

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

89-07

December 15, 1989

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

Supplemental Bonds

Supplemental bonds may be deemed necessary, under the provisions of 30 CFR 256.61 after operations or production have begun, prior to approval of: assignments of interests in leases, designations of operator, exploration plans, development and production plans or development operations coordination documents, or at any other time, where the Minerals Management Service infers that the obligee may not have the financial wherewithal or expertise to carry out the obligations of the lease. Such an inference may be drawn when the obligee has demonstrated a failure to comply with royalty or rental payments, failed to comply with OCS operating regulations, or otherwise indicated a potential inability to carry out the obligations of the lease.

When the need for a supplemental bond is thus brought into question, a supplemental bond shall be required unless the obligee provides convincing evidence of one or more of the following:

sufficient financial strength to carry out existing and anticipated lease obligations as evidenced by any of the following: credit references, a line of bank credit, or audited financial statements including auditor's certificate, balance sheet, and profit and loss sheet, or

sufficient trade references to demonstrate capability to carry out existing and anticipated lease obligations as evidenced by a listing of names and addresses of lessees, drilling contractors and suppliers with whom the applicant has dealt, or

a sufficient tract record of OCS operations to demonstrate capability to carry out existing and anticipated lease obligations as evidenced by an objective listing of projects successfully completed, or a sufficient background in OCS operations to demonstrate capability to carry out existing and anticipated lease obligations as evidenced by resumes of the key people involved.

[Signed] J. Rogers Percy
Regional Director

Approved:

[Signed] William D. Bettenberg
Associate Director for Offshore
Minerals Management

Date: November 22, 1989