MMS News Releases

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NEWS RELEASE

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MMS Issues Final Notice of Central Gulf Lease Sale 185

The Minerals Management Service published in the *Federal Register* today the Final Notice of Sale 185, an offshore oil and gas lease sale in the Central Planning Area of the Gulf of Mexico. Sale 185 is scheduled for March 19, 2003, at the Hyatt Regency Conference Center, in the Cabildo Rooms, 500 Poydras Plaza, New Orleans, Louisiana.

The final notice includes a continuation of recent royalty suspension measures that are designed to increase domestic natural gas and oil production to meet our Nation's energy needs:

- In water depths less than 200 meters, royalty suspension for the first 20 billion cubic feet (BCF) of gas production from wells drilled to new reservoirs at 15,000 feet or greater subsea.
- Deepwater oil and gas royalty relief in the 400-799-meter water depth zone (5 million barrels of oil equivalent (BOE) per lease); in the 800-1,599-meter water depth zone (9 million BOE per lease); and in the 1,600-meter and greater water depth zone (12 million BOE per lease).
- Opportunity to apply for additional "discretionary" royalty relief in water depths greater than 200 meters, pursuant to regulations at 30 CFR 203, if certain conditions are satisfied.

Mississippi Canyon Block 474 is offered for bid in this sale. This block was excluded from the year 2001 and 2002 Central Gulf of Mexico lease offerings. The block is the site of Shell Offshore's planned NaKika Project, and it is offered in this sale with the stipulation that all exploration, development, and production activities or operations must take place from outside the lease block by the use of directional drilling or other techniques.

Included in this sale are a recently revised Protected Species Stipulation and a related Information-To-Lessees clause that are designed to minimize or avoid potential adverse impacts to federally protected species. These measures resulted from recent formal MMS consultations (pursuant to the Endangered Species Act) with the National Oceanic and Atmospheric Administration and the U.S. Fish and Wildlife Service.

This final notice includes a new information-to-lessees clause that informs potential bidders of a proposed deepwater port and liquefied natural gas facility. This project, if licensed, may affect oil and gas operations on related blocks, most notably Vermilion Blocks 139 and 140. Also included in this final notice is an Information-To-Lessees clause informing potential bidders of potential sand dredging activities on Ship Shoal Block 88 and South Pelto Area Blocks 12 and 19. MMS intends to coordinate activities of sand dredge vessels with oil and gas lessees so as to preclude any adverse time, space, and use conflicts.

Finally, this final notice contains a requirement that each bidder submit, by the bid submission deadline, a Geophysical Data and Information Statement declaring whether they possess or control depth-migrated geophysical data and information pertaining to each block upon which they are participating as a bidder. In connection therewith, the MMS has issued a Notice to Lessees (NTL) No. 2003-G05, effective February 15, 2003, to provide 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.

Final Sale 185 encompasses 4,460 available blocks in the Central Gulf of Mexico Outer Continental Shelf planning area offshore Louisiana, Mississippi, and Alabama. This area covers about 23.4 million acres. Blocks in this sale are located from 3 to about 210 miles offshore in water depths ranging from 4 to more than 3,425 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale range from 270 to 650 million barrels of oil and 1.59 to 3.30 trillion cubic feet natural gas.

Statistical Information Sale 185:

Size:	4,460 unleashed blocks; 23.4 million acres
Primary Lease Terms:	5 Year - Water depths less than 400 meters - 1,531 Blocks 8 Year - Water depths between 400 and 799 meters - 129 Blocks 10 Year - Water depths between 800 meters or deeper - 2,800 Blocks
Minimum Bids:	$25.00 per acre or fraction thereof - Water depths less than 800 meters - 1,660 Blocks $37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 2,800 Blocks
Annual Rental Rates:	$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,432 Blocks $7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 3,028 Blocks
Royalty Rates:	16 2/3% Royalty - Water depths less than 400 meters - 1,531 Blocks 12 ½% Royalty - Water depths 400 meters or deeper - 2,929 Blocks
Royalty Relief Areas:	0 - 199 Meter Royalty Suspension Area - 1,432 Blocks 400 - 799 Meter Royalty Suspension Area - 129 Blocks 800 - 1,599 Meter Royalty Suspension Area - 282 Blocks 1,600 Meters and Greater Royalty Suspension Area - 2,518 Blocks
	1,432 blocks subject to deep gas incentive (first 20 BCF)

Royalty Suspension Volumes:	99 blocks with no automatic royalty relief 129 blocks subject to 5-MMBOE relief 282 blocks subject to 9-MMBOE relief 2,518 blocks subject to 12-MMBOE relief

MMS is the Federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the outer continental shelf in Federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from Federal and American Indian leases. These revenues totaled over $6 billion in 2002 and nearly $127 billion since the agency was created in 1982. Annually, nearly $1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and Federal park and recreation lands.