

Energy Alert

Mississippi Offshore Seismic Testing and Drilling Rules to Become Effective Within Weeks

March 1, 2012

On February 27th, a spokesperson for the Mississippi Development Authority (MDA) announced that rules governing seismic testing and drilling off the coast of Mississippi are expected to go into effect in mid-March. A final draft of the rules was sent to the Secretary of State's office earlier in February, where it must sit for 30 days before becoming effective. Mississippi moved offshore leasing authority from the Department of Environmental Quality to the MDA in 2004, requiring it to draft its own rules and regulations. While the process began in 2005, it was put on hold due to Hurricane Katrina.

A summary of certain key provisions of the rules follows, and a complete version of the final draft can be accessed [here](#).

Seismic Testing

- **Permit Requirement** – Geophysical exploration would be prohibited except where authorized by permit.
- **Permit Issuance and Transfer** – Permits would be issued to the firm actually conducting the survey operations and transfer or assignment of any permit would be prohibited, except by written application made to and approved by the MDA.
- **Operations** – Prior to the start of field operations under any permit, the persons conducting the operations would be required to give 10 business days notice of the date and place of commencement of the exploration to the Mississippi Major Economic Impact Authority (the MMEIA). Further, no seismic operations would be allowed on the Gulf Islands National Seashore islands without permission from the National Park Service.
- **Liability Coverage** – Persons conducting geophysical exploration would be required to furnish proof of general comprehensive liability insurance coverage for all operations, subject to approval of the Executive Director of the MMEIA, by an insurance carrier authorized to do business in Mississippi.
- **Violations** – Persons violating the rules could have their permits revoked and be banned from conducting future operations in the state.

Production and Extraction

- **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. In addition, the



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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. The MMEIA would lease all marine waters within its jurisdiction through the mechanism of competitive public bidding.

- **Review of Bids** – Upon final review of the bids, the MMEIA would determine the highest bonus bid for each tract. The MMEIA would reserve the right to reject any or all bids, in its sole discretion.
- **Minimum Lease Requirements** – The rules contain minimum requirements for all leases, including the following:
 - The MMEIA would specify the delay rental. For all oil and gas leases, the delay rental would be no less than two dollars (\$2.00) per mineral acre upon such terms and conditions as the MMEIA may prescribe.
 - Lease royalties would be no less than certain specified amounts.
 - Marine waters leases would need to contain certain other conditions, including requiring the lessee to comply with all applicable rules and regulations of the Department of Marine Resources. This could 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.

CONTACT INFORMATION

If you have any questions concerning this alert, please contact —

Christine B. LaFollette
clafollette@akingump.com
713.220.5896
Houston

Patrick J. Hurley
phurley@akingump.com
713.220.8132
Houston

Shubi Arora
sarora@akingump.com
713.220.8132
Houston