
Leasing Activities Information

MMS U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

Information To Lessees
Central Gulf Of Mexico
Sale 169

Table of Contents

- (a) Supplemental Documents
- (b) Navigation Safety
- (c) Offshore Pipelines
- (d) 8-Year Leases
- (e) Affirmative Action
- (f) Ordnance Disposal Areas
- (g) Communications Towers
- (h) Archaeological Resources
- (i) Proposed Artificial Reefs/Rigs to Reefs
- (j) Proposed Lightering Zones
- (k) Statement Regarding Certain Geophysical Data
- (l) Information about Indicated Hydrocarbons
- (m) Royalty Relief
- (n) Lease Instrument
- (o) Electronic Funds Transfer
- (p) Deepwater Operations Plans
- (q) New Bonding Requirements
- (r) Proposed Rule: Oil Spill Financial Responsibility for Offshore Facilities
- (s) Final Rule: Response Plans for Facilities Located Seaward of the Coast Line
- (t) Changes in Military Warning Areas
- (u) Unleased Blocks Offshore Baldwin County, Alabama

(a) Supplemental Documents. For copies of the various documents mentioned in the Sale Notice or in the Sale Notice Package and identified as available from the MMS Gulf of Mexico Regional Office, prospective bidders should contact the Public Information Unit, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, either in writing or by telephone at (504) 736-2519 or (800) 200-GULF. For additional information, contact the Regional Supervisor for Leasing and Environment at that address or by telephone at (504) 736-2759.

(b) Navigation Safety. Operations on some of the blocks offered for lease may be restricted by designation of fairways, precautionary zones, anchorages, safety zones, or traffic separation schemes established by the U.S. Coast Guard pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.), as amended, and the Deepwater Port Act (33 U.S.C. 1501-1524). Bidders are advised to review U.S. Coast Guard regulations (particularly 33 CFR Part 150, Appendix A; see also 59 FR 17480 published on April 13, 1994) regarding the safety zone around the Louisiana Offshore Oil Port (LOOP).

U.S. Army Corps of Engineers (COE) permits are required for construction of any artificial islands, installations, and other devices permanently or temporarily attached to the seabed located on the OCS in accordance with section 4(e) of the OCS Lands Act, as amended.

For additional information, prospective bidders should contact Lt. Commander Dan Whiting, Assistant Marine Port Safety Officer, 8th Coast Guard District, Hale Boggs Federal Building, New Orleans, Louisiana 70130, (504) 589-4218. For COE information, prospective bidders should contact Mr. Ron Ventola CELMN-OD-S, Post Office Box 60267, New Orleans, Louisiana 70160-0267, (504) 862-2255.

(c) Offshore Pipelines. Bidders are advised that the Department of the Interior and the Department of Transportation have entered into a Memorandum of Understanding (MOU), dated December 10, 1996 (published in the Federal Register on February 14, 1997, at 62 FR 7037), concerning the design, installation, operations, inspection, and maintenance of offshore pipelines.

Bidders should consult both Departments for regulations applicable to offshore pipelines. Copies of the MOU are available from the MMS Gulf of Mexico Regional Office Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394; or call (504) 736-2519 or (800) 200-GULF.

(d) 8-Year Leases. Bidders are advised that any lease issued for a term of 8 years will be canceled shortly after the end of the fifth year, following notice pursuant to the OCS Lands Act, as amended, if within the initial 5-year period of the lease, the drilling of an exploratory well has not been initiated; or if initiated, the well has not been drilled in conformance with the approved exploration plan criteria; or if there is not a suspension of operations in effect. Furthermore, a rental payment for the sixth year will be due despite the cancellation. Bidders are referred to 30 CFR 256.37 and the MMS Gulf of Mexico Regional Office Letter to Lessees and Operators of February 13, 1995.

(e) Affirmative Action. Lessees are advised that they must adhere to the rules of the Department of Labor, Office of Federal Contract Compliance, at 41 CFR Chapter 60. Companies with questions regarding those rules should contact one of the various regional Department of Labor Offices of Federal Contract Compliance.

(f) Ordnance Disposal Areas. Bidders are cautioned as to the existence of two inactive ordnance disposal areas in the Mississippi Canyon area, shown on the map described in paragraph 13(a). These areas were used to dispose of ordnance of unknown quantity and composition. Water depths range from approximately 750 to 1,525 meters. Bottom sediments in both areas are soft, consisting of silty clays. Exploration and development activities in these areas require precautions commensurate with the potential hazards.

The U.S. Air Force has released an indeterminable amount of unexploded ordnance throughout Eglin Water Test Areas 1 and 3. The exact location of the unexploded ordnance is unknown, and lessees are advised that all lease blocks included in this sale within these water test areas should be considered potentially hazardous to drilling and platform and pipeline placement.

(g) Communications Towers. The Department of Defense, U.S. Air Force, has installed seven military communications towers in the Chandeleur/Mobile/Viosca Knoll area which support Air Combat Maneuvering Instrumentation (ACMI). This project may impose certain restrictions on oil and gas activities in that area since no activity can take place within 500 feet of a tower site, and unobstructed lines of sight must be maintained between towers. The seven towers are located within Mobile, Blocks 769, 819, and 990; Viosca Knoll, Block 116; Chandeleur Area, Blocks 33 and 61; and Chandeleur Area, East Addition, Block 39. Information and maps of the specific locations and line of sight crossings for ACMI towers may be obtained from Mr. Wallace Williams, Minerals Management Service, (504) 736-2772.

(h) Archaeological Resources. Bidders are referred to the regulations at 30 CFR 250.26 (Archaeological Reports and Surveys). MMS Notice to Lessees (NTL) 91-02 (Outer Continental Shelf Archaeological Resources Requirements for the Gulf of Mexico OCS Region) published in the Federal Register on December 20, 1991 (56 FR 66076) effective February 17, 1992, specifies remote sensing instrumentation survey methodology, linespacing, and archaeological report writing requirements for lessees and operators in the Gulf of Mexico Region.

Three additional documents are available from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above):

"List of Lease Blocks Within the High-Probability Area for Historic Period Shipwrecks on the OCS" dated May 22, 1995, (including an Errata Sheet II dated April 16, 1997). This list supersedes the list promulgated by the MMS Letter to Lessees (LTL) of November 30, 1990.

"List of Lease Blocks Within the High-Probability Area for Prehistoric Archaeological Resources on the OCS" dated May 22, 1995.

MMS Gulf of Mexico Regional Office Letter to Lessees and Operators of March 17, 1996, which contains a list of lease blocks within the High-Probability Areas for both Historic Period Shipwrecks and Prehistoric Archaeological Resources

on the OCS that were formerly "grandfathered" but which may now require archaeological surveys.

(i) Proposed Artificial Reefs/Rigs to Reefs. Bidders are advised that there are OCS artificial reef planning and general permit areas, and reef sites for the Gulf of Mexico. These are located in water depths of less than 200 meters. While all artificial reef sites require a permit from the U.S. Army Corps of Engineers, the Artificial Reefs program is implemented through State sponsorship through the following State Coordinators:

Alabama Mr. Steve Heath, (334) 968-7576
Florida Mr. Jon Dodrill, (904) 922-4340
Louisiana Mr. Rick Kasprzak, (504) 765-2375
Mississippi Mr. Mike Buchanan, (601) 385-5860
Texas Ms. Jan Culbertson, (281) 474-1418

For more information, on artificial reef sites, prospective bidders should contact the above listed State Artificial Reef Coordinators for their areas of interest.

(j) Proposed Lightering Zones. Bidders are advised that the U.S. Coast Guard has designated certain areas of the Gulf of Mexico (60 FR 45006 of August 29, 1995), as lightering zones for the purpose of permitting single hull vessels to off-load oil within the U.S. Exclusive Economic Zone. Such designation may have implications for oil and gas operations in the areas. Additional information may be obtained from Lieutenant Commander Stephen Kantz, Project Manager, Oil Pollution Act (OPA 90) Staff, at (202) 267-6740.

(k) Statement Regarding Certain Geophysical Data. Pursuant to Sections 18 and 26 of the OCS Lands Act, as amended, and the regulations issued thereunder, MMS has a right of access to certain geophysical data and information obtained or developed as a result of operations on the OCS.

A final rule specifying the details and procedures regarding this right of access was published in the Federal Register on December 24, 1997 (62 FR 67278). This revises portions of 30 CFR Parts 250 and 251 and is effective for Sale 169.

Note that information regarding certain geophysical data is no longer required to be submitted at the time of the sale.

For additional information, contact the MMS Gulf of Mexico Regional Office of Resource Evaluation at (504) 736-2720.

(l) Information about Indicated Hydrocarbons. Bidders are advised that MMS makes available, about 3 months prior to a lease sale, a list of unleased tracts having well bores with indicated hydrocarbons. Basic information relating to production, well bores, and pay range for each tract is included in the list. The list is available from the MMS Gulf of Mexico Region Public Information Unit (see paragraph (a) above).

(m) Royalty Relief. The Outer Continental Shelf (OCS) Deep Water Royalty Relief Act authorizes the Secretary of the Interior to offer certain deepwater OCS tracts in the Central and Western Gulf of Mexico for lease with suspension of royalties for a volume, value, or period of production the Secretary determines. The final rule specifying royalty suspension terms for lease sales in the Central and Western Gulf was published in the Federal Register on January 16, 1998 (63 FR 2626). For further information, bidders may contact Walter Cruickshank (202) 208-3822.

A map titled "Lease Terms, Bidding Systems, and Royalty Suspension Areas, Sale 169" depicting blocks in which such suspensions may apply is currently available from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

The publication "OCS Operations Field Names Master List" depicts currently established fields in the Gulf of Mexico. This document is updated monthly and reprinted quarterly. Copies may be obtained from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

(n) Lease Instrument. Bidders are advised that the lease instrument will include royalty relief provisions (paragraph 4(c)(3) of the Notice) and 8-year lease cancellation provisions (paragraph 14(d) of the Notice) where applicable. Leases will continue to be issued on Form MMS-2005 (March 1986) as amended.

(o) Electronic Funds Transfer. Bidders are advised that the 4/5ths and first year rental EFT instructions for lease payoff have been revised and updated by MMS Royalty Management. Companies may now use either the Fedwire Deposit System or the Automated Clearing House (overnight payments). See paragraph 10(a) of the Notice.

(p) Deepwater Operations Plans. Bidders are advised that MMS Notice to Lessees (NTL) 96-4N, which became effective on August 19, 1996, requires that a Deepwater Operations Plan be submitted for all deepwater development projects (water depths greater than 304.8 meters (1,000 feet)) and for all projects utilizing subsea production technology; projects using conventional fixed-leg projects are exempted from this requirement. Copies of the NTL may be obtained from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph (a) above).

(q) New Bonding Requirements. MMS promulgated revisions to the surety bond program on May 22, 1997 (62 FR 27948): "Surety Bonds for Outer Continental Shelf Leases." The revisions to the surety bond program provide for the following:

(1) Establishes December 8, 1997, as the deadline for every lessee to comply with the bond coverage requirements established in the rule published August 27, 1993 (58 FR 45255).

(2) Clarifies the MMS position that co-lessees and operating rights owners are jointly and severally liable for compliance with our regulations and the terms and conditions of their OCS oil and gas and sulphur lease for non-monetary obligations.

(3) Clarifies the MMS position that an assignor of an OCS lease remains responsible for compliance with the lease abandonment obligations associated with wells drilled or used while the assignor was lessee.

(4) Establishes regulatory frameworks for acceptance of lease-specific abandonment accounts and third-party guarantees.

(5) Sets a higher more realistic level of bond coverage to be required of the holder of a G&G exploration permit to drill a deep stratigraphic test well and authorizes a demand for a supplemental bond from the holder of a G&G permit or pipeline right-of-way.

This rule is the product of MMS efforts to write regulations in plain English and continues attempts to provide optimum flexibility for a lessee to meet lease bond requirements and ensure that lessees adequately fund their end-of-lease obligations.

Objectives for this rule are to: (1) ensure a lessee's financial capability to perform its lease obligations; (2) protect the environment from threat of harm that might result from a lessee's failure to timely carry out proper well abandonment and site clearance operations; (3) achieve a reasonable degree of protection from default by a lessee, permittee, or pipeline right-of-way holder at a minimum increase in costs for lease, permit, or pipeline operations; and (4) select a method for attaining those goals that equitably affect all parties.

(r) Proposed Rule: Oil Spill Financial Responsibility for Offshore Facilities. Bidders should note that MMS published in the Federal Register a proposed rule to implement a financial responsibility provision of the Oil Pollution Act of 1990 (OPA). The proposal, which appears at 62 FR 14052 on March 25, 1997, requires those responsible for offshore oil facilities to demonstrate that they can pay for cleanup and damages caused by facility oil spills. The proposed rule applies to oil exploration, production, and pipeline facilities located along and seaward of the U.S. coastline. The proposal reflects recent changes to OPA that more precisely define the scope of the oil spill financial responsibility requirement in terms of geographic limitations, types of facilities affected, and the dollar amounts of responsibility that must be demonstrated.

Public comments on the proposed financial responsibility regulation were due June 23, 1997. A final regulation should be published by mid-year 1998.

(s) Final Rule: Response Plans for Facilities Located Seaward of the Coast Line. Bidders should note that MMS published in the Federal Register a final rule at 62 FR 13991 on March 25, 1997, to implement the facility response planning provision of Oil Pollution Act of 1990 (OPA). The rule, which supersedes an interim rule in effect since February 18, 1993, allows one plan to be used to cover multiple offshore facilities; thus allowing operators to reduce the cost of spill response compliance without sacrificing environmental protection. The final rule also permits the use of the National Response Team's Integrated Contingency Plan Guidance when preparing a plan for MMS review. This guidance allows facility owners to consolidate multiple plans required by various agencies into one functional response plan, thereby minimizing duplication.

(t) Changes in Military Warning Areas. Military Warning Areas are established in the Flight Information Publication "Area Planning - Special Use Airspace - North and South America" (NIMA reference number PLANXAP1A). This document is published by the National Imagery and Mapping Agency, 3200 South Second Street, St. Louis, Missouri 63118-3399. The most recent version of this document was published on July 17, 1997; the next issue is expected to be published on June 18, 1998, and it will be reissued from time to time in the future.

Two new Warning Areas, W-147 and W-59, were established in the Central Gulf of Mexico by the July 17, 1997, issue of the above mentioned document. The Military Areas Stipulation (Stipulation No. 3 in the document "Lease Stipulations for Oil and Gas Lease Sale 169" included in the Sale Notice Package) will be applied to leases in these two new areas in addition to blocks in those Warning Areas which have had the stipulation in past sales.

Certain restrictions on flights and radio communications in the Warning Areas will require close coordination between lessees (and their operators and agents) and the appropriate military commander using the specific Warning Area. It is the responsibility of lessees to establish and maintain contact and coordination with the military commander(s) in any Warning Area in which operations or flights would be expected in the course of occupying and developing any leases; this could include flights

through a Warning Area traveling to a leased block which is not in a Warning Area.

Lessees should establish and maintain contact and coordination with the appropriate military commander(s) whether or not there is a military stipulation in their lease(s).

The FAA contact for administrative questions about the warning areas is:

Federal Aviation Administration
Houston Air Route Traffic Control (ARTC) Center
16600 John F. Kennedy Boulevard
Houston, Texas 77032
Telephone: (281) 230-5536/5630

Maps of the Central and Western Gulf showing the Warning Areas and lease blocks are available from the MMS Gulf of Mexico Regional Office Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394; or call (504) 736-2519 or (800) 200-GULF.

(u) Unleased Blocks Offshore Baldwin County, Alabama. The State of Alabama continues to express concern regarding the placement of structures south and within 15 miles of Baldwin County, Alabama. Mobile Area blocks 826 and 829, which were deferred from Central Gulf Sale 166 (March 1997), are offered in this sale subject to a stipulation to mitigate possible visual impacts from fixed structures on these blocks. This stipulation was developed in consultation with the State of Alabama; the MMS will consult with the State of Alabama prior to approving a Development Operations Coordination Document (DOCD) in these blocks. The other four unleased blocks in the area of concern (Mobile Area Blocks 957, 958, and 1001, and Viosca Knoll Area Block 34) are offered without the stipulation, but the MMS will consult with the State of Alabama after MMS review of the DOCD and before structure installation.