

An Analysis of the Outer Continental Shelf (OCS) Oil and Gas Lease

OCS
Advisory Board

Mark Williams &
J. Keith Couvillion
Chevron U.S.A. Inc.

June 27, 2013



Outline

- Introduction to the OCS
- 5 Year Leasing Program
- Lease Sale Process
- Oil and Gas Lease Form
- Other Laws and Regulations
- Questions

Terms

- OCS** - Outer Continental Shelf
- BOEM** - Bureau of Ocean Energy Management
- BSEE** - Bureau of Safety and Environmental Enforcement
- DOI** - Department of Interior
- GOM** - Gulf of Mexico
- EEZ** - Exclusive Economic Zone



U.S. Department of the **Interior**



An Introduction to the OCS

Offshore History Lesson

- 1945 Presidential Proclamation (Harry Truman)
- The Submerged Lands Act (May 22, 1953)
- The Outer Continental Shelf Lands Act (August 7, 1953)
- 1983 Presidential Proclamation (EEZ)



State/Federal Offshore Jurisdiction

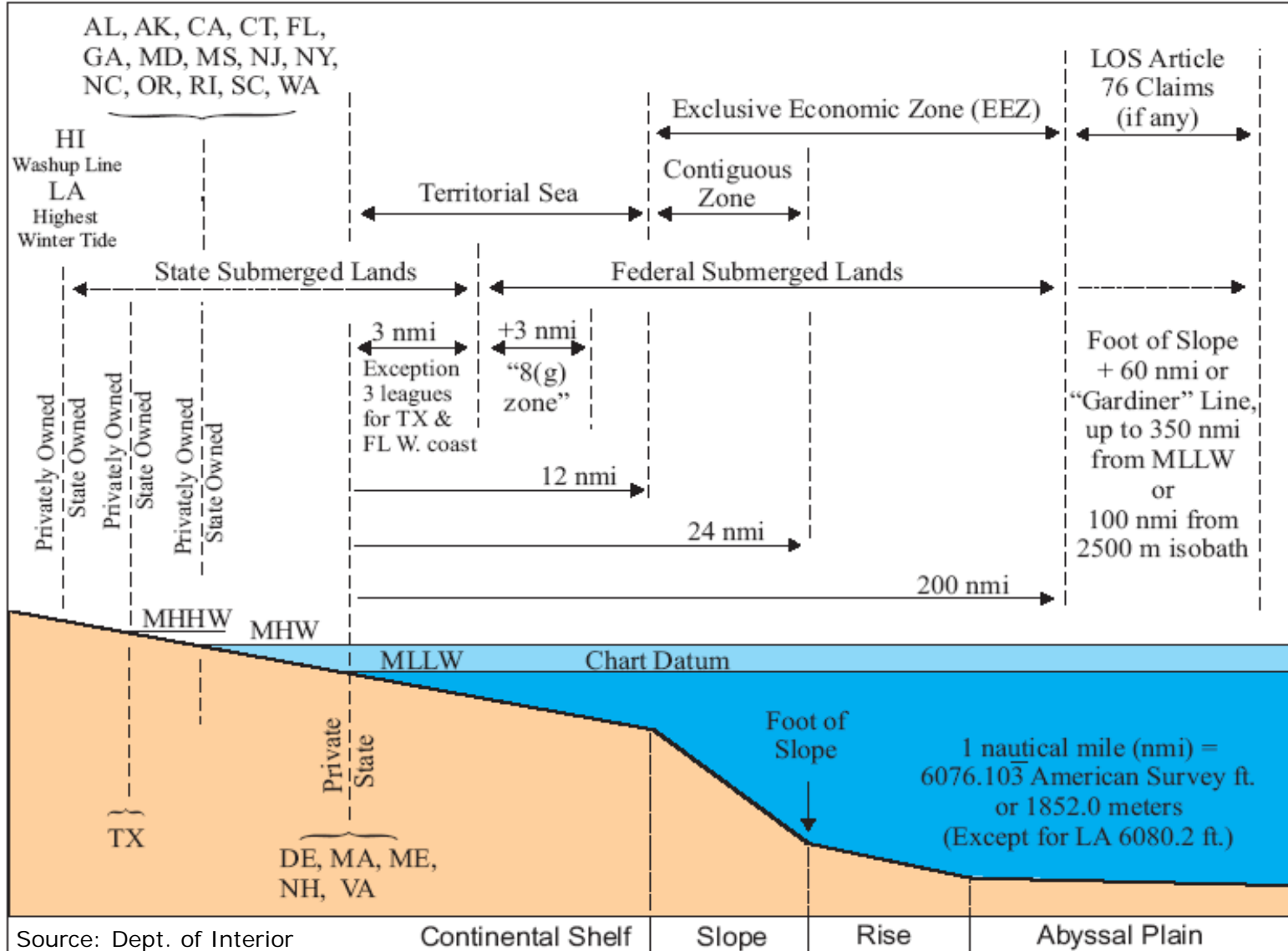
- **State jurisdiction** is defined as those submerged lands seaward of the coastline to a distance of approximately 3 geographical miles (4.83 km). The offshore jurisdiction of the Gulf coast of Florida and the State of Texas is 3 marine leagues (approximately 10 miles) seaward.
- **Federal jurisdiction** is defined under accepted principles of international law. The seaward limit is defined as the farthest of 200 nautical miles (370 km) seaward of the baseline from which the breadth of the territorial sea is measured or, if the continental shelf can be shown to exceed 200 nautical miles, a distance not greater than a line 100 nautical miles from the 2,500-meter isobath or a line 350 nautical miles from the baseline.

Government Controlled Offshore Lands United States - Exclusive Economic Zone *(3 Billion Acres – 4.1 Million Sq. Miles)*



Source: DOI

Offshore Jurisdiction



Federal Offshore Acreage

Currently Under Lease

- Available Acreage –
1.76 Billion (*Lower 48
States and Alaska*)
- Acreage Leased –
34 (+/-)Million
- Percent Leased - 1.9%

5 Year Leasing Program

U.S. Department of Interior



President Obama



**Secretary of Interior
Sally Jewell**



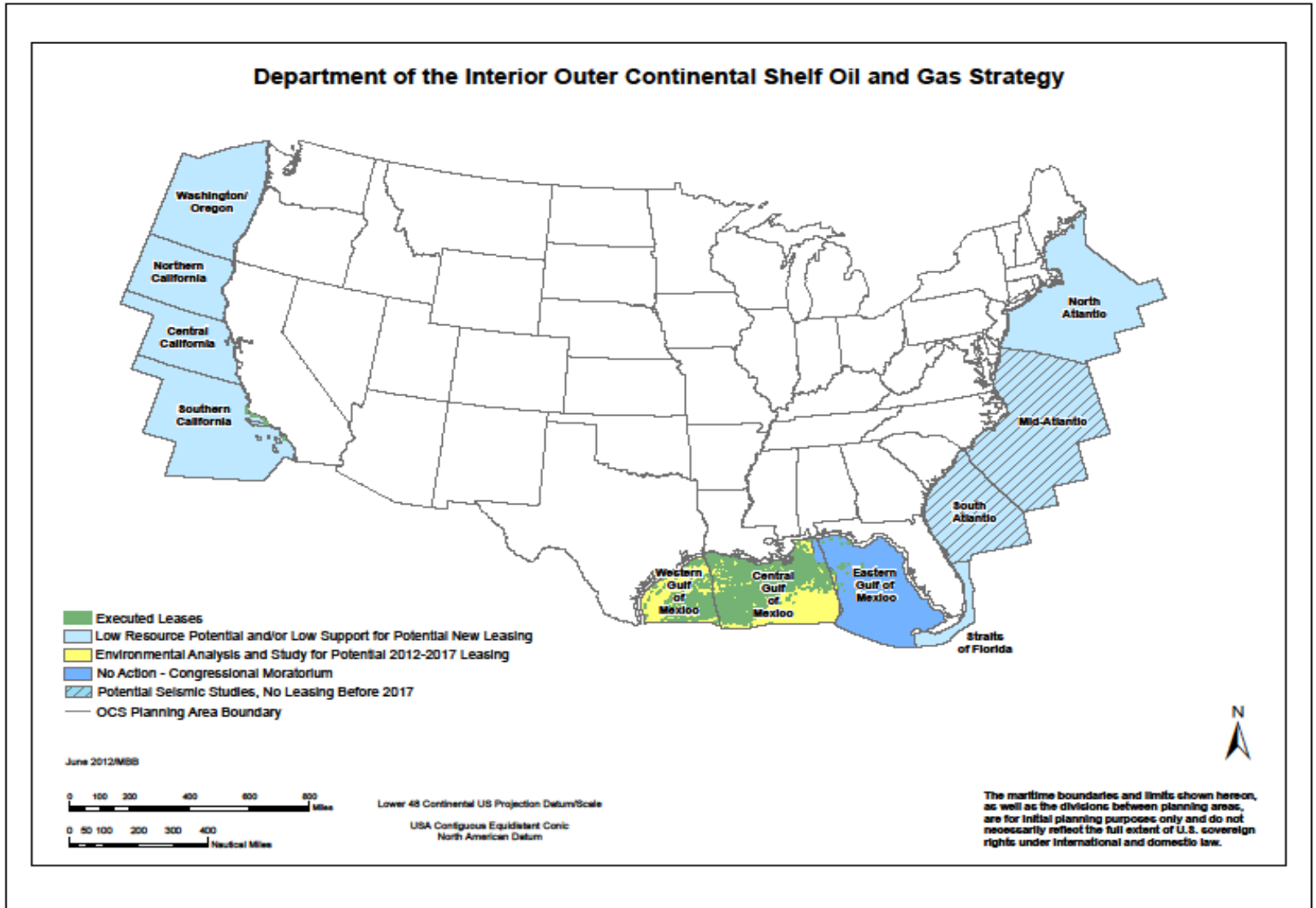
**Tommy Beaudreau
BOEM Director**



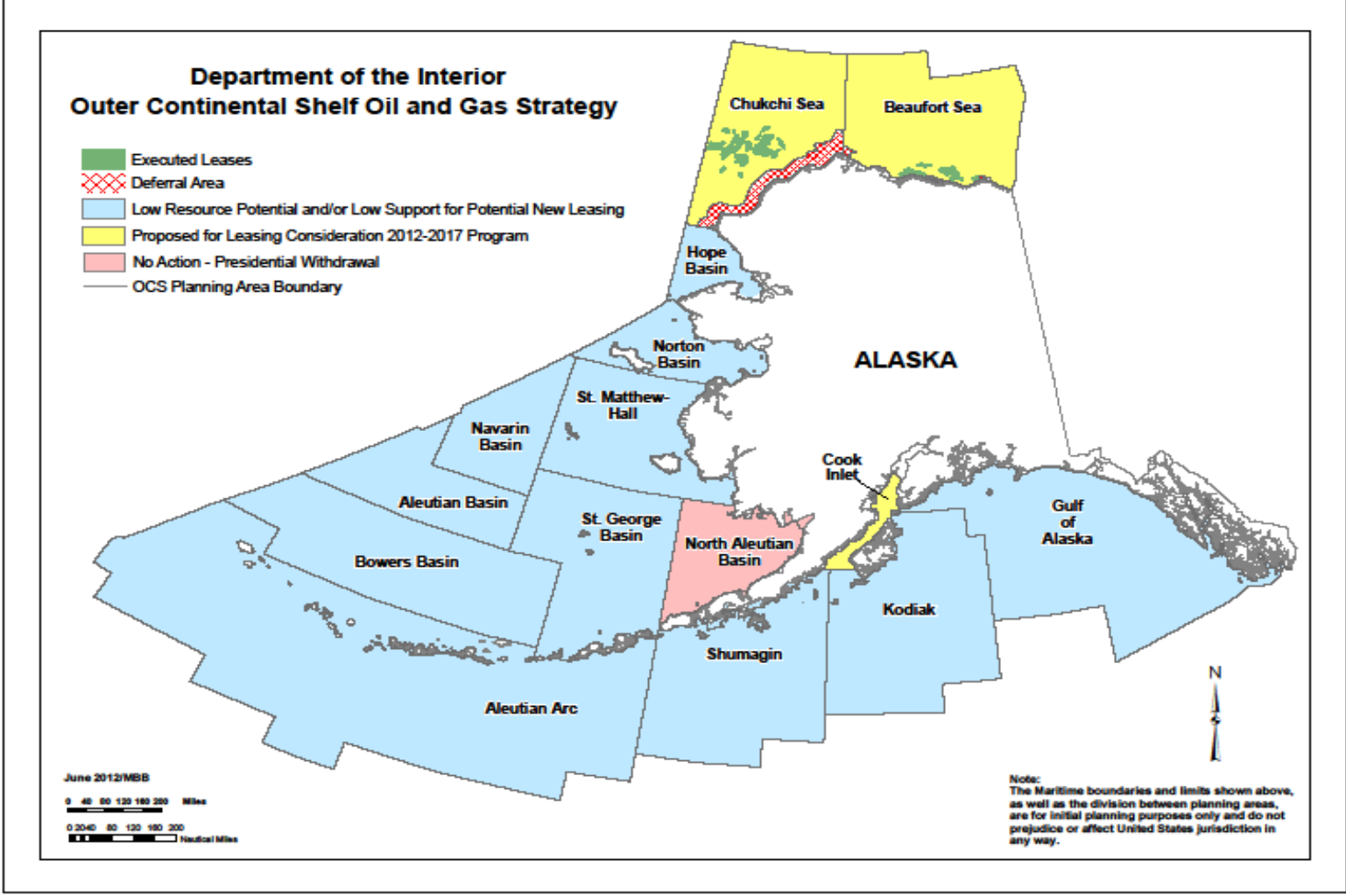
OCS Lease Sales

- OCS Land Act (OCSLA)
- 1978 Amendments to OCSLA
 - 5 - Year Leasing Program
 - 2012 – 2017 Leasing Program
- Planning Area Sales

Lower 48 Planning Areas



Alaska Planning Areas



2012-2017 OCS Lease Sales

Sale No.	Area	Year
229	Western Gulf of Mexico	2012
227	Central Gulf of Mexico	2013
233	Western Gulf of Mexico	2013
225	Eastern Gulf of Mexico	2014
231	Central Gulf of Mexico	2014
238	Western Gulf of Mexico	2014
235	Central Gulf of Mexico	2015
246	Western Gulf of Mexico	2015
226	Eastern Gulf of Mexico	2016
241	Central Gulf of Mexico	2016
237	Chukchi Sea	2016
248	Western Gulf of Mexico	2016
244	Cook Inlet	2016
247	Central Gulf of Mexico	2017
242	Beaufort Sea	2017

2012-2017 5-Year Leasing Program

Total Acreage offered in the Five Year Program	
Total OCS	218.94 million
Alaska	125.19 million
GOM	93.75 million
Alaska	
Chukchi Sea	55.11 million
Beaufort Sea	64.72 million
Cook Inlet	5.36 million
Gulf of Mexico	
Western	28.58 million
Central	64.51 million
Eastern	0.66 million

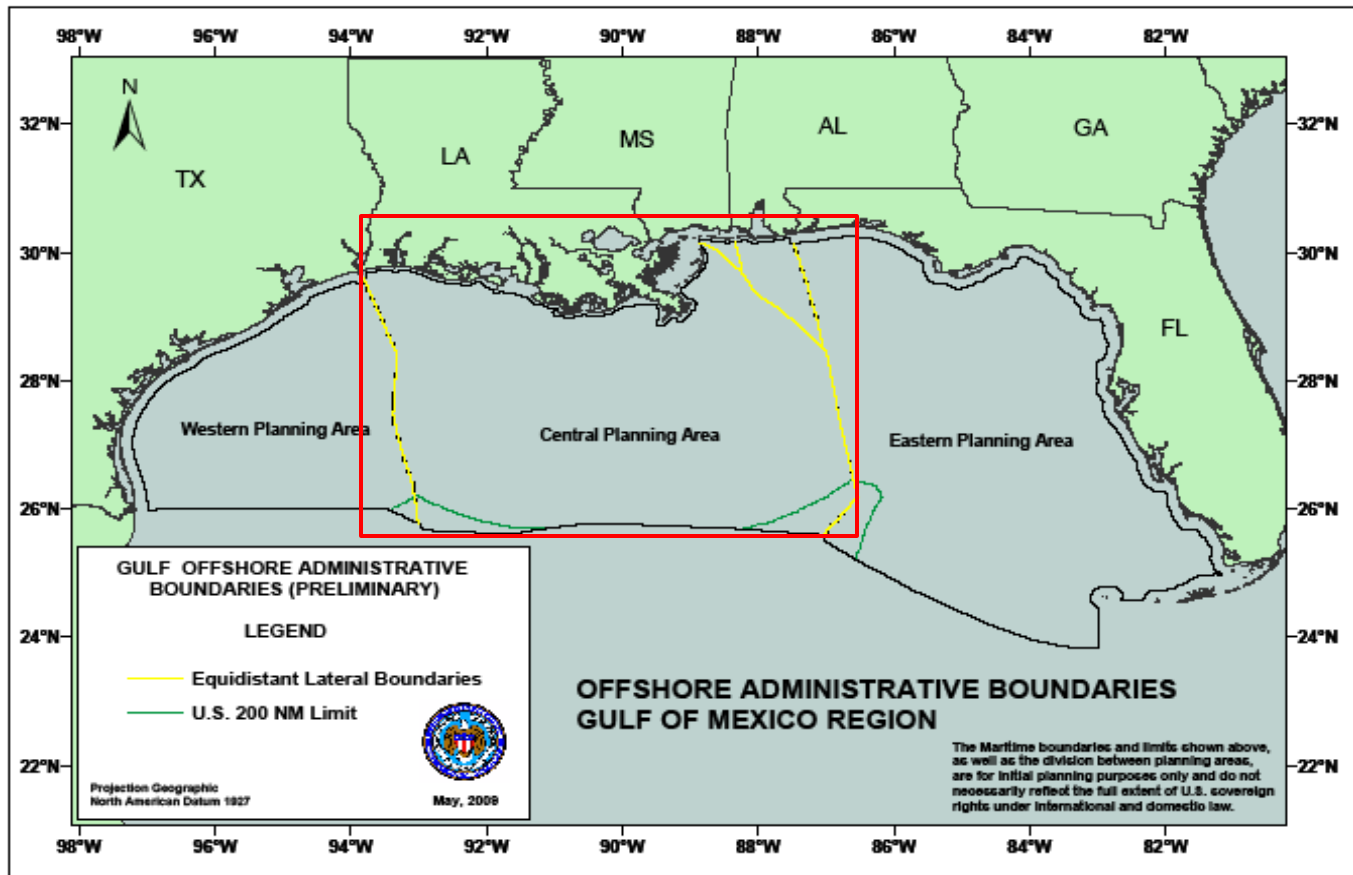
Lease Sale Process

Strategic Leasing in the 2012-2017 Proposed Final Program

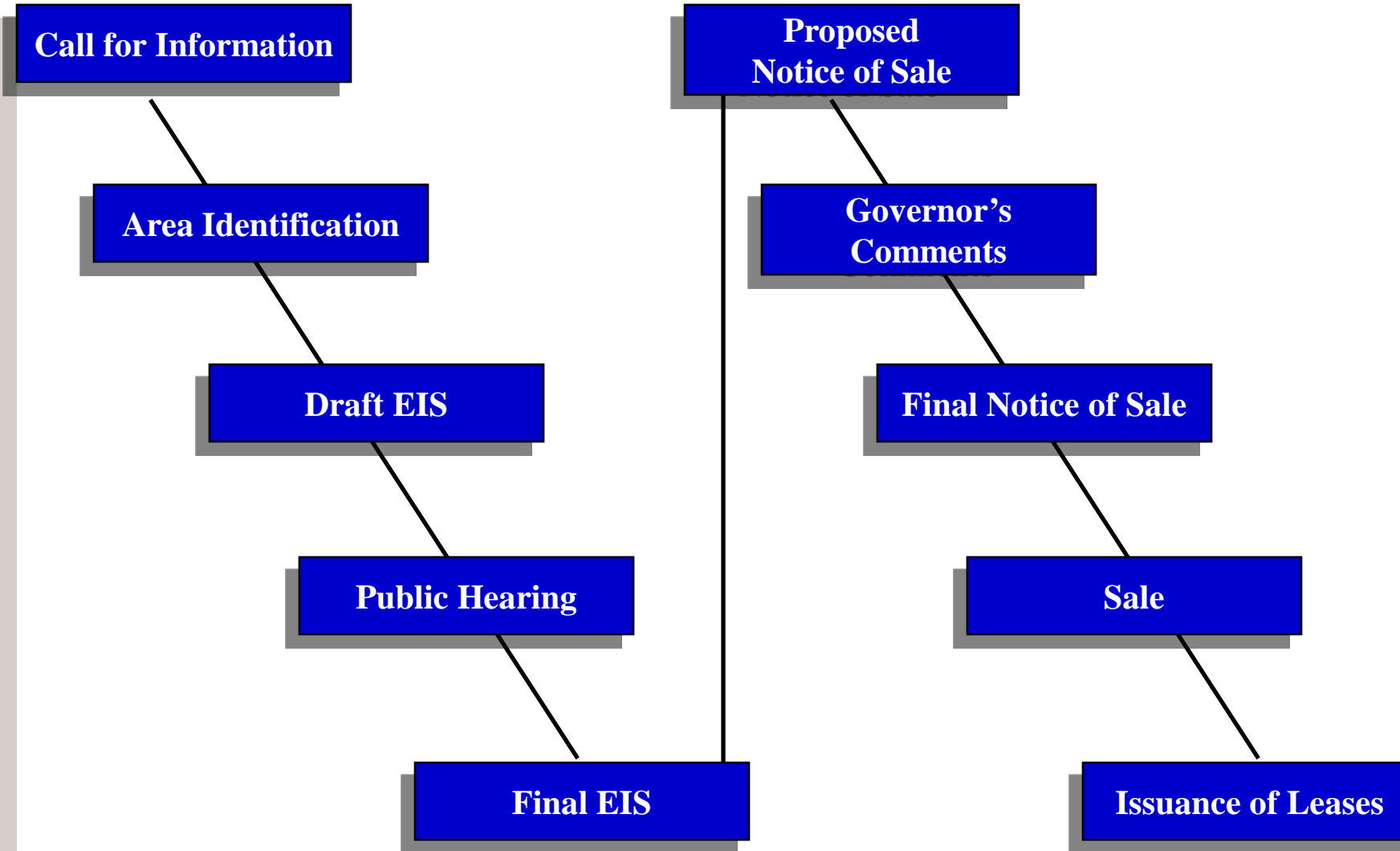
The process moves from the broad to the narrow, i.e. Five Year Program to lease sale steps to exploration plans and then development plans.



Gulf of Mexico Region Central Planning Area



OCS Lease Sale Procedure



Federal Register Notice

4360

Federal Register / Vol. 77, No. 18 / Friday, January 27, 2012 / Notices

the Secretary) will bear interest at the "going Federal rate" in effect at the time the debentures are issued. The term "going Federal rate" is defined to mean the interest rate that the Secretary of the Treasury determines, pursuant to a statutory formula based on the average yield on all outstanding marketable Treasury obligations of 8- to 12-year maturities, for the 6-month periods of January through June and July through December of each year. Section 221(g)(4) is implemented in the HUD regulations at 24 CFR 221.255 and 24 CFR 221.790.

The Secretary of the Treasury has determined that the interest rate to be borne by debentures issued pursuant to section 221(g)(4) during the 6-month period beginning January 1, 2012, is 1 $\frac{7}{8}$ percent.

The subject matter of this notice falls within the categorical exemption from HUD's environmental clearance procedures set forth in 24 CFR 50.19(c)(6). For that reason, no environmental finding has been prepared for this notice.

Authority: Sections 211, 221, 224, National Housing Act, 12 U.S.C. 1715b, 1715l, 1715o; Section 7(d), Department of HUD Act, 42 U.S.C. 3535(d).

Dated: January 20, 2012.

Carol J. Galante,

Acting Assistant Secretary for Housing—
Federal Housing Commissioner.

[FR Doc. 2012-1818 Filed 1-26-12; 8:45 am]

BILLING CODE 4210-47-P

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

Notice of Availability of the Proposed Notice of Sale for Outer Continental Shelf (OCS) Oil and Gas Lease Sale 216/222 in the Central Planning Area (CPA) in the Gulf of Mexico

AGENCY: Bureau of Ocean Energy Management, Interior.

ACTION: Notice of Availability of the Proposed Notice of Sale for Proposed Sale 216/222.

SUMMARY: BOEM announces the availability of the proposed Notice of Sale (NOS) for proposed Sale 216/222 in the CPA. This Notice is published pursuant to 30 CFR 556.29(c) as a matter of information to the public. With regard to oil and gas leasing on the OCS, the Secretary of the Interior, pursuant to section 19 of the OCS Lands Act, provides the affected states the opportunity to review the proposed NOS. The proposed NOS sets forth the proposed terms and conditions of the

sale, including minimum bids, royalty rates, and rentals.

DATES: Affected states may comment on the size, timing, and location of proposed Sale 216/222 within 60 days following their receipt of the proposed NOS. The final NOS will be published in the *Federal Register* at least 30 days prior to the date of bid opening. Bid opening is currently scheduled for June 20, 2012.

SUPPLEMENTARY INFORMATION: The proposed NOS for Sale 216/222 and a "Proposed Notice of Sale Package" containing information essential to potential bidders may be obtained from the Public Information Unit, Gulf of Mexico Region, Bureau of Ocean Energy Management, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394. Telephone: (504) 736-2519.

Agency Contact: Steven Textoris, Acting Leasing Division Chief, Steven.Textoris@boem.gov.

Dated: January 19, 2012.

Tommy P. Beaudreau,
Director, Bureau of Ocean Energy
Management.

[FR Doc. 2012-1819 Filed 1-26-12; 8:45 am]

BILLING CODE 4310-VH-P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[LLNVW0300.L51100000.
GN0000.LVEMF1000880 241A; 12-08807;
MO# 4500030363; TAS: 14X5017]

Notice of Availability of the Draft Environmental Impact Statement for the Hycroft Mine Expansion, Humboldt and Pershing Counties, NV

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice of availability.

SUMMARY: In compliance with the National Environmental Policy Act of 1969, as amended, (NEPA) and the Federal Land Policy and Management Act of 1976, as amended, the Bureau of Land Management (BLM) Winnemucca District, Black Rock Field Office, Winnemucca, Nevada has prepared a Draft Environmental Impact Statement (EIS) for the Hycroft Mine Expansion and by this notice is announcing the opening of the comment period.

DATES: To ensure comments will be considered, the BLM must receive written comments on the Hycroft Mine Expansion Draft EIS within 45 days following the date the Environmental Protection Agency publishes its Notice of Availability in the *Federal Register*.

The BLM will announce future meetings or hearings and any other public involvement activities at least 15 days in advance through public notices, media releases, and/or mailings.

ADDRESSES: You may submit comments related to the Hycroft Mine Expansion Draft EIS by any of the following methods:

- **Web site:** www.blm.gov/nv/st/ea/fo/wfo/blm_information/nepa0.html.
- **Email:** wfoweb_comments@blm.gov.
- **Fax:** (775) 623-1503.
- **Mail:** Bureau of Land Management, Winnemucca District Office, 5100 E. Winnemucca Boulevard, Winnemucca, Nevada 89445, Attn. Kathleen Rehberg.

Copies of the Hycroft Mine Expansion Draft EIS are available in the Winnemucca District Office at the above address.

FOR FURTHER INFORMATION CONTACT:

Kathleen Rehberg, Project Lead, telephone (775) 623-1500; address 5100 E. Winnemucca Boulevard,

Winnemucca, Nevada 89445; email: wfoweb@blm.gov. Persons who use a

telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-(800) 877-8339 to contact the above individual during normal business hours. The FIRS is available 24 hours a day, 7 days a week, to leave a message or question with the above individual. You will receive a reply during normal business hours.

SUPPLEMENTARY INFORMATION: Hycroft Resources Development Inc., (HRDI) proposes to expand mining activities at the existing Hycroft Mine on BLM-managed public land and on private land in Humboldt and Pershing counties, approximately 55 miles west of Winnemucca, Nevada, on the west flank of the Kamma Mountains. HRDI submitted an amended Plan of Operations to the BLM for approval, which proposes to expand the existing project boundary of 8,858 acres an additional 5,895 acres for a total project area of approximately 14,753 acres of public and private land. The Hycroft Mine currently employs approximately 205 workers. The proposed expansion would increase the mine life by approximately 12 years and increase employment to approximately 537 mine personnel.

The Draft EIS analyzes the potential environmental impacts associated with the proposed expansion, which includes 2,173 acres of new surface disturbance. An updated inventory of wilderness characteristics was used for the analysis of potential impacts associated with this project. The existing open pit operation and associated disturbance would be

Lease Sale Blocks/Tracts

	G20361 05/31/2008 ExxonMobil	G20362 05/31/2008 ExxonMobil	G20363 04/30/2008 Union Oil CA	G18741 04/30/2007 ExxonMobil	G18742 06/30/2007 Chevron USA	G18743 06/30/2007 ExxonMobil	G18744 07/31/2007 Union Oil CA	G18745 06/30/2007 Union Oil CA
	WR627	WR628	WR629	WR630	WR631	WR632	WR633	
	WR671	WR672	WR673	WR674	WR675	WR676	WR677	
	WR715	WR716	WR717	WR718	WR719	WR720	WR721	
	WR759	WR760	WR761	WR762	WR763	WR764	WR765	
	WR803	WR804	WR805	WR806	WR807	WR808	WR809	
	G20402 05/31/2008	G20403 05/31/2008	G20404 05/31/2008	G20405 05/31/2008	G20406 05/31/2008	G20407 06/30/2008	G20408 06/30/2008	G20409 07/31/2008

Lease Financial Terms

Initial Period:

5 years for blocks in water depths less than 400 meters

5 + 3 years for blocks in water depths of 400 to less than 800 meters

7 + 3 years for blocks in water depths of 800 to less than 1600 meters

10 years for blocks in water depths of 1600 meters or deeper

Minimum Bonus Bid Amount:

\$25.00 per acre or fraction thereof for water depths less than 400 meters

\$100.00 per acre or fraction thereof for water depths 400 meters or deeper

Rental Rates:

\$ 7.00 - \$28.00 per acre or fraction thereof for water depths less than 200 meters

\$11.00 - \$44.00 per acre or fraction thereof for water depths 200 meters to less than 400 meters

\$11.00 - \$16.00 per acre or fraction thereof for water depths 400+ meters

Minimum Royalty Rates:

\$7.00 per acre or fraction thereof for water depths less than 200 meters

\$11.00 per acre or fraction thereof for water depths 200 meters or deeper

Royalty Rate: 18.75%

OCS Lease Sales – Who can Bid?

- Qualification Paperwork
- Equal Opportunity Forms
 - Equal Opportunity Affirmative Action Representation Form BOEM-2032 (October 2011)
 - Equal Opportunity Compliance Report 15 Certification Form BOEM-2033 (October 2011)
- Not barred from doing business with the U.S. government

OCS Lease Sales

BID SUBMITTAL

- Appropriate Paperwork on File with BOEM
- Cash Bonus Variable
- All Other Commercial Terms Fixed
- One Tract per Bid
- Due before 10:00 a.m. the day before the Sale
- Signed Bid Form Submitted in Sealed Envelope

Bid Form

Regional Director
Minerals Management Service, DOI
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

Oil and Gas Lease Sale 206
Date of Lease Sale: March 19, 2008
Company Submitting Bid:
Chevron U.S.A. Inc.
GOM Company Number: 00078

Oil and Gas Lease Bid

It is understood that this bid legally binds the bidder(s) to comply with all applicable regulations, including paying the 1/5th bonus on all high bids, as provided in the Final Notice of Sale.

The following bid is submitted for an oil and gas lease on the area and block of the Outer Continental Shelf specified below:

<u>Map Name</u>	<u>Map Number</u>	<u>Block Number</u>	<u>Amount Bid</u>
Green Canyon	NG15-03	944	\$55,053,032

<u>GOM Company Number</u>	<u>Percent Interest</u>	<u>Company Name(s), Address(es) and Signature(s)</u>
00078	100.00	Chevron U.S.A. Inc. 1500 Louisiana St. Houston, Texas 77002

By: 

J. Keith Couvillion
Assistant Secretary

Bid Envelope

Chevron U.S.A. Inc. - GOM Company No. 00078

Green Canyon (NG15-03)

Block 944

**SEALED BID FOR OIL AND GAS LEASE SALE 222,
NOT TO BE OPENED UNTIL 9 A.M., WEDNESDAY, JUNE 20, 2012.**

OCS Lease Sales

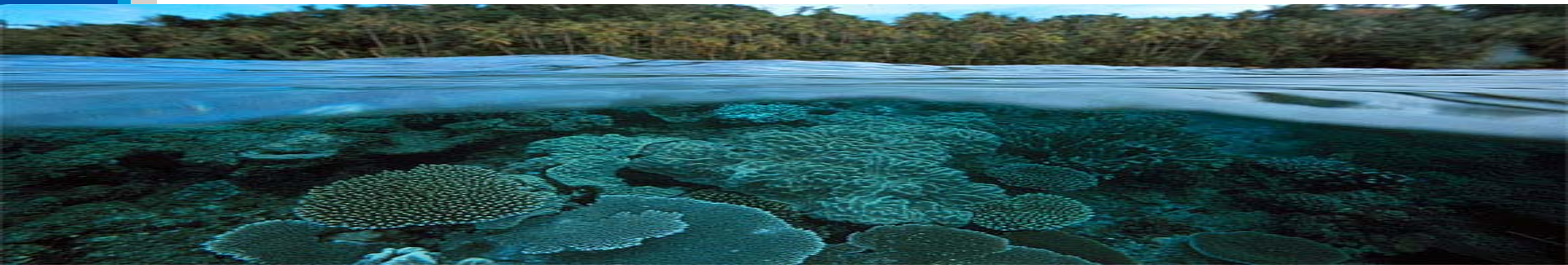
SALE DAY

- Bids Opened and Read Aloud
- High Bids Receipt Picked Up
- 1/5th Bonus due by Electronic Funds Transfer (EFT) to US Treasury by 11:00 a.m. Eastern Time the day after the Sale

OCS Lease Sale

LEASE AWARDING

- Phases I & II
- 4/5th Bonus due by EFT to Treasury by 11:00 a.m. Eastern Time on or before the 11th business day after notice of award of lease
 - ▶ Sign Lease Form (Triplicate)
 - ▶ Submit Executed Leases to BOEM
- Executed Lease Issued



OCS Oil and Gas Lease Form

BOEM Lease Form

BOEM-2005 (October 2011)

847888

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF OCEAN ENERGY MANAGEMENT OIL AND GAS LEASE OF SUBMERGED LANDS UNDER THE OUTER CONTINENTAL SHELF LANDS ACT	Office New Orleans, LA Cash bonus \$608,779.00 Minimum royalty rate per acre, hectare or fraction thereof \$11.00 per acre	Serial number OCS-G 24161 Rental rate per acre, hectare or fraction thereof See Addendum Royalty rate 18 3/4 percent Profit share rate
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Paperwork Reduction Act of 1995 statement: This form does not constitute an information collection as defined by 44 U.S.C. 3501 et seq., and therefore does not require approval by the Office of Management and Budget.

FEB 01 2012

This lease is effective as of even years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by its Regional Director, Gulf of Mexico OCS Region, Bureau of Ocean Energy Management (BOEM), its authorized officer, and

hereinafter called the "Effective Date") and

Union Oil Company of California

100%

RECEIVED
 JAN 19 2012
 ADJUDICATION SECTION

(hereinafter called the "Lessee"), in consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including those stipulations numbered **2 and 4** attached hereto, the Lessor and Lessee agree as follows:

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 43 U.S.C. 1331 et seq., as amended, (hereinafter called "the Act"). This lease is subject to the Act, regulations promulgated pursuant thereto, and other statutes and regulations in existence upon the Effective Date of the lease, and those statutes enacted (including amendments to the Act or other statutes) and regulations promulgated thereafter, except to the extent they explicitly conflict with an express provision of this lease. It is expressly understood that amendments to existing statutes and regulations, including but not limited to the Act, as well as the enactment of new statutes and promulgation of new regulations, which do not explicitly conflict with an express provision of this lease may be made and that the Lessee bears the risk that such may increase or decrease the Lessee's obligations under the lease.

In accordance with the regulations at 2 CFR, parts 180 and 1406, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate its requirements to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

Sec. 2. Rights of Lease. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **5,760,000,000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

All of Block 333, Aluminas Canyon, OCS Official Pretraction Diagram, NG 15-04.

This lease is amended by addendum pursuant to the Final Notice of Sale for OCS Oil and Gas Lease Sale 218. The addendum shall become a part of the lease and supersede any inconsistent provisions of the lease form.

BOEM Form BOEM-2005 (October 2011)
Page 1

Introduction to Lease

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF OCEAN ENERGY MANAGEMENT
OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

Paperwork Reduction Act of 1995 statement: *This form does not constitute an information collection as defined by 44 U.S.C. 3501 et seq., and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
Cash Bonus	Rental rate per acre, hectare or fraction thereof
Minimum royalty rate per acre, hectare or fraction thereof	Royalty Rate
	Profit Share Rate

This lease is effective as of _____ (hereinafter called the "Effective Date") and shall continue for an initial period of _____ years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the _____ Bureau of Ocean Energy Management (BOEM), its authorized officer, and

(insert Lessees names)

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered attached hereto, the Lessee and Lessor agree as follows:

Section 1 – Statutes and Regulations

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953; 43 U.S.C. 1331 *et seq.*, as amended, (hereinafter called “the Act”). This lease is subject to the Act, regulations promulgated pursuant thereto, and other statutes and regulations in existence upon the Effective Date of the lease, and those statutes enacted (including amendments to the Act or other statutes) and regulations promulgated thereafter, except to the extent they explicitly conflict with an express provision of this lease. *It is expressly understood that amendments to existing statutes and regulations, including but not limited to the Act, as well as the enactment of new statutes and promulgation of new regulations, which do not explicitly conflict with an express provision of this lease may be made and that the Lessee bears the risk that such may increase or decrease the Lessee's obligations under the lease.* In accordance with the regulations at 2 CFR, parts 180 and 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

Section 2 – Rights of Lessee

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately _____ acres or hectares (hereinafter referred to as the “leased area”), described as follows: _____ (a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations; (b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Secretary of the Interior or the Secretary’s delegate (hereinafter called the “Secretary”); and (c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

Sections 3, 4 & 5

Sec. 3. Term. This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

Sec. 4. Rentals. The Lessee shall pay the Lessor on or before the first day of each lease year before the discovery of oil or gas on the lease, then on or before the last day of each full lease year in which royalties on production are not due, a rental as shown on the face hereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor on or before the last day of each lease year beginning with the year in which royalty-bearing production commences, and notwithstanding any royalty suspension that may apply, a minimum royalty as shown on the face hereof, with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

Section 6 – Royalty on Production

Sec. 6. Royalty on Production.

(a) The Lessee shall pay a royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. All helium produced shall remain the property of the United States. The Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty shall be the reasonable value of the production as determined by the Lessor. The value upon which royalty will be paid is established under 30 CFR Chapter XII or applicable successor regulations.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty production to such delivery point.

Section 7, 8 & 9

Sec. 7. Payments. The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Office of Natural Resources Revenue and tendered to the Lessor. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and payable as due.

Sec. 8. Bonds. The Lessee shall at all times maintain the bond(s) required by regulation prior to the issuance of the lease. The Lessee shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor determines additional security is necessary to ensure compliance with Lessee's obligations under this lease and the regulations.

Sec. 9. Plans. The Lessee shall conduct all operations on the lease or unit in accordance with an approved exploration plan (EP), development and production plan (DPP) or development operations coordination document (DOCD), approval conditions, and any other applicable requirements provided by law or regulation. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sections 10 and 11

Sec. 10. Diligence and Prevention of Waste.

(a) The Lessee must exercise diligence in the development of the leased area and in the production of wells located thereon and must prevent unnecessary damage to, loss of, or waste of leased resources.

(b) The Lessee shall comply with all applicable laws, regulations and orders related to diligence, sound conservation practices and prevention of waste. EPs, DPPs and DOCDs, are to conform to sound conservation practices to preserve, protect, and develop minerals resources and maximize the ultimate recovery of hydrocarbons from the leased area.

Sec. 11. Directional Drilling.

A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. Drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

Sections 12, 13 & 14

Sec. 12. Safety and Inspection Requirements. The Lessee shall:

- (a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;
- (b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and (c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and provide any documents and records that are pertinent to occupational or public health, safety, or environmental protection as may be requested.

Sec. 13. Suspension or Cancellation.

- (a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.
- (b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

- (a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or
- (b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Section 15 – Disposition of Production

Sec. 15. Disposition of Production.

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the President of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

Section 16, 17 & 18

Sec. 16. Unitization, Pooling, and Drilling Agreements. Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

Sec. 17. Equal Opportunity Clause. During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations, which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. Certification of Nonsegregated Facilities. By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees. Segregated facilities include those that are segregated by explicit directive or those that are in fact segregated on the basis of race, color, religion, sex, or national origin, because of habit, local custom, or otherwise; provided, that separate or single-user restrooms and necessary dressing or sleeping areas shall be provided to assure privacy as appropriate. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to awarding contracts or subcontracts unless they are exempt under 41CFR 60-1.5.

Section 19 – Reservations to Lessor

Sec. 19. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

- (a) the right to authorize geological and geophysical exploration in the leased area that does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;
- (b) the right to grant leases for any minerals other than oil and gas, and to issue leases or grants for renewable energy or alternative uses within the leased area, except that operations under such leases or grants shall not unreasonably interfere with or endanger operations under this lease; and
- (c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof, which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended. During such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sections 20, 21 & 22

Sec. 20. Assignment of Lease. The Lessee shall file for approval with the appropriate regional BOEM OCS office any instrument of assignment or other transfer of any rights or ownership interest in this lease in accordance with applicable regulations.

Sec. 21. Relinquishment of Lease. The Lessee may relinquish this lease or any officially designated subdivision thereof by filing with the appropriate regional BOEM OCS office a written relinquishment, in triplicate, that shall be effective on the date it is filed. No relinquishment of this lease or of any portion of the leased area shall relieve the Lessee of the continuing obligation to pay all accrued rentals, royalties, and other financial obligations or to plug all wells and remove all platforms and other facilities on the area to be relinquished in accordance with applicable regulations.

Sec. 22. Decommissioning.

(a) When wells, platforms, pipelines or other facilities are no longer useful for operations, the Lessee shall permanently plug such wells, remove such platforms and other facilities, decommission such pipelines, and clear the seafloor of all associated obstructions created by the lease operations.

(b) The Secretary may determine that a well, platform, pipeline or other facility is no longer useful and require its immediate decommissioning.

(c) All platforms and other facilities shall be removed within 1 year after the lease terminates unless the Lessor grants approval to conduct other activities.

(d) All decommissioning operations shall be conducted in accordance with applicable laws and regulations and in a manner that is safe, does not unreasonably interfere with other uses of the OCS, and does not cause undue or serious harm or damage to the human, marine, or coastal environment.

Section 23 & 24

Sec. 23. Remedies in Case of Default.

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies that the Lessor may have, including, but not limited to the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

Sec. 24. Unlawful Interest.

No member of, or delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom, except to the extent that such benefit is obtained by the general public as well. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

Laws and Regulations

Federal Agency Regulatory Responsibilities

- All leasing and operations on the Federal offshore are governed by laws and regulations that ensure safe operations and the preservation of the environment, while balancing the Nation's needs for energy development.
- The federal agencies enforce compliance with these regulations and periodically update rules to reflect advancements in technology and new information.



Key Offshore Laws

- **Outer Continental Lands Act** of 1953 is the foundation law for offshore exploration and development.
- **The Oil Pollution Act** of 1990 (OPA 90) gave the Secretary of the Interior authority over offshore facilities and associated pipelines, with the exception of deepwater ports.
- **National Environmental Policy Act** of 1970 (NEPA) - NEPA requires a detailed environmental review be conducted before any major or controversial Federal action.
- **Clean Air Act** of 1970 (CAA) - The CAA regulates the emission of air pollutants from industrial activities.
- **Coastal Zone Management Act** of 1972 (CZMA) - The CZMA requires State review Federal actions that could affect the land and water use of the State's coastal zone.
- **Clean Water Act** of 1977 (CWA) regulates discharges into the oceans.
- **Federal Oil and Gas Royalty Management Act** of 1982 (FOGRAMA) - The FOGRAMA requires that oil and gas facilities be built in a way that protects the environment and conserves Federal resources.
- **Marine Mammals Protection Act** of 1972 (MMPA) - The MMPA provides for the protection and conservation of all marine mammals and their habitats.
- **Endangered Species Act** of 1973 (ESA) - The ESA requires a permit for the taking of any protected species. It also requires that all Federal actions not significantly impair or jeopardize any protected species or their habitats.

Other Laws Impacting the OCS

- FEDERAL WATER POLLUTION CONTROL ACT
- PORTS AND WATERWAYS SAFETY ACT
- NATIONAL HISTORIC PRESERVATION ACT
- NATURAL GAS POLICY ACT
- MARINE POLLUTION RESEARCH AND CONTROL ACT OF 1987
- OCCUPATIONAL SAFETY AND HEALTH ACT
- NATIONAL FISHING ENHANCEMENT ACT OF 1984
- RIVERS AND HARBORS OF 1899
- COASTAL BARRIER RESOURCES ACT OF 1982
- NATIONAL OCEAN POLLUTION ACT OF 1978

Key Offshore Regulations

- Oil and Gas Leases
- Code of Federal Regulations
 - 30 CFR 250 & 550
 - 30 CFR 256 & 556
- Notice to Lessees and Operators
- Federal Register Notices
 - New Laws (e.g. Oil Pollution Act of 1990, etc.)
 - Proposed Rulemaking

Key Offshore Regulation



- Designation of Operator
- Oil Spill Financial Responsibility (OSFR)
- Bonds
- Exploration Plan (EP)
- Plans of Development (POD)
 - Development Operations Coordination Document (DOCD)
 - Development and Production Plan (DPP)
- Application for Permit to Drill (APD)
 - Sundry Notices and Reports on Wells
- Suspension of Operations (SOO)
- Suspension of Production (SOP)

Other Agencies Involved in the OCS

- U.S. COAST GUARD
- DEPARTMENT OF DEFENSE
- CORPS OF ENGINEERS
- U.S. AIR FORCE
- DEPARTMENT OF TRANSPORTATION
- COMMERCE DEPARTMENT
- U.S. NAVY
- U.S. FISH AND WILDLIFE SERVICE
- NATIONAL PARK SERVICE
- ENVIRONMENTAL PROTECTION AGENCY
- STATE DEPARTMENT
- DEPARTMENT OF ENERGY
- TREASURY DEPARTMENT
- FEDERAL ENERGY REGULATORY COMMISSION
- U.S. GEOLOGICAL SURVEY
- DEPARTMENT OF HOMELAND SECURITY
- MARINE MAMMAL COMMISSION

Helpful Websites

Bureau of Ocean Energy Management:

<http://www.BOEM.gov>

Bureau of Safety and Environmental Enforcement:

<http://www.BSEE.gov>

Office of Natural Resource Revenue:

<http://www.ONRR.gov>

Federal Laws, Code of Federal Regulations, Federal Register: (US Government Printing Office Website)

<http://www.gpo.gov/fdsys>



Questions ?????