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CONTACT: Barney Congdon
(504) 736-2595
Caryl Fagot
(504) 736-2590
Debra Winbush
(504) 736-2597

MMS Issues Proposed Notice of Central Gulf Lease Sale 182

The Minerals Management Service announced in the Federal Register today the availability of the Proposed Notice of Sale 182, an offshore oil and gas lease sale in the Central Gulf of Mexico, scheduled for March 20, 2002. That proposed notice includes several measures to increase domestic natural gas and oil production to meet the Nation's energy needs.

One of these measures is a continuation of a shallow-water, deep-gas initiative begun with the year 2001 Gulf of Mexico offshore oil and gas lease sales.

- An incentive to drill for deep-gas deposits located in the shallow-water shelf area of the Gulf of Mexico (in water depths less than 200 meters) by providing for royalty suspension for the first 20 billion cubic feet (BCF) of production from a well drilled 15,000 feet below sea level.

This shallow-water, deep-gas measure is specifically designed to spur domestic natural gas production during the years 2003-2007. Several studies, including the report issued by the National Petroleum Council, indicate that the Nation's demand for natural gas will grow from the current 22 trillion cubic feet (TCF) of gas to 29 TCF of gas in 2010. This initiative, if adopted and implemented for several offshore lease sales, could contribute additional gas production in the range of 250 to 600 BCF in the period 2003 to 2007. Up to 10 percent of this incremental effect could be realized from proposed Sale 182 alone.

Included also in the proposed notice are both new and continued measures for increasing deepwater natural gas and oil production:

- A new incentive in the 400 to 799 meter water depth zone; the incentive would provide deepwater royalty relief per lease on the first 5 million barrels of oil equivalent (BOE). MMS analysis suggests that this incentive would encourage additional production earlier than with no royalty relief.

- Continuation of incentives similarly adopted in year 2001 Gulf of Mexico offshore lease sales; these incentives provide deepwater royalty relief in the 800 to 1,599 meter water depth zone (9 million BOE per lease) and 1,600 meter and greater water depth zone (12 million BOE per lease).

- Opportunity to apply for additional “discretionary” royalty relief, pursuant to new proposed rulemaking, if certain conditions are satisfied.

- An Information to Lessees provision concerning Subsalt Exploration; this provision alerts bidders that MMS may propose regulations that would amend requirements for the granting of a Suspension of Operations under limited circumstances. MMS recognizes the complexities of subsalt analysis and is considering proposing more time to a lessee to conduct the needed analysis to determine the best location for drilling a well.

Proposed Sale 182 encompasses about 4,407 available blocks in the Central Gulf of Mexico Outer Continental Shelf planning area offshore Louisiana, Mississippi, and Alabama. This area covers about 23.28 million acres. Blocks in this sale are located from 3 to 210 miles offshore in water depths ranging from 4 to more than 3,425 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale proposal range from 150 to 440 million barrels of oil and 1.53 to 4.39 TCF of natural gas.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues http://www.mrm.mms.gov/Stats/disb.htm from federal and Indian leases. These revenues totaled nearly $8 billion last year and more than $110 billion since the agency was created in 1982. Annually, nearly $1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

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MMS Internet website address: **http://www.mms.gov**
24 hour Fax-on-Demand Service:(202) 219-1703