
Leasing Activities Information

BOEM

U.S. Department of the Interior
Bureau of Ocean Energy Management
Gulf of Mexico OCS Region

Lease Stipulations Western Planning Area, Oil and Gas Lease Sale 218 Final Notice of Sale

One or more of four lease stipulations will be applied to leases resulting from this lease sale on blocks shown on the map “Final, Western Planning Area, Lease Sale 218, December 14, 2011, Stipulations and Deferred Blocks” included in the Final Notice of Sale 218 Package (Final NOS 218 Package). In addition, the “List of Blocks Available for Leasing” contained in the Final NOS 218 Package identifies for each block listed the lease stipulations applicable to that block. These lease stipulations are:

- Stipulation No. 1 - Topographic Features
- Stipulation No. 2 - Military Areas
- Stipulation No. 3 - Law of the Sea Convention Royalty Payment
- Stipulation No. 4 - Protected Species

(This stipulation together with the appropriate Topographic Features Stipulation Map will be included only in leases resulting from this lease sale on blocks within the areas so indicated in the Topographic Features Stipulation Map Package for the Western Planning Area in the Gulf of Mexico (GOM), which is available from the Bureau of Ocean Energy Management (BOEM) GOM Region Public Information Unit and on the website at: http://www.gomr.boem.gov/homepg/lseale/topo_features_package.pdf. As referenced in paragraphs (a), (b), (c), and (d) of this stipulation, a Topographic Features Stipulation Map will be attached to each lease instrument subject to this stipulation.)

Stipulation No. 1 - Topographic Features

The stipulation provides for protection of the following banks:

| <u>Bank Name</u> | <u>No Activity Zone Defined by 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 |
| Bright Bank[1] | 85 |
| Stetson Bank | 52 |
| Appelbaum Bank | 85 |
| <u>Low Relief Banks[2]</u> | |
| 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 |
| <u>South Texas Banks[4]</u> | |
| Dream Bank | 78, 82 |
| Southern Bank | 80 |
| Hospital Bank | 70 |
| North Hospital Bank | 68 |

| | |
|------------------|----|
| Aransas Bank | 70 |
| South Baker Bank | 70 |
| Baker Bank | 70 |

Footnotes:

- [1] Central Planning Area bank in the GOM with a portion of its “1-Mile Zone” and/or “3-Mile Zone” in the Western Planning Area.
- [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 on the attached Topographic Features Stipulation Map) of the leases on banks as listed above.

(b) Operations within the area shown as “1,000-Meter Zone” on the attached Topographic Features Stipulation Map shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a structurally sound downpipe that terminates at an appropriate distance, but no more than 10 meters, from the bottom.

(c) Operations within the area shown as “1-Mile Zone” on the attached Topographic Features Stipulation Map shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a structurally sound downpipe that terminates at 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” on the attached Topographic Features Stipulation Map shall be restricted by shunting all drill cuttings and drilling fluids from development operations to the seafloor through a structurally sound downpipe that terminates at an appropriate distance, but no more than 10 meters (33 feet), from the bottom. If more than two exploration wells are to be drilled from the same surface location within the 3-Mile Zone, all drill cuttings and drilling fluids from the drilling operations at that location are to be shunted to the seafloor through a structurally sound downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom.

You and all of your operators, personnel, and subcontractors are responsible for carrying out the specific mitigation measures outlined in the most current BOEM Notice to Lessees, which provide guidance on how to follow the requirements of this stipulation.

(This stipulation will be included in leases located within the Warning Areas as shown on the map “Final, Western Planning Area, Lease Sale 218, December 14, 2011, Stipulations and Deferred Blocks” included in the Final NOS 218 Package.)

Stipulation No. 2 - Military Areas

(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), and 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 (U.S.) 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 U.S. Government, its contractors or subcontractors, or any of its officers, agents, or employees. The lessee further agrees to indemnify and save harmless the U.S. Government against all claims for loss, damage, or injury sustained by the lessee, or to indemnify and save harmless the U.S. Government 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 U.S. Government, 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 159 Fighter Wing
 400 Russell Avenue, Box 27
 Building 285
 New Orleans, Louisiana 70143-0027
 Telephone: (504) 391-8695/8696 (operational)

W-147 147 OSS/OSA
 14657 Sneider Street
 Houston, Texas 77034-5586
 Telephone: (281) 929-2142

W-228 Naval Air Station Corpus Christi
 Attention: Code N312
 (ATC Air Space Management)
 Naval Air Station
 Corpus Christi, Texas 78419-5100
 Telephone: (361) 961-5504

W-602 VQ-4
 Operations Department
 7791 Mercury Road

Tinker AFB, Oklahoma 73145-8704
Telephone: (405) 739-5742/5702

(This stipulation will be included in leases beyond the U.S. Exclusive Economic Zone (EEZ) in the area formerly known as the Western Gap, as shown on the map “Final, Western Planning Area, Lease Sale 218, December 14, 2011, Stipulations and Deferred Blocks” included in the Final NOS 218 Package.)

Stipulation No. 3 - Law of the Sea Convention Royalty Payment

If the United States (U.S.) Government 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. Government on a block or portion of a block located beyond the U.S. Exclusive Economic Zone (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:

A. The Convention requires payments annually by coastal States party to the Convention with respect to all production at a site after the first 5 years of production at that site. Any such payments will be made by the U.S. Government and not the lessee.

B. For the purpose of this stipulation regarding payments by the lessee to the U.S. Government, a site is defined as an individual lease whether or not the lease is located in a unit.

C. 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.

D. If total lease production during the first 5 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 5 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.

E. If, in any production year after the first 5 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. Government, 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:

(1) In the sixth year of production, 1 percent of the value of the sixth year's lease production saved, removed, or sold from the leased area;

(2) After the sixth year of production, the Convention-related royalty payment rate shall increase by 1 percent for each subsequent year until the twelfth year and shall remain at 7 percent thereafter until lease termination.

F. If the U.S. Government 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. Government accession to the Convention in the tenth year of lease production would result in a Convention-related royalty payment of 5 percent of the value of the tenth year's lease production, saved, removed, or sold from the lease. The following year, a payment of 6 percent would be due, and so forth, as stated above, up to a maximum of 7 percent per year.

G. If, in any production year after the first 5 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.

H. 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.

I. 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 the Office of Natural Resources Revenue on or before 30 days after the expiration of the relevant production lease year.

J. 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.

K. 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.

L. 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.

(This stipulation will be included in all leases resulting from this lease sale.)

Stipulation No. 4 - Protected Species

The Outer Continental Shelf (OCS) Lands Act (OCSLA) at 43 U.S.C. 1333 extends the laws of the United States (U.S.) Government to the subsoil and seabed of the OCS and to all artificial islands, and all installations and other devices erected thereon for the purpose of exploring for, developing, producing resources, or transporting such resources. The laws of the U.S. Government include the Endangered Species Act at 16 U.S.C. 1531 et seq. and the Marine Mammal Protection Act at 16 U.S.C. 1361 et seq., which are designed to protect threatened and endangered species and marine mammals. The OCSLA at 43 U.S.C. 1331 also sets forth the policy of the United States, which is expeditious and orderly development of the OCS, subject to environmental safeguards. The Bureau of Ocean Energy Management (BOEM) implements those laws in 30 CFR part 550, Subpart A (550.101, 550.106) and Subpart B Plans and Information (“implementing regulations”).

In response to these laws and BOEM implementing regulations the lessee and its operators must:

- (a) collect and remove flotsam resulting from activities related to exploration, development, and production of this lease;
- (b) 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) observe for marine mammals and sea turtles while on vessels, reduce vessel speed to 10 knots or less when assemblages of cetaceans are observed and maintain a distance of 90 meters or greater from whales, and a distance of 45 meters or greater from small cetaceans and sea turtles;
- (d) employ mandatory mitigation measures prescribed by BOEM or National Oceanic and Atmospheric Administration for all seismic surveys including the use of an “exclusion zone” based upon the appropriate water depth, ramp-up and shut-down procedures, visual monitoring and reporting;
- (e) immediately report all sightings and locations of injured or dead protected species (marine mammals and sea turtles) to the appropriate stranding network. If oil and gas industry activity is responsible for the injured or dead animals (e.g., because of a vessel strike), the responsible parties must remain available to assist the stranding network. If the injury or death was caused by a collision with the lessee’s or its operator’s vessel, the lessee must notify BOEM within 24 hours of the strike; and,
- (f) identify important habitats, including designated critical habitat, used by listed species (e.g., sea turtle nesting beaches, piping plover critical habitat), in oil spill contingency planning 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.

The lessee and its operators, personnel, and subcontractors are responsible for carrying out the specific mitigation measures outlined in the most current BOEM Notices to Lessees, which interpret requirements in the above-mentioned implementing regulations.