



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT

Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

OCS-G 37340

DECISION

Offering Date	Map Area and Block Number
03/29/2023	TX5 - Brazos Area - 543
Rental	Balance of Bonus
\$57,600.00	\$128,800.00
Total Amount Due	\$186,400.00

Sandman Offshore, LLC
1940 Fountain View PMB504
Houston, Texas 77057

LEASE FORMS TRANSMITTED FOR EXECUTION

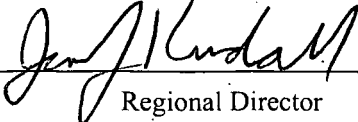
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 556), your bid for the block described above is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. A signatory, authorized pursuant to the qualification records on file with the Bureau of Ocean Energy Management (BOEM), Gulf of Mexico Region (GOMR), Adjudication Section, must execute on behalf of the Lessee, each of the three lease forms attached hereto; and return same to the BOEM GOMR Office of Leasing and Plans, Adjudication Section.
2. You must pay, by Electronic Funds Transfer, the balance of the bonus and the first year's rental indicated above, by following the detailed instructions contained on the BOEM website for the specific lease sale this Decision Letter pertains to or on the Payment Information Webpage found on the Office of Natural Resources and Revenue (ONRR) website. Payment must be received by the Federal Reserve Bank of New York no later than noon, eastern standard time, on the 11th business day after receipt of this decision (30 CFR 556.47). That day is **June 26, 2023**.

You must comply with the two requirements enumerated above not later than the 11th business day after receipt of this decision. Failure to comply with the above requirements will result in forfeiture of the 1/5 bonus deposit and your rights to acquire the lease.

Additionally, you must comply with bonding requirements according to 30 CFR 556, Subpart I, and with the regulations at 30 CFR 550.143, addressing designations of operator.

IMPORTANT: *The lease form requires the attachment of the CORPORATE SEAL to all leases executed by corporations.*


Regional Director

Attachments

Date June 8, 2023

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF OCEAN ENERGY MANAGEMENT
**OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

Paperwork Reduction Act of 1995 statement: *This form does not constitute an information collection as defined by 44 U.S.C. 3501 et seq., and therefore does not require approval by the Office of Management and Budget.*

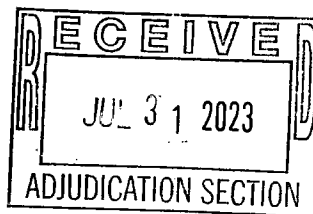
Office New Orleans, LA	Serial number OCS-G 37340
Cash bonus \$161,000.00	Rental rate per acre, hectare or fraction thereof See Addendum
Minimum royalty rate per acre, hectare or fraction thereof \$10.00 per acre	Royalty rate 18 3/4 percent
	Profit share rate

AUG 01 2023

This lease is effective as of _____ (hereinafter called the "Effective Date") and shall continue for a primary term of **five** years (hereinafter called the "Primary Term") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Gulf of Mexico OCS Region**, Bureau of Ocean Energy Management (BOEM), its authorized officer, and

Sandman Offshore, LLC

100%



(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 4 and 8** attached hereto, the Lessee and Lessor agree as follows:

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953; 43 U.S.C.1331 *et seq.*, as amended, (hereinafter called "the Act"). This lease is subject to the Act, regulations promulgated pursuant thereto, and other statutes and regulations in existence upon the Effective Date of the lease, and those statutes enacted (including amendments to the Act or other statutes) and regulations promulgated thereafter, except to the extent they explicitly conflict with an express provision of this lease. It is expressly understood that amendments to existing statutes and regulations, including but not limited to the Act, as well as the enactment of new statutes and promulgation of new regulations, which do not explicitly conflict with an express provision of this lease may be made and that the Lessee bears the risk that such may increase or decrease the Lessee's obligations under the lease.

In accordance with the regulations at 2 CFR, parts 180 and 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **5,760.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

All of Block 543, Brazos Area, OCS Leasing Map, Texas Map No. 5.

This lease is amended by addendum pursuant to the Final Notice of Sale for Outer Continental Shelf (OCS) Oil and Gas Lease Sale 259. The addendum shall become a part of the lease and supersede any inconsistent provisions of the lease form.

These rights include:

- (a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;
- (b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Secretary of the Interior or the Secretary's delegate (hereinafter called the "Secretary"); and
- (c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

Sec. 3. Term. This lease shall continue from the Effective Date of the lease for the Primary Term and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

Sec. 4. Rentals. The Lessee shall pay the Lessor on or before the first day of each lease year before the discovery of oil or gas on the lease, then on or before the last day of each full lease year in which royalties on production are not due, a rental as shown on the face hereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor on or before the last day of each lease year beginning with the year in which royalty-bearing production commences, and notwithstanding any royalty suspension that may apply, a minimum royalty as shown on the face hereof, with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

Sec. 6. Royalty on Production.

- (a) The Lessee shall pay a royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. All helium produced shall remain the property of the United States. The Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.
- (b) The value of production for purposes of computing royalty shall be the reasonable value of the production as determined by the Lessor. The value upon which royalty will be paid is established under 30 CFR Chapter XII or applicable successor regulations.
- (c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty production to such delivery point.

Sec. 7. Payments. The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Office of Natural Resources Revenue and tendered to the Lessor. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and payable as due.

Sec. 8. Bonds. The Lessee shall at all times maintain the bond(s) required by regulation prior to the issuance of the lease. The Lessee shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor determines additional security is necessary to ensure compliance with Lessee's obligations under this lease and the regulations.

Sec. 9. Plans. The Lessee shall conduct all operations on the lease or unit in accordance with an approved exploration plan (EP), development and production plan (DPP) or development operations coordination document (DOCD), approval conditions, and any other applicable requirements provided by law or regulation. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sec. 10. Diligence and Prevention of Waste.

- (a) The Lessee must exercise diligence in the development of the leased area and in the production of wells located thereon and must prevent unnecessary damage to, loss of, or waste of leased resources.
- (b) The Lessee shall comply with all applicable laws, regulations and orders related to diligence, sound conservation practices and prevention of waste. EPs, DPPs and DOCDs, are to conform to sound conservation practices to preserve, protect, and develop minerals resources and maximize the ultimate recovery of hydrocarbons from the leased area.

Sec. 11. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. Drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

Sec. 12. Safety and Inspection Requirements. The Lessee shall:

- (a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;
- (b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and
- (c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and provide any documents and records that are pertinent to occupational or public health, safety, or environmental protection as may be requested.

BOEM Sale 259 Lease Addendum – RS20
Leases in Water Depths from 0 to Less Than 200 Meters

This lease is amended by addendum pursuant to the Final Notice of Sale for OCS Oil and Gas Lease Sale 259. This addendum shall become a part of the lease and supersede any inconsistent provisions of the lease form.

Sec. 3. Term.

Notwithstanding the language in Sec. 3 of the lease instrument, the standard primary term for this lease is 5 years. If the lessee spuds a well targeting hydrocarbons below 25,000 feet True Vertical Depth Subsea (TVD SS) within the first 5 years of the lease, then the lessee may earn an additional 3 years, resulting in an 8-year primary term. The lessee will earn the 8-year primary term when the well is drilled to a target below 25,000 feet TVD SS, or the lessee may earn the 8-year primary term in cases where the well targets, but does not reach, a depth below 25,000 feet TVD SS due to mechanical or safety reasons beyond the lessee's control and supported by sufficient evidence from the lessee.

To earn the 8-year extended primary term, the lessee is required to submit to the Bureau of Ocean Energy Management (BOEM) Gulf of Mexico (GOM) Regional Supervisor for Leasing and Plans, as soon as practicable, but in any instance not more than 30 days after completion of the drilling operation, a letter providing the well number, spud date, information demonstrating a target below 25,000 feet TVD SS and whether that target was reached, and if applicable, any safety or mechanical reasons encountered that prevented the well from reaching a depth below 25,000 feet TVD SS. This letter also must request confirmation that the lessee earned the 8-year primary term.

The BOEM GOM Regional Supervisor for Leasing and Plans will confirm in writing, within 30 days of receiving the lessee's letter, whether the lessee has earned the extended primary term and update BOEM records accordingly. The extended primary term is not effective unless and until the lessee receives confirmation from BOEM.

A lessee that has earned the 8-year primary term by spudding a well with a hydrocarbon target below 25,000 feet TVD SS during the standard 5-year primary term of the lease will not be granted a suspension for that same period under the regulations at 30 CFR 250.175 because the lease is not at risk of expiring.

Sec. 4. Rentals.

Notwithstanding the language in Sec. 4 of the lease instrument, annual rental rates are as follows:

Rental Rates per Acre or Fraction Thereof	
Lease Years	Annual Rental Rate
1-5	\$10.00
Extended Lease Year No.	Escalating Annual Rental Rate
6	\$20.00
7	\$30.00
8+	\$40.00

If the lessee earns an 8-year primary term, the lessee will pay an escalating rental rate as shown above. The rental rates after the fifth year will become fixed and no longer escalate, if another well is spudded targeting hydrocarbons below 25,000 feet TVD SS after the fifth year of the lease, and BOEM concurs that such a well has been spudded. In this case, the rental rate will become fixed at the rental rate in effect during the lease year in which the additional well was spudded.

Sec. 6. Royalty on Production.

Notwithstanding the language in Sec. 6 of the lease instrument, this lease may be eligible for a Royalty Suspension Volume (RSV) incentive on gas produced from ultra-deep wells pursuant to 30 CFR part 203. Certain wells completed to a drilling depth of 20,000 feet TVD SS or deeper may receive an RSV of 35 billion cubic feet on the production of natural gas. This RSV incentive is subject to applicable price thresholds set forth in the regulations at 30 CFR part 203.

Stipulation No. 1– Military Areas

A. Hold and Save Harmless

Whether compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property that occur in, on, or above the Outer Continental Shelf (OCS), and to any persons or to any property of any person or persons who are agents, employees, or invitees of the lessee, its agents, independent contractors, or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the OCS if such injury or damage to such person or property occurs by reason of the activities of any agency of the United States (U.S.) Government, its contractors or subcontractors, or any of its officers, agents, or employees, being conducted as a part of, or in connection with, the programs and activities of the command headquarters listed in the table located in Section C. Operational.

Notwithstanding any limitation of the lessee's liability in Section 14 of the lease, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the U.S. Government, its contractors or subcontractors, or any of its officers, agents, or employees. The lessee further agrees to indemnify and save harmless the U.S. Government against all claims for loss, damage, or injury sustained by the lessee, or to indemnify and save harmless the U.S. Government against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation, whether the same be caused in whole or in part by the negligence or fault of the U.S. Government, its contractors or subcontractors, or any of its officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

B. Electromagnetic Emissions

The lessee agrees to control its own electromagnetic emissions and those of its agents, employees, invitees, independent contractors, or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the commander of the command headquarters listed in the following table to the degree necessary to prevent damage to, or unacceptable interference with, Department of Defense flight, testing, or operational activities conducted within individual designated warning areas. Necessary monitoring, control and coordination with the lessee, its agents, employees, invitees, independent contractors, or subcontractors will be affected by the commander of the appropriate onshore military installation conducting operations in the particular warning area provided; however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, independent contractors, or subcontractors, and onshore facilities.

C. Operational

The lessee, when operating, or causing to be operated on its behalf, a boat, ship, or aircraft traffic in an individual designated warning area, must enter into an agreement with the commander of the individual command headquarters listed in the following list, prior to commencing such traffic. Such an agreement will provide for positive control of boats, ships, and aircraft operating in the warning areas at all times.

W-147	147 OSS/OSA 14657 Sneider Street Houston, Texas 77034-5586 Contact: Sgt. Dion Folley Email: <u>Dion.R.Folley.mil@mail.mil</u> Alternate Contact: Sgt. Gina Turner Alternate Contact Email: Gina.L.Turner.mil@mail.mil Telephone: (281) 929-2142 Telephone: (281) 929-2710/2803
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Stipulation No. 4 Protected Species

- A. The Endangered Species Act (16 U.S.C. §§ 1531 *et seq.*) and the Marine Mammal Protection Act (16 U.S.C. §§ 1361 *et seq.*) are designed to protect threatened and endangered species and marine mammals and apply to activities authorized under the Outer Continental Shelf Lands Act (OCSLA, 43 U.S.C. §§ 1331 *et seq.*). The Congressional Declaration of Policy included in OCSLA provides that it is the policy of the United States that the OCS should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner that is consistent with the maintenance of competition and other national needs (see 43 U.S.C. § 1332). Both the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE) comply with these laws on the OCS.
- B. The lessee, its operators, and their recognized representative must:
1. Comply with the Reasonable and Prudent Alternative for the Rice's whale (formerly Gulf of Mexico Bryde's whale), Reasonable and Prudent Measures and implementing Terms and Conditions of the Biological Opinion issued by the National Marine Fisheries Service (NMFS) on March 13, 2020 (2020 NMFS BiOp), as amended. This includes mitigation, particularly any appendices to Terms and Conditions applicable to the activity, as well as record-keeping and reporting sufficient to allow BOEM and BSEE to comply with reporting and monitoring requirements under the 2020 NMFS BiOp; applicable Conditions of Approval (COAs); and any additional reporting required by BOEM or BSEE developed as a result of implementation of the 2020 NMFS BiOp, 2021 Amended Incidental Take Statement (ITS) and Revised Appendices, acceptance and implementation of the Reasonable and Prudent Alternative for the Rice's whale, and the Notification of Intention to Transit Rice's Whale Area COA. The 2020 NMFS BiOp and supporting documents (as amended) may be found here: <https://repository.library.noaa.gov/view/noaa/23738>.
 2. Immediately report all sightings and locations of injured or dead protected species (e.g., marine mammals and sea turtles) to the appropriate hotlines listed at <https://www.fisheries.noaa.gov/report> (phone numbers vary by State), as required in the 2020 NMFS BiOp and 2021 Revised Appendix C. If oil and gas industry activity is responsible for the injured or dead animal (e.g., injury or death was caused by a vessel strike, entrapment or entanglement), the responsible parties must notify BOEM and BSEE within 24 hours of the strike or entanglement/entrapment by email to protectedspecies@boem.gov and protectedspecies@bsee.gov, respectively.
 3. Notify BOEM and BSEE, as appropriate, of their intention to transit through the Rice's whale (formerly Bryde's whale in the 2020 BiOp and subsequent amendment) area (from 100- to 400- meter isobaths from 87.5° W to 27.5° N as described in the species' status review plus an additional 10 km around that area) for any activities related to this lease. If proposing to transit through any portion of the Rice's whale area, the lessee or operator must submit their notification of intention to transit to BOEM/BSEE (protectedspecies@boem.gov and protectedspecies@bsee.gov) and obtain BOEM's concurrence to fulfill the

reporting requirements of the 2020 NMFS BiOp, as amended. Additional reporting and transit requirements related to the Rice's whale area may be applied as a COA to any plan or permit issued under this lease.

- C. The lessee and its operators, personnel, and subcontractors, while undertaking activities authorized under this lease and all activities associated therein, must implement and comply with the specific mitigation measures outlined in the following Appendices of the 2020 NMFS BiOp and 2021 Amended ITS and Revised Appendices:
- Appendix A: "Seismic Survey Mitigation and Protected Species Observer Protocols"
 - Appendix B: "Gulf of Mexico Marine Trash and Debris Awareness and Elimination Survey Protocols"
 - Appendix C: "Vessel Strike Avoidance and Injured/Dead Aquatic Protected Species Reporting Protocols"
 - Appendix I: "Explosive Removal of Structure Measures"
 - Appendix J: "Sea Turtle Handling and Resuscitation Guidelines"
 - Moon Pool Monitoring COA – Attachment cited and included in Attachment 1 of the 2021 Amended ITS and Revised Appendices
 - Slack-line Precautions COA – Attachment cited and included in Attachment 1 of the 2021 Amended ITS and Revised Appendices
 - Reporting Requirements COA – Attachment cited and included in Attachment 1 of the 2021 Amended ITS and Revised Appendices
- D. Certain post-lease approvals (e.g., for activities proposing new and unusual technologies, certain seismic surveys and all geological and geophysical (G&G) surveys, including G&G surveys that utilize High Resolution Geophysical (HRG) acoustic sources) will require a step-down review by NMFS, as provided by the 2020 NMFS BiOp and 2021 Amended ITS, and additional mitigations to protect ESA-listed species may be applied at that time. Therefore, lessees must notify BOEM prior to conducting any G&G surveys, including, for example, ancillary G&G surveys that use HRG acoustic sources. At the lessee's option, the lessee, its operators, personnel, and contractors may comply with the most current measures to protect species in place at the time an activity is undertaken under this lease, including but not limited to, new or updated versions of the 2020 NMFS BiOp, the 2021 ITS and Appendices, or through new or activity-specific consultations. The most current applicable terms and conditions and reasonable and prudent measures from the 2020 NMFS BiOp, 2021 Amended ITS and Appendices or other relevant consultations will be applied to all post-lease approvals. Any future biological opinions, amendments, terms and conditions, reasonable and prudent measures, and COAs implementing them will be binding on post-lease approvals. The lessee and its operators, personnel, and subcontractors will be required to comply with the mitigation measures identified in the above referenced 2020 NMFS BiOp and 2021 Amended ITS (including the Appendices), the Notification of Intention to Transit Rice's Whale Area COA and additional applicable measures in the COAs for their plans or permits.

Stipulation No. 8 Royalties on All Produced Gas

Pursuant to section 50263 of the Inflation Reduction Act of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (2022), royalties must be assessed and paid accordingly by the lessee(s)/operator(s) on all gas produced under this lease, including all gas that is consumed or lost by venting, flaring, or negligent releases through any equipment during upstream operations. The lessee(s)/operator(s) must value any gas or liquid hydrocarbons, including that which is consumed or lost by venting, flaring, or negligent releases, in accordance with the provisions of 30 CFR part 1206. This royalty will not apply with respect to:

- 1) gas vented or flared for not longer than 48 hours in an emergency situation that poses a danger to human health, safety, or the environment;
- 2) gas used or consumed within the area of the lease, unit, or communitized area for the benefit of the lease, unit, or communitized area; or
- 3) gas that is unavoidably lost.

For any gas that the lessee(s)/operator(s) produces, but for which the lessee(s)/operator(s) does not pay royalties, the lessee(s)/operator(s) bears the burden of proof in demonstrating to the satisfaction of the Bureau of Ocean Energy Management and the Office of Natural Resources Revenue that one or more of these exceptions to the requirement to pay royalties under this stipulation applies.

Sec. 13. Suspension or Cancellation.

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.
(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

- (a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or
- (b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Sec. 15. Disposition of Production.

- (a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.
- (b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.
- (c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.
- (d) In time of war or when the President of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

Sec. 16. Unitization, Pooling, and Drilling Agreements. Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

Sec. 17. Equal Opportunity Clause. During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations, which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. Certification of Nonsegregated Facilities. By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees. Segregated facilities include those that are segregated by explicit directive or those that are in fact segregated on the basis of race, color, religion, sex, or national origin, because of habit, local custom, or otherwise; provided, that separate or single-user restrooms and necessary dressing or sleeping areas shall be provided to assure privacy as appropriate. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to awarding contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

Sec. 19. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

- (a) the right to authorize geological and geophysical exploration in the leased area that does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;
- (b) the right to grant leases for any minerals other than oil and gas, and to issue leases or grants for renewable energy or alternative uses within the leased area, except that operations under such leases or grants shall not unreasonably interfere with or endanger operations under this lease; and
- (c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof, which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended. During such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 20. Assignment of Lease. The Lessee shall file for approval with the appropriate regional BOEM OCS office any instrument of assignment or other transfer of any rights or ownership interest in this lease in accordance with applicable regulations.

Sec. 21. Relinquishment of Lease. The Lessee may relinquish this lease or any officially designated subdivision thereof by filing with the appropriate regional BOEM OCS office a written relinquishment, in triplicate, that shall be effective on the date it is filed. No relinquishment of this lease or of any portion of the leased area shall relieve the Lessee of the continuing obligation to pay all accrued rentals, royalties, and other financial obligations or to plug all wells and remove

all platforms and other facilities on the area to be relinquished in accordance with applicable regulations.

Sec. 22. Decommissioning.

(a) When wells, platforms, pipelines or other facilities are no longer useful for operations, the Lessee shall permanently plug such wells, remove such platforms and other facilities, decommission such pipelines, and clear the seafloor of all associated obstructions created by the lease operations.

(b) The Secretary may determine that a well, platform, pipeline or other facility is no longer useful and require its immediate decommissioning.

(c) All platforms and other facilities shall be removed within 1 year after the lease terminates unless the Lessor grants approval to conduct other activities.

(d) All decommissioning operations shall be conducted in accordance with applicable laws and regulations and in a manner that is safe, does not unreasonably interfere with other uses of the OCS, and does not cause undue or serious harm or damage to the human, marine, or coastal environment.

Sec. 23. Remedies in Case of Default.

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may

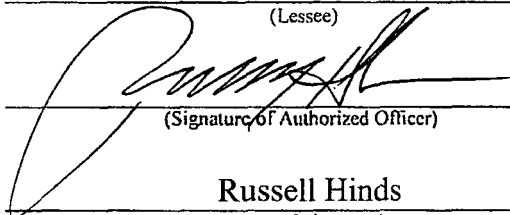
exercise any other remedies that the Lessor may have, including, but not limited to the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

Sec. 24. Unlawful Interest. No member of, or delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom, except to the extent that such benefit is obtained by the general public as well. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

Sandman Offshore, LLC

(Lessee)



(Signature of Authorized Officer)

Russell Hinds

(Name of Signatory)

Manager

(Title)

July 31, 2023

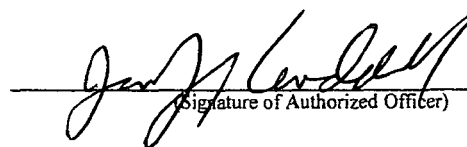
(Date)

1940 Fountainview PMB504

Houston, Texas 77057

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor



(Signature of Authorized Officer)

James J. Kendall

(Name of Signatory)

Regional Director

(Title)

JUL 31 2023

(Date)

If this lease is executed by a corporation, it must comply with BOEM's corporate seal requirements at 30 CFR 556.107.

DEPARTMENT OF THE INTERIOR
OFFICE OF NATURAL RESOURCES REVENUE
RECEIPT CONFIRMATION REPORT LIST FOR
LEASE SALE 259

OCS-G#	Qual	COMPANY	TOTAL
37340	03720	Sandman Offshore, LLC	186,400.00
37459	02219	Anadarko US Offshore LLC	573,884.00
37460	02647	Murphy Exploration & Production Company - USA	412,952.00
37498	02219	Anadarko US Offshore LLC	573,884.00
37638	02647	Murphy Exploration & Production Company - USA	576,264.00

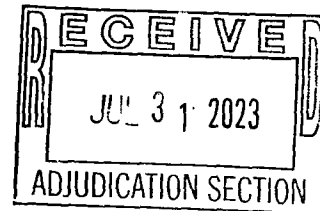
The above Lease(s) were paid on June 14, 2023 .

TOTAL	2,323,384.00
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**Sandman Offshore, LLC
1940 Fountain View PMB504
Houston, Texas 77057
(281) 541-3308**

June 15, 2023

Re: Cover Letter
Executed Lease (OCS-G-37340)
Sandman Offshore, LLC



Dear Yolanda,

Please find attached, three (3) fully executed originals for lease BA-543 (OCS-G-37340). Sandman Offshore, LLC is a Texas limited liability company and our Company Agreement does not require a corporate seal as we do not have a corporate seal. Please confirm receipt of these documents.

We have remitted the 4/5 lease bonus + first year rental in the total amount of \$186,400. Confirmation of receipt of funds has been acknowledged by BOEM.

Should you require additional information, please contact me as the duly elected Manager of Sandman Offshore, LLC.

Best regards,

A handwritten signature in black ink, appearing to read "Russell Hinds".

Russell Hinds
Manager

BID FORM

Regional Director, DOI
Bureau of Ocean Energy Management
Gulf of Mexico OCS Region
New Orleans, LA 70123-2394

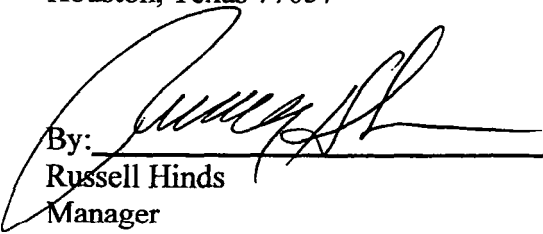
Oil and Gas Lease Sale 259
Date of Lease Sale: March 29, 2023
Company Submitting Bid: Sandman Offshore, LLC
GOM Company Number: 03720

Oil and Gas Lease Bid

It is understood that this bid legally binds the bidder(s) to comply with all applicable regulations, including paying the 1/5th bonus on all high bids, as provided in the Final Notice of Sale.

The following bid is submitted for an oil and gas lease on the area and block of the Outer Continental Shelf specified below:

Map Name	Map Number	Block Number	Amount Bid
<u>Brazos Area</u>	<u>TX5</u>	<u>543</u>	<u>\$161,000.00</u>
Company Number	Percent Interest	Company Name(s), Address(es), Signatures	
03720	100.00	Sandman Offshore, LLC 1940 Fountain View PMB504 Houston, Texas 77057	

By: 
Russell Hinds
Manager