The NewsRoom
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MMS Issues Final Notice of Central Gulf Lease Sale 190

The Minerals Management Service published in the *Federal Register* today the Final Notice of Sale 190 for an offshore oil and gas lease sale to be held in the Central Planning Area of the Gulf of Mexico. Sale 190 is scheduled for March 17, 2004, in Grand Ballroom C (5th floor) at the Sheraton New Orleans Hotel, 500 Canal Street, New Orleans, Louisiana.

The final notice includes a new royalty suspension provision affecting shallow-water deep gas production that was not included in the proposed notice of Sale 190. In lieu of the royalty suspension provisions recently offered on new leases, the expanded royalty suspension provisions of the final rule contained in 30 CFR 203.41 through 203.47, effective March 1, 2004, will apply to leases in water depths less than 200 meters issued as a result of this sale and where new deep gas is drilled and commences production by March 1, 2009. The provisions of this new rule also expand royalty relief to include approximately 2,400 existing leases in the Gulf of Mexico. Recent royalty suspension measures for deepwater oil and gas production will continue. These provisions are designed to increase domestic natural gas and oil production to meet our Nation's energy needs.

- New shallow-water deep gas royalty relief - In water depths less than 200 meters, royalty suspension for the first 15 billion cubic feet (BCF) of gas production from wells drilled with a perforated interval, the top of which is at least 15,000 feet total vertical depth subsea (TVD SS) and less than 18,000 feet TVD SS, and royalty suspension for the first 25 BCF of gas production from wells drilled to a TVD SS of 18,000 feet or greater. In addition, a royalty suspension supplement of 5 BCF is applicable in the event of a dry hole drilled 18,000 feet subsea or greater.. Two such supplements are available per lease prior to production from a deep well. Sidetrack wells also may earn royalty suspensions in amounts based upon depth and sidetrack length. A gas price threshold of $9.34 per million British Thermal Units (MMBtu) applies in calendar year 2004 and is adjusted thereafter for inflation.

- 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 deeper water depth zone (12 million BOE per lease). The applicable price thresholds are $4.03 per MMBtu for gas and $32.27 per barrel for oil expressed in year 2002 dollars and adjusted thereafter for inflation.

- 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.

Included in this final notice are a recently revised Protected Species Stipulation and a related Information-to-Lessees clause 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 – Fisheries Service and the U.S. Fish and Wildlife Service.

This final notice includes a revised Information-to-Lessees clause that informs potential bidders of three applications received by the Coast Guard and the Maritime Administration for deepwater port and liquefied natural gas (LNG) facilities. Two of these LNG projects have been approved by the Maritime Administration – Port Pelican on Vermilion Area Blocks 139 and 140 (currently unleased, but unavailable in Lease Sale 190), and Energy Bridge on West Cameron Area, South Addition, Block 603 (currently leased). The decision to defer leasing of Vermilion Area Blocks 139 and 140 applies only to Lease Sale 190. The MMS will continue to consult with the Coast Guard and Maritime Administration to develop appropriate safeguards so that these blocks, and others that may be affected by additional LNG deepwater port applications, may be offered for oil and gas leasing in the future.

Included also in this final notice is an Information-to-Lessees clause informing potential bidders of potential sand dredging activities on Ship Shoal Blocks 87, 88, 89, 94 and 95, South Pelto Area Blocks 12, 13, 14, 18 and 19 and West Delta Blocks 27 and 49. In addition, a new stipulation applies specifically to Ship Shoal Blocks 87 (S½), 88, and 89 and requires lessees of these blocks to coordinate oil and gas activities in these blocks to avoid conflict with sand-dredging activities. MMS intends to coordinate activities of sand-dredge vessels with oil and gas lessees 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.

Lease Sale 190 encompasses 4,324 available blocks in the Central Gulf of Mexico Outer Continental Shelf planning area offshore Louisiana, Mississippi, and Alabama. This area covers about 22.7 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 Lease Sale 190

Size:	4,324 unleased blocks; 22.7 million acres
Initial Period:	5 Year - Water depths less than 400 meters - 1,390 Blocks 8 Year - Water depths between 400 and 799 meters - 128 Blocks 10 Year - Water depths between 800 meters or deeper - 2,806 Blocks
Minimum Bids:	$25.00 per acre or fraction thereof - Water depths less than 800 meters - 1,518 Blocks $37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 2,806 Blocks
Annual Rental Rates:	$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,282 Blocks $7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 3,042 Blocks
Royalty Rates:	16 2/3% Royalty - Water depths less than 400 meters - 1,390 Blocks 12 ½% Royalty - Water depths 400 meters or deeper - 2,934 Blocks
Royalty Relief Areas:	0 - 199 Meter Royalty Suspension Area - 1,282 Blocks 400 - 799 Meter Royalty Suspension Area - 128 Blocks 800 - 1,599 Meter Royalty Suspension Area - 231 Blocks 1,600 Meters and Greater Royalty Suspension Area - 2,575 Blocks 1,282 blocks subject to shallow-water deep gas incentive
Royalty Suspension Volumes:	108 blocks with no automatic royalty relief 128 blocks subject to 5-MMBOE relief 231 blocks subject to 9-MMBOE relief 2,575 blocks subject to 12-MMBOE relief

The Minerals Management Service 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 lands. MMS disbursed more than $8 billion in FY 2003 and more than $135 billion since the agency was created in 1982. Nearly $1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and Federal park and recreation lands.

Relevant Web Sites

MMS Main Website: www.mms.gov

Gulf of Mexico Website: www.gomr.mms.gov

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