

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Outer Continental Shelf (OCS) Eastern Gulf of Mexico (GOM) Planning Area Oil and Gas Lease Sale 224

AGENCY: Minerals Management Service, Interior

ACTION: Final Notice of Sale 224

SUMMARY: On Wednesday, March 19, 2008, the Minerals Management Service (MMS) will open and publicly announce bids received for blocks offered in GOM Eastern Planning Area (EPA) Oil and Gas Lease Sale 224, pursuant to the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1331-1356, as amended), the regulations issued thereunder (30 CFR Part 256), and the Gulf of Mexico Energy Security Act .

The Final Notice of Sale 224 Package (FNOS 224 Package) contains information essential to bidders, and bidders are charged with the knowledge of the documents contained in the Package.

DATES: Public bid reading for the EPA Oil and Gas Lease Sale 224 will begin after the public bid reading for GOM Central Planning Area Oil and Gas Lease Sale 206 which will begin at 9 a.m., Wednesday, March 19, 2008, at the Louisiana Superdome, 1500 Sugarbowl Drive, New Orleans, Louisiana 70112. The lease sale will be held in the St. Charles Club Room on the second floor (Loge Level). Entry to the Superdome will be on the Poydras Street side of the building through Gate A on the Ground or Plaza Level, and parking should be available at Garage 6. All times referred to in this document are local New Orleans times, unless otherwise specified.

ADDRESSES: Bidders can obtain a FNOS 224 Package containing this Notice of Sale and several supporting and essential documents referenced herein from the MMS Gulf of Mexico Region Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, (504) 736-2519 or (800) 200-GULF, or via the Gulf of Mexico MMS Internet web site at: www.gomr.mms.gov.

FILING OF BIDS: Bidders must submit sealed bids to the Regional Director (RD), MMS Gulf of Mexico Region, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, between 8 a.m. and 4 p.m. on normal working days, and from 8 a.m. to the Bid Submission Deadline of 10:00 a.m. on Tuesday, March 18, 2008. If bids are mailed, please address the envelope containing all of the sealed bids as follows:

Attention: Supervisor
Sales and Support Unit (MS 5422)
Leasing Activities Section
MMS Gulf of Mexico Region
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

Contains Sealed Bids for Oil and Gas Lease Sale 224
Please Deliver to Ms. Nancy Kornrumpf, 6th Floor, Immediately

Please note: Bidders mailing their bid(s) are advised to call Ms. Nancy Kornrumpf at (504) 736-2726 immediately after putting their bid(s) in the mail.

If the RD receives bids later than the time and date specified above, he will return those bids unopened to bidders. Bidders may not modify or withdraw their bids unless the RD receives a written modification or written withdrawal request prior to 10 a.m. on Tuesday, March 18, 2008. Should an unexpected event such as flooding or travel restrictions be significantly disruptive to bid submission, the MMS Gulf of Mexico Region may extend the Bid Submission Deadline. Bidders may call (504) 736-0557 for information about the possible extension of the Bid Submission Deadline due to such an event.

AREAS OFFERED FOR LEASING: The MMS is offering all of the unleased blocks located within the portion of the EPA 125 statute miles and greater offshore, south of the Florida Panhandle and west of the Military Mission Line (86 degrees, 41 minutes West longitude) in water depths of 810 to 3,113 meters. Please see the map included in the FNOS 224 Package: "Lease Terms, Economic Conditions, and Stipulations, Lease Sale 224, Final." All of these blocks are shown on the following Official Protraction Diagrams (OPD's), which may be purchased from the MMS Gulf of Mexico Region Public Information Unit:

Outer Continental Shelf Official Protraction Diagrams
(These diagrams sell for \$2.00 each.)

NG16-02 Lloyd Ridge (revised February 28, 2007)
NH16-11 De Soto Canyon (revised February 28, 2007)

Please Note: A CD-ROM (in ARC/INFO and Acrobat (pdf) format) containing all of the GOM Leasing Maps and OPD's, except for those not yet converted to digital format, is available from the MMS Gulf of Mexico Region Public Information Unit for a price of \$15.

All blocks are shown on these two OPD's. The available Federal acreage of all blocks in this lease sale is shown in the document "List of Blocks Available for Leasing in Sale 224" included in the FNOS 224 Package. A bid on a block must include all of the available Federal acreage of that block.

STATUTES AND REGULATIONS: Each lease issued in this lease sale is subject to the OCS Lands Act of August 7, 1953 (43 U.S.C. 1331 et seq.), as amended, hereinafter called "the Act"; all regulations issued pursuant to the Act and in existence upon the Effective Date of the lease;

all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the OCS and the protection of correlative rights therein; and all other applicable statutes and regulations.

LEASE TERMS AND CONDITIONS: Initial period, minimum bonus bid amount, rental rates, royalty rate, and minimum royalty are noted below. Depictions of related areas are shown on the map "Lease Terms, Economic Conditions, and Stipulations, Lease Sale 224, Final" for leases resulting from this lease sale.

Initial Period: 10 years (all blocks in this sale are in water depths of 800 meters or deeper).

Minimum Bonus Bid Amount: A bonus bid will not be considered for acceptance unless it provides for a cash bonus in the amount of \$37.50 or more per acre or fraction thereof; see the "List of Blocks Available for Leasing" contained in the FNOS 224 Package to confirm the exact calculation of the minimum bonus bid amount for each block.

Rental Rates: \$9.50 per acre or fraction thereof to be paid on or before the 1st day of each lease year until determination of well producibility is made, then at the expiration of each lease year until the start of royalty-bearing production.

Royalty Rate: 18-3/4 percent royalty rate in all water depths to be paid monthly on the last day of the month following the month during which the production is obtained.

Minimum Royalty: After the start of royalty-bearing production regardless of the year of the lease: \$9.50 per acre or fraction thereof per year, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

Please Note:

The royalty relief provisions provided in the Energy Policy Act of 2005 do not apply to Sale 224 as the entire sale area is east of 87.5°W longitude; Congress only provided these provisions for the Western Gulf of Mexico (that portion of the Gulf of Mexico west of 87.5°W longitude). There are no other existing statutory requirements to offer royalty relief in the EPA. For Sale 224, MMS has decided not to utilize its discretion to use the bidding system described at 30 CFR 260.110(g) under which royalty suspension volumes would be offered.

LEASE STIPULATIONS: Four lease stipulations apply: (1) Military Areas; (2) Evacuation; (3) Coordination; and (4) Protected Species. Please refer to the map, "Lease Terms, Economic Conditions, and Stipulations, Lease Sale 224, Final" in the FNOS 224 Package. The texts of the lease stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 224, Final" included in the FNOS 224 Package.

INFORMATION TO LESSEES: The FNOS 224 Package contains an "Information To Lessees" document which provides detailed information on certain specific issues pertaining to this oil and gas lease sale.

METHOD OF BIDDING: For each block bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed Bid for Oil and Gas Lease Sale 224, not to be opened until 9 a.m., Wednesday, March 19, 2008." The submitting company's name, its GOM Company number, the map name, map number, and block number should be clearly identified on the outside of the envelope. Please refer to the sample bid envelope included in the FNOS 224 Package. The total amount of the bid must be in a whole dollar amount; any cent amount above the whole dollar will be ignored by the MMS. Details of the information required on the bid(s) and the bid envelope(s) are specified in the document "Bid Form and Envelope" contained in the FNOS 224 Package. A blank bid form has been provided for your convenience which may be copied and completed.

Please also refer to the Telephone Numbers/Address of Bidders Form included within the FNOS 224 Package. We are requesting that you provide this information in the format suggested for each lease sale. Please provide this information prior to or at the time of bid submission. Do not enclose this form inside the sealed bid envelope.

The MMS published in the Federal Register a list of restricted joint bidders, which applies to this lease sale, at 72 FR 64088 on November 14, 2007. Please also refer to joint bidding provisions at 30 CFR 256.41 for additional information. All bidders must execute all documents in conformance with signatory authorizations on file in the MMS Gulf of Mexico Region Adjudication Unit. Designated signatories must be authorized to bind their respective legal business entities (e.g., a corporation, partnership, or LLC) and must have an incumbency certificate setting forth the authorized signatories on file with the GOM Region Adjudication Office. Bidders submitting joint bids must include on the bid form the proportionate interest of each participating bidder, stated as a percentage, using a maximum of five decimal places (e.g., 33.33333 percent). The MMS may require bidders to submit other documents in accordance with 30 CFR 256.46. The MMS warns bidders against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders. Bidders are advised that the MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including payment of the one-fifth bonus bid amount on all high bids. A statement to this effect must be included on each bid (see the document "Bid Form and Envelope" contained in the FNOS 224 Package).

ROUNDING: The following procedure must be used to calculate the minimum bonus bid, annual rental, and minimum royalty: Round up to the next whole acre if the block acreage contains a decimal figure prior to calculating the minimum bonus bid, annual rental, and minimum royalty amounts. The appropriate rate per acre is applied to the next whole (rounded up) acreage figure, and the resultant calculation is rounded up to the next whole dollar amount if the calculation results in a decimal figure (see next paragraph).

Please note: The minimum bonus bid calculation, including all rounding, is shown in the document "List of Blocks Available for Leasing in Lease Sale 224" included in the FNOS 224 Package.

BONUS BID DEPOSIT: Each bidder submitting an apparent high bid must submit a bonus bid deposit to the MMS equal to one-fifth of the bonus bid amount for each such bid. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury (account information provided in the EFT instructions) by 11 a.m. Eastern Time the day following bid reading. Under the authority granted by 30 CFR 256.46(b), the MMS requires bidders to use electronic funds transfer (EFT) procedures for payment of one-fifth bonus bid deposits for Lease Sale 224, following the detailed instructions contained in the document "Instructions for Making EFT Bonus Payments" which can be found on the MMS website at: <http://www.gomr.mms.gov/homepg/lseale/224/egom224.html>. Such a deposit does not constitute and shall not be construed as acceptance of any bid by the United States. If a lease is awarded, however, MMS requests that only one transaction be used for payment of the four-fifths bonus bid amount and the first year's rental.

Please note: Certain bid submitters (i.e., those that are NOT currently an OCS mineral lease record titleholder or designated operator OR those that have ever defaulted on a one-fifth bonus bid payment (EFT or otherwise)) **are required to guarantee (secure) their one-fifth bonus bid payment prior to the submission of bids.** For those who must secure the EFT one-fifth bonus bid payment, one of the following options may be used: (1) provide a third-party guarantee; (2) amend bond coverage; (3) provide a letter of credit; or (4) provide a lump sum payment in advance via EFT. The EFT instructions specify the requirements for each option.

WITHDRAWAL OF BLOCKS: The United States reserves the right to withdraw any block from this lease sale prior to issuance of a written acceptance of a bid for the block.

ACCEPTANCE, REJECTION, OR RETURN OF BIDS: The United States reserves the right to reject any and all bids. In any case, no bid will be accepted, and no lease for any block will be awarded to any bidder, unless the bidder has complied with all requirements of this Notice, including the documents contained in the associated FNOS 224 Package and applicable regulations; the bid is the highest valid bid; and the amount of the bid has been determined to be adequate by the authorized officer. Any bid submitted which does not conform to the requirements of this Notice, the Act, and other applicable regulations may be returned to the person submitting that bid by the RD and not considered for acceptance. The Attorney General may also review the results of the lease sale prior to the acceptance of bids and issuance of leases. To ensure that the Government receives a fair return for the conveyance of lease rights for this lease sale, high bids will be evaluated in accordance with MMS bid adequacy procedures. A copy of current procedures, "Modifications to the Bid Adequacy Procedures" at 64 FR 37560 on July 12, 1999, can be obtained from the MMS Gulf of Mexico Region Public Information Unit.

SUCCESSFUL BIDDERS: As required by the MMS, each company that has been awarded a lease must execute all copies of the lease (Form MMS-2005 (March 1986) as amended), pay by EFT the balance of the bonus bid amount and the first year's rental for each lease issued in

accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR Part 256, Subpart I, as amended.

Also, in accordance with regulations at 2 CFR Part 180 and 2 CFR Part 1400, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agrees to communicate this requirement to comply with these regulations to persons with whom the lessee does business as it relates to this lease by including this term as a condition to enter into their contracts and other transactions.

AFFIRMATIVE ACTION: The MMS requests that, prior to bidding, Equal Opportunity Affirmative Action Representation Form MMS 2032 (June 1985) and Equal Opportunity Compliance Report Certification Form MMS 2033 (June 1985) be on file in the MMS Gulf of Mexico Region Adjudication Unit. This certification is required by 41 CFR Part 60 and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967. In any event, prior to the execution of any lease contract, both forms are required to be on file in the MMS Gulf of Mexico Region Adjudication Unit.

GEOPHYSICAL DATA AND INFORMATION STATEMENT: Pursuant to 30 CFR 251.12, the MMS has a right to access geophysical data and information collected under a permit in the OCS.

Every bidder submitting a bid on a block in Sale 224, or participating as a joint bidder in such a bid, must submit a Geophysical Data and Information Statement (GDIS) identifying any processed or reprocessed pre- and post-stack depth migrated geophysical data and information used as part of the decision to bid or participate in a bid on the block. The GDIS should clearly identify the survey type—2 dimensional or 3 dimensional (2D or 3D), survey extent (i.e., number of line miles for 2D or number of blocks for 3D), and imaging type (pre-stack, post-stack and migration algorithm) of the data and information. The statement must also include the name and phone number of a contact person, and an alternate, who are both knowledgeable about the depth data listed, the owner or controller of the reprocessed data or information, the survey from which the data were reprocessed and the owner/controller of the original data set, the date of reprocessing, and whether the data was processed in-house or by a contractor. In the event such data and information includes multiple data sets processed from the same survey using different velocity models or different processing parameters, the bidder should identify only the highest quality data set used for bid preparation. The MMS reserves the right to query about alternate data sets and to quality check and compare the listed and alternative data sets to determine which data set most closely meets the needs of the fair-market-value determination process.

The statement must also identify each block upon which a bidder bid, or participated in a bid, but for which it did not use processed or reprocessed pre-or post-stack depth migrated geophysical data and information as part of the decision to bid or participate in the bid.

In the event a company supplies any type of data to the MMS, in order to get reimbursed, it must be registered with the Central Contractor Registration (CCR) at www.ccr.gov. This is a requirement that was implemented on October 1, 2003, and requires all entities doing business with the Government to complete a business profile in the CCR and update it annually.

Payments are made electronically based on the information contained in the CCR. Therefore, if the company is not actively registered in the CCR, the MMS will not be able to reimburse or pay it for any data supplied.

An Example of the Preferred Format for the GDIS and a sample of the Geophysical Envelope Preferred Format are included in the FNOS 224 Package. Please also refer to Notice to Lessees No. 2003-G05 for more detail concerning submission of the GDIS, making the data available to the MMS following the lease sale, preferred format, reimbursement for costs, and confidentiality.

FORCE MAJEURE: The Regional Director (RD) of the MMS Gulf of Mexico Region has the discretion to change any date, time, and/or location specified in the FNOS 224 Package in case of a force majeure which the RD deems may interfere with the carrying out of a fair and proper lease sale process. Such events may include, but are not limited to, natural disasters (e.g., earthquakes, hurricanes, floods), wars, riots, acts of terrorism, fire, strikes, civil disorder, or other events of a similar nature. In case of such events, bidders should call (504) 736-0557 for information about any changes.

s/ Randall B. Luthi
Randall B. Luthi
Director, Minerals Management Service

Date: February 6, 2008