

MINUTES

STATE MINERAL AND ENERGY BOARD

LEASE SALE AND BOARD MEETING (via Zoom)

JULY 8, 2020

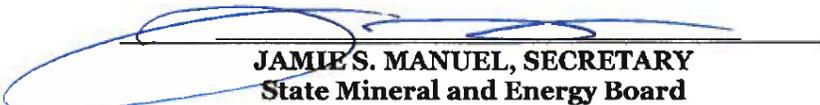


State of Louisiana

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

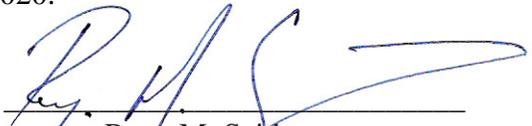
In accordance with Executive Proclamations JBE 2020-30 and 2020-33, issued by Governor John Bel Edwards on March 16, 2020 and March 22, 2020, respectively (and as amended and extended by JBE 2020-41, JBE 2020-52, JBE 2020-75, JBE 2020-84), this notice shall serve as a certification of the Louisiana State Mineral and Energy Board's ("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 June 10, 2020, via video conference. 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, JBE 2020-52, JBE 2020-75, JBE 2020-84), the Board's meeting on Wednesday, July 8, 2020, at 9:15 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 July 2, 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 2nd day of July 2020.



RYAN M. SEIDEMANN
Notary Public
Notary ID No. 77139
East Baton Rouge Parish, Louisiana


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

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
July 8, 2020

A public meeting for the purpose of opening sealed bids was held on Wednesday, July 8, 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 Nos. 45338 through 45345 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 bids were then opened and read aloud to the assembled public by Mr. Fontenot:

Tract 45338
(Portion: 599 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$299,500.00
Annual Rental	:	\$149,750.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

Tract 45339
(Entire: 80 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$40,000.00
Annual Rental	:	\$20,000.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

Tract 45342
(Entire: 1,655 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$827,500.00
Annual Rental	:	\$413,750.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

Tract 45343
(Entire: 646 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$323,000.00
Annual Rental	:	\$161,500.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

Tract 45344
(Entire: 27 acres)

Bidder	:	C YPRESS ENERGY CORPORATION
Primary Term	:	Three (3) years
Cash Payment	:	\$20,250.00
Annual Rental	:	\$10,125.00
Royalties	:	25% on oil and gas
	:	25% on other minerals
Additional Consideration	:	None

Tract 45345
(Portion: 33.260 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$16,630.00
Annual Rental	:	\$8,315.00
Royalties	:	20% on oil and gas
	:	20% on other minerals
Additional Consideration	:	None

This concluded the reading of the bids.

State Mineral and Energy Board
Opening of Bids
July 8, 2020
Page 3

There being no further business, the meeting was concluded at 9:25 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
July 8, 2020

The Regular Meeting of the State Mineral and Energy Board was held on **Wednesday, July 8, 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
Thomas L. Arnold, Jr.
Robert D. Watkins
Rochelle A. Michaud-Dugas
J. Todd Hollenshead
Harvey "Ned" White

The following members of the Board were recorded as absent:

Kyle "Chip" Kline, Jr.
Darryl D. Smith
Willie J. Young, Sr.

Mr. Manuel announced that seven (7) members of the Board were present when the roll call was taken and that a quorum was established. Mr. Hollenshead joined the meeting at 9:45 a.m. during presentation of the Nomination & Tract Report.

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 JUNE 10, 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 June 10, 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
JULY 8, 2020
(Resolution Nos. 20-07-001 thru 20-07-002)**

I. GEOLOGICAL AND ENGINEERING STAFF REVIEW

According to the SONRIS database, there are 1,100 active State Leases containing approximately 465,801 acres. Since the last Lease Review Report, the Geological and Engineering Division reviewed 58 leases covering approximately 20,202 acres for lease maintenance and development issues.

II. BOARD REVIEW

1. There were no State Lease items discussed.

III. FORCE MAJEURE

1. Clovelly Oil Co., LLC requested permission to amend the leases to provide for four (4) additional semi-annual shut-in periods affecting State Leases 2918, 4041, 4043, 5567, 5568, 5685 and 5779 in Lake Pontchartrain in Saint Charles and Jefferson Parish. The staff recommended the leases be amended to provide for four (4) additional semi-annual shut-in periods at a rate of \$10/acre and a minimum of \$200, and to include the new Shut-in Payment, Force Majeure and Suspending Event, and the Lessor's Security Interest language.

Upon motion of Mr. Arnold, seconded by Mr. Harris, the Board approved amending the leases as stated. **(RESOLUTION NO. 20-07-001)**

2. A request by Raymond Beyt made on behalf of Six Pines Exploration, LLC to grant a ninety (90) day extension from the August 13, 2020 termination of the Temporary Moratorium to November 11, 2020 in order to commence operations for the drilling of their VUA, State Lease 18165 No. 2 well in Plaquemines Parish. The staff explained the Covid-19 "Stay-at-Home" order caused delays in permitting a replacement well. The staff believes this is a Force Majeure situation and recommended granting the ninety (90) day extension as stated.

Upon motion of Ms. LeBlanc, seconded by Mr. Vorhoff, the Board approved amending the leases as stated. **(RESOLUTION NO. 20-07-002)**

b) NOMINATION AND TRACT REPORT
July 8, 2020
(Resolution Nos. 20-07-003, 004)

The Board heard the report of Mr. Emile Fontenot on Wednesday July 8, 2020 relative to nominations received in the Office of Mineral Resources for the September 9, 2020 Mineral Lease Sale and other matters.

Based upon Staff's recommendation, and on motion of Mr. Arnold, duly seconded by Mr. Watkins, 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. 20-07-003)**

On another matter, Mr. Emile Fontenot informed the Board that pursuant to R.S. 30:215, non-exclusive seismic fees are to be set annually to conduct seismic, geophysical and geological surveys. The staff recommended that the State Mineral and Energy Board set a fee of \$15.00 per acre, or \$1,000.00 whichever is greater, for the nonexclusive seismic permits on state- owned lands and water bottoms or land and water bottoms under the jurisdiction of the Wildlife and Fisheries Commission; that the State Mineral and Energy Board set a fee of \$200.00 per line mile, or \$1,000.00, whichever is greater, for 2D seismic permits on either state-owned lands and water bottoms or lands and water bottoms under the jurisdiction of the Wildlife and Fisheries Commission. On motion of Mr. Watkins, duly seconded by Ms. LeBlanc, the board voted unanimously to set such fee. **(Resolution 20-07-004)**

c) AUDIT REPORT
JULY 8, 2020
(Resolution No. 20-07-005)

The first matter on the audit report was a request to place Helis Oil & Gas Company, LLC, and any parties associated with the leases, on demand for royalty exceptions, which were the result of a field audit.

Upon recommendation of Staff and upon motion of Mr. White, seconded by Mr. Vorhoff, the Board granted authorization to the Attorney General's Office to place Helis Oil & Gas Company, LLC, and any affiliated parties or parties associated with the leases, on demand, and further granted authority to the Attorney General's office to file suit for all royalty due, along with interest, penalty, and all other remedies prescribed by law. **(Resolution No. 20-07-005)**

The second matter on the audit report was the election of the July 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
July 8, 2020
(Resolution Nos. 20-07-006 thru 20-07-007)

The first matter considered by the State Mineral and Energy Board (Board) was a request by Nadel & Gussman, N.V., LLC (Nadel) to amend the rental provision of State Lease No. 21827 to one-half (1/2) of the Third Year Rental to be payable on or before the “Resumption Period” set forth in the resolution adopted by the Board on April 29, 2020 and, the balance of the Third Year Rental to be payable on or before January 11, 2021, if operations have not been timely commenced and/or the lease otherwise maintained in full force and effect.

Staff reported that July 11, 2020 will mark the beginning of the third year (final year) of the primary term and that Blue Dome Operating, operator for Nadel, constructed a well site location for the purpose of drilling two horizontal cross-unit Haynesville wells. Staff continued that, due to the uncertainty created by the COVID-19 pandemic, Nadel’s development could be delayed beyond its original plans.

Staff recommended that State Lease No. 21827 be amended as requested above.

Upon motion of Mr. White, seconded by Ms. LeBlanc, and by unanimous vote of the Board, the Board voted to approve the request by Nadel & Gussman, N.V., LLC (Nadel) to amend the rental provision of State Lease No. 21827 to one-half (1/2) of the Third Year Rental to be payable on or before the “Resumption Period” as set forth in the resolution adopted by the Board on April 29, 2020 and, the balance of the Third Year Rental to be payable on or before January 11, 2021, if operations have not been timely commenced and/or the lease otherwise maintained in full force and effect. There were no comments from the public on this matter. **(Resolution No. 20-07-006)**

The second matter considered by the Board was a request by Pinnacle Energy International (USA) I, LLC and Sun Louisiana LLC (Pinnacle, et al) to amend the primary term of State Lease No. 21754 from August 9, 2020 to March 14, 2021 and pay a prorated rental payment amounting to \$51,100.00 on or before September 13, 2020 provided operations or production is not occurring at that time.

Staff reported that State Lease No. 21754 has an expiration date of August 9, 2020.

Comments were made by Mr. Alex Parks with Prominence Energy Ltd. There were no other comments from the public on this matter.

Staff recommended extending the primary term of State Lease No. 21754 to March 14, 2021 and require a prorated rental payment of \$51,100.00 on or before August 13, 2020.

Upon motion of Mr. Watkins, seconded by Mr. White, and by unanimous vote of the Board, the Board granted the request by Pinnacle, et al to amend the primary term of State Lease No. 21754 from August 9, 2020 to March 14, 2021 and to require a prorated rental payment amounting to \$51,100.00 on or before August 13, 2020, provided operations or production is not occurring at that time. **(Resolution No. 20-07-007)**

e) DOCKET REVIEW REPORT
July 8, 2020
(Resolution No(s). 20-07-008 thru 20-07-009)

The Board heard the report from Emile Fontenot on Wednesday, July 8, 2020, relative to the following:

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

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

- Category B: State Lease Transfers
Approve Docket Item. 1
(Resolution No. 20-07-008)
- Category D: Advertised Proposals
Approve Docket Item No. 20-04
(Resolution No. 20-07-009)

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 Ms. LeBlanc, seconded by Mr. Vorhoff, the Board Members went into Executive Session at 9:59 a.m.

Upon motion of Ms. LeBlanc, seconded by Mr. Vorhoff, the Board reconvened in open session at 10:05 a.m. for consideration of the following matters discussed in Executive Session:

- a. 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. Arnold, seconded by Ms. LeBlanc, the Board unanimously voted to accept Staff's recommendation to accept all bids received and awarded leases on the following bids:

Tract 45338

(Portion: 599 acres)

Bidder	:	ASQUARED RESOURCES, LLC
Primary Term	:	Three (3) years
Cash Payment	:	\$299,500.00
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Additional Consideration	:	None

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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

The Chairman welcomed Mr. Harry Vorhoff to the State Mineral and Energy Board.

Mr. Manuel stated that the leases awarded totaled \$1,526,880.00 for the July 8, 2020 Lease Sale bringing the fiscal year total to \$1,526,880.00.

Mr. Manuel also announced the retirement of Emile Fontenot, and both he and the Board wished him well.

XI. ADJOURNMENT

The Chairman then stated there being no further business to come before the Board, upon motion of Mr. White, seconded by Ms. LeBlanc, the meeting was adjourned at 10:16 a.m.

Respectfully Submitted,

Jamie S. Manuel, Secretary
State Mineral and Energy Board