



U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

NEWS RELEASE

FOR RELEASE: July 18, 2002

Barney Congdon
(504) 736-2595

Caryl Fagot
(504) 736-2590

Debra Winbush
(504) 736-2597

**MMS Issues Final Notice of Western Gulf Lease Sale 184
Including Initiatives to Increase Domestic Energy Production**

The U.S. Department of the Interior's Minerals Management Service (MMS) has published in today's Federal Register the Final Notice of Sale for Western Gulf of Mexico (GOM) Sale 184. Several initiatives to increase domestic natural gas and oil production to meet the Nation's energy needs are included in Sale 184, scheduled for August 21, 2002, at 9 a.m. at the Hyatt Regency Hotel Conference Center, Cabildo Room, 500 Poydras Plaza, New Orleans, Louisiana.

One initiative is an incentive that applies to shallow-water deep gas production. In this case, a lease in less than 200 meters of water that begins production from a new deep gas reservoir (15,000 feet or greater subsea) within 5 years from lease issuance, i.e., not extended by lease suspension, will receive a royalty suspension on the first 20 billion cubic feet of its deep gas production.

Deepwater royalty relief will be applied to tracts in water depths 400 meters or deeper. The specific terms for royalty relief will be granted to individual leases, not fields as in the Deep Water Royalty Relief Act of 1995 (DWRRA). The royalty "suspension volumes" are 5 million barrels of oil equivalent (BOE) in water depths of 400 meters to 799 meters; 9 million BOE in water depths of 800 meters to 1,599 meters; and 12 million BOE in water depths of 1,600 meters and deeper. Under the terms of this leasing system, lessees are allowed to produce these volumes of oil and gas before any royalty obligations are due the Federal Government.

MMS adopted several new provisions, in stipulation 5, in the Final Notice of Sale that are aimed at protected species such as sea turtles and marine mammals. These were required after consultation with the Fish and Wildlife Service and NOAA Fisheries. These require:

- that seismic surveys cease operations when a sperm whale is detected in a 180-dB impact zone and that ramp-up procedures be used;
- that operators report all sightings and locations of dead and injured endangered and threatened species (sea turtles and whales);
- that oil spill contingency planning include identifying important habitats used by listed species, and require the strategic placement of spill cleanup equipment; and
- that all aircraft used in operations avoid low flying near brown pelican or whooping crane areas.

Sale 184 encompasses 4,102 unleased blocks, about 22.3 million acres, in the Western GOM Outer Continental Shelf Planning Area offshore Texas and in deeper waters offshore Louisiana. The blocks are located from 9 to 250 miles offshore in water depths ranging from 8 meters to more than 3,000 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale range from 10 to 90 million barrels of oil and 0.57 to 1.93 trillion cubic feet of natural gas. There are 1,873 blocks in water depths of 800 meters or more.

The Final Notice of Sale will be posted on the MMS Website at <http://www.gomr.mms.gov>. In addition, copies of the document are available from MMS's Gulf of Mexico Regional Office, Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123. Telephone (504) 736-2591, toll free 1-800-200-GULF.

Statistical Information Sale 184

Size: 4,102 unleased blocks; 22.3 million acres

Primary Lease Terms: 5 years for blocks in water depths less than 400 meters: 1,855 blocks
8 years for blocks in water depths of 400 meters to 799 meters: 374 blocks
10 years for blocks in water depths of 800 meters or deeper: 1,873 blocks

Minimum Bids: \$25.00 per acre or fraction thereof for water depths less than 800 meters: 2,229 blocks
\$37.50 per acre or fraction thereof for water depths 800 meters or deeper: 1,873 blocks

Annual Rental Rates: \$5.00 per acre or fraction thereof for water depths less than 200 meters: 1,656 blocks
\$7.50 per acre or fraction thereof for water depths 200 meters or deeper: 2,446 blocks

Royalty Rates: 16 2/3% royalty rate in water depths less than 400 meters: 1,855 blocks
12 1/2% royalty rate in water depths 400 meters or deeper: 2,247 blocks

Royalty Suspension Areas: 0 to 199 meters: 1,656 blocks
400 meters to 799 meters: 374 blocks
800 meters to 1,599 meters: 1,028 blocks
1,600 meters and deeper: 845 blocks

Royalty Relief

- 1,656 blocks subject to new deep gas incentive (first 20 BCF)
- 199 blocks with no automatic royalty relief
- 374 blocks subject to 5 million BOE relief
- 1,028 blocks subject to 9 million BOE relief
- 845 blocks subject to 12 million BOE relief

New Deep Gas Initiative

- Applies to all new leases in less than 200 meters of water
- Eliminates royalty for first 20 BCF of deep gas production from a completion with the top of perforated interval 15,000 feet or greater subsea (true vertical depth below the datum at mean sea level)
- Does not apply to oil production.
- Ends after first 20 BCF of gas production.
- Ends for a year if prices reach trigger limit of \$5.00 per million BTU's (in Year 2000 dollars).

Deepwater Royalty Relief

- Previous deepwater relief given for new leases under DWRRA has expired. (Leases issued during 1996-2000 continue to have this relief.)
- This new deepwater relief applies only to leases issued in water depths of 400 meters to 799 meters (first 5 million BOE of production is royalty free); 800 meters to 1,599 meters (first 9 million BOE of production is royalty free); and 1,600 meters or greater (first 12 million BOE of production is royalty free).
- This royalty relief is provided on a lease basis.
- If a new lease from this sale is combined with a field under the DWRRA provisions, it still gets its own relief of either 9 million BOE or 12 million BOE.

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 from federal and Indian leases. These revenues totaled nearly \$10 billion in 2001 and more than \$120 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.

-MMS-GOM-

-MMS-20 Years of Service to America-

MMS's Website Address: <http://www.mms.gov>

[Return to News Releases](#)