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# ***Leasing Activities Information***

**BOEM** U.S. Department of the Interior  
Bureau of Ocean Energy Management  
Gulf of Mexico OCS Region

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**Lease Stipulations  
Western Planning Area (WPA)  
Oil and Gas Lease Sale 229  
Final Notice of Sale**

One or more of five lease stipulations will be applied to leases resulting from this lease sale on blocks shown on the map “Final, Western Planning Area, Lease Sale 229, November 2012, Stipulations and Deferred Blocks” included in the Final Notice of Sale (NOS) 229 Package. In addition, the “List of Blocks Available for Leasing” contained in the Final NOS 229 Package will identify for each block listed the lease stipulations applicable to that block. These lease stipulations are:

- Stipulation No. 1 – Topographic Features
- Stipulation No. 2 – Military Areas
- Stipulation No. 3 – Law of the Sea Convention Royalty Payment
- Stipulation No. 4 – Protected Species
- Stipulation No. 5 – Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico

(Stipulation No. 1 together with the appropriate Topographic Features Stipulation Map will be included only in leases resulting from this lease sale on blocks within the areas so indicated in the Western and Central Gulf of Mexico Topographic Features Stipulation Map Package, which is available from Bureau of Ocean Energy Management (BOEM) Gulf of Mexico (GOM) Region Public Information Office and on the BOEM website at [http://www.boem.gov/uploadedFiles/topo\\_features\\_package.pdf](http://www.boem.gov/uploadedFiles/topo_features_package.pdf).

As referenced in paragraphs A, B, C, and D of this stipulation, a Topographic Features Stipulation Map will be attached to each lease instrument subject to this stipulation.)

**Stipulation No. 1 – Topographic Features**

The stipulation provides for protection of the following banks in the Western Planning Area (WPA):

<u>Bank Name</u>	No Activity Zone Defined by <u>Isobath (meters)</u>
<u>Shelf Edge Banks</u>	
West Flower Garden Bank	100 (defined by 1/4 x 1/4 x 1/4 system)
East Flower Garden Bank	100 (defined by 1/4 x 1/4 x 1/4 system)
MacNeil Bank	82
29 Fathom Bank	64
Rankin Bank	85
Bright Bank[1]	85
Stetson Bank	52
Appelbaum Bank	85
<u>Low Relief Banks[2]</u>	
Mysterious Bank	74, 76, 78, 80, 84
Coffee Lump	Various
Blackfish Ridge	70
Big Dunn Bar	65
Small Dunn Bar	65
32 Fathom Bank	52
Claypile Bank[3]	50
<u>South Texas Banks[4]</u>	
Dream Bank	78, 82
Southern Bank	80
Hospital Bank	70

North Hospital Bank	68
Aransas Bank	70
South Baker Bank	70
Baker Bank	70

- [1] Central Planning Area (CPA) bank in the Gulf of Mexico (GOM) with a portion of its “1-Mile Zone” and/or “3-Mile Zone” in the WPA.
- [2] Low Relief Banks–Only paragraph A applies.
- [3] Claypile Bank–Paragraphs A and B apply. In paragraph B, monitoring of the effluent to determine the effect on the biota of Claypile Bank shall be required rather than shunting.
- [4] South Texas Banks–Only paragraphs A and B apply.

The lessee and its operators, personnel, and subcontractors are responsible for carrying out the specific mitigation measures outlined in the most current Notices to Lessees, which provide guidance on how to follow the requirements of this stipulation.

A. No activity, including structures, drilling rigs, pipelines, or anchoring will be allowed within the listed isobath (“No Activity Zone”) of the banks listed above. See “Topographic Features Stipulation Map” and the figures in the “Western and Central Gulf of Mexico Topographic Features Stipulation Map Package” at BOEM’s website [http://www.boem.gov/uploadedFiles/topo\\_features\\_package.pdf](http://www.boem.gov/uploadedFiles/topo_features_package.pdf).

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

C. Operations within the area shown as “1-Mile Zone” on the attached Topographic Features Stipulation Map shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a structurally sound downpipe that terminates at 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. This restriction on operations also applies to areas surrounding the Flower Garden Banks, namely the “4-Mile Zone” surrounding the East Flower Garden Bank and the West Flower Garden Bank.

D. Operations within the area shown as “3-Mile Zone” on the attached Topographic Features Stipulation Map shall be restricted by shunting all drill cuttings and drilling fluids from development operations to the bottom through a structurally sound downpipe that terminates at an appropriate distance, but no more than 10 meters, from the bottom. If more than two wells are to be drilled from the same surface location that are for purposes other than development operations, all drill cuttings and drilling fluids shall be restricted by shunting to the bottom through a downpipe that terminates at an appropriate distance, but no more than 10 meters, from the bottom.

(Stipulation No. 2 will be included in leases located within the Warning Areas as shown on the map “Final, Western Planning Area, Lease Sale 229, November 2012, Stipulations and Deferred Blocks” included in the Final NOS 229 Package.)

## **Stipulation No. 2 – Military Areas**

### **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 that occur in, on, or above the Outer Continental Shelf (OCS), and 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 (U.S.) 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 U.S. Government, its contractors or subcontractors, or any of its officers, agents, or employees. The lessee further agrees to indemnify and save harmless the U.S. Government against all claims for loss, damage, or injury sustained by the lessee, or to indemnify and save harmless the U.S. Government 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 U.S. Government, 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 affected 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, a boat, ship, or aircraft traffic in 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 Russell Avenue, Box 27  
Building 285 (Operations)  
New Orleans, Louisiana 70143-0027  
Telephone: (504) 391-8695

W-147

147 OSS/OSA  
14657 Sneider Street  
Houston, Texas 77034-5586  
Telephone: (281) 929-2142

W-228

Chief, Naval Air Training  
Attention: Code N386  
(ATC and Space Management)  
Naval Air Station  
Corpus Christi, Texas 78419-5100  
Telephone: (361) 961-2550

W-602

VQ-4  
Operations Department  
7791 Mercury Road  
Tinker AFB, Oklahoma 73145-8704  
Telephone: (405) 739-5700/5702

(Stipulation No. 3 will be included only in leases resulting from this lease sale beyond the U.S. Exclusive Economic Zone (EEZ) in the area formerly known as the Western Gap, as shown on the map “Final, Western Planning Area, Lease Sale 229, November 2012, Stipulations and Deferred Blocks” included in the Final NOS 229 Package.)

### **Stipulation No. 3 – Law of the Sea Convention Royalty Payment**

If the United States becomes a party to the 1982 Law of the Sea Convention (Convention) prior to or during the life of a lease issued by the United States on a block or portion of a block located beyond the U.S. Exclusive Economic Zone (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:

- A. 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.
- B. For the purpose of this stipulation regarding payments by the lessee to the United States, each lease constitutes a separate site, whether or not a lease is committed to a unit.
- C. 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.
- D. 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 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 provisions of this stipulation will no longer apply effective the day after the suspension volumes have been produced.
- E. 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 United States, then the lessee will be required to pay, as stipulated in paragraph I 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.

F. If the United States 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, the U.S. Government 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.

G. 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.

H. 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.

I. The Convention-related royalty payment(s) required under paragraphs E through G of this stipulation, if any, shall not be paid monthly but shall be due and payable to the Office of Natural Resources Revenue on or before 30 days after the expiration of the relevant production lease year.

J. The lessee will receive royalty credit in the amount of the Convention-related royalty payment required under paragraphs E through G 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.

K. 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.

L. 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. 4 will be included in all leases resulting from this lease sale.)

#### **Stipulation No. 4 – Protected Species**

A. The Federal Endangered Species Act (16 U.S.C. §§ 1531-1544) and the Marine Mammal Protection Act (MMPA; 16 U.S.C. §§ 1361-1423h) are designed to protect threatened and endangered species and marine mammals and apply to activities on the Outer Continental Shelf (OCS). The Outer Continental Shelf Lands Act (OCSLA; 43 U.S.C. §§ 1331-1356a) provides that the OCS should be made available for expeditious and orderly development subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs (See 43 U.S.C. § 1332.). BOEM and the Bureau of Safety and Environmental Enforcement (BSEE) comply with these laws on the OCS.

B. The lessee and its operators must:

- (a) collect and remove flotsam resulting from activities related to exploration, development, and production of this lease;
- (b) 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) observe for marine mammals and sea turtles while on vessels, 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) employ mitigation measures prescribed by BOEM/BSEE or the National Marine Fisheries Service (NMFS) for all seismic surveys, including the use of an “exclusion zone” based upon the appropriate water depth, ramp-up and shutdown procedures, visual monitoring, and reporting;
- (e) identify important habitats, including designated critical habitat, used by listed species (e.g., sea turtle nesting beaches, piping plover critical habitat), in oil spill contingency planning and require the strategic placement of spill cleanup equipment to be used only by personnel trained in less-intrusive cleanup techniques on beaches and bay shores; and
- (f) immediately report all sightings and locations of injured or dead protected species (e.g., marine mammals and sea turtles) to the appropriate stranding network. If oil and gas industry activity is responsible for the injured or dead animal (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 the lessee’s vessel, the lessee must notify BOEM within 24 hours of the strike.



C. BOEM and BSEE issue Notices to Lessees (NTLs), which more fully describe measures implemented in support of the above-mentioned implementing statutes and regulations, as well as measures identified by the U.S. Fish and Wildlife Service and NMFS arising from, among others, conservation recommendations, rulemakings pursuant to the MMPA, or consultation. The lessee and its operators, personnel, and subcontractors, while undertaking activities authorized under this lease, must implement and comply with the specific mitigation measures outlined in NTL No. 2012-JOINT-G01 (Vessel Strike Avoidance and Injured/Dead Protected Species Reporting), NTL No. 2012-JOINT-G02 (Implementation of Seismic Survey Mitigation Measures and Protected Species Observer Program), and NTL No. 2012-BSEE-G01 (Marine Trash and Debris Awareness and Elimination). At the lessee's option, the lessee, its operators, personnel, and contractors may comply with the most current measures to protect species in place at the time an activity is undertaken under this lease, including but not limited to new or updated versions of the NTLs identified in this paragraph. The lessee and its operators, personnel, and subcontractors will be required to comply with the mitigation measures, identified in the above referenced NTLs, and additional measures in the conditions of approvals for their plans or permits.

(Stipulation No. 5 will be included only in leases resulting from this lease sale that are located or partially located within three statute miles of the maritime or continental shelf boundary with Mexico, further defined in “Boundary Area” below and as shown on the map “Final, Western Planning Area Lease Sale 229, November 2012, Stipulation and Deferred Blocks Map” included in the Final NOS 229 Package.)

**Stipulation No. 5 – Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico**

If the “Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico” (Agreement) signed on February 20, 2012, enters into force prior to or during the life of a lease issued by the United States on a block located within the “Boundary Area” defined below, the United States will take necessary and appropriate action to uphold and abide by the provisions of the Agreement.

This Agreement makes it possible for U.S. lessees to enter into voluntary agreements with a licensee of the United Mexican States (e.g., Petroleos Mexicanos (PEMEX)) to develop transboundary reservoirs. Lessees in the Boundary Area may be subject to certain provisions of the Agreement:

- A. In the event that the U.S. is obligated under the Agreement to provide confidential information to a third-party or the Government of Mexico, lessees holding such information will be required to provide it to the lessor;
- B. In the event that the U.S. is obligated under the Agreement to prohibit commencement of production on a lease in the Boundary Area, the lessee will be required to suspend production; and
- C. In the event that the U.S. is obligated under the Agreement to seek development of a transboundary reservoir under a unitization agreement, the lessee will be required to cooperate and explore the feasibility of such development with a licensee of the United Mexican States.

Lessees seeking to jointly explore or develop a transboundary reservoir with a licensee of the United Mexican States will be required to submit to the lessor a number of documents including, but not limited to, a unit operating agreement which designates the unit operator for the transboundary unit, provides for dispute resolution consistent with the Agreement, and provides for the allocation of production and any redetermination of the allocation of production.

The Lessee, and its operators, personnel, and subcontractors may be required to comply with these and other additional measures necessary to implement the purpose and provisions of the Agreement in conditions of approvals for their plans and permits for activities related to any transboundary reservoir subject to the Agreement.

The term “Boundary Area” means an area comprised of any and all blocks in the Western and Central Planning Areas, that are located wholly or partially within three statute miles of the maritime or continental shelf boundary with Mexico, as the maritime boundary is delimited in the Treaty to Resolve Pending Boundary Differences and Maintain the Rio Grande and Colorado River as the International Boundary, signed November 24, 1970; the Treaty on Maritime Boundaries

between the United Mexican States and the United States of America, signed on May 4, 1978; and, as the continental shelf in the Western Gulf of Mexico beyond 200 nautical miles is delimited in the Treaty between the Government of the United Mexican States and the Government of the United States of America, signed on June 9, 2000.

A copy of the Agreement can be found on the BOEM website at <http://www.boem.gov/BOEM-Newsroom/Library/Boundaries-Mexico.aspx>.