assistant Secretary Manuel stated that he thought TPIC should be given the opportunity to come back and tell the Board and staff what their plans were.

Chairman Segura stated that the Board had a motion by Mr. Haik and a second by Mr. Hollenshead and, by unanimous vote of the Board, this matter was tabled until the January 10, 2018 Board Meeting. (Resolution No. 17-12-004)

The second matter considered by the Board was a request by 1776 Energy Operators, LLC (1776 Energy) for a full or partial waiver of liquidated damages for the following:

- a. Late release of Operating Agreement 287 in the amount of \$27,200.00 that expired on June 30, 2016. The late release was recorded on June 29, 2017.
- b. Late release of Operating Agreement 288 in the amount of \$8,900.00 that expired on December 30, 2016. The late release was recorded on June 29, 2017.

Both Operating Agreements were located in Riverton Field, Caldwell Parish, Louisiana.

Staff did not recommend that the Board approve the request for a full or partial waiver of liquidated damages for these late releases.

Upon motion of Mr. Haik, seconded by Mr. Arnold, and by unanimous vote of the Board, the State Mineral and Energy Board denied the request by 1776 Energy for a full or partial waiver of liquidated damages for the above listed Operating Agreements. There were no comments from the public. (Resolution No. 17-12-005)

The third matter considered by the Board was a request by Midnight Energy Inc., on behalf of Hilcorp Energy I, L.P. (Hilcorp), to extend the primary term of State Lease No. 21553 for an additional two (2) years and to waive the ninety (90) day request period pursuant to the February 10, 2010 Board Resolution, as amended on November 9, 2011.

Staff recommended that the Board extend State Lease No. 21553 for an additional two (2) years making the expiration date February 11, 2020, and to waive the ninety (90) day period requirement for an extension of the primary term of the lease in the February 10, 2010 Board Resolution, as amended on November 9, 2011. Staff also recommended that the terms of the two (2) year extension be for a one-time payment of \$502.00 (full bonus of \$251.00 for each extended year) and a 25.5% royalty effective upon approval by the Board.

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, and by unanimous vote of the Board, the State Mineral and Energy Board granted the two (2) year extension of State Lease No. 21553 to Hilcorp as stated above. There were no comments from the public. (Resolution No. 17-12-006)

The fourth matter considered by the Board was a request for approval and for authorization of Secretary Thomas F. Harris to sign an agreement between the Department of Wildlife and Fisheries (DWF), the Department of Natural Resources (DNR), Office of Mineral Resources (OMR), and the State Mineral and Energy Board (Board).

This agreement authorized and tasked the Board, DNR, and OMR, to administer and manage mineral resources on state owned properties under the administration of and properties owned by or under the jurisdiction of DWF or the Louisiana Wildlife and Fisheries Commission.

DNR Secretary Harris addressed the Board that there was an agreement signed back in 2009 between DNR and DWF to manage and administer resources on lands owned by DWF and wildlife management areas for which DWF received allotted mineral revenue. DNR Secretary Harris continued that the problem he had with that agreement was that the agreement had no provisions for cost recovery for paying DNR for the hours managing DWF properties.

DNR Secretary Harris stated that there were agreements between Secretaries Scott Angelle and Robert Barham to pay a set amount over the years, between \$150,000.00 to \$300,000.00, that DWF would provide to DNR to do the work for them; however, that agreement was never put in writing. Subsequent to that, he continued, Steve Chustz and Robert Barham reached a similar agreement.

DNR Secretary Harris stated that when he came into office in 2016, Charlie Melancon was the Secretary of DWF – his position was that this was DNR's job and that DWF should not have to pay DNR. He continued that his position was that the services DNR provided to DWF were worth quite a bit more and DNR's cost of providing those services was quite a bit more. He stated that there was an impasse for a while; finally, in December of 2016, a verbal agreement was made to continue the previous agreements and it was agreed that it would be put in writing so this procedure would not have to be completed again.

DNR Secretary Harris continued, before anything was committed to writing, a couple of weeks later, Charlie Melancon was replaced by Jack Montoucet who came in with the same position that DWF did not have to pay DNR anything. There were negotiations that went on and, ultimately, an agreement was reached that DNR would continue to provide the service and an accelerated schedule was agreed upon from \$500,000.00 to \$800,000.00 per year depending upon the amount of revenue generated for DWF.

DNR Secretary Harris stated that what he was asking for was the authority from the Board to sign on behalf of the Department and the Mineral and Energy Board. He noted that the copy provided to the Board Members contained one error that had been identified – a mutual agreement was made for a five (5) year term. The interagency agreement in the Board's possession states that it will end in 2020 which is in only three (3) years. This correction will be made. Secretary Montoucet has already signed on behalf of DWF.

Carol LeBlanc asked DNR Secretary Harris if all parties had signed off on the agreement. DNR Secretary Harris consulted with Blake Canfield, DNR Executive Counsel, who answered that DWF had already signed off on the agreement and the only thing that would need to be corrected by amendment was the term which would have to be signed off on. Mr. Canfield stated that DWF is verbally agreeable with the change.

Ms. LeBlanc motioned for approval of this matter.

Mr. Haik asked DNR Secretary Harris if these monies are subject to legislative whim or if they can be maintained within DNR. DNR Secretary Harris stated it is called an interagency transfer, an IAP – a legally binding agreement.

Mr. Canfield added that the way it is written into the agreement states it is subject to appropriations by the legislature. He continued that if the legislature did not give DWF enough money to fulfill it, DWF would not have to pay. Mr. Canfield stated

that language is required to be included in the agreement if the legislature does not appropriate it but, he continued, it is hard to imagine that scenario occurring simply because this money would be coming from the production that has been constitutionally provided to be placed into the DWF fund.

Chairman Segura stated the Board had a motion from Ms. LeBlanc. Mr. Haik seconded the motion, and by unanimous vote of the Board, the State Mineral and Energy Board approved the aforementioned request. There were no comments from the public. (Resolution No. 17-12-007)

The fifth matter considered by the Board was a staff update and report on plugged and abandoned wells in accordance with a request from the Board at the November 8, 2017 State Mineral and Energy Board Meeting.

Mr. Boyd Handley addressed the Board and stated that staff had researched all releases in 2017 to determine the number of wells still open or not plugged and abandoned out of those state leases. He stated that staff found 56 out of approximately 250 state leases that still had wells that needed to be plugged and abandoned. Of those 56 state leases, staff covered lease agreements that did not have wording in them for plugged and abandoned wells from earlier leases. He continued that these state leases were from 340 up to 14,000 series, so there was no contractual obligation to plug those wells and they fell under the guidance of Conservation. He stated that about half of the remaining leases had lease language where the wells had to be plugged and abandoned in a timely fashion, and some additional language noting that if they were not plugged and abandoned within a year, the companies could not take the salvage value from that.

Mr. Handley stated that staff had sent a letter to Energy XXI for their plug and abandon wells. A number of other letters would be sent out noting that all wells must be plugged and abandoned in a timely fashion.

Mr. Handley continued that he also looked into the orphan wells status on state acreage. He stated that the totals showed a little over 4,000 orphaned wells in the state of which 243 were on state owned water bottoms or acreage. In the past two (2) years, due to bankruptcies, those numbers have increased, . In 2017, there have been 659 so far.

Assistant Secretary Manuel stated that he wanted to make a small correction – Mr. Handley stated that the old leases did not have a plug and abandon contractual obligation in them. Assistant Secretary Manuel continued that he thought that the older leases did not specifically mention plug and abandon but that there is a baseline remediation obligation in those leases and plug and abandon responsibilities would fall under that general obligation.

Mr. Haik stated that even though there may not be a contractual obligation, there must be some sort of statutory obligation.

Assistant Secretary Manuel answered Mr. Haik affirmatively. He then stated there is a regulation that covers plugged and abandoned wells, he was not sure if there is an implied obligation through the Mineral Code in that situation between the lessee and the lessor but he believed that the general remediation obligation that is contained in that lease would require plugging and abandoning if it had not been done yet.

Mr. Hollenshead asked Assistant Secretary Manuel if he believed there was a contractual obligation to which Assistant Secretary Manuel answered affirmatively.

Mr. Haik asked if the contractual obligation was possibly statutory. Assistant Secretary Manuel answered that it was definitely a regulatory obligation. Mr. Haik asked what authority they had. Assistant Secretary Manuel answered that even if it was not in the lease, there is a regulatory obligation that they owe to the state and Conservation enforces that. He continued, as far as OMR having a contractual right to enforce it, we do not enforce it through the regulatory provision. We would enforce through either a specific mention of a plug and abandon obligation like the later leases have or we would enforce it through the remediation obligation that is contained in the older leases.

Mr. Haik asked if DNR or OMR have any responsibility to act. Assistant Secretary Manuel answered that, historically, that has not been a function of OMR. OMR has relied on Conservation to enforce the regulatory obligations on these lessees or these operators. It would take additional funding or some kind of reorganization for OMR's office to take that on as a main responsibility. Assistant Secretary Manuel continued that OMR has begun to send letters to these different operators notifying them of these obligations and telling them that OMR expects their execution of their obligation to plug and abandon these wells. Short of sending those letters, he continued, in order for OMR to enforce that – just like every private land owner has to do in a contract – OMR would have to push litigation, hire attorneys, and that would take quite a bit of funding that OMR is not prepared for right now. So we rely on Conservation to pursue much of this.

DNR Assistant Secretary Harris added that his recommendation, particularly at that time with DNR's very limited resources, would be instead of trying to duplicate work that is already being done by the Office of Conservation, in representing the State's best interest, OMR should be the "squeaky wheel" when it comes to Conservation – requesting them to ask or order the operator to do what is required. Doing so would not, in any way, lessen the State's opportunity and right as a property owner and lessor to pursue legal action to enforce the terms of the contract. DNR Assistant Secretary Harris stated that giving Conservation the opportunity to require that first, if anything, would strengthen the State's legal position.

Assistant Attorney General Ryan Seidemann added that he thinks that there is almost a bootstrap and component to that provision in the lease; that there is additional language that OMR may not be able to enforce in the first instance because of the constitutional and statutory primary jurisdiction of Conservation anyway. Mr.

Seidemann continued that with a contract, OMR takes a backseat to that jurisdiction. He stated that he did not think that would be something we would want to implement - we cannot "leap frog" Conservation.

Mr. Hollenshead asked if a resolution was needed to request that Conservation act on this. DNR Assistant Secretary Harris answered that logistically, he could not think of what a resolution would ask. He said he thought this should be on a lease by lease basis and, what he had discussed with Assistant Secretary Manuel was, just as a matter of procedure, when this point is reached, that a memo be sent from Assistant Secretary Manuel of OMR to the Commissioner of Conservation requesting action on these particular sites. He stated that would be something that OMR can initiate and track a lot easier than trying to replace and duplicate what Conservation does in the absence of any statutory authority to do so.

This was for information purposes only and no Board action was needed or taken.

e) DOCKET REPORT
December 13, 2017

The Board heard the report from Emile Fontenot on Wednesday, December 13, 2017, 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 9
- Category C: Department of Wildlife & Fisheries State Agency Lease
Transfers
Docket Item No. 1
- Category D: Advertised Proposals
There were no items for this category

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

- Category B: State Lease Transfers
Approve Docket Item Nos. 1 through 9
(Resolutions Nos. 17-012-08 through 17-012-016)
- Category C: Department of Wildlife & Fisheries State Agency Lease
Transfers
Approve Docket Item No. 1
(Resolution No. 17-12-017)

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 Ms. LeBlanc, seconded by Ms. Michaud-Dugas, the Board Members went into Executive Session at 10:41 a.m.

Upon motion of Mr. Arnold, seconded by Ms. LeBlanc, the Board reconvened in open session at 11:10 a.m. for consideration of the following matters discussed in Executive Session:

VI. EXECUTIVE SESSION
(Resolution No. 17-12-018)

- a. A status update regarding settlement of outstanding audit issues with ChevronTexaco, Texaco E&P Inc. and Unocal

No action was taken by the Board on this matter. No comments were made by the public.

- b. A discussion of the settlement offer by Timolat Heirs related to Scott Bay, 17 MKR-5 Zone, 5A-7 RA-SL 20974.

Upon motion of Mr. Harris, seconded by Mr. Watkins, the Board voted unanimously to grant authority to the Attorney General's office to enter into negotiations as discussed in Executive Session. No comments were made by the public. (Resolution No. 17-12-018)

- c. Technical Briefing on Bids

The Board was briefed on the bids received at today's lease sale.

VII. 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.

Mr. Talbot stated that Staff recommends that the bids received on Tract Nos. 44802, 44806, 44807 be accepted, that the bid received on Tract No. 44804 be rejected for insufficient consideration and to re-advertise it with minimums in accordance with Board policy, and that the bid received on Tract No. 44808 be rejected for improper bid form and opened to the floor for bidding.

Upon motion by Mr. Arnold, seconded by Ms. LeBlanc, the Board unanimously voted to:

1. Award a lease on a Tract 44802 to Marquis Resources, LLC
2. Award a lease on a Tract 44806 to Orbit Energy, Inc.
3. Award a lease on a Tract 44807 to Rovig Minerals, Inc.

Upon motion by Mr. Arnold, seconded by Mr. Hollenshead, the Board unanimously voted to reject the bid received on Tract No. 44804 for insufficient consideration and to re-advertise it with minimums in accordance with Board policy and that the bid received on Tract No. 44808 be rejected for improper bid form and opened to the floor for oral bidding.

Upon request by the Chairman for oral bidding on Tract No. 44808, Mr. Corey Wainwright representing LLOLA, L.L.C. came forward and offered the following:

Tract 44808
(Portion Bid: 14 acres)

Bidder	:	LLOLA, L.L.C.
Primary Term	:	Three (3) years
Cash Payment	:	\$3,080.00
Annual Rental	:	\$1,540.00
Royalties	:	21.00000% on oil and gas
	:	21.00000% on other minerals
Additional Consideration	:	None

There being no other bidders on this tract, upon motion by Ms. LeBlanc, seconded by Mr. Watkins, and based on Staff's recommendations, the Board unanimously voted to award a lease on Tract No. 44808 to LLOLA, L.L.C.

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.

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

VIII. NEW BUSINESS

No new business was discussed by the Board.

IX. ANNOUNCEMENTS

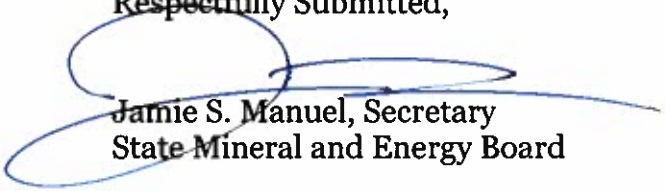
Secretary Harris wished everyone Happy Holidays and reminded the Board Members to complete their Ethics and Sexual Harassment Training before the end of the year.

Mr. Manuel stated that there were four (4) leases awarded totaling \$63,258.78 for the December 12, 2017 Lease Sale and that the fiscal year total is \$2,411,524.58.

X. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Mr. Arnold, seconded by Ms. LeBlanc, the meeting was adjourned at 11:18 a.m.

Respectfully Submitted,



Jamie S. Manuel, Secretary
State Mineral and Energy Board