
Leasing Activities Information

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

FINAL NOTICE OF OCS SALE 157

Central Gulf of Mexico
April 24, 1996

Attached is the Final Notice of OCS Sale (FNOS) 157, Central Gulf of Mexico, which is scheduled to be held April 24, 1996, at the Hyatt Regency Hotel in New Orleans. This Notice was published in the *Federal Register* on March 25, 1996.

In addition to the Final Notice, this package consists of:

- o Copy of Interim Rule "Deepwater Royalty Relief for New Leases", published in the *Federal Register* on March 25, 1996.
- o Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease
- o Debarment Certification Form (new form)
- o Preferred Bid Form and Envelope
- o Trial Procedures For Access To Certain Geophysical Data And Information In The Gulf Of Mexico, revised January 19, 1996
- o Phone Numbers/Addresses of Bidders (revised form)
- o Stipulations, Lease Terms, and Bidding Systems Map
- o Royalty Suspension Areas for the Central Gulf of Mexico Map

The Biological Stipulation Map Package referred to in paragraph 13 of the Notice has been included in the sale notice package for the past several years but is not included with this package. There have been no changes to those maps; prospective bidders requiring the Map Packages at this time may request them from the MMS Gulf of Mexico (GOM) OCS Region Public Information Unit as indicated in paragraph 14(a) of the Notice. Blocks affected by the biological stipulation are indicated on the Stipulations, Lease Terms, And Bidding Systems Map included in this package.

Prospective bidders are reminded of the requirement to submit a statement notifying MMS of possession of certain geophysical data, and, upon request, providing MMS with those data. See paragraphs 3(b) and 14(l) of the Notice, and the document "Trial Procedures For Access To Certain Geophysical Data And Information In The Gulf Of Mexico" revised January 19, 1996, available from the MMS GOM OCS Region Public Information Unit as indicated in paragraph 14(a) of the Notice, and provided as a part of this package.

Certain details of the requirement to perform certain actions within five years of an eight-year lease are further elaborated in this Notice; see paragraph 14(d).

NEW PROVISIONS:

Royalty Relief. See paragraphs 4(c)(3) and 14(n) of the Notice. A new map, "Royalty Suspension Areas for the Central Gulf of Mexico", is provided to indicate areas subject to the various volume relief provisions of Public Law 104-58. The Interim Rule implementing the provisions of that law for this sale is included in this package.

Increase in Rental and Minimum Royalty Rate. Paragraphs 4(b) and 4(c) of the Notice provide for a new yearly rental and minimum royalty rate of \$7.50 per acre for leases resulting from this sale on blocks in water depths of 200 meters and greater. Rentals and minimum royalty rates for all other leases resulting from this sale remain at \$5.00 per acre.

Elimination of Three Bid Rule. Paragraph 9(c) of the Notice changes the way legal high bids are evaluated for adequacy.

Debarment. Paragraph 10(b) of the Notice requires successful bidders to provide, prior to lease award, a certification that the bidder is not excluded from participation by Federal debarment procedures. A certification form is provided in this package for that purpose and is available from the MMS GOM OCS Region Public Information Unit (paragraph 14(a)). For lease issuance purposes, only Part A of the form applies.

Bids in Whole Dollar Amounts Only. Bidders are advised that any bids including amounts other than whole dollars will be truncated (i.e., rounded) down to the lower whole dollar amount. See paragraph 3(a) of the Notice. This provision applies to the bid only; the one-fifth bonus payment, rentals, royalties, and other amounts are not affected.

Payment of Balance of Bonus and First Year's Rental. The EFT instructions for lease payoff have been revised and updated by MMS Royalty Management. Companies may now use either the Fedwire Deposit System or the Automated Clearing House (overnight payments). See paragraphs 10(a) and 14(p) of the Notice.

Disaster Procedures. Paragraph 2(b) of the Notice provides procedures to be followed in the event a natural disaster causes the MMS GOM OCS Regional Office to be closed on the day of the Bid Submission Deadline.

Lease Instrument Changes. Bidders are advised that the lease instrument (Form MMS-2005 (March 1986) as amended) has been modified to reflect royalty relief provisions (paragraph 4(c)(3) of the Notice) and 8-year lease cancellation provisions (paragraph 14(d) of the Notice).

Lease Terms and Bidding Systems Lines. New bathymetric data have recently become available which has required slight modification of the lines delineating the zones for different lease terms and royalty rates. Bidders are advised to examine closely the "Stipulations, Lease Terms, And Bidding Systems Map" provided with the Notice.

NOTE: No blocks have become available for leasing since publication of the latest "Gulf of Mexico Leasing Activity Update List (March 13, 1996)". **HOWEVER** in the **OCS Sale 157 Information Package** made available at the Public Meeting on Deepwater Royalty Relief in mid-March 1996, several blocks in South Marsh Island, South Addition, were listed as unavailable due to being under appeal; the appeal has been decided upon, and those blocks (South Marsh Island, South Addition, Blocks 165, 168, 169, 179, 180, 181, 185, and 186) are now available for leasing. See paragraph 12(b) of the Notice. (Note that two blocks, Main Pass, South and East Addition, Blocks 253 and 254 are still under appeal and thus are not available for leasing.)

NOTE: The following other provisions of that **Information Package** remain **unchanged:** Central Gulf of Mexico Leased Lands List dated March 11, 1996; Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease package; Stipulations, Lease Terms, And Bidding Systems Map; and the Royalty Suspension Areas for the Central Gulf of Mexico Map.

STATISTICAL INFORMATION (Sale 157)

- o **SIZE:** 5,649 Available Blocks; 30.3 Million acres
- o **LEASE TERMS:**
 - 5 Year - 1,397 Blocks - Water depths less than 400 meters
 - 8 year - 239 Blocks - Water depths between 400-900 meters
 - 10 year - 4,013 Blocks - Water depths greater than 900 meters
- o **BIDDING SYSTEMS:**
 - 12 1/2% Royalty - 4,252 Blocks
 - 16 2/3% Royalty - 1,397 Blocks
- o **ROYALTY SUSPENSION AREAS:**
 - 200-400 Meter Royalty Suspension Area - 100 Blocks
 - 400-800 Meter Royalty Suspension Area - 179 Blocks
 - 800 Meter and Greater Royalty Suspension Area - 4,073 Blocks
- o **MINIMUM BID:** \$25 per acre

For more information on this Final Notice of Sale, potential bidders are advised to contact Mr. Charles Hill of the MMS GOM OCS Region Sales and Support Unit at (504) 736-2795.

-MMS-

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Outer Continental Shelf, Central Gulf of Mexico, Oil and Gas
Lease Sale 157 - Final

1. Authority. This Notice is published pursuant to the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1331-1356, (1988)), and the regulations issued thereunder (30 CFR Part 256).

2. Filing of Bids.

(a) Sealed bids will be received by the Regional Director (RD), Gulf of Mexico Region, Minerals Management Service (MMS), 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394. Bids may be delivered in person to that address during normal business hours (8 a.m. to 4 p.m., Central Standard Time (c.s.t.)) until the Bid Submission Deadline at 10 a.m. Tuesday, April 23, 1996. Hereinafter, all times cited in this Notice refer to c.s.t. unless otherwise stated. Bids received by the RD later than the submission deadlines specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or written withdrawal request is received by the RD prior to the Bid Submission Deadline specified above. Bid Opening Time will be 9 a.m., Wednesday, April 24, 1996, at the Hyatt Regency Hotel, 500 Poydras Plaza, New Orleans, Louisiana. All bids must be submitted and will be considered in accordance with applicable regulations, including 30 CFR Part 256. The list of restricted joint bidders which applies to this sale appeared in the Federal Register on October 16, 1995, at 60 FR 53642.

(b) In the event a natural disaster (such as widespread flooding) or other occurrence causes the MMS Gulf of Mexico Regional Office to be closed on Tuesday, April 23, 1996, bids will be accepted until 9 a.m. Wednesday, April 24, 1996, at the site of bid opening specified above. Under these conditions, bids may be modified or withdrawn upon written notification up until 9 a.m. Wednesday, April 24, 1996. Closure of the office may be determined by calling (504) 736-0557 and hearing a recorded message to that effect.

3. Method of Bidding.

(a) Submission of Bids. A separate signed bid in a sealed envelope labeled "Sealed Bid for Oil and Gas Lease Sale 157, not to be opened until 9 a.m., c.s.t., Wednesday, April 24, 1996" must be submitted for each tract bid upon. The sealed envelope and the bid should contain the following information: the company name, Gulf of Mexico Company Number (GOM Company Number), area number and/or name (abbreviations acceptable), and the block number of the tract bid upon. In addition, the total amount bid to be considered by MMS must be in whole dollar amount. Any cent amount above the whole dollar will be ignored by MMS.

Bidders must submit with each bid 1/5th of the cash bonus, in cash or by cashier's check, bank draft, or certified check, payable to the order of the U.S. Department of the Interior--Minerals Management Service. For identification purposes, the following information must appear on the check or draft: company name, GOM Company Number, and the area and block bid on (abbreviation acceptable). No bid for less than all of the unleased portion(s) of a block will be considered.

All documents must be executed in conformance with signatory authorizations on file in the Gulf of Mexico regional office. Partnerships also need to submit or have on file a list of signatories authorized to bind the partnership. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, e.g., 33.33333 percent. Other documents may be required of bidders under 30 CFR 256.46. Bidders are warned against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders.

(b) Submission of Statement(s) Regarding Certain Geophysical Data. Each company submitting a bid, or participating as a joint bidder in such a bid, shall submit, prior to the Bid Submission Deadline specified in paragraph 2 of this Notice, a statement or statements identifying any processed or reprocessed pre and post stack depth migrated geophysical data in their possession or control pertaining to each and every block on which they are participating as a bidder. The existence, extent, type of such data, and identification of specific lines or 3D surveys must be clearly stated. In addition, the statement shall certify that no such data are in their possession for any other blocks on which they participate as a bidder. The statement shall be submitted in an envelope separate from those containing bids and shall be clearly marked; an example of a preferred format for the statement and the envelope is included in the document titled "Trial Procedures for Access to Certain Geophysical Data in the Gulf of Mexico". Only one statement per bidder is required for each sale, but more than one may be submitted if desired,

provided that all tracts bid on by that company are covered in the one or more statements.

Paragraph 14(1), Information to Lessees, contains additional information pertaining to this requirement.

4. Bidding, Yearly Rental, and Royalty Systems. The following bidding, yearly rental, and royalty systems apply to this sale:

(a) Bidding Systems. All bids submitted at this sale must provide for a cash bonus in the amount of \$25.00 or more per acre or fraction thereof.

(b) Yearly Rental. All leases awarded on tracts in water depths of 200 meters and greater as depicted on the map "Royalty Suspension Areas For The Central Gulf Of Mexico" provided with this Notice (i.e., tracts in any of the three royalty suspension areas) will provide for a yearly rental payment of \$7.50 per acre or fraction thereof until initial production is obtained.

All leases awarded on other tracts (i.e., those in water depths of less than 200 meters) will provide for a yearly rental payment of \$5 per acre or fraction thereof until initial production is obtained.

(c) Royalty Systems. After initial production is obtained, leases will provide for a minimum royalty of the amount per acre or fraction thereof as specified as the yearly rental in paragraph 4(b) above, except during periods of royalty suspension as discussed in paragraph 4(c)(3) of this Notice. The following royalty systems will be used in this sale:

(1) Leases with a 12 1/2-Percent Royalty. This royalty rate applies to tracts in water depths of 400 meters or greater; this area is shown on the Stipulations, Lease Terms, and Bidding Systems Map applicable to this Notice (see paragraph 13). Leases issued on the tracts offered in this area will have a fixed royalty rate of 12 1/2 percent, except during periods of royalty suspension (see paragraph 4(c)(3) of this Notice).

(2) Leases with a 16 2/3-Percent Royalty. This royalty rate applies to tracts in water depths of less than 400 meters (see aforementioned map). Leases issued on the tracts offered in this area will have a fixed royalty rate of 16 2/3 percent, except during periods of royalty suspension for leases in water depths 200 meters or greater (see paragraph 4(c)(3) of this Notice).

(3) Royalty Suspension. In accordance with Public Law 104-58, signed by the President on November 28, 1995, MMS has developed procedures providing for the suspension of royalty

payments on production from eligible leases issued as a result of this sale. MMS will allow only one royalty suspension volume per field regardless of the number of eligible leases producing the field. For purposes of this paragraph, an eligible lease is one that: is located in the Gulf of Mexico in water depths 200 meters or deeper; lies wholly west of 87 degrees, 30 minutes West longitude; and is offered subject to a royalty suspension volume authorized by statute.

An eligible lease from this sale may receive a royalty suspension volume only if it is in a field where no currently active lease produced oil or gas (other than test production) before November 28, 1995. The following applies only to eligible leases in fields meeting this condition.

(i) The royalty suspension volumes are:

- 17.5 million barrels of oil equivalent (mmboe) in 200 to 400 meters of water;
- 52.5 mmboe in 400 to 800 meters of water; and
- 87.5 mmboe in 800 meters of water and greater.

A map titled "Royalty Suspension Areas For The Central Gulf Of Mexico" (March 1996) depicting blocks in which such suspensions may apply is currently available from the MMS GOM Regional Office (see paragraph 14(a) of this Notice).

(ii) When production first occurs from any of the eligible leases in a field (not including test production), MMS will determine the royalty suspension volume applicable to eligible lease(s) in that field. The determination is based on the royalty suspension volumes and the map specified in paragraph 4(c)(3)(i) above.

(iii) If a new field consists of eligible leases in different water depth categories, the royalty suspension volume associated with the deepest eligible lease applies.

(iv) If an eligible lease is the only eligible lease in a field, royalty is not owed on the production from the lease up to the amount of the applicable royalty suspension volume.

(v) If a field consists of more than one eligible lease, payment of royalties on the eligible leases' initial production is suspended until their cumulative production equals the field's established royalty suspension volume. The royalty suspension volume for each eligible lease is equal to each lease's actual production (or production allocated under an approved unit agreement) until the field's established royalty suspension volume is reached.

(vi) If an eligible lease is added to a field that has an established royalty suspension volume, the field's royalty suspension volume will not change even if the added lease is in deeper water. The additional lease may receive a royalty suspension volume only to the extent of its production before the cumulative production from all eligible leases in the field equals the field's previously established royalty suspension volume.

(vii) If MMS reassigns a well on an eligible lease to another field, the past production from that well will count toward the royalty suspension volume, if any, specified for the new field to which it is assigned. The past production will not be counted toward the suspension volume, if any, from the first field.

(viii) An eligible lease may receive a royalty suspension volume only if the entire lease is west of 87 degrees, 30 minutes West longitude. A field that lies on both sides of this meridian will receive a royalty suspension volume only for those eligible leases lying entirely west of the meridian.

(ix) An eligible lease may obtain more than one royalty suspension volume. If a new field is discovered on an eligible lease that already benefits from the royalty suspension volume for another field, production from that new field receives a separate royalty suspension.

(x) A lessee must measure natural gas production subject to the royalty suspension volume as follows: 5.62 thousand cubic feet of natural gas equals one barrel of oil equivalent, as measured fully saturated at 15.025 psi, 60 degrees F.

(xi) In any year during which the arithmetic average of the closing prices on the New York Mercantile Exchange for light sweet crude oil exceeds \$28.00 per barrel, royalties on the production of oil must be paid at the lease stipulated royalty rate (see paragraphs 4(c)(1) and (2) above), and production during such years counts toward the royalty suspension volume.

In any year during which the arithmetic average of the closing prices on the New York Mercantile Exchange for natural gas exceeds \$3.50 per million British thermal units, royalties on the production of natural gas must be paid at the lease stipulated royalty rate (see paragraphs 4(c)(1) and (2) above), and production during such years counts toward the royalty suspension volume.

These prices for oil and natural gas are as of the end of 1994 and must be adjusted for subsequent years by the percentage by which the implicit price deflator for the gross domestic product changed during the preceding calendar year.

(xii) A royalty suspension will continue until the end of the month in which the cumulative production from eligible leases in the field reaches the royalty suspension volume for the field.

Paragraph 14(n), Information to Lessees, contains additional information pertaining to royalty suspension matters.

5. Equal Opportunity. The certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, on the Compliance Report Certification Form, Form MMS-2033 (June 1985), and the Affirmative Action Representation Form, Form MMS-2032 (June 1985) must be on file in the Gulf of Mexico regional office prior to lease award (see paragraph 14(e)).

6. Bid Opening. Bid opening will begin at the bid opening time stated in paragraph 2. The opening of the bids is for the sole purpose of publicly announcing bids received, and no bids will be accepted or rejected at that time.

7. Deposit of Payment. Any cash, cashier's checks, certified checks, or bank drafts submitted with a bid may be deposited by the Government in an interest-bearing account in the U.S. Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

8. Withdrawal of Tracts. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid for the tract.

9. Acceptance, Rejection, or Return of Bids. The United States reserves the right to reject any and all bids. In any case, no bid will be accepted, and no lease for any tract will be awarded to any bidder, unless:

(a) the bidder has complied with all requirements of this Notice and applicable regulations;

(b) the bid is the highest legal bid; and

(c) the amount of the bid has been determined to be adequate by the authorized officer.

No bonus bid will be considered for acceptance unless it provides for a cash bonus in the amount of \$25.00 or more per acre or fraction thereof. Any bid submitted which does not conform to the requirements of this Notice, the OCS Lands Act, as amended, and other applicable regulations may be returned to the person submitting that bid by the RD and not considered for acceptance.

To ensure that the Government receives a fair return for the conveyance of lease rights for this sale, the MMS has modified its two-phased process for bid adequacy determination. The MMS will not automatically accept legal high bids on confirmed and wildcat tracts which receive three or more bids. Such tracts will be evaluated in accordance with the remaining elements of the MMS bid adequacy procedures. A copy of the revised bid adequacy procedures ("Summary of Procedures for Determining Bid Adequacy at Offshore Oil and Gas Lease Sales: Effective April 1996, with Sale 157") is available from the MMS GOM Regional Office (see paragraph 14(a) of this Notice).

10. Successful Bidders. The following requirements apply to successful bidders in this sale:

(a) Lease Issuance.

Each person who has submitted a bid accepted by the authorized officer will be required to execute copies of the lease (Form MMS-2005 (March 1986) as amended), pay the balance of the cash bonus bid along with the first year's annual rental for each lease issued, by electronic funds transfer in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, Subpart I, as amended.

Paragraphs 14(o) and (p), Information to Lessees, contain additional information pertaining to this matter.

(b) Certification Regarding Nonprocurement Debarment, Suspension, and Other Responsibility Matters -- Primary Covered Transactions.

Each person involved as a bidder in a successful high bid must submit, prior to lease award, a certification that the person is not excluded from participation in primary covered transactions under Federal nonprocurement programs and activities. Persons submitting such certifications should review the requirements of 43 C.F.R., Part 12, Subpart D, as amended in the Federal Register of June 26, 1995, at 60 CFR 33035.

Copies of the certification form are available from the MMS GOM Regional Office Public Information Unit. See Paragraph 14(a) of this Notice for directions on how to obtain the forms.

11. Leasing Maps and Official Protraction Diagrams. Tracts offered for lease may be located on the following Leasing Maps or Official Protraction Diagrams which may be purchased from the MMS GOM Regional Office Public Information Unit (see paragraph 14(a)):

(a) Outer Continental Shelf (OCS) Leasing Maps--Louisiana Nos. 1 through 12. This is a set of 30 maps which sells for \$32.

(b) Outer Continental Shelf Official Protraction Diagrams. These diagrams sell for \$2.00 each.

NH 15-12 Ewing Bank (rev. 12/02/76).
 NH 16-4 Mobile (rev. 02/23/93).
 NH 16-7 Viosca Knoll (rev. 12/02/76).
 NH 16-10 Mississippi Canyon (rev. 12/02/76).
 NG 15-3 Green Canyon (rev. 12/02/76).
 NG 15-6 Walker Ridge (rev. 12/02/76).
 NG 15-9 (No Name) (rev. 04/27/89).
 NG 16-1 Atwater Valley (rev. 11/10/83).
 NG 16-4 Lund (rev. 08/22/86).
 NG 16-7 (No Name) (rev. 04/27/89).

(c) A complete set of all the above OCS Leasing Maps and Official Protraction Diagrams is available on microfiche for \$5.00 per set.

12. Description of the Areas Offered for Bids.

(a) Acreage of blocks is shown on Leasing Maps and Official Protraction Diagrams. Some of these blocks, however, may be partially leased, or transected by administrative lines such as the Federal/State jurisdictional line. Information on the unleased portions of such blocks, including the exact acreage, is included in the following document as a part of this Notice and is currently available from the MMS GOM Regional Office:

Central Gulf of Mexico Lease Sale 157 - Final - Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease.

(b) Tracts not available for leasing: The areas offered for leasing include all those blocks shown on the OCS Leasing Maps and Official Protraction Diagrams listed in paragraph 11(a) and (b), except for those blocks or partial blocks already under lease and those blocks or partial blocks under appeal as listed in the following paragraph. A list of Central Gulf of Mexico tracts currently under active lease is included at the end of this Notice.

Although currently unleased, the following tracts are currently under appeal and therefore unavailable for leasing: Main Pass, South and East Addition, Blocks 253 and 254.

NOTE: Tracts or portions of tracts beyond the United States Exclusive Economic Zone are offered based upon provisions of the 1982 Law of the Sea Convention, and could be subject to a continental shelf delimitation agreement between the United States and Mexico.

13. Lease Terms and Stipulations.

(a) Leases resulting from this sale will have initial terms as shown on the Stipulations, Lease Terms, and Bidding Systems Map applicable to this Notice. Copies of the map and lease form are available from the MMS GOM Regional Office (see paragraph 14(a)).

(b) The applicability of the stipulations which follow is as shown on the map described in paragraph 13(a) and as supplemented by references in this Notice.

Stipulation No. 1--Topographic Features.

(This stipulation will be included in leases located in the areas so indicated in the Biological Stipulation Map Package associated with this Notice which is available from the Gulf of Mexico Regional Office (see paragraph 14(a)).

The banks that cause this stipulation to be applied to blocks of the Central Gulf are:

<u>Bank Name</u>	No Activity Zone Defined by <u>Isobath (meters)</u>
McGrail Bank	85
Bouma Bank	85
Rezak Bank	85
Sidner Bank	85
Rankin Bank	85
Sackett Bank[2]	85
Ewing Bank	85
Diaphus Bank[2]	85
Parker Bank	85
Jakkula Bank	85
Sweet Bank[1]	85
Bright Bank	85
Geyer Bank[3]	85
MacNeil Bank[3]	82
Alderdice Bank	80
Fishnet Bank[2]	76
29 Fathom Bank	64
Sonnier Bank	55

[1] Only paragraph (a) of the stipulation applies.

[2] Only paragraphs (a) and (b) apply.

[3] Western Gulf of Mexico bank with a portion of its "3-Mile Zone" in the Central Gulf of Mexico.

(a) No activity including structures, drilling rigs, pipelines, or anchoring will be allowed within the listed isobath

("No Activity Zone" as shown in the aforementioned Biological Stipulation Map Package) of the banks as listed above.

(b) Operations within the area shown as "1,000-Meter Zone" in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom.

(c) Operations within the area shown as "1-Mile Zone" in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom. (Where there is a "1-Mile Zone" designated, the "1,000-Meter Zone" in paragraph (b) is not designated.)

(d) Operations within the area shown as "3-Mile Zone" in the aforementioned Biological Stipulation Map Package shall be restricted by shunting all drill cuttings and drilling fluids from development operations to the bottom through a downpipe that terminates an appropriate distance, but no more than 10 meters, from the bottom.

Stipulation No. 2--Live Bottoms.

(To be included only on leases in the following blocks: Main Pass Area, South and East Addition, Blocks 190, 194, 198, 219-226, 244-266, 276-290; Viosca Knoll, Blocks 473-476, 521, 522, 564, 565, 566, 609, 610, 654, 692-698, 734, 778.)

For the purpose of this stipulation, "live bottom areas" are defined as seagrass communities; or those areas which contain biological assemblages consisting of such sessile invertebrates as sea fans, sea whips, hydroids, anemones, ascidians, sponges, bryozoans, or corals living upon and attached to naturally occurring hard or rocky formations with rough, broken, or smooth topography; or areas whose lithotope favors the accumulation of turtles, fishes, and other fauna.

Prior to any drilling activities or the construction or placement of any structure for exploration or development on this lease, including, but not limited to, anchoring, well drilling, and pipeline and platform placement, the lessee will submit to the Regional Director (RD) a live bottom survey report containing a bathymetry map prepared utilizing remote sensing techniques. The bathymetry map shall be prepared for the purpose of determining the presence or absence of live bottoms which could be impacted by the proposed activity. This map shall encompass such an area of the seafloor where surface disturbing activities, including anchoring, may occur.

If it is determined that the live bottoms might be adversely impacted by the proposed activity, the RD will require the lessee to undertake any measure deemed economically, environmentally, and technically feasible to protect the pinnacle area. These measures may include, but are not limited to, the following:

- (a) the relocation of operations; and
- (b) the monitoring to assess the impact of the activity on the live bottoms.

Stipulation No. 3--Military Areas.

(This stipulation will be included in leases located within the Warning Areas and Eglin Water Test Areas 1 and 3, as shown on the map described in paragraph 13(a)).

(a) Hold and Save Harmless

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

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

or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

(b) Electromagnetic Emissions

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

(c) Operational

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

W-155A and B (For Agreement) - Chief, Naval Air Training, Naval Air Station, Office No. 206, Corpus Christi, Texas
78419-5100
Telephone: (512) 939-3862/2621

W-155A and B (For Operational Control) - Fleet Area Control & Surveillance Facility (FACSFAC), Operations, Naval Air Station, Pensacola, Florida 32508, Telephone: (904) 452-2735/4671

W-92 - Naval Air Station, Air Operations Department, Air Traffic Division/Code 52, New Orleans, Louisiana 70146-5000
Telephone: (504) 393-3100/3101

W-453 - Air National Guard - CRTIC, Gulfport/ACMI, Scheduling Office, Gulfport, Mississippi 39507, Telephone: (601) 867-2433

Eglin Water Test Areas 1 and 3 - Air Force Development Test Center, Strategic Plans Division AFDTC/DRP, 101 West "D" Avenue, Suite 125, Eglin AFB, Florida 32542-5495, Telephone: (904) 882-3899/4188

14. Information to Lessees

(a) Supplemental Documents. For copies of the various documents identified as available from the MMS Gulf of Mexico Regional Office, prospective bidders should contact the Public Information Unit, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, either in writing or by telephone at (504) 736-2519 or (800) 200-GULF. For additional information, contact the Regional Supervisor for Leasing and Environment at that address or by telephone at (504) 736-2759.

(b) Navigation Safety. Operations on some of the blocks offered for lease may be restricted by designation of fairways, precautionary zones, anchorages, safety zones, or traffic separation schemes established by the U.S. Coast Guard pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq.), as amended, and the Deepwater Port Act (33 U.S.C. 1501-1524). Bidders are advised to review U.S. Coast Guard regulations (particularly 33 CFR Part 150, Appendix A; see also 59 FR 17480 published on April 13, 1994) regarding the safety zone around the Louisiana Offshore Oil Port (LOOP).

U.S. Army Corps of Engineers (COE) permits are required for construction of any artificial islands, installations, and other devices permanently or temporarily attached to the seabed located on the OCS in accordance with section 4(e) of the OCS Lands Act, as amended.

For additional information, prospective bidders should contact Lt. Commander Ken Parris, Assistant Marine Port Safety Officer, 8th Coast Guard District, Hale Boggs Federal Building, New Orleans, Louisiana 70130, (504) 589-6901. For COE information, prospective bidders should contact Mr. Ron Ventola CELMN-OD-S, Post Office Box 60267, New Orleans, Louisiana 70160-0267, (504) 862-2255.

(c) Offshore Pipelines. Bidders are advised that the Department of the Interior and the Department of Transportation have entered into a Memorandum of Understanding, dated May 6, 1976, concerning the design, installation, operation, and maintenance of offshore pipelines. Bidders should consult both Departments for regulations applicable to offshore pipelines.

(d) 8-Year Leases. Bidders are advised that any lease issued for a term of 8 years will be cancelled shortly after the end of the fifth year, following notice pursuant to the OCS Lands

Act, as amended, if within the initial 5-year period of the lease, the drilling of an exploratory well has not been initiated; or if initiated, the well has not been drilled in conformance with the approved exploration plan criteria; or if there is not a suspension of operations in effect. Furthermore, a rental payment for the sixth year will be due despite the cancellation. Bidders are referred to 30 CFR 256.37 and the MMS GOM Region's Letter to Lessees and Operators of February 13, 1995.

(e) Affirmative Action. Revision of Department of Labor regulations on affirmative action requirements for Government contractors (including lessees) has been deferred, pending review of those regulations (see Federal Register of August 25, 1981, at 46 FR 42865 and 42968). Should changes become effective at any time before the issuance of leases resulting from this sale, section 18 of the lease form (Form MMS-2005, March 1986), would be deleted from leases resulting from this sale. In addition, existing stocks of the affirmative action forms described in paragraph 5 of this Notice contain language that would be superseded by the revised regulations at 41 CFR 60-1.5(a)(1) and 60-1.7(a)(1). Submission of Form MMS-2032 (June 1985) and Form MMS-2033 (June 1985) will not invalidate an otherwise acceptable bid, and the revised regulations' requirements will be deemed to be part of the existing affirmative action forms.

(f) Ordnance Disposal Areas. Bidders are cautioned as to the existence of two inactive ordnance disposal areas in the Mississippi Canyon area, shown on the map described in paragraph 13(a). These areas were used to dispose of ordnance of unknown quantity and composition. Water depths range from approximately 750 to 1,525 meters. Bottom sediments in both areas are soft, consisting of silty clays. Exploration and development activities in these areas require precautions commensurate with the potential hazards.

The U.S. Air Force has released an indeterminable amount of unexploded ordnance throughout Eglin Water Test Areas 1 and 3. The exact location of the unexploded ordnance is unknown, and lessees are advised that all lease blocks included in this sale within these water test areas should be considered potentially hazardous to drilling and platform and pipeline placement.

(g) Communications Towers. The Department of Defense, U.S. Air Force, has installed seven military communications towers in the Chandeleur/Mobile/Viosca Knoll area which support Air Combat Maneuvering Instrumentation (ACMI). This project may impose certain restrictions on oil and gas activities in that area since no activity can take place within 500 feet of a tower site, and unobstructed lines of sight must be maintained between towers. The seven towers are located within Mobile, Blocks 769, 819, and 990; Viosca Knoll, Block 116; Chandeleur Area, Blocks 33 and 61;

and Chandeleur Area, East Addition, Block 39. Information and maps of the specific locations and line of sight crossings for ACMI towers may be obtained from Mr. Wallace Williams, Minerals Management Service, (504) 736-2772.

(h) Archaeological Resources. Bidders are advised that a Final Rule regarding archaeological resources was published in the Federal Register on October 21, 1994 (59 FR 53091), granting specific authority to each MMS Regional Director to require archaeological surveys and reports (under 30 CFR 250, 256, 260, and 281) and the submission of these reports to the Regional Director prior to exploration, development and production, or installation of lease-term or right-of-way pipelines. MMS Notice to Lessees (NTL) 91-02 (Outer Continental Shelf Archaeological Resources Requirements for the Gulf of Mexico OCS Region) published in the Federal Register on December 20, 1991 (56 FR 66076) effective February 17, 1992, specifies survey methodology, linespacing, and archaeological report writing requirements for lessees and operators in the Gulf of Mexico Region.

Two additional documents are available from the MMS Gulf of Mexico Region Public Information Unit (see paragraph 14(a)):

"List of Lease Blocks Within The High-Probability Area For Historic Period Shipwrecks On The OCS" dated January 30, 1995. This list supersedes the list promulgated by the MMS Letter to Lessees (LTL) of November 30, 1990.

"List of Lease Blocks Within The High-Probability Area For Pre-Historic Archaeological Resources On The OCS" dated January 30, 1995.

Implementation of this Final Rule and NTL 91-02 obviates the need for the Protection of Archaeological Resources Stipulation required in previous leases.

(i) Proposed Rigs to Reefs. Bidders are advised that there are OCS artificial reef sites and planning sites for the Gulf of Mexico. These are generally located in water depths of less than 200 meters. While all existing and proposed sites require a permit from the U.S. Army Corps of Engineers, this "Rigs to Reefs" program is implemented through State sponsorship through the following State Coordinators:

Alabama Mr. Walter M. Tatum, (205) 968-7577
Louisiana Mr. Rick Kasprzac, (504) 765-2375
Mississippi Mr. Mike Buchanan, (601) 385-5860
Texas Ms. Jan Coulbertson, (713) 474-2811

For more information on artificial reef sites, prospective bidders should contact the above listed State Artificial Reef Coordinators for their areas of interest.

(j) Right of Use and Easement for Chandeleur Blocks 27 and 30. Bidders are advised that a right of use and easement has been granted for portions of Chandeleur Area Blocks 27 and 30 for gas storage purposes. The area is generally on the southernmost quarter of the federal portion of Chandeleur Area, Block 27 and the W1/2 NW1/4; NW1/4 SW1/4 portion of Chandeleur Area, Block 30. For additional information, contact the MMS Gulf of Mexico Regional Supervisor for Production and Development at (504) 736-2675.

(k) Proposed Lightering Zones. Bidders are advised that the U.S. Coast Guard has proposed designating certain areas of the Gulf of Mexico (60 FR 1958 of January 5, 1995), as lightering zones for the purpose of permitting single hull vessels to off-load oil within the U.S. Exclusive Economic Zone. Such designation may have implications for oil and gas operations in the areas. Additional information may be obtained from Lieutenant Commander Stephen Kantz, Project Manager, Oil Pollution Act (OPA 90) Staff, at (202) 267-6740.

(l) Statement Regarding Certain Geophysical Data. Pursuant to Sections 18 and 26 of the OCS Lands Act, as amended, and the regulations issued thereunder, MMS has a right of access to certain geophysical data and information obtained or developed as a result of operations on the OCS. MMS is sensitive to the concerns expressed by industry regarding the confidentiality of individual company work products and client lists and the potential burden of responding to a myriad of requests from MMS pertaining to the existence and availability of these types of reprocessed geophysical data. To resolve the concerns of both industry and MMS with respect to such cases, MMS has worked with industry to develop the requirements contained within paragraph 3(b) Method of Bidding above. MMS is modifying the previous procedure to require that bidders who are in possession of the requested data, now identify the specific data by line name or 3D phase. This will help MMS in identifying time data that may already be in our data base and at the same time not impose undue burden on industry by rerequesting it. These requirements are being imposed on a trial basis to determine their effectiveness and are subject to modification in future sales.

The details of this requirement are specified in the document "Trial Procedures for Access to Certain Geophysical Data in the Gulf of Mexico," which is provided in this Sale Notice package and which is available upon request from the MMS Gulf of Mexico Region Public Information Unit (see paragraph 14(a)). In brief, these requirements include:

(1) In the period for ninety (90) days after the sale, bidders will allow MMS to inspect such data within seven (7) days of a written request from MMS, and upon further written request will transmit to MMS, within ten (10) working days, such data.

After this ninety day period, a response time of thirty (30) days following an MMS written request will be considered adequate.

(2) Successful bidders must retain such data for three (3) years after the sale, and unsuccessful bidders must retain such data for six (6) months after the sale, for possible acquisition by MMS.

For the six (6) month period after the sale, based on a review of the allowable cost of data reproduction to MMS for three-dimensional and two-dimensional data sets, the company providing the reprocessed data will be reimbursed at a rate of \$480 per block or part thereof for three-dimensional data and \$2 per line mile for two-dimensional data. Afterwards, reimbursement will be subject to the terms and conditions of 30 CFR 251.13(a).

All geophysical data and information obtained and reviewed by MMS pursuant to these procedures shall be held in the strictest confidence and treated as proprietary in accordance with the applicable terms of 30 CFR 251.14.

For additional information, contact the MMS Gulf of Mexico Regional Office of Resource Evaluation at (504) 736-2720.

(m) Information about Indicated Hydrocarbons. Bidders are advised that MMS makes available, about 3 months prior to a lease sale, a list of unleased tracts having well bores with indicated hydrocarbons. Basic information relating to production, well bores, and pay range for each tract is included in the list. The list is available from the MMS Gulf of Mexico Region Public Information Unit (see paragraph 14(a)).

(n) Royalty Relief. The Outer Continental Shelf (OCS) Deep Water Royalty Relief Act authorizes the Secretary of the Interior to offer certain deepwater OCS tracts in the Central and Western Gulf of Mexico for lease with suspension of royalties for a volume, value, or period of production the Secretary determines. On or near the date of this Final Notice of Sale 157, an interim rule has been published in the Federal Register that specifies the royalty suspension terms under which the Secretary will make tracts available for this sale. Bidders are advised to review that document for additional details on this matter. For further information, bidders may contact Walter Cruickshank of the MMS Offshore Minerals Analysis Division at (202) 208-3822.

A map titled "Royalty Suspension Areas For The Central Gulf Of Mexico" depicting blocks in which such suspensions may apply is currently available from the MMS GOM Regional Office (see paragraph 14(a) of this Notice).


The publication "OCS Operations Field Names Master List" depicts currently established fields in the Gulf of Mexico. This document is updated monthly and reprinted quarterly. Copies may be obtained from the MMS GOM Regional Office (see paragraph 14(a) of this Notice).

(o) Lease Instrument. Bidders are advised that the lease instrument will include royalty relief provisions (paragraph 4(c)(3) of this Notice) and 8-year lease cancellation provisions (paragraph 14(d) of this Notice) where applicable. Leases will continue to be issued on Form MMS-2005 (March 1986) as amended.

(p) Electronic Funds Transfer. Bidders are advised that the 4/5ths and first year rental EFT instructions for lease payoff have been revised and updated by MMS Royalty Management. Companies may now use either the Fedwire Deposit System or the Automated Clearing House (overnight payments). See paragraph 10(a) of this Notice.


 Director, Minerals Management Service

Approved:

 Bob Armstrong
 Assistant Secretary, Land and Minerals Management

MAR 18 1986

 Date

CENTRAL GULF OF MEXICO LEASED LANDS

March 11, 1996

Descriptions of blocks listed represent all Federal acreage leased unless otherwise noted.

Sabine Pass

3, 6, 7, 9, 10, 11, 12, 13, 15, 16

West Cameron

17, 18, 19, 20, 22, 23, 24, 33, 34, 35, 36, 39, 41, 42, 44 (Seaward of 8(g) line), 45, 47, 48, 49, 53, 54, 55, 56, 57, 58, 60, 61, 63, 64, 65, 66, 67, 68 (S1/2), 70, 71, 74, 75, 76, 77, 78, 81, 82, 83, 90, 91, 92, 94, 95, 96, 98, 99, 100, 102, 103, 105, 106, 107, 108, 110, 111 (SE1/4), 112, 113, 114, 116, 117, 118, 128, 130, 131, 132 (S1/2), 133, 134, 136, 137, 138, 139, 141, 142, 143, 144, 146, 147, 149, 150, 151, 153, 165, 166, 167, 168, 170, 171, 172, 173, 174, 175, 176, 177, 178, 180, 181, 182, 183, 184, 186, 187, 188, 192, 193, 194, 196, 197, 198, 199, 200, 201, 202, 204, 205, 206, 212, 213, 215, 216, 221, 222, 224, 225, 226, 227, 229, 231, 236, 237, 238, 240, 241, 242, 244, 245, 247, 248, 249, 250, 252, 253, 254, 256, 261, 262, 263, 264, 265, 266, 269, 270, 275, 276, 277, 279, 280, 281, 282, 284, 285

West Cameron, West Addition

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West Cameron, South Addition

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East Cameron

2, 9, 11 (Landward of 8(g) line), 14 (E1/2NW1/4; NE1/4) and (Landward of 8(g) Line), 15, 16, 17, 22, 23, 24, 25, 26, 31, 32, 33, 34, 35, 36, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 51, 55, 56, 57, 58, 60, 61, 62, 63, 64, 65, 66, 67, 70, 71, 72, 73, 75, 76, 77, 78, 81, 82, 83, 84, 87, 88, 89, 90, 94, 95, 101, 102, 103, 104, 106, 109, 110, 111, 112, 113, 115, 118, 119, 120, 121, 122, 123, 125, 126, 129, 131, 132, 134, 136, 137, 138, 139, 140, 143, 145, 148, 149, 151, 152, 153, 155, 157, 158, 160, 161, 169, 170, 171, 172, 176, 178, 179, 182, 184, 185, 187, 188, 189, 190, 192, 193, 194, 195 (S1/2), 199, 200, 201, 203, 204 (N1/2N1/2), 205, 213, 214, 215, 219, 220, 221, 222, 223, 226, 227, 228, 229, 231, 234, 235

East Cameron, South Addition

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Vermilion

16, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 46 (N1/2), 47, 50, 51, 52, 53, 54, 55, 57, 58, 60, 61, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 75, 76, 78, 83, 84, 85, 86, 87, 88, 89, 90, 93, 94, 95, 97, 98, 99, 100, 101, 102, 104, 107, 111, 112, 114, 115, 116, 117, 118, 119, 120, 123, 124, 126, 127, 131, 143, 144, 145, 146, 147, 148, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 175, 176, 178, 179 (E1/2E1/2NE1/4; W1/2NE1/4NE1/4; NE1/4NE1/4SE1/4), 182, 187, 189, 190, 191, 193, 194, 196, 198, 199, 200, 201, 202, 203, 204, 205, 207, 213, 214, 215, 216, 217, 218 (E1/2NW1/4SE1/4; NE1/4SW1/4SE1/4; E1/2SE1/4) 219, 220, 221, 222, 223, 225 226, 227, 228, 229, 232, 233, 237, 238, 239, 241, 242, 245, 246, 247, 248, 249, 250, 251

Vermilion, South Addition

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South Marsh Island, North Addition

207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221 (Landward of lease 0310 stip. Line), 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241 (Landward of lease 0310 stip. Line), 242 (Landward of lease 0310 stip. Line), 243, 244, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 262, 263, 264, 265, 266, 268, 269, 272, 274, 275, 276, 277, 278, 280, 281, 282, 283, 285, 288

South Marsh Island

1, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 22, 23, 24, 25, 26, 27, 28, 29, 31, 33, 34, 35, 36, 37, 38, 40, 41, 44, 47, 48, 49, 50, 51, 55, 57, 58, 59, 60, 61, 64, 66, 68, 69, 70

South Marsh Island, South Addition

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Eugene Island

18, 19, 21, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 51, 52, 53, 54, 56, 57, 58, 59, 62, 63, 64, 69, 70, 71, 72, 74, 75, 76, 77, 78, 83, 84, 86, 87, 88, 89, 90, 93 (E1/2), 94, 95, 97, 98, 99, 100, 101, 102, 105, 106, 107, 108, 109, 110, 111, 113A, 116 (E1/2), 118, 119, 120, 125, 126, 127, 128, 128A, 129, 129A, 133, 135, 136, 142, 143, 144, 146, 147, 148, 152, 153, 154, 157, 158, 159, 162, 164, 167, 171, 172, 173, 174, 175, 176, 178, 179, 181, 182, 184, 186, 187, 188, 189 (W1/2; W1/2E1/2), 190, 191, 193, 195, 196, 198, 199, 202, 203, 204, 205, 206, 208, 210, 211, 212, 213, 214 (W1/2W1/2E1/2; W1/2), 215, 216, 217, 218, 219, 221, 223, 224, 225, 227, 228, 229, 230, 231, 232, 235, 236, 237, 238, 239, 240, 242, 243, 245, 246, 247, 249, 250, 251, 252, 253, 254 (S1/2), 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 266

Eugene Island, South Addition

267, 269, 271, 272, 273, 274, 275, 276, 277, 278, 280, 281, 282, 283, 284, 285, 286, 287, 289, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 305, 306, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 320, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 337, 338, 339, 341, 342, 343, 344, 345, 346, 347,

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Ship Shoal

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Ship Shoal, South Addition

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South Timbalier

11, 16, 17, 20, 21, 22, 23, 24, 26, 27 (N1/2: N1/2SW1/4), 28 (NE1/4), 30, 32, 34, 35, 36, 37, 38, 47, 48, 50, 51, 52, 53, 54, 55, 62, 63, 66, 67, 68, 70, 71, 72, 73, 74, 75, 76, 77, 78, 83, 86, 87, 88, 91, 92, 95, 99, 100, 101, 102, 106, 107, 108, 109, 110, 111, 112, 123, 128, 129, 130, 131, 132, 133, 134, 135, 136, 138, 140, 142, 143, 144, 145, 147, 148, 149, 151, 152, 155, 159, 161, 162, 163, 164, 165, 166, 167, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 181, 184, 185, 186, 188 (NW1/4), 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 203, 205, 206, 209, 210

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South Pelto

1, 2, 5, 6, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 23, 24, 25

Bay Marchand

2, 3, 4, 5

Grand Isle

16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29 (N1/2), 30 (Por. landward of 3 marine league line), 31, 32, 33, 34, 37, 38, 39, 40, 41, 42, 43, 44, 46, 47, 48, 49, 51, 52, 53 (W1/2), 54, 55, 62, 63, 65, 66, 67, 68, 69, 70, 72, 73, 75, 76, 78, 79, 81, 82, 83, 84, 85

Grand Isle, South Addition

86, 88, 90, 91, 93, 94, 95, 96, 99, 100, 101, 102, 103, 104, 105, 106, 108, 110, 113, 115, 116

West Delta

17, 18, 19, 20, 21 (S1/2N1/2S1/2; S1/2S1/2), 22 (E1/2), 23, 24, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 38, 40, 41, 44, 45, 46, 47, 48, 50, 56, 57, 58, 60, 61, 62, 63, 65, 67, 68 (S1/2), 69, 70, 71, 72, 73, 74, 75, 77, 79, 80, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 109

West Delta, South Addition

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South Pass

6, 17, 18, 19, 27, 28, 31, 32, 33, 34, 35, 37, 38, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52 (Seaward of 8(g) Line), 53, 54, 55, 56, 57 (Swd. of 75 Decree Line to 1ft. swd. of 3rd Supp. Decree; 1 ft swd. of 3rd Supp. Decree to 3 geog. miles swd. of 1st Supp. Decree), 58, 59, 60, 61

South Pass, South & East Addition

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Viosca Knoll

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Green Canyon

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Atwater Valley

1, 3, 7, 8, 11, 12, 13, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 51, 52, 55, 56, 57, 58, 59, 60, 61, 63, 64, 66, 67, 68, 70, 71, 90, 91, 92, 93, 98, 99, 100, 101, 103, 104, 105, 106, 107, 108, 112, 113, 114, 115, 116, 117, 118, 119, 127, 135, 136, 137, 141, 142, 143, 145, 146, 150, 151, 152, 153, 157, 158, 160, 161, 163, 177, 180, 181, 182, 189, 190, 209, 210, 211, 223, 224, 225, 226, 233, 234, 268, 276, 277, 284, 302, 312, 313, 321, 327, 334, 345, 346, 370, 371, 377, 378, 379, 406, 407, 408, 410, 415, 428, 429, 441, 445, 446, 454, 455, 472, 473, 489, 490, 491, 531, 534, 573, 574, 575, 576, 617, 618

Walker Ridge

120, 121, 164, 197, 198, 678, 723, 766

4310-MR

DEPARTMENT OF THE INTERIOR
Minerals Management Service

30 CFR Part 260

RIN 1010-AC14

Deepwater Royalty Relief for New Leases

AGENCY: Minerals Management Service, Interior.

ACTION: Interim rule.

SUMMARY: The Outer Continental Shelf Deep Water Royalty Relief Act (Act) authorizes the Secretary of the Interior (Secretary) to offer Outer Continental Shelf tracts for lease with suspension of royalties for a volume, value, or period of production. The Act requires the Secretary to use this bidding system on tracts offered for lease in water depths of 200 meters or more in parts of the Gulf of Mexico through November 28, 2000. The Minerals Management Service (MMS) intends to hold a lease sale in April 1996. This interim rule specifies the royalty suspension terms under which the Secretary will make tracts available for that sale.

EFFECTIVE DATE: This interim rule is effective April 24, 1996.

DATES: We will consider all comments we receive by April 24, 1996. We will begin review of comments at that time and may not fully consider comments we receive after April 24, 1996.

ADDRESSES: Mail or hand-carry comments to the Department of the Interior; Minerals Management Service; Mail Stop 4700; 381 Elden Street; Herndon, Virginia 22070-4817; Attention: Chief, Engineering and Standards Branch.

FOR FURTHER INFORMATION CONTACT: Walter Cruickshank, Offshore Minerals Analysis Division, telephone (202) 208-3822.

SUPPLEMENTARY INFORMATION:

I. Background on the New Legislation

On November 28, 1995, President Clinton signed Public Law 104-58, which included the Act. The Act contains four major provisions concerning new and existing leases. New leases are tracts leased during a sale held after the Act's enactment on November 28, 1995. Existing leases are defined as all other leases.

First, section 302 of the Act clarifies the Secretary's pre-existing authority in 43 U.S.C. 1337(a) (3) to reduce royalty rates on existing leases in order to promote development, increase production, and encourage production of marginal resources on producing or non-producing leases. This provision applies only to leases in the Gulf of Mexico west of 87 degrees, 30 minutes west longitude.

Second, section 302 also provides that "new production" from existing leases in water depths of 200 meters or greater qualifies for royalty suspensions if the Secretary determines that the new production would not be economic in the absence of royalty relief. The Secretary must then determine the appropriate royalty suspension volume on a case-by-case basis, subject to specified minimums for leases not in production prior to the date of enactment. This provision also applies only to leases in the Gulf of Mexico west of 87 degrees, 30 minutes west longitude.

Third, section 303 establishes a new bidding system that allows the Secretary to offer tracts with royalty suspensions for a period, volume, or value the Secretary determines. On February 2, 1996, we published a final rule modifying the regulations governing the bidding systems we use to offer OCS tracts for lease (61 FR 3800). New § 260.110(a) (7) addresses the new bidding system mandated by section 303 of the Act.

Fourth, section 304 provides that all tracts offered within 5 years of the date of enactment in water depths of 200 meters or greater in the Gulf of Mexico west of 87 degrees, 30 minutes west longitude, must be offered under the new bidding system. The following minimum volumes of production are not subject to a royalty obligation:

- 17.5 million barrels of oil equivalent (mmboe) for leases in 200 to 400 meters of water,
- 52.5 mmboe for leases in 400 to 800 meters of water, and
- 87.5 mmboe for leases in more than 800 meters.

II. The Proposed April 1996 Lease Sale and the Need for an Interim Rule

The Act requires the Secretary to issue implementing regulations within 180 days of enactment. We published an advance notice of proposed rulemaking (ANPR) in the Federal Register on February 23, 1996 (61 FR 6958), and informed the public of our intent to develop comprehensive regulations implementing the Act. It sought comments and recommendations to assist us in that process. We continue to collect comments and conducted a public meeting in New Orleans on March 12-13, 1996, about the matters the ANPR addressed.

In accordance with the current 5-year OCS program, which provides for annual lease sales in the Central and Western Gulf of Mexico, we have scheduled a lease sale for April 24, 1996, for tracts in the Central Gulf of Mexico. Many of these tracts are in water depths of 200

meters or more. Therefore, before we proceed with the sale, we must issue regulations to implement section 304 of the Act.

We estimate that bonus bids at this sale could be as much as \$300 million. Thus, delay of this sale would be contrary to the public interest.

Also, a significant delay of the lease sale could seriously disrupt investment activity important to both the national and regional economies. The natural gas and oil industry relies on regularly scheduled lease sales in the Gulf of Mexico to enable it to conduct its annual land acquisition and exploration activities in an orderly and predictable manner.

A full notice and comment rulemaking could not be completed prior to the proposed April 1996 sale. Since the Act does apply to Central and Western Gulf of Mexico lease sales for the next 5 years, we are publishing this interim rule to allow the sale of deep-water tracts in the Central Gulf of Mexico to proceed with a minimum of delay from the original sale date established under the current 5-year OCS program. We invite comments on this interim rule, and we also will consider them as part of our review of responses to the ANPR mentioned above. Based on comments received and experience gained at the upcoming sale, we may include changes to the matters this interim rule addresses in the comprehensive rulemaking that implements the remaining provisions of the Act.

III. How to Implement Section 304 of the Act

Section 304 of the Act does not provide specific guidance on how to apply the royalty suspension volumes to leases issued during sales after November 28, 1995. The primary question is how to apply the minimum royalty suspension volumes laid out in the statute. There are several possibilities. One is to apply the royalty suspension volumes on a unitary basis, so that there would be only one royalty suspension volume in each water depth category in the entire area of the Gulf subject to Section 304. A second possibility is to apply the royalty suspension volumes on the basis of geological fields, so that all tracts producing from a single field collectively would receive the royalty suspension volume. A third possibility is to apply the full royalty suspension volume to each qualifying lease.

Ultimately, the choice among these alternatives is dictated by the meaning of the statute. Unfortunately, the statutory language, as discussed further below, does not unambiguously resolve this issue.

Turning first to the statutory text, section 304 is quite indistinct. The first thing to note is that it is framed in the passive voice ("suspension of royalties shall be set at [the following volumes]"). This fails to make clear against what the royalty suspension volumes should be applied. The section does speak in the plural or multiple, referring to "all tracts" and "any lease sale." This suggests that the royalty suspension volumes were not to be applied on an individual lease basis. In Section 302, by contrast, Congress specified quite clearly that the owner(s) of each individual lease could apply for a

royalty suspension. (E.g., "Such application may be made on the basis of an individual lease or unit.")

The legislative history helps clarify the meaning of the statutory language. In bringing before the full Senate for vote the language that eventually became law, Senator Johnston, the bill's primary sponsor, explained that it was intended only to provide incentives for drilling leases that would not otherwise be drilled and to bring new fields on production:

It is only with respect to those leases that would not otherwise be drilled, either existing or future leases, that this amendment would provide that incentive The Secretary of the Interior wanted the incentive to be sufficient but not too much. That took a lot of negotiating . . . [The legislation] should bring on at least two new fields with approximately 150 million barrels of oil equivalent from existing leases and it significantly improves the economics of 10 to 12 possible and probable fields.
Cong. Rec. S. 6731 (daily ed., May 16, 1995) [emphasis added].

This statement by the bill's prime sponsor, the most pertinent in the legislative record, strongly suggests that the legislation was not intended to provide each new lease in deep water the full royalty suspension volume. If the legislation were interpreted to apply the full royalty suspension volume to each lease, each new deep-water lease issued for the next 5 five years in fields already in production on the date of enactment (November 28, 1995) would be entitled to the full royalty suspension volume. That hardly would further the Act's purpose of providing an economic incentive to develop new fields and "leases that otherwise would not be drilled." It might also skew production because producers could slow development of existing leases to await new leases in the field that would have royalty suspension volumes.

Legislators' statements in committee hearings sounded the same theme-- that the purpose was to bring new fields into production. Senate Energy Committee Chairman Murkowski noted that the development of OCS deep-water areas "are dependent on the economics of the field . . ." and Senator Johnston emphasized that "the volumes [the royalty suspension volumes specified in the legislation] were based on assumptions of the economic field size relative to cost." Hearing on S. 158 Before the Committee on Energy and Natural Resources, 104th Cong., 1st Sess. 7, 39 (March 23, 1995).

In fact, the royalty suspension volumes set forth in section 304 for new tracts offered for lease originated with MMS. They were developed out of technical analyses conducted by MMS of the royalty suspension volumes needed for capital cost recovery in developing unproduced oil and gas fields at various water depths in the Gulf of Mexico. This helps explain the fact that the chief congressional sponsor, Senator Johnston, expressly linked the royalty suspension volumes in the Act to the cost of developing a field. It also counsels that section 304 should, in order to be faithful to its proponents' intent, be applied to make royalty suspension volumes available on a field basis, rather

than giving each and every individual lease the full royalty suspension volume.

For the same reasons, section 304 should be read more broadly than simply providing one royalty suspension volume at each specified depth range (e.g., 200 to 400 meters) across the entire area of the Gulf eligible for royalty relief. Such an application, done without regard for fields or numbers of leases at those depth ranges, would not grant sufficient incentive for any more than one new field at each water depth. Such a reading, while possible to fit within the statutory language, is clearly not in accord with the purposes of the Act.

The middle ground, applying the royalty suspension volumes in section 304 on a field basis, is the most reasonable approach. In the words of the bill's sponsor, only it fulfills what the Secretary wanted, i.e., sufficient incentive to bring new fields into production.

Two other considerations support this outcome. First, as Congress was doubtless aware when it enacted deepwater royalty relief, section 8(b), of the Outer Continental Shelf Lands Act (OSCLA) (43 U.S.C. 1337(b)) contains no fixed maximum tract size for a single lease. Instead, it authorizes the Secretary to aggregate a large acreage into a single tract for leasing if the Secretary "finds a larger area is necessary to comprise a reasonable economic production unit." Even if section 304 were interpreted to mandate the Secretary to apply royalty suspension volumes on an individual lease basis, the Secretary would nevertheless retain the discretion, by virtue of section 8(b), to choose a larger tract size for a single lease. Rather than going that route, we have determined that section 304 is best interpreted to apply royalty suspension volumes on a field basis. If royalty suspension volumes were to be mandated on a lease basis, the Secretary would have to seriously examine whether to lease larger tracts.

Second, as Congress was also doubtless aware when it enacted deepwater royalty relief, the OCSLA sets no maximum royalty on Federal oil and gas leases. Instead, it authorizes the Secretary to set an initial royalty rate of "no less than 12 and 1/2 per centum" (emphasis added) per unit of production for new leases issued under the new bidding system established by section 303 and mandated for use for the next 5 years. If section 304 required the Secretary to provide a full royalty suspension volume to each and every lease, the Secretary would still have the discretion to set an initial royalty rate above the statutory minimum or the rate traditionally used for Gulf of Mexico leases. This higher royalty would kick in after the royalty-free volumes for new leases in deep water terminated. This approach would allow the Secretary to ensure that the development incentive provided in the Act is consistent with giving the public a fair return on the oil and gas resources that it owns. Once again, the interim rule, by adopting the approach of applying the royalty suspension volumes on a field basis, may avoid the need for including a higher royalty in the lease at this time.

As these considerations illustrate, Congress preserved the Secretary's broad discretion over tract size and royalty rate when it came to

enact deepwater royalty relief. By doing so, it in effect preserved the authority of the Secretary to apply the royalty relief volumes to fields rather than individual leases. This comports with what we believe is the best and most reasonable interpretation of the statutory language.

Based on our careful consideration of the Act, and its history, the Secretary has settled upon this regulation. It provides for a suspension of royalty payments for any one lease or several leases in a field that find and produce first the royalty-exempt volume of oil equivalent from a new field. Thus, one lease may receive the whole suspension volume or several leases may share it depending on which lease(s) first produces the volume from the field.

IV. What the Interim Rule Provides

For the purposes of this rule, an "eligible" lease is a lease that results from a sale held after November 28, 1995; is located in the Gulf of Mexico in water depths 200 meters or deeper; lies wholly west of 87 degrees, 30 minutes west longitude; and is offered subject to a royalty suspension volume authorized by statute. We will add this definition to 30 CFR 260.102.

The rule implementing section 304 of the Act will be in 30 CFR 260.110. As explained above, under § 206.110(d)(1), we will allow only one royalty suspension volume per new field (i.e., a field not producing prior to November 28, 1995). That suspension volume is available to the eligible leases in a new field based on which lease or leases first produce the oil or gas until the suspension volume is reached.

As an example, for eligible leases in a new field in 850 meters of water, no royalties will be due from the first 87.5 mmboe of production from all eligible leases producing from that field. [For the purpose of this preamble, the Act's minimum royalty suspension volumes for each water depth are assumed to apply although, for any particular lease sale, we could increase the volume specified in the Act.] That production could come from only one eligible lease, several eligible leases, or all eligible leases in the field. In any event, only a total of 87.5 mmboe will be allowed royalty free for that new field. Under this rule, any lease-use production that otherwise is not subject to royalty does not count toward the royalty suspension volume.

Under § 206.110(d)(2), in each Final Notice of Sale, we will specify the water depth of each tract offered for lease that is in at least 200 meters of water. Once the lease is issued, our determination of water depth is final. This rule applies even if the lease could be shown actually to be in deeper water. We will not change the depth determination and the applicable royalty suspension volume since one factor we consider in determining the adequacy of the bonus bid is the water depth specific royalty suspension volume that could apply to the lease. As a result, the interim rule provides that the depth classification by MMS is final and unappealable upon bid acceptance, lease issuance, and lease acceptance by the high bidder for a tract.

To allow otherwise significantly alters the nature of the property right offered at the lease sale, renders the lease auction and bid adequacy process unreliable, and unfairly conveys an excessive benefit to the successful bidder (or to the Federal Government if the water depth later were determined to be shallower). It also would encourage endless administrative and judicial litigation and appeals over varying measurements of water depths. The Final Notice of Sale will also specify the royalty suspension volumes for each of the prescribed water depths, subject to the minimums stated in the Act.

Since all eligible leases in a field could share the royalty suspension volume, each eligible lease must be assigned to a new or existing field by the time production from that lease begins. In accordance with our practice for over 20 years, we will assign a lease to a field when a well on a lease qualifies as capable of producing in paying quantities under the regulations at 30 CFR 250.11. If a well does not qualify under the rule, we will assign the lease to a field when hydrocarbons are first produced from the lease or the lease is allocated production under an approved unit agreement.

We will either assign the lease to an existing field or designate a new field. This interim rule includes the definition of field for this purpose in 30 CFR 260.102. The definition is based on geology. We issue the OCS Operations Field Names Master List each quarter, with monthly updates, which lists all the tracts in each field on the OCS.

Fields in deep water may consist of one or more leases, including leases issued before and after November 28, 1995, and leases in different water depths. Therefore, we must specify how to determine the royalty suspension volume in many different circumstances. The simplest factual case would be where a single eligible lease produces a new field. The lessee would receive the entire royalty suspension volume if that lease produces it. (See § 206.110(d)(5).)

However, other cases will arise. Accordingly, in determining individual lease eligibility for, and the volume of, royalty suspensions, this is how the rule applies:

1. Under § 206.110(d)(2), the Final Notice of Sale will specify the royalty suspension volume for new fields in each of the specified water depth ranges. Under § 206.110(d)(3), at the time of first production (not including test production) from an eligible lease in a field, we will determine the royalty suspension volume available to eligible lease(s) in that field based on the volumes specified in the Final Notice of Sale.
2. If a new field consists of leases in different water depth categories, the royalty suspension volume associated with the deepest eligible lease applies. This is set forth in § 206.110(d)(4).
3. If an eligible lease is designated as part of a field where any current lease produced prior to November 28, 1995, that eligible lease will not receive a royalty suspension volume from that field. Under these circumstances, Congress certainly recognized that it is not necessary to encourage production.

4. If an eligible lease is designated as part of a field where no production from any current lease occurred prior to November 28, 1995, a royalty suspension volume will apply to the eligible lease(s). The royalty suspension volume will equal the volume specified for the relevant water depth in the Final Notice of Sale. In this case, we view the specified royalty suspension volume as the amount Congress determined is needed to make a field economic to produce.

5. If a field did not produce before November 28, 1995, and consists of more than one lease, no royalty is due on the first production from any eligible leases in that field until they have cumulatively produced the royalty suspension volume specified in the Final Notice of Sale. Under § 260.110(d)(6), the suspension volume attributable to each lease depends upon which lease produces it first. For example, if two eligible leases are producing from a new field in 300 meters of water, their royalty suspension would end when production from those leases reaches 17.5 mmboe, the royalty suspension volume for that water depth. If one lease had produced 10.0 mmboe and the second lease had produced 7.5 mmboe, that would determine their respective suspension volumes.

6. The addition of an eligible lease to a field that has an established royalty suspension volume will not change the field's royalty suspension volume, even if the added lease is in deeper water. Under § 260.110(d)(7), the added lease will benefit from the field's royalty suspension only to the extent of its production before cumulative production from all eligible leases in the field equals the field's previously established royalty suspension volume.

7. Under § 260.110(d)(8), if we reassign a well on an eligible lease to another field, the past production from that well will count toward the royalty suspension volume, if any, specified for the new field to which it is assigned. The past production will not be counted toward the suspension volume, if any, for the first field.

8. Section 260.110(d)(9) provides that you may receive the royalty relief only if your entire lease is west of 87 degrees, 30 minutes west longitude. This requirement is expressly provided in the Act. A new field that lies on both sides of this meridian will receive a royalty suspension volume only for those new leases lying west of the meridian and in 200 meters of water or more.

9. The Act provides royalty suspension volumes only to leases in at least 200 meters of water. We will establish the water depth for each lease in the Final Notice of Sale. If a field includes leases in both less than 200 meters and more than 200 meters of water, only those eligible leases in water depths of at least 200 meters may share in the royalty suspension volume.

10. Under § 260.110(d)(10), a lease may obtain more than one royalty suspension volume. If a new field is discovered on an eligible lease that already benefits from the royalty suspension volume for another

field, production from that new field receives a separate royalty suspension. For example, assume an eligible lease already receives up to 17.5 mmboe of royalty-free production from a field in 300 meters of water. If another new field is discovered under that lease, the lease may obtain a second royalty suspension of up to 17.5 mmboe on production prescribed for that second field. Your royalty suspension volume for the second field depends upon whether other eligible leases produce in that second field. This second royalty suspension volume may occur even if the same production facilities develop both fields. However, the royalty suspension volumes are specific to the individual fields. Thus, for example, if the lease eventually produces 10 mmboe from wells in one field and 50 mmboe from wells in the other, and there are no other eligible leases in either field, the total royalty-free production will be 27.5 mmboe (i.e., 10 plus 17.5 mmboe).

We understand that other factual situations may arise under this rule. Those situations must be resolved consistent with the principles described above.

V. Additional Examples

The following examples further clarify the situations listed above.

1. If a field consists only of two eligible leases, one in 750 meters of water and one in more than 800 meters, the field will have a royalty suspension volume of 87.5 mmboe. The first 87.5 mmboe produced from either or both leases in the field would be royalty-free.
2. If an eligible lease in 300 meters of water is added to a field consisting of leases issued from a sale held prior to November 28, 1995, and that field begins production after that eligible lease is added, the field's suspension volume would be 17.5 mmboe. The eligible lease may produce up to 17.5 mmboe royalty-free. However, if that lease only produces 10 mmboe over its productive life and no other eligible leases are part of the field, that field will receive only 10 mmboe of relief.
3. If an eligible lease in 600 meters of water is added to a producing field consisting of leases issued from sales held prior to November 28, 1995, and there are no other eligible leases in the field, and that field started continuous production (other than test production) after November 28, 1995, the lease could receive 52.5 mmboe of royalty suspension regardless of the previous production. However, if the new lease only produces 10 mmboe over its productive life and no other eligible lease is added to the field, that field will receive only 10 mmboe of relief under this provision.
4. If an eligible lease in 850 meters of water is added to a field that already has an established royalty suspension volume from other eligible leases in the field in shallower water, the

field's royalty suspension volume will not change. For example, if production from the field already amounts to 30 mmboe of its 52.5 mmboe royalty suspension volume when the additional lease begins production, that lease may share in the field's remaining 22.5 mmboe of royalty-free production to the extent that it first produces some portion of the remaining 22.5 mmboe. This example also shows that even though the added lease was in deeper water, it does not increase the royalty suspension volume already established for that field by a shallower lease.

VI. Technical Issues Related to Royalty Suspension Volumes

For purposes of accounting for production accruing to the royalty suspension volume, 5.62 thousand cubic feet of natural gas equal one barrel of oil equivalent, as measured at 15.025 pounds per square inch (psi) pressure, 60 degrees Fahrenheit, and fully saturated (§ 260.110(d)(11)). This is the conversion factor which has been used traditionally in the Gulf of Mexico.

A royalty suspension will continue until the end of the month in which the cumulative production from eligible leases in the field reaches the royalty suspension volume for the field.

When a field is not being jointly developed, lessees may not know when the field has produced all of its royalty suspension volume. We will provide monthly field production data to all lessees in a field. However, this data may not become available until shortly after a field's production exceeds the royalty suspension volume. In such cases, royalties still will be due on the last day of the second month following the month in which cumulative production from the field reaches the royalty suspension volume. Any royalties paid late will be subject to interest pursuant to 30 CFR 218.54.

Nothing in this interim rule affects the eligibility of a lessee to apply for royalty relief under the other provisions of the Act or under existing regulatory authority. Lessees of leases issued as the result of a lease sale held before November 28, 1995, whether or not they are part of a field that produced prior to that date, may apply for a royalty suspension volume under section 302 of the Act. Content, supporting documentation, and procedures for submission and review of such applications will be addressed in the comprehensive rulemaking mentioned above. Further, any OCS lessee may apply for a reduction or elimination of its lease royalty rate or net profit share under section 8(a)(3) of the OCSLA (as amended by the Act with respect to leases in parts of the Gulf of Mexico).

VII. Administrative Matters

Executive Order (E.O.) 12866

The interim rule is significant due to novel policy issues arising out of legal mandates, and the Office of Management and Budget (OMB) has reviewed this rule. A copy of this determination is available from MMS.

Offering tracts subject to royalty suspension volumes should result in accelerated investment on the OCS. In deep water, exploration wells can cost more than \$30 million, and field development can cost as much as \$1 billion. However, the best assumption is that most of this investment would eventually occur under any royalty terms; the royalty suspension tends to make this activity occur earlier.

We analyzed two alternatives for implementing section 304 of the Act. The approach in this interim rule (MMS approach) is where there is a single suspension volume for each field at the volumes designated in the legislation. The alternative approach is where the full royalty suspension volume applies to each lease.

For scheduled 1996 lease sales in the deep-water Gulf of Mexico, the alternative approach results in more resources being leased (905 mmboe versus 680 mmboe) and higher bonuses (\$261 million versus \$113 million) than the MMS approach. However, the MMS approach generates higher royalty payments over the productive life of the lease (\$352 million versus \$40 million) than the alternative approach. On a net present value basis, the MMS approach also collects more revenue for the Treasury (\$284 million versus \$277 million). On the basis of revenues-per-boe, the MMS approach generates more than twice the nominal revenues and 35 percent more revenues-per-boe in net present value than the alternative approach.

We chose the approach embodied in this interim rule because:

- o The Act's primary author stated that he intended the Act to encourage production from new fields without providing too much relief,
- o The MMS approach provides a substantial incentive for new investment and production in deep water while still ensuring a reasonable return to the Treasury, and
- o The minimum suspension volumes specified in the Act were derived from an analysis of fields, not individual leases.

Regulatory Flexibility Act

The Department of the Interior (DOI) has determined that this interim rule will not have a significant effect on a substantial number of small entities. In general, the entities that engage in offshore activities in the deep waters of the Gulf of Mexico are not considered small due to the technical and financial resources and experience necessary to safely conduct such activities.

Administrative Procedure Act

We have determined, in accordance with 5 U.S.C. 553(b)(3)(B) of the Administrative Procedure Act, that a notice of proposed rulemaking is not required and is impracticable in the issuance of this rule. The comment period associated with a proposed rulemaking would require that we delay the upcoming lease sale in the Central Gulf of Mexico for a significant period. The public interest is best served by collecting the sale revenues for the Treasury in a timely manner and avoiding direct detrimental effects on the offshore industry's investment plans. We invite comments on this interim rule so changes can be made in the future, if warranted.

Paperwork Reduction Act

The rule contains no new reporting and recordkeeping requirements.

Takings Implication Assessment

The DOI certifies that this rule does not represent a governmental action capable of interference with constitutionally protected property rights. A Takings Implication Assessment prepared pursuant to E.O. 12630, Government Action and Interference with Constitutionally Protected Property Rights, is not required.

E.O. 12988

The DOI has certified to the OMB that this regulation meets the applicable standards provided in section 3(b)(2) of E.O. 12988.

National Environmental Policy Act

We examined the interim rulemaking and have determined that this rule does not constitute a major Federal action significantly affecting the quality of the human environment pursuant to section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332).

List of Subjects in 30 CFR Part 260

Continental shelf, Government contracts, Minerals royalties, Oil and gas exploration, Public lands--mineral resources.

Dated: _____

Assistant Secretary, Land and
Minerals Management

For the reasons set forth in the preamble, the Minerals Management Service amends 30 CFR part 260, Subpart B--Bidding Systems, as follows:

1. The authority citation for part 260 continues to read as follows:

Authority: 43 U.S.C. 1331 and 1337.

2. Section 260.102 is amended by adding in alphabetical order the definitions for "Eligible Lease" and "Field" which read as follows:

§ 260.102 Definitions.

* * * * *

Eligible lease means a lease that results from a sale held after November 28, 1995; is located in the Gulf of Mexico in water depths 200 meters or deeper; lies wholly west of 87 degrees, 30 minutes west longitude; and is offered subject to a royalty suspension volume authorized by statute.

Field means an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same general geological structural feature and/or stratigraphic trapping condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both.

3. In Section 260.110, paragraph (d) is added to read as follows:

§ 260.110 Bidding systems.

(a) * * *

(d) This paragraph explains how the royalty suspension volumes in section 304 of the Outer Continental Shelf Deep Water Royalty Relief Act, Pub. L. 104-58, apply to eligible leases. For purposes of this paragraph, any volumes of production that are not royalty bearing under the lease or our regulations in this chapter do not count against royalty suspension volumes. Also, for the purposes of this paragraph, production includes volumes allocated to a lease under an approved unit agreement.

1) Your eligible lease may receive a royalty suspension volume only if your lease is in a field where no current lease produced oil or gas (other than test production) before November 28, 1995. Paragraph (d) of this section applies only to eligible leases in fields meeting this condition.

2) The Final Notice of Sale will specify the water depth for each eligible lease. Our determination of water depth for each lease is final once we issue the lease. The Notice also will specify the

royalty suspension volume applicable to each water depth. The minimum royalty suspension volumes for fields are:

- (i) 17.5 mmboe in 200 to 400 meters of water;
- (ii) 52.5 mmboe in 400 to 800 meters of water; and
- (iii) 87.5 mmboe in more than 800 meters of water.

(3) When production (other than test production) first occurs from any of the eligible leases in a field, we will determine what royalty suspension volume applies to the eligible lease(s) in that field. The determination is based on the royalty suspension volumes specified in paragraph (d) (2) of this section.

(4) If a new field consists of eligible leases in different water depth categories, the royalty suspension volume associated with the deepest eligible lease applies.

(5) If your eligible lease is the only eligible lease in a field, you do not owe royalty on the production from your lease up to the applicable royalty suspension volume.

(6) If a field consists of more than one eligible lease, payment of royalties on the eligible leases' initial production is suspended until their cumulative production equals the field's established royalty suspension volume. The royalty suspension volume for each eligible lease is equal to each lease's actual production (or production allocated under an approved unit agreement) until the field's established royalty suspension volume is reached.

(7) If an eligible lease is added to a field that has an established royalty suspension volume, the field's royalty suspension volume will not change even if the added lease is in deeper water. The additional lease may receive a royalty suspension volume only to the extent of its production before the cumulative production from all eligible leases in the field equals the field's previously established royalty suspension volume.

(8) If we reassign a well on an eligible lease to another field, the past production from that well will count toward the royalty suspension volume, if any, specified for the new field to which it is assigned. The past production will not be counted toward the suspension volume, if any, from the first field.

(9) You may receive a royalty suspension volume only if your entire lease is west of 87 degrees, 30 minutes west longitude. A field that lies on both sides of this meridian will receive a royalty suspension volume only for those eligible leases lying entirely west of the meridian.

(10) Your lease may obtain more than one royalty suspension volume. If a new field is discovered on your eligible lease that already benefits from the royalty suspension volume for another field, production from that new field receives a separate royalty suspension.

(11) You must measure natural gas production subject to the royalty suspension volume as follows: 5.62 thousand cubic feet of natural gas equals one barrel of oil equivalent, as measured at 15.025 psi, 60 degrees Fahrenheit, and fully saturated.

Leasing Activities Information

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

CENTRAL GULF OF MEXICO LEASE SALE 157-FINAL APRIL 24, 1996

UNLEASED SPLIT BLOCKS

AND

UNLEASED ACREAGE OF BLOCKS

WITH ALIQUOTS AND IRREGULAR

PORTIONS UNDER LEASE

For Oil and Gas Leases in the Gulf of Mexico

-MMS-

INSTRUCTIONS TO BIDDERS

This package identifies the unleased Federal acreage along the offshore Louisiana, Mississippi, and Alabama/Federal boundary (split blocks) and unleased acreage of blocks with portions under lease. If a block is bid upon, all unleased acreage within that block must be bid upon.

Method of bidding - As described in paragraph 3 of the Final Notice of Lease Sale 157.

Lists of available split blocks and blocks with portions under lease appear on pages 2 of 8 and 7 of 8.

Individual block diagrams are arranged in numerical sequence.

Split and irregular blocks leased as a result of the sale will be legally described by using X and Y coordinates. Any specific questions pertaining to the unleased split blocks or those with portions under lease should be referred to Mr. Wallace Williams (504) 736-2772.

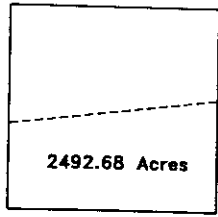
SPLIT BLOCKS LIST BY MAP AREA AND BLOCK NUMBER SEQUENCE
FOR SALE 157

Sabine Pass	Ship Shoal	South Pass	Chandeleur
5	2	29	1
	8	36	3
West Cameron	9	39	5
	10	57	8
21	13		16
25	14	South Pass	27
26	16	South & East	
27	24	Addition	Mobile
28	26		
29	49	66	765
30	64		766
31		Main Pass	767
	South Timbalier		809
East Cameron		17	811
	9	55	812
3	10	56	813
8	18		814
10	19	Breton Sound	815
20			816
21	South Pelto	24	817
37		25	818
	3	39	829
Vermilion		40	853
	Grand Isle	44	897
11		53	898
12	15		942
15	25		943
17			
18	West Delta		
19			
29	16		
	21		
Eugene Island	22		
	25		
9	37		
10	81		
11	108		
12			
12-A			
20			
22			
23			
37			

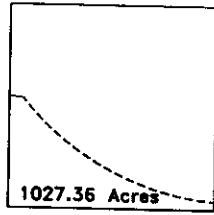
Note: Diagrams are in numerical order.



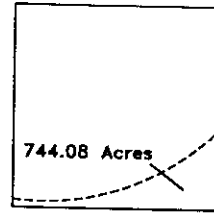
Sabine Pass Block 5



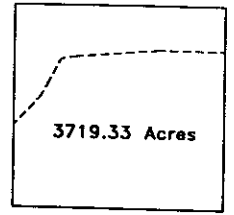
West Cameron Block 21



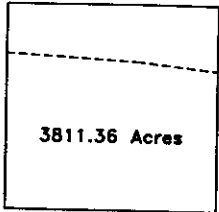
West Cameron Block 25



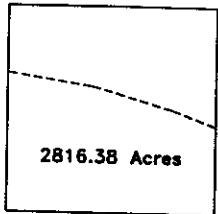
West Cameron Block 26



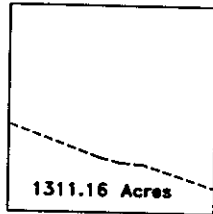
West Cameron Block 27



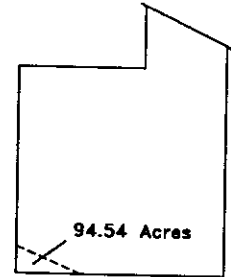
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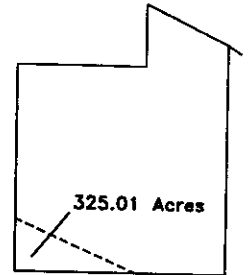
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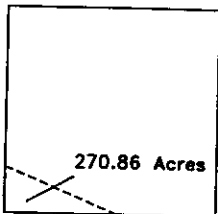
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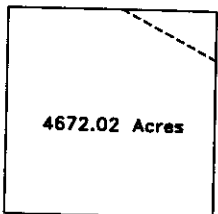
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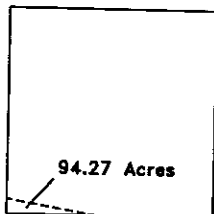
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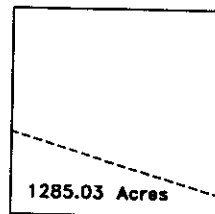
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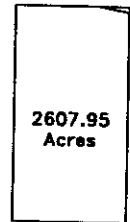
East Cameron Block 10



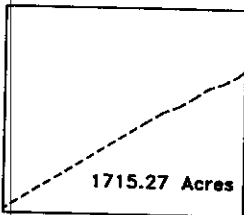
East Cameron Block 20



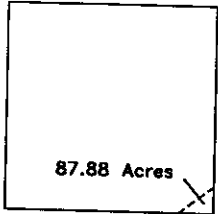
East Cameron Block 21



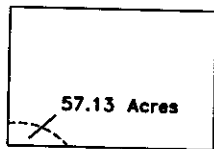
East Cameron Block 37



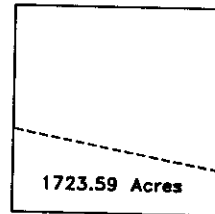
Vermilion Block 11



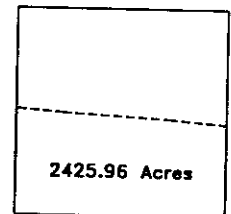
Vermilion Block 12



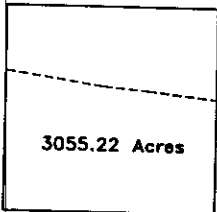
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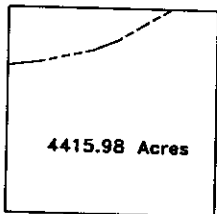
Vermilion Block 17



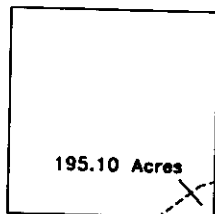
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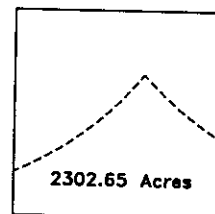
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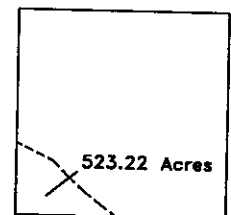
Vermilion Block 29



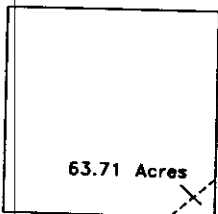
Eugene Island Block 9



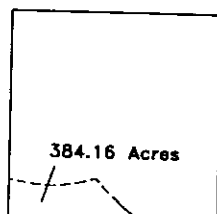
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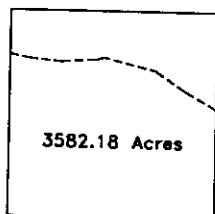
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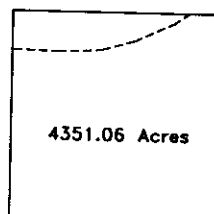
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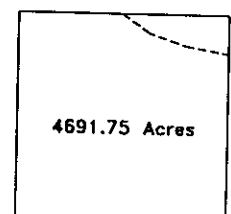
Eugene Island Block 12-A



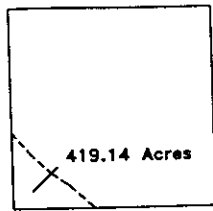
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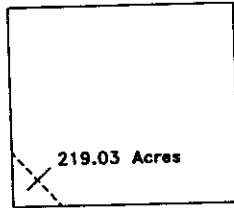
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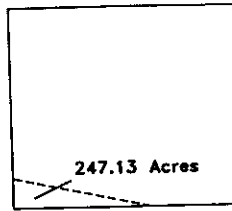
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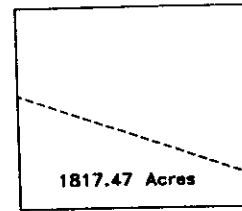
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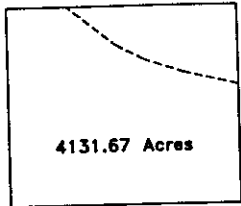
Ship Shoal Block 2



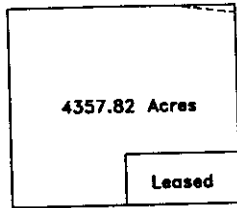
Ship Shoal Block 8



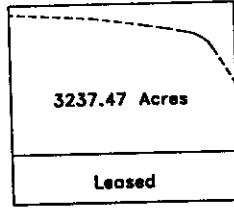
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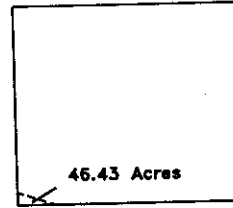
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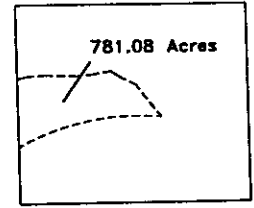
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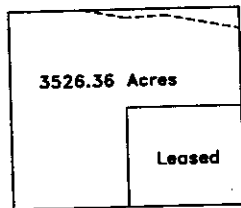
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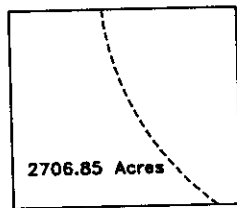
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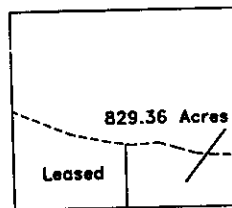
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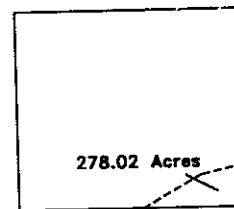
Ship Shoal Block 26



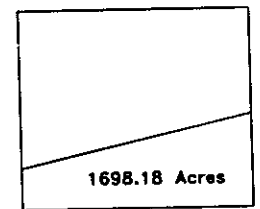
Ship Shoal Block 49



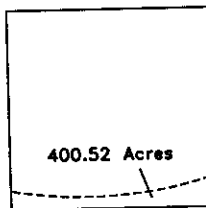
Ship Shoal Block 64



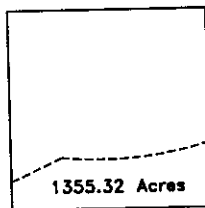
South Timbalier Block 9



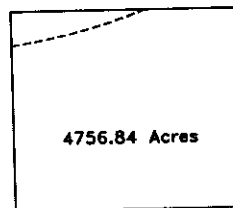
South Timbalier Block 10



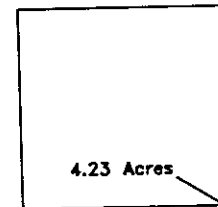
South Timbalier Block 18



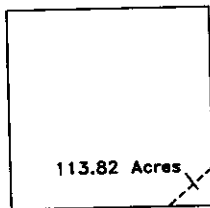
South Timbalier Block 19



South Pelto Block 3



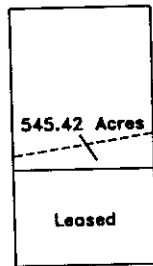
Grand Isle Block 15



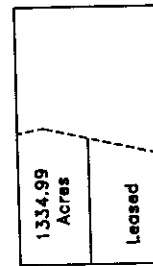
Grand Isle Block 25



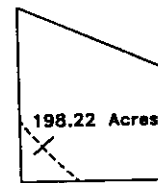
West Delta Block 16



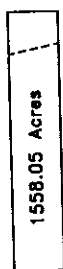
West Delta Block 21



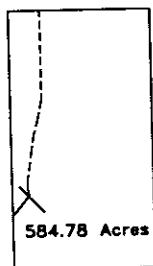
West Delta Block 22



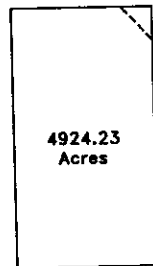
West Delta Block 25



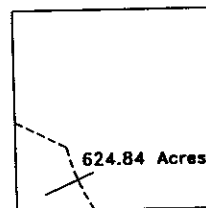
West Delta Block 37



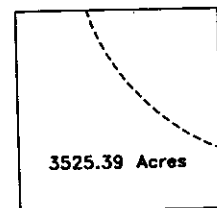
West Delta Block 81



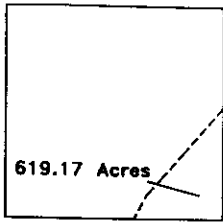
West Delta Block 108



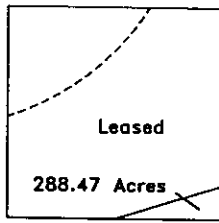
South Pass Block 29



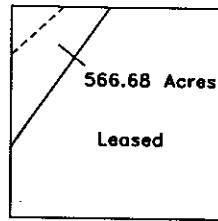
South Pass Block 36



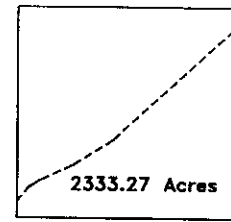
South Pass Block 39



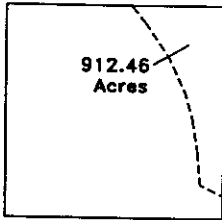
South Pass Block 57



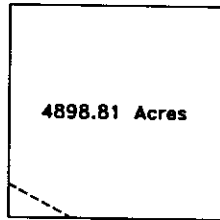
South Pass S.&E. Block 66



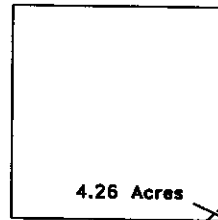
Main Pass Block 17



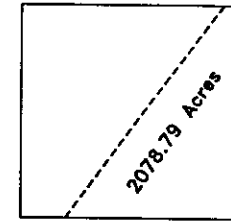
Main Pass Block 55



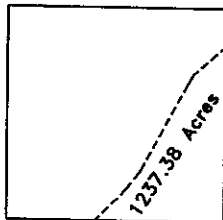
Main Pass Block 56



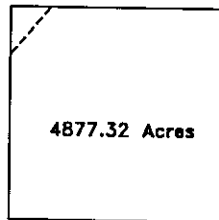
Breton Sound Block 24



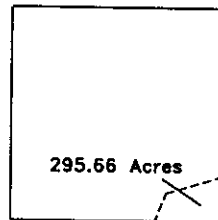
Breton Sound Block 25



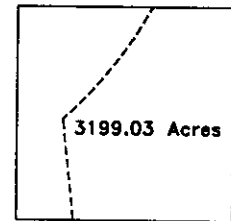
Breton Sound Block 39



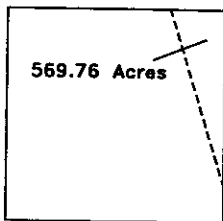
Breton Sound Block 40



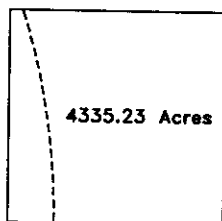
Breton Sound Block 44



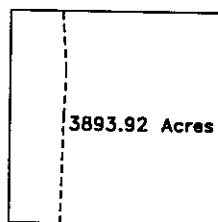
Breton Sound Block 53



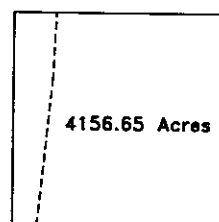
Chandeleur Block 1



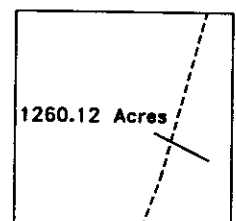
Chandeleur Block 3



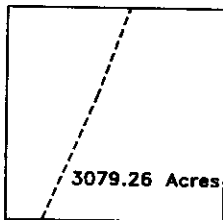
Chandeleur Block 5



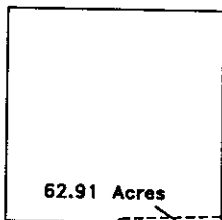
Chandeleur Block 8



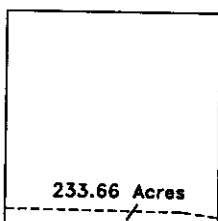
Chandeleur Block 16



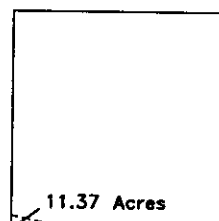
Chandeleur Block 27



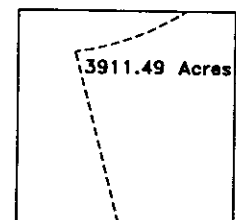
Mobile Block 765



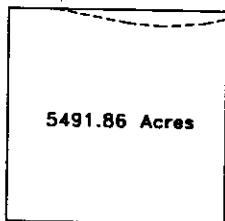
Mobile Block 766



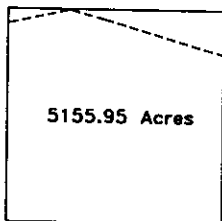
Mobile Block 767



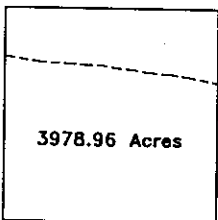
Mobile Block 809



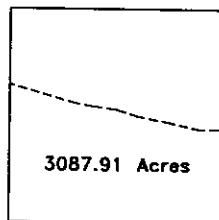
Mobile Block 811



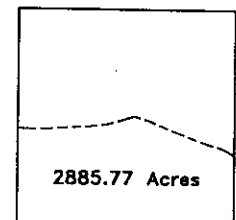
Mobile Block 812



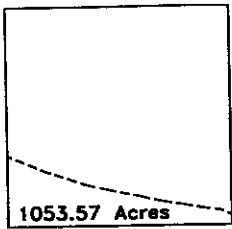
Mobile Block 813



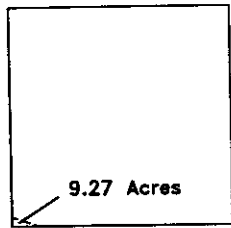
Mobile Block 814



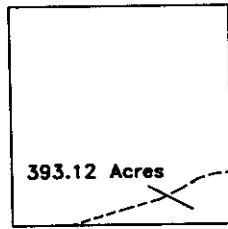
Mobile Block 815



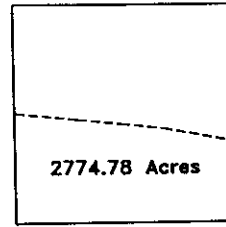
Mobile Block 816



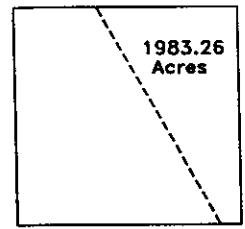
Mobile Block 817



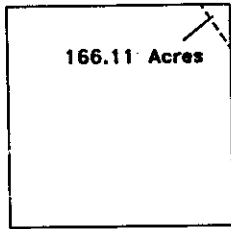
Mobile Block 818



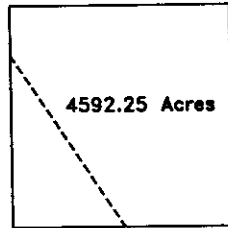
Mobile Block 829



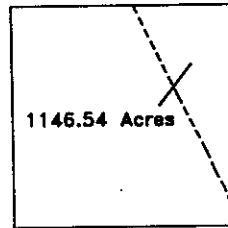
Mobile Block 853



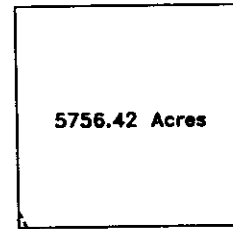
Mobile Block 897



Mobile Block 898



Mobile Block 942

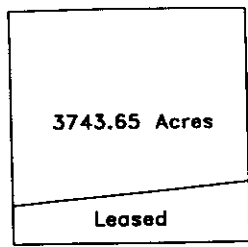


Mobile Block 943

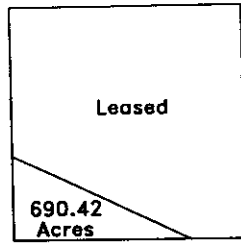
**UNLEASED ACREAGE OF BLOCKS WITH ALIQUOTS
AND IRREGULAR PORTIONS UNDER LEASE**

West Cameron	Ship Shoal	South Pass
21 (2180.18 Ac.)	* 13 (4357.82 Ac.)	* 52 (533.24 Ac.)
* 44 (3743.65 Ac.)	* 14 (3237.47 Ac.)	* 57 (288.47 Ac.)
68 (2500.00 Ac.)	* 26 (3526.36 Ac.)	
111 (3750.00 Ac.)	* 64 (829.36 Ac.)	South Pass
132 (2500.00 Ac.)	71 (2500.00 Ac.)	South & East
	87 (2500.00 Ac.)	Addition
East Cameron	94 (4375.00 Ac.)	
* 11 (690.42 Ac.)	117 (2500.00 Ac.)	* 66 (566.68 Ac.)
* 14 (581.45 Ac.)	118 (2500.00 Ac.)	
195 (2500.00 Ac.)	South Timbalier	Main Pass
204 (3750.00 Ac.)	27 (1875.00 Ac.)	43 (2029.03 Ac.)
Vermilion	28 (3750.00 Ac.)	* 93 (466.39 Ac.)
46 (2500.00 Ac.)	188 (3750.00 Ac.)	100 (1638.837 Ac.)
179 (4453.13 Ac.)	Grand Isle	106 (2731.39 Ac.)
218 (4140.625 Ac.)	29 (2500.00 Ac.)	127 (2497.275 Ac.)
South Marsh Island	* 30 (4234.00 Ac.)	*152 (22.47 Ac.)
North Addition	53 (2500.00 Ac.)	Chandeleur
		* 30 (1433.65 Ac.)
*221 (44.64 Ac.)	West Delta	Mobile
*241 (619.64 Ac.)	21 (545.42 Ac.)	911 (2880.00 Ac.)
*242 (3068.22 Ac.)	* 22 (1334.99 Ac.)	
Eugene Island	68 (1832.535 Ac.)	
93 (2500.00 Ac.)		
116 (2500.00 Ac.)		
189 (1250.00 Ac.)		
214 (1875.00 Ac.)		
254 (2500.00 Ac.)		

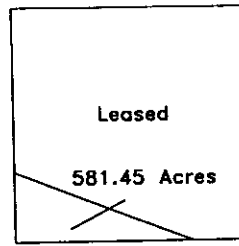
* Blocks with irregular portions under lease (See page 8).



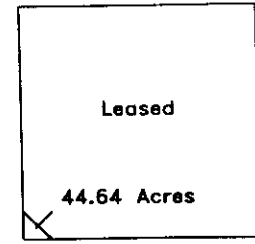
West Cameron Block 44



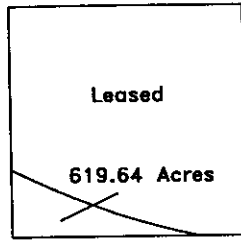
East Cameron Block 11



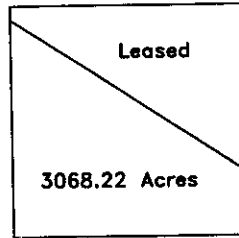
East Cameron Block 14



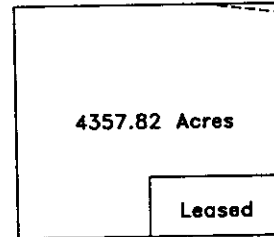
South Marsh Island N.A. Block 221



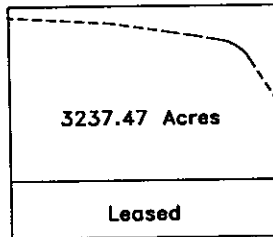
South Marsh Island N.A. Block 241



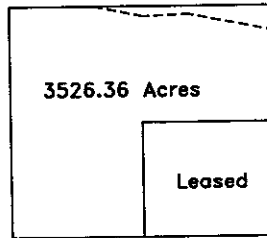
South Marsh Island N.A. Block 242



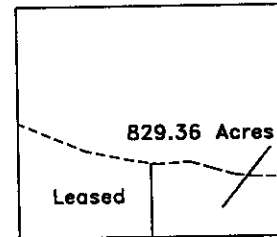
Ship Shoal Block 13



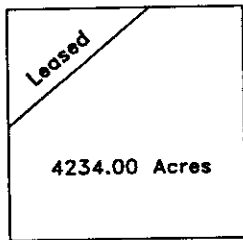
Ship Shoal Block 14



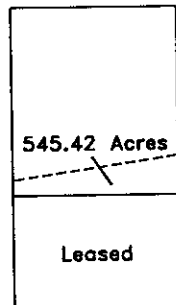
Ship Shoal Block 26



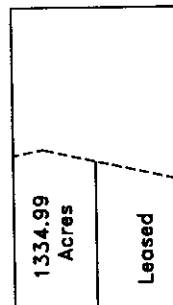
Ship Shoal Block 64



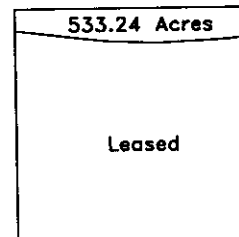
Grand Isle Block 30



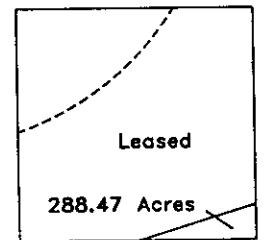
West Delta Block 21



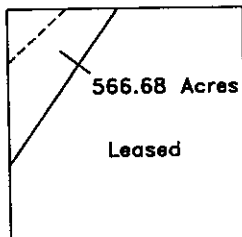
West Delta Block 22



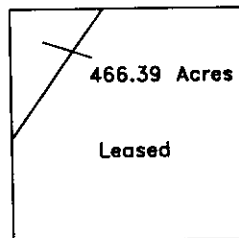
South Pass Block 52



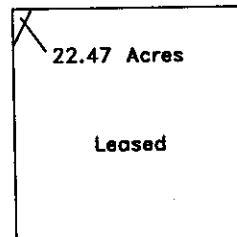
South Pass Block 57



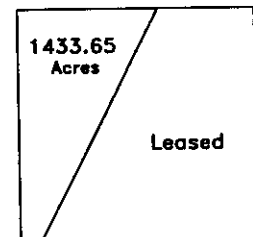
South Pass S&E Block 66



Main Pass Block 93



Main Pass Block 152



Chandeleur Block 30

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

**Certifications Regarding Debarment, Suspension, and
Other Responsibility Matters**

Persons signing this form should refer to the regulations referenced below for complete instructions:

Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions - **The prospective primary participant further agrees by submitting this proposal that it will include the clause titled, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.** See below for language to be used; use this form for certification and sign; or use Department of the Interior Form 1954 (DI-1954). (See Appendix A of Subpart D of 43 CFR Part 12.)

Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions - (See Appendix B of Subpart D of 43 CFR Part 12.)

60 FR 9786 (February 22, 1995) allows the use of "...any forms or formats, including electronic equivalents..." in making these required certifications, "...as long as the certification or statement contains the applicable language required by the regulation."

Signature on this form provides for compliance with certification requirements under 43 CFR Parts 12 and 18. The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of the Interior determines to award the covered transaction, grant, cooperative agreement, or loan.

PART A: Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions
(applicable to all MMS transactions requiring certification under the regulations cited above, including lease issuance)

CHECK ___ IF THIS CERTIFICATION IS FOR A PRIMARY COVERED TRANSACTION AND IS APPLICABLE.

- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (b) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

PART B: Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions
(not applicable to MMS lease issuance; applies to other MMS transactions requiring certification under the regulations cited above, as directed)

CHECK ___ IF THIS CERTIFICATION IS FOR A LOWER TIER COVERED TRANSACTION AND IS APPLICABLE.

- (1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
- (2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

As the authorized certifying official, I hereby certify that the above specified certifications are true.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL

TYPED NAME AND TITLE

DATE: _____

Preferred Bid Form

**Regional Director
Minerals Management Service, USDI
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394**

**Oil and Gas Lease Sale _____
Date of Sale: _____
Company Submitting Bid: _____
GOM Company Number: _____**

Oil and Gas Lease Bid

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

Area Name	Block	Total Amount Bid	Amount Per Acre	Amount of Cash Bonus Submitted with Bid
West Cameron West Addition	404	\$6,157,623	\$1,231.53	\$1,231,524.60

GOM Company No.	Percent Interest	Company Name(s) and Signature(s)
20999	33.33	Explorer LTD Box 1234567 Dimo Box, Texas 12345 By: _____ I. W. In Vice President
21115	33.33	O&G Trans Box 54321 North Zulch, Texas 12345 By: _____ M. E. Too, II Attorney-in-Fact
20137	33.34	Ideas Galor 5 Swamp Boulevard New Orleans, Louisiana 12345 By: _____ I. Al So President
TOTAL:	100.00	

NOTES:

1. Company name as on file with MMS, GOM Company Number, company address, and area/block number must appear on all bids. Company address is where official correspondence will be sent.
2. Staple check to the bid form.
3. Use large boldface type-style, such as Times Roman Bold - 12 pt.
4. Total Amount Bid must be in whole dollar figure.
5. Amount Per Acre is equal to Total Amount Bid divided by unleased block acreage (round up to next cent). This dollar amount is used during bid reading and immediate post-sale statistics to provide a reference basis. MMS recalculates the per acre amount for all official reports based on official protraction diagram or leasing map acreage.
6. Amount of Cash Bonus Submitted with Bid must not be less than 20% of Total Amount Bid.
7. Proportional interest of joint bids must not exceed 5 decimal places; total must always equal 100%. There is no limit to the number of joint bidders that may participate.
8. Type Signer's name under signature; each joint bidder must sign.

Bidder's Envelope - Example of Preferred Format

Ideas Galor - GOM Company Number 20137

West Cameron Area, South Addition

Block 404

**SEALED BID FOR OIL AND GAS LEASE SALE _____
NOT TO BE OPENED UNTIL 9:00 A.M. C.S.T., _____ day, _____,**

- 1. Use standard size envelopes not to exceed 4-1/2" x 10-1/2" when submitting bids.**
- 2. Use large boldface type, such as Times Roman Bold - 12 pt.**

FINAL

**Trial Procedures for Access
to Certain Geophysical Data and
Information in the Gulf of Mexico**

Revised
January 19, 1996

**Trial Procedures for Access
to Certain Geophysical Data and
Information in the Gulf of Mexico**

Background

Pursuant to Sections 18 and 26 of the Outer Continental Shelf (OCS) Lands Act, the Minerals Management Service (MMS) has a right of access to certain geophysical data and information obtained or developed as a result of operations on the OCS. The procedures contained within this document are applicable solely to geophysical data acquired under a permit for geophysical exploration on the OCS issued under 30 CFR Part 251 and reprocessed by a third party, including a licensee, not on behalf of the permittee. Nothing herein should be construed to apply to speculative data acquired by a permittee and processed and/or reprocessed by the permittee or its agent for its use. The sole objective is to provide MMS timely access to geophysical data and information not available directly for any reason from the permittee, but which may be held by third parties, including licensees of the permittee, for MMS' use in determining the adequacy of bids received at OCS lease sales. These trial procedures are further limited specifically to processed and reprocessed pre- and post-stack depth migrated data ("geophysical information" as defined in 30 CFR 251.2) designed to enhance interpretations below and adjacent to salt structures. It is not MMS' intent to request interpreted geophysical information as defined in 30 CFR Part 251.2 through these procedures, but rather to seek access to only processed and reprocessed geophysical data.

MMS is also sensitive to the concerns expressed by industry regarding the confidentiality of individual company work products and client lists and the potential burden of responding to a myriad of requests from MMS pertaining to the existence and availability of these types of reprocessed geophysical data. While the procedures below are in effect, permittees will not be required to reveal to whom the data has been licensed, nor the client for which data has been processed or reprocessed on a proprietary basis.

Procedures

These procedures are part of the Notice of Sale and apply only to the Gulf of Mexico. They are intended to remain in place for a short period of time to allow MMS to evaluate their effectiveness.

In some cases the geophysical data and information required by the MMS may not, for contractual or other reasons, be available from

the permittee who acquired the basic geophysical data pursuant to the permit; but instead may only be available from third parties including licensees.

Pursuant to these trial procedures MMS will not require that permittees provide the names of any third parties including licensees to data acquired under a permit, or identify data that have been reprocessed on a proprietary basis for a client other than the permittee.

To resolve the concerns of both industry and MMS with respect to such cases, all companies bidding on a Gulf of Mexico OCS tract, or participating as a joint bidder in such a bid, will be required to provide with the bid, but not as a part of the bid, a separate statement (suggested form attached) identifying any processed or reprocessed pre- and post-stack depth migrated geophysical data (as described in Exhibit "A") which is in their possession and control and pertains to that tract. MMS is now requiring specific identification of line name(s) (for 2D data) or 3D Phase name(s) used for depth migration. Within 7 working days of a written request from MMS such bidders will allow MMS to inspect the data, and upon further written request will transmit to MMS within 10 working days such data in the attached format. Upon written request with supporting justification to the Regional Director, MMS may provide limited additional time for the bidder to provide the data. The bidder will retain the data which was used for evaluation of a tract for a bid for a period of 90 days after the sale, and make it available for MMS inspection and possible acquisition. If a bidder is awarded a lease on a tract, that bidder's data, or the most recent derivation available at the time of a request by MMS, will be retained and made available for MMS inspection and possible acquisition for a period of 3 years after the sale. If the bidder was not awarded a lease on the tract, such bidder's data must be retained and made available for MMS inspection and possible acquisition for a period of 6 months after the sale.

In the event MMS chooses to acquire the reprocessed data at a date later than 6 months after the sale, the MMS may request same in writing from the successful bidder and the successful bidder will have 30 calendar days from receipt of written notification to provide MMS, as appropriate, either access for inspection or copies of the requested data. The company providing the reprocessed data pursuant to these procedures will be reimbursed as follows. For the six month period after the sale, based on a review of the allowable cost for data reproduction to MMS for three-dimensional and two-dimensional data sets, the company providing the reprocessed data will be reimbursed at a rate of \$480 per block or part thereof for three-dimensional data and \$2 per line mile for two-dimensional data. Afterwards, reimbursement will be subject to the terms and conditions of 30 CFR Part 251.13(a).

All geophysical data and information obtained and reviewed by MMS pursuant to these procedures shall be held in the strictest confidence and treated as proprietary in accordance with the applicable terms of 30 CFR Part 251.14 and 252.3-252.7.

For additional information, contact the MMS Gulf of Mexico Regional Office of Resource Evaluation at (504) 736-2720 or (504) 736-2434.

TRIAL PROCEDURES

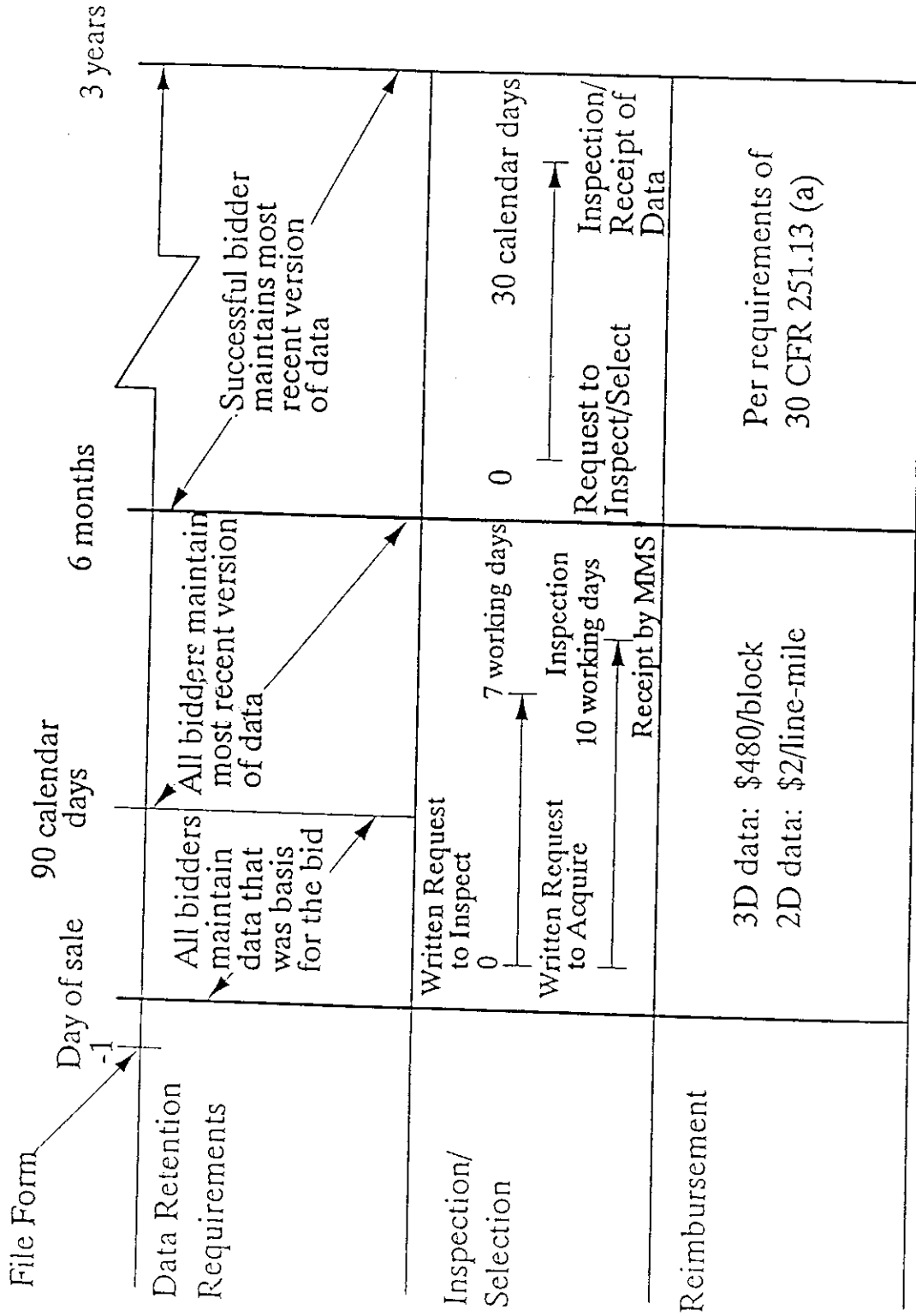


Exhibit "A"

Non-speculative Depth Migrated Geophysical Data and Information

The deliverables are as follows:

1. Three-dimensional and/or two-dimensional digital final processed and migrated time data corresponding to the depth migrated lines and shot points (item 2). Recorded on 8MM (2.5 g-byte) cassettes or other acceptable media in SEG Y standard exchange format.
2. Three-dimensional and/or two-dimensional digital final processed and migrated depth data. Recorded on 8MM (2.5 g-byte) cassettes or other acceptable media in SEG Y standard exchange format.
3. If available, one floppy diskette or 8MM cassette (or other acceptable media) digital navigation (bin-center) of final shot point locations for time data in SEG P1 format along with a corresponding paper copy. (Navigation data shall be first and last location point for each line.)
4. A sample paper copy of the processing sequence that was applied to the time and depth data.
5. Copies of SEG Y byte positions for the three-dimensional and/or two-dimensional time and depth digital data. Also, workstation loading parameters for each data set (time data, post-stack depth migrated data, and pre-stack depth migrated data), including survey azimuth, in-line spacing, trace or CDP spacing, sample rate, record length and the latitude, longitude, line number, and trace number for each corner position (upper left, lower left, upper right, and lower right).
6. Pursuant to the above, if the data is available, the areal extent of the data to be provided shall be limited to the data needed for evaluation.

EXAMPLE OF PREFERRED FORMAT

STATEMENT OF POSSESSION AND CONTROL OF
DEPTH MIGRATED GEOPHYSICAL DATA AND INFORMATION
Submitted for Sale _____

(COMPANY NAME) has in its possession and control the following names and types of depth migrated geophysical data and information pertaining to block(s) we bid upon or participated as a joint bidder on:

(Area, block, type(s) of data and information, and line name(s) for 2-D data)

(Area, block, type(s) of data and information, and phase name(s) for 3-D data)

[Types of depth migrated data to be reported:

- a) **Processed/reprocessed pre-stack 3-D depth migrated data and information.**
- b) **Processed/reprocessed post-stack 3-D depth migrated data and information.**
- c) **Processed/reprocessed pre-stack 2-D depth migrated data and information.**
- d) **Processed/reprocessed post-stack 2-D depth migrated data and information.**

This requirement does not pertain to speculative pre- and post-stack depth migrated data and information.]

Data can be inspected at: (Street Address)

Contact for inspection of or acquisition of data:

Name: _____
Phone: _____
Fax #: _____
Mailing Address: _____

(COMPANY NAME) does not have in its possession and control any nonspeculative depth migrated geophysical data and information pertaining to the following block(s) we bid upon or participated as a joint bidder on:

(Area and Block)

(Area and Block)

(Signature of company official)
(Official's name)
(Official's title)*
(Date Submitted)

[* An exploration manager or someone in a comparable position with knowledge of the data used in the evaluation of block(s).]

Bidder's Envelope for Seismic Data Statement- Example of Preferred Format

Ideas Galor- H.O. MISC. No. 20137

Depth Migrated Seismic Data Statement

Proprietary Data

SUBMITTED IN CONJUNCTION WITH OIL AND GAS LEASE SALE ____

- 1. Use standard size envelopes not to exceed 4-1/2" x 10-1/2"**
- 2. Use large boldface type, such as Times Roman Bold - 12 pt.**

United States Department of the Interior

Minerals Management Service
Gulf of Mexico OCS Region
Adjudication Unit (MS 5421)
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

The following information is provided relative to bids submitted for OCS Lease Sale Number _____ by _____

Company Name: _____

Signature: _____

Title: _____

Area Code - Phone Number: _____

GOM Company Number: _____

Date: _____

IV. Return of Unsuccessful Checks.

The bid deposit check or checks for unsuccessful bids will be returned to only one company within a bidding combine. Indicate preferred method of delivery:

Pick up - at the sale site.

(Individual Authorized to Pick Up Checks)

(Company)

(Area Code - Phone Number)

Mail to: (FED EX requires Street Address and Zip Code)

(Company)

(Street)

(City) (State) (Zip)

(Attention)

(Area Code - Phone Number)

V. Return of Deposit for Rejected Bids.

All refunds for rejected bids will be returned to only one company within a bidding combine. All refunds will be via EFT.

(Name of Receiving Financial Organization)

(City and State of Receiving Financial Organization)

(Nine-digit American Bankers Association Routing Number)

(Recipient Account Number at Receiving Financial Organization)

(Recipient Name in which Account is Maintained)

I. Payments and Refunds.

All payoff payments to and refunds from the Minerals Management Service will be made via Electronic Funds Transfer (EFT). The individual authorized to act as your company's EFT coordinator is:

(Name)

(Company)

(Area Code - Phone Number)

(Area Code - FAX Number)

II. Deliver to: (FED EX requires Street Address and Zip Code)

(Company)

(Street)

(City) (State) (Zip)

(Attention)

(Area Code - Phone Number)

III. Notification of Bid Acceptance will only be made by FAX Message.

FAX Number: _____

****RETURN AT TIME OF BID SUBMISSION - DO NOT ENCLOSE IN ENVELOPE****

