

DEPARTMENT OF THE INTERIOR  
Minerals Management Service  
Outer Continental Shelf, Central Gulf of Mexico, Oil and Gas Lease  
Sale

**ACTION: PROPOSED NOTICE OF SALE 178**

The Minerals Management Service proposes to hold Sale 178 on March 28, 2001, in accordance with provisions of the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1331-1356, as amended) and the regulations issued thereunder (30 CFR Part 256).

Bidders will be required to submit bids to the MMS at the Gulf of Mexico Regional Office (1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394) by 10 a.m. on the day before the sale, Tuesday, March 27, 2001. The MMS will specify procedures for bid submission in the final Notice of Sale. The MMS will begin the public reading of bids at 9 a.m., Wednesday, March 28, 2001, at a New Orleans hotel site to be determined.

The MMS has prepared a Proposed Sale Notice Package containing information essential to potential bidders. Interested parties can obtain the Proposed Sale Notice Package by writing or calling the:

Gulf of Mexico Public Information Unit  
Minerals Management Service  
1201 Elmwood Park Boulevard  
New Orleans, Louisiana 70123-2394  
Telephone: (504) 736-2519 or (800) 200-GULF  
MMS 24-hour Fax-on demand: (202) 219-1703  
Website: <http://www.mms.gov>

The MMS proposes to offer for bidding in this sale all of the unleased acreage in the Central Gulf of Mexico Planning Area except the following unleased blocks or partial blocks:

- o Blocks previously leased whose current unleased status is under appeal; at this time, this includes only Viosca Knoll Block 69; and
- o Blocks which are beyond the United States Exclusive Economic Zone in the northern portions of the Western Gap and

the Eastern Gap and have been temporarily deferred from leasing by the Department:

<u>Amery Terrace (Area NG15-09)</u>	<u>Lund South (Area NG16-07)</u>
Blocks	Blocks
133 through 135	172, 173
177 through 184	213 through 217
221 through 238	252 through 261
265 through 281	296 through 305
309 through 320	349
355 through 359	

Primary lease terms, primary lease term extensions, minimum bids, annual rental rates, royalty rates, and royalty suspension areas are shown on the map "Lease Terms and Economic Conditions, Sale 178, Proposed" for leases resulting from this sale:

**Primary lease terms:** 5 years for blocks in water depths of less than 400 meters; 8 years for blocks in water depths of 400 to 799 meters; and 10 years for blocks in water depths of 800 meters or deeper;

**Primary lease term extensions:** Extensions may be granted for eligible blocks in water depths less than 400 meters as specified in Stipulation No. 5 (Subsalt Lease Term Extension) contained in the document "Lease Stipulations, Sale 178, Proposed" included in the Proposed Sale Notice Package;

**Minimum bids:** \$25 per acre or fraction thereof for blocks in water depths of less than 800 meters and \$37.50 per acre or fraction thereof for blocks in water depths of 800 meters or deeper;

**Annual rental rates:** \$5 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof for blocks in water depths of 200 meters or deeper, until the start of royalty-bearing production, to be paid at the beginning of the lease year until a discovery in paying quantities of oil or gas is made, then at the end of the 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 in which the production is obtained;

**Minimum royalty:** After the start of royalty-bearing production: \$5 per acre or fraction thereof per year for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction

thereof per year for blocks in water depths of 200 meters or deeper, to be paid at the end of the lease year;

**Royalty Suspension Areas:** Royalty suspension will apply for blocks in water depths less than 200 meters where new deep gas (15,000 feet or greater subsea) is drilled and commences production within the initial primary 5-year lease term, and in water depths of 800 meters or deeper (for oil and gas); see the map titled "Lease Terms and Economic Conditions, Sale 178, Proposed" for specific areas. See the document contained within the Sale 178 Proposed Notice package titled "Royalty Suspension Provisions, Sale 178, Proposed" for the specific details regarding royalty suspension eligibility and implementation.

The map titled "Stipulations and Deferred Blocks, Sale 178, Proposed" depicts the blocks where five proposed stipulations apply: 1. Topographic Features, 2. Live Bottoms, 3. Military Areas, 4. Blocks South of Baldwin County, Alabama, and 5. Subsalt Lease Term Extension. The texts of the proposed lease stipulations are contained in the document "Lease Stipulations, Sale 178, Proposed" included in the Proposed Sale Notice Package.

The MMS will require a deposit of one-fifth of the bonus bid for each bid submitted. On July 28, 1999, the MMS published in the Federal Register (64 FR 40764) a final rule revising 30 CFR 256.46(b) to provide the MMS the option of requiring a specific method (or methods) of payment of the deposit on bonus bids submitted at OCS lease sales. Under the authority granted by this new rule, the MMS will **require** high bidders to use electronic funds transfer (**EFT**) procedures for payment of the deposit on bonus bids for Sale 178. The MMS will specify the procedures for making these payments in the final Notice of Sale.

After the Governors of the affected States (Alabama, Mississippi, Louisiana, and Texas) have had an opportunity to comment on the size, timing, and location of the proposed sale, as required by section 19 of the OCS Lands Act, the Assistant Secretary for Lands and Minerals Management will make a decision on the final Notice of Sale. The Department of the Interior reserves the right to revise the areas proposed for bidding and associated terms and conditions described in this proposed notice. If the Assistant Secretary decides to proceed with the sale, a final Notice of Sale for Central Gulf of Mexico Sale 178 will be published in the Federal Register at least 30 days prior to the date of the public bid reading. A Final Notice of Sale Package containing all sale terms and conditions and detailed instructions to bidders will

also be available at that time from the MMS Gulf of Mexico Public Information Unit and on our website (<http://www.mms.gov>).