
Leasing Activities Information



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

Information To Lessees Western Gulf Of Mexico Sale 204

(Final Notice of Sale)

This document contains Information to Lessees (ITL) paragraphs designed to inform potential bidders of notable applicable requirements of Federal agencies other than the U.S. Minerals Management Service (MMS) as well as emerging MMS requirements that may apply to this sale.

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(a) 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.

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 Commander Scott Paradis, Sector New Orleans, 1615 Poydras Street, Suite 700, New Orleans, Louisiana 70112, (504) 589-4201 or Lieutenant Commander Rob Keister at (504) 589-4200. For COE information, prospective bidders should contact Mr. Don Nanninga, Chief Evaluation Section, Regulatory Branch, Post Office Box 1229, Galveston, Texas 77553, (409) 766-3938.

(b) 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, concerning the design, installation, operations, inspection, and maintenance of offshore pipelines. See also 30 CFR 250.1000(c)(1). Bidders should consult both Departments for regulations applicable to offshore pipelines; at the MMS Gulf of Mexico Regional Office, the appropriate contact is Mr. Alex Alvarado at (504) 736-2547; at DOT, contact Mr. Rodrick M. Seeley, Regional Director, Office of Pipeline Safety, Southwest Region, 8701 Gessner, Suite 1110, Houston, Texas 77004, (713) 272-2859. Copies of the MOU are available from the MMS Internet site and the MMS Gulf of Mexico Region Office Public Information Unit at the address at the end of this document.

(c) Ordnance Disposal Areas. Bidders are cautioned as to the existence of two inactive ordnance disposal areas in the Corpus Christi and East Breaks areas, shown on the "Stipulations and Deferred Blocks" map included in the Sale Notice Package. These areas were used to dispose of ordnance of unknown composition and quantity. These areas have not been used since about 1970. Water depths in the Corpus Christi area range from approximately 600 to 900 meters. Water depths in the East Breaks area range from approximately 300 to 700 meters. Bottom

sediments in both areas are generally soft, consisting of silty clays. Exploration and development activities in these areas require precautions commensurate with the potential hazards.

(d) 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/Rigs-to-Reefs program is implemented through State sponsorship through the following State Coordinators:

<u>Alabama</u>	Mr. Steve Heath	(251) 968-7576
<u>Florida</u>	Mr. Jon Dodrill	(850) 488-6058
<u>Louisiana</u>	Ms. Karen Foote	(225) 765-2384
<u>Mississippi</u>	Mr. Mike Buchanan	(228) 374-5000
<u>Texas</u>	Mr. Dale Shively	(512) 389-4686

For more information on Artificial Reef/Rigs-to-Reefs sites, prospective bidders should contact the above-listed State Artificial Reef Coordinators for their areas of interest.

(e) Lightering Zones. Bidders are advised that the U.S. Coast Guard has designated certain areas of the Gulf of Mexico 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. See 33 CFR 156.300 for the regulations concerning lightering zones; additional information may be obtained from Lieutenant Commander Kevin Ullrich of the Coast Guard's Ports and Facilities Compliance Staff (G-MOC-3) at (202) 372-1232.

(f) Information about Indicated Hydrocarbons. Bidders are advised that MMS makes available, approximately 3 months prior to a lease sale, a list of unleased tracts having well bores with indicated hydrocarbons, which includes Eastern Gulf data as well as Central and Western Gulf data. 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 at the address at the end of this document.

(g) Military Areas. Military Warning Areas are established in the DoD Flight Information Publication "Area Planning - Special Use Airspace - North and South America" published by the National Geospatial-Intelligence Agency (formerly the National Imagery and Mapping Agency), 3200 South Second Street, St. Louis, Missouri 63118-3399; NIMA reference number PLANXAP1A. This document is updated every 60 days and may be downloaded from the NIMA website at: <https://164.214.2.62/products/digitalaero/index.cfm> [Select "Planning/Enroute Sups" on left menu, scroll down to "Planning Document" and click on AP1A] The NIMA home page may be found at: www.nima.mil.

The Military Areas Stipulation (Stipulation No. 2 in the document "Lease Stipulations" included in the Sale Notice Package) will be applied to leases in any new areas that may be established by that publication 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 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) 230-5560/5520

For additional information, including a map of the Military Warning and Water Test Areas, see Notice to Lessees 2004-G02, available from the MMS Gulf of Mexico Region Office Public Information Unit at the address at the end of this document and

from the MMS Internet site at:

www.gomr.mms.gov/homepg/regulate/regs/ntls/ntl04-g02.html

(h) Lease Stipulation for Protected Species (Sea Turtles, Marine Mammals, Gulf Sturgeon, Brown Pelican, Whooping Cranes, and Other Federally Protected Species). Bidders are advised that, pursuant to requirements of section 7 of the Endangered Species Act, the MMS has completed formal consultations with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS). The Biological Opinions issued by NMFS and FWS specify measures to minimize or avoid potential adverse impacts to protected species. In accordance with these opinions, the MMS has included terms and conditions as appropriate in the Protected Species Stipulation (Stipulation No. 5), and in several Notices to Lessees (NTLs). Bidders should also note that NMFS included in its opinion a conservation recommendation that permit holders maintain helicopter traffic over the Gulf at altitudes above 1,000 feet if practicable, to avoid disturbance to whales and sea turtles. The FWS has recommended in its opinion that, to avoid disturbance of brown pelican nesting activities, aircraft working on OCS activities should avoid flying lower than 1,000 feet above ground level or within a 2,000 foot perimeter around an island containing a nesting colony.

Three NTLs are currently in force to implement these measures.

NTL No. 2007-G02, entitled "Implementation of Seismic Survey Mitigation Measures and Protected Species Observer Program," is effective February 7, 2007. The NTL, issued pursuant to 30 CFR 250.103, explains how to implement seismic survey mitigation measures. This NTL supersedes and replaces NTL No. 2004-G01, and applies to all seismic operations throughout the Gulf of Mexico OCS in waters greater than 200 m (656 ft) in depth, and in all water depths in the Eastern Planning Area of the Gulf of Mexico. These measures apply to all on-lease seismic surveys conducted under 30 CFR 250.201 and all off-lease seismic surveys conducted under 30 CFR 251. NTL No. 2007-G02 may be obtained from our Public Information Unit at the address at the end of this document or online at:

www.gomr.mms.gov/homepg/regulate/regs/ntls/ntl07-g02.html

NTL No. 2007-G03, entitled "Marine Trash and Debris Awareness and Elimination" became effective on February 7, 2007, and is issued pursuant to 30 CFR 250.103. This NTL supersedes NTL No. 2003-G11 on this subject. The NTL provides guidance to prevent intentional and/or accidental introduction of debris into the marine environment. This NTL applies to all existing and future oil and gas operations in the Gulf of Mexico OCS. The NTL provides information on the marine trash debris awareness training video and slide show, and both postal and e-mail addresses for submitting annual training reports. This NTL may be obtained from our Public Information Unit at the address at the end of this document or online at:
www.gomr.mms.gov/homepg/regulate/regs/ntls/ntl07-g03.html

NTL No. 2007-G04, entitled "Vessel Strike Avoidance and Injured/Dead Protected Species Reporting", became effective on February 7, 2007, is issued pursuant to 30 CFR 250.103, 30 CFR 250.203(o) and 30 CFR 250.204(s) to explain how to implement measures to minimize the risk of vessel strikes to protected species and report observations of injured or dead protected species. This NTL supersedes NTL 2003-G11 on this subject and revises the protected species reporting procedures and contact information. This NTL applies to all existing and future oil and gas operations in the Gulf of Mexico OCS. This NTL may be obtained from our Public Information Unit at the address at the end of this document or online at:
www.gomr.mms.gov/homepg/regulate/regs/ntls/ntl07-g04.html

(i) Safety Zones for Certain Production Facilities.
Bidders are advised to review the U.S. Coast Guard regulations at 33 CFR, Chapter I, Part 147 - Safety Zones. These regulations established a 500 meter (1,640.4 feet) safety zone around several oil and gas production facilities on the Gulf of Mexico OCS, measured from each point on its outer edge or from its construction site, not to interfere with the use of recognized sea lanes essential to navigation. These facilities and their locations are specifically identified at 33 CFR, Chapter I, Parts 147.801 through 147.843.

These regulations prevent all vessels from entering or remaining in the safety zones except for: An attending vessel; a vessel under 100 feet in length overall not engaged in towing; or a vessel authorized by the Eighth Coast Guard District Commander.

(j) MMS Inspection and Enforcement of Certain Coast Guard Regulations. Bidders are advised to review the U.S. Coast Guard regulations at 33 CFR, Chapter I, Part 140, Subpart B - Inspections. These regulations authorize the Minerals Management Service to perform inspections on fixed Outer Continental Shelf (OCS) facilities engaged in OCS activities and to enforce Coast Guard regulations applicable to those facilities in accordance with 33 CFR, Chapter I, Subchapter N. Specific questions regarding this authorization may be directed to the U.S. Coast Guard's Eighth District, Marine Safety Office, 1615 Poydras Street, New Orleans, Louisiana 70112.

(k) Debarment and Suspension (Nonprocurement). Bidders are advised that in accordance with regulations at 43 CFR, part 42, subpart C, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agrees to communicate this requirement to comply with these regulations to persons with whom the lessee does business as it relates to this lease by including this term as a condition to enter into their contracts and other transactions. This agreement will be evidenced by language prepared by MMS through an Addendum included in each lease resulting from this lease sale.

(l) Extension of 5-Year Initial Lease Term. Bidders are advised that a 5-year initial term for a lease issued from this sale may be extended to 8 years if a well targeting hydrocarbons below 25,000 feet true vertical depth subsea (TVD SS) is spudded within the initial 5-year term. The 3-year extension may be granted in cases where the well is drilled to a target below 25,000 feet TVD SS and also in cases where the well does not reach a depth below 25,000 feet TVD SS due to mechanical or safety reasons. Also, rentals would escalate in the 6th year, and could escalate in the 7th and 8th year.

(m) New Administrative Planning Area Boundary Lines. Bidders are advised that the Western Gulf of Mexico Planning Area boundaries have been reconfigured. These boundary changes were first announced in the Draft Proposed Oil and Gas Leasing Program for 2007-2012 (February 2006) which may be viewed at the following MMS website: www.mms.gov/5-year.

It should be noted that the MMS published new official leasing maps and protraction diagrams with the newly-defined administrative planning area boundaries implemented in this sale.

(n) Deepwater Royalty Rate Increase. Bidders are advised of the royalty rate increase from 12 1/2 percent to 16 2/3 percent for new deep water federal oil and gas leases offshore in the Gulf of Mexico. The Secretary of the Interior announced this change on January 9, 2007. More information regarding this royalty rate increase is available at www.mms.gov.

(o) Deepwater Royalty Suspension Price Threshold Changes. Bidders are advised that the oil and gas price thresholds have been changed to \$35.75/bbl for oil and \$4.47/mmbtu for natural gas, expressed in 2006 dollars. These thresholds are consistent with those set under the Deepwater Royalty Relief Act at \$28/bbl and \$3.50/mmbtu expressed in 1994 dollars.

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