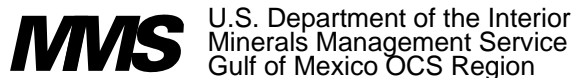

Leasing Activities Information



Instructions For Making EFT Bonus Payments

(July 16, 2008)

Please Note: EFT Bonus Payments are specific to one particular OCS Lease Sale. Therefore, if you submit valid high bid(s) in more than one OCS Lease Sale, more than one EFT bonus payments are expected.

If you submit bid(s) for an OCS Lease Sale, please read and comply with the following:

(A) On the bidder address form with each bid submitted to the OCS Regional Office, you must provide the Minerals Management Service (MMS) the following information:

- (1) The name and telephone number (including the area code) of your EFT coordinator. The MMS will contact that person to resolve any EFT problems. Only one EFT coordinator and one alternate should be designated for bid(s) made by several companies as joint bidders.
- (2) Payment information for the refund of rejected high 1/5 bonus bid and interest.
- (3) Your Tax Identification Number (TIN).

(B) Third Party Error: You will not be held responsible for late payment due to mechanical or systems failure of the Fedwire Deposit System, Federal Reserve Communications System, or the Automated Clearing House System.

- (1) **You must assure that your bank makes payment on time.** You are responsible for interest penalties if your bank fails to deposit your EFT payment in the appropriate United States Treasury account by the time stated in the final notice of sale. We suggest that you make your bank aware of the EFT 1/5 bonus payment deadline. You must immediately contact Ms. Juanita Rogers at (303) 231-3283 or Ms. Candace Merrell at (303) 231-3517 of the MMS Financial Management, Accounting Services, if your bank is unable to complete the EFT due to mechanical or any EFT systems failure.
- (2) You are held responsible for accurate EFT payments. Your responsibility extends to any bank payment message coding error that prevents the payment from reaching the appropriate MMS account. You must immediately contact MMS Financial Management, Accounting Services at the above

numbers if a bank coding error is expected to prevent timely payment to MMS.

1/5 Bonus Bid Payment

The OCS lease final notice of sale mandates the use of these procedures in making electronic payment of the 1/5 bonus bid payment. EFT 1/5 bonus bid payments are required for each OCS Lease Sale that you submit valid high bid(s). If you submit bid(s) for an OCS lease sale, please read and comply with the following:

Payment of the 1/5 bonus bid amount must be by electronic funds transfer (EFT), payable to the MMS. You must use either the **Fedwire Deposit System (FI# 021030004)** or the **Automated Clearing House (ABA# 05103670)**. The MMS considers every signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the 1/5 bonus deposit on all high bids. You must instruct your bank to EFT the 1/5 bonus payment to the appropriate United States Treasury account. The Receiving FI number (FedWire Deposit System) and the Receiving ABA number (Automated Clearing House) printed in this document required for the 1/5 bonus bid payment have not changed. You may continue to use the numbers used in recent years for your upcoming transactions until further notified.

If you are currently an OCS mineral lease record title holder or a designated operator for an OCS mineral lease, AND if you have never defaulted on 1/5 bonus payments (via EFT or otherwise), you do NOT have to provide additional security for your EFT 1/5 bonus payment. Otherwise, see “**Methods for Securing EFT 1/5 Bonus Payments**” for your options of methods to secure your EFT 1/5 bonus payment.

- (1) **One EFT payment must be made for all leases for which you submitted the highest valid bid for one OCS Lease Sale.** The MMS will make available at the sale site and through the Internet a report denoting your EFT liability shortly after bid reading. It is your responsibility to obtain this report. The “**Notification of EFT 1/5 Bonus Liability**” report is available on a sale specific basis and your EFT 1/5 bonus payment is also required on a sale specific basis. This report is available at the lease sale site or on our **MMS** website at www.gomr.mms.gov. If you are unable to obtain this report, you may contact Ms. Yolanda Clark at (504) 736-2851 or Mr. Joshua Joyce at (504) 736-2779.
- (2) **The EFT payment must be received in the appropriate United States Treasury account by the time stated in the final notice of sale, generally 11:00 a.m. Eastern Time the day following bid reading. Please do not round up your 1/5 bonus amounts.**
- (3) If the EFT payment is not received by the deadline, the MMS will charge you one day’s interest on the amount owed using the same interest rate assessed for late royalty payments. This amount plus your EFT liability is due immediately.
- (4) If the EFT payment is deficient in amount (payment is less than the sum total of your 1/5 bonus bids for high bids), the bidder will correct the deficient payment immediately, but no later than 11:00 a.m. Eastern Time of the day following bid opening.

- (5) Should you default on your 1/5 bonus payment by EFT, any or all of your bids (at the MMS's discretion) may be rejected. Additionally, you will be required to secure EFT 1/5 bonus deposits in future OCS lease sales. Where applicable, the MMS will call on the instrument used to secure the 1/5 bonus payment in the case of default.
- (6) Where applicable, the MMS will release your financial instrument used to secure your EFT 1/5 bonus payment upon receipt of your EFT 1/5 high bid deposit. You may pick up your security deposit from the OCS Regional Adjudication Office or arrange to have the security deposit mailed to you.

4/5 Bonus & Rent Payment

Pursuant to 30 CFR 218.155(c), the MMS requires the use of EFT procedures in making payment of the 4/5 bonus and first year rental amounts. If you submitted a high bid and it is deemed to be acceptable by the MMS, please read and comply with the following:

Payment of the 4/5 bonus and first year rental must be by EFT, payable to the MMS. You must use either the **Fedwire Deposit System (FI# 021030004)** or the **Automated Clearing House (ABA# 05103670)**. The Regional Director of the OCS Regional Office conducting the lease offering will advise you of bid acceptance. After notification, you must instruct your bank to EFT the 4/5 bonus and first year rental payment to the appropriate United States Treasury account. The Receiving FI number (FedWire Deposit System) and the Receiving ABA number (Automated Clearing House) printed in this document required for the 4/5 bonus and first year rental payment have not changed. You may continue to use the numbers used in recent years for your upcoming transactions until further notified.

- (1) Your EFT payment must be received in the appropriate United States Treasury Account no later than 11 a.m. Eastern Time, on the 11th business day after receipt of the lease forms by the successful bidder. Business day is a day on which the OCS Regional Office conducting the offering is open for business.
- (2) If your EFT payment is deficient in amount, that is a partial payment, you will have two days after the MMS notification to correct the deficient payment. However, the MMS will assess an interest charge on such deficient payments using the same interest rate assessed for late royalty payments.
- (3) Failure to pay by EFT within the time specified above will result in forfeiture of your 1/5 bonus amount and the authorized officer will not execute the lease.
- (4) One EFT payment can be made for several leases; however, separate payments must be made for each lease sale.
- (5) We request that your EFT payment contain both the 4/5 bonus(es) and the first year rental payment(s) as one transaction. If this is not possible, please transmit the total amount due to execute your lease(s) in one business day.

Methods for Securing EFT 1/5 Bonus Payments

If you are **NOT** currently an OCS mineral lease record title holder or a designated operator for an OCS mineral lease, **OR** if you have ever defaulted on a 1/5 bonus payment in a previous OCS sale, you **MUST** secure your EFT 1/5 bonus payment using one of the following methods:

- (1) *Third party guaranty.* If you use this option to secure EFT 1/5 bonus payments, the third party that guarantees your 1/5 EFT bonus payment must be an active OCS mineral lease record title holder OR a designated operator for an active OCS mineral lease. The third party guarantor must expressly consent to guarantee your EFT 1/5 bonus payment. The MMS must receive the express written consent of guarantee of your EFT 1/5 bonus payment prior to bid submission. You may contact Mr. Joshua Joyce at (504) 736-2779 or Ms. Yolanda Clark at (504) 736-2851 for additional information.

Should you default on the 1/5 bonus payment by EFT, the MMS will call upon the third party to cover the delinquent payment.

- (2) *Amended Areawide Coverage.* If you use this option to secure EFT 1/5 bonus payments, you must amend your \$3 million areawide development bond by a Rider from the issuing surety to contain provisions that the bond may be used to cover pre-lease obligations. All other terms and conditions for the bond must remain unchanged. You must have the Rider notarized and approved by the MMS prior to submitting bids for the OCS sale.

If the \$3 million areawide development bond coverage is through a U.S. Treasury Note, the MMS must receive and approve a notarized letter from the bidder agreeing to the terms that the Treasury Note may be used to cover pre-lease obligations prior to bid submission. That provision must remain in effect until you make your EFT deposit. You may contact Mr. Joshua Joyce at (504) 736-2779 for further information.

Should you default on the 1/5 bonus payment by EFT, the MMS will call the bond/Treasury Note to cover the delinquent payment.

- (3) *A Letter of Credit (LOC).* If you use this option to secure EFT 1/5 bonus payments, you must use a clean, stand-by, irrevocable LOC. You must submit your LOC for at least 1/5 of the sum of all bids that you submit for an OCS lease sale, including joint bids, to the MMS no later than one week prior to the OCS sale. Please contact Mr. Joshua Joyce at (504) 736-2779 or Ms. Yolanda Clark at (504) 736-2851 to obtain a sample LOC or to seek additional information.

The LOC must have a minimum coverage period of 120 days beginning with the date of the OCS sale. The LOC must be from a bank incorporated in the United States that has a minimum Thomson BankWatch rating of:

“C” for a LOC less than \$1 million;
“B/C” for a LOC between \$1 million to \$10 million; or
“B” for a LOC over \$10 million.

You are responsible for verifying that the bank provides a current rating to the MMS. The issuing bank must submit this rating with each LOC. If the issuing bank’s rating falls below the minimum acceptable level, you must submit a satisfactory replacement surety or the MMS may consider the bids to not be appropriately secured and therefore invalid.

If the institution issuing the LOC becomes insolvent, the MMS will require an immediate replacement surety unless the current LOC is transferred in whole and completely honored by the receiving institution. If you do not provide a replacement surety, the MMS may consider the bids to not be appropriately secured and therefore invalid.

Once you make the appropriate EFT deposit, the MMS will promptly return the LOC to you. Alternatively, you may pick up your LOC from the Regional Adjudication Unit upon verification that your EFT deposit was complete and timely.

Should you default on your 1/5 bonus payment by EFT, the MMS will call the LOC to cover the delinquent payment.

- (4) *Advanced EFT Payment.* If you use this option to secure your EFT 1/5 bonus payment, you must make your Advanced EFT payment covering the sum of the 1/5 bonus for **all** your bids before you submit your bid(s). **Please note that only bidders requiring security for their EFT 1/5 bonus payments should consider making an Advanced EFT payment.** If you do NOT have to secure your EFT 1/5 bonus payment (i.e., if you are an OCS mineral lease record title holder or are a designated operator for an OCS mineral lease and have a history of accurate and timely 1/5 bonus payments) then you should wait until the bids are opened and read and the MMS determines your EFT liability (for your high bids) to make your EFT 1/5 bonus payment.

If you use this option to secure your EFT 1/5 bonus payment, you must use either the **Fedwire Deposit System** or the **Automated Clearing House** (see Attachments 1 and 2 for formats). One EFT payment must be made for 1/5 of the sum of the bids for **all** blocks for which you submitted a bid. Your EFT payment must be received and deposited in the appropriate United States Treasury account before you submit your bid(s). Bidders are reminded that the bid submission deadline is generally 11:00 a.m. Eastern Time the day before bid reading.

Once the bids are opened and read, the MMS will determine your 1/5 bonus liability. Should your 1/5 bonus liability be less than your Advanced EFT payment (i.e., you were not the high bidder on all bids that you submitted), the MMS will refund the difference (your Advanced EFT payment minus your 1/5 bonus liability) without interest to you as soon as practicable (generally before 7:00 p.m. Eastern Time the day of bid reading). That refund (when applicable) will be transmitted using EFT according to the payment information provided by you at the time of bid submission on the bidder address form.

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE**

**INSTRUCTION GUIDE FOR
FEDWIRE DEPOSIT SYSTEM SALE PAYMENTS**

FEDWIRE 1/5 BONUS MESSAGE FORMAT

<u>Amount of Wire</u>	\$680,000.00 (total payment amount)
<u>Receiver FI</u>	021030004
<u>Business Function</u>	CTR
<u>Beneficiary</u>	D 14170001 Department of Interior Minerals Management Service Denver, CO
<u>Originator</u>	Company Name and Address
<u>Originator to Beneficiary Information</u> (Up to 4 lines of 35 characters each)	Sale Number Qualification number Number of Leases

Sample: Message Format To Pay 1/5 Bonus Sale Monies

Amount of Wire	\$680,000.00
Receiver FI	021030004
Business Function	CTR
Beneficiary	D 14170001 Department of Interior Minerals Management Service Denver, CO
Originator	XYZOO Oil Company 12345 Pleasant Avenue Broncoville, HI
Originator to Beneficiary	Sale 190, Qual 9999, *XX Leases

*XX = The number of awarded high bid leases.

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

INSTRUCTION GUIDE FOR
FEDWIRE DEPOSIT SYSTEM SALE PAYMENTS

RENT AND 4/5 BONUS MESSAGE FORMAT

Amount of Wire \$680,000.00 (total payment amount)

Receiver FI 021030004

Business Function CTR

Beneficiary D 14170001
Department of Interior
Minerals Management Service
Denver, CO

Originator Company Name and Address

Originator to Beneficiary Information
(Up to 4 lines of 35 characters each) Sale Number
Qualification number
Lease Numbers
Lease Dollar Amounts

Originator to Beneficiary – You may fax lease numbers and amounts if there are too many characters to fit to (303) 231-3501.

Sample: Message Format To Pay 4/5 Bonus Sale Monies

Amount of Wire	\$680,000.00
Receiver FI	021030004
Business Function	CTR
Beneficiary	D 14170001 Department of Interior Minerals Management Service Denver, CO
Originator	XYZOO Oil Company 12345 Pleasant Avenue Broncoville, HI
Originator to Beneficiary	Sale 190, Qual 9999, Lease GXXXXX, \$300,000, Lease GXXXXX, \$80,000, Lease GXXXXX, \$100,000, Lease GXXXXX, \$200,000

Automated Clearing House

FUNDS TRANSFER MESSAGE FORMAT

The following form is designed as an aid for the OCS lease sale bidders in providing complete and accurate data to their banks for the payment of the 1/5 bid and 4/5 bonus and first year rental amounts. The following payment record format is for an ACH CCD+ (Cash Concentration and Disbursement plus Addendum).

Payment Record Format

Data Element Name	Contents	Size	Position
Record Type Code	'6'	1	01-01
Transaction Code	'22'	2	02-03
Receiving ACH ABA	'05103670'	8	04-11
Check Digit	'6'	1	12-12
Account Number	'312011'	17	13-29
Payment Amount	\$\$\$\$\$\$\$.cc	10	30-39
Identification Number	(Optional)	15	40-54
Receiver Name	'MMS OCS Lease Sale'	22	55-76
Discretionary	* (not required)	2	77-78
Addenda Indicator	'1' (addenda present)	1	79-79
Trace Number	Assigned by your bank	15	80-94

Addenda Record Format for 1/5 Total Bid Amount

Data Element Name	Contents	Size	Position
Record Type Code	'7'	1	01-01
Addenda Type Code	'05'	2	02-03
Payment Related	REF*SM*-1-\REF*2U*--2--\NTE**---3---\ (See below for details of items indicated by the large numbers)	80	04-83
Sequence Number	Addenda number starting at 0001	4	84-87
Addenda Trace Number	Same as last seven number of detail trace number	7	88-94

1- OCS Lease Sale Number, example '101'

2- Company OCS Qualification Number, example '1999'

3- The words "OneFifth Bonus for ____ leases" (The number of leases being bid on go in the blank.)

The following is an example of the "Payment Related" addenda record field for Bogus Oil & Gas 1/5 bonus bids for OCS lease sale number 101. The OCS Qualification Number assigned to Bogus Oil & Gas is # 1999. The Payment Amount (see Payment Record format) of the ACH transfer is \$4,603,711.20. Bogus is bidding on 7 leases.

REF*SM*101\REF*2U*1999\NTEOneFifth Bonus for 7 leases**

The asterisks (*) and the back slashes (\) are required items.

Addenda Record Format for 4/5 Bonus & First Year Rent

Data Element Name	Contents	Size	Position
Record Type Code	'7'	1	01-01
Addenda Type Code	'05'	2	02-03
Payment Related	REF*SM*-1\REF*2U*--2--\RMT*LC*--3---*---4---.\RMT*LC*--3---*---4---.\	80	04-83
	(See below for details of items indicated by the large numbers)		
Sequence Number	Addenda number starting at 0001	4	84-87
Addenda Trace Number	Same as last seven number of detail trace number	7	88-94

1- OCS Lease Sale Number, example '101'

2- Company OCS Qualification Number, example '1999'

3- Lease Serial Number (omit region code & dash), example '90028, 90043'

4- 4/5's and First Year Rent Amount for lease identified in item 3 (omit dollar sign & commas), example '421050.30, 5631920.00'

The following is an example of the "Payment Related" addenda record field for Bogus Oil & Gas payment of leases OCSG-90028 and OCSG-90043 for OCS lease sale number 101. The total 4/5's and first year rent for lease OCSG-90028 is \$421,050.30 and for lease OCSG-90043 is \$5,631,920.00. The OCS Qualification Number assigned to Bogus Oil & Gas is # 1999. The Payment Amount (see Payment Record format) of the ACH transfer is \$6,052,970.30.

REF*SM*101\REF*2U*1999\RMT*LC*15700*421050.30\RMT*LC*16509*5631920.00

The asterisks (*) and the back slashes (\) are required items.