

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION**

NTL No. 99-G04

Effective Date: March 12, 1999

NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL, GAS, AND SULPHUR
LEASES IN THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION

Guidelines for General Lease Surety Bonds

This Notice to Lessees and Operators (NTL) supersedes our guideline letter on surety bond requirements, dated November 5, 1993, and NTL No. 98-07, Procedures Regarding Activities Conducted Under an Approved Plan, dated August 10, 1998.

What is the purpose of this NTL?

This NTL clarifies how the Gulf of Mexico OCS Region (GOMR) will implement the requirements for general lease surety bonds contained in 30 CFR 256, Subpart I. These securities are necessary to ensure that you fully comply with regulatory and lease requirements to include rents, royalties, environmental damage and clean-up activities not related to oil spills, abandonment and site-clearance, and other lease obligations.

When am I required to provide a general lease surety bond?

You are required to provide a general lease surety bond before the Minerals Management Service (MMS) will issue you a new lease or approve a lease assignment or an operational activity plan. Specifically, the GOMR will begin a review of your bonding coverages when you submit a request for a change of designated operator of a lease; an initial Exploration Plan (EP), an initial Development and Production Plan (DPP), an initial Development Operations Coordination Document (DOCD), or a significant revision (i.e., a supplemental plan) to an approved EP, DPP, or DOCD; or a request for assignment of a lease with an approved EP, DPP, or DOCD.

A designated operator must provide either a lease-specific general lease surety bond or an area-wide general lease surety bond regardless of the general lease surety bond status of any of the co-lessees.

The authorized MMS officer, for good cause, may permit you to provide the required general lease surety bond after we approve an assignment or operational activity plan but before you begin an operational activity under the relevant plan.

The submittal of a general lease surety bond by the designated operator does not relieve any of the lessees of their obligations to comply with the terms and conditions of the lease.

How much general lease surety bond coverage do I need to provide?

The amount of general lease surety bond coverage is determined by the level of activity on your lease. The GOMR will designate each lease as either No Operations, Exploration, or Development as follows:

1. No Operations - A \$50,000 lease-specific or \$300,000 area-wide general lease surety bond for leases with no MMS-approved operational activity plan, or for leases under an MMS-approved operational activity plan but with no submittal to MMS of assignment or operational activity plans. You do not need to provide this bond if you have provided an applicable lease-specific or area-wide lease surety bond according to one of the following higher requirements.

2. Exploration - A \$200,000 lease-specific or \$1,000,000 area-wide general lease surety bond for leases in a proposed EP or a significant revision to an approved EP, or for a proposed assignment of a lease with an approved EP. You do not need to provide this bond if you have provided an applicable lease-specific or area-wide general lease surety bond according to one of the following higher requirements. A portion of your bond amount will be allocated to lease abandonment costs. Remaining amounts will cover rents, royalties, environmental damage and clean-up activities not related to oil spills, and other lease obligations.

3. Development - A \$500,000 lease-specific or \$3,000,000 area-wide general lease surety bond for leases in a proposed DPP or DOCD or a significant revision to an approved DPP or DOCD, or for a proposed assignment of a lease with an approved DPP or DOCD. A portion of your bond amount will be allocated to lease abandonment costs. Remaining amounts will cover rents, royalties, environmental damage and clean-up activities not related to oil spills, and other lease obligations.

What type of general lease surety bond do I need to provide?

To satisfy the requirement to provide general lease surety bonds, you may provide bonds issued by a surety certified by the U.S. Department of the Treasury or U.S. Treasury securities that are negotiable at the time of submission for an amount of cash equal to the value of the required bond. The authorized MMS officer may approve alternatives to U.S. Treasury-certified bonds and U.S. Treasury securities if the interests of the U.S. Government are protected to the same extent as such historically-accepted financial instruments.

The GOMR at present accepts a bond from U.S. Treasury-certified sureties and U.S. Treasury securities that have a cash value at the time of purchase equal to the required amount. On a case-by-case basis, the GOMR will consider alternative instruments that provide the same degree of security as these currently accepted. However, for informational perspective, the GOMR has historically considered unacceptable such alternatives as letters of credit or production escrow accounts.

Is any additional bonding coverage required?

Under 30 CFR 256.53(d) and (e), the GOMR Regional Director (RD) may require additional security(s) in the form of a supplemental bond(s) or an increase in the amount of coverage of an existing general lease surety bond, if the RD determines that additional security is necessary to cover royalty due to the U.S. Government or other applicable costs and liabilities.

The MMS will not require a supplemental bond on a lease when a lessee or its guarantor can demonstrate the financial capability to meet these obligations (see 30 CFR 256.53(d) and (e) and NTL No. 98-18N, Supplemental Bond Procedures, effective December 28, 1998). In addition, any lessee that meets the above demonstration must also maintain a \$3,000,000 area-wide general lease surety bond. However, if the lessee meets the above demonstration by using a guarantor, either the lessee or the guarantor must maintain a \$3,000,000 area-wide general lease surety bond.

Where do I submit a general lease surety bond?

Submit general lease surety bonds to:

Adjudication Unit
Gulf of Mexico OCS Region
Minerals Management Service
1201 Elmwood Park Boulevard
Mail Stop 5421
New Orleans, Louisiana 70123-5144

The date the GOMR Adjudication Unit receives a general lease surety bond is the effective date of the bond.

How can I obtain additional general lease surety bond information and bonding forms?

For assistance regarding general lease surety bonds and the appropriate bond forms to be used, contact the GOMR Adjudication Unit at (504) 736-2612 or use our Internet web site located at **www.gomr.mms.gov/homepg/llesale/surety.html**. You can print all bonding application forms through a PDF. format at this Internet web site. You may contact the Surety Bonding Program Staff, Gulf of Mexico OCS Region, Minerals Management Service, 1201 Elmwood Park Boulevard, Mail Stop 5421, New Orleans, Louisiana 70123-5144.

Paperwork Reduction Act of 1995 Statement

This NTL refers to various information collection provisions in our regulations and forms for which the Office of Management and Budget (OMB) has approved and assigned OMB control numbers. The primary collection of information referred to is required by 30 CFR 256 (OMB control number 1010-0006). This NTL also refers to approved information collection requirements in 30 CFR 250, Subparts A and B (OMB Control numbers 1010-0030 and 1010-0049, respectively). This NTL provides clarification, description, or interpretation of requirements and does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.

Contact

Contact Mr. Carrol S. Williams of this office at (504) 736-2803 if you have any questions concerning this NTL.

A handwritten signature in black ink that reads "Chris C. Oynes". The signature is written in a cursive, flowing style.

Chris C. Oynes
Regional Director