



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

JUN 12 2007

Mr. Douglas Oliver
Hemis Corporation
11564 Belfry Point
Bentonville, Arkansas 72712

Dear Mr. Oliver:

Your application dated May 23, 2007, requests a Federal permit to conduct geological prospecting operations for mineral resources other than oil, gas, and sulphur on certain Outer Continental Shelf (OCS) lands. The activity is in the Lower Cook Inlet area as shown on the map accompanying your application. Your application specified Hemis will conduct the subject operations using the equipment described in the permit application. Operations are proposed to begin on or after May 10, 2007 and will be completed on or before September 30, 2007. The proposed program is a exploration drilling and sediment sampling program using a truck or skid mounted top drive rotary rig (SIMCO 5000 or equivalent) operated from a landing craft type marine vessel equipped with a moon-pool for drilling access to the sea bottom. Hemis will conduct a pre-drilling shallow marine oceanographic survey using a fathometer, a sub-bottom profiler, magnetometer, and optional side scan sonar. Sediment sampling using a Van Veen clamshell type sampler will also be conducted during the survey.

OCS Permit 07-08P is hereby granted to conduct geological exploration operations on the OCS in the area and manner described in the application beginning on or after June 12, 2007. All operations are subject to the enclosed approved Permit for Geological Exploration for Mineral Resources on the OCS and the attached permit stipulations. The information contained in the following paragraphs should be evaluated before initiating operations and appropriate action taken:

The Endangered Species Act (ESA) states there shall be no activity conducted which might jeopardize the continued existence of an endangered species or result in the destruction or adverse change of habitat of such species. In addition, the Marine Mammal Protection Act (MMPA) provides there shall be no unauthorized take of marine mammals. "Take" means to harass, hunt, capture, collect, kill, or attempt to harass, hunt, capture, collect or kill any marine mammals. Whenever whales or marine mammals are encountered in the project vicinity, Hemis and its contractors should exercise precautions to assure that activities are not in violation of the provisions of the MMPA or the ESA.

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The Cook Inlet area is rich in fish and wildlife resources. The area supports intensive sport fishing, subsistence fishing, and commercial fishing for salmon, halibut, herring, king crab, Tanner crab, Dungeness crab, and shrimp. Fishing operations for salmon, crab and shrimp may occur during the time period requested under this permit. In addition to the abundant fishery resources, the area supports substantial populations of seabirds, shorebirds, waterfowl, and marine mammals.

The National Marine Fisheries Service (NMFS) has listed the Steller sea lion as a threatened species. In addition, gray, humpback, fin and sei whales continue to be listed as endangered species. Particular attention should be given to minimize adverse encounters between the project operations and marine mammals.

Further information on the identification and occurrence of marine mammals in the proposed area of operations and the provisions and penalties of the ESA and the MMPA are available. This information may be obtained from the

U.S. Fish and Wildlife Service
Alaska Region
1011E.Tudor Road
Anchorage, Alaska 99503
Telephone (907) 786-3467

And from the

National Marine Fisheries Service
Federal Building, Room C-554
Anchorage, Alaska 99513
Telephone (907) 271-5006

This permit is effective from the date of approval until September 30th, 2007, or the completion of the survey, whichever occurs earlier. Please be advised that this office requires a weekly report of daily operations. We will require a completion report within 30 days following cessation of field operations.

Sincerely,



Rance R. Wall
Regional Supervisor
Resource Evaluation

G&G PERMIT STIPULATIONS
Minerals Management OCS Permit 07-08P

- No solid or liquid explosives shall be used without specific approval.
- Operations shall be conducted in a manner to assure that they will not cause pollution, cause undue harm to aquatic life, create hazardous or unsafe conditions, or unreasonably interfere with other uses of the area. Any difficulty encountered with other uses of the area or any conditions which cause undue harm to aquatic life, pollution, or could create a hazardous or unsafe condition as a result of the operations under this permit shall be reported to the Supervisor. Serious or emergency conditions shall be reported without delay.
- Vessels should avoid concentrations or groups of whales. Operators should, at all times, conduct their activities at a maximum distance from such concentrations of whales.
- When a vessel is operated near a concentration of whales, the operator must take every precaution to avoid harassment of these animals. Therefore, vessels should reduce speed when within 300 yards of whales and those vessels capable of steering around such groups should do so. Vessels may not be operated in such a way as to separate members of a group of whales from other members of the group.
- Vessel operators should avoid multiple changes in direction and speed when within 300 yards of whales. In addition, operators should check the waters immediately adjacent to a vessel to ensure that no whales will be injured when the vessel's propellers (or screws) are engaged.
- Small boats should not be operated at such a speed as to make collisions with whales likely. When weather conditions require, such as when visibility drops, vessels should adjust speed accordingly to avoid the likelihood of injury to whales.
- When any Permittee becomes aware of the potentially harassing effects of operations on endangered whales, or when any Permittee is unsure of the best course of action to avoid harassment of endangered whales, every measure to avoid further harassment should be taken until the NMFS is consulted for instructions or directions. However, human safety will take precedence at all times over the guidelines and distances recommended herein for the avoidance of disturbance and harassment of endangered whales.
- Exclusion Zone – An exclusion zone around the oceanographic-survey sound source shall be free of marine mammals before the survey can begin and must remain free of marine mammals during the survey operations. The purpose of the exclusion zone is to protect marine mammals from Level A harassment (injury) and Level B harassment (change of behavior). No Level A harassment (injury) takes are likely to occur from the survey operations since the sound level from the sub-bottom profiler to be used in the survey is 182 dB at the source. Level B harassment (change of behavior) takes could occur if marine mammals come closer than 29 meters from the source. The exclusion zone for the Hemis survey is 200 meters around the survey vessel.

- Monitoring of the Exclusion Zone – Individuals on the survey vessel shall continuously monitor the 200 meter exclusion zone around the survey vessel for the presence of marine mammals to maintain a marine-mammal-free exclusion zone and monitor for avoidance or take behaviors during the operation of the sub-bottom profiler. If a marine mammal is observed in the exclusion zone, the sub-bottom profiler must be shut down until the exclusion zone is free of marine mammals.
- Drilling Safety Zone – A 200 meter safety zone shall be free of marine mammals prior to starting drilling operations. Drilling may start as soon as the zone has been visually cleared to be free of marine mammals.
- Shut Down – The operation of the sub-bottom profiler shall be suspended until the exclusion zone is free of marine mammals. If the sub-bottom profiler is completely powered down for any reason during nighttime or poor sighting conditions, it shall not be re-energized until daylight or whenever sighting conditions allow for the exclusion zone to be effectively monitored.
- Reporting Requirements –In addition, operators must report immediately any shut downs due to a marine mammal entering the exclusion zone and provide the MMS with information on the frequency of occurrence and the types and behaviors of marine mammals (if possible to ascertain) entering the exclusion zone.
- Survey and drilling vessels will minimize operations that require high-intensity work lights to minimize the potential for adverse impacts to marine birds.
- High-intensity lights will be turned off in inclement weather when the drilling vessel is not actively conducting operations to minimize the potential for adverse impacts to marine birds; however, navigation lights, deck lights, and interior lights should remain on for safety.
- All bird-vessel collisions shall be documented. Minimum information will include species, date/time, location, weather, and operational status of the survey vessel when the strike occurred. Photographs would be helpful to confirm species identification. The USF&W does not recommend the treatment/transport of injured or dead birds due to the concerns about avian influenza. Bird collision information will be sent to MMS within 72 hours.
- Historic resources including man-made objects or structures older than 50 years, such as shipwrecks, submerged structures, and aircraft may occur in the survey area. In order to ensure that this Federally permitted action does not disturb historic archaeological resources as mandated in the National Historic Preservation Act and to inform the State Historic Preservation Officer of this action and potential for disturbing archaeological resources, a determination of the seafloor conditions will need to be made prior to commencement of drilling and coring operations in the Federal OCS. This determination can be made with a combined magnetometer and seafloor imaging survey. The seafloor imaging can be side scan sonar data or possibly sufficient seafloor transects with an underwater camera system so that any surface feature that may be manmade and historic, can be identified and avoided. More information on archaeological resources may be found in the MMS Handbook for Archaeological Resource Protection, which is available upon request or on the MMS web page at <http://www.mms.gov/adm/rn239.pdf>.

- Report all magnetic anomalies and seafloor side-scan sonar contacts or camera images of unknown source. This should include copies of the data, a map with the location of the survey lines (with shot points) and location of the proposed drilling site(s). The report should contain:
 - A brief description of the navigational system with a statement of its estimated accuracy for the area.
 - A brief description of survey instrumentation including scale, sensitivity settings, and tow depths where appropriate.
 - A description of survey procedures including a statement of survey and recording quality, and a description of any problems which may affect the ability of the report preparation personnel to determine the potential for archaeological resources in the survey area.