

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Outer Continental Shelf (OCS) Central Gulf of Mexico (GOM) Oil and Gas Lease Sale 198

AGENCY: Minerals Management Service, Interior

ACTION: Final Notice of Sale (NOS) 198

SUMMARY: On March 15, 2006, the MMS will open and publicly announce bids received for blocks offered in Central GOM Oil and Gas Lease Sale 198, 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 198 Package (FNOS 198 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, March 15, 2006, in the Napoleon Ballroom of the Hilton New Orleans Riverside Hotel, Two Poydras Street, New Orleans, Louisiana. All times referred to in this document are local New Orleans times, unless otherwise specified.

ADDRESSES: Bidders can obtain a FNOS 198 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.

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, March 14, 2006. If the 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 198
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, March 14, 2006. 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 Central GOM Oil and Gas Lease Sale 198" included in the FNOS 198 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 or which may be purchased from the MMS Gulf of Mexico Region Public Information Unit):

**Outer Continental Shelf Leasing Maps - Louisiana Map Numbers 1 through 12
(These 30 maps sell for \$2.00 each.)**

LA1 West Cameron Area (Revised November 1, 2000)
LA1A West Cameron Area, West Addition (Revised November 1, 2000)
LA1B West Cameron Area, South Addition (Revised November 1, 2000)
LA2 East Cameron Area (Revised November 1, 2000)
LA2A East Cameron Area, South Addition (Revised November 1, 2000)
LA3 Vermilion Area (Revised November 1, 2000)
LA3A South Marsh Island Area (Revised November 1, 2000)
LA3B Vermilion Area, South Addition (Revised November 1, 2000)
LA3C South Marsh Island Area, South Addition (Revised November 1, 2000)
LA3D South Marsh Island Area, North Addition (Revised November 1, 2000)
LA4 Eugene Island Area (Revised November 1, 2000)
LA4A Eugene Island Area, South Addition (Revised November 1, 2000)
LA5 Ship Shoal Area (Revised November 1, 2000)
LA5A Ship Shoal Area, South Addition (Revised November 1, 2000)
LA6 South Timbalier Area (Revised November 1, 2000)
LA6A South Timbalier Area, South Addition (Revised November 1, 2000)
LA6B South Pelto Area (Revised November 1, 2000)
LA6C Bay Marchand Area (Revised November 1, 2000)
LA7 Grand Isle Area (Revised November 1, 2000)
LA7A Grand Isle Area, South Addition (Revised February 17, 2004)
LA8 West Delta Area (Revised November 1, 2000)
LA8A West Delta Area, South Addition (Revised November 1, 2000)
LA9 South Pass Area (Revised November 1, 2000)
LA9A South Pass Area, South and East Addition (Revised November 1, 2000)
LA10 Main Pass Area (Revised November 1, 2000)
LA10A Main Pass Area, South and East Addition (Revised November 1, 2000)
LA10B Breton Sound Area (Revised November 1, 2000)
LA11 Chandeleur Area (Revised November 1, 2000)
LA11A Chandeleur Area, East Addition (Revised November 1, 2000)
LA12 Sabine Pass Area (Revised November 1, 2000)

**Outer Continental Shelf Official Protraction Diagrams
(These 10 diagrams sell for \$2.00 each.)**

NG15-03 Green Canyon (Revised November 1, 2000)
NG15-06 Walker Ridge (Revised November 1, 2000)
NG15-09 Amery Terrace (Revised October 25, 2000)
NG16-01 Atwater Valley (Revised November 1, 2000)
NG16-04 Lund (Revised November 1, 2000)
NG16-07 Lund South (Revised November 1, 2000)
NH15-12 Ewing Bank (Revised November 1, 2000)

NH16-04 Mobile (Revised November 1, 2000)
NH16-07 Viosca Knoll (Revised November 1, 2000)
NH16-10 Mississippi Canyon (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 Central GOM Leasing Maps and Official Protraction Diagrams, please refer to 66 FR 28002 (published May 21, 2001) and 69 FR 23211 (published April 28, 2004). 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 198" included in the FNOS 198 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 "Central Gulf of Mexico Lease Sale 198 - Unleased Split Blocks and Available Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease or Deferred" included in the FNOS 198 Package.

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

Blocks which are currently under appeal (high bids rejected):

South Pelto (Area LA6B)
Block 16

West Delta (Area LA8A)
Blocks:
129 and 144

Blocks which are beyond the United States Exclusive Economic Zone in the area known as the Northern portion of the Eastern Gap:

Lund South (Area NG16-07)
Blocks:
172 and 173
213 through 217
252 through 261
296 through 305
349

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

Amery Terrace (Area NG15-09)
Whole Blocks:

280 and 281
318 through 320
355 through 359

Partial Blocks:
235 through 238
273 through 279
309 through 317

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 198, 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 198 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 400 meters where deep gas (typically 15,000 feet or greater subsea) is drilled and commences production before May 3, 2009. The Energy Policy Act of 2005 provided additional royalty relief for ultra deep gas wells and extended the water depth to less than 400 meters for deep gas wells. 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 198, Final" for specific areas and the "Royalty Suspension Provisions, Lease Sale 198, Final" document contained in the FNOS 198 Package for specific details regarding royalty suspension eligibility, applicable price thresholds and implementation.

LEASE STIPULATIONS: The map "Stipulations and Deferred Blocks, Lease Sale 198, Final" depicts the blocks on which one or more of ten lease stipulations apply: (1) Topographic Features; (2) Live Bottoms; (3) Military Areas; (4) Blocks South of Baldwin County, Alabama; (5) Law of the Sea Convention Royalty Payment; (6) Protected Species; (7) Limitation on Use of Seabed and Water Column in the Vicinity of the Approved Port Pelican Offshore Liquefied Natural Gas (LNG) Deepwater Port Receiving Terminal, Vermilion Area, Blocks 139 and 140; (8) Below Seabed Operations on Mississippi Canyon Area, Block 920; (9) Limitation on Use of Seabed and Water Column in the Vicinity of the Approved Research Facility for Gas Hydrates, Mississippi Canyon Area, Block 118; and (10) Limitation on Use of Seabed and Water Column in the Vicinity of the Approved Gulf Landing Offshore LNG Deepwater Port Receiving Terminal, West Cameron Area, Block 213. The texts of the lease stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 198, Final" included in the FNOS 198 Package. In addition, the "List of Blocks Available for Leasing" contained in the FNOS 198 Package identifies for each block listed the lease stipulations applicable to that block.

INFORMATION TO LESSEES: The FNOS 198 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 198, not to be opened until 9 a.m., Wednesday, March 15, 2006." 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 198 Package. Please also refer to the Telephone Numbers/Addresses of Bidders Form included within the FNOS 198 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 198 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 67499 on November 7, 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 198 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 198" included in the FNOS 198 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 198, 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/198/cgom198.html>. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury (account specified in the EFT instructions) by 11 a.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 198 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 198, 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 198" 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, March 14, 2006. 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 198 and will be kept confidential. An Example of Preferred Format for the Geophysical Data and Information Statement is included in the FNOS 198 Package. Please also refer to a sample of the Geophysical Envelope - Preferred Format included within the FNOS 198 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

February 7, 2006
Date