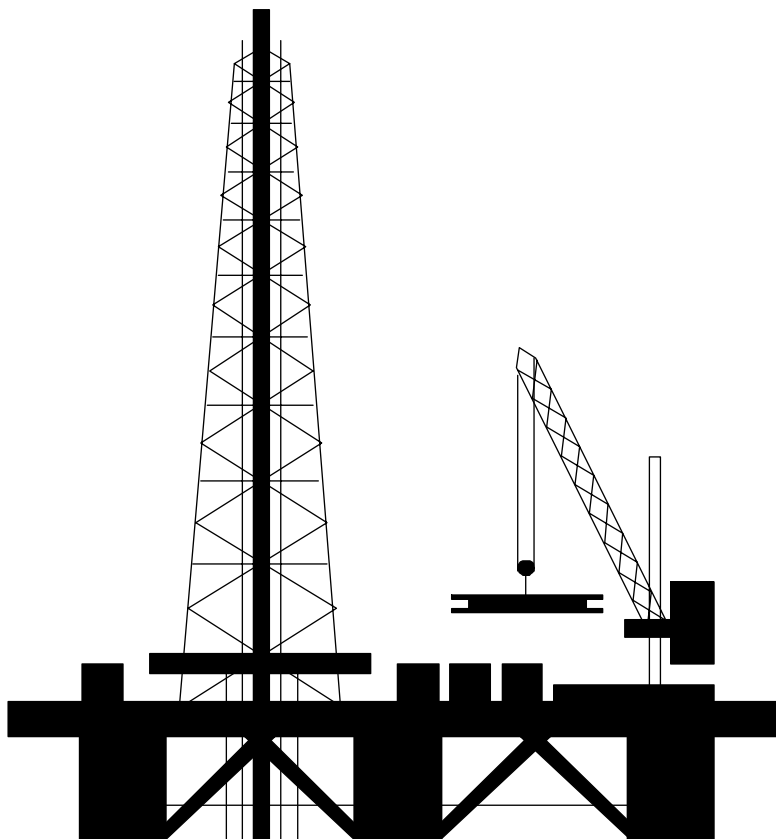


Central Gulf of Mexico Sale 194 March 16, 2005

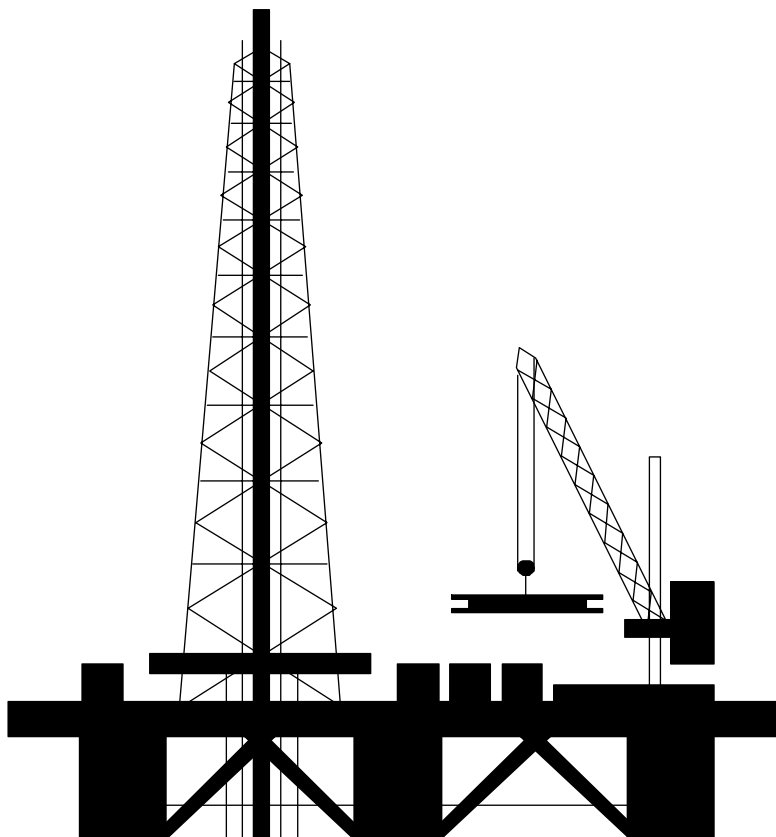
Sale Summary, Bidding Results and
Related Analyses



Central Gulf of Mexico Sale 194 March 16, 2005

Sale Summary, Bidding Results and
Related Analyses

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Central Gulf of Mexico

Sale 194 March 16, 2005

Sale Overview

Sale 194 is the fifth sale in the Central Gulf of Mexico (CGOM) Planning Area in which the sale's royalty suspension volumes and water depth categories were specified in the notice of lease sale. In this sale, 428 tracts received 651 bids (an average of 1.52 bids per tract). Tracts located in water depths eligible for deepwater royalty relief received 256 bids, while those tracts in water depths eligible for shallow water, deep gas royalty relief received 372 bids.

Bidding Results

In terms of the number of tracts receiving bids (428 tracts v. 557 tracts), Sale 194 was smaller than the CGOM Sale 190 held in 2004. However, there was only a slight decrease of about 4 percent in aggregate high bids in Sale 194 compared to Sale 190. In Sale 194, the 428 tracts received high bids totaling \$353,961,798.

Table 1 summarizes bidding results by water depth zone. More complete details are presented in appendix A.

Table 1. *Bidding Activity by Water Depth Zone*

Water Depth	Tracts with Bids	High Bids (MM)	Number of Bids	Average Bids/Tract
< 200 m	243	\$172.31	372	1.53
200 - 399 m	14	\$8.36	23	1.64
400 - 799 m	35	\$30.65	57	1.63
800 - 1,599 m	55	\$68.20	96	1.75
1,600+ m	81	\$74.45	103	1.27
Total	428	\$353.96	651	1.52

Compared to the previous CGOM sale (Sale 190, March 17, 2004), the bidding activity in Sale 194 resulted in a decrease in the number of tracts receiving bids, the number of bids, and in aggregate high bids. In Sale 190, 557 tracts received bids, whereas 428 tracts received bids in Sale 194, resulting in a decrease of about 23 percent. However, the sum of high bids submitted on tracts receiving bids in Sale 194 only decreased by about 4 percent compared to Sale 190 (\$353.96 million vs. \$368.76 million), but the number of bids decreased by more than 21 percent (651 bids vs. 829 bids).

The amount of competition for tracts was similar to other recent CGOM lease sales. About 70 percent of tracts received single-bids. A summary of bidding results by number of bidders is presented in table 2, and bidding results by number of bids for the various water depth zones are presented in appendix B.

Table 2. *Bidding Results by Number of Bids Submitted*¹

Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	301	70.33%	\$134.61	38.03%
2	75	17.52%	\$69.68	19.69%
3	26	6.07%	\$61.24	17.30%
4	16	3.74%	\$36.43	10.29%
5 or more	10	2.34%	\$52.00	14.69%
Total	428	100.00%	\$353.96	100.00%

Sale 194 was typical of sales in the CGOM. Many more tracts received high bids greater than \$50 per acre, versus those receiving less than that amount. In Sale 194, tracts with high bids greater than \$150 per acre accounted for about 69 percent of aggregate high bids, an amount higher than that observed in Sale 190. A summary of bidding results by high bid per acre for the sale is presented in table 3, and bidding results by high bid per acre for the various water depth zones are presented in appendix C. In addition, a graphical presentation of bidding results is presented in appendix D.

Table 3. *Bidding Results by High Bid per Acre*

High Bid per Acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	135	31.54%	\$25.10	7.09%
\$50 - 74.99	85	19.86%	\$26.71	7.55%
\$75 - 99.99	52	12.15%	\$22.74	6.42%
\$100 - 149.99	57	13.32%	\$35.54	10.04%
\$150+	99	23.13%	\$243.88	68.90%
Total	428	100.00%	\$353.96	100.00%

¹In the tables throughout this report, percent totals may not add up to exactly 100.00 percent due to rounding. In addition, other totals in the tables, e.g., high bids, may also differ slightly from the text due to rounding.

Bidding on Royalty Suspension Volume Tracts

Thirty-five tracts in water depths between 400 - 799 meters that are eligible for royalty suspension volumes of 5 million barrels of oil equivalent (MMBOE) received bids, as did 55 tracts in 800 - 1,599 meters that are eligible for royalty suspension volumes of 9 MMBOE, and 81 tracts in 1,600 meters or more that are eligible for royalty suspension volumes of 12 MMBOE. These tracts accounted for 40 percent of the tracts in the sale receiving bids and 49 percent of the sale's high bids. To put the magnitude of this bidding activity in perspective, the number of tracts receiving bids in water depths of 400 meters or more in Sale 194 was 9 percent lower, and their associated high bids were 1 percent higher than those received in Sale 190.

In the water depth categories between 200 - 399 meters, bidding activity in Sale 194 was lower than the level observed in Sale 190 and the Sale 190 average high bid per acre was much higher. In Sales 194 and 190, tracts in water depths between 200 - 399 meters were not eligible for automatic royalty suspension volumes. Tracts in water depths less than 200 meters are eligible for royalty relief for the production of natural gas from deep wells. In this water depth category, 243 tracts received bids in Sale 194 compared to 340 in Sale 190.

In comparing the average high bid per acre by water depth category between Sales 194 and 190, the Sale 194 averages were above those observed in Sale 190 in all water depth categories except 200 - 399 meters and 800 - 1,599 meters. In water depths less than 200 meters, the Sale 194 average was \$156.14/acre and the Sale 190 average was \$110.61/acre. In 200 - 399 meters, Sale 194's average was \$125.97/acre and Sale 190's was \$163.42/acre. In 400 - 799 meters, Sale 194's average was \$152.02/acre and Sale 190's was \$139.51/acre. In 800 - 1,599 meters, Sale 194's average was \$215.87/acre and Sale 190's was \$246.29/acre. Finally, in 1,600 meters or more, Sale 194's average was \$167.56/acre and Sale 190's was \$93.58/acre. These results suggest that industry continues to perceive significant economic potential to exist in all water depths in the CGOM as average high bids are still well above the minimum bid level.

Phase 1 Results

Following the post-sale bid evaluation procedures, which include a modified 3-bid rule, high bids on 94 tracts were accepted in Phase 1 of Sale 194. High bids were accepted on 68 tracts in water depths less than 200 meters, 1 tract in 200 - 399 meters, and 25 tracts in water depths of 400 meters or more, which are eligible for automatic royalty suspension volumes subject to oil and gas price thresholds. The Phase 1 accepted high bids accounted for about 22 percent of the tracts receiving bids in the sale and 12 percent of the high bids.

The high bids accepted in Phase 1 were in two categories of tracts. There were 87 wildcat or confirmed tracts that were determined to be non-viable. In addition, high bids for seven wildcat or confirmed tracts were accepted in Phase 1 by the number of bids rule. The Sale 194, Phase 1 results by number of bids and high bid per acre are presented in tables 4 and 5, respectively.

In addition, the high bids on six tracts (G27054, G27203, G27218, G27270, G27393, and G27426) were accepted in Phase 1, but the lessee chose not to execute the leases and the 1/5 deposits on the high bids were forfeited.

Table 4. *Phase I Results by Number of Bids*

Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	82	87.23%	\$22.53	54.88%
2	5	5.32%	\$1.76	4.29%
3+	7	7.45%	\$16.76	40.83%
Total	94	100.00%	\$41.05	100.00%

Table 5. *Phase I Results by High Bid per Acre*

High Bid per Acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	44	46.81%	\$6.64	16.18%
\$50 - 74.99	24	25.53%	\$6.57	16.00%
\$75 - 99.99	9	9.57%	\$3.58	8.72%
\$100 - 149.99	6	6.38%	\$3.14	7.65%
\$150+	11	11.70%	\$21.12	51.45%
Total	94	100.00%	\$41.05	100.00%

Revised Arithmetic Average Measure of Tract (RAM)

The RAM is a secondary bid acceptance criterion applied in Phase 2 of the Sale 194 bid evaluation process on multi-bid tracts with high bids that did not exceed the Government’s Adjusted Delayed Value (ADV) of the tract. The ADV is explained in detail in appendix J.

For evaluating the high bids on multi-bid tracts that do not exceed the ADV, the RAM is applied to (a) drainage and development (DD) tracts having three or more qualified bids with the third highest bid being at least 25 percent of the tract’s high bid, and (b) confirmed and wildcat tracts having two or more qualified bids with the second highest bid being at least 25 percent of the tract’s high bid. Only bids that are at least 25 percent of the high bid are considered in calculating the RAM. If the high bid exceeds the RAM, it is accepted.

Use of the RAM allows the MMS to balance market factors and its own MROV (mean range of values) evaluation in determining fair market value. Previously, using the Geometric Average Evaluation of Tract (GAEOT), a few low losing bids on a tract were sufficient to require an MMS evaluation of the MROV well in excess of \$100 million for the high bid to be rejected.

Using the RAM, the highest MROV required to reject a high bid on a multi-bid tract in Sale 194 was about \$41 million, and the majority was less than \$3 million. These values are reasonable relative to high bids observed in this sale.

In Sale 194, 45 tracts that were classified as wildcat and confirmed and that received three or more bids were passed to Phase 2 for evaluation. If necessary, based on the RAM, these tracts could have bids accepted or rejected. After adjusting the number of bids to include only those bids that are at least 25 percent of a tract's high bid, 41 tracts could be eligible for a decision based on the RAM. These 41 tracts would require MROV's of around \$0.28 million to \$41 million for rejection. Three high bids in Sale 194 (G27061, G27063, and G27173) were accepted because of the RAM. Detailed tables of tracts receiving three or more bids by water depth zone are presented in appendix E.

Bidding Activity

The number of companies participating in Sale 194 decreased to 80 from the 83 active in Sale 190, the previous CGOM sale. Eleven companies submitted bids (either solo or jointly) on 20 or more tracts. Dominion E & P was the most active company in terms of bids submitted with 39. Tied for the greatest number of high bids with 25 each, were Dominion E & P and Focus Exploration. Dominion E & P had the greatest aggregate high bids with a total of \$52.3 million.

With about 30 percent of the tracts receiving bids in the sale being multi-bid tracts, no firm that submitted 10 or more bids was the high bidder on every bid it submitted. For firms submitting 20 or more bids, the most successful bidder was Exxon Mobil, with 18 high bids out of the 20 bids that it offered.

Listed in table 6 are the 10 most active bidders in terms of total amount of high bids. Also listed in the table are the total number of bids and number of high bids submitted by the companies with their rank indicated in parentheses. Appendix F contains a summary of bids for all companies that participated in the sale.

Many of the companies that were most active in CGOM Sale 190 (March 17, 2004) were not among the most active in Sale 194. Among the companies that were very active in Sale 194 (but had been less active in the previous CGOM sale) were Dominion E & P, LLOG Exploration Offshore, Murphy Exploration & Production, Spinnaker Exploration, Energy Partners, Focus Exploration, Remington Oil & Gas, and Noble Energy. The magnitude of the high bids was similar in Sale 194 to that observed in Sale 190 and many large independents showed higher levels of interest in this CGOM sale than in previous sales.

Appendix G presents a listing of bidding by the most active companies in Sales 194 and 190.

Table 6. *Most Active Bidders by Total Amount of High Bids*
(For Number of Bids and High Bids, rank is in parentheses.)

Company	Total High Bids	Number of Bids	High Bids
Dominion E & P	\$52,300,892	39 (1)	25 (1)
LLOG Exploration Offshore	\$34,859,680	28 (6)	22 (4)
Murphy Exploration & Production	\$28,053,925	29 (5)	23 (3)
Spinnaker Exploration	\$17,013,825	27 (7)	19 (8)
Energy Partners	\$15,052,672	27 (7)	22 (4)
Tana Exploration	\$11,693,663	25 (10)	12 (14)
Focus Exploration	\$10,176,565	32 (4)	25 (1)
Stone Energy	\$9,954,407	13 (20)	8 (20)
Remington Oil and Gas	\$9,732,884	38 (2)	21 (7)
Noble Energy	\$9,302,632	8 (40)	8 (20)

Sale 194 vs. Sale 190

Sale 194 was smaller than Sale 190 relative to the number of blocks receiving bids. However, the aggregate high bids in Sale 194 were only about \$15 million less than Sale 190's. The average high bid per acre was \$131.84 in Sale 190 as compared with \$166.04 in Sale 194. High bids in Sale 194 were \$353,961,798, a decrease of 4 percent as compared to \$368,763,482 in Sale 190. In Sale 194, 428 tracts received 651 bids compared to the 827 bids received for 557 tracts in Sale 190. In addition, the number of bids per tract increased slightly to 1.52 from 1.48 in the previous sale.

The amount of bidding activity in deep water in Sale 194 decreased compared to Sale 190. Specifically, the number of tracts potentially eligible for deepwater royalty suspension volumes (water depth of 400 meters or more) receiving bids decreased by about 9 percent and the high bids on these tracts increased about 1 percent. On the tracts eligible for shallow water (water depth of less than 200 meters), deep gas royalty suspension volumes, bidding activity decreased in Sale 194 compared to Sale 190. In Sale 190, 340 tracts potentially eligible for this category of royalty relief received bids, compared with 243 in Sale 194, a decrease of 29 percent. The high bids on tracts in water depths of less than 200 meters decreased by 1 percent compared to the previous sale in the CGOM. Appendix H presents a graphical comparison of sale results.

In Sale 194, 13 tracts with high bids that were rejected in Sale 190 received bids. In addition, there was one rejected tract from Sale 190 with a high bid of \$357,250 that did not receive a bid in Sale 194. The high bids on the 13 tracts with bids increased from \$4,180,199 in Sale 190 to \$18,543,996 in Sale 194, an increase in high bids of 344 percent. The number of bids on these 13 tracts increased from 16 to 26, a gain of 63 percent. Subsequently, the high bids on two of the

tracts were rejected in Sale 194. For the 11 tracts on which the high bids were accepted, the increase in high bids was 413 percent. Seven tracts had Sale 194 high bids that were more than \$1 million greater than their previously rejected high bids. The potential to realize substantial gains in high bids on tracts that were previously rejected highlights the importance of MMS's bid adequacy procedures.

Appendix A

Sale 194

Bidding Summary

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 194

Sale Day Statistics by Royalty Rate

	<u>16 2/3% Royalty</u>	<u>12 1/2% Royalty</u>	<u>Sale Total</u>
Tracts Receiving Bids	257	171	428
Acres Receiving Bids	1,169,945.92	961,795.45	2,131,741.37
Sum of High Bids	\$180,671,028	\$173,290,770	\$353,961,798
Sum of All Bids	\$269,535,258	\$270,718,935	\$540,254,193
Total Number of Bids	395	256	651
Average Bids	1.54	1.50	1.52
Companies Bidding	72	44	80
Highest Bid per Tract	\$21,157,755	\$20,153,300	\$21,157,755
- Tract Number	G27003	G27312	G27003
- Number of Bids	8	3	8
Highest Bid per Acre	\$8,463.10	\$3,498.84	\$8,463.10
- Tract Number	G27003	G27312	G27003
- Number of Bids	8	3	8
Most Bids	8	8	8
- Tract Number	G27003	G27277	G27003 G27277

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 194

Sale Day Statistics for 16 2/3 Percent Royalty Rate Tracts

	<u>16 2/3% w/RS¹</u>	<u>16 2/3% w/ROY²</u>	<u>16 2/3% Total</u>
Tracts Receiving Bids	243	14	257
Acres Receiving Bids	1,103,597.66	66,348.26	1,169,945.92
Sum of High Bids	\$172,313,215	\$8,357,813	\$180,671,028
Sum of All Bids	\$257,511,116	\$12,024,142	\$269,535,258
Total Number of Bids	372	23	395
Average Bids	1.53	1.64	1.54
Companies Bidding	69	14	72
Highest Bid per Tract	\$21,157,755	\$2,300,000	\$21,157,755
- Tract Number	G27003	G27242	G27003
- Number of Bids	8	3	8
Highest Bid per Acre	\$8,463.10	\$399.31	\$8,463.10
- Tract Number	G27003	G27242	G27003
- Number of Bids	8	3	8
Most Bids	8	3	8
- Tract Number	G27003	G27239 G27242 G27329	G27003

¹ “16 2/3 percent w/RS” is that category of tract in less than 200 meters of water with a royalty rate of 1/6 that is eligible for royalty suspension volumes of 15 billion cubic feet [bcf] for gas from deep wells, i.e., drilling depth of greater than 15,000 feet but less than 18,000 feet, or 25 bcf for gas from wells with a drilling depth of 18,000 feet or more.

² “16 2/3 percent w/ROY” is that category of tract in 200 to less than 400 meters of water with a royalty rate of 1/6 that is not eligible for an automatic royalty suspension volume.

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 194

Sale Day Statistics for 12 1/2 Percent Royalty Rate Tracts

	<u>12 1/2% w/RS5¹</u>	<u>12 1/2% w/RS3²</u>	<u>12 1/2% w/RS4³</u>	<u>12 1/2% Royalty</u>
Tracts Receiving Bids	35	55	81	171
Acres Receiving Bids	201,600.00	315,910.49	444,284.96	961,795.45
Sum of High Bids	\$30,647,362	\$68,196,874	\$74,446,534	\$173,290,770
Sum of All Bids	\$45,510,278	\$125,220,738	\$99,987,919	\$270,718,935
Total Number of Bids	57	96	103	256
Average Bids	1.63	1.75	1.27	1.50
Companies Bidding	32	33	21	44
Highest Bid per Tract	\$5,259,957	\$10,376,500	\$20,153,300	\$20,153,300
- Tract Number	G27252	G27304	G27312	G27312
- Number of Bids	4	4	3	3
Highest Bid per Acre	\$913.19	\$1,801.48	\$3,498.84	\$3,498.84
- Tract Number	G27252	G27304	G27312	G27312
- Number of Bids	4	4	3	3
Most Bids	5	8	5	8
- Tract Number	G27285	G27277	G27278	G27277

¹ “12 1/2 percent w/RS5” is that category of tract in 400 to less than 800 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 5 MMBOE per lease.

² “12 1/2 percent w/RS3” is that category of tract in 800 to less than 1,600 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 9 MMBOE per lease.

³ “12 1/2 percent w/RS4” is that category of tract in 1,600 or more meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 12 MMBOE per lease.

Appendix B

Sale 194

Bidding by Number of Bids

Sale 194

All Tracts

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	301	70.33%	\$134.61	38.03%
2	75	17.52%	\$69.68	19.69%
3	26	6.07%	\$61.24	17.03%
4	16	3.74%	\$36.43	10.29%
5+	10	2.34%	\$52.00	14.69%
Total	428	100.00%	\$353.96	100.00%

Tracts with 1/6 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	180	70.04%	\$72.52	40.14%
2	42	16.34%	\$34.59	18.15%
3	19	7.39%	\$33.22	18.38%
4	10	3.89%	\$13.34	7.38%
5+	6	2.33%	\$27.01	14.95%
Total	257	100.00%	\$180.67	100.00%

Tracts with 1/8 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	121	70.76%	\$62.09	35.83%
2	33	19.30%	\$35.09	20.25%
3	7	4.09%	\$28.02	16.17%
4	6	3.51%	\$23.09	13.32%
5+	4	2.34%	\$25.00	14.43%
Total	171	100.00%	\$173.29	100.00%

Sale 194, by Water Depth Category

1/6 Royalty (<200 meters; 15 billion cubic feet [bcf] Royalty Suspension Volume [RSV] for gas from deep wells, i.e., drilling depth of > 15,000 feet but less than 18,000 feet or 25 bcf for > 18,000 feet)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	172	70.78%	\$69.55	40.36%
2	39	16.05%	\$32.71	18.98%
3	16	6.58%	\$29.71	17.24%
4	10	4.12%	\$13.34	7.74%
5+	6	2.47%	\$27.01	15.67%
Total	243	100.00%	\$172.31	100.00%

1/6 Royalty (200 to < 400 meters; no automatic RSV)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	8	57.14%	\$2.97	35.50%
2	3	21.43%	\$1.88	22.50%
3	3	21.43%	\$3.51	42.00%
4	0	0.00%	\$0.00	0.00%
5+	0	0.00%	\$0.00	0.00%
Total	14	100.00%	\$8.36	100.00%

1/8 Royalty (400 to < 800 meters; 5 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	21	60.00%	\$10.61	34.63%
2	9	25.71%	\$9.06	29.55%
3	3	8.87%	\$4.38	14.29%
4	1	2.86%	\$5.26	17.16%
5+	1	2.86%	\$1.34	4.37%
Total	35	100.00%	\$30.65	100.00%

1/8 Royalty (800 to < 1,600 meters; 9 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	36	65.45%	\$23.59	34.59%
2	10	18.18%	\$13.23	19.40%
3	2	3.64%	\$2.67	3.91%
4	5	9.09%	\$17.83	26.15%
5+	2	3.64%	\$10.88	15.95%
Total	55	100.00%	\$68.20	100.00%

1/8 Royalty (1,600 or more meters; 12 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	64	79.01%	\$27.89	37.46%
2	14	17.28%	\$12.80	17.20%
3	2	2.47%	\$20.98	28.18%
4	0	0.00%	\$0.00	0.00%
5+	1	1.23%	\$12.78	17.16%
Total	81	100.00%	\$74.45	100.00%

Appendix C

Sale 194

Bidding by High Bid per Acre

Sale 194

All Tracts

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	135	31.54%	\$25.10	7.09%
\$50 - 74.99	85	19.86%	\$26.71	7.55%
\$75 - 99.99	52	12.15%	\$22.74	6.42%
\$100 - 149.99	57	13.32%	\$35.54	10.04%
\$150+	99	23.13%	\$243.88	68.90%
Total	428	100.00%	\$353.96	100.00%

Tracts with 1/6 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	84	32.68%	\$12.92	7.15%
\$50 - 74.99	44	17.12%	\$12.73	7.05%
\$75 - 99.99	32	12.45%	\$13.35	7.39%
\$100 - 149.99	33	12.84%	\$19.24	10.65%
\$150+	64	24.90%	\$122.43	67.76%
Total	257	100.00%	\$180.67	100.00%

Tracts with 1/8 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	51	29.82%	\$12.18	7.03%
\$50 - 74.99	41	23.98%	\$13.98	8.07%
\$75 - 99.99	20	11.70%	\$9.39	5.42%
\$100 - 149.99	24	14.04%	\$16.30	9.41%
\$150+	35	20.47%	\$121.45	70.08%
Total	171	100.00%	\$173.29	100.00%

Sale 194, by Water Depth Category

1/6 Royalty (< 200 meters; 15 billion cubic feet [bcf] Royalty Suspension Volume [RSV] for gas from deep wells, i.e., drilling depth of > 15,000 feet but less than 18,000 feet or 25 bcf for > 18,000 feet)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	80	32.92%	\$12.52	7.27%
\$50 - 74.99	42	17.28%	\$12.03	6.98%
\$75 - 99.99	29	11.93%	\$11.93	6.92%
\$100 - 149.99	31	12.76%	\$17.74	10.29%
\$150+	61	25.10%	\$118.09	68.53%
Total	243	100.00%	\$172.31	100.00%

1/6 Royalty (200 to < 400 meters; no automatic RSV)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	4	28.57%	\$0.40	4.74%
\$50 - 74.99	2	14.29%	\$0.70	8.40%
\$75 - 99.99	3	21.43%	\$1.42	16.97%
\$100 - 149.99	2	14.29%	\$1.50	17.99%
\$150+	3	21.43%	\$4.34	51.89%
Total	14	100.00%	\$8.36	100.00%

1/8 Royalty (400 to < 800 meters; 5 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	5	14.29%	\$1.26	4.10%
\$50 - 74.99	11	31.43%	\$3.99	13.03%
\$75 - 99.99	4	11.43%	\$1.96	6.40%
\$100 - 149.99	7	20.00%	\$4.67	15.24%
\$150+	8	22.86%	\$18.77	61.24%
Total	35	100.00%	\$30.65	100.00%

1/8 Royalty (800 to < 1,600 meters; 9 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	13	23.64%	\$3.40	4.98%
\$50 - 74.99	11	20.00%	\$3.78	5.55%
\$75 - 99.99	9	16.36%	\$4.51	6.61%
\$100 - 149.99	6	10.91%	\$3.88	5.69%
\$150+	16	29.09%	\$52.63	77.17%
Total	55	100.00%	\$68.20	100.00%

1/8 Royalty (1,600 or more meters; 12 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	33	40.74%	\$7.52	10.11%
\$50 - 74.99	19	23.46%	\$6.20	8.33%
\$75 - 99.99	7	8.64%	\$2.92	3.92%
\$100 - 149.99	11	13.58%	\$7.75	10.41%
\$150+	11	13.58%	\$50.05	67.23%
Total	81	100.00%	\$74.45	100.00%

Appendix D

Sale 194

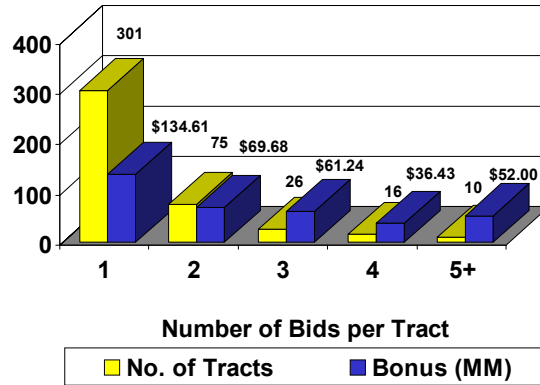
Bidding Results – Graphs

Sale 194 (CGOM) Bidding Results

- 428 tracts received 651 bids (1.52 bids/tract)
- High bids were \$353.96 MM
- Average high bid per acre was \$166.04
- 80 companies submitted bids
- 257 tracts in < 400 meters received bids – 60.05 percent of tracts and 51.04 percent of high bids
- 171 tracts in 400+ meters received bids – 39.95 percent of tracts and 48.96% of high bids

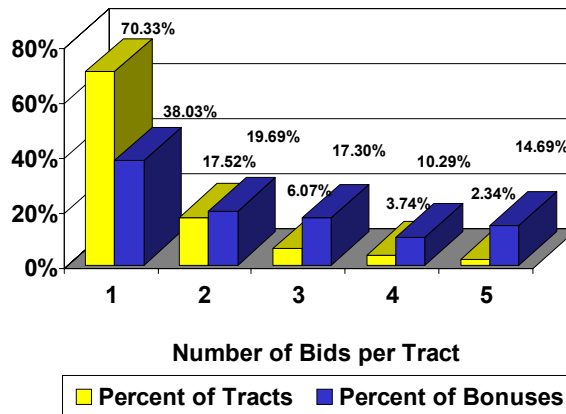
Sale 194, Aggregate

Bidding Activity by Bids per Tract



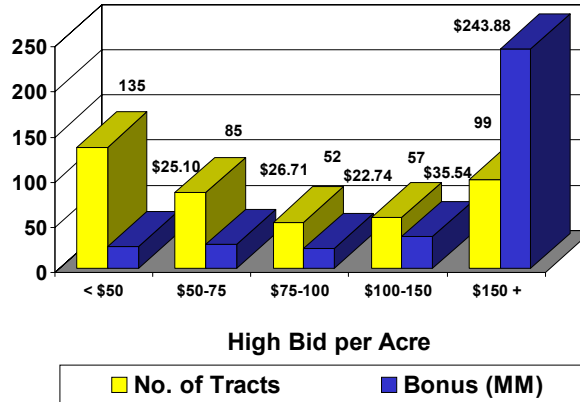
Sale 194, Aggregate

Bidding Activity by Bids per Tract



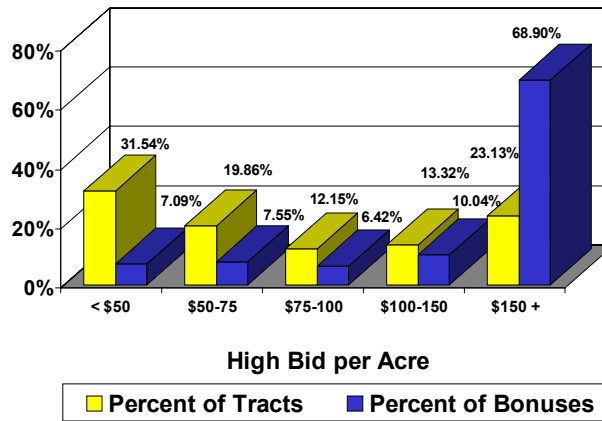
Sale 194, Aggregate

Bidding Activity by High Bid per Acre



Sale 194, Aggregate

Bidding Activity by High Bid per Acre

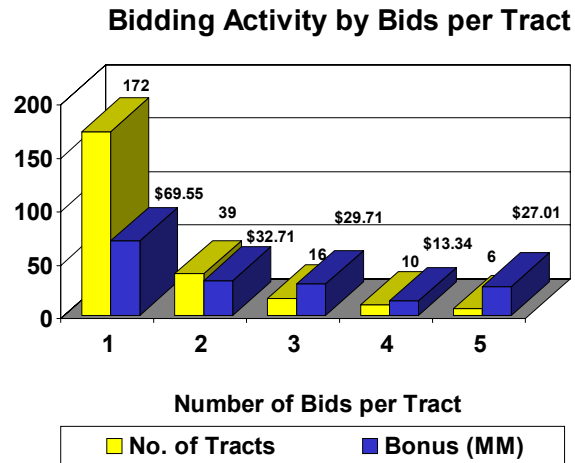


Sale 194 (CGOM)

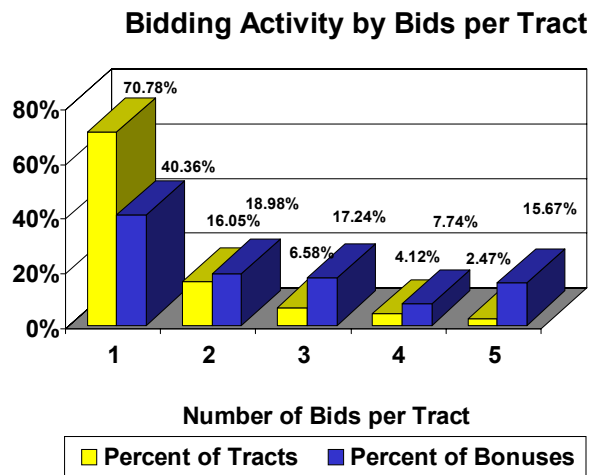
Bidding by Water Depth Category

- 243 tracts in < 200 meters received 372 bids and high bids of \$172.31 MM (\$156.14/acre)
- 14 tracts in 200 to < 400 meters had 23 bids and high bids of \$8.36 MM (\$125.97/acre)
- 35 tracts in 400 to < 800 meters had 57 bids and high bids of \$30.65 MM (\$152.02/acre)
- 55 tracts in 800 to < 1,600 meters had 96 bids and high bids of \$68.20 MM (\$215.87/acre)
- 81 tracts in 1,600 or more meters had 103 bids and high bids of \$74.45 MM

Sale 194, Tracts in < 200 Meters Water Depth

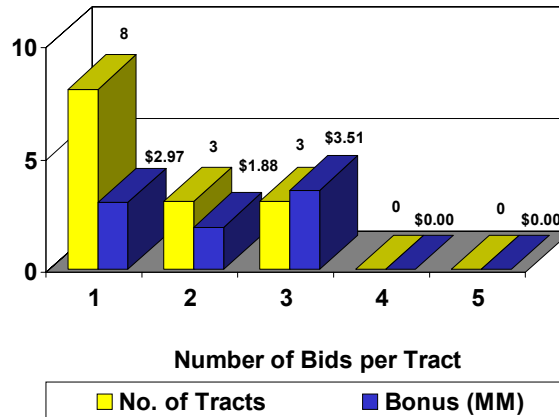


Sale 194, Tracts in < 200 Meters Water Depth



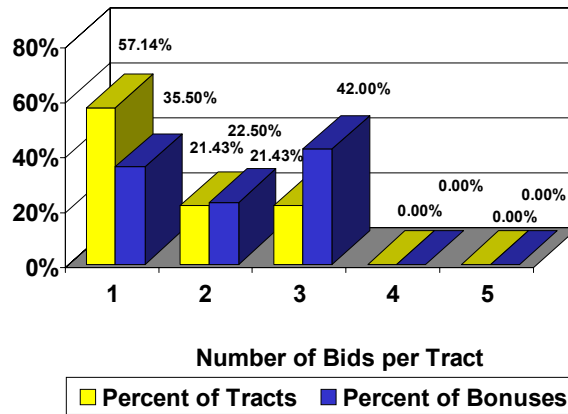
Sale 194, Tracts in 200 to < 400 Meters Water Depth

Bidding Activity by Bids per Tract



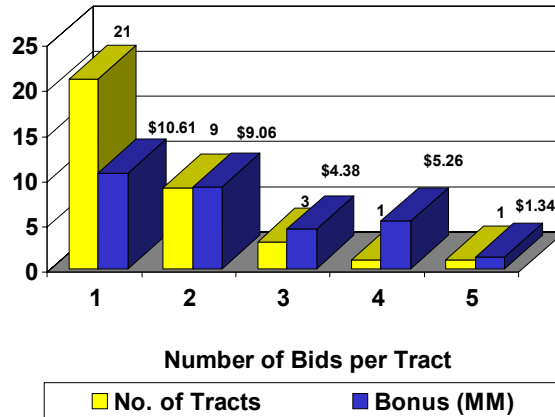
Sale 194, Tracts in 200 to < 400 Meters Water Depth

Bidding Activity by Bids per Tract



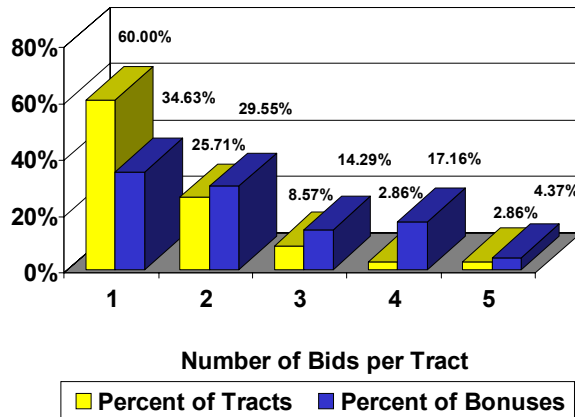
Sale 194, Tracts in 400 to < 800 Meters Water Depth

Bidding Activity by Bids per Tract



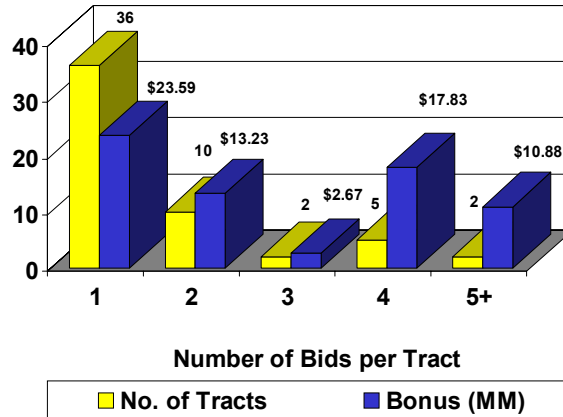
Sale 194, Tracts in 400 to < 800 Meters Water Depth

Bidding Activity by Bids per Tract



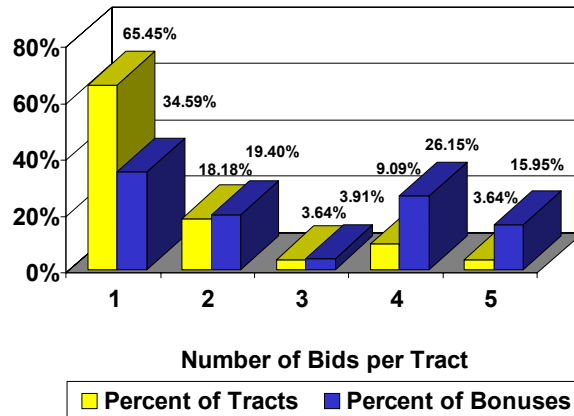
Sale 194, Tracts in 800 to < 1,600 Meters Water Depth

Bidding Activity by Bids per Tract



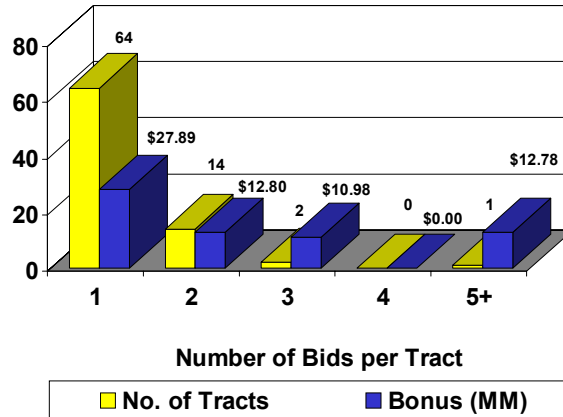
Sale 194, Tracts in 800 to < 1,600 Meters Water Depth

Bidding Activity by Bids per Tract



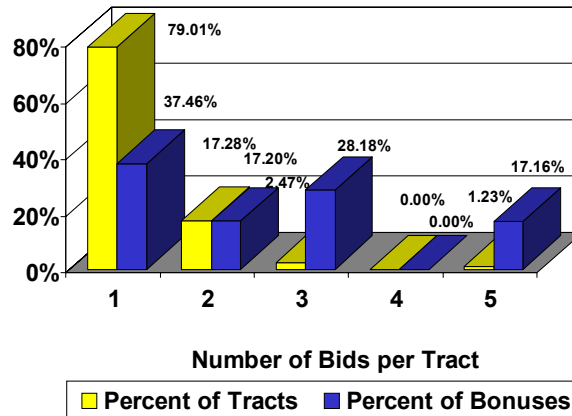
Sale 194, Tracts in 1,600 or more Meters Water Depth

Bidding Activity by Bids per Tract



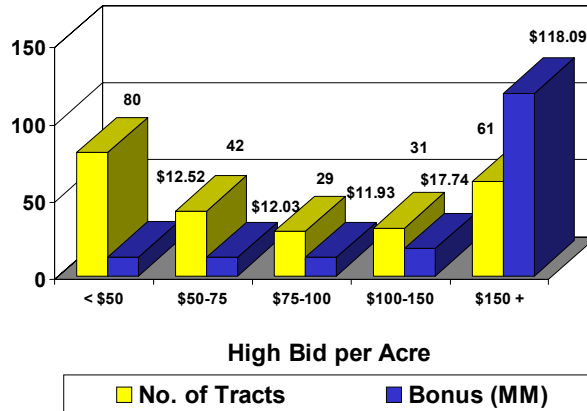
Sale 194, Tracts in 1,600 or more Meters Water Depth

Bidding Activity by Bids per Tract



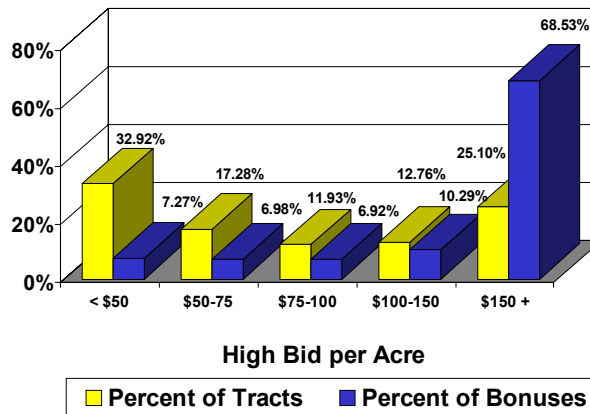
Sale 194, Tracts in < 200 Meters Water Depth

Bidding Activity by High Bid per Acre



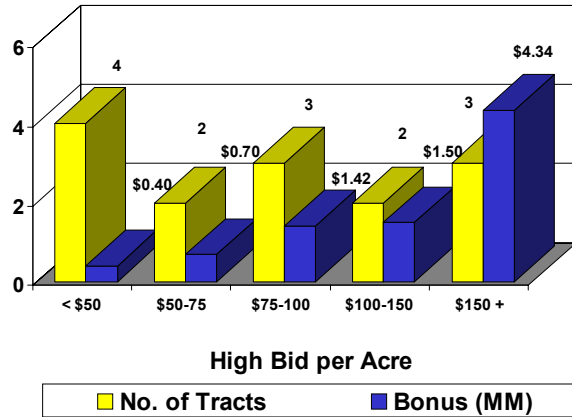
Sale 194, Tracts in < 200 Meters Water Depth

Bidding Activity by High Bid per Acre



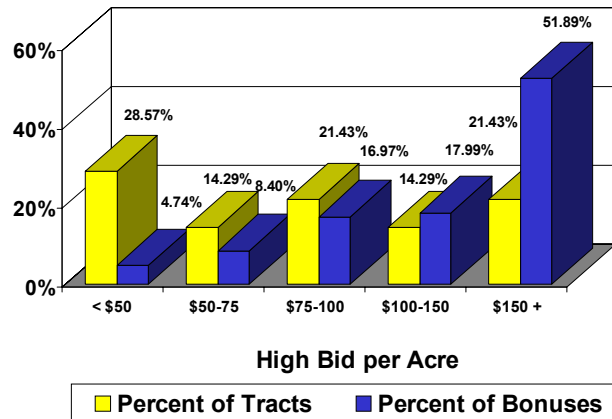
Sale 194, Tracts in 200 to < 400 Meters Water Depth

Bidding Activity by High Bid per Acre



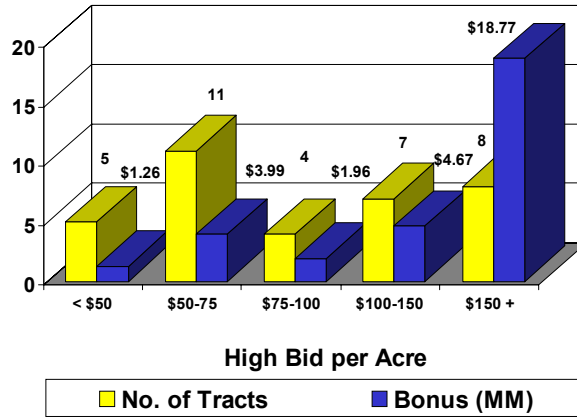
Sale 194, Tracts in 200 to < 400 Meters Water Depth

Bidding Activity by High Bid per Acre



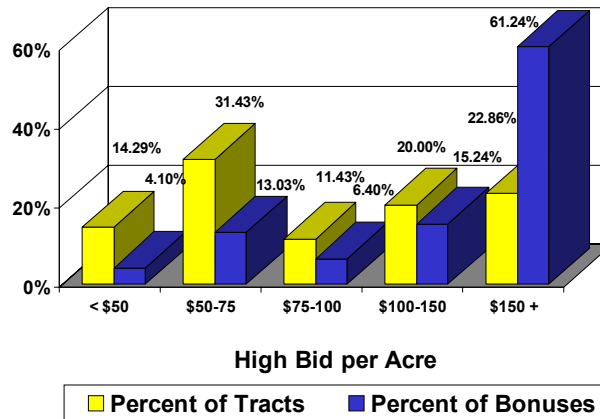
Sale 194, Tracts in 400 to < 800 Meters Water Depth

Bidding Activity by High Bid per Acre



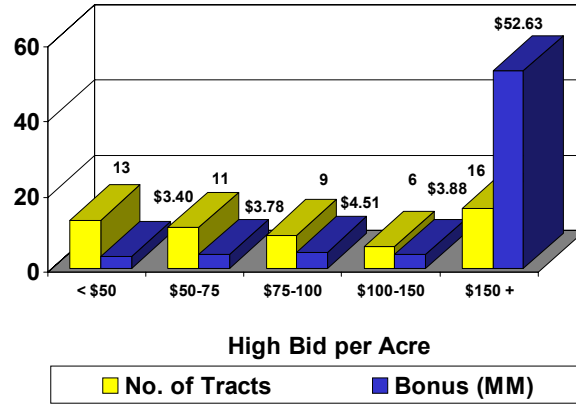
Sale 194, Tracts in 400 to < 800 Meters Water Depth

Bidding Activity by High Bid per Acre



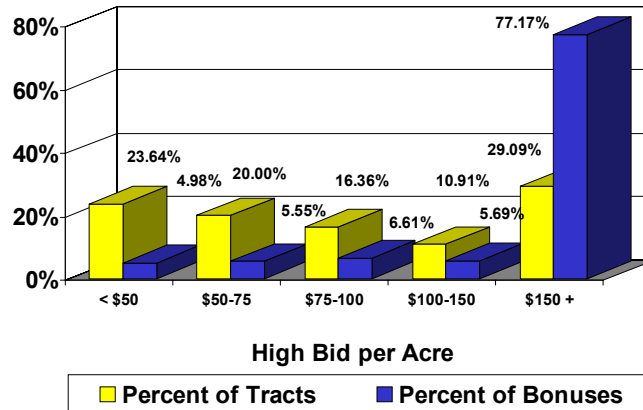
Sale 194, Tracts in 800 to < 1,600 Meters Water Depth

Bidding Activity by High Bid per Acre



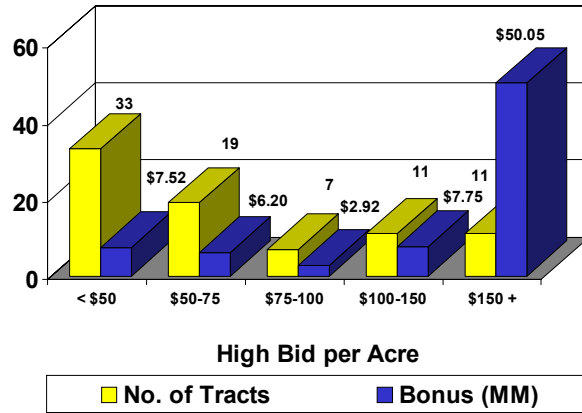
Sale 194, Tracts in 800 to < 1,600 Meters Water Depth

Bidding Activity by High Bid per Acre



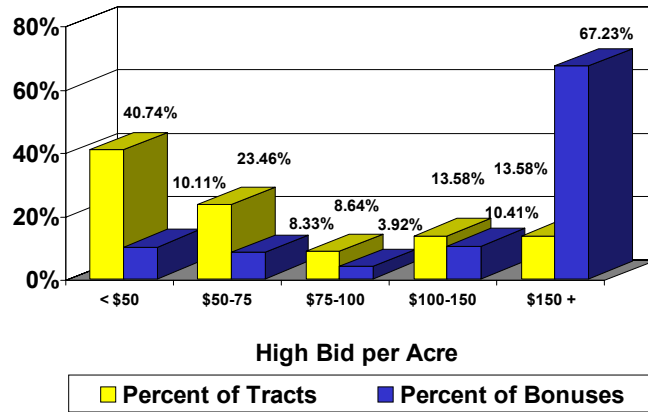
Sale 194, Tracts in 1,600 or more Meters Water Depth

Bidding Activity by High Bid per Acre



Sale 194, Tracts in 1,600 or more Meters Water Depth

Bidding Activity by High Bid per Acre



Appendix E

Sale 194

**Revised Arithmetic Average Measure
(RAM)**

Sale 194, Tracts with Three or More Bids

In Sale 194, three or more bids were received on 52 tracts. Table E1 presents the distribution of those bids by water depth category and third bid as a percent of high bid.

Table E1. *Percent Difference Between a Tract's High Bid and Third Bid as a Percent of High Bid by Water Depth Category*

Category	< 25%	25 - 50%	50 - 75%	> 75%	Total
< 200 m	2	5	13	12	32
200 - 399 m	0	1	0	2	3
400 - 799 m	1	1	2	1	5
800 - 1,599 m	1	4	2	2	9
1,600 m or more	0	0	2	1	3
Total	4	11	19	18	52

Applying the bid adequacy procedures, the modified number of bids rule was used for Phase 1 acceptance of high bids on selected tracts receiving three or more bids. Under the rule, high bids on wildcat and confirmed tracts receiving three or more bids are accepted in Phase 1, if the third highest bid on the tract is at least 50 percent of the high bid and the high bid per acre ranks in the top 75 percent of high bids per acre for all three-or-more bid tracts within a specified water depth category. (The procedure is described in the *Federal Register*, vol. 64, no.132, pp. 37,560-37,562.) In Sale 194, 7 three-or-more bid tracts met the bid acceptance criteria described above.

A modified Phase 2 averaging rule, the RAM of tract value was also applicable in this sale. The RAM is a secondary bid acceptance rule that is used on multi-bid tracts if the Government's ADV of the tract exceeds the high bid. The RAM is an arithmetic average of a tract's high bid, MROV, and all other bids that are at least 25 percent of the high bid. If a bid on a tract is not at least 25 percent of the high bid, that bid is considered an outlier and not included in the RAM calculation. Thus, the adjusted number of bids on a tract for the RAM calculation can be less than the total number of bids that a tract receives.

For those tracts on which the RAM is used as the bid acceptance rule, if the RAM is less than the tract's high bid, then the high bid is accepted, and if the RAM exceeds the high bid, then the high bid is rejected.

Forty-five tracts that could potentially use the RAM as the bid acceptance decision rule were passed to Phase 2 for further evaluation. Of those, 4 tracts did not have second bids that were at least 25 percent of the high bids. So, the use of the RAM as a Phase 2 decision criterion for those tracts was not a possibility. For the remaining 41 tracts, the MROV's needed to reject a tract's high bid using the RAM were calculated. Using the RAM, 8 tracts need an MROV of less than \$1 million, 24 tracts need an MROV of between \$1 million to \$5 million, 4 tracts need an MROV of between \$5 million to \$10 million, and 5 tracts need an MROV of \$10 million or more for high bid rejection based on this criterion. The results are presented in table E2. The RAM was used to accept three high bids (G27061, G27063, and G27173) in Sale 194.

Table E2. *MROV Needed to Reject a High Bid Using the RAM by Water Depth Category*

Category	< \$1 MM	\$1-5 MM	\$5-10 MM	> \$10 MM	Total
< 200 m	4	17	3	2	26
200 to < 400 m	1	2	0	0	3
400 to < 800 m	2	1	1	0	4
800 to < 1,600 m	1	3	0	1	5
1,600 m or more	0	1	0	2	3
Total	8	24	4	5	41

Sale 194, Tracts with Three or More Bids Passed to Phase 2

Table E3. *Tracts in < 200 Meters; Potential Royalty Suspension Volume of 15 Billion Cubic Feet (bcf) for Natural Gas From Deep Wells > 15,000 but < 18,000 Feet or 25 bcf From Wells 18,000 Feet or More*

Tract	High Bid	No. of Bids	3 rd Bid as % of High Bid	Adjusted No. of Bids	MROV to Reject w/RAM
G27003	\$21,157,755	8	29.86%	3	\$41,108,052
G27036	\$1,250,316	4	12.56%	1	Not Applicable
G27039	\$2,605,000	3	10.88%	2	\$4,482,000
G27040	\$1,330,000	3	12.22%	2	\$1,886,500
G27050	\$3,177,130	4	42.56%	3	\$6,602,390
G27057	\$1,129,556	3	40.50%	3	\$2,056,066
G27063	\$759,723	3	31.26%	3	\$1,561,669
G27065	\$601,151	3	21.95%	2	\$847,302
G27071	\$1,279,323	4	49.68%	4	\$2,898,757

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	MROV to Reject w/RAM
G27072	\$1,444,000	5	22.01%	2	\$2,243,000
G27091	\$1,214,000	4	6.71%	2	\$1,902,662
G27097	\$935,885	3	18.05%	2	\$1,595,770
G27103	\$2,525,727	4	25.74%	3	\$5,444,223
G27110	\$304,000	3	90.74%	3	\$351,144
G27112	\$201,600	4	76.39%	4	\$305,717
G27123	\$3,330,000	3	13.00%	2	\$4,340,287
G27127	\$8,855,555	3	4.08%	2	\$13,390,110
G27131	\$381,990	4	41.57%	4	\$1,028,165
G27132	\$3,101,102	3	9.78%	1	Not Applicable
G27133	\$501,000	3	26.26%	3	\$1,120,194
G27139	\$729,723	4	35.03%	4	\$1,968,334
G27163	\$379,731	3	60.17%	3	\$680,735
G27167	\$1,713,368	5	40.19%	3	\$3,144,049
G27173	\$1,303,515	4	29.77%	4	\$3,171,737
G27178	\$1,278,430	4	12.09%	2	\$2,042,717
G27184	\$633,000	3	48.18%	3	\$1,074,287
G27195	\$1,475,000	3	34.03%	3	\$2,514,001
G27197	\$3,126,856	3	7.60%	2	\$5,450,377

Table E4. *Tracts in 200 to < 400 Meters; No Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27239	\$786,826	3	8.71%	2	\$1,248,652
G27242	\$2,300,000	3	7.13%	2	\$3,299,843
G27329	\$423,514	3	59.09%	3	\$744,828

Table E5. *Tracts in 400 to < 800 Meters; 5 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27252	\$5,259,957	4	27.05%	3	\$9,355,525
G27274	\$351,600	3	62.00%	3	\$611,575
G27276	\$3,777,000	3	8.68%	1	Not Applicable
G27285	\$1,338,988	5	45.66%	3	\$2,616,794
G27350	\$250,315	3	89.89%	3	\$278,500

Table E6. *Tracts in 800 to < 1,600 Meters; 9 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27260	\$737,500	4	51.79%	4	\$1,873,848
G27298	\$442,000	4	73.47%	4	\$860,516
G27299	\$932,000	3	34.84%	3	\$2,118,474
G27303	\$3,724,589	4	8.38%	1	Not Applicable
G27304	\$10,376,500	4	33.91%	3	\$21,445,928
G27348	\$1,734,988	3	18.19%	2	\$2,084,091

Table E7. *Tracts in 1,600 Meters or More; 12 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27278	\$12,777,777	5	31.43%	3	\$28,152,999
G27312	\$20,153,300	3	2.38%	2	\$31,806,600
G27384	\$824,700	3	49.44%	3	\$1,553,166

Appendix F

Sale 194

Summary of Company Bids

Sale 194 - Company Bids by Total Amount of High Bids

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
1	282	Dominion E & P	39	25	14	\$72,046,881	\$52,300,892	\$19,745,989
2	2058	LLOG Exploration Offshore	28	22	6	\$37,234,680	\$34,859,680	\$2,375,000
3	2647	Murphy Exploration & Production	29	23	6	\$29,893,728	\$28,053,925	\$1,839,803
4	2169	Spinnaker Exploration	27	19	8	\$28,465,303	\$17,013,825	\$11,451,478
5	2266	Energy Partners	27	22	5	\$17,674,660	\$15,052,672	\$2,621,988
6	2579	Tana Exploration	25	12	13	\$20,078,939	\$11,693,663	\$8,385,276
7	2790	Focus Exploration	32	25	7	\$12,622,565	\$10,176,565	\$2,446,000
8	1834	Stone Energy	13	8	5	\$15,633,527	\$9,954,407	\$5,679,120
9	1704	Remington Oil and Gas	38	21	17	\$20,318,996	\$9,732,884	\$10,586,113
10	2237	Noble Energy	8	8	0	\$9,302,632	\$9,302,632	\$0
11	1978	Helis Oil & Gas	12	8	4	\$11,790,186	\$9,037,319	\$2,752,867
12	78	Chevron USA	34	22	12	\$11,778,876	\$8,127,147	\$3,651,729
13	1935	Pioneer Natural Resources	16	13	3	\$10,495,484	\$7,546,902	\$2,948,582
14	2421	Devon Energy Production	10	8	2	\$10,141,509	\$7,174,509	\$2,967,000
15	2668	Red Willow Offshore	12	8	4	\$9,069,783	\$7,119,716	\$1,950,067
16	276	Exxon Mobil	20	18	2	\$7,657,771	\$6,885,371	\$772,400
17	2222	PetroQuest Energy	9	7	2	\$6,834,704	\$6,362,992	\$471,712
18	689	Shell Offshore	16	9	7	\$12,099,488	\$5,880,462	\$6,219,026
19	3	Union Oil - California	7	7	0	\$5,106,702	\$5,106,702	\$0
20	1958	Maxus (US) Exploration	12	9	3	\$8,365,940	\$4,921,570	\$3,444,370
21	2277	BHP Billiton (Deepwater)	13	12	1	\$6,025,740	\$4,639,855	\$1,385,885
22	1364	Newfield Exploration	18	8	10	\$17,250,099	\$4,542,519	\$12,707,580
23	2349	Magnum Hunter Production	26	15	11	\$6,685,322	\$3,916,533	\$2,768,789
24	2219	Kerr-McGee Oil & Gas	19	13	6	\$5,996,671	\$3,852,681	\$2,143,990
25	981	Anadarko Petroleum	11	5	6	\$5,952,576	\$3,743,040	\$2,209,536
26	236	El Paso Production	5	4	1	\$3,963,070	\$3,652,970	\$310,100
27	2066	Ridgelake Energy	5	4	1	\$5,156,000	\$3,582,000	\$1,574,000
28	724	Marathon Oil	4	4	0	\$3,394,000	\$3,394,000	\$0
29	1284	W & T Offshore	15	9	6	\$5,202,500	\$3,340,000	\$1,862,500
30	59	Amerada Hess	6	3	3	\$8,082,437	\$3,139,473	\$4,942,964

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
31	2481	BP Exploration & Production	13	12	1	\$3,741,559	\$2,957,692	\$783,867
32	56	ConocoPhillips	14	8	6	\$4,100,000	\$2,818,402	\$1,281,598
33	2765	Bois d'Arc Properties	10	6	4	\$7,700,000	\$2,771,000	\$4,929,000
34	2528	Norsk Hydro USA Oil & Gas	7	6	1	\$3,170,080	\$2,741,586	\$428,494
35	2248	Eni Petroleum Exploration	16	13	3	\$6,449,998	\$2,652,590	\$3,797,408
36	818	Mariner Energy	11	2	9	\$13,983,100	\$2,470,250	\$11,512,850
37	1046	The Houston Exploration Co.	6	3	3	\$11,201,628	\$2,460,433	\$8,741,195
38	222	Hunt Petroleum (AEC)	10	5	5	\$5,099,117	\$2,443,357	\$2,655,760
39	1999	Houston Energy	12	8	4	\$2,749,584	\$2,099,607	\$649,977
40	1819	ATP Oil & Gas	10	7	3	\$2,746,540	\$2,093,750	\$652,790
41	730	Walter Oil & Gas	14	5	9	\$6,691,925	\$2,070,925	\$4,621,000
42	1586	Petsec Energy	2	2	0	\$2,018,790	\$2,018,790	\$0
43	231	Pogo Producing	10	4	6	\$4,618,925	\$1,817,625	\$2,801,300
44	2780	Lymac Expl. & Prod.	5	5	0	\$1,532,665	\$1,532,665	\$0
45	105	Apache Corporation	2	2	0	\$1,428,812	\$1,428,812	\$0
46	2375	Marlin Energy Offshore	4	2	2	\$2,417,250	\$1,427,580	\$989,670
47	2079	Nexen Petroleum Offshore	5	4	1	\$1,475,776	\$1,346,461	\$129,315
48	48	Forest Oil	4	2	2	\$1,921,760	\$1,302,510	\$619,250
49	2455	Triumph Energy	6	4	2	\$3,021,000	\$1,237,000	\$1,784,000
50	2341	Winwell Resources	5	5	0	\$1,063,600	\$1,063,600	\$0
51	2466	Gryphon Exploration	5	2	3	\$2,601,885	\$854,885	\$1,747,000
52	2377	MCX Gulf of Mexico	9	4	5	\$1,563,837	\$788,348	\$775,489
53	2432	Andex Resources	2	2	0	\$635,152	\$635,152	\$0
54	2427	Virgin Offshore USA	3	2	1	\$620,500	\$543,000	\$77,500
55	1355	Cabot Oil & Gas	3	2	1	\$776,000	\$520,400	\$255,600
56	2479	Republic Exploration	3	2	1	\$789,950	\$486,250	\$303,700
57	560	Seneca Resources	3	2	1	\$924,949	\$482,099	\$442,850
58	64	Hunt Oil	8	2	6	\$6,818,201	\$453,752	\$6,364,449
59	2643	Contango Offshore	3	2	1	\$803,150	\$441,450	\$361,700
60	2383	Millennium Offshore Group	1	1	0	\$427,553	\$427,553	\$0

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
61	2111	Legacy Resources	3	1	2	\$1,778,000	\$426,000	\$1,352,000
62	2312	McMoRan Oil & Gas	2	2	0	\$424,700	\$424,700	\$0
63	2407	Woodside Energy (USA)	7	2	5	\$1,400,000	\$339,964	\$1,060,036
64	2506	Wolf Resources	2	2	0	\$317,529	\$317,529	\$0
65	1103	EOG Resources	1	1	0	\$312,500	\$312,500	\$0
66	2397	Samson Offshore	8	2	6	\$1,889,824	\$311,772	\$1,578,052
67	2330	Cheniere Energy	1	1	0	\$306,000	\$306,000	\$0
68	2656	Clayton Williams Energy	2	2	0	\$264,000	\$264,000	\$0
69	2702	Plains Expl. & Prod.	3	3	0	\$232,300	\$232,300	\$0
70	2461	Open Choke Exploration	1	1	0	\$132,643	\$132,643	\$0
71	2719	Cities Energy	3	1	2	\$639,051	\$125,032	\$514,019
72	1207	Petrobras America	1	1	0	\$124,766	\$124,766	\$0
73	2454	Valiant Energy	3	1	2	\$582,000	\$105,000	\$477,000
74	2721	Tarpon Offshore Ventures	10	4	6	\$167,864	\$41,492	\$126,372
75	2791	NACRA	6	6	0	\$3,370	\$3,370	\$0
76	1513	Callon Petroleum	1	0	1	\$2,347,340	\$0	\$2,347,340
77	2480	Davis Offshore	2	0	2	\$1,018,029	\$0	\$1,018,029
78	1866	Range Energy Ventures	1	0	1	\$469,468	\$0	\$469,468
79	1630	Cheyenne International	1	0	1	\$312,979	\$0	\$312,979
80	2038	Mako Offshore Exploration	1	0	1	\$117,777	\$0	\$117,777

Appendix G

Sales 194 and 190

Active Bidders

Companies Participating in 20 or More Bids in Sale 194

Company	Co. #	< 200 m	200 - 399 m	400 - 799 m	800 - 1,599 m	1,600+ m	Total	Exposure	Exposure Rank	Exposure per Bid
Dominion E & P	282	12	0	1	14	12	39	\$72,046,881	1	\$1,847,356
Remington Oil and Gas	1704	24	2	10	2	0	38	\$20,318,996	5	\$534,710
Chevron USA	78	13	1	2	1	17	34	\$11,778,876	14	\$346,438
Focus Exploration	2790	25	5	1	1	0	32	\$12,622,565	11	\$394,455
Murphy Exploration & Production	2647	0	0	4	15	10	29	\$29,893,728	3	\$1,030,818
LLOG Exploration Offshore	2058	21	0	1	6	0	28	\$37,234,680	2	\$1,329,810
Spinnaker Exploration	2169	2	0	5	11	9	27	\$28,465,303	4	\$1,054,270
Energy Partners	2266	27	0	0	0	0	27	\$17,674,660	7	\$654,617
Magnum Hunter Production	2349	25	1	0	0	0	26	\$6,685,322	27	\$257,128
Tana Exploration	2579	21	0	3	1	0	25	\$20,078,939	6	\$803,158
Exxon Mobil	276	7	0	0	0	13	20	\$7,657,771	23	\$382,889

Companies Participating in 20 or More Bids in Sale 190

Company	Co. #	< 200 m	200 - 399 m	400 - 799 m	800 - 1,599 m	1,600+ m	Total	Exposure	Exposure Rank	Exposure per Bid
Magnum Hunter Production	2349	82	4	0	0	0	86	\$15,538,270	12	\$180,678
BHP Billiton (Deepwater)	2277	33	0	1	5	5	44	\$27,710,776	4	\$629,790
Chevron USA	78	17	3	0	5	18	43	\$24,214,941	5	\$563,138
Remington Oil and Gas	1704	41	0	0	0	0	41	\$8,797,921	27	\$214,583
Kerr-McGee Oil & Gas	2219	4	3	2	10	14	33	\$39,890,731	3	\$1,208,810
BP E & P	2481	7	0	0	9	15	31	\$12,909,827	18	\$416,446
Republic Exploration	2479	31	0	0	0	0	31	\$12,673,823	19	\$408,833
ConocoPhillips	56	2	0	2	13	9	26	\$17,325,130	7	\$666,351
Noble Energy	2237	24	0	1	1	0	26	\$6,591,404	34	\$253,516
Amerada Hess	59	0	0	0	13	11	24	\$49,995,249	1	\$2,083,135
Spinnaker Exploration	2169	12	3	2	3	4	24	\$21,539,918	6	\$897,497
Pioneer Natural Resources	1935	6	0	3	5	10	24	\$10,518,644	26	\$438,277
Woodside Energy (USA)	2407	4	0	0	11	9	24	\$7,502,445	31	\$312,602
Devon Energy Production	2421	14	1	2	1	5	23	\$14,462,259	15	\$628,794
Newfield Exploration	1364	17	2	1	0	3	23	\$12,436,391	21	\$540,713
Shell Offshore	689	1	0	4	6	12	23	\$7,628,072	30	\$331,655
Tana Exploration	2579	17	3	1	0	0	21	\$16,500,000	9	\$785,714
Helis Oil & Gas	1978	17	1	0	3	0	21	\$14,572,006	14	\$693,905
Pogo Producing	231	15	3	2	0	0	20	\$13,688,000	16	\$684,400
Houston Energy	1999	16	1	0	3	0	20	\$3,562,615	46	\$178,131

Appendix H

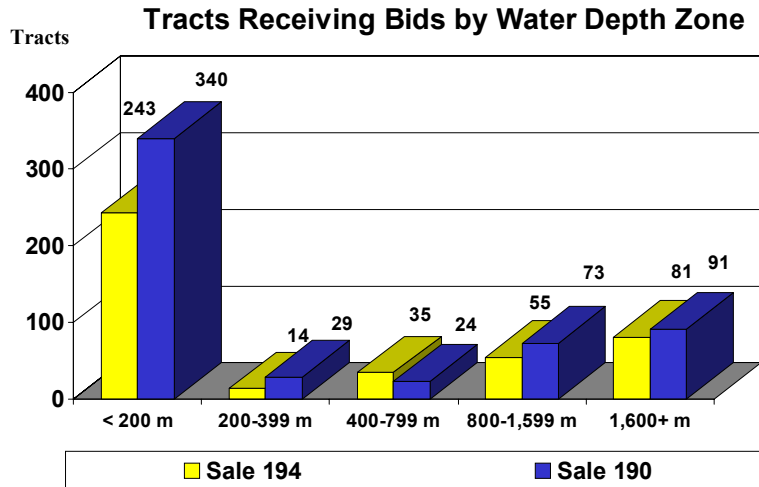
Sales 194 and 190

Comparison of Sales - Graphs

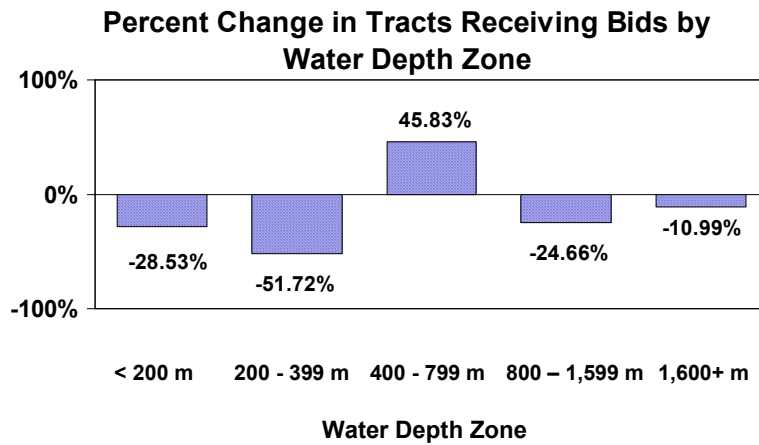
Sale 194 vs. Sale 190 (CGOM) Comparison of Results

- In aggregate, 428 tracts received high bids of \$353.96 MM in Sale 194 and 557 tracts received high bids of \$368.76 MM in Sale 190
- Bids per tract increased to 1.52 in Sale 194 from 1.49 in Sale 190
- Sale 194 had 243 tracts in < 200 m receiving high bids of \$172.31 MM vs. 340 tracts and high bids of \$173.82 MM in Sale 190
- Sale 194 had 185 tracts in > 200 m receiving high bids of \$181.65 MM vs. 217 tracts and high bids of \$194.94 MM in Sale 190

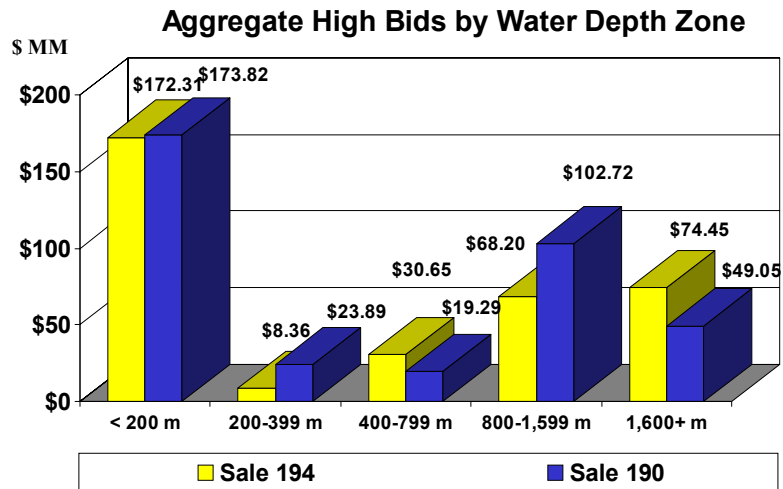
Sale 194 vs. Sale 190 - Tracts



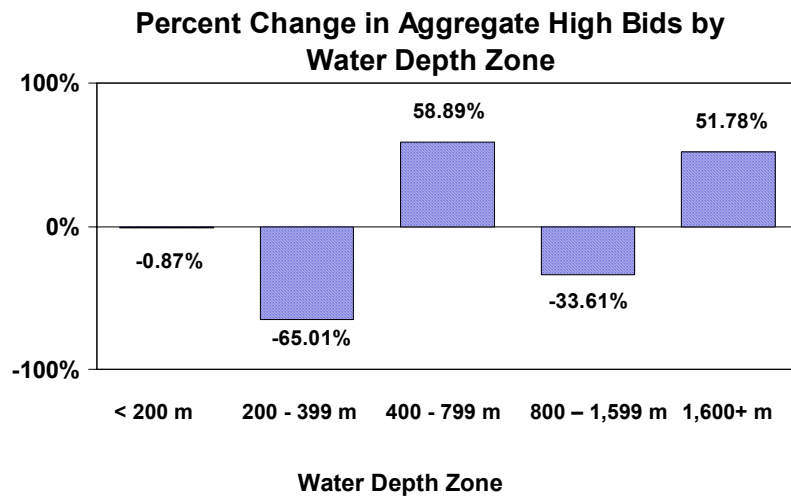
Sale 194 vs. Sale 190 - Tracts



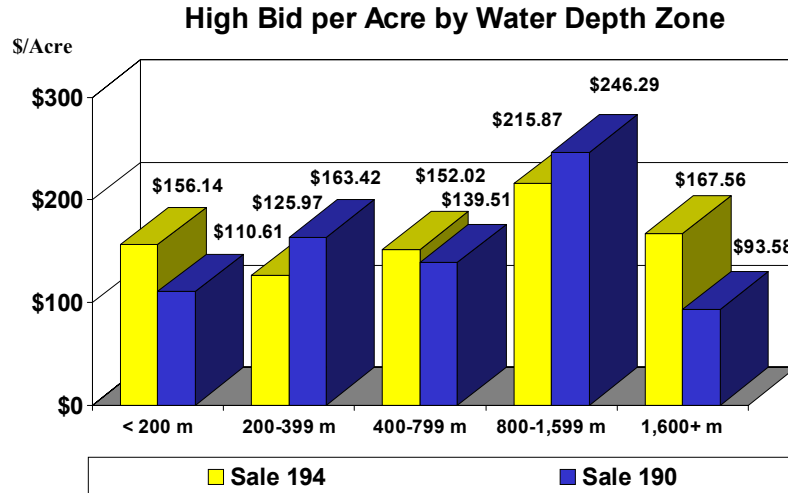
Sale 194 vs. Sale 190 - Bonuses



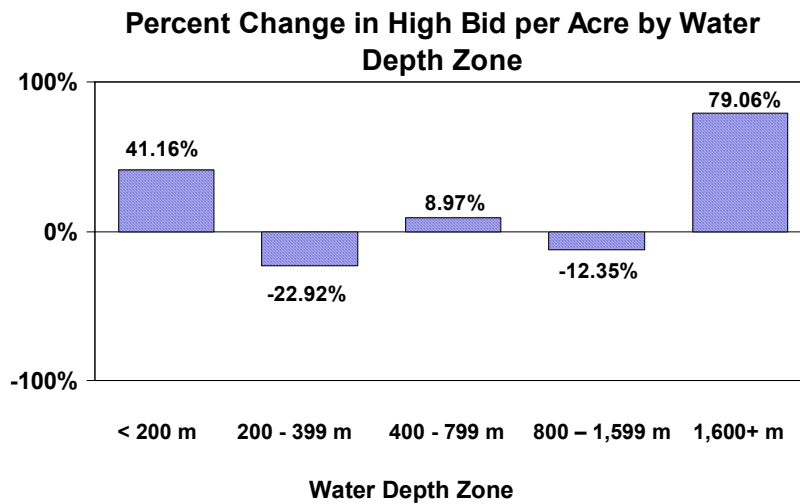
Sale 194 vs. Sale 190 - Bonuses



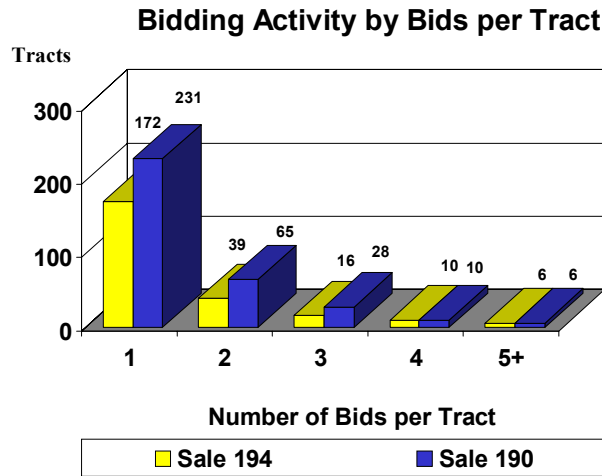
Sale 194 vs. Sale 190 - High Bid per Acre



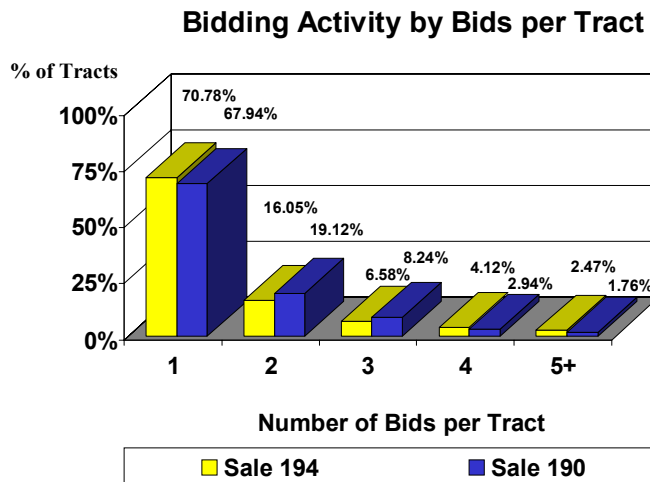
Sale 194 vs. Sale 190 - High Bid per Acre



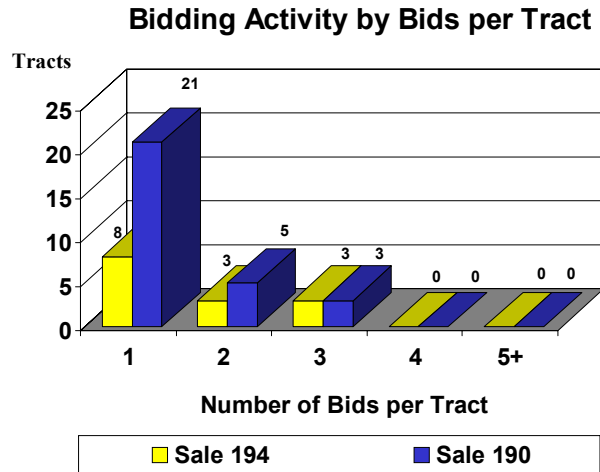
Sale 194 vs. Sale 190 - Tracts < 200 Meters Water Depth



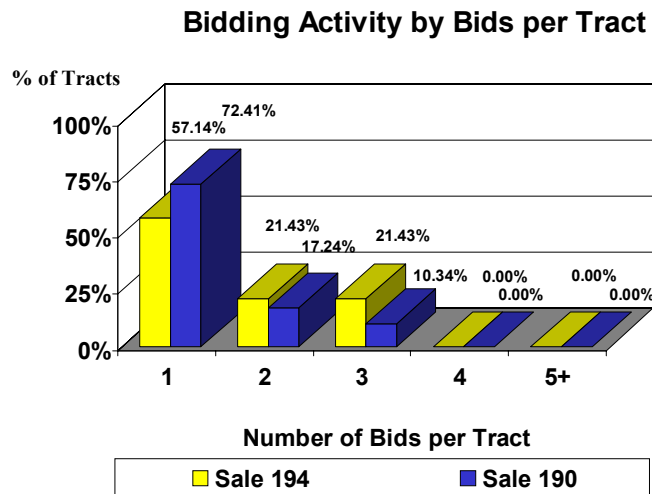
Sale 194 vs. Sale 190 - Tracts < 200 Meters Water Depth



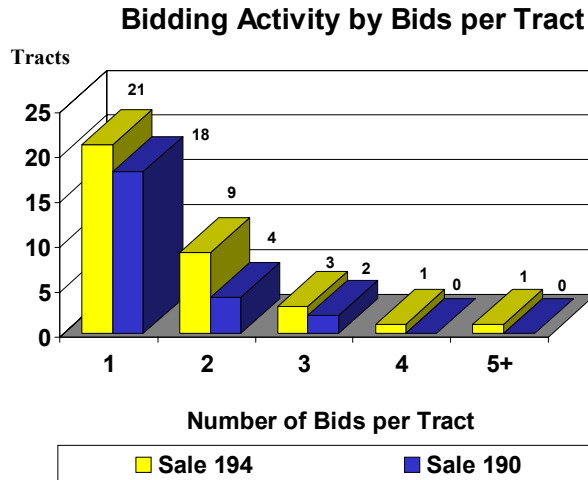
Sale 194 vs. Sale 190 - Tracts in 200 to < 400 Meters Water Depth



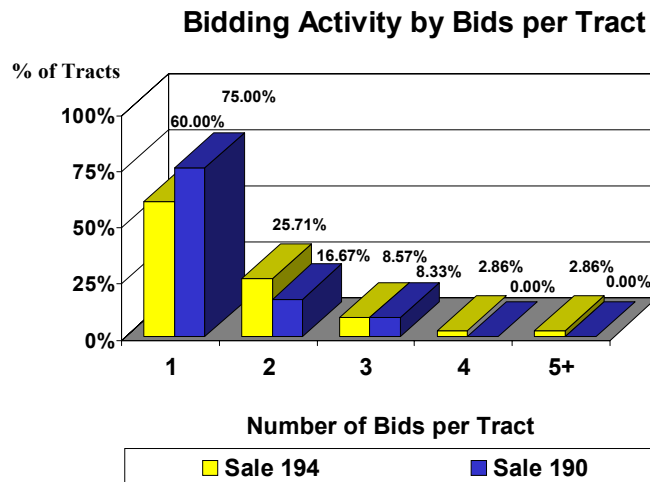
Sale 194 vs. Sale 190 - Tracts in 200 to < 400 Meters Water Depth



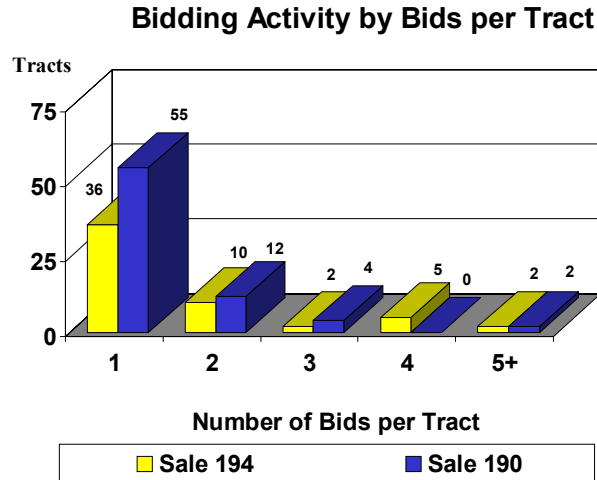
Sale 194 vs. Sale 190 - Tracts in 400 to < 800 Meters Water Depth



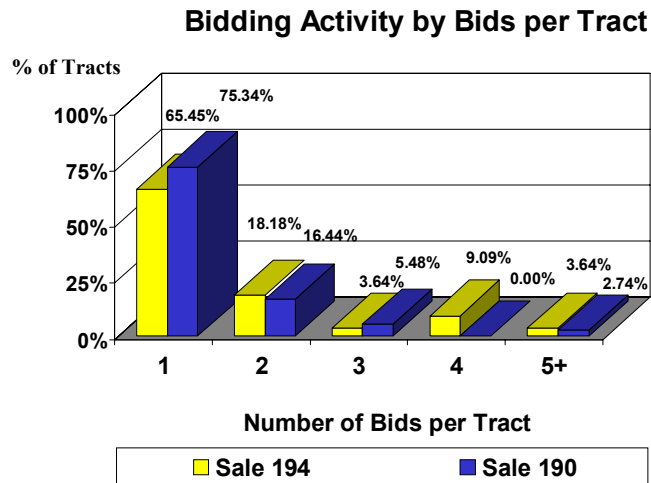
Sale 194 vs. Sale 190 - Tracts in 400 to < 800 Meters Water Depth



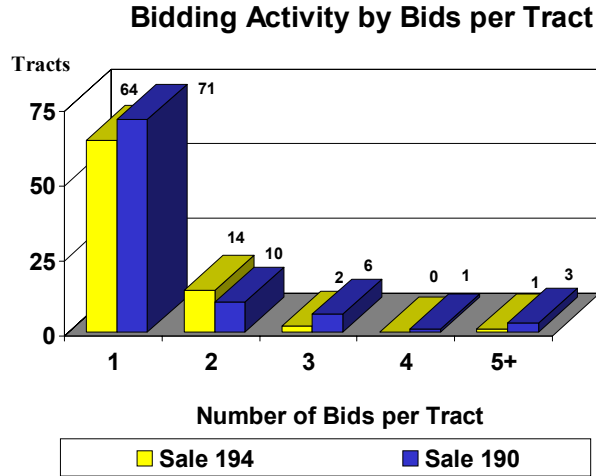
Sale 194 vs. Sale 190 - Tracts in 800 to < 1,600 Meters Water Depth



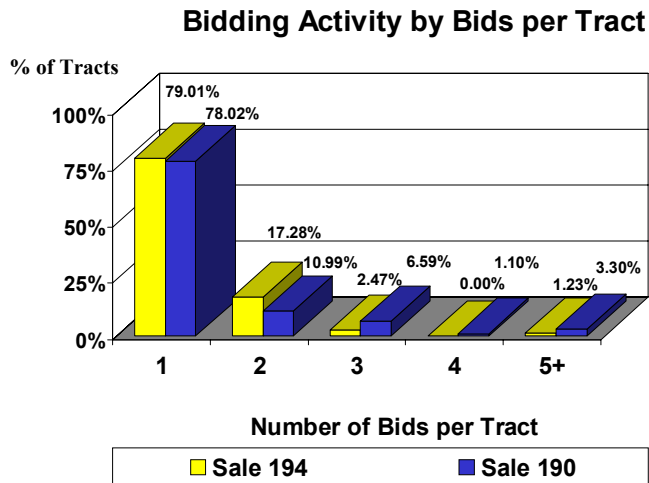
Sale 194 vs. Sale 190 - Tracts in 800 to < 1,600 Meters Water Depth



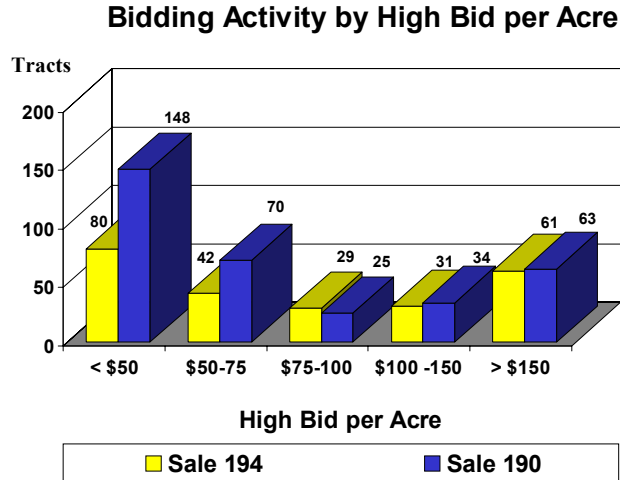
Sale 194 vs. Sale 190 - Tracts in 1,600 or more Meters Water Depth



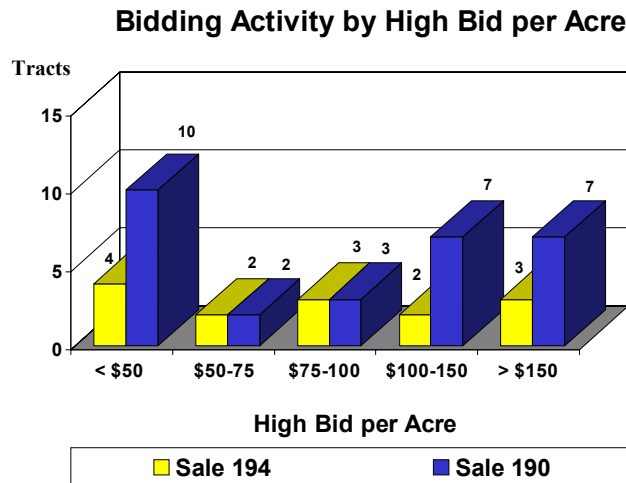
Sale 194 vs. Sale 190 - Tracts in 1,600 or more Meters Water Depth



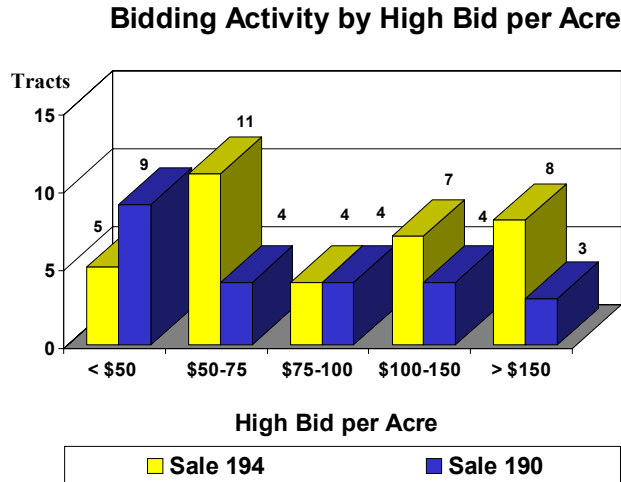
Sale 194 vs. Sale 190 - Tracts < 200 Meters Water Depth



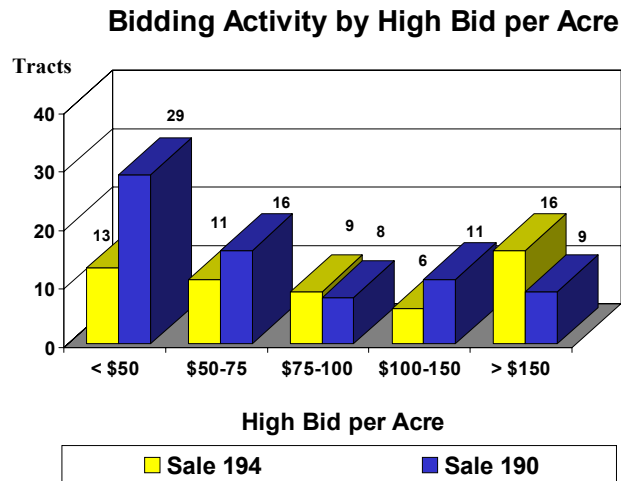
Sale 194 vs. Sale 190 - Tracts in 200 to < 400 Meters Water Depth



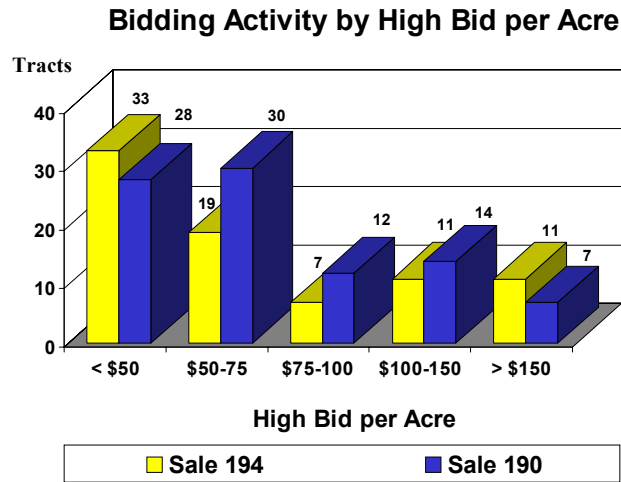
Sale 194 vs. Sale 190 - Tracts in 400 to < 800 Meters Water Depth



Sale 194 vs. Sale 190 - Tracts in 800 to < 1,600 Meters Water Depth



Sale 194 vs. Sale 190 - Tracts in 1,600 or more Meters Water Depth



Appendix I

Sale 194

High Bid Rejections

Sale 194 Rejections

The high bids on 19 tracts were rejected in Sale 194. The rejected blocks received from one to five bids. By water depth category, the rejections were as follows: ten in less than 200 meters, two in 200 to less than 400 meters, two in 400 to less than 800 meters, one in 800 to less than 1,600 meters, and four in 1,600 meters or deeper.

Table I1. *Sale 194, Rejections in Water Depths Less Than 200 Meters; Royalty Rate = 1/6; Potential Royalty Suspension Volume for Natural Gas From Deep (15,000 feet or more) Wells*

Tract No.	Bids	High Bid	ADV	RAM
G27041	1	\$519,713	\$1,600,000	Not Applicable
G27065	3	\$601,151	\$600,000	\$1,085,384
G27069	2	\$325,000	\$1,100,000	\$648,997
G27112	4	\$201,600	\$1,100,000	\$460,457
G27117	2	\$183,240	\$1,200,000	\$969,752
G27153	1	\$235,635	\$1,500,000	Not Applicable
G27167	5	\$1,713,368	\$1,000,000	\$2,102,356
G27178	4	\$1,278,430	\$410,000	\$1,564,191
G27183	1	\$787,550	\$410,000	Not Applicable
G27187	1	\$896,650	\$890,000	Not Applicable

Table I2. *Sale 194, Rejections in Water Depths of 200 to < 400 Meters; Royalty Rate = 1/6; No Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G27269	1	\$65,000	\$1,000,000	Not Applicable
G27271	1	\$1,250,250	\$3,200,000	Not Applicable

Table I3. *Sale 194, Rejections in Water Depths of 400 to < 800 Meters; Royalty Rate = 1/8; 5 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G27256	2	\$1,357,350	\$2,100,000	Not Applicable
G27324	2	\$628,051	\$1,400,000	\$759,350

Table I4. *Sale 194, Rejection in Water Depths of 800 to < 1,600 Meters; Royalty Rate = 1/8; 9 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G27260	4	\$737,500	\$2,900,000	\$942,730

Table I5. *Sale 194, Rejections in Water Depths of 1,600 Meters or Deeper; Royalty Rate = 1/8; 12 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G27300	2	\$351,600	\$2,600,000	\$1,074,416
G27301	2	\$328,437	\$2,500,000	\$1,025,544
G27363	1	\$235,555	\$2,100,000	Not Applicable
G27364	1	\$235,555	\$860,000	Not Applicable

Appendix J

Modifications to the Bid Adequacy Procedures

Bid Adequacy Procedures

[Federal Register: July 12, 1999 (Volume 64, Number 132)]
[Notices]
[Page 37560-37562]
From the Federal Register Online via GPO Access [wais.access.gpo.gov]
[DOCID:fr12jy99-108]

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Modifications to the Bid Adequacy Procedures

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Notification of procedural change.

SUMMARY: The Minerals Management Service (MMS) has changed a criterion in its existing bid adequacy procedures for ensuring receipt of fair market value on Outer Continental Shelf (OCS) oil and gas leases. The change ensures consistency in the evaluation of tracts.

DATES: This modification is effective July 1, 1999.

FOR FURTHER INFORMATION CONTACT: Dr. Marshall Rose, Chief, Economics Division, at (703) 787-1536.

The revised bid adequacy procedures are described below.

What Definitions Apply to These Procedures?

The *MROV* is a dollar measure of a tract's expected net present value, if that tract is leased in the current sale. The calculation of the *MROV* allows for exploration and economic risk, and includes tax consequences, e.g., depletion of the cash bonus.

The *delayed MROV (DMROV)* is a measure used to determine the size of the high bid needed in the current sale to equalize it with the discounted sum of the bonus and royalties expected in the next sale, less the foregone royalties from the current sale. The bonus for the next sale is computed as the *MROV* associated with the delay in leasing under the projected economic, engineering, and geological leasing receipts conditions, including drainage. If the high bid exceeds the *DMROV*, then the leasing receipts from the current sale are expected to be greater than those from the next sale, even in cases in which the *MROV* exceeds the high bid.

The *Adjusted Delayed Value (ADV)* is the minimum of the MROV and the DMROV.

The *RAM* is the revised arithmetic average measure of the MROV and all qualified bids on a tract that are equal to at least 25 percent of the high bid.

Anomalous bids are all but the highest bid submitted for a tract by the same company (bidding alone or jointly with another company), parent, or subsidiary. These bids are excluded when applying the number of bids rule or any other bid adequacy measure.

Legal bids are those bids which comply with the MMS regulations (30 CFR 256) and the Notice of Sale, e.g., equal or exceed the specified minimum bid. Any illegal bid will be returned to the bidder.

Qualified bids are those bids that are legal and not anomalous.

MONTCAR is a probabilistic, cash flow computer simulation model used to conduct a resource-economic evaluation that results in an estimate of the expected net present value of a tract (or prospect).

Nonviable tracts or prospects are those geographic or geologic configurations of hydrocarbons that are estimated to be uneconomic to produce with the costs and anticipated future prices used in the analysis.

Within the context of our bid adequacy procedures, the term “*unusual bidding patterns*” typically refers to a situation in which two or more companies bid against each other more often than would normally be expected. Companies could agree to bid against each other on certain sets of tracts in a sale so that the number of bids rule would apply for bid acceptance. Other forms of unusual bidding patterns exist as well, and generally involve anti-competitive practices, e.g., if it appears that companies are attempting to avoid bidding against each other in a sale on a set of prospective tracts.

A *confirmed tract* is a previously leased tract having a well(s) which encountered hydrocarbons and may have produced. It contains some oil and/or gas resources whose volume may or may not be known.

A *development tract* is a tract which has nearby productive (past or currently capable) wells with indicated hydrocarbons and which is not interpreted to have a productive reservoir extending under the tract. There should be evidence supporting the interpretation that at least part of the tract is on the same general structure as the proven productive well.

A *drainage tract* is a tract which has a nearby well which is capable of producing oil or gas, and the tract could incur drainage if and when such a well is placed on production. The reservoir, from which the nearby well is capable of producing, is interpreted to extend under the drainage tract to some extent.

A *wildcat tract* is a tract which has neither nearby productive (past or currently capable) wells, nor is interpreted to have a productive reservoir extending under the tract. It has high risk in addition to sparse well control.

Water depth categories for bid adequacy purposes in the Gulf of Mexico are designated as (1) less than 800 meters and (2) 800 meters or more.

If different water depth categories are used for a Gulf of Mexico sale, they will be specified in the sale's final notice. For areas other than the Gulf of Mexico, all tracts will be considered to be in the same water depth category, unless an alternative is specified in the final notice of sale.

What Problem Is Addressed by the Change?

In any OCS lease sale, a limited number of tracts may be reclassified from drainage or development (DD) in Phase 1 of the bid evaluation process to confirmed or wildcat (CW) in Phase 2. (The MMS reclassifies a tract if additional Phase 2 analysis supports a classification different than the one assigned the tract in Phase 1 of the evaluation.) However, under the old bid adequacy procedures, a tract classified as CW in Phase 1 was evaluated under different criteria than a tract that was reclassified as CW in Phase 2. This change ensures the consistent treatment of similarly classified tracts whether they are evaluated in Phase 1 or Phase 2.

What Change Is Being Made?

In Phase 1 of the bid adequacy procedures, the MMS classifies tracts as either CW or DD based on information available at the time of sale. Under the old (February 10, 1999) guidelines, tracts within designated water depth categories that were reclassified from DD to CW in Phase 2 only had to have a third largest bid within 50 percent of the high bid to be accepted. Now, DD tracts reclassified as CW tracts must satisfy the same criteria for acceptance that would have had to been met if they were classified as CW in Phase 1.

To ensure consistency in evaluations, the following change is being made. In Phase 1, for CW tracts receiving three-or-more qualified bids, acceptance under the number of bids rule will apply only if the third largest bid is within 50 percent of the high bid, and if the high bid is in the top 75 percent of high bids on a per acre basis for all three-or-more-bid tracts within designated water depth categories. In Phase 2 of the bid evaluation process, DD tracts that have been reclassified as CW will be subject to the same screening criteria that the CW tracts with three-or-more bids had to meet in Phase 1.

How Are Bids Evaluated?

During the bid review process, we conduct evaluations in a two-phased procedure for bid adequacy determination. We also review bids to ensure that they are for at least the minimum amount specified in the notice of sale and that unusual bidding patterns are not present.

What Happens in Phase 1 of the Bid Adequacy Procedures?

In Phase 1, we partition the tracts receiving bids into three general categories:

1. Those tracts with three-or-more bids, on which competitive market forces can be used to assure fair market value;
2. Those tracts which we identify as being nonviable based on adequate data and maps; and
3. Those tracts which we identify as being viable and on which we have the most detailed and reliable data, including tracts classified as DD.

What Phase 1 Rules Are Applied to All Tracts Receiving Bids?

Six Phase 1 rules are applied to all tracts receiving bids:

1. We accept the highest qualified bid on viable CW tracts receiving three-or-more qualified bids if the third largest bid on the tract is at least 50 percent of the highest qualified bid and if the high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts within a specified water depth category.
2. We accept the highest qualified bid on CW tracts that we determine to be nonviable.
3. We pass to Phase 2 all tracts that require additional information to make a determination on viability or tract type.
4. We pass to Phase 2 all viable CW tracts receiving one or two qualified bids.
5. We pass to Phase 2 all viable CW tracts receiving three-or-more qualified bids if either the third largest such bid is less than 50 percent of the highest qualified bid or if the high bid per acre ranks in the lowest 25 percent of high bids for all three-or-more-bid tracts in the specified water depth category.
6. We pass to Phase 2 all DD tracts.

How Is the Percentile Ranking of a Tract's High Bid Calculated?

The percentile ranking of a tract's high bid is calculated by multiplying 100 times the ratio of the numerical ordering of the three-or-more-bid tract's high bid to the total number of all three-or-more-bid tracts in the designated water depth. For example, suppose there are 21 total tracts identified in Phase 1 as receiving three-or-more-bids in the designated water depth category of at least 800 meters. All tracts in this set having a high bid among the top 15 high bids would satisfy the 75 percent requirement; the 15th ranked high bid would represent the 71st percentile, i.e., $(100 * (15/21) = 71)$.

Can any Other Procedures Be Used in Phase 1 to Ensure the Receipt of Fair Market Value?

In ensuring the integrity of the bidding process, the Regional Director may identify an unusual bidding pattern at any time during the bid review process, but before a tract's high bid is accepted. If the finding is documented, the Regional Director has discretionary authority, after consultation with the Solicitor, to pass those identified tracts to Phase 2 for further analysis. The Regional Director may eliminate all but the largest of the unusual bids from consideration when applying any bid adequacy rule, may choose not to apply a bid adequacy rule, or may reject the tract's highest qualified bid.

How Long Does it Take To Complete the Phase 1 Procedures?

These procedures are generally completed within 3 weeks of the bid opening. All the leases that will be awarded as a result of the Phase 1 analysis are announced at the end of this period.

How Long Do the Phase 2 Procedures Take?

The Phase 2 bid adequacy determinations are normally completed sequentially over a period ranging between 21 and 90 days after the sale. Leases are awarded as the analysis of bids is completed over this time period. The total evaluation period can be extended, if needed, at the Regional Director's discretion (61 FR 34730, July 3, 1996).

What are the Initial Steps of the Bid Adequacy Process that Are Followed in Phase 2?

Activities to assess bids are undertaken by analyzing, partitioning, and evaluating tracts in two steps:

1. Further mapping and/or analysis is performed to review, modify, and finalize viability determinations and tract classifications.
2. Tracts we identify as being viable must undergo an evaluation to determine if fair market value has been received.

What Decision Rules Are Applied in Phase 2 of the Bid Evaluation Process?

After completing the initial two steps, a series of rules and procedures are followed.

1. We accept the highest qualified bid on newly classified CW tracts having three-or-more qualified bids if its third largest bid is at least 50 percent of the highest qualified bid and if its high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts that reside within its specified water depth category.
2. We accept the highest qualified bid on all tracts determined to be nonviable.
3. We determine whether any categorical fair market evaluation technique(s) will be used.

If so we:

- A. Evaluate, define, and identify the appropriate threshold measure(s) for bid acceptance.
 - B. Accept all tracts whose individual measures of bid adequacy satisfy the threshold categorical requirements.
4. We conduct a full-scale evaluation, which could include the use of MONTCAR, on all remaining tracts passed to Phase 2 and still awaiting an acceptance or rejection decision.

What Subset of Tracts Comprise the “Remaining Tracts” That Still Need a Phase 2 Acceptance or Rejection Decision?

The remaining tracts include tracts not accepted by a categorical rule that we classify as:

- 1. DD tracts, or
- 2. CW tracts that are viable and received:
 - A. One or two qualified bids, or
 - B. Three-or-more qualified bids, if either its third largest bid is less than 50 percent of the highest qualified bid or the high bid is in the bottom 25 percent of all three-or-more-bid CW tracts within a designated water depth category.

What Procedures Are Followed for Evaluating the Adequacy of Bids on These Tracts?

For these tracts we:

- 1. Accept the highest qualified bid, if it equals or exceeds the tract's ADV.
- 2. Reject the highest qualified bid on DD tracts receiving three-or-more qualified bids, if the high bid is less than one-sixth of the tract's MROV.
- 3. Reject the highest qualified bid on DD tracts receiving one or two qualified bids and on CW tracts receiving only one qualified bid, if the high bid is less than the tract's ADV.

What Happens Next to the Tracts Still Awaiting an Acceptance or Rejection Decision?

At this stage of the process, the tracts still awaiting a decision consist of those having a highest qualified bid that is less than the ADV that are either:

- 1. DD tracts receiving three-or-more qualified bids with the highest bid exceeding one-sixth of the tract's MROV or
- 2. Viable CW tracts that receive two-or-more qualified bids.

From these tracts, we select the following:

- A. DD tracts having three-or-more qualified bids with the third largest bid being at least 25 percent of the highest qualified bid, and
- B. CW tracts having two-or-more qualified bids with the second largest bid being at least 25 percent of the highest qualified bid.

We then compare the highest qualified bid on each of these selected tracts to the tract's RAM. For all these tracts, we:

- 1. Accept the highest qualified bid, if the high bid equals or exceeds the tract's RAM, or
- 2. Reject the highest qualified bid, if the high bid is less than the tract's RAM.

Finally, we identify those tracts that are still awaiting a decision, but did not meet the requirements for comparison to the RAM and we reject the high bid on these tracts.

At this point, the acceptance or rejection decisions are made on all the high bids in the sale. The successful bidders are notified and their leases are awarded after the full payment of the high bid is received. The unsuccessful bidders are notified as well and their bid deposits are returned. Unsuccessful bidders may appeal a bid rejection decision as described in 30 CFR 256.47(e)(3).

Dated: July 1, 1999.
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[FR Doc. 99-17662 Filed 7-9-99; 8:45 am]
BILLING CODE 4310-MR-P

MMS *Securing Ocean Energy & Economic Value for America*



The Department of the Interior Mission

As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



The Minerals Management Service Mission

As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil and other mineral resources. The MMS **Minerals Revenue Management** meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.