
Leasing Activities Information



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

Information to Lessees for Oil and Gas Lease Sale 186 Beaufort Sea September 24, 2003

- (a) Community Participation in Operations Planning
- (b) Kaktovikmiut Guide - "In This Place."
- (c) Nuiqsutmiut Paper
- (d) Availability of Bowhead Whales for Subsistence Hunting Activities
- (e) Importance of Cross Island to Nuiqsut Subsistence Whalers
- (f) Good Neighbor Policy
- (g) Geological and Geophysical Survey Activity
- (h) Bird and Marine Mammal Protection
- (i) River Deltas
- (j) Endangered Whales and MMS Monitoring Program
- (k) Polar Bear Interaction
- (l) Spectacled Eider and Steller's Eider
- (m) Sensitive Areas to Be Considered in the oil-Spill Contingency Plans
- (n) Response Plans for Facilities Located Seaward of the Coast Line
- (o) Oil spill Financial Responsibility for Offshore Facilities
- (p) Archaeological and Geological Hazards Reports and Surveys
- (q) Coastal Zone Management
- (r) Navigational Safety
- (s) Offshore Pipelines
- (t) Discharge of Produced Waters
- (u) Use of Existing Pads and Islands
- (v) Rentals/Minimum Royalties
- (w) MMS Inspection and Enforcement of Certain Coast Guard Regulations
- (x) Statement Regarding Certain Geophysical Data
- (y) Affirmative Action Requirements
- (z) Bonding Requirements

(a) **Community Participation in Operations Planning.** Lessees are encouraged to bring one or more residents of communities in the area of operations into their planning process. Local communities often have the best understanding of how oil and gas activities can be conducted safely in and around their area without harming the environment or interfering with community activities. Involving local community residents in the earliest stages of the planning process for proposed oil and gas activities can be beneficial to the industry and the community. Community representation on management teams developing plans of operation, oil spill contingency plans, and other permit applications can help communities understand permitting obligations and help the industry to understand community values and expectations for oil and gas operations being conducted in and around their area.

(b) **Kaktovikmiut Guide - "In This Place."** The people of Kaktovik, the Kaktovikmiut, have compiled "A Guide for Those Wishing to Work in The Country of the Kaktovikmiut." The guide's intent, in part, is to provide information that may promote a better understanding of their concerns. Lessees are encouraged to obtain copies of the guide and to incorporate it into their Orientation Program to assist in fostering sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which they will be operating.

(c) **Nuiqsutmiut Paper.** The people of Nuiqsut, the Nuiqsutmiut, have compiled a paper for people working in their country. The paper provides information that may promote a better understanding of their concerns. Lessees are encouraged to obtain copies of the paper and to incorporate it into their Orientation Program to assist in fostering sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which they will be operating.

(d) **Availability of Bowhead Whales for Subsistence Hunting Activities.** Lessees are advised that the National Oceanic and Atmospheric Administration (NOAA) - Fisheries issues regulations for incidental take of marine mammals, including bowhead whales. Incidental take regulations are promulgated only upon request and the NOAA - Fisheries must be in receipt of a petition prior to initiating the regulatory process. Incidental takes of bowhead whales are allowed only if an Letter of Authorization (LOA) or an Incidental Harassment Authorization (IHA) is obtained from the NOAA - Fisheries pursuant to the regulations in effect at the time. An LOA or an IHA must be requested annually. In issuing an LOA or an IHA, the NOAA - Fisheries must determine that proposed activities will not have an unmitigable adverse effect on the availability of the bowhead whale to meet subsistence needs by causing whales to abandon or avoid hunting areas, directly displacing subsistence users, or placing physical barriers between whales and subsistence users.

Lessees are also advised that, in reviewing proposed exploration plans which propose activities during the bowhead whale migration, MMS will conduct an environmental review of the potential effects of the activities, including cumulative effects of multiple or simultaneous operations, on the availability of the bowhead whale for subsistence use. The MMS may limit or require operations be modified if they could result in significant effects on the availability of the bowhead whale for subsistence use.

The MMS and the NOAA - Fisheries will establish procedures to coordinate results from site-specific surveys required by Stipulation No. 4 and NOAA - Fisheries LOAs or IHAs to determine if further modification to lease operations are necessary.

(e) Importance of Cross Island to Nuiqsut Subsistence Whalers. The area around Cross Island is of particular importance to the residents of Nuiqsut for subsistence whaling activities. The implementation of the stipulations and regulations that provide for mitigation of unreasonable conflicts with subsistence activities will be used to make determinations regarding the type and location of facilities and the timing of activities in this area. Lessees are advised that activities may be restricted or possibly prohibited if the Regional Supervisor, Field Operations (RS/FO) determines that such a restriction or prohibition is necessary to avoid unreasonable conflicts between the proposed activities and subsistence whaling activities. The RSFO will consider the results of the consultation process required by Stipulation No. 5, the use of mitigation measures that address unreasonable conflicts and any remaining unresolved issues related to the potential for conflicts prior to making a final decision regarding activities in this area.

(f) Good Neighbor Policy. Potential impact from a major oil spill on resources and subsistence hunting activities has been a major concern to the North Slope Borough (NSB), the Alaska Eskimo Whaling Commission (AEWC), and native tribal governments. Under the Oil Pollution Act of 1990 (OPA-90), oil and gas companies are responsible for damages from an oil spill resulting from their operations, including damages to subsistence resources. However, the above-mentioned organizations have concerns about the OPA-90 process and the remedies available to prevent disruption to seasonal subsistence activities.

The NSB and the AEWC have estimated the monetary impact of a major oil spill over a given time. They considered direct and indirect impacts, such as relocation of whaling crews and equipment, hauling of harvested meat, and socio-cultural counseling. While the long term reimbursement of the monetary impacts of a spill are covered under OPA 90, the NSB and AEWC believe that a prudent operator should provide some type of compensation commitment that could be accessed immediately.

To provide such an “insurance policy”, several oil and gas companies operating in the Beaufort Sea have elected to enter into a Good Neighbor Policy (GNP) with the NSB and AEWC. The GNP serves the purpose of demonstrating an operator’s commitment to a more immediate compensation system to minimize disruption to subsistence activities and provides resources to relocate subsistence hunters to alternate hunting areas or to provide temporary food supplies if a spill affects the taking of marine subsistence resources. The GNP demonstrates that the operator has made these commitments prior to conducting the proposed exploration or development operations.

The GNP represents a viable mechanism for companies to assure timely and direct compensation to affected communities in the event of a major oil spill as required by OPA 90 and for expediting claims in accordance with 30 CFR 253 Subpart F.

(g) Geological and Geophysical Survey Activity. Lessees are advised of the potential effect of geological and geophysical (G&G) activity to bowhead whales and subsistence hunting activities. High resolution G&G surveys are distinguished from 2-D and 3-D geophysical surveys by the magnitude of the energy source used in the survey, the size of the survey area, the number and length of arrays used, and duration of the survey period. High resolution G&G surveys are typically conducted after a lease sale in association with a specific exploration or development program or in anticipation of future lease sale activity. The 2-D and 3-D geophysical surveys are typically conducted prior to lease sales.

Lessees are advised that all G&G survey activity conducted in the Beaufort Sea Planning Area, either under the pre-lease permitting regulations at 30 CFR 251, or as part of an approved exploration or development and

production plan under 30 CFR 250, is subject to environmental and regulatory review by MMS. It is the intention of MMS to treat pre-lease G&G activities in a manner similar to the post-lease G&G activities. The MMS has standard mitigating measures which are applied to these activities, and lessees are encouraged to review these measures before developing their applications for G&G permits. Copies of the non-proprietary portions of all G&G permit applications will be provided by MMS to the NSB, the AEW, and directly affected subsistence communities for comment. The MMS may impose restrictions (including the timing of operations relative to open water) and other requirements (such as having a locally approved coordinator on board) on G&G surveys to minimize unreasonable conflicts between the G&G survey and subsistence whaling activities.

Lessees and applicants are advised that MMS will require any proposed G&G activity to be coordinated with directly affected subsistence communities, the NSB, and the AEW to identify potential conflicts and develop plans to avoid these conflicts. Copies of the results of any required monitoring plans will be provided by MMS to the directly affected subsistence communities, the NSB, and the AEW for comment.

(h) Bird and Marine Mammal Protection. Lessees are advised that during the conduct of all activities related to leases issued as a result of this sale, the lessee and its agents, contractors, and subcontractors will be subject to the provisions of the Marine Mammal Protection Act (MMPA) of 1972, as amended (16 U.S.C. 1361 et seq.); the Endangered Species Act (ESA), as amended (16 U.S.C. 1531 et seq.); and applicable International Treaties.

Lessees and their contractors should be aware that disturbance of wildlife could be determined to constitute harm or harassment and thereby be in violation of existing laws and treaties. With respect to endangered species and marine mammals, disturbance could be determined to constitute a "taking" situation. Under the ESA, the term "take" is defined to mean "harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct." Under the MMPA, "take" means "harass, hunt, capture, or kill or attempt to harass, hunt, capture, or kill any marine mammal." These Acts and applicable Treaties require violations be reported to the NOAA-Fisheries or the Fish and Wildlife Service (FWS), as appropriate.

Incidental taking of marine mammals and endangered and threatened species is allowed only when the statutory requirements of the MMPA and/or the ESA are met. Section 101(a)(5) of the MMPA (16 U.S.C. 1371(a)(5)) allows for the taking of small numbers of marine mammals incidental to a specified activity within a specified geographical area. Section 7(b)(4) of the ESA (16 U.S.C. 1536(b)(4)) allows for the incidental taking of endangered and threatened species under certain circumstances. If a marine mammal species is listed as endangered or threatened under the ESA, the requirements of both the MMPA and the ESA must be met before the incidental take can be allowed.

Under the MMPA and ESA, the NOAA - Fisheries is responsible for species of the order Cetacea (whales and dolphins) and the suborder Pinnipedia (seals and sea lions) except walrus; the Fish and Wildlife Service is responsible for polar bears, sea otters, walrus, and birds. Procedural regulations implementing the provisions of the MMPA are found at 50 CFR Part 18.27 for FWS, and at 50 CFR Part 228 for NOAA - Fisheries.

Lessees are advised that specific regulations must be applied for and in place and that a LOA or IHA must be obtained by those proposing the activity to allow the incidental take of marine mammals whether or not they are endangered or threatened. The regulatory process may require 1 year or longer.

Of particular concern is disturbance at major wildlife concentration areas, including bird colonies, marine mammal haulout and breeding areas, and wildlife refuges and parks. Maps depicting major wildlife concentration areas in the lease area are available from the RS/FO. Lessees are also encouraged to confer with the FWS and NOAA - Fisheries in planning transportation routes between support bases and lease holdings.

Lessees should exercise particular caution when operating in the vicinity of species whose populations are known or thought to be declining and which are not protected under the ESA; such as, Pacific walrus. The FWS Incidental take regulations expired March 31, 2003 (50 CFR 18.123 et seq.). On July 18, 2003, a draft rule was published for the incidental take of pacific walrus and polar bear with a 30-day comment period. A final rule will be published after the comment period closes and FWS has reviewed the comments and incorporated any necessary changes to the draft rule. Incidental take regulations are promulgated only upon request and the FWS must be in receipt of a petition prior to initiating the regulatory process. Incidental, but not intentional, taking is authorized only by U.S. citizens holding an LOA issued pursuant to these regulations. An LOA or IHA must be requested annually.

Behavioral disturbance of most birds and mammals found in or near the lease area would be unlikely if aircraft and vessels maintain at least a 1-mile horizontal distance and aircraft maintain at least a 1,500-foot vertical distance above known or observed wildlife concentration areas, such as bird colonies and marine mammal haulout and breeding areas.

For the protection of endangered whales and marine mammals throughout the lease area, it is recommended that all aircraft operators maintain a minimum 1,500-foot altitude when in transit between support bases and exploration sites. Lessees and their contractors are encouraged to minimize or reroute trips to and from the leasehold by aircraft and vessels when endangered whales are likely to be in the area. Human safety will take precedence at all times over these recommendations.

(i) **River Deltas**. Lessees are advised that certain river deltas of the Beaufort Sea coastal plain (such as the Kongakut, Canning, and Colville) have been identified by the FWS as special habitats for bird nesting and fish overwintering areas, as well as other forms of wildlife. Shore-based facilities in these river deltas may be prohibited by the permitting agency.

(j) **Endangered Whales and MMS Monitoring Program**. Lessees are advised that MMS intends to continue its area wide endangered bowhead whale monitoring program in the Beaufort Sea. The program will gather information on whale distribution patterns which will be used by MMS and others to assess impacts on bowhead whales.

The MMS will perform an environmental review for each proposed exploration plan and development and production plan, including an assessment of cumulative effects of noise on endangered whales. Should the review conclude that activities described in the plan will be a threat of serious, irreparable, or immediate harm to the species, the RS/FO will require that activities be modified, or otherwise mitigated before such activities would be approved.

Lessees are further advised that the RS/FO has the authority and intends to limit or suspend any operations, including preliminary activities, as defined under 30 CFR 250.201, on a lease whenever bowhead whales are subject to a threat of serious, irreparable, or immediate harm to the species. Should the information obtained from MMS's or lessees' monitoring programs indicate that there is a threat of serious, irreparable, or immediate harm to the species, the RS/FO will take action to protect the species. The RS/FO may require the lessee to suspend operations causing such effects, in accordance with 30 CFR 250.168. Any such suspensions may be terminated when the RS/FO determines that circumstances which justified the ordering of suspension no longer exist.

(k) Polar Bear Interaction. Lessees are advised that polar bears may be present in the area of operations, particularly during the solid-ice period. Lessees should conduct their activities in a manner which will limit potential encounters and interaction between lease operations and polar bears. The FWS is responsible for the protection of polar bears under the provisions of the MMPA of 1972, as amended. Lessees are advised to contact the FWS regarding proposed operations and actions that might be taken to minimize interactions with polar bears. Lessees also are advised to consult "OCS Study MMS 93-0008, Guidelines for Oil and Gas Operations in Polar Bear Habitats."

The FWS must be in receipt of a petition for incidental take prior to initiating the regulatory process. Incidental takes of polar bears are allowed only if an LOA or an IHA is obtained from the FWS pursuant to the regulations in effect at the time. An LOA or an IHA must be requested annually.

Lessees are reminded of the provisions of the 30 CFR 250.300 regulations which prohibit discharges of pollutants into offshore waters. Trash, waste, or other debris which might attract polar bears or be harmful to polar bears should be properly stored and disposed of to minimize attraction of, or encounters with, polar bears.

(l) Spectacled Eider and Steller's Eider. Lessees are advised that the spectacled eider (*Somateria fischeri*) and Steller's eider (*Polysticta stelleri*) are listed as threatened by the FWS and are protected by the ESA of 1973, as amended (16 U.S.C. 1531 et seq.).

Spectacled eiders and Steller's eiders are present in the Chukchi and Beaufort seas during spring migration in May and June. Males return to the open sea in late June, while nesting females remain on the arctic coastal tundra until late August or early September. Onshore activities related to Outer Continental Shelf exploration, development, and production during the summer months (May-September) may affect nesting spectacled and Steller's eiders.

Lessees are advised that exploration and development and production plans submitted to MMS will be reviewed by the FWS to ensure that spectacled and Steller's eiders and their habitats are protected.

(m) Sensitive Areas to Be Considered in the Oil-Spill Contingency Plans (OSCP). Lessees are advised that certain areas are especially valuable for their concentrations of marine birds, marine mammals, fishes, other biological resources, or cultural resources, and for their importance to subsistence harvest activities, and should be considered when developing OSCPs. Identified areas and time periods of special biological and cultural sensitivity include:

- (1) the lead system off Point Barrow, April-June;
- (2) the salt marshes from Kogru Inlet to Smith Bay, June-September;
- (3) the Plover Islands, June-September;
- (4) the Boulder Patch in Stefansson Sound, June-October;
- (5) the Camden Bay area (especially the Nuvugag and Kaninniivik hunting sites), January, April-September, November;
- (6) the Canning River Delta, January-December;
- (7) the Barter Island - Demarcation Point Area, January-December;
- (8) the Colville River Delta, January-December;
- (9) the Cross, Pole, Egg, and Thetis Islands, June-October;
- (10) the Flaxman Island waterfowl use and polar bear denning areas, January-December; (Leffingwell Cabin, a National Historic Site, is located on Flaxman Island);
- (11) the Jones Island Group (Pingok, Spy, and Leavitt Islands) and Pole Island are known polar bear denning areas, November-April; and
- (12) the Sagavanirktok River delta, January-December.

These areas are among areas of special biological and cultural sensitivity to be considered in the OSCP required by 30 CFR 250.300. Lessees are advised that they have the primary responsibility for identifying these areas in their OSCPs and for providing specific protective measures. Additional areas of special biological and cultural sensitivity may be identified during review of exploration plans and development and production plans.

Industry should consult with FWS or State of Alaska personnel to identify specific environmentally sensitive areas within National Wildlife Refuges or state special areas which should be considered when developing a project-specific OSCP.

Consideration should be given in an OSCP as to whether use of dispersants is an appropriate defense in the vicinity of an area of special biological and cultural sensitivity. Lessees are advised that prior approval must be obtained before dispersants are used.

(n) Response Plans for Facilities Located Seaward of the Coast Line. The regulations at 30 CFR 254 Subpart D implements the facility response planning provision of the OPA. The rule superseded an interim rule in effect since February 18, 1993, and allows one plan to be used to cover multiple offshore facilities. This allows operators to reduce the cost of spill response compliance without sacrificing environmental protection.

(o) Oil Spill Financial Responsibility (OSFR) for Offshore Facilities. Bidders should note that MMS has implemented regulations regarding the financial responsibility provision of the OPA. The regulations, which appear at 30 CFR 250 and 253, require those responsible for offshore oil facilities to demonstrate that they can pay for cleanup and damages caused by facility oil spills. See also 30 CFR 254.

The OSFR for offshore facilities established requirements on responsible parties for demonstrating financial responsibility for cleanup and damages caused by or oil or condensate discharges from offshore oil and gas exploration and production facilities and associated pipelines. The regulations at 30 CFR 250 and 253 apply to the OCS, and state waters seaward of the line of ordinary low water along that portion of the coast that is in direct contact with the open sea, and certain coastal inland waters.

OSFR requirements may not affect facilities which have a worst case oil spill discharge potential of 1,000 barrels or less. The regulation explains how to calculate this discharge. If the facility's potential worst case spill exceeds this amount, facilities will be required to establish and maintain OSFR at a minimum level of \$35 million. Prior to receiving approval of an application to drill or approval of an applicable lease assignment, a company must demonstrate sufficient coverage for all covered facilities which have a worst case oil spill of greater than 1,000 barrels.

The MMS Notice to Lessees No. 99-N01 ("Guidelines for Oil Spill Financial Responsibility for Covered Facilities"), issued on and effective January 6, 1999, provides guidelines for implementing this program.

(p) Archaeological and Geological Hazards Reports and Surveys. Following is a list of specific blocks in the Beaufort Sea Planning Area which, based on the Archaeological Resource analysis in Section III.C.4.a.of the FEIS, may contain archaeological resources, and for which an archaeological report will be required:

OPD: NR 05-01, Dease Inlet: Blocks: 6604-6606, 6654-6657, 6704-6709, 6754-6761, 6804-6812, 6856-6864, 6909-6915, 6960-6969, 7011-7023, 7062-7073, 7113-7123

OPD: NR 05-02, Harrison Bay North; Blocks: 7001-7007, 7051-7059, 7101-7112

OPD: NR 05-03, Teshekpuk: Blocks: 6015-6024, 6067-6072

OPD: NR 05-04, Harrison Bay: Blocks: 6001-6015, 6052-6066, 6106-6115, 6157-6168, 6208-6223, 6258-6274, 6309-6324, 6360-6374, 6410-6424, 6461-6471, 6513-6519, 6565-6566

OPD: NR 06-03, Beechey Point: Blocks: 6202-6207, 6251-6257, 6301-6308, 6351-6361, 6401-6417, 6456-6469, 6509-6520, 6561-6570, 6612-6614, 6616, 6618-6623, 6664-6674, 6717-6724, 6768-6771, 6819-6822, 6870-6871

OPD: NR 06-04, Flaxman Island: Blocks: 6651, 6701-6702, 6751-6754, 6802-6808, 6857-6860, 6910-6912, 6920-6924, 6961-6974, 7013-7022, 7066-7070, 7118-7119

OPD: NR 07-03, Barter Island: Blocks: 6853-6855, 6901-6909, 6958-6960, 7010-7011, 7061-7063, 7113-7114

OPD: NR 07-05, Demarcation Point: Blocks: 6016-6017, 6067-6069, 6118-6120, 6169-6170, 6222-6223, 6273-6275, 6324-6325

The regulations at 30 CFR 250.203(b)(1)(ix) require a shallow hazards report be included with all Exploration Plans (EPs) or Development and Production Plans (DPPs) at the time they are submitted to MMS for completeness review. In addition, for the blocks listed above, lessees must include an archaeological resources report as required by 30 CFR 250.203(b)(15) with any EP or DPP submitted to MMS for completeness review. Lessees are encouraged to combine surveys whenever feasible.

Except as approved on a case-by-case basis, lessees may not set a drilling or production facility on location until MMS has approved an EP or DPP. Lessees are advised that seasonal constraints may prevent the following from occurring in the same year: collection of required data, obtaining of any necessary permits and coastal consistency certification, and the initiation of operations including mobilization and set down of the facility at location. Lessees are encouraged to plan accordingly.

(q) Coastal Zone Management. The MMS advises lessees that under the Coastal Zone Management Act (CZMA) (16 U.S.C. 1451 et. seq., Section 307), as amended, a state with an approved Coastal Zone Management (CZM) Plan reviews certain OCS activities to determine whether they will be conducted in a manner consistent with their approved CZM plan. This review authority is applicable to activities described in OCS exploration plans and development and production plans that affect any land or water use or natural resource within the state's coastal zone. Generally, MMS may not issue a permit for activities described in a plan unless the state concurs or is conclusively presumed to have concurred that the plan is consistent with its CZM plan. In cases where concurrence is not given or presumed, the matter may be appealed to the Secretary of Commerce.

The Department of Commerce, NOAA revised the regulations at 15 CFR 930 implementing the Federal consistency provisions of the CZMA effective January 8, 2001. These revised regulations were published in the Federal Register on December 8, 2000, at 65 FR 77124, et. seq.

The Alaska Coastal Management Plan includes statewide standards found in 6 AAC 80 and enforceable policies found within approved coastal district programs. For the Beaufort Sea OCS mineral lease sales, the enforceable policies of the NSB Coastal Management Program and the statewide standards are applicable.

(r) Navigational 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 (USCG) pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.), as amended. Lessees are encouraged to contact the USCG regarding any identified restrictions. The U.S. Army Corps of Engineers 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 the U.S. Coast Guard, 17th Coast Guard District, P.O. Box 3-5000, Juneau, Alaska 99802, (907) 586-7355. For Corps of Engineers information, prospective bidders should contact U.S. Army Corps of Engineers, Alaska District, Regulatory Branch (1145b), P.O. Box 898, Anchorage, Alaska 99506-0898, (907) 753-2724.

(s) Offshore Pipelines. Lessees 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, and maintenance of offshore pipelines. See also CFR 250.1000(c)(1). Bidders should consult both departments for regulations applicable to offshore pipelines. Copies of the MOU are available from the MMS Internet site and the MMS Alaska OCS Region.

(t) Discharge of Produced Waters. Lessees are advised that the State of Alaska prohibits discharges of produced waters on state tracts within the ten-meter depth contour. Discharges of produced waters into marine waters are subject to conditions of National Pollutant Discharge Elimination System permits issued by the Environmental Protection Agency, and may also include a zero-discharge requirement on Federal tracts within the ten-meter contour.

(u) Use of Existing Pads and Islands. During the review and approval process for exploration and development and production plans, MMS will encourage lessees to use existing pads and islands wherever feasible.

(v) **Rentals/Minimum Royalties and Royalty Suspension Provisions**. The timing of when rental versus minimum royalty is due has been recently revised. The revised requirement is contained in the Proposed Notice of Sale. For all leases issued as a result of this sale, an Addendum will be added to the lease to modify sections 4, 5 and 6 of the lease instrument to implement these revised rental/minimum royalty requirements and to address royalty suspension provisions.

(w) **MMS Inspection and Enforcement of Certain Coast Guard Regulations**. On February 7, 2002, the USCG published a final rule (67 FR 5912) authorizing "...the Minerals Management Service (MMS) to perform inspection on fixed OCS facilities engaged in OCS activities and to enforce Coast Guard regulations applicable to those facilities in 33 CFR Chapter I, Subchapter N." Questions regarding this authorization may be directed to the USCG as indicated in the final rule.

(x) **Statement Regarding Certain Geophysical Data**. Pursuant to section 18 and 26 of the OCS Lands Act, as amended, and the regulations issued there under, MMS has a right of access to geophysical data and information obtained or developed as a result of operations on the OCS. A rule specifying the details and procedures regarding this right of access is found at 30 CFR 251.12. Reimbursement for the cost of reproducing these data will be made in accordance with 30 CFR 251.13.

(y) **Affirmative Action Requirements**. Lessees are advised that they must adhere to the rules of the Department of Labor, Office of Federal Contract Compliance, at 41 CFR Chapter 60. Companies with questions regarding those rules should contact one of the various regional Department of Labor Offices of Federal Contract Compliance.

(z) **Bonding Requirements**. The MMS general bonding requirements are found at 30 CFR 256 Subpart I. Please be advised that Section 30 CFR 256.58, "Termination of the period of liability and cancellation of a bond" was amended on December 3, 2001 and became effective on January 2, 2002. This amendment defines the terms and conditions under which MMS will terminate the period of liability of a bond or cancel a bond. The MMS Notice to Lessees No. 2003-N06, Supplemental Bond Procedures, became effective on June 17, 2003. This document is an updated summary of the procedures that will be used in assessing the financial strength of OCS lessees as they implement the requirement to submit a supplemental bond in compliance with 30 CFR 256. These procedures apply to all OCS Regions.