
Leasing Activities Information



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

Lease Stipulations Central Gulf of Mexico Oil and Gas Lease Sale 194 (Final Notice of Sale)

One or more of eight lease stipulations will be applied to leases resulting from this lease sale on blocks shown on the map “Stipulations and Deferred Blocks, Lease Sale 194” included in the Final Notice of Sale 194 Package (FNOS 194 Package). These lease stipulations are:

- Stipulation No. 1 - Topographic Features
- Stipulation No. 2 - Live Bottoms
- Stipulation No. 3 - Military Areas
- Stipulation No. 4 - Blocks South of Baldwin County, Alabama
- Stipulation No. 5 - Law of the Sea Convention Royalty Payment
- Stipulation No. 6 - Protected Species
- Stipulation No. 7 - Limitation on Use of Seabed and Water Column in the
Vicinity of an Approved Offshore Liquefied Natural Gas
(LNG) Deepwater Port Receiving Terminal
- Stipulation No. 8 - Below Seabed Operations on Mississippi Canyon Block 920

Stipulation No. 1 - Topographic Features

(This stipulation will be included only in leases resulting from this lease sale on blocks within the areas so indicated in the Biological Stipulation Map Package for the Central Gulf of Mexico which is available from the MMS Gulf of Mexico Regional Office Public Information Unit. Please see the FNOS 194 Package for the address and telephone numbers.)

The banks that cause this stipulation to be applied to blocks of the Central Gulf are:

<u>Bank Name</u>	No Activity Zone Defined by <u>Isobath (meters)</u>
McGrail Bank	85
Bouma Bank	85
Rezak Bank	85
Sidner Bank	85
Rankin Bank	85
Sackett Bank[2]	85
Ewing Bank	85
Diaphus Bank[2]	85
Parker Bank	85
Jakkula Bank	85
Sweet Bank[1]	85
Bright Bank	85
Geyer Bank[3]	85
MacNeil Bank[3]	82
Alderdice Bank	80
Fishnet Bank[2]	76
29 Fathom Bank	64
Sonnier Bank	55

[1] Only paragraph A of the stipulation applies.

[2] Only paragraphs A and B apply.

[3] Western Gulf of Mexico bank with a portion of its “3-Mile Zone” in the Central Gulf of Mexico.

A. No activity including structures, drilling rigs, pipelines, or anchoring will be allowed within the listed isobath (“No Activity Zone” as shown in the aforementioned Biological Stipulation Map Package) of the banks as listed above.

B. Operations within the area shown as “1,000-Meter Zone” in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom.

C. Operations within the area shown as “1-Mile Zone” in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom. (Where there is a “1-Mile Zone” designated, the “1,000-Meter Zone” in paragraph B. is not designated.)

D. Operations within the area shown as “3-Mile Zone” in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids from development operations to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom.

Stipulation No. 2 - Live Bottoms

(This stipulation will be included only in leases resulting from this lease sale as shown on the map "Stipulations and Deferred Blocks, Lease Sale 194" included in the FNOS 194 Package.)

For the purpose of this stipulation, "live bottom areas" are defined as seagrass communities; or those areas which contain biological assemblages consisting of such sessile invertebrates as sea fans, sea whips, hydroids, anemones, ascidians, sponges, bryozoans, or corals living upon and attached to naturally occurring hard or rocky formations with rough, broken, or smooth topography; or areas whose lithotope favors the accumulation of turtles, fishes, and other fauna.

Prior to any drilling activities or the construction or placement of any structure for exploration or development on this lease, including, but not limited to, anchoring, well drilling, and pipeline and platform placement, the lessee will submit to the Regional Director (RD) a live bottom survey report containing a bathymetry map prepared utilizing remote sensing techniques. The bathymetry map shall be prepared for the purpose of determining the presence or absence of live bottoms which could be impacted by the proposed activity. This map shall encompass such an area of the seafloor where surface disturbing activities, including anchoring, may occur.

If it is determined that the live bottoms might be adversely impacted by the proposed activity, the RD will require the lessee to undertake any measure deemed economically, environmentally, and technically feasible to protect the pinnacle area. These measures may include, but are not limited to, the following:

- A. The relocation of operations; and
- B. The monitoring to assess the impact of the activity on the live bottoms.

Stipulation No. 3 - Military Areas

(This stipulation will be included only in leases resulting from this lease sale located within the Warning Areas and Eglin Water Test Areas 1 and 3, as shown on the map “Stipulations and Deferred Blocks, Lease Sale 194” included in the FNOS 194 Package.)

A. Hold and Save Harmless

Whether compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf (OCS), to any persons or to any property of any person or persons who are agents, employees, or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the OCS, if such injury or damage to such person or property occurs by reason of the activities of any agency of the United States Government, its contractors or subcontractors, or any of its officers, agents or employees, being conducted as a part of, or in connection with, the programs and activities of the command headquarters listed in the following table.

Notwithstanding any limitation of the lessee's liability in section 14 of the lease, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of its officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, or to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation, whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, or subcontractors, or any of its officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

B. Electromagnetic Emissions

The lessee agrees to control its own electromagnetic emissions and those of its agents, employees, invitees, independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the commander of the command headquarters listed in the following table to the degree necessary to prevent damage to, or unacceptable interference with, Department of Defense flight, testing, or operational activities, conducted within individual designated warning areas. Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, independent contractors or subcontractors, will be effected by the commander of the appropriate onshore military installation conducting operations in the particular warning area; provided, however, that control of such electromagnetic

emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors or subcontractors and onshore facilities.

C. Operational

The lessee, when operating or causing to be operated on its behalf, boat, ship, or aircraft traffic into the individual designated warning areas shall enter into an agreement with the commander of the individual command headquarters listed in the following list, upon utilizing an individual designated warning area prior to commencing such traffic. Such an agreement will provide for positive control of boats, ships, and aircraft operating into the warning areas at all times.

Warning and Water Test Areas

Command Headquarters

W-59

Naval Air Station – JRB 159 Fighter Wing
400 Russel Avenue
Building 285
New Orleans, Louisiana 70143-0027
Telephone: (504) 391-8696/8687

W-92

Naval Air Station
Air Operations Department
Air Traffic Division/Code 52
New Orleans, Louisiana 70146-5000
Telephone: (504) 393-3100/3101

W-147

147 OG/DOV
14657 Sneider Street
Houston, Texas 77034-5586
Telephone (281) 929-2716/2683

Eglin Water Test Areas 1 and 3

Air Armament Center
Attention: Robert J. Arnold
Encroachment Committee Chairman
101 West “D” Ave., Suite 222
Eglin AFB, Florida 32542-5492
Telephone: (850) 882-3614

W-155

(For Agreement and for Filing Plans)

Chief, Naval Air Training
Naval Air Station
Attn: Code N332 (ATC and Air Space
Management)
Corpus Christi, Texas 78419-5100
Telephone: (361) 961-2550/3929

W-155
(Current Operational Control)

Fleet Area Control & Surveillance
Attention: Facility (FACSFAC), Operations
Naval Air Station
Pensacola, Florida 32508
Telephone: (850) 452-4671

W-453

Air National Guard - CRTG
4715 Hews Avenue Building 1
Gulfport, Mississippi 39507-4324
Telephone: (601) 867-2432/2433

Stipulation No. 4 - Blocks South of Baldwin County, Alabama

(This stipulation will be included only in leases resulting from this lease sale on blocks south of and within 15 miles of Baldwin County, Alabama, as shown on the map "Stipulations and Deferred Blocks, Lease Sale 194" included in the FNOS 194 Package.)

In order to minimize visual impacts from development operations on this block, you will contact lessees and operators of leases in the vicinity prior to submitting a Development Operations Coordination Document (DOCD) to determine if existing or planned surface production structures can be shared. If feasible, your DOCD should reflect the results of any resulting sharing agreement, propose the use of subsea technologies, or propose another development scenario that does not involve new surface structures.

If you cannot formulate a feasible development scenario that does not call for new surface structure(s), your DOCD should ensure that they are the minimum necessary for the proper development of the block and that they will be constructed and placed, using orientation, camouflage, or other design measures, to limit their visibility from shore.

The MMS will review and make decisions on your DOCD in accordance with applicable Federal regulations and MMS policies, and in consultation with the State of Alabama (Geological Survey/Oil and Gas Board).

Stipulation No. 5 - Law of the Sea Convention Royalty Payment

(This stipulation will be included only in leases resulting from this lease sale beyond the United States (U.S.) Exclusive Economic Zone (EEZ) in the area formerly known as the Western Gap, as shown on the map "Stipulations and Deferred Blocks, Lease Sale 194" included in the FNOS 194 Package.)

If the U.S. becomes a party to the 1982 Law of the Sea Convention (Convention) prior to or during the life of a lease issued by the U.S. on a block or portion of a block located beyond the U.S. EEZ and subject to such conditions that the Senate may impose through its constitutional role of advice and consent, then the following royalty payment lease provisions will apply to the lease so issued, consistent with Article 82 of the Convention:

1. The Convention requires payments annually by coastal States party to the Convention with respect to all production at a site after the first five years of production at that site. Any such payments will be made by the U.S. government and not the lessee.

2. For the purpose of this stipulation regarding payments by the lessee to the U.S., a site is defined as an individual lease whether or not the lease is located in a unit.

3. For the purpose of this stipulation, the first production year begins on the first day of commercial production (excluding test production). Once a production year begins it shall run for a period of 365 days whether or not the lease produces continuously in commercial quantities. Subsequent production years shall begin on the anniversary date of first production.

4. If total lease production during the first five years following first production exceeds the total royalty suspension volume(s) provided in the lease terms, or through application and approval of relief from royalties, the following provisions of this stipulation will not apply. If after the first five years of production but prior to termination of this lease, production exceeds the total royalty suspension volume(s) provided in the lease terms, or through application and approval of relief from royalties, the following provisions of this stipulation will no longer apply effective the day after the suspension volumes have been produced.

5. If, in any production year after the first five years of lease production, due to lease royalty suspension provisions or through application and approval of relief from royalties, no lease production royalty is due or payable by the lessee to the U.S., then the lessee will be required to pay, as stipulated in paragraph 9 below, Convention-related royalty in the following amount so that the required Convention payments may be made by the U. S. government as provided under the Convention:

A. In the sixth year of production, one percent of the value of the sixth year's lease production saved, removed, or sold from the leased area;

B. After the sixth year of production, the Convention-related royalty payment rate shall increase by one percent for each subsequent year until the twelfth year and shall remain at seven percent thereafter until lease termination.

6. If the U.S. becomes a party to the Convention after the fifth year of production from the lease, and a lessee is required, as provided herein, to pay Convention-related royalty, the amount of the royalty due will be based on the above payment schedule as determined from first production. For example, U.S. accession to the Convention in the tenth year of lease production would result in a Convention-related royalty payment of five percent of the value of the tenth year's lease production, saved, removed, or sold from the lease. The following year, a payment of six percent would be due, and so forth as stated above, up to a maximum of seven percent per year.

7. If, in any production year after the first five years of lease production, due to lease royalty suspension provisions or through application and approval of relief from royalties, lease production royalty is paid but is less than the payment provided for by the Convention, then the lessee will be required to pay to the U.S. government the Convention-related royalty in the amount of the shortfall.

8. In determining the value of production from the lease if a payment of Convention-related royalty is to be made, the provisions of the lease and applicable regulations shall apply.

9. The Convention-related royalty payment(s) required under paragraphs 5 through 7 of this stipulation, if any, shall not be paid monthly but shall be due and payable to MMS on or before 30 days after the expiration of the relevant production lease year.

10. The lessee will receive royalty credit in the amount of the Convention-related royalty payment required under paragraphs 5 through 7 of this stipulation, which will apply to royalties due under the lease for which the Convention-related royalty accrued in subsequent periods as non-Convention related royalty payments become due.

11. Any lease production for which the lessee pays no royalty other than a Convention-related requirement, due to lease royalty suspension provisions or through application and approval of relief from royalties, will count against the lease's applicable royalty suspension or relief volume.

12. The lessee will not be allowed to apply or recoup any unused Convention-related credit(s) associated with a lease that has been relinquished or terminated.

Stipulation No. 6 - Protected Species

(This stipulation will be included in all leases resulting from this lease sale.)

To reduce the potential taking of Federally protected species (e.g., sea turtles, marine mammals, Gulf sturgeon, and other listed species):

(a) The MMS will condition all permits issued to lessees and their operators to require them to collect and remove flotsam resulting from activities related to exploration, development, and production of this lease.

(b) The MMS will condition all permits issued to lessees and their operators to require them to post signs in prominent places on all vessels and platforms used as a result of activities related to exploration, development, and production of this lease detailing the reasons (legal and ecological) why release of debris must be eliminated.

(c) The MMS will require that vessel operators and crews watch for marine mammals and sea turtles, reduce vessel speed to 10 knots or less when assemblages of cetaceans are observed and maintain a distance of 90 meters or greater from whales, and a distance of 45 meters or greater from small cetaceans and sea turtles.

(d) The MMS will require that all seismic surveys employ mandatory mitigation measures including the use of a 500-meter “exclusion zone” based upon the appropriate water depth, ramp-up and shut-down procedures, visual monitoring and reporting. Seismic operations must immediately cease when certain marine mammals are detected within the 500-meter exclusion zone. Ramp-up procedures and seismic surveys may be initiated only during daylight unless alternate monitoring methods approved by MMS are used.

(e) The MMS will require lessees and operators to instruct offshore personnel to immediately report all sightings and locations of injured or dead protected species (marine mammals and sea turtles) to the appropriate stranding network. If oil and gas industry activity is responsible for the injured or dead animals (e.g. because of a vessel strike), the responsible parties should remain available to assist the stranding network. If the injury or death was caused by a collision with your vessel, you must notify MMS within 24 hours of the strike.

(f) The MMS will require oil spill contingency planning to identify important habitats, including designated critical habitat, used by listed species (e.g. sea turtle nesting beaches, piping plover critical habitat), and require the strategic placement of spill cleanup equipment to be used only by personnel trained in less-intrusive cleanup techniques on beach and bay shores.

Lessees and operators will be instructed how to implement these mitigation measures in Notices To Lessees.

Stipulation No. 7 - Limitation on Use of Seabed and Water Column in the Vicinity of an Approved Offshore Liquefied Natural Gas (LNG) Deepwater Port Receiving Terminal

(This stipulation will be included in any lease resulting from this lease sale on Vermilion Area, Blocks 139 and/or 140.)

(a) In accordance with federal deepwater port regulations at 33 C.F.R. Subchapter NN, the U.S. Department of Transportation's Maritime Administration has approved the application for the licensing of the Port Pelican deepwater port project, which is planned to include a liquefied natural gas (LNG) receiving facility located wholly within Vermilion Area, Block 140. The U.S. Coast Guard may establish an enforceable safety zone around a deepwater port that would extend 500 meters from the outermost points of the proposed LNG receiving facility. Lessee(s) agrees that all oil and gas exploration and development activities on or above the seabed, as well as other non-LNG related activities, are not allowed within the safety zone after facility construction has commenced.

(b) Since the exact location and footprint of the proposed LNG receiving facility will not have been determined at the time this oil and gas lease is issued, the lease is subject to an 800-meter oil and gas exclusion area for the seabed and water column surrounding the center point of the proposed Port Pelican facility, i.e., within a circle extending 800 meters from the point at latitude north 29 degrees, 01.3 minutes; longitude west 92 degrees, 32.0 minutes (see attached map). Prior to commencement of LNG port construction activities, MMS may permit, in consultation with the U.S. Coast Guard, oil and gas related activities within the 800-meter zone as long as the activities (exploration drilling, seismic surveys, or subsea completions that don't/won't interfere with the LNG port facility) are commenced and completed before construction of the Port Pelican LNG facility begins. However, after commencement of facility construction, exploration and development drilling must take place from outside the 800-meter zone using directional drilling or other techniques. This 800-meter restriction area includes portions of Vermilion Area, Blocks 139 and 140, and this restriction will apply therein until final emplacement of the Port Pelican LNG facility, or until withdrawal/cancellation of the project. After emplacement, consistent with Coast Guard authority, the final restriction area will be reduced to 500 meters surrounding the outermost points of the emplaced facility and restrictions will apply as previously noted in paragraph (a) herein.

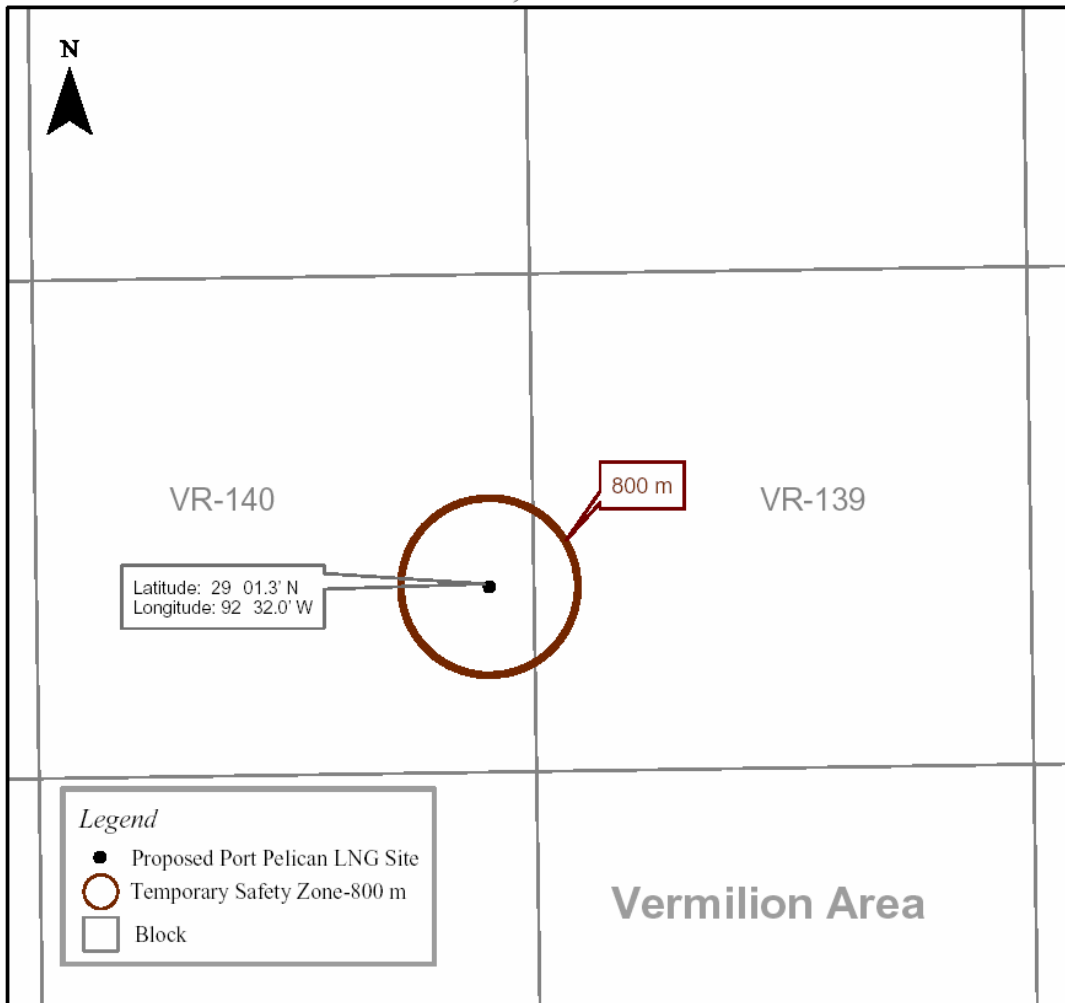
(c) For additional information and coordination, contact:

Commandant, U.S. Coast Guard (G-MSO-5)
2100 Second Street, SW
Washington, DC 20593-0001

(d) For information regarding the Port Pelican application and its supporting information, use the Department of Transportation's Docket Management System (DMS) found at <http://dms.dot.gov>. The DMS number for the Port Pelican project is USCG-2002-14134.

UNITED STATES DEPARTMENT OF INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION
Blocks with LNG Stipulation

VERMILION AREA, BLOCKS 139 AND 140



CGOM OCS Lease Sale 194
16-March-2005

Stipulation No. 8 - Below Seabed Operations on Mississippi Canyon Block 920

(This stipulation will be included only in a lease resulting from this sale on Mississippi Canyon Block 920.)

The lessee agrees that no activity including, but not limited to, construction and use of structures, operation of drilling rigs, laying of pipelines, and/or anchoring will occur or be located on the seabed or in the water column above or within any portion of this lease. All activities on the seabed surface or within the water column that are part of exploration, development, and production activities or operations for Mississippi Canyon Block 920 must take place from outside the lease by the use of directional drilling or other techniques.