UNITED STATES GOVERNMENT
MEMORANDUM

November 24, 2003

To: Public Information (MS 5034)

From: Plan Coordinator, FO, Plans Section (MS 5231)

Subject: Public Information copy of plan

Control #	-	N-07952
Type	-	Initial Exploration Plan
Lease(s)	-	OCS-G23759 Block - 334 West Cameron Area
Operator	-	Palace Operating Company
Description	-	Well A
Rig Type	-	JACKUP

Attached is a copy of the subject plan.

It has been deemed submitted as of this date and is under review for approval.

Karen Dunlap.

Karen Dunlap
Plan Coordinator

Site Type/Name	Botm Lse/Area/Blk	Surface Location	Surf Lse/Area/Blk
WELL/A	G23759/WC/334	5450 FSL, 550 FEL	G23759/WC/334

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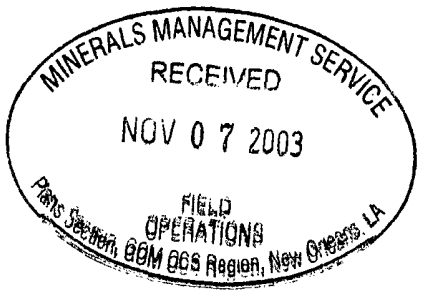
NOTED - SCHEXNAILDRE

Palace Operating COMPANY

RICHARD D. SIEGAL
ROBERT M. ZINKE

November 5, 2003



U.S. Department of the Interior
Minerals Management Service
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

Attention: Mr. Nick Wetzel
Plans Unit

RE: Initial Exploration Plan for Lease OCS-G 23759, West Cameron Block 334, OCS Federal Waters, Gulf of Mexico, Offshore, Louisiana

Gentlemen:

In accordance with the provisions of Title 30 CFR 250.203 and that certain Notice to Lessees (NTL 2003-G17), Palace Operating Company (Palace) hereby submits for your review and approval an Initial Exploration Plan (Plan) for Lease OCS-G 23759, West Cameron Block 334, Offshore, Louisiana. Excluded from the Public Information copies are certain geologic and geophysical discussions and attachments.

Enclosed are two Proprietary Information copies (one hard copy and one CD) and three Public Information copies (one hard copy and two CD's) of the Plan.

Contingent upon receiving regulatory approvals and based on equipment and personnel availability, Palace anticipates operations under this Plan commencing as early as December 15, 2003.

Should additional information be required, please contact the undersigned, or our regulatory consultant, R.E.M. Solutions, Inc., Attention: Connie Goers at 281.492.8562.

Sincerely,

PALACE OPERATING COMPANY

Blane Barger/CJG

Blane Barger
Manager, Operations and Engineering

Public Information

BB:CJG:mjs
Attachments

1202 East 33rd Street • Tulsa, Oklahoma 74105-2048
(918) 743-5096, FAX: (918) 743-5159

PALACE OPERATING COMPANY
1331 Lamar Street, Suite 1560
Houston, Texas 77010

Blane Barger
Manager, Operations and Engineering
bbarger@ztienergy.com

INITIAL EXPLORATION PLAN

LEASE OCS-G 23759

WEST CAMERON BLOCK 334

PREPARED BY:

Connie Goers
R.E.M. Solutions, Inc.
17171 Park Row, Suite 390
Houston, Texas 77084
281.492.8562 (Phone)
281.492.6117 (Fax)
connie@remsolutionsinc.com

DATED:

November 5, 2003

SECTION A
PLAN CONTENTS

A. Description, Objectives and Schedule

Lease OCS-G 23759, West Cameron Block 334 was acquired by Houston Energy, L.P. at the Central Gulf of Mexico Lease Sale No. 182 held on March 20, 2002. The lease was issued with an effective date of May 1, 2002 and a primary term ending date of April 30, 2007.

The current lease operatorship and ownership are as follows:

Area/Block Lease No.	Operator	Ownership
West Cameron Block 334 Lease OCS-G 23759	Houston Energy, L.P.	Houston Energy, L.P.

Palace is in the process of becoming designated operator of the subject lease.

Palace proposes to drill, potentially complete, test and install minimal well protector structure over Well Location A in West Cameron Block 334. Information pertaining to the geological targets, including a narrative of trapping features, is included as *Attachment A-1.*

B. Location

Included as *Attachments A-2 and A-3* are the Form MMS-137 "OCS Plan Information Form" and a bathymetry map detailing the proposed well surface location disturbance area.

C. Drilling Unit

Palace will utilize a typical jack-up type drilling rig for the proposed drilling, and potential completion and testing operations provided for in this Plan. Actual rig specifications will be included with the Application for Permit to Drill.

Safety of personnel and protection of the environment during the proposed operations is of primary concern with Palace, and mandates regulatory compliance with the contractors and vendors associated with the proposed operations as follows:

SECTION A
Contents of Plan - Continued

Minerals Management Service regulations contained in Title 30 CFR Part 250, Subparts C, D, E, G and O mandate the operations comply with well control, pollution prevention, construction and welding procedures as described in Title 30 CFR Part 250, Subparts C, D, E, G and O; and as further clarified by MMS Notices to Lessees.

Minerals Management Service conducts periodic announced and unannounced onsite inspections of offshore facilities to confirm operators are complying with lease stipulations, operating regulations, approved plans, and other conditions; as well as to assure safety and pollution prevention requirements are being met. The National Potential Incident of Noncompliance (PINC) List serves as the baseline for these inspections.

U. S. Coast Guard regulations contained in Title 33 CFR mandate the appropriate life rafts, life jackets, ring buoys, etc., be maintained on the facility at all times.

U. S. Environmental Protection Agency regulations contained in the NPDES General Permit GMG290000 mandate that supervisory and certain designated personnel on-board the facility be familiar with the effluent limitations and guidelines for overboard discharges into the receiving waters.

Geological Targets and Trapping Features

Attachment A-1
(Proprietary Information)

OCS Plan Information Form

Attachment A-2
(Public Information)

OCS PLAN INFORMATION FORM

General Information

Type of OCS Plan	X	Exploration Plan (EP)		Development Operations Coordination Document (DOCD)
Company Name:	Palace Operating Company		MMS Operation Number:	02606
Address:	1331 Lamar Street, Suite 1560		Contact Person:	Connie Goers / R.E.M. Solutions, Inc.
	Houston, Texas 77010		Phone Number:	281.492.8562
			E-Mail Address:	connie@remsolutionsinc.com

Lease(s): G 23759	Area: WC	Block(s): 334	Project Name (If Applicable): NA

Objective(s):		Oil		Gas		Sulphur		Salt	Onshore Base: Cameron	Distance to Closes Land (Miles): 47

Description of Proposed Activities (Mark all that apply)

X	Exploration drilling		Development drilling
X	Well completion		Installation of production platform
X	Well test flaring (for more than 48 hours)		Installation of production facilities
X	Installation of caisson or platform as well protection structure		Installation of satellite structure
	Installation of subsea wellheads and/or manifolds		Commence production
	Installation of lease term pipelines		Other (Specify and describe)

Have you submitted or do you plan to submit a Conservation Information Document to accompany this plan?		Yes	X	No
Do you propose to use new or unusual technology to conduct your activities?		Yes	X	No
Do you propose any facility that will serve as a host facility for deepwater subsea development?		Yes	X	No
Do you propose any activities that may disturb an MMS-designated high-probability archaeological area?		Yes	X	No
Have all of the surface locations of your proposed activities been previously reviewed and approved by MMS?		Yes	X	No

Tentative Schedule of Proposed Activities

Proposed Activity	Start Date	End Date	No. of Days
Drill Well Location A	12/15/2003	01/14/2004	31
Complete Well Location A	01/15/2004	01/30/2004	16
Test Well Location A	02/01/2004	02/14/2004	14
Install Well Protector Structure	02/15/2004	02/21/2004	7

Description of Drilling Rig

X	Jackup		Drillship		Caisson		Tension Leg Platform
	Gorilla Jackup		Platform rig	X	Well protector		Compliant tower
	Semi-submersible		Submersible		Fixed Platform		Guyed tower
	DP Semi-submersible		Other (Attach description)		Subsea manifold		Floating production system
Drilling Rig Name (if known):					Spar		Other (Attach Description)

Description of Lease Term Pipelines

From (Facility/Area/Block)	To (Facility/Area/Block)	Diameter (Feet)	Length (Feet)

OCS PLAN INFORMATION FORM (CONTINUED)

Include one copy of this page for each proposed well/structure

Proposed Well/Structure Location							
Well or Structure Name/Number (If renaming well or structure, reference previous name): Well Location A					Subsea Completion		
Anchor Radius (if applicable) in feet: NA						Yes	X	No
	Surface Location			**Bottom-Hole Location (For Wells)**			
Lease No.	OCS-G 23759			OCS-G 23759			
Area Name	West Cameron			West Cameron			
Block No.	334			334			
Blockline Departures (in feet)	N/S Departure	550'	F E L	N/S Departure		F L	
	E/W Departure	5450'	F S L	E/W Departure		F L	
Lambert X-Y coordinates	X: 1,317,111.472			X:			
	Y: 148,353.424			Y:			
Latitude / Longitude	Latitude 29-03-25.567			Latitude			
	Longitude 93-28-14.230			Longitude			
	TVD (Feet):			MD (Feet):		Water Depth (Feet): 71'	

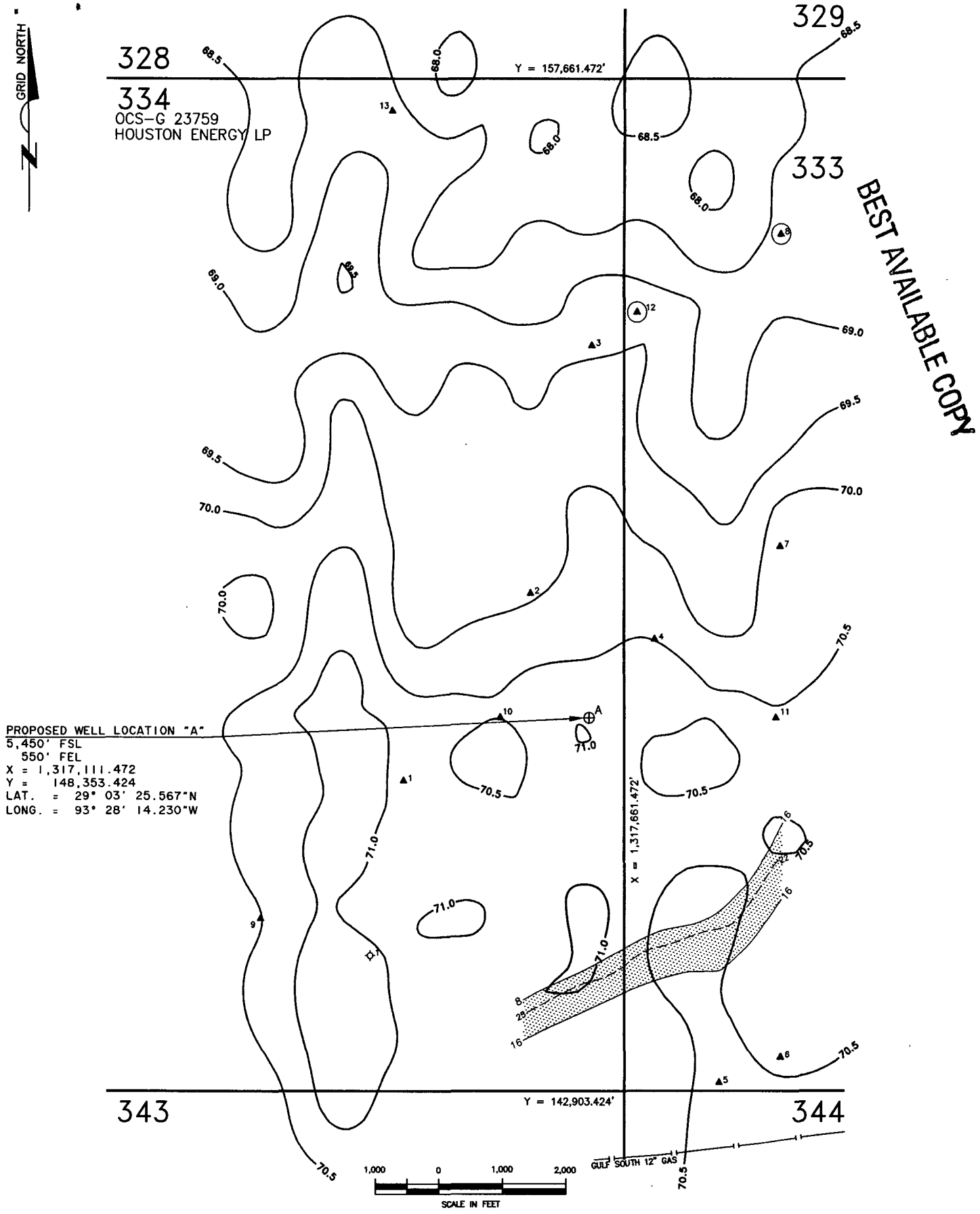
Anchor Locations for Drilling Rig or Construction Barge (If anchor radius supplied above, not necessary)

Anchor Name or No.	Area	Block	X Coordinate	Y Coordinate	Length of Anchor Chain on Seafloor
			X=	Y=	
			X=	Y=	
			X=	Y=	
			X=	Y=	
			X=	Y=	
			X=	Y=	
			X=	Y=	
			X=	Y=	

Paperwork Reduction Act of 1995 Statement: The Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35) requires us to inform you that MMS collects this information as part of an applicant's Exploration Plan or Development Operations Coordination Document submitted for MMS approval. We use the information to facilitate our review and data entry for OCS plans. We will protect proprietary data according to the Freedom of Information Act and 30 CFR 250.196. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget Control Number. The use of this form is voluntary. The public reporting burden for this form is included in the burden for preparing Exploration Plans and Development Operations Coordination Documents. We estimate that burden to average 580 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Mail Stop 4230, Minerals Management Service, 1849 C Street, N.W., Washington, DC 20240.

Bathymetry Map

Attachment A-3
(Public Information)



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LEGEND:

- PIPELINE (EXISTING)
- WELL (PLUGGED AND ABANDONED)
- 70.0 — BATHYMETRIC CONTOUR, INTERVAL = 0.5'. VERTICAL DATUM FOR BATHYMETRY IS MEAN ~~LOWER LOW WATER (MLLW)~~.
- 16 / 22 — LATE WISCONSIN FLUVIAL CHANNEL (DEPTH OF MARGIN AND THALWEG BML).
- ▲1 — UNIDENTIFIED MAGNETIC ANOMALY – NUMBER REFERS TO ANOMALY ID NUMBER. CIRCLE IS RECOMMENDED AVOIDANCE.

NOTE: GRID, LOUISIANA (LAMBERT), SOUTH ZONE (NAD 27) CLARKE 1866.

GEOPHYSICAL SURVEY
BATHYMETRY, SEAFLOOR AND NEAR-SEAFLOOR FEATURES MAP
BLOCK 334
WEST CAMERON AREA
WEST ADDITION
OFFSHORE LOUISIANA

HOUSTON ENERGY, LP

Thales GeoSolutions, Inc.
3624 Westchase Drive
Houston, Texas 77042
Tel: 713-784-4482 Fax: 713-784-8162
THALES

DRN. DLA	PREP. GMN	CAL. TAO	APP. KAC		FILE NO. 02-2550-1419
CHK. KAC	CHK. KAC	CHK. KAC	DATE 11/11/02		D.P. 4949

SECTION B
General Information

A. Contact

Questions or requests for additional information should be made to Palace's authorized representative for this project:

Connie Goers
R.E.M. Solutions, Inc.
17171 Park Row, Suite 390
Houston, Texas 77084
281.492.8562 (Phone)
281.492.6117 (Fax)
connie@remsolutionsinc.com

B. Prospect Name

Palace does not refer to prospect names for their exploratory activities.

C. New or Unusual Technology

Palace does not propose using any new and/or unusual technology for the operations proposed in this Plan.

D. Bonding Information

In accordance with Title 30 CFR Part 256, Subpart I, Palace elected and has on file with the Minerals Management Service Gulf of Mexico Regional Office a $3,000,000 Areawide Development Bond.

As deemed warranted, Minerals Management Service will contact the designated operator in the event a supplemental bond is required for the proposed operations, as outlined in Notice to Lessees (NTL) 2003-N06 to cover plugging liability of the wellbores, removal of associated well protector structures and site clearance.

Palace is aware that such bonding may be imposed, and will submit accordingly upon notification from the Minerals Management Service.

SECTION B
General Information - Continued

E. Onshore Base and Support Vessels

The proposed surface disturbance in West Cameron Block 334 will be located approximately 47 miles from the nearest Louisiana shoreline, and approximately 49.5 miles from the onshore support base to be located in Cameron, Louisiana

Palace will use an existing onshore base to accomplish the following routine operations:

- Loading/Offloading point for equipment supporting the offshore operations,
- Dispatching personnel and equipment, and does not anticipate the need for any expansion of the selected facilities as a result of the activities proposed in this Plan,
- Temporary storage for materials and equipment
- 24-Hour Dispatcher

Personnel involved in the proposed operations will typically use their own vehicles as transportation to and from the selected onshore base; whereas the selected vendors will transport the equipment by a combination of trucks, boats and/or helicopters to the onshore base. The personnel and equipment will then be transported to the drilling rig via the transportation methods and frequencies shown below, taking the most direct route feasible as mandated by weather and traffic conditions:

Support Vessel	Drilling and Completion Trips Per Week
Crew Boat	4
Supply Boat	2
Helicopter	3

The proposed operations are temporary in nature and do not require any immediate action to acquire additional land, expand existing base facilities.

A Vicinity Plat showing the surface location in West Cameron Block 334 relative to the shoreline and onshore base is included as *Attachment B-1.*

F. Lease Stipulations

Under the Outer Continental Shelf Lands Act, the Minerals Management Service is charged with the responsibility of managing and regulating the exploration and development on the OCS.

As part of the regulatory process, an Environmental Impact Statement (EIS) is prepared for each lease sale, at which time mitigation measures are addressed in the form of lease stipulations, which then become part of the oil and gas lease terms and are therefore enforceable as part of that lease.

N-7952

SECTION B
General Information - Continued

As part of this process, the designated operator proposing to conduct related exploratory and development activities, must review the applicable lease stipulations, as well as other special conditions, which may be imposed by the Minerals Management Service, and other governing agencies.

Lease OCS-G 23759, West Cameron Block 334 is subject to Lease Stipulation No. 6 which references measures to minimize or avoid potential adverse impacts to protected species (sea turtles, marine mammals, gulf sturgeon, and other federally protected species). MMS has issued Notice to Lessees NTL 2003-G08 "Implementation of Seismic Mitigation Measures", NTL 2003-G10 "Vessel Strike Avoidance and Injured/Dead Protected Species Reporting" and NTL 2003-G11 "Marine Trash and Debris Awareness and Elimination".

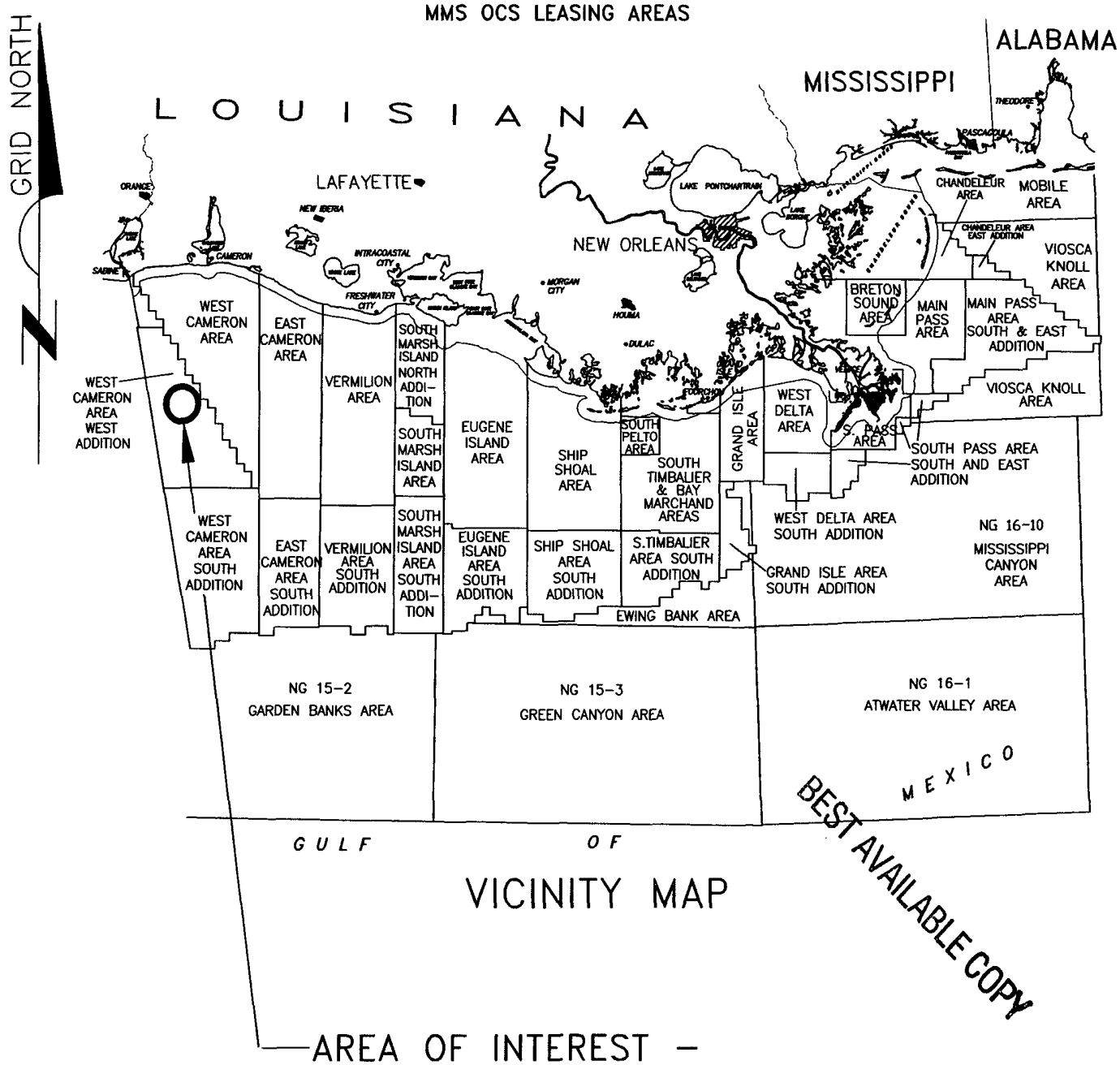
Special Conditions

The proposed surface disturbance activity in West Cameron Block 334 will not be affected by any special conditions and/or multiple uses, such as designated shipping/anchorage areas, military warning areas, lightering zones, rigs-to-reef zone, and ordnance disposal zones.

Vicinity Plat

Attachment B-1
(Public Information)

LOUISIANA GULF COAST INDEX
MMS OCS LEASING AREAS



VICINITY MAP

AREA OF INTEREST –
WEST CAMERON AREA
WEST ADDITION
BLOCK 334

DATUM: NAD 27	HOUSTON ENERGY, LP
SPHEROID: CLARKE 1866	PROPOSED WELL LOCATION
PROJECTION: LAMBERT	WELL "A"
ZONE: LOUISIANA SOUTH	BLOCK 334
	WEST CAMERON AREA, WEST ADDITION

Thales GeoSolutions, Inc.
3624 Westchase Drive
Houston, Texas 77042
Tel: 713-784-4482 Fax: 713-784-8162
THALES

DATE	DRAWN BY:	CHECKED BY:	DRAWING No.
11/11/02	DLA	KAC	02-1419PERA
REV. DATE	REV. No.:	SCALE: N.T.S.	JOB No. 02-1419

SECTION C
Geological, Geophysical & H2S Information

A. Structure Contour Maps

Included as *Attachment C-1* is the current structure map (depth base and expressed in feet subsea) depicting the entire lease coverage area; drawn on the top of the prospective hydrocarbon sand. The map depicts the proposed bottom hole location and applicable geological cross section.

B. Interpreted Deep Seismic Lines

Included as *Attachment C-2* is this Plan is (original copy only) is a page size copy of the migrated and annotated (shot point, time lines, well paths) of the deep seismic line within 500 feet of the surface location.

C. Geological Structure Cross Section

An interpreted geological cross section depicting the proposed well location and depth of the proposed well is included as *Attachment C-3*. Such cross section corresponds to each seismic line being submitted under separate cover.

D. Shallow Hazards Report

Thales GeoSolutions, Inc. conducted a high resolution geophysical survey in West Cameron Block 334 (East Half) during October 2002 on behalf of Houston Energy, L.P. The purpose of the survey was to evaluate geologic conditions and inspect for potential hazards or constraints to lease development.

Three (3) copies of these reports are being submitted to the Minerals Management Service under separate cover.

E. Shallow Hazards Assessment

A shallow hazards analysis has been prepared for the proposed surface location, evaluating seafloor and subsurface geologic and manmade features and conditions, and is included as *Attachment C-4.*

F. High Resolution Seismic Lines

Included, as *Attachment C-5* to the original copy only, is a copy of the annotated high resolution survey data lines for the proposed surface location disturbance.

SECTION C
Geological, Geophysical & H2S Information-Continued

G. Stratigraphic Column

A generalized biostratigraphic/lithostratigraphic column from the seafloor to the total depth of the proposed well is included as *Attachment C-6.*

H. Time Vs. Depth Tables

Palace has determined that there is existing sufficient well control data for the target areas proposed in this plan; therefore, a table providing seismic time versus depth for the proposed well location is not required.

I. Hydrogen Sulfide Classification

In accordance with Title 30 CFR 250.417, Palace requests that West Cameron Block 334 be classified by the Minerals Management Service as an area where the absence of hydrogen sulfide has been confirmed based on the following wells which were drilled to the stratigraphic equivalent of the wells proposed in this Plan:

Lease	*Area/Block*	*Well No.*
OCS-G 03277	WC 333	A001

Structure Maps

Attachment C-1
(Proprietary Information)

Deep Seismic Lines

Attachment C-2
(Proprietary Information)

Cross Section Maps

Attachment C-3
(Proprietary Information)

Shallow Hazards Assessment

Attachment C-4
(Public Information)

THALES

November 11, 2002

THALES GEOSOLUTIONS, INC.
3624 Westchase Drive
Houston, Texas 77042
USA
Tel: 1 713 784 4482
Fax: 1 713 784 8162
www.thales-geosolutions.com

Minerals Management Service (MS 5230)
Gulf of Mexico OCS Region
1201 Elmwood Park Blvd.
New Orleans, LA 70123-2394

RE: Houston Energy, LP
OCS-G 23759 Proposed 'A' Well Location
Block 334, West Cameron Area
Archaeological & Shallow Hazards Analysis

Dear Staff:

Houston Energy, LP proposes to drill from the OCS-G 23759 'A' surface location at 550' FEL and 5,450' FSL of Block 334, West Cameron Area. Thales GeoSolutions surveyed contiguous portions Block 334 and Block 333, which completely encompass the proposed well site. Magnetometer, side scan sonar, echo sounder, subbottom profiler, and sleeve gun seismic data were acquired along north/south lines at 300-meter intervals with east/west lines at 900-meter intervals. Data are enclosed from all systems along the lines closest to the proposed surface location. Water depth at the proposed location is 71 feet, and the seafloor consists of clayey sands that are 10 feet thick and overlie dense compacted clays of the Pleistocene Beaumont-Prairie Formation. A buried channel cut the Pleistocene horizon 3,600' south of the proposed well site. The distant channel will not affect drilling at this proposed well site, and there were no high probability indicators for prehistoric archaeological resources near the well site. Magnetic anomaly #10 (9 gammas/50') occurred 1,500' west of the planned well site, and the tiny ferrous object (6 pounds/iron equivalent) will not be disturbed by drilling or rig moves. Side scan sonar records highlighted numerous shrimp trawler scars across the seafloor, and the seafloor was clear of shipwrecks and obstructions surrounding the proposed well site. The Gulf South 12" pipeline trends east/west approximately 6,300' south of the well site. The No. 1 well (P&A) from a former lease is 5,000' southwest of the proposed well site. The analog sleeve gun data did not resolve any amplitude anomalies or faults near the planned drill site. Archaeological features will not be disturbed by the drilling or rig moves. The pipeline south of Block 334, the P&A No. 1 well site, and magnetic anomalies have been identified and will be marked with appropriate marine survey equipment to comply with NTL No. 98-20, Section IV during rig moves and drilling.

Yours truly,

Robert J Floyd

Robert J. Floyd
Marine Archaeologist

High Resolution Seismic Lines

Attachment C-5
(Proprietary Information)

Stratigraphic Column

Attachment C-6
(Proprietary Information)

SECTION D
Biological and Physical Information

A. Chemosynthetic Information

The proposed seafloor disturbing activities are in water depths less than 400 meters (1312 feet); therefore, this section of the Plan is not applicable.

B. Topographic Features Information

MMS and the National Marine Fisheries Service (NMFS) have entered into a programmatic consultation agreement for Essential Fish Habitat that requires that no bottom disturbing activities, including anchors or cables from a semi-submersible drilling rig, may occur within 500 feet of the no-activity zone of a topographic feature. If such proposed bottom disturbing activities are within 500 feet of a no activity zone, the MMS is required to consult with the NMFS.

The activities proposed in this Plan are not affected by a topographic feature.

C. Live Bottom (Pinnacle Trend) Information

Certain leases are located in areas characterized by the existence of live bottoms. Live bottom areas are defined as seagrass communities; those areas that contain biological assemblages consisting of sessile invertebrates living upon and attached to naturally occurring hard or rocky formations with rough, broken, or smooth topography; and areas where the lithotope favors the accumulation of turtles, fishes, or other fauna. These leases contain a Live Bottom Stipulation to ensure that impacts from nearby oil and gas activities on these live bottom areas are mitigated to the greatest extent possible.

For each affected lease, the Live Bottom Stipulation requires that you prepare a live bottom survey report containing a bathymetry map prepared by using remote sensing techniques. This report must be submitted to the Gulf of Mexico OCS Region (GOMR) before you may conduct any drilling activities or install any structure, including lease term pipelines in accordance with NTL 99-G16.

West Cameron Block 334 is not located within the vicinity of a proposed live bottom area.

D. Remotely Operated Vehicle (ROV Surveys)

Pursuant to NTL No. 2003-G03, operators my be required to conduct remote operated vehicle (ROV) surveys during pre-spudding and post-drilling operations for the purpose of biological and physical observations.

SECTION D
Biological and Physical Information-Continued

West Cameron Block 334 is not located within an area where ROV Surveys are required.

E. Archaeological Reports

In conjunction with this geophysical survey, an archaeological survey and report was also prepared to comply with the requirements of NTL 2002-G01, as West Cameron Block 334 is located within a high probability pre-historic area for potential archaeological resources.

This requirement provides protection of prehistoric and historic archaeological resources by requiring remote sensing surveys in areas designated to have a high probability for archaeological resources.

The archaeological report is included in the Shallow Hazards Report being submitted under separate cover to the Minerals Management Service.

SECTION E
Wastes and Discharge/Disposal Information

The Minerals Management Service (MMS), U. S. Coast Guard (USCG) and the U.S. Environmental Protection Agency (EPA) regulate the overboard discharge and/or disposal of operational waste associated with drilling, completing, testing and/or production operations from oil and gas exploration and production activities.

Minerals Management Service regulations contained in Title 30 CFR 250.300 require operators to "prevent the unauthorized discharge of pollutants into offshore waters". These same regulations prohibit the intentional disposal of "equipment, cables, chains, containers, or other materials" offshore. Small items must be stored and transported in clearly marked containers and large objects must be individually marked. Additionally, items lost overboard must be recorded in the facility's daily log and reported to MMS as appropriate.

U. S. Coast Guard regulations implement the Marine Pollution Research and Control Act (MARPOL) of 1987 requiring manned offshore rigs, platforms and associated vessels prohibit the dumping of all forms of solid waste at sea with the single exception of ground food wastes, which can be discharged if the facility is beyond 12 nautical miles from the nearest shore. This disposal ban covers all forms of solid waste including plastics, packing material, paper, glass, metal, and other refuse. These regulations also require preparation, monitoring and record keeping requirements for garbage generated on board these facilities. The drilling contractor must maintain a Waste Management Plan, in addition to preparation of a Daily Garbage Log for the handling of these types of waste. MODU's are equipped with bins for temporary storage of certain garbage. Other types of waste, such as food, may be discharged overboard if the discharge can pass through 25-millimeter type mesh screen. Prior to off loading and/or overboard disposal, an entry will be made in the Daily Garbage Log stating the approximate volume, the date of action, name of the vessel, and destination point.

U. S. Environmental Protection Agency regulations address the disposal of oil and gas operational wastes under three Federal Acts. The Resource Conservation and Recovery Act (RCRA) which provides a framework for the safe disposal of discarded materials, regulating the management of solid and hazardous wastes. The direct disposal of operational wastes into offshore waters is limited under the authority of the Clean Water Act. And, when injected underground, oil and gas operational wastes are regulated by the Underground Injection Control program. If any wastes are classified as hazardous, they are to be properly transported using a uniform hazardous waste manifest, documented, and disposed at an approved hazardous waste facility.

A National Pollutant Discharge Elimination System (NPDES) permit, based on effluent limitation guidelines, is required for any discharges into offshore waters. Palace has requested coverage under the Region VI NPDES General Permit GMG290000 for discharges associated with exploration and development activities in West Cameron Block 334 and will take applicable steps to ensure all offshore discharges associated with the proposed operations will be conducted in accordance with the permit.

SECTION E
Wastes and Discharge/Disposal Information-Continued

A. Composition of Solid and Liquid Wastes

The major operational solid waste in the largest quantities generated from the proposed operations will be the drill cuttings, drilling and/or completion fluids. Other associated wastes include waste chemicals, cement wastes, sanitary and domestic waste, trash and debris, ballast water, storage displacement water, rig wash and deck drainage, hydraulic fluids, used oil, oily water and filters, and other miscellaneous minor discharges.

These wastes are generated into categories, being solid waste (trash and debris), nonhazardous oilfield waste (drilling fluids, nonhazardous waste including cement and oil filters), and hazardous wastes (waste paint or thinners).

The type of discharges included in this permit application allow for the following effluents to be discharged overboard, subject to certain limitations, prohibitions and recordkeeping requirements.

Overboard Discharges

In accordance with NTL 2003-G17, overboard discharges generated by the activities are not required for submittal in this Plan.

Disposed Wastes

The wastes detailed in ***Attachment E-1*** are those wastes generated by our proposed activities that are disposed of by means of offsite release, injection, encapsulation, or placement at either onshore or offshore permitted locations for the purpose of returning them back to the environment.

Palace will manifest these wastes prior to being offloaded from the MODU, and transported to shore for disposal at approved sites regulated by the applicable State. Additionally, Palace will comply with any approvals or reporting and recordkeeping requirements imposed by the State where ultimate disposal will occur.

Waste Disposal Table

Attachment E-1
(Public Information)

Palace Operating Company
West Cameron Block 334
Examples of Wastes and Discharges Information

Table 1. Disposal Table (Wastes to be disposed of, not discharged)

Type of Waste Approximate Composition	Amount*	Rate per day	Name/Location of Disposal Facility	Treatment and/or Storage, Transport and Disposal Method
Waste Oil	200 bbl/yr	0.5 bbl/yr	Newpark Environmental Fourchon, LA	Pack in drums and transported to an onshore Incineration site
Norm – contaminated wastes	1 ton	Not applicable	West Cameron Block 334	Transport to a transfer station via dedicated barge
Trash and debris	1,000 ft^3	3 ft^3/day	Newpark Environmental Fourchon, LA	Transport in storage bins on crew boat to disposal facility
Chemical product wastes	50 bbl/yr	2 bbl/day	Newpark Environmental Fourchon, LA	Transport in containers to shore location
Chemical product wastes	100 bbl	2 bbl/day	Newpark Environmental Fourchon, LA	Transport in barrels on crew boat to shore location

*can be expressed as a volume, weight, or rate

SECTION F
Oil Spill Response and Chemical Information

A. Regional Oil Spill Response Plan (OSRP) Information

Effective December 18, 2002, Minerals Management Service approved Palace Operating Company's (Palace's) Regional Oil Spill Response Plan (OSRP). A modification to the OSRP was approved on October 15, 2003. Palace Operating Company is the only entity covered under this OSRP. Activities proposed in this Initial Exploration Plan will be covered by the Regional OSRP.

B. Oil Spill Removal Organizations (OSRO)

Palace utilizes Clean Gulf Associates (CGA) as its primary provider for equipment, which is an industry cooperative owning an inventory of oil spill clean-up equipment. CGA is supported by the Marine Spill Response Corporation's (MSRC), which is responsible for storing, inspecting, maintaining and dispatching CGA's equipment. The MSRC STARS network provides for the closest available personnel, as well as an MSRC supervisor to operate the equipment.

C. Worst-Case Scenario Comparison (WCD)

Category	*Current Regional OSRP WCD*	*Proposed Exploration Plan WCD*
Type of Activity	Exploratory	Drilling/Completion/Testing
Facility Surface Location	Viosca Knoll Block 29	West Cameron Block 334
Facility Description	MODU	Jack-Up Rig
Distance to Nearest Shoreline (Miles)	20	47
Volume: Storage Tanks (total) Facility Piping (total) Lease Term Pipeline Uncontrolled Blowout (day) **Potential 24 Hour Volume (Bbls.)**	1001	100
Type of Liquid Hydrocarbon	Condensate	Condensate
API Gravity	45°	45°

SECTION F
Oil Spill Response and Chemical Information-Continued

Due to the estimated flow rates from an exploratory well blowout are speculative and temporary in nature, Palace will not modify their Regional OSRP to change the WCD.

Since Palace has the capability to respond to the worst-case discharge (WCD) spill scenario included in its Regional OSRP approved on October 15, 2003, and since the worst-case scenario determined for our EP does not replace the worst-case scenario in our Regional OSRP, I hereby certify that Palace has the capability to respond, to the maximum extent practicable, to a worst-case discharge, or a substantial threat of such a discharge, resulting from the activities proposed in our EP.

D. Facility Tanks, Production Vessels

The following table details the *tanks* (capacity greater than 25 bbls. or more) to be used to support the proposed activities (MODU and barges):

Type of Storage Tank	Type of Facility	Tank Capacity (bbls)	Number of Tanks	Total Capacity (bbls)	Fluid Gravity (API)
Fuel Oil	MODU	250	2	500	38° (Diesel)

SECTION G
Air Emissions Information

The primary air pollutants associated with OCS exploration activities are:

- Carbon Monoxide
- Particulate Matter
- Sulphur Oxides
- Nitrogen Oxides
- Volatile Organic Compounds

These offshore air emissions result mainly from the drilling rig operations, helicopters, and support vessels. These emissions occur mainly from combustion or burning of fuels and natural gas and from venting or evaporation of hydrocarbons. The combustion of fuels occurs primarily on diesel-powered generators, pumps or motors and from lighter fuel motors. Other air emissions can result from catastrophic events such as oil spills or blowouts.

A. Calculating Emissions

Included as *Attachment G-1* is the Projected Air Quality Emissions Report (Form MMS-138) for (Plan Emissions, Complex Total Emissions) addressing drilling, potential completion and testing operations utilizing a typical jack-up type drilling unit, with related support vessels and construction barge information.

B. Screening Questions

As evidenced by *Attachment G-1*, the worksheets were completed based on the screening questions provided by the MMS.

C. Emission Reduction Measures

The projected air emissions are within the exemption level; therefore, no emission reduction measures are being proposed.

D. Verification of Non-Default Emissions Factors

Palace has elected to use the default emission factors as provided in *Attachment G-1.*

E. Non-Exempt Activities

The proposed activities are within the exemption amount as provided in *Attachment G-1.*

SECTION G
Air Emissions Information-Continued

F. Review of Activities with Emissions Below the Exemption Level

The proposed activities are below the exemption amount and should not affect the air quality of an onshore area, as provided in *Attachment G-1.*

G. Modeling Report

The proposed activities are below the exemption amount and should not affect the air quality of an onshore area.

Air Emissions Report

Attachment G-1
(Public Information)

EXPLORATION PLAN (EP)
AIR QUALITY SCREENING CHECKLIST

OMB Control No. 1010-0049
OMB Approval Expires: September 30, 2003

COMPANY	Palace Operating Compay
AREA	West Cameron
BLOCK	334
LEASE	OCS-G 23759
RIG	Jack Up
WELL	A
COMPANY CONTACT	Connie Goers / R.E.M. Solutions, Inc.
TELEPHONE NO.	281.492.8562
REMARKS	Drill, potentially complete, test, and install minimal well protector structure over Well Location A

Screening Questions for EP's	Yes	No
Is any calculated Complex Total (CT) Emission amount (in tons associated with your proposed exploration activities more than 90% of the amounts calculated using the following formulas: CT = $3400D^{2/3}$ for CO, and CT = 33.3D for the other air pollutants (where D = distance to shore in miles)?		X
Does your emission calculations include any emission reduction measures or modified emission factors?		X
Are your proposed exploration activities located east of 87.5° W longitude?		X
Do you expect to encounter H_2S at concentrations greater than 20 parts per million (ppm)?		X
Do you propose to flare or vent natural gas for more than 48 continuous hours from any proposed well?		X
Do you propose to burn produced hydrocarbon liquids?		X

Air Pollutant		Plan Emission Amounts[1] (tons)	Calculated Exemption Amounts[2] (tons)		Calculated Complex Total Emission Amounts[3] (tons)
Carbon monoxide (CO)		41.27	44280.33		NA
Particulate matter (PM)		5.34	1565.1		NA
Sulphur dioxide (SO_2)		25.73	1565.1		NA
Nitrogen oxides (NOx)		180.88	1565.1		NA
Volatile organic compounds (VOC)		5.7	1565.1		NA

[1] For activities proposed in your EP or DOCD, list the projected emissions calculated from the worksheets.
[2] List the exemption amounts in your proposed activities calculated using the formulas in 30 CFR 250.303(d).
[3] List the complex total emissions associated with your proposed activities calculated from the worksheets.

EMISSIONS CALCULATIONS 1ST YEAR

COMPANY	AREA	BLOCK	LEASE	PLATFORM	WELL		CONTACT	PHONE	REMARKS
Palave Operating Compa	West Cameron	334	OCS-G 23759	Jack Up	A		Connie Goers / R.E.M. Solution	281.492.8562	

OPERATIONS	EQUIPMENT	RATING	MAX. FUEL	ACT. FUEL	RUN TIME		MAXIMUM POUNDS PER HOUR					ESTIMATED TONS				
	Diesel Engines	HP	GAL/HR	GAL/D												
	Nat. Gas Engines	HP	SCF/HR	SCF/D												
	Burners	MMBTU/HR	SCF/HR	SCF/D	HR/D	DAYS	PM	SOx	NOx	VOC	CO	PM	SOx	NOx	VOC	CO
DRILLING	PRIME MOVER>600hp diesel	11400	550.62	13214.88	24	17	8.04	36.86	276.21	8.29	60.26	1.64	7.52	56.35	1.69	12.29
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	BURNER diesel	0			0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	AUXILIARY EQUIP<600hp diese	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(crew)	2065	99.7395	2393.75	8	10	1.46	6.68	50.03	1.50	10.92	0.06	0.27	2.00	0.06	0.44
	VESSELS>600hp diesel(supply)	2065	99.7395	2393.75	10	5	1.46	6.68	50.03	1.50	10.92	0.04	0.17	1.25	0.04	0.27
	VESSELS>600hp diesel(tugs)	4200	202.86	4868.64	12	2	2.96	13.58	101.76	3.05	22.20	0.04	0.16	1.22	0.04	0.27
FACILITY INSTALLATION	DERRICK BARGE diese	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	MATERIAL TUG diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(crew)	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(supply)	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	MISC.	BPD	SCF/HR	COUNT												
	TANK-	0			0	0				0.00					0.00	
DRILLING WELL TEST	OIL BURN	0			0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GAS FLARE		0		0	0		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00
2003	YEAR TOTAL						13.91	63.80	478.04	14.34	104.30	1.77	8.12	60.82	1.82	13.27
EXEMPTION CALCULATION	DISTANCE FROM LAND IN MILES											1565.10	1565.10	1565.10	1565.10	44280.33
	47.0															

EMISSIONS CALCULATIONS 2ND YEAR

COMPANY	AREA	BLOCK	LEASE	PLATFORM	WELL		CONTACT	PHONE	REMARKS
Palave Operating Compa	West Cameron	334	OCS-G 23759	Jack Up	A		Connie Goers / R.E.M. Solutions	281.492.8562	

OPERATIONS	EQUIPMENT	RATING	MAX. FUEL	ACT. FUEL	RUN TIME		MAXIMUM POUNDS PER HOUR					ESTIMATED TONS				
	Diesel Engines	HP	GAL/HR	GAL/D												
	Nat. Gas Engines	HP	SCF/HR	SCF/D												
	Burners	MMBTU/HR	SCF/HR	SCF/D	HR/D	DAYS	PM	SOx	NOx	VOC	CO	PM	SOx	NOx	VOC	CO
DRILLING	PRIME MOVER>600hp diesel	11400	550.62	13214.88	24	51	8.04	36.86	276.21	8.29	60.26	4.92	22.56	169.04	5.07	36.88
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PRIME MOVER>600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	BURNER diesel	0			0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	AUXILIARY EQUIP<600hp diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(crew)	2065	99.7395	2393.75	8	30	1.46	6.68	50.03	1.50	10.92	0.17	0.80	6.00	0.18	1.31
	VESSELS>600hp diesel(supply)	2065	99.7395	2393.75	10	15	1.46	6.68	50.03	1.50	10.92	0.11	0.50	3.75	0.11	0.82
	VESSELS>600hp diesel(tugs)	4200	202.86	4868.64	12	2	2.96	13.58	101.76	3.05	22.20	0.04	0.16	1.22	0.04	0.27
FACILITY INSTALLATION	DERRICK BARGE diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	MATERIAL TUG diesel	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(crew)	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VESSELS>600hp diesel(supply)	0	0	0.00	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	MISC.	BPD	SCF/HR	COUNT												
	TANK-	0			0	0				0.00					0.00	
DRILLING WELL TEST	OIL BURN	250			24	2	4.38	71.15	20.83	0.10	2.19	0.11	1.71	0.50	0.00	0.05
	GAS FLARE		208333.33		24	2		0.12	14.87	12.56	80.94		0.00	0.36	0.30	1.94
2004	YEAR TOTAL						18.28	135.07	513.75	27.01	187.42	5.34	25.73	180.88	5.70	41.27
EXEMPTION CALCULATION	DISTANCE FROM LAND IN MILES 47.0											1565.10	1565.10	1565.10	1565.10	44280.33

SUMMARY

COMPANY	AREA	BLOCK	LEASE	PLATFORM	WELL
Palave Operating Compay	West Cameron	334	OCS-G 23759	Jack Up	A

Year	Emitted Substance				
	PM	SOx	NOx	VOC	CO
2003	1.77	8.12	60.82	1.82	13.27
2004	5.34	25.73	180.88	5.70	41.27
Allowable	1565.10	1565.10	1565.10	1565.10	44280.33

SECTION H
Environmental Impact Analysis

A. IMPACT PRODUCING FACTORS (IPF'S)

The following matrix is utilized to identify the environmental resources that could be impacted by these IPF's. An "x" has been marked for each IPF category that Palace has determined may impact a particular environmental resource as a result of the proposed activities. For those cells which are footnoted, a statement is provided as to the applicability of the proposed activities, and where there may be an effect, an analysis of the effect is provided.

Environmental Resources	Emissions (air, noise, light, etc.)	Effluents (muds, cuttings, other discharges to the water column or seafloor	Physical Disturbances To the seafloor (rig or anchor emplacement, etc.)	Wastes Sent to Shore for Treatment Or disposal	Accidents (e.g. oil spills, chemical spills, H2S releases)	Other IPF's identified
Site Specific at Offshore Location						
Designated topographic feature						
Pinnacle Trend area live bottoms						
Eastern Gulf live bottoms						
Chemosynthetic communities						
Water quality		X			X	
Fisheries		X			X	
Marine mammals		X			X	
Sea turtles		X			X	
Air quality						
Shipwreck sites (known or potential)						
Prehistoric archaeological sites						
Vicinity of Offshore Location						
Essential fish habitat		X			X	
Marine and pelagic birds		X			X	
Public health and safety						
Coastal and Onshore						
Beaches						
Wetlands						
Shorebirds and coastal nesting birds						
Coastal wildlife refuges						
Wilderness areas						
Other Resources						

SECTION H
Environmental Impact Analysis-Continued

B. VICINITY OF OFFSHORE LOCATION ANALYSES

1. Designated Topographic Features

There are no anticipated effluents, physical disturbances to the seafloor, and accidents from the proposed activities that could cause impacts to topographic features. The proposed surface disturbances within West Cameron Block 334 are located approximately 50 miles away from the closest designated topographic feature (Fathom Bank). The crests of designated topographic features in the northern Gulf are found below 10 m. In the event of an accidental oil spill from the proposed activities, the gravity of such oil (high gravity condensate and/or diesel fuel) would rise to the surface, quickly dissipate, and/or be swept clear by the currents moving around the bank; thereby avoiding the sessile biota.

2. Pinnacle Trend Live Bottoms

There are no anticipated effluents, physical disturbances to the seafloor, and accidents from the proposed activities that could cause impacts to a pinnacle trend area. The proposed surface disturbances within West Cameron Block 334 are located a significant distance (> 100 miles) from the closest pinnacle trend live bottom stipulated block. The crests of the pinnacle trend area are much deeper than 20 m. In the event of an accidental oil spill from the proposed activities, the gravity of such oil (high gravity condensate and/or diesel fuel) would rise to the surface, quickly dissipate, and/or be swept clear by currents moving around the bank; and thus not impacting the pinnacles.

3. Eastern Gulf Live Bottoms

There are no anticipated effluents, physical disturbances to the seafloor, and accidents from the proposed activities that could cause impacts to Eastern Gulf live bottoms. The proposed surface disturbances within West Cameron Block 334 are located a significant distance (>100 miles) from the closest pinnacle Eastern Gulf live bottom stipulated block. In the event of an accidental oil spill from the proposed activities, the gravity of such oil (high gravity condensate and/or diesel fuel) would rise to the surface, quickly dissipate, and/or be swept clear by currents moving around the bank; and would not be expected to cause adverse impacts to Eastern Gulf live bottoms because of the depth of the features and dilutions of spills.

4. Chemosynthetic Communities

Water depths in West Cameron Block 334 range from 68 feet to 71 feet. Therefore, the proposed activities are not located within the vicinity of any known chemosynthetic communities, which typically occur in water depths greater than 400 meters.

SECTION H
Environmental Impact Analysis-Continued

5. Water Quality

Accidental oil spill releases from the proposed activities, and cumulative similar discharge activity within the vicinity could potentially cause impacts to water quality. It is unlikely that an accidental oil spill release would occur from the proposed activities. In the event of such a release, the water quality would be temporarily affected by the dissolved components and small droplets. Currents and microbial degradation would remove the oil from the water column or dilute the constituents to background levels.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill. Palace will conduct the proposed activities under EPA's Region VI NPDES General Permit GMG290000 which authorizes the discharge of certain effluents, subject to certain limitations, prohibitions and recordkeeping requirements. As such, it is not anticipated these discharges will cause significant adverse impacts to water quality.

6. Fisheries

Accidental oil spill releases from the proposed activities, and cumulative similar discharge activity within the vicinity may potentially cause some detrimental effects on fisheries. It is unlikely a spill would occur; however, such a release in open waters closed to mobile adult finfish or shellfish would likely be sublethal and the extent of damage would be reduced to the capability of adult fish and shellfish to avoid a spill, to metabolize hydrocarbons, and to excrete both metabolites and parent compounds.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill. Palace will conduct the proposed activities under EPA's Region VI NPDES General Permit GMG290000 which authorizes the discharge of certain effluents, subject to certain limitations, prohibitions and recordkeeping requirements. As such, it is not anticipated these discharges will cause significant adverse impacts to water quality.

7. Marine Mammals

As a result of the proposed activities, marine mammals may be adversely impacted by traffic, noise, accidental oil spills, cumulative similar discharge activity, and loss of trash and debris. Chronic and sporadic sublethal effects could occur that may stress and/or weaken individuals of a local group or population and make them more susceptible to infection from

natural or anthropogenic sources. Few lethal effects are expected from accidental oil spill, chance collisions with service vessels and ingestion of plastic material.

The net results of any disturbance would depend on the size and percentage of the population affected, ecological importance of the disturbed area, environmental and biological parameters that influence an animal's sensitivity to disturbance and stress, and the accommodation time in response to prolonged disturbance (Geraci and St. Aubin), 1980). Collisions between cetaceans and ship could cause serious injury or death (Laist et al., 2001). Sperm whales are one of 11 whale species that are hit commonly by ships (Laist et al., 2001). Collisions between OCS vessels and cetaceans within the project area are expected to be unusual events.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill. Palace will conduct the proposed activities under EPA's Region VI NPDES General Permit GMG290000 which authorizes the discharge of certain effluents, subject to certain limitations, prohibitions and recordkeeping requirements. As such, it is not anticipated these discharges will cause significant adverse impacts to water quality. Additionally, Palace and its contractors will conduct the proposed activities under the additional criteria addressed by MMS in Notice to Lessee's (NTL's) 2003-G10 "Vessel Strike Avoidance and Injured/Dead Protective Species" and NTL 2003-G11 "Marine Trash & Debris Awareness & Elimination".

8. Sea Turtles

As a result of the proposed activities, sea turtles may be adversely impacted by traffic, noise, accidental oil spills, cumulative similar discharges, and loss of trash and debris. Small numbers of turtles could be killed or injured by chance collision with service vessels or by eating indigestible trash, particularly plastic items accidentally lost from drilling rigs, production facilities and service vessels. Drilling rigs and project vessels (construction barges) produce noise that could disrupt normal behavior patterns and crease some stress to sea turtles, making them more susceptible to disease. Accidental oil spill releases are potential threats which could have lethal effects on turtles. Contact and/or consumption of this released material could seriously affect individual sea turtles. Most OCS related impacts on sea turtles are expected to be sublethal. Chronic and/or avoidance of effected areas could cause declines in survival or productivity, resulting in gradual population declines.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which

address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill. Palace will conduct the proposed activities under EPA's Region VI NPDES General Permit GMG290000 which authorizes the discharge of certain effluents, subject to certain limitations, prohibitions and recordkeeping requirements.

As such, it is not anticipated these discharges will cause significant adverse impacts to water quality. Additionally, Palace and its contractors will conduct the proposed activities under the additional criteria addressed by MMS in Notice to Lessee's (NTL's) 2003-G10 "Vessel Strike Avoidance and Injured/Dead Protective Species" and NTL 2003-G11 "Marine Trash & Debris Awareness & Elimination".

9. Air Quality

The proposed activities are located approximately 47 miles to the nearest shoreline. There would be a limited degree of air quality degradation in the immediate vicinity of the proposed activities. Air quality analyses of the proposed activities are below the MMS exemption level.

10. Shipwreck Site (Known or Potential)

There are no physical disturbances to the seafloor which could impact known or potential shipwreck sites, as the review of high resolution shallow hazards data indicate there are no known or potential shipwreck sites located within the surveyed area.

11. Prehistoric Archaeological Sites

There are no physical disturbances to the seafloor which could cause impacts to prehistoric archaeological sites, as the review of high resolution shallow hazards data and supporting studies did not reflect the occurrence of prehistoric archaeological sites.

Site Specific Offshore Location Analyses

1. Essential Fish Habitat

An accidental oil spill that may occur as a result of the proposed activities has potential to cause some detrimental effects on essential fish habitat. It is unlikely that an accidental oil spill release would occur; however, if a spill were to occur in close proximity to finfish or shellfish, the effects would likely be sublethal and the extent of damage would be reduced to the capability of adult fish and shellfish to avoid a spill, to metabolize hydrocarbons, and to excrete both metabolites and parent compounds.

SECTION H
Environmental Impact Analysis-Continued

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

2. Marine and Pelagic Birds

An accidental oil spill that may occur as a result of the proposed activities has potential to impact marine and pelagic birds, by the birds coming into contact with the released oil. It is unlikely that an accidental oil spill release would occur.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

3. Public Health and Safety Due to Accidents

There are no anticipated IPF's from the proposed activities that could impact the public health and safety. Palace has requested MMS approval to classify the proposed objective area as absent of hydrogen sulfide.

Coastal and Onshore Analyses

1. Beaches

An accidental oil spill release from the proposed activities could cause impacts to beaches. However, due to the distance from shore (approximately 47 miles), and the response capabilities that would be implemented, no significant adverse impacts are expected. Both historical spill data and the combined trajectory/risk calculations referenced in the publication of OCS EIA /EA MMS 2002-052 indicate there is little risk of contact or impact to the coastline and associated environmental resources.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

SECTION H
Environmental Impact Analysis-Continued

2. Wetlands

An accidental oil spill release from the proposed activities could cause impacts to wetlands. However, due to the distance from shore (approximately 47 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected. Both historical spill data and the combined trajectory/risk calculations referenced in the publication of OCS EIA /EA MMS 2002-052 indicate there is little risk of contact or impact to the coastline and associated environmental resources.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

3. Shore Birds and Coastal Nesting Birds

An accidental oil spill release from the proposed activities could cause impacts to shore birds and coastal nesting birds. However, due to the distance from shore (approximately 47 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected. Both historical spill data and the combined trajectory/risk calculations referenced in the publication of OCS EIA /EA MMS 2002-052 indicate there is little risk of contact or impact to the coastline and associated environmental resources.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

4. Coastal Wildlife Refuges

An accidental oil spill release from the proposed activities could cause impacts to coastal wildlife refuges. However, due to the distance from shore (approximately 47 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected. Both historical spill data and the combined trajectory/risk calculations referenced in the publication of OCS EIA /EA MMS 2002-052 indicate there is little risk of contact or impact to the coastline and associated environmental resources.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which

address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

5. Wilderness Areas

An accidental oil spill release from the proposed activities could cause impacts to wilderness areas. However, due to the distance from shore (approximately 47 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected. Both historical spill data and the combined trajectory/risk calculations referenced in the publication of OCS EIA /EA MMS 2002-052 indicate there is little risk of contact or impact to the coastline and associated environmental resources.

In the event of an unanticipated blowout resulting in an oil spill, it is unlikely to have an impact based on the industry wide standards for using proven equipment and technology for such responses, implementation of Palace's Regional Oil Spill Response Plan which address available equipment and personnel, techniques for containment and recovery, and removal of the oil spill.

Other Identified Environmental Resources

Palace has not identified any other environmental resources other than those addressed above.

Impacts on Proposed Activities

No impacts are expected on the proposed activities as a result of taking into consideration the site specific environmental conditions.

A High Resolution Shallow Hazards Survey was conducted, a report prepared in accordance with NTL 2002-G01 and NTL 98-20.

Based on the analysis of the referenced data, there are no surface or subsurface geological and manmade features and conditions that may adversely affect the proposed activities. Palace will institute procedures to avoid pipelines and abandoned wells within the vicinity of the proposed operations.

Alternatives

Palace did not consider any alternatives to reduce environmental impacts as a result of the proposed activities.

SECTION H
Environmental Impact Analysis-Continued

Mitigation Measures

Palace will not implement any mitigation measures to avoid, diminish, or eliminate potential environmental resources, other than those required by regulation and policy.

Consultation

Palace has not contacted any agencies or persons for consultation regarding potential impacts associated with the proposed activities. Therefore, a list of such entities is not being provided.

References

The following documents were utilized in preparing the Environmental Impact Assessment:

Document	*Author*	*Dated*
Shallow Hazards Survey	Thales GeoSolutions, Inc.	2002
MMS Environmental Impact Statement Report No. 2002-15	Minerals Management Service	2002
NTL 2003-G10 "Vessel Strike Avoidance and Injured/Dead Protective Species"	Minerals Management Service	2003
NTL 2003-G11 "Marine Trash & Debris Awareness & Elimination"	Minerals Management Service	2003
NTL 2002-G09 "Regional and Subregional Oil Spill Response Plans"	Minerals Management Service	2002
NTL 2003-G17 "Guidance for Submitting Exploration Plans and Development Operations Coordination Documents"	Minerals Management Service	2003
NTL 2002-G01 "Archaeological Resource Surveys and Reports"	Minerals Management Service	2002
NTL 2000-G16 "Guidelines for General Lease Surety Bonds"	Minerals Management Service	2000
NTL 98-20 "Shallow Hazards Survey Requirements"	Minerals Management Service	1998
NTL 2003-N06 "Supplemental Bond Procedures"	Minerals Management Service	2003
NTL 98-16 "Hydrogen Sulfide Requirements"	Minerals Management Service	1998
NPDES General Permit GMG290000	EPA – Region VI	1998
Regional Oil Spill Response Plan	Palace Operating Company	2002

SECTION I
CZM Consistency

Under direction of the Coastal Zone Management Act (CMZA), the States of Alabama, Florida, Louisiana, Mississippi and Texas developed Coastal Zone Management Programs (CZMP) to allow for the supervision of significant land and water use activities that take place within or that could significantly impact their respective coastal zones.

A certificate of Coastal Zone Management Consistency for the State of Louisiana is enclosed as *Attachment I-1.*

Palace Operating Company has considered all of Louisiana's enforceable policies and certifies the consistency for the proposed operations.

Louisiana CZM Statement

Attachment I-1
(Public Information)

COASTAL ZONE MANAGEMENT CONSISTENCY CERTIFICATION

INITIAL EXPLORATION PLAN

WEST CAMERON BLOCK 334

LEASE OCS-G 23759

The proposed activities described in detail in the enclosed Plan comply with Louisiana's approved Coastal Zone Management Program and will be conducted in a manner consistent with such Program.

By: Palace Operating Company

Signed By: Robert M. Zinke **Vice President**

Dated: 11-05-03