

TRACT 32453 - STATE AGENCY - Terrebonne Parish, Louisiana

The State Mineral Board acting on behalf of the Terrebonne Parish School Board, pursuant to Resolution adopted by that body and in accordance with Louisiana Revised Statutes 30:121-136 and 151-156, as amended, and Article 12, Section 18 of the Louisiana Constitution of 1921, as amended, which by Section 16 (A) 9, and 16 (B) of Article XIV of the 1974 Constitution is continued as a statute subject to arrangement in proper statutory form or modification provided by law, advertises the following described lands not under mineral lease on March 8, 2000: All of Section 16, Township 17 South, Range 14 East, Terrebonne Parish, Louisiana, excluding beds and bottoms of all navigable waters located in said section, containing approximately 640 acres, as shown outlined in red on a plat on file in the Office of Mineral Resources, Department of Natural Resources.

NOTE: A royalty payment less than twenty-five percent (25%) for an oil, gas and/or other liquid or gaseous hydrocarbon mineral lease for the above mentioned parcel of land will not be acceptable to the Terrebonne Parish School Board.

NOTE: The lease shall contain a Favored Nations Clause as follows: It is understood and agreed that if Lessee(s) or its successor or assigns enters into and consummates an agreement to acquire, and does acquire, the oil and gas rights from owners or holders of a mineral interest in land exceeding ten (10) contiguous acres in area and located within one (1) mile of the external boundaries of this Lease during a period of time commencing 180 days prior to the date of this lease and ending (a) ninety (90) days after the completion of a producing well on the leased premises or within one mile of the external boundary of the leased premises, or (b) the end of the primary term, whichever occurs first (hereinafter "Third Party Lease"), then it is agreed that Lessor(s) herein shall be entitled to the same bonus, and/or rental and/or royalty as is paid to any other mineral owner under a Third Party Lease which is higher than the bonus, and/or rental and/or royalty (each to be compared individually and not collectively) paid or to be paid to the Lessor(s) in accordance with those terms contained in this Lease. It is the intent of this Favored Nations Clause to ensure and require that Lessor(s) receives a bonus and/or rental and/or royalty that is commensurate with the highest of any bonus, rental or royalty which is paid by Lessee or its successors under any Third Party Lease, irrespective of whether some or all of said terms of the Third Party Lease may be less favorable than those provided in the Lease. Rather, Lessor(s) may obtain the benefit of some or all of those terms under the Third Party Lease which Lessor(s), at its sole discretion, deems more favorable.

Within sixty (60) days of acquiring a Third Party Lease, Lessee shall notify Lessor(s) in writing of each such lease and the terms thereof. At the option of Lessor(s), Lessee shall have thirty (30) days after receipt of such notice within which to execute a lease amendment, retroactive to the date of this Lease, in which Lessor(s) and Lessee agree to any higher bonus and/or rental and/or royalty contained in a Third Party Lease. Lessee agrees to pay Lessor(s) any higher bonus and/or rental and/or royalty contained in a Third Party Lease. Lessee agrees to pay Lessor(s) any higher bonus and/or rental and/or royalty, retroactive to the date of this Lease, within thirty (30) days after the execution of the lease amendment,

but in no event later than 45 days after Lessor(s) receipt of Lessee's notice of the Third Party Lease.

NOTE: Paragraph 8 of the State Lease form used by the Terrebonne Parish School Board, to lease oil, gas and other mineral rights be amended to include the following provisions: "The failure of the Lessee to submit to the Lessor(s), at the office of the Terrebonne Parish School Board, for approval, the document intended to transfer, sublease, or assign any right or obligation of the Lessee under this lease, within sixty (60) days after the effective date of any such transfer, sublease or assignment, shall subject the Lessee to pay to the Lessor(s) any damages the Lessor(s) may suffer, but in no event shall such damages be deemed to be less than \$100.00 per day for each day the Lessee fails to submit any such document to the Lessor(s) for approval."

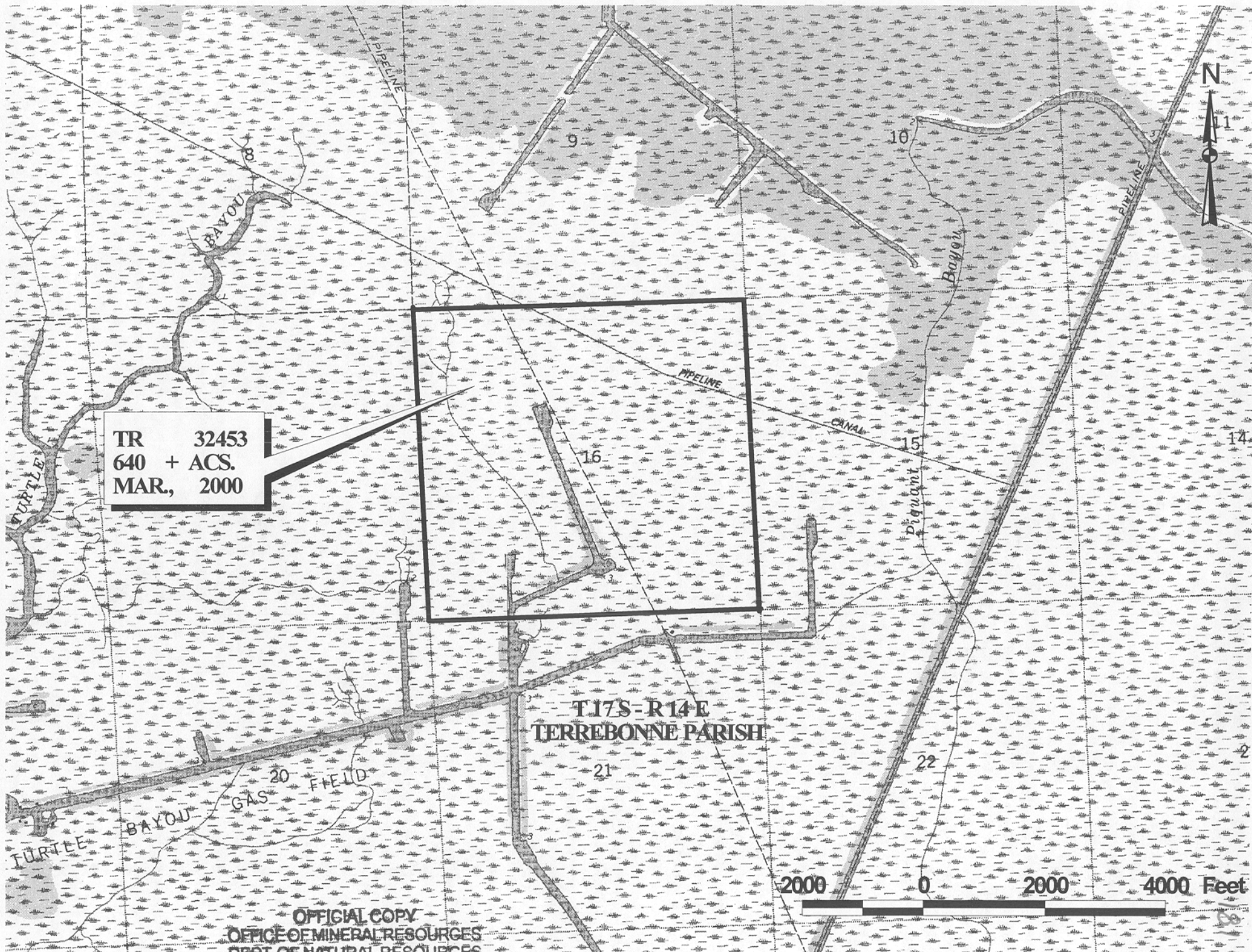
NOTE: Paragraph 5 (a) (paragraph 2) of the State Lease form used by the Terrebonne Parish School Board to lease oil, gas and other mineral rights be amended to read as follows: In lieu of commencing operations for an offset well as above provided, Lessee may, at Lessee's option, commence compensatory payments equal to the royalties herein provided, computed on one-half ($\frac{1}{2}$) of the oil, gas or other liquid or gaseous mineral produced by the well in question on and after the date operations would have otherwise been commenced, value to be determined in accordance with the provisions of Article 6 of this lease. Such payments may be commenced on or before sixty (60) days after the date operations would otherwise have been commenced, but shall include compensatory payments accrued from the date of initial production of the well in question. Thereafter, payments shall be due monthly in accordance with Article 6 (g). Lessee shall not be in default in either commencing compensatory payments or in making further payments as above provided if despite due diligence Lessee is unable timely to obtain the production information on which such payments are to be based. In any such case, however, Lessee must on or before the due date of the payments, notify the Board in writing of Lessee's inability to make such payment, the reasons therefore, and Lessee's intent to make such payment at the earliest reasonable time. Compensatory payments may be continued, at Lessee's discretion, for not more than one year from the date on which offset operations would otherwise have been commenced. At the end of that time, or within thirty (30) days from the end of any lesser period for which payments are made, Lessee shall comply with this offset obligation if the producing well continues to produce in paying quantities or to produce its allowable and the other conditions making this obligation operative are existent. The right to make compensatory payments is intended to permit Lessee to evaluate further the producing well, and the making of such payments shall not of itself be sufficient to maintain this lease if the lease is not otherwise being maintained in force and effect; however, the making of any such payments shall not prejudice Lessee's right to rebut any of the above enumerated presumptions.

NOTE: The above tract is located in or near an oyster restricted area and all operations in such area must be conducted in strict conformity with the stipulations and/or regulations of the Louisiana Department of Wildlife and Fisheries.

NOTE: The State of Louisiana does hereby reserve, and this lease shall be subject to, the imprescriptible right of surface use in the nature of a servitude in favor of the Department of Natural Resources, including its Offices and Commissions, for the sole purpose of implementing, constructing, servicing and maintaining approved coastal zone management and/or restoration projects. Utilization of any and all rights derived under this lease by the mineral lessee, its agents, successors or assigns, shall not interfere with nor hinder the reasonable surface use by the Department of Natural Resources, its Offices or Commissions, as hereinabove reserved.

Applicant: Coastal Land Services to Agency and by Resolution from the Terrebonne Parish School Board authorizing the Mineral Board to act in its behalf.

Bidder	Cash Payment	Price / Acre	Rental	Oil	Gas	Other



TR 32453
640 + ACS.
MAR., 2000

T17S-R14E
TERREBONNE PARISH

2000 0 2000 4000 Feet

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DEPT. OF NATURAL RESOURCES
DO NOT REMOVE