
Leasing Activities Information



Lease Stipulations Oil and Gas Lease Sale 187, Western Gulf of Mexico Proposed Notice of Sale

Five stipulations may apply to leases resulting from this sale on blocks shown on the map "Stipulations and Deferred Blocks, Sale 187" included in the Proposed Notice of Sale 187 Package. These stipulations are:

- Stipulation No. 1 - Topographic Features
- Stipulation No. 2 - Military Areas
- Stipulation No. 3 - Operations in the Naval Mine Warfare Area
- Stipulation No. 4 - Law of the Sea Convention Royalty Payment
- Stipulation No. 5 - Protected Species

Stipulation No. 1 - Topographic Features

(This proposed stipulation would apply to leases on blocks within the areas so indicated in the Biological Stipulation Map Package for the Western Gulf of Mexico which is available from the MMS Gulf of Mexico Region's Public Information Unit.) Please see the Proposed Notice of Sale 187 for the address and telephone numbers.

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

<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 1/4 1/4 system)
East Flower Garden Bank	100 (defined by 1/4 1/4 1/4 system)
MacNeil Bank	82
29 Fathom Bank	64
Rankin Bank	85
Geyer Bank	85

Elvers Bank	85
Bright Bank[1]	85
McGrail Bank[1]	85
Rezak Bank[1]	85
Sidner Bank[1]	85
Parker Bank[1]	85
Stetson Bank	52
Appelbaum Bank	85

Low Relief Banks[2]

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

South Texas Banks[4]

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 Gulf of Mexico bank with a portion of its “1-Mile Zone” and/or “3-Mile Zone” in the Western Gulf of Mexico.

[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.

(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.) This restriction on operations also applies to areas surrounding the Flower Garden Banks National Marine Sanctuary, 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” 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 - Military Areas

(This proposed stipulation would be included in leases located within the Warning Areas as shown on the map “Stipulations and Deferred Blocks, Sale 187” included in the Proposed Notice of Sale 187 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 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 at the end of this stipulation.

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.

- W-59 Naval Air Station - JRB
 400 Russel Avenue
 Box 27
 New Orleans, Louisiana 70143-0027
 Telephone: (504) 391-8696/8687
- W-147 147th Fighter Wing
 147 OSF/CC
 14657 Sneider Street
 Houston, Texas 77034-5586
 Telephone: (281) 929-2716/2683
- W-228 Chief, Naval Air Training
 Office No. 206
 Naval Air Station
 Corpus Christi, Texas 78419-5100,
 Telephone: (512) 939-3862/3902
- W-602 Headquarters ACC/DOR, Detachment 1
 Operations Headquarters, Air Combat Command
 Offutt AFB, Nebraska 68113-5550
 Telephone: (402) 294-2334

Stipulation No. 3 - Operations in the Naval Mine Warfare Area

(This proposed stipulation would apply to Mustang Island Area Blocks 768, 769, 775, 777, 778, 790, 791, 798, 815, 821, and 822; and Mustang Island Area East Addition Blocks 732, 733, and 734.)

1. The provisions of this paragraph would apply to all of Mustang Island Area East Addition Blocks 732, 733, and 734; and to those portions of Mustang Island Area Blocks 768, 769, 777, 778, 790 and 791 which are in Naval Mine Warfare Command Operational Area D as shown on the attached map and specified on the attached coordinates list.

(a) Exploration: The placement, location, and planned periods of operation of surface structures on this lease (or portion as specified above) during the exploration stage are subject to approval by the Regional Director (RD), MMS Gulf of Mexico Region, after the review of the operator's Exploration Plan (EP). Prior to the submission of the EP, the lessee will consult with the Commander, Mine Warfare Command, in order to determine the EP's compatibility with scheduled military operations. The EP shall contain a statement certifying the consultation and indicating whether the Commander, Mine Warfare Command has any objection to activities and schedule of the EP. No permanent structures nor debris of any kind shall be allowed in the area covered by this lease during exploration operations.

(b) Development: Any above-seafloor development operations within the area covered by this lease (or portion as specified above) must be compatible with scheduled military operations as determined by the Commander, Mine Warfare Command. The lessee will consult with and coordinate plans for above-seafloor development activities (including abandonment) with the Commander, Mine Warfare Command. The Development Operations Coordination Document (DOCD) must contain the locations of any permanent structures, fixed platforms, pipelines, or anchors planned to be constructed or placed in the area covered by this lease (or portion as specified above) as part of such development operations. The DOCD must also contain the written comments of the Commander, Mine Warfare Command on the proposed activities. If the Commander, Mine Warfare Command determines that activities are incompatible, the RD will consult with him to resolve the matter. If no resolution can be reached, then development operations must be conducted from outside the Naval Mine Warfare Command Operational Area.

2. The provisions of this paragraph would apply to those portions of Mustang Island Area Blocks 775, 798, 815, 821, and 822 which are in the Naval Mine Warfare Command operational transit lanes QJR 101, QJR 102, and QJR 105 as shown on the attached map and specified on the attached coordinates list.

(a) Exploration and Development: No operations, exploratory or development activities shall take place, nor will structures of any kind will be placed, in Naval Mine Warfare Command operational transit lanes QJR 101, QJR 102, and QJR 105.

3. For more information, consultation, and coordination, the lessee must contact:

Commander, Mine Warfare Command
325 Fifth Street, S.E.
Corpus Christi, Texas 78419-5032
Phone: (361) 961-4869/4870

MAP FOR NAVAL MINE WARFARE AREA STIPULATION

NOTE: This stipulation applies to all or portions of Mustang Island Area of Mustang Island Area of Blocks 768, 769, 775, 777, 778, 790, 791, 798, 815, 821, and 822.

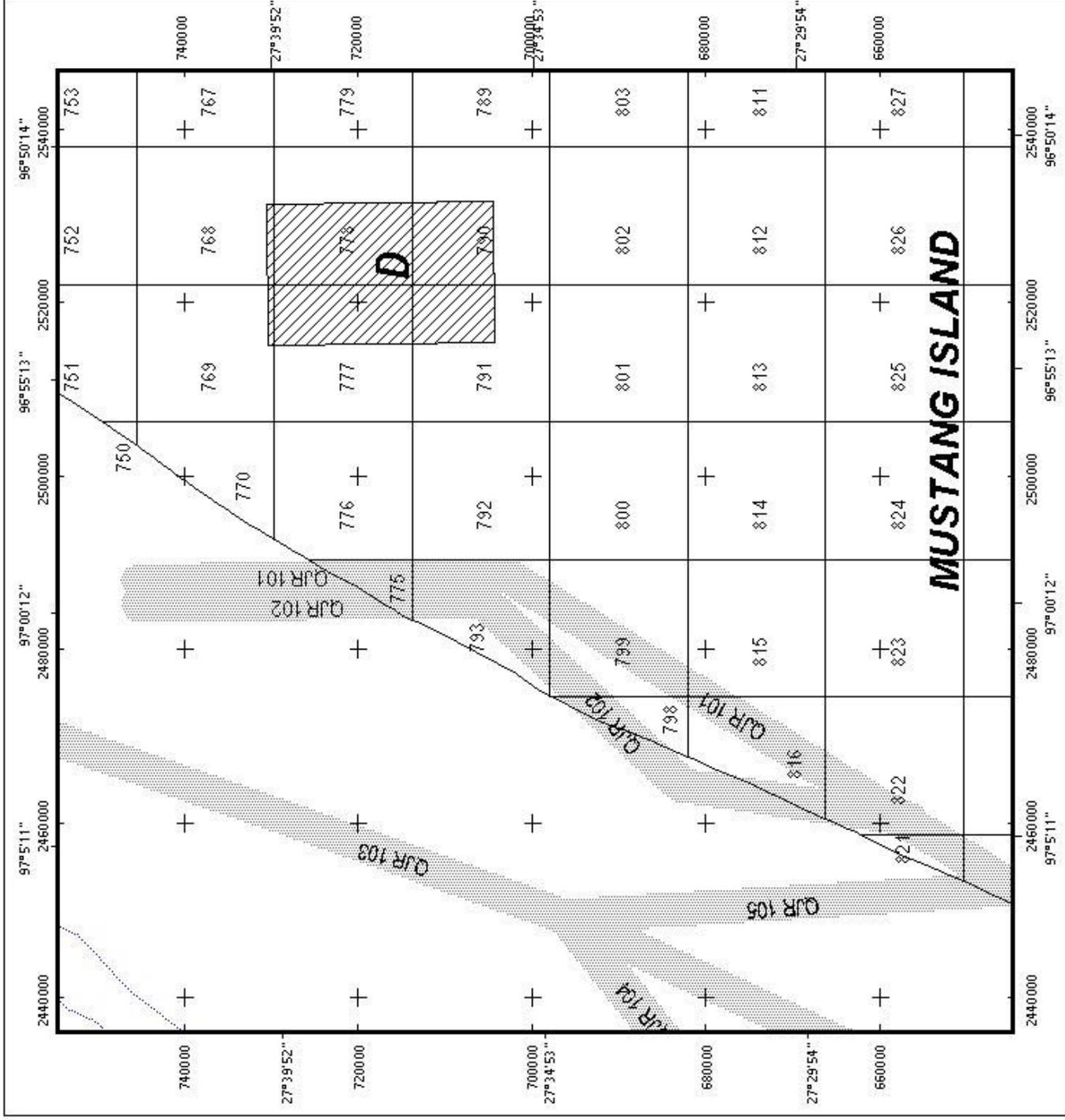
Although not shown here, this stipulation also applies to all of Mustang Island Area East Addition Blocks 732, 733, and 734.

Mustang Island Area Blocks 793, 799, and 816 are deferred from this sale.



LEGEND

-  Blocks
-  Operational Area D
-  Operational Transit Lanes



Coordinates for Stipulation No. 3--Operations in the Naval Mine Warfare Area

**COORDINATES OF OPERATIONAL AREAS FOR
NAVAL TRAINING OFF CORPUS CHRISTI, TEXAS**

SITE - CORNER	WGS - 84 LATITUDE	WGS - 84 LONGITUDE	WGS - 84 X(M)	WGS - 84 Y(M)	LAMBERT X (FT)	LAMBERT Y (FT)
D - NW	27°40' 00"	96°54' 30"	706313.566	3062027.331	2515275.590	730113.200
D - SW	27°35' 42"	96°54' 30"	706448.081	3054085.836	2515604.230	704061.290
D - NE	27°40' 00"	96°51' 30"	711246.664	3062111.991	2531458.820	730320.550
D - SE	27°35' 42"	96°51' 30"	711384.401	3054170.348	2531797.780	704268.780

**COORDINATES OF OPERATIONAL TRANSIT LANES FOR
NAVAL TRAINING OFF CORPUS CHRISTI, TEXAS**

TRANSIT LANE	WAYPOINT	LATITUDE	LONGITUDE
QJR 101	A	27° 42.50' N	096° 59.50' W
	B	27° 35.50' N	096° 59.50' W
	C	27° 26.00' N	097° 06.25' W
QJR 102	A	27° 42.50' N	097° 00.00' W
	B	27° 36.00' N	097° 00.00' W
	C	27° 32.25' N	097° 04.00' W
	D	27° 28.00' N	097° 04.75' W
QJR 105	A	27° 34.50' N	097° 06.75' W
	B	27° 25.50' N	097° 06.25' W

Note: All transit lanes are 1500 yards wide.

Stipulation No. 4 - Law of the Sea Convention Royalty Payment

(This proposed stipulation would be included in leases 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, Sale 187" included in the Proposed Notice of Sale 187 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. 5 - Protected Species

(This proposed stipulation would apply to all leases resulting from this sale.)

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

(a) 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) 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) MMS will develop, in conjunction with National Oceanic and Atmospheric Administration Fisheries, an observer training program to minimize the risk of vessel strikes to protected species.

(d) MMS will require that all seismic surveys employ mandatory mitigation measures to include the use of a 500 meter impact zone based on the appropriate water depth, visual observers, and ramp-up procedures. Seismic operations must immediately cease when a sperm whale is detected within

the 500 meter impact zone. Ramp-up procedures and seismic surveys may be initiated only during daylight.

(e) MMS will require lessees and operators to instruct offshore personnel to immediately report all sightings and locations of injured or dead endangered and threatened species (e.g. sea turtles and whales) to the MMS. If oil and gas industry activity is responsible for the injured or dead animals (e.g. because of a vessel strike), the MMS shall require the responsible parties to assist the respective salvage and stranding network as appropriate.

(f) 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.