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USCG-00-6981-2

UNITED STATES DEPARTMENT OF TRANSPORTATION

LICENSE TO OWN, CONSTRUCT AND OPERATE

A DEEPWATER PORT ISSUED TO LOOP LLC

On January 17, 1977, the Secretary of Transportation of the United States of America (hereinafter the "Secretary") pursuant to the Deepwater Port Act of 1974 (Pub. L. 93-627) (hereinafter, as amended from time to time, the "Act"), offered to LOOP Inc., a Delaware corporation a license to own, construct and operate the Deepwater Port known as LOOP, off the shores of southern Louisiana. LOOP INC. accepted the license and constructed and operated the deepwater port. In 1996, with the approval of the Secretary, LOOP INC. reorganized and became LOOP LLC, a Delaware limited liability company (hereinafter the "Licensee"). In both 1984 and 1996, Congress amended the Act and in 1998, pursuant to Sections 4(b)(2) and 4(e)(1) of the Act, the Licensee petitioned for a review and amendment of the license. On the basis of the Act and the review undertaken by the Department of Transportation upon petition of the Licensee, the Secretary hereby issues to Licensee this amended and updated license to own, construct and operate the Deepwater Port known as LOOP, off the shores of southern Louisiana.

ARTICLE 1. General Obligations of Licensee.

The Licensee shall own, construct and operate the Deepwater Port and the pipeline, storage, and other deepwater port facilities of the Licensee (such facilities, together with the Deepwater Port, hereinafter the "Port Complex") in accordance with the Act, any regulations promulgated thereunder (hereinafter the "Regulations"), other applicable Federal laws and regulations, the applicable laws of the nearest adjacent coastal state, the conditions of this license and the Licensee's operations manual as the same may be amended and approved from time to time (the "Operations Manual").

ARTICLE 2. Term.

This license remains in effect unless suspended or revoked by the Secretary as provided herein, or until surrendered by the Licensee.

The obligations of the Licensee contained in this license (except the obligations under Articles 8 and 10 hereof) shall survive the expiration of the term of this

license or any revocation, termination or suspension of the rights and privileges granted hereby and shall continue until the Licensee shall have been notified by the Secretary in writing that such obligations have been satisfied and discharged, or that satisfactory provision therefor has been made.

ARTICLE 3. Location and Design.

The Licensee is authorized to construct and emplace offshore platforms, mooring buoys, pipelines, and related offshore facilities comprising the Deepwater Port, at the locations shown on, and in accordance with, the charts and descriptions in the application for this license (the "Application") or the Operations Manual to the extent that such locations are on the Outer Continental Shelf, outside of the jurisdiction of the State of Louisiana.

The Licensee shall design, locate and construct facilities included in the Port Complex, including but not limited to storage facilities and onshore pipelines, substantially in accordance with the locations and descriptions set forth in the Application or the Operations Manual. In reviewing proposed amendments to the Operations Manual, the Coast Guard shall consider adverse environmental impacts, inconsistency with the conditions of this license, and applicable engineering and safety codes and impacts upon efficiency.

This license does not convey any rights or interests or any exclusive privileges, except as expressly set forth herein in respect of lands on the Outer Continental Shelf, in or to real property, whether by title, easement, or otherwise, and it does not authorize any infringement of applicable Federal, State, or local laws or regulations, or the property rights of any person.

ARTICLE 4. Construction.

All work in the construction of any expansion or modification of the Port Complex shall be undertaken in a manner that does not interfere with the reasonable use of the high seas, adversely affect the safety of navigation, or pose a threat to human safety or health or to the environment.

Construction of the Port Complex shall not commence until the Licensee shall have submitted a quality assurance program for approval of the Coast Guard, and such approval shall have been received. The program shall include provision for inspection, testing or other procedures with respect to any component fabricated or material ordered prior to the approval and implementation of the quality assurance program.

The Licensee shall submit to inspection of the construction, operation and maintenance of the Port Complex at any time by the Commandant or his designate and by other Federal officials pursuant to their responsibilities under Federal law. The Licensee shall cooperate fully with all Federal inspection

personnel and shall furnish them such access, facilities information, notice and services as they reasonably may require in the performance of their responsibilities. All facilities and services provided to Federal inspection personnel shall be equal in quality to that provided to the Licensee's representatives.

During the construction of any expansion or modification of the Port Complex the Licensee shall make office space available for inspection personnel at all construction and fabrication sites and shall provide subsistence, quarters, transportation and voice communications to shore for persons conducting inspections at offshore sites.

ARTICLE 5. Operations.

The Licensee shall operate the Port Complex at all times (a) without unreasonable interference with international navigation or other reasonable uses of the high seas and (b) in accordance with the Port Operations Manual approved in accordance with the Regulations.

ARTICLE 6. Environmental Protection.

The Licensee shall keep informed about procedures and equipment suitable for minimizing adverse effects on the marine environment and shall from time to time procure and employ the best available technology for such purposes.

ARTICLE 7. Financial Responsibility.

The Licensee has and shall have in effect guaranties approved by the Secretary (any such guaranty, hereinafter a "Guaranty"), of its obligations under Articles 4 and 17 hereof by parties which the Secretary has determined are financially capable of performing such obligations and meeting such liability.

Each Guaranty provides for several liability of the guarantor for the obligations of the Licensee under Articles 4 and 17 of this license, is enforceable by any party having a claim against the Licensee under said provisions and provides for regular reports to the Secretary in respect of financial condition.

The Licensee shall not assign or grant to any person any right in a Guaranty or any rights thereunder, if such assignment or grant would make such Guaranty unavailable for the satisfaction of any claim against the Licensee under the obligations guaranteed by such Guaranty.

Licensee shall demonstrate financial responsibility under Section 1016 of the Oil

Pollution Act of 1990 (33 U.S.C. § 2716 (c)(2)) in accordance with the letters in Annex A, or in such other manner as the Office of the Secretary may hereafter provide. The Secretary may require or accept in addition to, or in lieu of, such statement of financial responsibility the following, or any combination thereof, for any of the obligations enumerated above: insurance policies, surety bonds, owner guarantees of the Licensee's financial obligations in proportion to each Owner's respective interest in the Licensee; the cash deficiency provisions in a throughput and deficiency agreement filed with the Secretary; qualification as self-insurer. In order to qualify as a self-insurer the Licensee shall be required to maintain in the United States net worth in the amount for which such qualification is sought.

ARTICLE 8. Vessels, Shipments, Nondiscrimination & Rates.

In order to comply with its obligations under Section 8 of the Act, and subject to the conditions stated in its Operations Manual and its Terms and Conditions of Service, the Licensee shall furnish all facilities and services necessary and appropriate for the mooring of, unloading oil cargoes from, and otherwise handling and accommodating (but not fueling, manning or victualing, unless the Licensee shall so elect), all vessels that may reasonably be expected to utilize the facilities of the Deepwater Port, giving consideration to the availability of alternative domestic onshore facilities and the environmental and navigational risks associated with the use of such alternative facilities; provided, however, that the Licensee shall not be required to moor and accept cargoes from any vessel that, by reason of unique characteristics, cannot be accommodated at the Deepwater Port without undue expense or hazard.

ARTICLE 9. Expansion.

The Licensee may expand the Port Complex to an average daily throughput capacity of up to 4,250,000 barrels.

ARTICLE 10. Inland Transportation.

The Licensee shall establish with such common carrier pipelines as are owned or controlled by the Owners of the Licensee and their affiliates, or any of them, fair and adequate arrangements as may be reasonably required for the transportation of oil from the Port Complex to inland points served by such pipelines. Any requirements in such arrangements for minimum tender, shipment specification, or other conditions of shipment shall not be more restrictive than the conditions of shipment for the Port Complex, except such requirements that may be justified by pre-existing physical limitations of connecting facilities which cannot be readily corrected without substantial investment. The arrangements shall include a requirement that policies and practices concerning acceptance of cargoes when tenders exceed capacity shall

be consistent with the policies and practices of the Port Complex. If any such common carrier pipeline fails or refuses to accept a shipment or any part thereof when properly tendered, the Licensee shall store such shipment or part without penalty until it shall have been accepted by such carrier.

Any pipeline constructed or extended after the date of issuance hereof, owned or controlled by the Owners or affiliates, or any of them, which will or reasonably could provide a connection between the Port Complex and any common carrier pipeline, shall (a) be owned by a single entity which shall operate such pipeline as a common carrier under the Interstate Commerce Act, (b) provide for terminal tankage on a common warehouse basis, and (c) participate in joint arrangements and conduct operations in a manner consistent with the provisions of the preceding paragraph.

The Licensee shall use its best efforts to establish similar arrangements with common carrier pipelines, not owned or controlled by Owners or affiliates, which will or reasonably could provide a connection with the Port Complex.

As used in this Article, the term "ownership" shall include, but not be limited to, ownership of any legal entity owning pipeline facilities and any joint interest in pipeline facilities. The term "control" shall mean actual or legal control, contractual control, control by ownership of the majority of the voting stock in a corporation owning pipeline facilities or ownership of the majority of joint interests in pipeline facilities. The term "affiliate" shall include any corporation or legal entity, controlled by, controlling, or under common control with the Licensee or any Owner.

ARTICLE 11. Hazard Prevention.

Notwithstanding any other provision of this license, the Licensee shall take all reasonable measures necessary to prevent hazards to human safety and health, property and to the environment that may arise from any activity concerning the construction, operation, maintenance, or termination of all or any part of the Port Complex.

ARTICLE 12. Indemnification.

The Licensee shall indemnify the Secretary, the United States of America, the State of Louisiana and its or their agents and employees (the "Indemnified Parties"), for, and hold them harmless from, any demand, claim, or cause of action, including but not limited to any demand, claim or cause of action for loss or damage to property or personal injury or death to persons caused by or resulting from any operation, act or omission at the Port Complex conducted by or on behalf of the Licensee. However, the Licensee shall not be held responsible

to the Indemnified Parties under this section for any loss, damage, injury or death caused by or resulting from:

(a) negligence of an Indemnified Party other than the commission or omission of a discretionary function or duty on the party of a Federal Agency whether or not the discretion involved is abused; or

(b) the Licensee's non-negligent compliance with an order or directive of an Indemnified Party.

ARTICLE 13. Transferability; Ownership Interests.

Neither this license nor any right or privilege afforded hereby, nor any ownership interest in the Licensee shall be assigned or transferred by the Licensee without the consent of the Secretary.

ARTICLE 14. Equal Opportunity.

The Licensee shall take affirmative action to:

(a) ensure that no person shall on the ground of race, color, religion, sex or national origin be excluded from participation in, or denied the benefits of, or be subjected to discrimination under any activity conducted under the license;

(b) ensure that the employment practices and policies of the Licensee, its contractors and their subcontractors, regardless of tier, performing work or providing materials, services or supplies in connection with or for the ownership, construction or operation of the Port Complex, shall not discriminate against any person because of race, color, religion, sex or national origin; and

(c) ensure that business opportunities, including contracts and subcontracts for construction, materials, supplies or services shall be advertised and awarded in a manner designed to ensure reasonable and significant participation in such opportunities in a nondiscriminatory manner.

The Licensee shall develop and submit to the Secretary for his approval, within six months after the effective date of this license, a written affirmative action program to ensure that persons and businesses are not discriminated against because of race, color, religion, sex or national origin in activities conducted under the license, and that minorities and minority businesses receive a fair proportion of employment and contractual opportunities which will result from such activities.

The Licensee shall take the action necessary to implement the affirmative action program as approved by the Secretary.

ARTICLE 15. Conformance of Corporate Documents.

The Licensee and the Owners shall not have, and shall not enter into or file with any government body any corporate document or agreement among themselves or with others inconsistent with the terms hereof.

ARTICLE 16. Cause for Suspension or Termination.

If, during the term of this license, one or more of the following events shall occur:

(a) the Licensee or any Owner shall fail to observe or perform any obligation or condition contained herein or in a Guaranty, and such failure shall continue after written notice from the Secretary specifying the failure and demanding that the same be remedied within the period specified in such notice, which shall be not less than 30 days unless a lesser period is necessary to protect public health or safety or to eliminate imminent and substantial danger to the environment; or

(b) any statement of the Licensee or any Owner or affiliate contained in the Application, or in any document submitted to the Secretary or the Commandant in connection with the Application or a request for approval thereunder, hereunder, or under the Regulations, shall contain a material misrepresentation or an omission of a material fact; or

(c) an unauthorized assignment or transfer of this license or any rights granted hereby or of any Guaranty; or

(d) there shall be filed by or against the Licensee, any Owner, or any guarantor of an Owner, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of the Licensee's, or such Owner's or guarantor's property, or if the Licensee or any Owner or guarantor thereof makes an assignment for the benefit of creditors or takes advantage of any insolvency act, and, in the case of an involuntary proceeding, within sixty days after the initiation of the proceeding the Licensee or such Owner or guarantor fails to secure a discontinuance of the proceeding, unless in the case of an Owner or guarantor, the Licensee shall have procured a Guaranty satisfactory to the Secretary of the obligations of such Owner or guarantor; or

(e) the Licensee shall have discontinued operating the Deepwater Port for a period of sixty days unless such failure is due to authorized construction activities or force majeure, or unless the Secretary shall have authorized such discontinuance; or

(f) the Licensee shall fail to comply with any order of a court of competent jurisdiction, or fail to satisfy a judgment, issued or arising out of a

breach of any provision of this license, or any violation of the Act or Regulations; or

(g) the Licensee shall fail to comply with any compliance order issued by the Secretary, within the period set forth therein for compliance, and such compliance order shall not have been appealed pursuant to the provision of the then prevailing regulations in respect thereof or a final determination in respect of such an appeal shall have been made;

then, in any such case, the Secretary, at his option, may suspend or revoke this license or any right or privilege afforded the Licensee hereunder in accordance with the then prevailing regulations for suspension or revocation of licenses issued under the Act. Without limiting the foregoing, the Secretary may proceed (or request the Attorney General to proceed) by appropriate court action or actions either at law or in equity, to enforce performance by the Licensee or the Owners of the applicable provisions of this license or to recover damages for the breach thereof.

If the Secretary has reason to believe that the Licensee is not in compliance with Section 8 of the Act, the Secretary, in addition to the remedies described above in subparagraphs (a), (f), or (g), may commence an appropriate proceeding before the Federal Energy Regulatory Commission (or its successor agency) or request the Attorney General to take appropriate steps to enforce compliance with Section 8 and, when appropriate, to secure the imposition of appropriate sanctions. In addition, the Secretary may suspend or revoke this License if the Licensee is not complying with its obligations under Section 8 of the Act.

The remedies in this license provided in favor of the Licensor shall not be deemed exclusive but shall be cumulative and shall be in addition to all other remedies in its favor existing in the Act, the Regulations, and otherwise at law and in equity.

The failure of the Secretary to exercise his rights upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingency, nor shall performance by the Secretary of the obligations of the Licensee constitute a waiver of any other right.

No action by the Secretary or the Attorney General for the enforcement of the terms hereof shall limit or restrict any right of a shipper or other person aggrieved by breach of the conditions and obligations of the Licensee contained herein, or by suspension or revocation of this license arising out of any such breach. The Licensee shall promptly notify all shippers of cargo and masters of vessels potentially affected by such suspension or revocation of the details, including the probable duration of a suspension, and shall take all precautions

and use its best efforts to minimize inconvenience and expense to such shippers and masters.

ARTICLE 17. Removal.

Upon termination or revocation of this license, unless a petition for transfer is pending or has been approved, the Licensee shall remove all components of the Deepwater Port in accordance with plans approved by the Secretary. A plan for removal must be submitted by the Licensee to the Secretary within 30 days after the termination or revocation of this license. If the Licensee seeks a waiver of requirements to remove components as permitted by the Act, it may include such request in its removal plans. Removal must be completed within one year after the Licensee receives the Secretary's approval of the removal plans. If a petition for transfer of the license is pending, the obligation of the Licensee to take removal actions shall be suspended until the Secretary acts upon the transfer petition.

If the Licensee fails to remove any component of the Deepwater Port, the Secretary may arrange for its removal, and the Licensee shall be liable for the removal costs incurred.

ARTICLE 18. Enforcement; Delegation.

The rights, powers and authority of the Secretary hereunder may be enforced by the Attorney General or such other official of the United States of America having authority to enforce the provisions of the Act or having jurisdiction of the matters covered hereby or thereby.

The rights, powers and authority of the Secretary hereunder and under the Act and Regulations may be exercised and enforced by the Commandant and such agents or employees of the Department of Transportation and the Coast Guard to whom such rights, powers and authority may from time to time be delegated, whether generally by means of customary procedures of the Department of Transportation or specifically by delegation or appointment.

ARTICLE 19. Reports.

In addition to the reports required by the Regulations, the Licensee shall furnish such other information as the Commandant or the Secretary may reasonably request from time to time. The Licensee shall notify the Secretary of the pendency of any proceeding, order, or other judicial or administrative action concerning the activities covered hereby, and shall advise the Secretary from time to time of the status and results of any such action.

ARTICLE 20. Definitions.

Except as otherwise defined herein, the terms used in this license shall have the meanings specified in the Act.

ARTICLE 21. Limitations and Construction.

Except as expressly set forth in this license, no other license, authorization, permit or approval required by law is granted hereby. This license does not authorize anything that is or may be found to be in conflict with the Act, or the Regulations issued under the Act.

The approval of the Secretary or the Coast Guard of any design, construction method, or operating procedure, or any other approval granted by this license, shall not relieve the Licensee of liability that it may incur in the ownership, construction, or operation of the Deepwater Port.

ARTICLE 22. Responsibilities of Employees.

The Licensee shall cause its agents, employees, contractors and subcontractors to comply with all applicable provisions of this license.

ARTICLE 23. Notice.

Any notice required or permitted to be given by this license, the Act or the Regulations shall be deemed to have been given when delivered or when deposited in the United States mails, first-class postage prepaid, addressed as follows:

(a) if to the Secretary, to the Secretary of Transportation or to the Commandant of the Coast Guard at the United States Department of Transportation, Washington, D.C. 20590, unless required otherwise by regulation or another provision of this license;

(b) if to the Licensee, at One Seine Court, Suite 500, New Orleans, Louisiana 70114.

The Licensee shall notify the Secretary of any change in its address within five days of the change.

ARTICLE 24. Severability.

Each provision of this license is, and shall be deemed to be separate and independent of any other provision. If any provision of this license is held invalid or unenforceable or the operation thereof shall be suspended by order of a court of competent jurisdiction, the remainder of this license shall not be affected and shall be valid and enforced to the fullest extent permitted by law.

Any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Washington, D.C.

Secretary of Transportation

Issued: June 1, 2000

AGREEMENT TO COMPLY

Pursuant to the provisions of section 4(e)(2) of the Deepwater Port Act of 1974, LOOP LLC hereby accepts the license to own, construct and operate a deepwater port, to which this agreement is attached, and in consideration thereof agrees to comply with and be bound by all conditions and provisions contained therein.

LOOP LLC

_____
President

Dated: June 7, 2000,

ANNEX A:

FINANCIAL RESPONSIBILITY

Attachment (1): August 7, 1980 (William B. Johnston) letter from the Office of the Secretary of Transportation to John Oberdorfer, Esq. of Patton, Boggs & Blow.

Attachment (2): April 27, 1981 (J. Gordon Arbuckle) letter from Patton, Boggs & Blow to Ms. Judith T. Conner, Assistant Secretary for Policy and International Affairs, Department of Transportation.

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 7 1980

John Oberdorfer, Esq.
Patton, Boggs & Blow
2550 M Street, N.W.
Washington, D.C. 20037

Dear John:

As a result of recent discussions, I believe we have reached agreement on what LOOP should submit to meet, in part through self-insurance, the requirement of section 18 of the Deepwater Port Act that the licensee "carry insurance or give evidence of other financial responsibility in an amount sufficient to meet the liabilities imposed" by the Act for damages (including cleanup costs) that result from discharge of oil from the port or from a vessel moored at the port, as well as Article 9 of the license. In your letters of November 29, 1979, and March 13, 1980, you put forth the proposal that LOOP would use a combination of an insurance policy, working capital, and net worth (including fixed assets) to satisfy the financial responsibility requirements. Based on this suggestion and your further conversations with the Department, we believe that a program which meets the following requirements would satisfy the license and statutory requirements.

(1) At the time it commences operations, LOOP shall have a combination of an effective paid up insurance policy covering claims against the licensee under section 18 of the Act and initial working capital of LOOP (calculated from the financial statements and reports that LOOP will submit to the Secretary under Item 4 below), as follows:

If the insurance limits are */:	Then initial working capital required is at least:
(i) $50 million per occurrence, and $75 million million annual aggregate	$25 million
(ii) $100 million per occurrence, $150 million annual aggregate	$15 million
(iii) $150 million per occurrence, $225 million annual aggregate	$10 million

*/ For policy limits and deductible levels other than those listed, LOOP is required to seek prior approval by the Secretary. For aggregate insurance limits between the amounts stated, the corresponding working capital requirement may be calculated by interpolation.

A policy written by OIL Insurance Limited (OIL), in substantially the same form as the policy dated Maarch 1980 (which was submitted to the Department on May 23, 1980), with a deductible not exceeding $5 million, shall be considered an appropriate policy for the purposes of this program, including the requirement of Items 1, 2, and 3.

(2) LOOP will, at all times, starting with the commencement of operations and ending when LOOP ceases to operate under the license, maintain as evidence of financial responsibility the following:

(a) Net worth of LOOP, calculated from the financial statements and reports that LOOP will submit to the Secretary under Item 4 below, of $50,000,000; and

(b) A combination of an effective, paid up insurance policy covering claims against the licensee under section 18 of the Act and working capital of LOOP (calculated from the financial statements and reports that LOOP will submit to the Secretary under Item 4 below) that satisfies Item 3 herein.

(3)(a) If at any time LOOP has knowledge that the sum of

(i) the net annual aggregate value of its OIL policy coverage, as defined in the last paragraph of this subsection plus

(ii) LOOP's working capital (in excess of an amount equal to the deductible on the annual OIL policy)

has fallen below $100 million, LOOP shall, within five days, bring such sum back to at least $100 million. This may be accomplished by procuring a supplemental insurance policy (which may include an increase in the increased occurrence and annual aggregate limit of the OIL policy; or a replacement policy to be approved by the Secretary) or, in the alternative, a letter of credit from a financially responsible entity, or a surety bond executed by a surety company which is certified by the United States Department of Treasury with respect to the issuance of federal bonds in the penal sum of the bond, the terms of which letter of credit, or surety bond allow funds to be used to meet liabilities under section 18, and shall notify the Secretary of such action. If a replacement of policy is procured, LOOP shall be considered in compliance with Item 2 during review and pending approval of such policy by the Secretary.

The net aggregate annual value of LOOP's oil policy coverage shall equal the policy's annual aggregate limit less--

(i) the amounts of all claims and expected claims against LOOP arising out of occurrences in the current policy year that would result in liability under section 18, whether or not such claims have been or shall be made by LOOP against the policy,

(ii) the amount of any other claims arising out of occurrences in the current policy year that LOOP has made against the policy, and

(iii) the amount of any net annual aggregate value of the OIL policy that is dedicated to fulfillment of Item 3(b).

(b) If, at the close of any quarterly reporting period, LOOP's net worth has fallen below the amount required by Item 2(a) above, and such deficiency shall not have been cured by the close of the quarterly reporting period ending six months after the close of the period within which the deficit first occurred, LOOP shall, within five days, remedy such deficiency. This may be accomplished by procuring in an amount equal to such deficiency a supplemental insurance policy (which may include dedication of any part of the net annual aggregate value of the OIL policy not required for purposes of Item 3(a); or an OIL policy of increased occurrence annual aggregate limits; or a replacement policy to be approved by the Secretary) or, in the alternative, a letter of credit from a financially responsible entity, or a surety bond executed by a surety company which is certified by the United States Department of the Treasury with respect to the issuance of federal bonds in the penal sum of the bond, the terms of which letter of credit or surety bond allow funds to be used to meet liabilities under section 18, and shall notify the Secretary of such action. If a replacement policy is procured, LOOP shall be considered in compliance with Item 3(b) during review and pending approval of such policy by the Secretary.

(4) LOOP will report to the Secretary in a manner similar to that described in the regulations of the Federal Maritime Commission governing self-insurance for Alaska pipeline oil pollution (46 C.F.R. 543.6(a)(3)(i)-(v)). In addition, for any period during which LOOP relies on an insurance policy to meet part of the financial responsibility requirement, LOOP's

reports shall include a statement (certified by an officer of LOOP) of the type and amount of such insurance, and of any changes made in the policy, and in any period in which LOOP relies on supplemental insurance, a letter of credit or a surety bond (as described in Item 3) a statement, similarly certified, or the type and amount of such insurance or letter of credit, or bond.

(5) LOOP shall provide the Department with the following assurances:

(a) That its previous statement that LOOP will not grant its creditors or any other person any right in LOOP's fixed assets that would be superior to the rights of any judgment creditor will continue in effect; and

(b) That LOOP will make its best efforts to assure the availability, within five days of its request, of the supplemental insurance policy, letter of credit, or surety bond, under the circumstances described in Item 3.

We believe that the proposal described is acceptable for LOOP's satisfaction of the terms of the license. Please let us know if this structure is acceptable to LOOP; we can then work out the details of reporting.

Sincerely

William B. Johnston
Assistant Secretary for Policy
and International Affairs

WASHINGTON, D. C. 20037
(202) 457-6000
CABLE: BARPAT
ITT TELEX: 440324
WU TELEX: 89-452
TELECOPIER: 457-6315
WRITER'S DIRECT DIAL
(202) 457-6090

April 27, 1981

HAND DELIVER

Ms. Judith T. Connor
Assistant Secretary for
Policy and International Affairs
Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590

Dear Ms. Connor:

In furtherance of Mr. William B. Johnston's letter to John Oberdorfer of August 7, 1980 ("the Johnston letter"), we are hereby submitting a statement of the procedures by which LOOP, Inc. will provide the Department of Transportation ("the Department") with information in fulfillment of LOOP's financial responsibility obligations under Section 18 of the Deepwater Port Act. The procedures, which are set forth below, are adapted from the Federal Maritime Commission regulatio governing self insurance for Alaska pipeline oil pollution. 46 C.F.R. § 543.6(a)(3)(i)-(v)(1980).

Two days prior to the date of receipt of first oil, LOOP will submit to the Department the following information:

(a) Copies of the annual nonconsolidated balance sheet and the annual nonconsolidated statement of income and surplus for the most recent fiscal year;

(b) An affidavit by the Corporate Treasurer indicating that, as of date first oil is received, LOOP's net worth and working capital will be at the levels required in the Johnston letter or that, in the alternative, letters of credit, in amounts sufficient to cure deficiencies will be in effect; and

(c) A copy of the current and effective insurance policy(ies) upon which LOOP is relying to meet its financial

responsibility obligations, as well as any actual or anticipated claims against said policy(ies) as described at page 3 of the Johnston letter.

Thereafter, LOOP will submit the following information:

(1) Within three months after the close of a fiscal year, LOOP will submit an annual current balance sheet and an annual current statement of income and surplus for that fiscal year. LOOP's fiscal year now runs January 1 through December 31, hence these statements will be due on March 31. Each statement will be certified by an independent Certified Public Accountant.

To the extent that LOOP's net worth and working capital are not explicitly set forth in the statements, such information will be readily derivable by simple mathematical operations which will be explained in a letter accompanying them.

In the event that LOOP has assets outside the United States, the aforesaid statements will be accompanied by an additional statement from the accountant, certifying to the total amount of current assets which are located in the United States. The statements will be submitted in unconsolidated form unless LOOP notifies the Department otherwise at least sixty (60) days prior to the date for submission of the next report, in which case procedures will be established for the submission of additional information similar to that set forth in 46 C.F.R. § 453.6(a)(3)(i)(1980).

(2) A supplementary statement by an officer of LOOP who is also a Certified Public Accountant will be submitted certifying that, as of the end of the first six months of LOOP's fiscal year, its working capital and net worth have not fallen below the amounts required in the Johnston letter. This statement will be based upon the results of mid-year financial appraisal to be conducted by LOOP's in-house accountants and will be submitted within two months following the close of the six-month period, i.e., by August 30.

(3) Supplemental affidavits by LOOP's Treasurer will be submitted stating that its working capital and net worth have not fallen below the required amounts as of the close of the first and third quarters of the fiscal year. These reports will be due within one month after the close of each quarter, i.e., by April 30 and October 31, respectively.

(4) With each report described in Items (1)-(3) above, LOOP will include a statement certified by an officer of LOOP of the type and amount of insurance upon which it is relying to meet its financial responsibility obligations. The statement will indicate the annual aggregate limit of LOOP's insurance coverage, the deductible level, and any actual or anticipated claims as described at page 3 of the Johnston letter.

(5) LOOP will notify the Department within one month following the renewal of the insurance coverage upon which it is relying to meet its financial responsibility obligations of the making of any substantive changes in such coverage.

(6) With each quarterly report, LOOP will provide the Department with an affidavit by a corporate officer containing the assurances set forth in Item (5) of the Johnston letter.

(7) In any period in which LOOP relies on supplemental insurance, a letter of credit or a surety bond (as described in Item (3) of the Johnston letter), it will include a certified statement of same in the next quarterly report.

(8) In addition to the foregoing periodic reports, LOOP will provide the Secretary of Transportation with the notification required by Items (3)(a) and (b) of the Johnston letter. Such notification will be provided within five (5) business days of the date that LOOP knows or has reason to know that its working capital, net worth or insurance coverage have fallen below the required levels and will indicate that the deficiency has been cured in accordance with the Johnston letter.

(9) A report shall be deemed submitted when one (1) copy is delivered to the Department official whose name appears below or when it is sent by first class mail, postage pre-paid to:

Secretary
Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590

If a report is due on a Saturday, Sunday or Holiday, it will be due on the next business day.

We trust that you will find that the foregoing constitutes complete compliance with the reporting requirements contemplated by the Johnston letter. Please do not hesitate to contact us with any questions you might have.

Sincerely,

Gordon

J. Gordon Arbuckle

JGA/kjt

LOUISIANA OFFSHORE OIL PORT
OPERATIONS MANUAL
ADDENDUM

ENVIRONMENTAL PROTECTION

The Licensee shall implement in the design, construction, operation and maintenance of the Deepwater Port Complex measures described in the Application necessary to prevent, minimize or mitigate adverse environmental effects. The Licensee shall observe all special requirements set forth below and shall comply with all State laws, regulations and program requirements relating to environmental protection, land and water use, and coastal zone management.

The Licensee shall cooperate fully with Federal, State, and local agencies in the containment of, and mitigation of damage from, oil spills, whether or not arising out of operation of the Deepwater Port.

LOOP'S SPECIAL ENVIRONMENTAL REQUIREMENTS
(formerly contained in Annex A to the original license)

This section contains conditions to be made on the LOOP license to construct and operate a deepwater port off the coast of Louisiana. These conditions were developed in the process of the preparation of the environmental impact statement and the subsequent environmental review of the project. The authority of these conditions may be found in the Deepwater Port Act, Section 4(c)(1), 33 USC 1503 (e)(1), the Fish and Wildlife Coordination Act (16 USC 662), the Endangered Species Act (16 USC 1536), the Department of Transportation Act, Section 4(f) (49 USC 1653(f)), and the National Historic Preservation Act of 1966 (16 USC 470 et seq.) and its resulting regulations at 36 CFR 800. These conditions are also pursuant to and in furtherance of the Department of Transportation policy to "assure the protection, preservation, and enhancement of the nation's wetlands to the fullest extent practicable during the planning, construction, and operation of transportation facilities and projects." (DOT Order 5660.1 dated 21 May 1975).

(1) Project Changes
The Licensee must submit with any substantive proposed changes in the project or project plans an "Environmental Assessment" discussing the probable environmental consequences, adverse and beneficial, of the change. The "Environmental Assessment" shall be of a detail to a depth considered appropriate to the nature of the proposal.

(2) Brine Discharge Location

The Licensee shall sample the salt in the dome and the prospective leach water to determine their chemical compositions. He shall perform bioassay studies to determine more precisely the potential effects on marine life and habitats of the construction phase discharges and report the results of such studies and sampling to the U.S. Coast Guard. Following that determination, the Licensee shall perform similar studies to determine whether hydrocarbons or other contaminants may be expected to be entrained in the operating phase brines, and the extent to which the brines might harm indigenous sensitive marine organisms.

To form a more definitive basis for judgement of the relative merits of relocating the proposed brine discharge in deeper waters, a supplementary in situ sampling program shall be undertaken by the Licensee. Such a program would build on the data acquired by Nicholls State University in 1973 and 1974, with replicate benthic sampling in the vicinity of NSU Station 2 and along a reasonable (e.g., 5 mile) extension of the proposed pipeline bearing at several new stations, increasing in depth by three to five meter increments. The location of the brine diffuser could then be considered on the basis of combined knowledge or local benthic faunal organisms as determined by the aforementioned bioassays. Further, I am directing the Commandant to give special attention to oil/brine separator system technology for potential application to the LOOP facility.

(3) Use of Alternative Metals for Sacrificial Anodes

To further define and potentially mitigate the adverse impact potential of zinc sacrificial anodes the Licensee shall monitor zinc fate and effects in the project area and report the results to the U.S. Coast Guard. The results of this monitoring along with additional information on the reliability of alternative protection systems, will provide the basis for a later determination as to the anodic protection to be used for subsequent phases of LOOP.

(4) Offshore and Nearshore Pipelines

Since the offshore pipeline system is planned to be constructed in three steps (1980, 1981, and 1989), results of natural backfilling shall be closely monitored and reported to the U.S. Coast Guard by the Licensee after Phase I to ascertain its rate and extent. If results are favorable, Phase II could be carried out in a similar manner. If not, appropriate measures may be required (including importation of fill) to accomplish backfilling of the Phase I line as well as for subsequent phases.

At the discretion of the Commandant, the offshore pipelines shall be marked with buoys so long as they rest on the seabed prior to jetting into trenches, and

also after jetting into trenches having a cover depth of 4 feet or less. Any buoys shall be removed when backfilling of the trenches has reached the top of the pipe.

In the surf zone and across the beach, special construction methods may be necessary to prevent undermining and displacement of the pipelines due to erosion of supporting soil, and to control surge flows through the pipeline trench.

(5) Pipeline Service and Access Roads

Where service and access roads traverse marsh areas, the Licensee shall use trestle-type structures, culverts, or other drainage systems at appropriate intervals in lieu of earth embankments, so as not to alter drainage patterns.

In order to prevent disturbance of the ground on account of unsuitable subgrade material, the Licensee shall give due consideration to constructing the roadway embankment upon filter fabric or similar material placed upon the undisturbed ground.

(6) Specific Measures to Minimize Harm to the Wisner State Wildlife Management Area and Other Wetlands

The Licensee shall construct spoil banks in such a manner to reduce the amount of spoil lost to runoff and to ensure retrieval of a maximum amount of spoil for backfilling of canals. Intermittent breaks shall be made in spoil banks by the Licensee to permit natural tidal flow past them.

The Licensee shall backfill to retrieve a maximum amount of spoil and restore spoil areas to surrounding elevations, and when appropriate, backfill shall be imported from an appropriate non-wetland source to ensure that a backfill deficit due to compaction, oxidation, runoff loss or other cause is made up and pipeline canals are completely filled in.

The Licensee shall construct permanent bulkheading wherever construction canals intersect other waterbodies to prevent saline intrustion along canals, backfilled or otherwise, across isohaline lines and shall construct, in backfilled canals, berms or other low backfill barriers at intervals along the canals to prevent advance across isohaline lines along the backfilled canals of sheetflow entering the canals. The Licensee shall maintain permanent bulkheads so their function is guaranteed.

The Licensee shall give consideration to marsh restoration in project impact areas.

The Licensee shall conduct appropriate and adequate monitoring to measure the short and long-term environmental impacts of the pipeline construction and to measure the effectiveness of any marsh restoration measures taken.

The Licensee shall take steps to restore to the control of the Louisiana Wildlife and Fisheries Commission an amount of comparable marshland equal in area to that removed from the Wisner Wildlife Management Area due to LOOP development.

(7) Specific Measures to Mitigate Adverse Impacts On, and to Preserve and Enhance Archaeological and Historical Sites

The following mitigative steps are to be taken by the Licensee to ensure the preservation and enhancement of archaeological sites and historical objects:

Clearly Mark Known Historical and Archaeological Sites

A qualified archaeologist shall clearly mark known historical and archaeological sites both during LOOP surveying activities and before construction is commenced. These sites shall be brought to the attention of key personnel engaged in construction so that the sites will not be inadvertently impacted. No heavy equipment or other impacting factor or activity shall be permitted within any site or in its immediate environs.

Notify State Historical Preservation Officer of Survey and Construction Activities

The State Historical Preservation Officer must be notified in advance and in a timely fashion of the time and place of surveying and construction in the vicinity of known sites. He must be permitted access to such sites during such activities to ensure that the sites are properly and clearly marked and that due caution is exercised in the conduct of such activities with regard to the sites.

Notification of Newly Discovered Archaeological and Historical Sites

The State Historic Preservation Officer and U.S. Coast Guard must be notified of the discovery of any previously unknown archaeological and historic sites during LOOP activities. All reasonable steps shall be taken to preserve the integrity of such sites. This may include, if necessary, the cessation of activities adversely affecting the sites until the State Historical Preservation Office and/or U.S. Coast Guard has had a reasonable opportunity to evaluate such sites and to recommend appropriate mitigative measures.

Conduct an Offshore Archaeological Survey and Report Detailed Results Before Construction Commences

An offshore archaeological survey, using methods approved by the State Historical Preservation Officer and the U.S. Coast Guard, must be conducted by the Licensee prior to the commencement of any offshore construction. Detailed

results of the survey, including copies of appropriate charts, logs, tapes, films or other data forms, must be submitted by the Licensee to the State Historical Preservation Officer and the U.S. Coast Guard prior to commencement of any construction.

(8) Environmental Monitoring

The Licensee shall prepare a detailed environmental monitoring program plan and submit it to the U.S. Coast Guard. It should include provisions for periodic re-examination of the physical, chemical, and biological factors investigated during the baseline surveys contained in the LOOP Environmental Assessment and Baseline Study submitted with the license application. To be useful, intensive monitoring should commence shortly before project construction in the vicinity of the construction sites and potentially impacted areas and should continue through peak construction periods.

During project operations, a continuous monitoring program designed to ensure coverage of seasonal variations shall be undertaken. Of particular interest is the effect of any salinity changes at the reservoir or when brine storage capacity limitations require discharge into the Gulf of brine which has been in direct contact with crude oil. Measurements during all phases should focus on determining the extent of contaminants and effects in the ambient environment and through pathways of biological uptake.

(9) Phasing of Project Construction

Unless demonstrated to be infeasible or impracticable, the Licensee shall combine proposed separate pipeline construction efforts for the 36-inch brine disposal pipeline and the first 48-inch crude oil pipeline, and for all Phase I, II and III pipelines at major transportation route (e.g., the Intracoastal Waterway, Highway Louisiana 1, etc.) crossings, so as to lessen or mitigate the probable adverse environmental impacts associated with such construction.