

**DEPARTMENT OF THE INTERIOR**

**Bureau of Ocean Energy Management**

**Outer Continental Shelf (OCS) Western Planning Area (WPA) Gulf of Mexico (GOM) Oil and Gas Lease Sale 229**

**AGENCY:** Bureau of Ocean Energy Management (BOEM), Interior

**ACTION:** Proposed Notice of Sale

**SUMMARY:** BOEM proposes to hold the WPA Sale 229 in accordance with provisions of the OCS Lands Act (OSCLA) (43 U.S.C. 1331-1356, as amended) and the regulations issued thereunder (30 CFR Part 556). The Proposed Notice of Sale (NOS) WPA 229 Package contains information essential to potential bidders, and bidders are charged with the knowledge of the documents contained in that Package.

**DATES:** BOEM proposes to hold WPA Oil and Gas Lease Sale 229 on Wednesday, November 28, 2012, at a New Orleans, Louisiana site to be determined. Public bid reading is proposed to begin at 9 a.m. All times referred to in this document are local New Orleans times, unless otherwise specified.

**ADDRESS:** Interested parties can obtain a WPA Sale 229 Package by writing, calling or visiting the website:

Gulf of Mexico Region Public Information Office  
Bureau of Ocean Energy Management  
1201 Elmwood Park Boulevard  
New Orleans, Louisiana 70123-2394  
(504) 736-2519 or (800) 200-GULF  
BOEM Internet website at:

<http://www.boem.gov/About-BOEM/BOEM-Regions/Gulf-of-Mexico-Region/Index.aspx>.

**BID SUBMISSION DEADLINE:** Bidders will be required to submit bids to BOEM at the above address by 10 a.m. on Tuesday, November 27, 2012, the day before the proposed lease sale. BOEM will specify procedures for bid submission in the Final NOS 229 Package.

**PROPOSED LEASE SALE AREA:** BOEM proposes to offer for bid in this lease sale all of the unleased acreage in the WPA, except the following:

Whole blocks and portions of blocks that lie within the boundaries of the Flower Garden Banks National Marine Sanctuary in 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 (Leasing Map TX7C)

Whole Block: A-398

Portions of Blocks: A-366\*, A-367\*, A-374\*, A-375, A-383\*, A-384\*, A-385\*, A-388, A-389, A-397\*, A-399, A-401

\*Leased

High Island, South Addition (Leasing Map TX7B)

Portions of Blocks: A-502, A-513

Garden Banks (OPD NG15-02)

Portions of Blocks: 134, 135

Whole blocks and portions of blocks that lie within the former Western Gap and lie within 1.4 nautical miles north of the continental shelf boundary between the United States and Mexico:

Keathley Canyon (OPD NG15-05)

Portions of Blocks: 978 through 980

Sigsbee Escarpment (OPD NG15-08)

Whole Blocks: 11, 57, 103, 148, 149, 194

Portions of Blocks: 12 through 14, 58 through 60, 104 through 106, 150

Blocks currently under appeal (although currently unleased, the following blocks are under appeal and bids will not be accepted unless all appeals are resolved before the Final Notice of Sale):

Garden Banks (NG15-02)

Blocks 623 and 624

**NOTE: Bids on Blocks Near the U.S.-Mexico Maritime and Continental Shelf Boundary**

The following definitions apply to this section:

“Agreement” refers to an agreement between the United Mexican States and the United States of America that addresses identification and unitization of transboundary hydrocarbon reservoirs, allocation of production, inspections, safety, and environmental protection. A copy of the Agreement can be found at the Department of the Interior website at: <http://www.boem.gov/BOEM-Newsroom/Library/Boundaries-Mexico.aspx>.

“Boundary Area,” means an area comprised of any and all blocks in the WPA, that are located or partially located within three statute miles of the maritime and continental shelf boundary with Mexico, as that maritime boundary is delimited in the November 24, 1970 Treaty to Resolve Pending Boundary Differences and Maintain the Rio Grande and Colorado River as the International Boundary, the May 4, 1978 Treaty on Maritime Boundaries between the United Mexican States and the United States of America, and the June 9, 2000 Treaty on the Continental Shelf between the Government of the United Mexican States and the Government of the United States of America.

The Agreement was signed on February 20, 2012, but has not yet been Congressionally approved. Bids submitted on any block in the “Boundary Area” (as defined above) may be segregated from bids submitted on blocks outside the Boundary Area. Bids submitted on blocks outside the Boundary Area will be opened on the date scheduled for sale. Bids submitted on blocks in the Boundary Area may not be opened on the date scheduled for the sale, but may be opened at a later date. Within 30 days after the approval of the Agreement or by May 31, 2013, whichever occurs first, the Secretary of the Interior will determine whether it is in the best interest of the United States either to open bids for Boundary Area blocks or to return the bids unopened.

In the event the Secretary decides to open bids on blocks in the Boundary Area, BOEM will notify such bidders at least 30 days prior to opening such bids, and will describe the terms of the Agreement under which leases in the Boundary Area will be issued. Bidders on these blocks may withdraw their bids at any time after such notice up until 10 a.m. (New Orleans local time) of the day before bid opening. If BOEM does not give notice within 30 days of bilateral approval of the Agreement, or by May 31, 2013, whichever comes first, BOEM will return the bids unopened. This timing will allow companies to make decisions regarding the next annual WPA lease sale (anticipated in 2014), which may also offer blocks in this area. BOEM reserves the right to return these bids at any time. BOEM will not disclose which blocks received bids or the names of bidders in this area unless and until the bids are opened.

BOEM currently anticipates that blocks in the Boundary Area that are not awarded as a result of Lease Sale 229 would be reoffered in the next lease sale for the WPA in 2014.

The following blocks comprise the Boundary Area:

Port Isabel Blocks – 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 945, 946, 947, 948, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 989, 990, 991, and 992

Alaminos Canyon Blocks – 881, 882, 883\*, 884\*, 885, 886, 887, 888, 889\*, 890\*, 891, 892, 893\*, 894\*, 895, 896, 897, 898, 899\*, 900\*, 901\*, 902\*, 903\*, 904\*, 905, 906, 907, 908, 909, 910, 911, 912, 925, 926, 927\*, 928\*, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939\*, 940, 941, 942\*, 943\*, 944\*, 945\*, 946, 947\*, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 992, 993, 994, 995, 996, 997, 998, 999, 1000, 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, and 1009

Keathley Canyon Blocks – 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, and 981

Sigsbee Escarpment Blocks – 11, 12, 13, 14, 15, 57, 58, 59, 60, 61, 103, 104, 105, 106, 148, 149, 150, and 194

South Padre Island Blocks – 1154, 1163, 1164, 1165, and 1166

South Padre Island, East Addition Blocks – 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, A 78, A 79, A 80, A 81, A 82, A 83, A 84, A 85, A 86, A 87, A 89, and A 90  
 \*Leased

**STATUTES AND REGULATIONS:** Each lease is issued pursuant to OCSLA, regulations promulgated pursuant thereto, other applicable statutes and regulations in existence upon the Effective Date of the lease, and those applicable statutes enacted (including amendments to OCSLA or other statutes) and regulations promulgated thereafter, except to the extent they explicitly conflict with an express provision of the lease. Amendments to existing statutes and regulations, including but not limited to OCSLA, as well as the enactment of new statutes and promulgation of new regulations, which do not explicitly conflict with an express provision of the lease, will apply to the leases issued as a result of this sale. Moreover, the lessee expressly bears the risk that such new statutes and regulations (i.e., those that do not explicitly conflict with an express provision of the lease) may increase or decrease the lessee’s obligation under the lease.

**LEASE TERMS AND CONDITIONS:** Proposed initial periods, minimum bonus bid amounts, rental rates, escalating rental rates for leases in depths less than 400 meters with an initial period longer than 5 years, royalty rates, minimum royalties, and royalty suspension provisions, if any, applicable to this sale are noted below. Additionally, these terms and conditions are depicted on the map “Proposed, Western Planning Area, Lease Sale 229, November 2012, Lease Terms and Economic Conditions,” for leases resulting from this lease sale.

**Initial Periods:** Initial periods are summarized in the following table.

<u>Water Depth in meters</u>	<u>Initial Periods</u>
<b>0 to &lt;400</b>	Standard initial period is 5 years; the lessee may earn an additional 3 years (i.e. for an 8-year extended initial period), if a well is spudded during the first 5 years of the lease targeting hydrocarbons below 25,000 feet True Vertical Depth Subsea (TVD SS)
<b>400 to &lt;800</b>	Standard initial period is 5 years; the lessee will earn an additional 3 years (i.e. for an 8-year extended initial period), if a well is spudded during the first 5 years of the lease
<b>800 to &lt;1,600</b>	Standard initial period is 7 years; the lessee will earn an additional 3 years (i.e. for a 10-year extended initial period), if a well is spudded during the first 7 years of the lease
<b>1,600+</b>	10 years

- A. The standard initial period for a lease in water depths of less than 400 meters issued from this sale is 5 years. If the lessee spuds a well within the first 5 years of the lease targeting hydrocarbons below 25,000 feet TVD SS, then the lessee may earn an additional 3 years (i.e. for an 8-year extended initial period). The lessee will earn the 8-year extended initial period in cases where the well is drilled to a target below 25,000 feet TVD SS, or may also earn the 8-year extended initial period in cases where the well targets, but does not

reach, a depth below 25,000 feet TVD SS due to mechanical or safety reasons, where sufficient evidence is provided.

In order to earn the 8-year extended initial period, the lessee is required to submit to the BSEE GOM Regional Supervisor for Production and Development, 1201 Elmwood Park Boulevard, Mail Stop 5300, New Orleans, Louisiana, 70123-2394, within 30 days after completion of the drilling operation, a letter providing the well number, spud date, information demonstrating whether the target below 25,000 feet TVD SS was reached, and if applicable, any safety or mechanical problems encountered that prevented the well from reaching a depth below 25,000 feet TVD SS. The BSEE Regional Supervisor for Production and Development must concur in writing that the conditions have been met to earn the 8-year extended initial period. The BSEE Regional Supervisor for Production and Development will provide a written response within 30 days of receipt of the letter provided.

A lease that has earned the 8-year extended initial period by spudding a well during the first 5 years of the lease with a hydrocarbon target below 25,000 feet TVD SS, confirmed by BSEE, will not be eligible for a suspension for that same period under the regulations at 30 C.F.R. 250.175 because the lease is not at risk of expiring.

- B. The standard initial period for a lease in water depths of 400 meters to less than 800 meters issued from this sale is 5 years. The lessee will earn an additional 3 years (i.e. for an 8-year extended initial period), if the lessee spuds a well within the first 5 years of the lease.

In order to earn the 8-year extended initial period, the lessee is required to submit to the appropriate BSEE District Manager, within 30 days after spudding a well, a letter providing the well number and spud date, and requesting concurrence that the lessee earned the 8-year extended initial period. The BSEE District Manager will review the request and make a written determination, within 30 days of receipt of the request. The BSEE District Manager must concur in writing that the conditions have been met by the lessee to earn the 8-year extended initial period.

- C. The standard initial period for a lease in water depths of 800 meters to less than 1,600 meters issued from this sale will be 7 years. The lessee will earn an additional 3 years (i.e. for a 10-year extended initial period), if the lessee spuds a well within the first 7 years of the lease.

In order to earn the 10-year extended initial period, the lessee is required to submit to the appropriate BSEE District Manager, within 30 days after spudding a well, a letter providing the well number and spud date, and requesting concurrence that the lessee earned the 10-year extended initial period. The BSEE District Manager will review the request and make a determination. A written response will be sent to the lessee documenting the BSEE District Manager's decision within 30 days of receipt of the request. The BSEE District Manager must concur in writing that the conditions have been met by the lessee to earn the 10-year extended initial period.

**Minimum Bonus Bid Amounts:** \$25 per acre or fraction thereof for blocks in water depths of less than 400 meters and \$100 per acre or fraction thereof for blocks in water depths of 400 meters or deeper.

BOEM will not accept a bonus bid unless it provides for a cash bonus in the amount equal to, or exceeding, the minimum bid amount. To confirm the exact calculation of the minimum bonus bid amount for each block, see “List of Blocks Available for Leasing,” contained in the Final NOS WPA Sale 229 Package, which will become available approximately 30 days before the scheduled sale date. Please note that bonus bids must be in whole dollar amounts. BOEM will disregard partial dollar amounts.

**Rental Rates:** Annual rental rates are summarized in the following table:

<b>Rental Rates per Acre or Fraction Thereof</b>		
<b>Water Depth in meters</b>	<b>Years 1-5</b>	<b>Years 6, 7, &amp; 8+</b>
<b>0 to &lt;200</b>	\$7.00	\$14.00, \$21.00 & \$28.00
<b>200 to &lt;400</b>	\$11.00	\$22.00, \$33.00 & \$44.00
<b>400 +</b>	\$11.00	\$16.00

**Escalating Rental Rates for Leases with an 8-Year Extended Initial Period in Depths of Less than 400 Meters:** Any lease in water depths less than 400 meters that earns an 8-year extended initial period will pay an escalating rental as shown above. The rental rates after the 5<sup>th</sup> year for blocks in less than 400 meters will become fixed and no longer escalate if another well is spudded after the 5<sup>th</sup> year of the lease that targets hydrocarbons below 25,000 feet TVD SS, and BSEE concurs that such a well has been spudded. In this case, the rental rate will become fixed at the rental rate in effect during the lease year in which the additional well was spudded.

**Royalty Rate:** 18.75 percent

**Minimum Royalty:** \$7.00 per acre or fraction thereof per year for blocks in water depths of less than 200 meters and \$11.00 per acre or fraction thereof per year for blocks in water depths of 200 meters or deeper.

**Royalty Suspension Provisions:** Leases with royalty suspension volumes (RSVs) are authorized under existing BSEE rules at 30 CFR Part 203 and BOEM regulations at 30 CFR Part 560.

**Deep and Ultra-Deep Gas Royalty Suspensions:** A lease issued as a result of this sale may be eligible for RSV incentives for deep and ultra-deep wells pursuant to 30 CFR Part 203, implementing requirements of the Energy Policy Act of 2005. These RSV incentives are

conditioned upon applicable price thresholds:

- Certain wells on leases in 0 to less than 200 meters of water depth completed to a drilling depth of 20,000 feet TVD SS or deeper may receive an RSV of 35 billion cubic feet of natural gas.
- Certain wells on leases in 200 to less than 400 meters of water depth completed to a drilling depth of 20,000 feet TVD SS or deeper may receive an RSV of 35 billion cubic feet of natural gas. Wells completed from 15,000 to 20,000 feet TVD SS that begin production before May 3, 2013, may receive smaller RSV incentives.

**LEASE STIPULATIONS:** The map “Proposed, Western Planning Area, Lease Sale 229, November 2012, Stipulations and Deferred Blocks” depicts those blocks on which one or more of five lease stipulations apply: (1) Topographic Features; (2) Military Areas; (3) Law of the Sea Convention Royalty Payment; (4) Protected Species; and (5) Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico.

The texts of the proposed lease stipulations are contained in the document “Lease Stipulations, Western Planning Area, Oil and Gas Lease Sale 229, Proposed Notice of Sale” included in the Proposed NOS Sale 229 Package. In addition, the “List of Blocks Available for Leasing,” contained in the Final NOS Sale 229 Package available approximately 30 days before Sale 229, will identify the final lease stipulations applicable to each block.

**INFORMATION TO LESSEES:** The Proposed NOS WPA Sale 229 Package contains an “Information to Lessees” document that provides information on certain issues pertaining to this proposed oil and gas lease sale.

**BONUS BID DEPOSIT:** Each bidder submitting an apparent high bid must submit a bonus bid deposit to the U.S. Department of the Interior’s Office of Natural Resources Revenue (ONRR) equal to one-fifth of the bonus bid amount for each such bid. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury by 11 a.m. Eastern Time the day following bid reading (no exceptions). Account information is provided in the Electronic Funds Transfer (EFT) instructions found on the BOEM website at: <http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Lease-Sales/229/Western-Planning-Area-Lease-Sale-229-Information.aspx>). Under the authority granted by 30 CFR 556.46(b), BOEM requires bidders to use EFT procedures for payment of one-fifth bonus bid deposits for Lease Sale 229, following the detailed instructions contained on the Payment Information webpage that may be found on the ONRR website at: <http://www.onrr.gov/FM/PayInfo.htm>. Acceptance of 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, ONRR requests that only one transaction be used for payment of the four-fifths bonus bid amount and the first year's rental.

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, the EFT instructions specify the requirements for each of the following four options:

- (a) Provide a third-party guarantee;
- (b) Amend bond coverage;
- (c) Provide a letter of credit; or
- (d) Provide a lump sum payment in advance via EFT.

**GEOPHYSICAL DATA AND INFORMATION STATEMENT:** Pursuant to 30 CFR 551.12, BOEM 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 229, or participating as a joint bidder in such a bid, must submit at the time of bid submission a Geophysical Data and Information Statement (GDIS) in a separate and sealed envelope, identifying all proprietary data, reprocessed speculative data and/or any CSEM, Gravity or Magnetic data, or other information used as part of the decision to bid or participate in a bid on the block. Please note: a bidder must submit the GDIS even if their joint bidder or bidders on a specific block have also submitted a GDIS. Any speculative data that has been reprocessed externally or in-house is considered proprietary due to the proprietary processing and is no longer considered to be speculative. The GDIS should clearly state who did the reprocessing (e.g. an external company name or “In-house”). In addition, the GDIS should clearly identify the data type (e.g., 2-D, 3-D, or 4-D, pre-stack or post-stack, and time or depth); areal extent (i.e., number of line miles for 2-D or number of blocks for 3-D) and migration algorithm (e.g., Kirchhoff Migration, Wave Equation Migration, Reverse Migration, Reverse Time Migration) of the data, velocity models used and other requested metadata. The statement must also include the name, the phone number, and full address of a contact person, and an alternate, who are both *knowledgeable* about the information and data listed and *available* for 30 days post-sale, the processing company, date processing was completed, owner of the original data set (who initially acquired the data), original data survey name and permit number. Seismic survey information should also include the computer storage size to the nearest megabyte of each seismic data and velocity volumes used to evaluate the lease block in question. This will be used in estimating the reproduction costs for each data set during the requisition process prior to requesting data. BOEM reserves the right to query about alternate data sets and to quality check and compare the listed and alternative data sets to determine which data set most closely meets the needs of the fair market value determination process.

- A. The statement must also identify each block upon which the bidder submitted a bid or participated as a partner in a bid, but for which it did not use proprietary or reprocessed pre- or post-stack geophysical data and information as part of the decision to bid or to participate in the bid. The GDIS must be submitted even if no proprietary geophysical data and information were used in bid preparation for the block.
- B. In the event a company supplies any type of data to BOEM, that company must meet the following requirements to qualify for reimbursement:



1. Companies must be registered with the Central Contractor Registration (CCR). The initial registration is valid for one year and must be updated annually thereafter. The website for registering is: <https://www.bpn.gov/ccr/>.
2. Companies must be enrolled in the Department of Treasury's Internet Payment Platform (IPP) for electronic invoicing. The company must enroll at the IPP (<https://www.ipp.gov/>) if it has not already done so. Access will then be granted to use IPP for submitting requests for payment. When a request for payment is submitted, it must include the assigned Purchase Order Number on the request.
3. Companies must have a current On-line Representations and Certifications Application (ORCA) at <https://orca.bpn.gov>.

**Note:** The GDIS Information Table can be submitted digitally on a CD or DVD as an Excel Spreadsheet. If you have any questions, please contact Dee Smith at (504) 736-2706 or John Johnson at (504) 736-2455.

**FORCE MAJEURE:** The BOEM Regional Director (BOEM RD) has the discretion to change any date, time, and/or location specified in the WPA Sale 229 Package in case of a force majeure event that the RD deems may interfere with the carrying out of a fair and proper lease sale process. Such events may include, but are not limited to, natural disasters (e.g., earthquakes, hurricanes, and floods), wars, riots, and acts of terrorism, fire, strikes, civil disorder or other events of a similar nature. In case of such events, bidders should call (504) 736-0557 or access our website at <http://www.boem.gov> for information about any changes.

**UPCOMING MILESTONES:** After the Governors of the affected states (Texas and Louisiana) have had an opportunity to comment on the size, timing, or location of the proposed lease sale, as required by Section 19 of OCSLA, the Assistant Secretary for Land and Minerals Management will make a decision on the Final NOS 229. The Department of the Interior reserves the right to revise the areas offered for bidding and associated terms and conditions described in this Proposed NOS. If the Assistant Secretary decides to proceed with the lease sale, a Final NOS for WPA Oil and Gas Lease Sale 229 will be published in the *Federal Register* at least 30 days prior to the date of the public bid reading. A Final NOS 229 Package containing all lease sale terms and conditions and detailed instructions to bidders will also be available at that time from the BOEM GOM Public Information Office and on the GOM website at: <http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/GOMR-Historical-Lease-Sale-Information.aspx>.

## **Appendix**

### **Repeal Language for Royalty Suspension Provisions for WPA Sale 229**

#### **Please Note:**

Potential bidders are advised about possible changes in royalty relief for this sale. Congress could adopt and the President sign a bill that repeals the Energy Policy Act of 2005, Section 344 before BOEM issues the Final NOS for Sale 229.

Should Section 344 be repealed on or before September 28, 2012, a date giving enough lead time for bidders and BOEM to prepare for the Final NOS for Sale 229, BOEM intends to offer leases for sale with no deep gas royalty suspension volumes in their lease terms. If Section 344 is repealed, leases located in 200 to 400 meters of water with deep gas wells would not earn RSVs, and leases located in 0 to 400 meters of water with ultra-deep wells likewise would not earn RSVs.