

Louisiana Revised State Lease Form Update; Critical Meeting in Baton Rouge on May 11

Earlier this week, the Staff of the Louisiana Office of Mineral Resources posted its final proposed version of the New State Lease Form.

Over the last several months, Gordon Arata lawyers have spoken with and met with the Mineral Board's Staff and revised and commented on numerous drafts of the proposed new lease form. Earlier this month, the Staff posted its proposed form of the new State Lease and the Mineral Board asked for comments. Gordon Arata reviewed the form and objected to two significant issues: the first regarding an assignor's responsibility for its assignee's obligations once the assignment was approved by the Mineral Board, and the other regarding the requirements for a lessee to maintain forever any records on the calculation and payment of royalties and other payments under the lease. We circulated our comments to that draft to industry and nearly 70 companies sent letters to the Staff supporting our changes. However, in preparing its final draft to be voted on by the Mineral Board on May 11th, the Staff ignored our requests to address former lease owners' responsibilities once divested of interest and to set a timeframe on the retention policy issue. On this subsequent liability issue, the Staff did make one, very limited possible exemption applicable to brokers (but only if their client "has not engaged in any activity in furtherance of the development and production of oil and gas on or affecting leased premises" and then only if the Mineral Board approves each such release).

Needless to say, we are disappointed and hope that the Mineral Board rejects the Staff's recommendations.

We have prepared a memorandum addressing our previously suggested changes and those made by the Staff and also replying to comments in the Staff's memorandum. We are urging anyone interested in the future of state leasing in Louisiana to attend the Mineral Board meeting in Baton Rouge on Wednesday, May 11 to object to the Staff's proposed lease form. We are also suggesting that any interested parties contact the Board directly to express concerns.

We are really shocked by the Staff's lack of concern for both the industry and the State, especially in light of the Office of Conservation's emergency order earlier this month suspending the need for financial security in light of the crisis in the industry. We sent this order to the Staff to make sure that it was aware before revising the lease form.

The industry needs to make sure the Board is aware of the adverse effect the Staff's proposed lease form would have on the future of the Louisiana Oil and Gas Industry and thus ultimately also on the State of Louisiana.

Should you have any questions, please contact Cynthia Nicholson or Peck Hayne in Gordon Arata's New Orleans office.