

PART VI: Seismic Exploration on State Owned Marine Waters

Part VI Chapter 1: Purpose and Definitions

Rule 1.1 Purpose. The following rules and regulations, promulgated under the authority of Sections 29-7-1 et seq., Mississippi Code Annotated (1972), as amended, shall apply to all geophysical, seismic or other type exploration work, for oil and gas purposes, on all State-Owned Marine Waters under the jurisdiction of the Mississippi Major Economic Impact Authority. Should any rule or regulation, or part thereof, be declared unconstitutional or illegal, it shall not affect the remaining regulations.

Source: Miss. Code Ann. § 29-7-1 (Rev. 2010).

Rule 1.2. Definitions.

For the purposes of these rules and regulations, the following terms shall have the meanings respectively ascribed to them except where content or subject matter otherwise dictates:

- A. Applicant - A field exploration party and the person, company or companies contracting for an exploration permit.
- B. Appropriate supervisory agency - The Agency that is given the authority to supervise the area for which a seismic permit is requested. The Department of Marine Resources shall be the appropriate Supervisory Agency for the State-Owned Marine Waters.
- C. Coastal wetlands permit - Refers to the permits issued by the Department of Marine Resources and the Commission on Marine Resources as authorized by MCA 49-27-9 and the Mississippi Coastal Program.
- D. DMR - Mississippi Department of Marine Resources.
- E. Energy source points - The geographical location of the energy source.
- F. Energy source - Explosives, vibrators, weight droppings, confined explosive gases, air guns, implosives, electrical sparkers, active transducer, radio frequency transmitters, or other energy sources.
- G. Executive Director - Unless otherwise indicated, means the Executive Director of the Mississippi Major Economic Impact Authority or his designee.
- H. Exploration - Geological, geophysical, and other surveys and investigations, including seismic methods, for the discovery and location of oil, gas or other mineral prospects, which may or may not involve the use of explosives.
- I. Explosive source - Dynamite, nitramon, primacord, seismex, penolite, seismogel, or any chemical (solid, liquid, or gas) that causes a sudden, almost instantaneous release of pressure, gas, and heat when subjected to sudden shock, pressure, or high temperature.
- J. Geophysical crew - The geophysical crew is composed of all personnel and equipment required to accomplish the geophysical work in the field. This includes the survey party, drilling personnel, and geophysical instruments personnel.
- K. Geophysical exploration - Any operation conducted to discover or develop mineral resources upon marine waters owned by the State of Mississippi and

under the jurisdiction of the MMEIA or the appropriate supervisory agency, which utilizes geophysical techniques, including, but not limited to gravity, magnetic, and various seismic methods, to produce information and data in support of possible exploration and development activity.

L. Geophysical survey period - That period of time when the Geophysical crew is actually performing work in the permitted area.

M. IAGC - The International Association of Geophysical Contractors.

N. MDA - The Mississippi Development Authority.

O. MMEIA - The Mississippi Major Economic Impact Authority, which is a division within the MDA.

P. Party chief - The person or persons in charge of the field exploration party.

Q. Permit - The written authorization, other than a lease, approved for a specified period under which a Permittee acquires the right to conduct geological or geophysical exploration for mineral resources.

R. Permittee - Person(s) granted authority to perform certain functions, awarded pursuant to Section 29-7-3 of the Mississippi Code (1972) Annotated, as amended.

S. Proprietary\confidential information - Trade secrets and confidential information of a proprietary nature. Only persons authorized by the Executive Director of the MMEIA, may access this information.

T. Receiver lines - A linear array of points where the instruments (geophones/hydrophones) used to transform seismic energy into an electrical voltage are located.

U. Receiver points - A specific geographical location on a receiver line where the instruments are placed.

V. Seismic agent - A person certified by a recognized entity as having the requisite training and experience to monitor geophysical explorations and approved by the appropriate supervisory agency.

W. Seismic exploration - Any geophysical exploration that uses non natural energy sources.

X. Shot - The use and release of compressed air, detonation of powder, dynamite, or other explosives.

Y. Shot-point line(s) - Plan of location of energy sources.

Z. Source lines - A linear array of energy source points.

AA. State-Owned Land - All land owned by the State of Mississippi, or a political subdivision thereof, subject to leasing under Section 29-7-3 of the Mississippi Code.

BB. State-Owned Marine Waters - All marine waters and submerged lands thereunder subject to the ebb and flow of the tide, which are below the watermark of mean high tide; all publicly owned accretions above the watermark of mean high tide, and all publicly owned submerged water-bottoms below the water mark of mean high tide.

CC. TNT equivalence -A normalization technique for equating properties of an explosive to TNT, the standard.

Source: Miss. Code Ann. §29-7-1 (Rev. 2010)

Part VI Chapter 2: Permit Requirement

Rule 2.1 Permits. Geophysical exploration in, on, under or that affects State-Owned Marine Waters within the jurisdiction of the MMEIA is prohibited except where authorized by permit, as hereinafter provided.

Source: Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VI Chapter 3: Application for Geophysical Permit

Rule 3.1. Application for Geophysical Permit

A. Applications for permits to conduct geophysical exploration shall be submitted to the Executive Director of MMEIA, Post Office Box 849, 501 N. West Street, Suite 601, Jackson, Mississippi 39205-0849.

B. Applications for permits shall be submitted on official forms provided by the MMEIA. However, the MMEIA may elect to waive this requirement for applications submitted in a form substantially equivalent to the format of the official form. Applications must show:

- (i) The name and address of the company or individual for whom the geophysical operations are to be performed.
- (ii) The name and address of the firm or individual actually performing the work. For foreign corporations, include whether or not the corporation has qualified to do business in Mississippi and the name and address of the registered agent.
- (iii) Energy sources.
- (iv) Size of charges, if explosives (expressed in TNT equivalents) are to be used, and the depth below the surface charges will be placed.
- (v) Distance between energy source points, source lines, receiver points, and receiver lines.
- (vi) Proposed dates for beginning and ending geophysical exploration.
- (vii) Statute miles covered by 2-D seismic coverage or square statute miles covered by 3-D coverage on State-Owned Marine Waters.

C. Applications for geophysical permits must be accompanied by maps or plats, in an electronic shape file format using geographic coordinates with the preplotted survey line or lines depicted for seismic exploration in full, thereon. Additionally, the proposed marine waters seismic survey will be displayed on two copies of the official map entitled STATE OF MISSISSIPPI LEASE BLOCKS. These maps may be obtained in an electronic or hard copy format from the Office of Geology, Post Office Box 20307, Jackson, Mississippi 39289-1307. Proposed line location plats submitted with a permit application shall be held confidential for one year from the expiration of the permit.

D. The application for permit with the attached map(s) filed with it will be sent by the MMEIA to the Appropriate Supervisory Agency together with an environmental form provided by the MMEIA relating to environmental impact analysis and archeological survey. The Appropriate Supervisory Agency will

conduct a review on environmental impact analysis and archeological surveys and advise the MMEIA what environmental and archeological requirements should be included in any seismic permit.

Source: Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VI Chapter 4: Filing and Permit Fee

Rule 4.1 Filing and Permit Fee.

- A. Applications for geophysical permits shall be accompanied by a Filing Fee, in the form of a Cashier's Check, Certified Check, Bank Money Order, or Company Check, payable to the MMEIA Seismic Permit Fund.
- B. The Filing Fee for geophysical surveys shall be Two Hundred and Fifty Dollars (\$250.00). There will be an additional survey Permit Fee, payable to MMEIA prior to commencement of field acquisition, of Two Hundred Dollars (\$200.00) per statute mile (minimum \$1000 per permit), or portion thereof, for 2-D surveys. For 3-D surveys, the permit fee shall be Ten Dollars [\$10.00] per acre of area surveyed. These Permit Fees apply only to acreage in which the applicant does not have the right to geophysical operations under a lease.
- C. In cases where State Owned Lands or State-Owned Marine Waters are under the supervision of State agencies other than the MMEIA, the survey Permit Fee will be made payable to MMEIA who will then transfer the entire amount to the agency having supervision, but in every case the Filing Fee will be payable to the MMEIA.
- D. If the application for a geophysical permit is denied, the Filing Fee shall be returned to the applicant within ten (10) business days of the denial. If an application for a permit is denied, an order of denial shall be entered on the minutes of the MMEIA.
- E. Written permission to operate shall be valid for a period of one [1] year from the date of approval, unless otherwise specified.
- F. In order to maintain permission to operate, an applicant/permittee shall furnish the MMEIA a performance bond in the amount of Seventy-Five Thousand Dollars (\$75,000.00) from a bonding company licensed to do business in Mississippi.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 5: Permit Issuance and Transfer

Rule 5.1 Permit Issuance and Transfer.

- A. Permits shall be issued to the person, firm, or firms actually conducting the survey operations.
- B. Transfer or assignment of any geophysical permit shall be prohibited, except by written application made to and approved by the Executive Director.
- C. Permits shall cover the period as approved by the MMEIA, but may be renewed for up to an additional one hundred and eighty (180) day periods by

written application to, and at the discretion of, the Executive Director. Applications for permit renewals shall be made by letter to the Executive Director.

D. The issuance of a seismic permit for marine waters will be posted on the websites of the Mississippi Development Authority [www.mississippi.org], the Department of Marine Resources [www.dmr.state.ms.us] and shall be noted on the minutes of the MMEIA.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 6. Pre-Field and Field Operations.

Rule 6.1 Pre-Field Operations.

A. Prior to the start of actual field operations under any permit, notice shall be given to the Executive Director of MMEIA, of the date and place of commencement of the exploration at least ten (10) business days prior to the commencement of the activity. Notice may be given by telephone or e-mail, but must be confirmed by letter.

B. Prior to commencement of geophysical exploration upon any marine waters, wildlife refuge, wildlife management area, game or fish preserve, oyster lease or reef, state park, coastal preserves system, or other similar state or federal lands, the minerals under which may be subject to being leased, the Appropriate Supervisory Agency shall be given at least ten (10) business days notice regarding the proposed operations. In the event of circumstances not conducive to testing, the managing agency may request the Executive Director to delay the commencement of field operations until conditions are more favorable. Any delay of operations imposed on the permit under this paragraph shall not count against the permit period.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Rule 6.2 Field Operations.

A. On State-Owned Marine Waters air guns are the only energy source used for seismic surveys where water depths are at least four [4] feet or greater. There will be no seismic operations under State permit allowed on the Gulf Islands National Seashore islands without permission from the National Park Service. This includes Petit Bois, Horn, East Ship, West Ship, and Cat Islands

(i). For geophysical exploration in the marine-land transition zone in tidal areas and submerged water bottoms less than four (4) feet deep the minimum shothole depths shall be as follows for the sizes of charge shown:

Weight of Charge	Minimum Required Depth
1 pound or less	10 feet-25 feet

Within 10 to 25 feet of the surface, only charges of 1 pound or less may be used. In addition, the hole must be tamped before shooting and the charge must be shot on the same day it is placed. No charges above 10 feet.	
Between 1 pound and 2 pounds	25 feet
More than 2 pounds up to 5 pounds	40 feet
More than 5 pounds up to 20 pounds-(with permission)	60 feet
More than 20 pounds up to 30 pounds-(with permission)	70 feet
More than 30 pounds up to 40 pounds-(with permission)	100 feet
More than 40pounds up to 50 pounds-(with permission)	120 feet
No part of the charge shall be above minimum required depth	

- (ii). The entire charge shall be placed below the minimum required depth.
- (iii). No explosive charges shall be allowed on or above the submerged water bottoms.
- (iv). The minimum required depths prescribed above shall not apply to trial charges or charges for determining the condition of the weathering layer; provided, that such charges shall not exceed five (5) pounds TNT equivalence, and shall not be fired without pre-approval of the Executive Director.

- B. During operations in water, piping shall not be left protruding above the water bottom and shall be removed below the mud-line.
- C. Upon completion of the geophysical exploration, all pipe, whether used for charge placement or otherwise, shall be removed to a depth of at least six (6) feet below the surface of the ground or water bottom.
- D. All markers and stakes used to mark survey lines, and each joint of pipe used in water operations, shall have the name of the company or person conducting the survey indicated thereon. Such markers, stakes, and pipe shall be completely removed upon completion of the survey.
- E. Geophysical exploration in State-Owned Marine Waters shall conform to rules as set forth by the U.S. Army Corps of Engineers, the U.S. Coast Guard and industry standards.
- F. There will be no seismic survey over or within 250 feet of privately held oyster leases without permission from the lessee.
- G. No energy sources shall be discharged within one thousand (1,000) feet of any boat, other than the operator's boat or boats, without notice being given to such other boat in order that it may move from the area.
- H. With the exception of air-gun seismic operations, no explosive shall be discharged within five-hundred (500) feet of any dredged channel, nor within three-hundred (300) feet of any dock, pier, causeway or other structure.
- I. All shot holes drilled on land or in the marine-land transition zone during geophysical exploration that are less than twenty-five (25) feet in depth shall be completely backfilled with the material removed therefrom, and shall be sealed with hole plug buried two (2) feet below the surface. All shot holes deeper than twenty-five (25) feet shall be abandoned in accordance with the Rules and

Regulations of the Mississippi Department of Environmental Quality, Office of Land and Water Resources. Upon completion of the survey, the area around all holes and along all survey lines shall be restored, as nearly as practicable, to original conditions.

J. Payment and acceptance of the fees and survey charges required by Rule 4 hereinabove shall not relieve Permittee of any liability for damages caused by the geophysical exploration. Any and all damage caused by the geophysical exploration shall be repaired within three (3) months after completion of the field operations unless authorized by the Department of Marine Resources.

K. To minimize damage to the natural resources the Permittee will consult with the Department of Marine Resources when designing the seismic survey.

L. Geophysical exploration for mineral resources shall be conducted so that those activities comply with all existing lease holder rights as well as with all applicable local, state, and federal rules, regulations and laws

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 7: Seismic Agents

Rule 7.1 Seismic Agents

A. Each geophysical crew working under permit issued pursuant to these regulations shall be accompanied at all times by a Seismic Agent, unless written exception has been granted by the Department of Marine Resources. When more than one geophysical crew is utilized and the geophysical crews are so separated that it is not feasible for one Seismic Agent to observe the operations of both, a separate agent shall be assigned to each geophysical crew.

B. Seismic Agents assigned to geophysical crews shall be under the supervision of the Department of Marine Resources.

C. The offshore geophysical crew shall furnish the Seismic Agent with meals and sanitary living quarters while he or she is on the exploration ship, if the ship is equipped for such services.

D. At the close of each day, whether or not any actual testing has been conducted, the Seismic Agent shall file with the Department of Marine Resources, a full report of the day's exploration activities. These reports shall be completed on forms provided by the Department of Marine Resources, and signed by both the Party Chief and the Seismic Agent.

E. The Party Chief shall furnish the Seismic Agent the information to prepare daily reports of exploration activities. This information can be submitted in person, email, or fax. Should the Department of Marine Resources wish to secure any other information, it will furnish the Party Chief with a written request.

F. A fee of Two Hundred and Fifty Dollars (\$250.00) per day per Seismic Agent shall be paid to the Department of Marine Resources by the geophysical operators while the Agent(s) is physically accompanying the geophysical crew.

G. All payments for the services of Seismic Agents shall be made by the Permittee directly to the Department of Marine Resources, on or before the 15th

day of each month for the previous month's services; no payments may be made by the Permittee to the Seismic Agents.

H. Seismic Agents shall have the right to stop any operations which, in their opinion, are violating or may violate any of the rules and regulations set forth herein, but they shall not have the authority unilaterally to terminate the entire exploration work. If, in the opinion of the Seismic Agent, such violations continue, the Seismic Agent shall immediately communicate this to the Department of Marine Resources, for appropriate enforcement action.

I. The Party Chief shall notify the Department of Marine Resources immediately if the assigned Seismic Agent is not present on the job. The Seismic Agent's absence shall not be cause for suspension of the geophysical exploration.

J. Seismic Agents shall have no right to release or exempt any operator from the obligations imposed by these rules and regulations or special provisions in the permit.

K. Exceptions to these rules regarding Seismic Agents may be granted by the Department of Marine Resources upon written application with supporting justification. Any variance to or exception from these rules granted by the Department of Marine Resources shall be signed by the Department of Marine Resources, a copy sent to the Executive Director, and shall specify the particular rule involved and the procedure to be followed in lieu thereof.

L. Seismic operators shall notify the Department of Marine Resources of the beginning, interruption and cessation of work in any area and shall keep the Department of Marine Resources informed of the name and address of the Party Chief and the location and movements of the crew.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 8: Reporting Requirements

Rule 8.1 Reporting Requirements.

A. Within thirty (30) days after the expiration of a permit or completion of the work to be performed there under, whichever comes first, the Permittee shall file a report or field log with the Executive Director and the Department of Marine Resources showing the dates on which field operations were conducted, and whether or not shot holes or survey lines additional to those covered by the permit were actually included in the field work.

B. Within thirty (30) days after the expiration of a permit or completion of the work to be performed there under, whichever comes first, the Permittee shall file a report with the Executive Director and the Department of Marine Resources detailing any and all damage to the natural environment and man-made structures including the location and extent of the damage, the remediation activities performed, and the owner of the property where the damage occurred.

C. Any person conducting geological or geophysical activities for mineral exploration pursuant hereto in State-Owned Marine Waters shall immediately report to the Department of Marine Resources when these activities:

- (i). encounter environmental hazards which constitute an eminent threat to human activity or the natural environment; or
- (ii). adversely affect the environment, aquatic life, cultural resources, or other uses of the area in which the exploration activity is conducted.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 9: Protection of Marine Resources and Wildlife Management Areas.

Rule 9.1 Protection of Marine Resources and Wildlife Management Areas.

- A. No pipes shall remain in the water during crew off days except as otherwise provided herein.
- B. Any geophysical exploration activity being conducted in marine waters during the first two (2) weeks of June or the first two (2) weeks immediately following the opening of the shrimping season must be approved, in writing, in advance by the Department of Marine Resources prior to commencing operations.
- C. All parties using pipes in water areas must have clearly stamped at each end of each joint, the name or abbreviation of the name, of the company using the pipes. All equipment including cables, boxes, geophones, staff poles, anchors, buoys, etc., must be permanently tagged with the name of the Permittee. All poles used for survey lines must be clearly stamped with the name of the Permittee using the stakes at approximately three (3)-foot intervals. These stakes must be immediately removed upon completion of the project. All cane poles must be removed immediately upon completion of the project. Anchors shall be marked, stamped, or tagged to identify the Permittee who deployed them, and shall be secured to an appropriately marked buoy, vessel or float.
- D. All pipes, buoys and other markers used in connection with exploration activities in water areas shall be flagged properly during daylight hours. Flagging shall be clearly visible from the adjacent buoy or marker. During the hours of darkness, pipes, buoys and other markers shall be lighted in accordance with U.S. Coast Guard navigation rules.
- E. Any company that fails to comply with the foregoing rules and regulations and/or the Seismic permit shall be declared by the Department of Marine Resources to be in violation and the MMEIA may rule that the company shall forfeit the bond required under Rule 4.F. Should the company default, the bond shall be expended to repair the lands with respect to which the bond was filed.
- F. Vessels, boats, marsh buggies or other types of marsh vehicles used in connection with seismic exploration activities must be so used as to cause minimum disturbance or injury to the lands, water bottoms, and wildlife and fisheries thereon. Impacted areas shall be subject to restoration in compliance with the Department of Marine Resources marsh restoration guidelines. No vessel or vehicle shall intentionally physically contact or damage oyster reefs or beds.

G. Permittees conducting seismic operations shall use reasonable precaution in accordance with approved and accepted methods to prevent destruction of, or injury to, fish, oysters, shrimp, sea grass beds, and other aquatic life, wildlife, or other natural resources of the State.

H. No geophysical exploration activity shall be conducted in any, estuarine research reserve, coastal preserve, or public oyster reef without written permission from the Department of Marine Resources.

I. The Executive Director of the MMEIA may suspend or temporarily prohibit the Permittee's authority to conduct exploration activities under a permit by notifying the Permittee either orally or in writing when the Department of Marine Resources determines that there is a threat of serious, irreparable or immediate harm or damage to life, including fish and wildlife, other aquatic life, to property, or to the natural, or human environment. Such suspension shall be effective immediately upon receipt of the notice. Suspensions issued orally shall be followed by written notice confirming the action, and all written notices will be sent by certified mail within two (2) business days. Suspension shall remain in effect until the basis for the suspension has been corrected to the satisfaction of the Executive Director of the Department of Marine Resources. The Executive Director of Marine Resources shall determine if the suspension time shall or shall not count against the permit time.

J. The Executive Director of the MMEIA may suspend or temporarily prohibit the Permittee's authority to conduct exploration under a permit either orally or in writing when it is determined that the Permittee fails to comply with the provisions of the permit or of these regulations, or otherwise damages or may damage State lands or resources. Such suspension shall be effective immediately upon receipt of the notice. Suspension issued orally shall be followed by written notice confirming the action and all written notices shall be sent by certified mail within two (2) business days. A suspension shall remain in effect until the basis for the suspension has been corrected to the satisfaction of the Department of Marine Resources. The Executive Director of Marine Resources shall determine if the suspension time shall or shall not count against the permit time.

K. Failure to comply with these regulations shall result in the forfeiture of applicable bonds and other appropriate enforcement action by the State of Mississippi.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 10: Access to Data

Rule 10.1 Access to Data

A. All information or data obtained in any mineral exploration activity on any and all State Owned Marine Waters shall be disclosed to the State, through the MMEIA, upon demand. Also the State shall have the option to review these data at the office where the data are located. Said data shall include all final processed data. If the MMEIA elects to have possession of Seismic data, such information or data shall be treated as confidential for a period as allowed by law, from the

date of receipt thereof and shall not be disclosed to the public or to any firm, individual, or agency other than officials or authorized employees of the State of Mississippi. Any person who makes unauthorized disclosure of such confidential information or data shall be guilty of a misdemeanor and, upon conviction thereof, may be fined as provided by law or imprisoned in the county jail for not more than one (1) year or both.

B. Designation of Authorized Persons to access data - The official charged with security and safeguarding proprietary data is the Executive Director of the MMEIA, who is authorized to establish and direct appropriate security measures. The Executive Director of the MMEIA will designate two (2) additional persons to share the responsibility of securing proprietary data. No one will be allowed access without written approval of a minimum of two (2) of the three (3) authorized persons specified above, one (1) of whom shall be the Executive Director, if he or she is available.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 11: Liability Coverage

Rule 11.1 Liability Coverage

A. Persons actually conducting geophysical exploration shall be required, as a condition precedent to obtaining a permit, to furnish proof of general comprehensive liability insurance coverage for all operations under the permit, subject to approval of the Executive Director of the MMEIA, by an insurance carrier authorized to do business in the State of Mississippi. In obtaining a permit to conduct exploratory work, the applicant by such application will agree to indemnify the State for any and all damages that may occur because of such exploratory operation on State lands which may be committed or caused by the applicant's operation and further that the applicant will hold the State harmless from any and all damages which may occur from the applicant's operation while on State land.

Source: Miss. Code Ann. § 29-7-3 (Rev. 2010)

Part VI Chapter 12: Violations

Rule 12.1 Rule Violations

A. Any violation of these rules, any violation of a condition of a permit issued pursuant hereto, any refusal of any Permittee, operator, or employee thereof to fully comply with rules or the directives of the MMEIA or the Department of Marine Resources, and any attempt to induce or coerce any Seismic Agent or state employee in the enforcement of these regulations shall constitute peremptory cause for revocation of any permit issued hereunder.

B. Geological and geophysical exploration for mineral resources may not be commenced nor conducted upon State lands under the jurisdiction of the MMEIA without an approved permit from the Executive Director of the MMEIA.

Conducting any geophysical exploration without a permit issued pursuant to these regulations, or continued operations after revocation of any permit, shall be deemed to be a trespass upon property of the State of Mississippi, and actionable as such.

C. Violation of these rules and regulations may constitute cause for the refusal of the applicant involved to conduct future operations in this State.

D. Materially damaging any flora or fauna in state-owned marine waters may subject the geophysical exploration company to enforcement action under these Rules and Regulations Governing Geophysical, Seismic or Other Type Exploration on State-Owned Marine Waters and to the penalties provided in Sections 49-27-55 and 49-27-57 of the Mississippi Code.

Source: Miss. Code Ann. §29-7-3 (Rev. 2010); Miss. Code Ann. §29-7-17 (Rev. 2010)

Rule 12.2 Miscellaneous.

A. The issuance to the Permittee of a permit to conduct geophysical exploration does not relieve the Permittee of the responsibility to obtain additional authorizations from other local, state, and federal entities.

B. The Executive Director and the Appropriate Supervisory Agency may, after notice and hearing, grant a modification or waiver to the provisions herein upon written request and justification by the applicant. The justification shall, at a minimum, demonstrate that there are no reasonable alternatives to the method proposed, that the alternative will not result in adverse environmental impacts, and the impacts from the alternative method will not be greater than if the regulations had been followed. Upon such written request and justification by the applicant, and with the agreement of both the Executive Director and the Executive Director of the Department of Marine Resources, the provisions herein may be modified or waived. In such cases the public would be notified when there is a modification or waiver granted and why.

C. If a seismic program is shut down by action beyond the control of the Permittee for an unreasonable amount of time, then the Permittee may petition MMEIA for an appropriate refund.

Miss. Code Ann. § 29-7-3 (Rev. 2010)

PART VII: Rules and Regulations Governing Leasing for Production or Extraction of Oil, Gas and Other Minerals from State-Owned Marine Waters

Part VII Chapter 1: Purpose and Policy

Rule 1.1 Purpose. The following rules and regulations, promulgated under the authority of Sections 29-7-1 et seq., 57-75-1 et seq., and 53-5-1 et seq., Mississippi Code Annotated (1972), shall apply to all leases for oil, gas, or other mineral production or extraction from all state-owned marine waters where the tide may ebb and flow within the jurisdiction of the Mississippi Major Economic Impact Authority (MMEIA).

Source: Miss. Code Ann. § 29-7-1 (Rev. 2010)

Rule 1.2 Policy. It is the policy of the MMEIA not only to protect and preserve the mineral resources of the State of Mississippi but also to foster and facilitate the utilization, development and production of these resources whenever to do so would be in the best interest of the State and may be accomplished in an environmentally responsible manner. These regulations are designed and intended to establish uniform procedures governing the manner in which state-owned marine waters are nominated for mineral leasing, the advertising requirements for bids, the form and content of the lease itself, and other aspects of the leasing process.

Source: Miss. Code Ann. § 29-7-1 Rev. 2010); Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 1.3 Definitions. For the purpose of these rules and regulations, the following terms shall have the meanings respectively ascribed to them hereby, except where applicable statutes may otherwise provide:

- A. Applicant - Any person requesting the State of Mississippi to either issue a call for nominations for leasing or offer for lease minerals owned by the State.
- B. Bid - The offer to pay a valuable consideration to obtain a mineral lease.
- C. Bidder - Any person submitting a bid.
- D. Bonus - A sum of money offered or paid by a lessee to the State as consideration for the execution of a lease.
- E. MMEIA - The Mississippi Major Economic Impact Authority.
- F. Delay Rental - An optional payment offered or made by a lessee to the State, on a per mineral acre basis, annually during each year of the primary term of a mineral lease after the first year thereof, to delay commencement of drilling operations.
- G. Executive Director - The Executive Director of the MMEIA or his designee
- H. Joint Bid - A proposal whereby two or more bidders combine in submitting a bid for a mineral lease.
- I. Lease - A mineral lease for specified marine waters covering oil, gas, and other minerals, both hydrocarbon and nonhydrocarbon which would be produced through a well borehole, but excluding, unless otherwise specifically included, hard minerals such as sand, clay, gravel, limestone, shell and coal.

- J. Lease Royalty - A share of the production, or the proceeds thereof, specified in a lease as a fraction, percentage or fixed sum, payable to the State by the lessee.
- K. Mineral - Oil, gas, and other minerals, both hydrocarbon and nonhydrocarbon which would be produced through a well borehole, except, unless otherwise specifically included, hard minerals such as sand, clay, gravel, limestone, shell and coal.
- L. Mineral Acre - The equivalent of the full mineral interest in one acre of land.
- M. Office of Mineral Lease - The office that administrates the mineral lease program for MMEIA.
- N. Person - Any individual, trust, firm, joint stock company, consortium, partnership, association, corporation, (including a government corporation), state or any political subdivision or officer thereof, or other entity, or any agent, officer, or principal of any such individual or entity.
- O. Primary Term - The fixed period of time during which a lease may be kept alive, even though there is no production in paying quantities, by virtue of drilling operations or the payment of delay rentals.
- P. Shut-in Royalty - An amount specified in the lease to be paid for a time period also specified in the lease to hold the lease in force after a gas or oil well has been completed capable of production in paying quantities, but which has been shut-in under provisions specified in the lease.
- Q. State - The State of Mississippi.
- R. State-Owned Marine Waters - With respect to mineral ownership, All waters and submerged lands owned by the State of Mississippi, subject to the ebb and flow of the tide, which are below the watermark of mean high tide; all publicly owned accretions above the watermark of mean high tide, and all publicly owned submerged water-bottoms below the water mark of mean high tide.
- S. Tract - That parcel of marine waters which will be covered by an individual lease.

Source: Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 2: Calls for Lease or Nominations for Lease For State Owned Marine Waters

Rule 2.1 Purpose and Policy for Calls for Lease. Any person desiring to have offered for lease any State-owned marine waters within the jurisdiction of the MMEIA may apply to the MMEIA to have the marine waters advertised as provided herein. The MMEIA may, without any prior request and upon its own motion, call for nominations for leasing or advertise for lease any lands within its jurisdiction. It is the policy of the MMEIA to lease all marine waters within its jurisdiction through the mechanism of competitive public bidding, according to the procedures hereinafter provided.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 2.2 Application. Except for actions taken by the MMEIA upon its own motion, all applications for advertisement for leasing shall be made upon forms provided by the

Office of Mineral Lease, or reproductions thereof. The MMEIA may elect to waive this requirement for any application submitted in substantial compliance with the format of the official form.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 2.3 Calls for Nominations. Calls for nominations for leasing or advertisement for leasing for oil and gas development in state-owned marine waters shall reference lease blocks which are designated in Open File Report 151 of the Office of Geology in the Mississippi Department of Environmental Quality. Regular lease blocks contain approximately 5760 acres. Each lease put up for bid in these regular blocks will cover a tract which will consist of one half of a regular block containing approximately 2880 acres. The MMEIA will determine the configuration and acreages for leases covering irregular blocks, i.e. blocks which contain significantly more or less acres than the 5760 acres in regular blocks.

Rule 2.4 Applications For Advertisement Requirements. Applications for advertisement for leasing shall contain the following information:

- A. The location shall reference lease blocks which are designated in Open File Report 151 of the Office of Geology in the Mississippi Department of Environmental Quality. For rivers and streams influenced by the ebb and flow of the tide, reference to section, township, range, and county or counties wherein the lands lie shall be used.
- B. The approximate amount of acreage in the area or areas described.
- C. A plat depicting in red or other contrasting color the area described.
- D. All hard copy plats or electronic equivalents depicting the marine waters of interest shall be overlain on lease blocks which are designated in Open File Report 151 of the Office of Geology or for rivers and streams which are tidally influenced either an original or exact copy of an official United States Geological Survey Quadrangle Map, or equivalent, at a scale of 1:24,000 (7 1/2 Minute).

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 2.5 MMEIA Requirements prior to Publication of Call for Nominations. Prior to publication of any call for nominations for leasing or advertisement for leasing, the MMEIA may prescribe and collect from each applicant a prepayment for publication expenses allocable to the respective tract or tracts applied for by each applicant.

- A. The prepayment shall be made to the MMEIA, P.O. Box 849, Jackson, Mississippi 39205.
- B. If no bids are received, or if the applicant does not submit a bid for the tract for which he applied and all other bids are rejected, the entire prepayment shall be forfeited to the State as liquidated damages.
- C. If the applicant does submit a bid for the tract for which he applied and all bids are rejected, or if the applicant is an unsuccessful bidder, the entire prepayment shall be refunded.
- D. The successful bidder for each tract on which a mineral lease is awarded shall

pay all publication costs allocable to the leased tract as a condition precedent to execution of the lease by the MMEIA.

E. In the event the applicant forfeits the prepayment as provided hereinabove, the applicant shall also be required to pay any amount by which the actual publication costs allocable to the tract for which he applied exceed the prepayment.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 3: Procedure for Publication of Calls for Nominations for Leasing and Advertisement for Leasing .

Rule 3.1 Publication Requirements of Calls for nominations for leasing and advertisements. All calls for nominations for leasing and advertisements for leasing shall be published in: The Southeastern Oil Review; and one (1) or more Jackson, Mississippi newspapers having general circulation in the area wherein the involved lands lie; and one (1) or more newspapers, of general circulation in the county or counties wherein the involved lands lie; and any other advertising media deemed by the MMEIA to be appropriate.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 3.2 Requirement to Publish. All calls for nominations for leasing shall be published. The MMEIA shall prescribe the publication periods and frequency of publication. The MMEIA shall set the time between the last publication calling for nominations and the first advertisement calling for bids.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 3.3 Purpose of Advertising Requirements. The advertising requirements specified herein are intended by the MMEIA to maximize interest and participation in, not to unduly complicate, the bidding process. To this end, only one of the advertisements required by Rule 3.1 hereof shall be deemed to be jurisdictional insofar as the validity of the bidding process is concerned. All other advertisements are for informational purposes only and shall be published in the manner prescribed by the MMEIA prior to each lease offering.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 3.4 Jurisdictional Requirements. The jurisdictional advertisement for leasing shall be published in a Jackson, Mississippi newspaper having general circulation throughout the State of Mississippi. The publication periods and frequency shall be defined by the MMEIA. The minimum advertisement period for leasing shall be 30 days.

- A. The formal advertisement for leasing particular marine waters shall provide:
 - (i) A description of the tract or tracts to be leased, by either the Open File 151 lease block map or for rivers and streams influenced by the ebb and flow of the tide reference to section, township, range, and county or

counties wherein the marine waters lie shall be leased including an approximation of the acreage involved.

(ii) The place, date and time where any interested party may obtain additional information about the advertised blocks or the leasing procedure.

(iii) The place, date and time bids will be received.

(iv) The place, date and time where bids will be publicly opened.

(v) The only item subject to bid is the lease bonus. All other lease terms will be set forth on the lease form.

(vi) Any conditions or limitations known by the MMEIA at the time of the advertisement to be required of the lessee by the MMEIA.

(vii) A description of the form of the lease or the location in which such lease forms are filed and available for public inspection.

(viii) Any other information deemed by the MMEIA to be necessary or appropriate.

B. Regarding any of the items specified hereinabove in the actual published advertisement, the MMEIA may waive as inconsequential any minor irregularity that does not materially affect the accuracy of the advertisement or cause the same to be ambiguous or misleading. Further, if any material error is corrected and not repeated after the first publication, the advertisement shall be deemed to have been made correctly in the first instance and the validity of any lease awarded pursuant to the advertisement shall not be affected or impaired. If the material error is corrected after the second publication at least 30 days will be required between the final corrected publication and bids received.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 4: Procedures forbidding

Rule 4.1 Requirement for Submission of Bids on Bidding Forms. All bids shall be submitted on the forms provided by the Office of Mineral Lease, or reproductions thereof. However, the MMEIA may elect to waive this requirement for any bid submitted in substantial compliance with the format of the official form.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.2 Items Upon which Bids May Be Submitted. Bids may be submitted on any or all of the tracts advertised. A separate bid shall be submitted on each advertised tract.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.3 Invitations on Certain Bids Only. The MMEIA will invite bids only on the lease bonus. Other terms of the lease will be set forth in the lease form. The MMEIA may also prescribe in the advertisement for bid the method in which bids may be submitted and opened.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.4 Method for Submitting Bids. Each bid, whether submitted in person, by mail, or by courier, shall be placed in a sealed envelope with a description or designation of the tract covered by the bid on the face of the envelope. The bid shall then be transmitted, as directed in the advertisement, either separately or along with other bids related to the same lease offering, in a large envelope with the notation "SEALED BID ENCLOSED" on the face thereof.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.5 Specifications. Bids shall specify the full bonus consideration and the bonus per acre equivalent offered for each tract.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.6 Joint Bids. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of three decimal places after the decimal point.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.7 Security Submitted with Each Bid. Bidders shall submit with each bid, as security therefor, a cashier's check, certified check, or bank exchange draft in the amount of one hundred percent (100%) of the bonus amount bid.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.8 Opening of Bids. On the date and at the time and place specified in the advertisement, all bids will be publicly opened by the MMEIA, in regular or special meeting assembled, and either accepted, rejected, or taken under advisement for deferred action. As the bid system employed by the MMEIA calls for an award only to the highest bidder, the MMEIA shall, upon opening the bids, return the bid security of the apparently unsuccessful bidders, and may take the bid of the high bidder under advisement. If the bid system requires evaluation of the bids of several bidders, the MMEIA may take all such bids under advisement. Whenever bids are taken under advisement, the MMEIA, in its discretion, may allow the bidders to retrieve their actual bid security and substitute therefor equivalent security in a form acceptable to the MMEIA. Bids must be accepted or rejected by MMEIA within five business days of the opening of the bids. In the event of a tie bid for a lease, all bidders present, who so desire, may submit an increased sealed bid within one hour of the original opening of the bids. If a tie occurs again on the rebid, then bidding will be repeated until one person has the highest bid. The winner will have five business days to tender an additional bonus in excess of his original bid.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.9 Conditions for Execution of Lease Agreement. Full payment of the cost of publication of the advertisement for lease attributable to the tract leased shall be a condition precedent to execution of the lease agreement.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 4.10 Bonus Payments. All bonus payments shall be made by Certified Check, Cashier's Check, or Bank Exchange Draft, drawn to the order of the MMEIA.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 5: Lease Provisions and Approval Procedure

Rule 5.1 Final Review of Bids. Upon final review of the bids, the MMEIA shall determine the highest bonus bid for each tract. The MMEIA reserves the right to reject any or all bids, in its sole discretion.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 5.2 No Warranty. The State shall neither warrant nor agree to defend either the title to the leased property or the accuracy of the description therefor. The State shall not refund any bonus or other payments in the event of discovery that the leased acreage is overestimated. In the event the state acreage is underestimated the state shall either 1) require additional payment sufficient to cover the underestimated acreage or 2) negotiate a new lease with any person covering the underestimated acreage. Moreover, the lease shall be neither affected nor impaired by discovery of a minor overestimate or underestimate in the leased acreage.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 5.3 Limitations of the Lease . The lessee shall not be authorized by the lease in any way to subrogate or offset the payments to the State arising under the lease to any other payments made by the lessee in connection with the leased property.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 5.4 Tract Covered by the Lease. No mineral lease shall cover more than one tract, as described in the advertisement.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 5.5 Leases to Joint Bidders. All leases to joint bidders shall be executed to the bidders according to the proportionate interests depicted in the bid.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 5.6 Minimum Requirements for All Leases. Minimum requirements for all leases shall be as follows:

- A. The MMEIA shall specify the delay rental. For all oil and gas leases, the delay rental shall be not less than two dollars (\$2.00) per mineral acre, and may be made upon such terms and conditions as the MMEIA may prescribe.

- B. The MMEIA shall specify the lease royalty as a fixed fraction or percentage. For all oil and gas mineral leases, lease royalties shall be not less than:
- (i) Three-sixteenth (3/16), at the well, on all oil, gas, casinghead gas or other gaseous substance produced and saved, or the proceeds thereof.
 - (ii) Three-sixteenth (3/16) or two dollars (\$2.00) per long ton, on sulfur, whichever is greater, on sulfur produced and marketed.
 - (iv) Three-sixteenth (3/16) or ten cents (\$.10) per ton, whichever is greater, on potash produced and marketed.
 - (v) Three-sixteenth (3/16) at the well, on all other minerals produced and marketed, or the proceeds thereof.
- C. All lease terms including bonus, delay rental, and royalty requirements for all leases other than oil, gas and other minerals, both hydrocarbon and nonhydrocarbon which would be produced through a well borehole shall be prescribed by the MMEIA as required.
- D. The minimum rentals and royalties specified hereinabove shall not be construed as values necessarily acceptable to the MMEIA, it being the policy of the MMEIA to reject any bid which does not in all respects reflect tract potential.
- E. The "force majeure" clause of the lease shall apply to the procurement of all required drilling and other permits by the lessee when inordinate delays are caused by the permitting authorities.
- F. The lease will permit assignment or transfer of all or any interest therein only upon prior written approval by the State.
- G. Marine waters leases shall also contain the following conditions:
- (i) The lease shall contain a condition requiring the lessee to comply with all applicable rules and regulations of the Department of Marine Resources. This may include the submission of environmental data and assessments and field monitoring plans prior to obtaining from the Oil and Gas Board technical approval to initiate operations. Further, the lease shall contain a provision directing the lessee to complete and submit a Joint Application form with the Mississippi Department of Marine Resources as required by the Mississippi Coastal Program.
 - (ii) The lease shall contain a condition requiring the lessee to obtain any necessary agreement(s) from the Secretary of State's Office addressing the use of water bottoms for production purposes.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 6: Recording

Rule 6.1 Recording of Leases. All leases shall be duly recorded by the lessee, in compliance with all applicable State statutes in the office of chancery clerk in the county in which the marine waters are located, as soon as reasonably possible after execution and delivery by the MMEIA. Likewise, a release shall be recorded in said office upon expiration, and a copy of the recorded release shall be furnished free of charge to the MMEIA.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Rule 6.2 Mineral Documentary Stamps Requirement. All mineral documentary stamps shall be purchased by the lessee for recording purposes, and all recording fees shall likewise be paid by the lessee.

Miss. Code Ann. §29-7-3 (Rev. 2010)

Part VII Chapter 7: Miscellaneous

Rule 7.1 Additional Considerations.

A. The execution of the lease to the lessee does not relieve the lessee of the responsibility to obtain additional authorization from other local, state, and federal entities. For example, an Oil and Gas permit is required prior to drilling.

B. Upon written request and justification by the applicant, and with the agreement of both the Executive Director and the Executive director of the Department of Marine Resources, the provisions herein may be modified or waived. In such cases the public would be notified when there is a modification or waiver granted and the justification.

Miss. Code Ann. §29-7-3 (Rev. 2010)