

Memorandum of Agreement

Between the

**UNITED STATES
DEPARTMENT OF THE INTERIOR
*BUREAU OF OCEAN ENERGY MANAGEMENT***

and

**UNITED STATES
DEPARTMENT OF THE INTERIOR
*BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT***

and

**UNITED STATES
DEPARTMENT OF THE INTERIOR
*OFFICE OF NATURAL RESOURCES REVENUE***

for the

**COLLABORATION ON POLICIES RELATING TO THE MANAGEMENT OF
PROCEEDS FROM FINANCIAL SECURITY IN THE CONTEXT OF BANKRUPTCIES
ASSOCIATED WITH OUTER CONTINENTAL SHELF ENERGY AND MARINE
MINERAL EXPLORATION AND DEVELOPMENT**

I. Background

The United States Department of the Interior (DOI) Bureau of Ocean Energy Management (BOEM), DOI Bureau of Safety and Environmental Enforcement (BSEE), and the DOI Office of Natural Resources Revenue (ONRR) (jointly, “the Participants”) enter into this Memorandum of Agreement (MOA) to establish certain policies related to the application of proceeds from financial securities called upon in the context of bankruptcies associated with Outer Continental Shelf (OCS) energy and mineral exploration and development. The Participants are each responsible for the management and oversight of certain aspects of OCS energy and mineral operations. A separate, overarching Memorandum of Understanding describes the general relationships between the Participants. Of principal relevance to this MOA, ONRR performs the royalty and revenue management functions; BOEM manages the mineral and renewable energy leasing processes, approves plans for exploration and development, and administers a financial assurance program to minimize the risks of noncompliance with lease and regulatory obligations; and BSEE establishes and enforces safety and environmental protection obligations on the OCS (including related to the proper decommissioning of OCS facilities).

Entities involved in the OCS mineral exploration and development industry at times, due to market and other forces, are forced into bankruptcy. In connection with such bankruptcies, a

bankrupt OCS lessee or operator often will default on fulfillment of its statutory, regulatory, and/or contractual obligations, often including the obligation to fully manage and decommission in a safe and environmentally sound manner the platforms, wells, pipelines, and other facilities associated with their OCS operations. BOEM regulations require lessees and operators to post certain amounts of financial security at various stages of leasing and operations, and authorize BOEM to demand additional financial security where those amounts are insufficient to secure the entity's outstanding and projected obligations. BOEM may call upon that financial security in the event that the lessee or operator defaults on its obligations during a bankruptcy, and the Participants possess different interests in and claims to the proceeds of that security as it relates to different obligations within their respective scopes of authority. The Participants support the development of common standards and policies to achieve proper balance in accomplishing the multifaceted goals of DOI in its management and oversight of OCS operations.

II. Authority

Outer Continental Shelf Lands Act
Federal Oil and Gas Royalty Management Act of 1982
Deepwater Royalty Relief Act of 1995
Federal Oil and Gas Royalty Simplification and Fairness Act of 1996
Energy Policy Act of 2005
30 CFR Chapter II, BSEE
30 CFR Chapter V, BOEM
30 CFR Chapter XII, ONRR
Secretarial Order 3299

III. Policy

Though separate and distinct in their leadership and missions, the Participants work together to manage the multiple interdependencies that exist in their oversight responsibilities. BSEE and BOEM are responsible, in part, for ensuring safety and environmental protection in the conduct of OCS energy and mineral operations, including the proper decommissioning of OCS facilities upon the conclusion of those operations to protect the environment and avoid conflicts with navigation and other uses. ONRR is responsible for the royalty and revenue management functions associated with OCS energy and mineral operations, including the proper collection and disposition of royalties, rents, fees, and other monetary obligations to the United States associated with such operations. In connection with bankruptcy proceedings, an OCS lessee or operator may default on a number of its statutory, regulatory, and/or contractual obligations overseen by DOI. At times, the financial security maintained by BOEM is inadequate to achieve full compliance with all such obligations. In such circumstances, BOEM will determine how to apply the limited funds available to optimal effect. The Participants have determined that, where BOEM calls financial security to address OCS obligations overseen by DOI on which a lessee is in default and in a bankruptcy proceeding, priority will be given to the application of those funds toward addressing safety and environmental problems over monetary debts. Specifically, the Participants agree that such proceeds will be applied to matters such as facility and site safety,

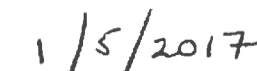
remediation, and decommissioning before outstanding royalties, rents, fees, or penalties.¹ This reflects the most appropriate balancing of the multifaceted and interdependent goals and responsibilities of DOI in the management and oversight of OCS energy and mineral operations. This internal prioritization of the use of such funds in no way relieves any OCS lessee or operator from meeting its full obligations under applicable law, and DOI reserves its rights to pursue enforcement of those obligations in all available forums.

IV. Effective Date, Amendment, and Cancellation

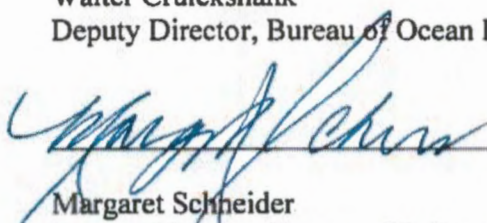
This MOA will become effective upon the date of the last Participant's signature below and will continue until canceled or superseded. Amendments to this MOA will be made by the mutual, written consent of the Directors or Deputy Directors of each of the Participants. Any Participant may terminate this MOA, in whole or in part, at any time by providing the other Participants 30-days written notice to that effect.



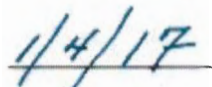
Walter Cruickshank
Deputy Director, Bureau of Ocean Energy Management



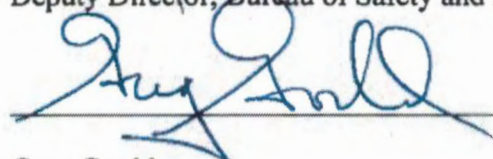
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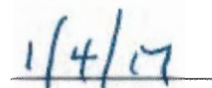
Margaret Schneider
Deputy Director, Bureau of Safety and Environmental Enforcement



Date



Greg Gould
Director, Office of Natural Resources Revenue



Date

¹ This MOA does not address the proper treatment of additional security instruments, if any, submitted specifically pursuant to the civil penalty appeal procedures described in 30 CFR 250.1409 and 550.1409.