

**DEPARTMENT OF THE INTERIOR**

**Minerals Management Service (MMS)**

Outer Continental Shelf (OCS) Western Gulf of Mexico (GOM) Oil and Gas Lease Sale 196

**AGENCY:** Minerals Management Service, Interior

**ACTION:** Final Notice of Sale (FNOS) 196

**SUMMARY:** On August 17, 2005, the MMS will open and publicly announce bids received for blocks offered in Western GOM Oil and Gas Lease Sale 196, pursuant to the OCS Lands Act (43 U.S.C. 1331-1356, as amended), and the regulations issued thereunder (30 CFR Part 256).

The Final Notice of Sale 196 Package (FNOS 196 Package) contains information essential to bidders, and bidders are charged with the knowledge of the documents contained in the Package.

**DATES:** Public bid reading will begin at 9 a.m., Wednesday, August 17, 2005, in the Hyatt Regency Conference Center (Cabildo Rooms), 500 Poydras Plaza, New Orleans, Louisiana. All times referred to in this document are local New Orleans times, unless otherwise specified.

**ADDRESSES:** Bidders can obtain a FNOS 196 Package containing this Notice of Sale and several supporting and essential documents referenced herein from the MMS Gulf of Mexico Region Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, (504) 736-2519 or (800) 200-GULF, or via the MMS Internet website at [www.mms.gov](http://www.mms.gov).

**FILING OF BIDS:** Bidders must submit sealed bids to the Regional Director (RD), MMS Gulf of Mexico Region, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, between 8 a.m. and 4 p.m. on normal working days, and from 8 a.m. to the Bid Submission Deadline of 10 a.m. on Tuesday, August 16, 2005. If bids are mailed, please address the envelope containing all of the sealed bids as follows:

Attention: Supervisor  
Sales and Support Unit (MS 5422)  
Leasing Activities Section  
MMS Gulf of Mexico Region  
1201 Elmwood Park Boulevard  
New Orleans, Louisiana 70123-2394

**Contains Sealed Bids for Oil and Gas Lease Sale 196**  
**Please Deliver to Ms. Jane Burrell Johnson, Room 311, Immediately.**

Please note: Bidders mailing their bid(s) are advised to call Ms. Jane Burrell Johnson (504) 736-2811 immediately after putting their bid(s) in the mail.

If the RD receives bids later than the time and date specified above, he will return those bids unopened to bidders. Bidders may not modify or withdraw their bids unless the RD receives a written modification or written withdrawal request prior to 10 a.m. on Tuesday, August 16, 2005. Should an unexpected event such as flooding or travel restrictions be significantly disruptive to bid submission, the MMS Gulf of Mexico Region may extend the Bid Submission Deadline. Bidders may call (504) 736-0557 for information about the possible extension of the Bid Submission Deadline due to such an event.

**AREAS OFFERED FOR LEASING:** The MMS is offering for leasing all blocks and partial blocks listed in the document "Blocks Available for Leasing in Western GOM Oil and Gas Lease Sale 196" included in the FNOS 196 Package. All of these blocks are shown on the following Leasing Maps and Official Protraction Diagrams (available for free online in .PDF and .GRA format at [http://www.gomr.mms.gov/homepg/lseale/map\\_arc.html](http://www.gomr.mms.gov/homepg/lseale/map_arc.html) or which may be purchased from the MMS Gulf of Mexico Region Public Information Unit):

**Outer Continental Shelf Leasing Maps - Texas Map Numbers 1 through 8  
(These 16 maps sell for \$2.00 each.)**

TX1 South Padre Island Area (revised November 1, 2000)  
TX1A South Padre Island Area, East Addition (revised November 1, 2000)  
TX2 North Padre Island Area (revised November 1, 2000)  
TX2A North Padre Island Area, East Addition (revised November 1, 2000)  
TX3 Mustang Island Area (revised November 1, 2000)  
TX3A Mustang Island Area, East Addition (revised September 3, 2002)  
TX4 Matagorda Island Area (revised November 1, 2000)  
TX5 Brazos Area (revised November 1, 2000)  
TX5B Brazos Area, South Addition (revised November 1, 2000)  
TX6 Galveston Area (revised November 1, 2000)  
TX6A Galveston Area, South Addition (revised November 1, 2000)  
TX7 High Island Area (revised November 1, 2000)  
TX7A High Island Area, East Addition (revised November 1, 2000)  
TX7B High Island Area, South Addition (revised November 1, 2000)  
TX7C High Island Area, East Addition, South Extension (revised November 1, 2000)  
TX8 Sabine Pass Area (revised November 1, 2000)

**Outer Continental Shelf Official Protraction Diagrams  
(These 7 diagrams sell for \$2.00 each.)**

NG14-03 Corpus Christi (revised November 1, 2000)  
NG14-06 Port Isabel (revised November 1, 2000)  
NG15-01 East Breaks (revised November 1, 2000)  
NG15-02 Garden Banks (revised November 1, 2000)  
NG15-04 Alaminos Canyon (revised November 1, 2000)  
NG15-05 Keathley Canyon (revised November 1, 2000)  
NG15-08 Sigsbee Escarpment (revised November 1, 2000)

Please note: A CD-ROM (in ARC/INFO and Acrobat (.pdf) format) containing all of the GOM Leasing Maps and Official Protraction Diagrams, except for those not yet converted to digital format, is available from the MMS Gulf of Mexico Region Public Information Unit for a price of \$15. For the current status of all Western GOM Leasing Maps and Official Protraction Diagrams, please refer to 66 FR 28002 (published May 21, 2001) and 67 FR 60701 (published September 26, 2002). In addition, Supplemental Official OCS Block Diagrams (SOBDs) for these blocks are available for blocks which contain the "U.S. 200 Nautical Mile Limit" line and the "U.S.-Mexico Maritime Boundary" line. These SOBDs are also available from the MMS Gulf of Mexico Region Public Information Unit. For additional information, please call Ms. Tara Montgomery (504) 736-5722.

All blocks are shown on these Leasing Maps and Official Protraction Diagrams. The available Federal acreage of all whole and partial blocks in this lease sale is shown in the document "List of Blocks Available for Leasing in Lease Sale 196" included in the FNOS 196 Package. Some of these blocks may be partially leased or deferred, or transected by administrative lines such as the Federal/State jurisdictional line. A bid on a block must include all of the available Federal acreage of that block. Also, information on the unleased portions of such blocks is found in the document "Western Gulf of Mexico Lease Sale 196 - Unleased Split Blocks and Available Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease or Deferred," included in the FNOS 196 Package.

**AREAS NOT AVAILABLE FOR LEASING:** The following whole and partial blocks are not offered for lease in this lease sale:

Whole blocks and portions of blocks which lie within the boundaries of the Flower Garden Banks National Marine Sanctuary at the East and West Flower Garden Banks and Stetson Bank (the following list includes all blocks affected by the Sanctuary boundaries):

High Island, East Addition, South Extension (Area TX7C)

Whole Blocks: A-375, A-398

Portions of Blocks: A-366, A-367, A-374, A-383, A-384, A-385, A-388, A-389, A-397, A-399, A-401

High Island, South Addition (Area TX7B)

Portions of Blocks: A-502, A-513

Garden Banks (Area NG15-02)

Portions of Blocks: 134, 135

Whole blocks and portions of blocks which lie within the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico:

Keathley Canyon (Area NG15-05)

Portions of Blocks: 978 through 980

Sigsbee Escarpment (Area NG15-08)

Whole Blocks: 11, 57, 103, 148, 149, 194, 239, 284, 331 through 341

Portions of Blocks: 12 through 14, 58 through 60, 104 through 106, 150, 151, 195, 196, 240, 241, 285 through 298, 342 through 349

**STATUTES AND REGULATIONS:** Each lease issued in this lease sale is subject to the OCS Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), hereinafter called "the Act"; all regulations issued pursuant to the Act and in existence upon the Effective Date of the lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the OCS and the protection of correlative rights therein; and all other applicable statutes and regulations.

**LEASE TERMS AND CONDITIONS:** Initial period, extensions of initial period, minimum bonus bid amount, rental rates, royalty rates, minimum royalty, and royalty suspension areas are shown on the map "Lease Terms and Economic Conditions, Lease Sale 196, Final" for leases resulting from this lease sale:

**Initial Period:** 5 years for blocks in water depths of less than 400 meters; 8 years for blocks in water depths of 400 to less than 800 meters (pursuant to 30 CFR 256.37, commencement of an exploratory well is required within the first 5 years of the initial 8-year term to avoid lease cancellation); and 10 years for blocks in water depths of 800 meters or deeper;

**Extensions of Initial Period:** Extensions may be granted for eligible leases on blocks in water depths of less than 400 meters as specified in NTL No. 2000-G22;

**Minimum Bonus Bid Amount:** A bonus bid will not be considered for acceptance unless it provides for a cash bonus in the amount of \$25 or more per acre or fraction thereof for blocks in water depths of less than 400 meters or \$37.50 or more per acre or fraction thereof for blocks in water depths of 400 meters or deeper; to confirm the exact calculation of the minimum bonus bid amount for each block, see "List of Blocks Available for Leasing" contained in the FNOS 196 Package;

**Rental Rates:** \$6.25 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$9.50 per acre or fraction thereof for blocks in water depths of 200 meters or deeper, to be paid on or before the first day of each lease year until a discovery in paying quantities of oil or gas, then at the expiration of each lease year until the start of royalty-bearing production;

**Royalty Rates:** 16-2/3 percent royalty rate for blocks in water depths of less than 400 meters and a 12-1/2 percent royalty rate for blocks in water depths of 400 meters or deeper, except during periods of royalty suspension, to be paid monthly on the last day of the month next following the month during which the production is obtained;

**Minimum Royalty:** After the start of royalty-bearing production: \$6.25 per acre or fraction thereof per year for blocks in water depths of less than 200 meters and \$9.50 per

acre or fraction thereof per year for blocks in water depths of 200 meters or deeper, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due;

**Royalty Suspension Areas:** Royalty suspension, subject to deep gas price thresholds, will apply to blocks in water depths less than 200 meters where deep gas (typically 15,000 feet or greater subsea) is drilled and commences production before May 3, 2009. In addition, subject to both oil and gas price thresholds, royalty suspension will apply in water depths of 400 meters or deeper. See the map "Lease Terms and Economic Conditions, Lease Sale 196, Final" for specific areas and the "Royalty Suspension Provisions, Lease Sale 196, Final" document contained in the FNOS 196 Package for specific details regarding royalty suspension eligibility, applicable price thresholds and implementation.

**LEASE STIPULATIONS:** The map "Stipulations and Deferred Blocks, Lease Sale 196, Final" depicts the blocks on which one or more of five lease stipulations apply: (1) Topographic Features; (2) Military Areas; (3) Operations in the Naval Mine Warfare Area; (4) Law of the Sea Convention Royalty Payment; and (5) Protected Species. The texts of the stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 196, Final" included in the FNOS 196 Package. In addition, the "List of Blocks Available for Leasing" contained in the FNOS 196 Package identifies for each block listed the lease stipulations applicable to that block.

**INFORMATION TO LESSEES:** The FNOS 196 Package contains an "Information To Lessees" document which provides detailed information on certain specific issues pertaining to this oil and gas lease sale.

**METHOD OF BIDDING:** For each block bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed Bid for Oil and Gas Lease Sale 196, not to be opened until 9 a.m., Wednesday, August 17, 2005." The submitting company's name, its GOM Company number, the map area, map number, and block number should be clearly identified on the outside of the envelope. Please refer to the sample bid envelope included within the FNOS 196 Package. Please also refer to the Telephone Numbers/Addresses of Bidders Form included within the FNOS 196 Package. We are requesting that you provide this information in the format suggested for each lease sale. Please provide this information prior to or at the time of bid submission. Do not enclose this form inside the sealed bid envelope. The total amount of the bid must be in a whole dollar amount; any cent amount above the whole dollar will be ignored by the MMS. Details of the information required on the bid(s) and the bid envelope(s) are specified in the document "Bid Form and Envelope" contained in the FNOS 196 Package. A blank bid form, which is provided for your convenience, may be copied and filled in.

The MMS published in the Federal Register a list of restricted joint bidders, which applies to this lease sale, at 70 FR 22900 on May 3, 2005. Bidders must execute all documents in conformance with signatory authorizations on file in the MMS Gulf of Mexico Region Adjudication Unit. Partnerships also must submit or have on file a list of signatories authorized to bind the

partnership. Bidders submitting joint bids must include on the bid form the proportionate interest of each participating bidder, stated as a percentage, using a maximum of five decimal places, e.g., 33.33333 percent. The MMS may require bidders to submit other documents in accordance with 30 CFR 256.46. The MMS warns bidders against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders. Bidders are advised that the MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including payment of the one-fifth bonus bid amount on all high bids. A statement to this effect must be included on each bid (see the document "Bid Form and Envelope" contained in the FNOS 196 Package).

**ROUNDING:** The following procedure must be used to calculate the minimum bonus bid, annual rental, and minimum royalty: Round up to the next whole dollar amount if the calculation results in a decimal figure (see next paragraph).

Please note: The minimum bonus bid calculation, including all rounding, is shown in the document "List of Blocks Available for Leasing in Lease Sale 196" included in the FNOS 196 Package.

**BONUS BID DEPOSIT:** Each bidder submitting an apparent high bid must submit a bonus bid deposit to the MMS equal to one-fifth of the bonus bid amount for each such bid. Under the authority granted by 30 CFR 256.46(b), the MMS requires bidders to use electronic funds transfer procedures for payment of one-fifth bonus bid deposits for Lease Sale 196, following the detailed instructions contained in the document "Instructions for Making EFT Bonus Payments" which can be found on the MMS website at <http://www.gomr.mms.gov/homepg/lseale/196/wgom196.html>. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury (account specified in the EFT instructions) by 1:00 p.m. Eastern Time the day following bid reading. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States. If a lease is awarded, however, MMS requests that only one transaction be used for payment of the four-fifths bonus bid amount and the first year's rental.

Please note: Certain bid submitters (i.e., those that are NOT currently an OCS mineral lease record title holder or designated operator OR those that have ever defaulted on a one-fifth bonus bid payment (EFT or otherwise)) are required to guarantee (secure) their one-fifth bonus bid payment prior to the submission of bids. For those who must secure the EFT one-fifth bonus bid payment, one of the following options may be used: (1) Provide a third-party guarantee; (2) Amend development bond coverage; (3) Provide a letter of credit; or (4) Provide a lump sum payment in advance via EFT. The EFT instructions specify the requirements for each option.

**WITHDRAWAL OF BLOCKS:** The United States reserves the right to withdraw any block from this lease sale prior to issuance of a written acceptance of a bid for the block.

**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 block will be awarded to any bidder, unless the bidder has complied with all requirements of this

Notice, including the documents contained in the associated FNOS 196 Package and applicable regulations; the bid is the highest valid bid; and the amount of the bid has been determined to be adequate by the authorized officer. Any bid submitted which does not conform to the requirements of this Notice, the Act, and other applicable regulations may be returned to the person submitting that bid by the RD and not considered for acceptance. The Attorney General may also review the results of the lease sale prior to the acceptance of bids and issuance of leases. To ensure that the Government receives a fair return for the conveyance of lease rights for this lease sale, high bids will be evaluated in accordance with MMS bid adequacy procedures. A copy of current procedures, "Modifications to the Bid Adequacy Procedures" at 64 FR 37560 on July 12, 1999, can be obtained from the MMS Gulf of Mexico Region Public Information Unit or via the MMS Internet website at <http://www.gomr.mms.gov/homepg/lseale/bidadeq.html>.

**SUCCESSFUL BIDDERS:** As required by the MMS, each company that has been awarded a lease must execute all copies of the lease (Form MMS-2005 (March 1986) as amended), pay by EFT the balance of the bonus bid amount and the first year's rental for each lease issued in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, Subpart I, as amended.

Also, in accordance with regulations at 43 CFR, part 42, subpart C, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agrees to communicate this requirement to comply with these regulations to persons with whom the lessee does business as it relates to this lease by including this term as a condition to enter into their contracts and other transactions.

**AFFIRMATIVE ACTION:** The MMS requests that, prior to bidding, Equal Opportunity Affirmative Action Representation Form MMS 2032 (June 1985) and Equal Opportunity Compliance Report Certification Form MMS 2033 (June 1985) be on file in the MMS Gulf of Mexico Region Adjudication Unit. This certification is required by 41 CFR 60 and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967. In any event, prior to the execution of any lease contract, both forms are required to be on file in the MMS Gulf of Mexico Region Adjudication Unit.

**GEOPHYSICAL DATA AND INFORMATION STATEMENT:** Pursuant to 30 CFR 251.12, the MMS has a right to access geophysical data and information collected under a permit in the OCS. Every bidder submitting a bid on a block in Sale 196, or participating as a joint bidder in such a bid, must submit a Geophysical Data and Information Statement identifying any processed or reprocessed pre- and post-stack depth migrated geophysical data and information in its possession or control and used in the evaluation of that block. The existence, extent (i.e., number of line miles for 2D or number of blocks for 3D) and type of such data and information must be clearly identified. The statement must include the name and phone number of a contact person, and an alternate, knowledgeable about the depth data sets (that were processed or reprocessed to correct for depth) used in evaluating the block. In the event such data and information includes data sets from different timeframes, you should identify only the most recent data set used for block evaluations.

The statement must also identify each block upon which a bidder participated in a bid but for which it does not possess or control such depth data and information.

Every bidder must submit a separate Geophysical Data and Information Statement in a sealed envelope. The envelope should be labeled "Geophysical Data and Information Statement for Oil and Gas Lease Sale 196" and the bidder's name and qualification number must be clearly identified on the outside of the envelope. This statement must be submitted to the MMS at the Gulf of Mexico Regional Office, Attention: Resource Evaluation (1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394) by 10 a.m. on Tuesday, August 16, 2005. The statement may be submitted in conjunction with the bids or separately. Do not include this statement in the same envelope containing a bid. These statements will not be opened until after the public bid reading at Lease Sale 196 and will be kept confidential. An Example of Preferred Format for the Geophysical Data and Information Statement is included in the FNOS 196 Package. Please also refer to a sample of the Geophysical Envelope - Preferred Format included within the FNOS 196 Package.

Please refer to NTL No. 2003-G05 for more detail concerning submission of the Geophysical Data and Information Statement, making the data available to the MMS following the lease sale, preferred format, reimbursement for costs, and confidentiality.

s/ Johnnie Burton  
R. M. "Johnnie" Burton  
Director, Minerals Management Service

June 30, 2005  
Date