
Leasing Activities Information



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

Information To Lessees Central Gulf Of Mexico Lease Sale 198 (Proposed 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 the U.S. Coast Guard regulations at 33 CFR Part 150, including Appendix A, regarding Deepwater Port Safety Zone Boundaries, and Annex A regarding the Louisiana Offshore Oil Port (LOOP) Safety Zones.

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 Lieutenant Commander Jimmy Duckworth, Assistant Chief for Port Operations, Eighth Coast Guard District, Marine Safety Office, 1615 Poydras Street, New Orleans, Louisiana 70112, (504) 589-4258. 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.

(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 Region 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 South 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 Mississippi Canyon area, shown on the map "Stipulations and Deferred Blocks, Lease Sale 198" included in the Sale Notice Package. 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.

(d) Communications Towers. The 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 Ms. Jane Johnson, GOMR, (504) 736-2811.

(e) 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>	Mr. Rick Kasprzak	(225) 765-2375
<u>Mississippi</u>	Mr. Mike Buchanan	(228) 374-5000
<u>Texas</u>	Mr. Douglas Peter	(281) 534-0112

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.

(f) 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) 267-0499.

(g) Information about Indicated Hydrocarbons. Bidders are advised that the 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 Office Public Information Unit at the address at the end of this document.

(h) 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. The most recent version of this document was published on October 27, 2005; the next issue is expected to be published on September 28, 2006. This document may be downloaded from the NIMA website:

<https://164.214.2.62/products/digitalaero/index.cfm>

[scroll down to "Planning Documents" and click on:

AP/1A]

The NIMA home page may be found at: www.nima.mil.

The Military Areas Stipulation (Stipulation No. 3 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

The stipulation also applies to the Eglin Water Test Areas (EWTAs), which are established by agreement between the U.S. Air Force (Eglin Air Force Base) and the FAA. A small portion of the extreme eastern portion of the Central Gulf is included in EWTAs 1 and 3.

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:

<http://www.gomr.mms.gov/homepg/regulate/regs/ntls/ntl04-g02.html>

(i) Unleased Blocks Offshore Baldwin County, Alabama.
The MMS is offering unleased blocks within this area for leasing in Lease Sale 198 subject to a stipulation (Stipulation No. 4) to mitigate possible visual impacts from fixed structures on the blocks.

The stipulation requires lessees to minimize surface structures, and, when surface structures are necessary, to limit their visibility from shore. The MMS will consult with the State of Alabama prior to approving a Development Operations Coordination Document (DOCD) in these blocks.

(j) 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 Oceanic and Atmospheric Administration (NOAA Fisheries) and the U.S. Fish and Wildlife Service (FWS). The Biological Opinions issued by NOAA Fisheries 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. 6), and in several Notices to Lessees (NTLs). Bidders should also note that NOAA Fisheries 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. 2004-G01, entitled "Implementation of Seismic Survey Mitigation Measures and Protected Species Observer Program," was effective March 1, 2004. The NTL, issued pursuant to 30 CFR 250.103, explains how to implement seismic survey mitigation measures. This NTL supersedes and replaces NTL No. 2003-G08, effective June 5, 2003, 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. 2004-G01 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/ntl04-g01.html

NTL No. 2003-G10, entitled "Vessel Strike Avoidance and Injured/Dead Protected Species Reporting", became effective on June 19, 2003, 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-G07 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/ntl103-g10.html

NTL No. 2003-G11, entitled "Marine Trash and Debris Awareness and Elimination" became effective on June 19, 2003, and is issued pursuant to 30 CFR 250.103. This NTL supersedes NTL No. 2003-G06 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 requires careful handling of all trash and debris, specifies certain training, and directs the placement of certain placards warning about improper disposal of trash and debris. 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/ntl103-g11.html

(k) 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 meters (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 1, 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.

For additional information, prospective bidders should contact the U.S. Coast Guard, Eighth Coast Guard District, Marine Safety Office, 1615 Poydras Street, New Orleans, Louisiana 70112, (504) 589-4210.

(l) 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.

(m) Deepwater Port Applications for Offshore Liquefied Natural Gas Facilities. To date, the U.S. Coast Guard and the Maritime Administration have received seven applications for the licensing of deepwater ports involving proposed liquefied natural gas (LNG) facilities in the Central Gulf of Mexico OCS Region. These proposed facilities would receive LNG ships, re-gasify the LNG offshore, and transport the natural gas to onshore markets through new pipelines to onshore facilities or that interconnect with existing pipeline systems. Three of these LNG projects have been approved by the Maritime Administration - Gulf Gateway (formerly Energy Bridge) on West Cameron Area, South Addition, Block 603 (currently leased), Port Pelican on Vermilion Area, Blocks 139 and 140 (currently unleased), and Gulf Landing on West Cameron Area Block 213 (currently unleased). The MMS is offering the two unleased blocks in Vermilion Area, Blocks 139 and 140, and unleased West Cameron Block 213 in Lease Sale 198 subject to a stipulation which limits the use of the seabed and water column in the vicinity of the approved Port Pelican and Gulf Landing offshore LNG deepwater ports receiving terminals. For more specific information on this matter, please see Stipulation No. 7 within the "Lease Stipulations" document of the Notice of Sale 198 information package.

Additional information regarding the approved and proposed offshore LNG receiving and re-gasification facilities can be obtained at the following address:

Department of Homeland Security
U.S. Coast Guard (G-MSO-2)
2100 Second Street, SW
Washington, DC 20593-0001
(202) 267-0225
(202) 267-4570 (fax)

The following U.S. Coast Guard Dockets at <http://dms.dot.gov> include the deepwater port applications and their accompanying environmental reports:

Port Pelican L.L.C. Deepwater Port License Application. Docket Number: USCG-2002-14134.

Gulf Gateway (formerly El Paso Energy Bridge Gulf of Mexico L.L.C.) Deepwater Port License Application. Docket Number: USCG-2003-14294.

Gulf Landing LLC Liquefied Natural Gas Deepwater Port License Application. Docket Number: USCG-2004-16860.

Freeport McMoran Energy L.L.C Main Pass Energy Hub Deepwater Port License Application. Docket Number: USCG-2004-17696.

Compass Port L.L.C. LNG Deepwater Port License Application. Docket Number: USCG-2004-17659.

Beacon Port LLC, Liquefied Natural Gas Deepwater Port License Application. Docket Number: USCG-2005-21232.

Pearl Crossing LNG Terminal L.L.C. Deepwater Port License Application. Docket Number: USCG-2004-18474.

(n) Ocean Dredged Material Disposal Sites. Under the Marine Protection, Research, and Sanctuaries Act of 1972 (MPRSA), the U.S. Environmental Protection Agency (EPA) has the responsibility for designating and managing Ocean Dredged Material Disposal Sites (ODMDS). EPA currently has six ODMDS in the Gulf of Mexico. Four of these ODMDS are located within the Central Gulf of Mexico planning area offshore Pascagoula and Gulfport, Mississippi and Mobile, Alabama. Another two are within the Eastern Gulf of Mexico planning area offshore Pensacola (located in Pensacola Blocks 846 and 847 and another site in state waters). In addition, EPA is considering designation of an additional ODMDS offshore Gulfport, Mississippi and enlarging the existing or designating a new ODMDS offshore Mobile, Alabama. The EPA Final National

Pollutant Discharge Elimination System (NPDES) General Permit No. GMG460000 For Offshore Oil and Gas Activities in the Eastern Gulf of Mexico does not allow the discharge of any drilling fluids, drill cuttings or wastewaters from those facilities within 1000 meters of or in an EPA designated ODMDS. Coordinates for the ODMDS can be found in the U.S. Code of Federal Regulations at 40 CFR 228.15.15(h) or at <http://www.epa.gov/region4/water/oceans/sites.htm>. The EPA contacts on this matter are Mr. Chris McArthur, Ocean Disposal Program Coordinator, mcArthur.christopher@epa.gov, (404) 562-9391 or Mr. Doug Johnson, johnson.doug@epa.gov, (404) 562-9386.

You may also wish to contact the U.S. Army Corps of Engineers, Mobile District, as they jointly manage the sites with EPA. Their contacts are as follows:

Ms. Susan Rees, Susan.I.Rees@sam.usace.army.mil, (251) 694-4141, or Ms. Jenny Jacobson, Jennifer.L.Jacobson@sam.usace.army.mil, (251) 690-2724.

(o) 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.

(p) Potential Sand Dredging Activities on Ship Shoal Area Blocks 87 through 89, 94 and 95; South Pelto Area Blocks 12 through 14, 18 and 19; West Delta Area Blocks 27 and 49; Eugene Island Area Blocks 10, 18 through 35, 37 through 69, and 71 through 93; and South Marsh Island North Addition Area Blocks 207 through 222, 226 through 232, and 241 through 246. It is likely that offshore dredging activities will occur in some of the blocks cited above in the near-term. The U.S. Environmental Protection Agency, Region 6, and the Louisiana Department of Natural Resources are considering the use of 5.2 million cubic yards of sand from the Ship Shoal area for a coastal barrier island protection project at Whiskey Island (scheduled to begin in Spring 2006). Additionally, in July 2004, the USACE released the draft plan that identified Ship, Tiger, and Trinity Shoals as possible sand sources for the

coastal restoration portion of a 10-year, \$1.9 billion program to address the most critical ecological needs facing the Louisiana coastal area. For further information, please contact Chief, Marine Minerals Branch, Leasing Division, Minerals Management Service, at (703) 787-1300.

(q) Below Seabed Operations on Mississippi Canyon Block 920. Mississippi Canyon Block 920, the site of the planned Independence Hub Project, is being offered in Sale 198 subject to Stipulation No. 8, which requires 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.

(r) Potential Operating Restrictions on West Cameron Block 213, Site of the Approved Gulf Landing LNG Port Project. Bidders are advised that MMS is consulting with the U.S. Coast Guard regarding the development of a lease stipulation for West Cameron Block 213. It is likely that such a stipulation, if adopted for the Final Notice of Sale for Sale 198, would require restrictions on OCS oil and gas operations in the vicinity of the safety zone that USCG will establish around the proposed LNG port facility. These operating restrictions may be similar to restrictions specified in Stipulation No. 7, included in this Proposed Notice of Sale, applicable to Vermilion Area, Blocks 139 and 140 (Port Pelican).

(s) Change in Submission Time for Electronic Funds Transfer (EFT) to 11 a.m. Eastern Time. Bidders are advised of the change in submission time for the 1/5th bonus and 4/5th bonus and 1st year rental payments to 11 a.m. Eastern Time. Your 1/5th bonus bid EFT payment must be received in the appropriate United States Treasury account by 11 a.m. Eastern Time the day following bid reading and your 4/5th bonus and 1st year rental EFT payment must be received in the appropriate United States Treasury account no later than 11 a.m. Eastern Time on the 11th business day after receipt of the lease forms for execution by the successful bidder. A business day is a day on which the OCS Regional Office conducting the lease offering is open for business. Detailed EFT payment procedures for this sale will be disseminated at the time of the Final Notice of Sale.

**Gulf of Mexico Region Public Information Unit
Minerals Management Service
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394
Telephone: (504) 736-2519 or (800) 200-GULF
MMS Homepage Address on the Internet: www.mms.gov**