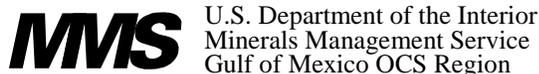

Leasing Activities Information



Lease Stipulations for Oil and Gas Lease Sale 178, Part 1

(Final Notice of Sale; February 2001)

Four stipulations will be applied to leases resulting from this sale on blocks shown on the map "Stipulations and Deferred Blocks, Sale 178" included in the Sale Notice Package. These 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. 1--Topographic Features.

(This stipulation will be included in leases located in 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 (see the Notice of Sale for the address and phone numbers).)

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

| <u>Bank Name</u> | <u>No Activity Zone Defined by 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 on leases in the following blocks: Main Pass Area, South and East Addition, Blocks 190, 194, 198, 219-226, 244-266, 276-290; Viosca Knoll, Blocks 473-476, 521, 522, 564, 565, 566, 609, 610, 654, 692-698, 734, 778.)

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 in leases located within the Warning Areas and Eglin Water Test Areas 1 and 3, as shown on the map "Stipulations and Deferred Blocks, Sale 178" included in the Sale Notice 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.

W-59: Naval Air Station - JRB
 400 Russel Avenue
 Box 27
 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: 147th Fighter Wing
Operations Officer
14657 Sneider Street
Houston, Texas 77034-5586
Telephone (281) 929-2716/2683

W-155A and B (For Agreement):
Chief, Naval Air Training
Naval Air Station, Office No. 206
Corpus Christi, Texas 78419-5100
Telephone: (512) 939-3862/2621

W-155A and B (For Operational Control):
Fleet Area Control & Surveillance Facility (FACSFAC)
Operations
Naval Air Station
Pensacola, Florida 32508
Telephone: (904) 452-2735/4671

W-453: Air National Guard - CRTIC
4715 Hews Avenue Building 1
Gulfport, Mississippi 39507-4324
Telephone: (601) 867-2432/2433

Eglin Water Test Areas 1 and 3:
Air Armament Center
Programs Division
101 West "D" Avenue, Suite 128
Eglin AFB, Florida 32542-5495
Telephone: (904) 882-3899/4188

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

(This stipulation will be included only on leases on blocks south of and within 15 miles of Baldwin County, Alabama. Currently the unleased blocks affected are: Mobile Area blocks 829, 871, 874, 957, 958, 962, 1001, 1004, 1006 and Viosca Knoll block 35.)

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).