
Leasing Activities Information



U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

PROPOSED NOTICE OF SALE 198 Central Gulf of Mexico

Attached is the Proposed Notice of Sale 198 Package (PNOS 198 Package), Central Gulf of Mexico (GOM), scheduled to be held on March 15, 2006, in a location to be determined.

This Package consists of:

- ◆ PNOS 198
- ◆ Lease Stipulations
- ◆ Royalty Suspension Provisions
- ◆ Information To Lessees
- ◆ Example of Preferred Format - Geophysical Data and Information Statement
- ◆ Lease Terms and Economic Conditions Map
- ◆ Stipulations and Deferred Blocks Map

All documents listed above are available from the MMS Gulf of Mexico Region Public Information Unit; telephone (800) 200-GULF or (504) 736-2519; or by written request to:

Minerals Management Service
Gulf of Mexico OCS Region
Public Information Unit (MS 5034)
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

All of these documents may also be found on the MMS Homepage Address on the Internet: www.mms.gov.

The Final Notice of Sale 198 Package is expected to be available in early February, 2006. It will contain final versions of the documents listed above as well as the following:

- ◆ List of Blocks Available for Leasing
- ◆ Unleased Split Blocks and Available Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease or Deferred
- ◆ Bid Form and Envelope
- ◆ Telephone Numbers/Addresses of Bidders Form

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### Please Notice:

Terms and conditions for PNOS 198 are generally the same as the March 2005 Central GOM Lease Sale 194 except for the following noteworthy matters:

#### Deepwater Royalty Relief Lease Terms

Lease terms for deepwater royalty relief were specified in the Energy Policy Act of 2005 and initially implemented with the recent August 2005 Western GOM Lease Sale 196. The new provisions of the Act eliminated the 1600 meters or deeper category of royalty relief and established two new royalty suspension volume categories: 12 million barrels of oil equivalent (BOE) for leases located in water depths of 1600 meters to 2000 meters, and 16 million BOE for leases located in water depths greater than 2000 meters. These new royalty suspension volumes will apply to relevant leases issued as a result of Lease Sale 198.

#### Shallow-Water Deep Gas Royalty Relief

The Energy Policy Act of 2005 also provided shallow-water deep gas royalty relief. In this lease sale, such relief is available to leases in water depths of 0 to less than 400 meters (recent previous lease sale relief was in the 0 to less than 200 meter range). In addition, this lease sale will provide an increase in the royalty suspension volume from 25 BCF to 35 BCF for successful wells drilled 20,000 feet TVD SS or deeper.

#### Rental/Minimum Royalty Rates

This will be the first Central GOM lease sale with the higher rental rates that were implemented in the August 2005 Western GOM Lease Sale 196. As a reminder, those rates are \$6.25 per acre or fraction thereof for blocks in water depths less than 200 meters and \$9.50 per acre or fraction thereof for blocks in water depths 200 meters or deeper.

#### Limitation on Use of Seabed and Water Column, Mississippi Canyon Block 118

A newly developed lease stipulation regarding Mississippi Canyon Block 118 has been implemented because of an ongoing federally funded University of Mississippi study of gas hydrates. This block will be the site of an approved research facility on the seafloor and oil and gas operations will need to avoid conflict with this facility. Please refer to the Lease Stipulations document included in the PNOS 198 Package.

#### Potential Operating Restrictions on West Cameron Block 213, Site of Gulf Landing LNG Port

Please refer to paragraph (r) of the Information To Lessees document relative to ongoing U.S. Coast Guard reviews of the Gulf Landing LNG Project. This new ITL notes that this ongoing LNG Permit analysis may eventually result in a lease stipulation that will be designed to minimize conflict of oil and gas operations with the LNG Project.

**Change in Submission Time for Electronic Funds Transfer (EFT) to 11 a.m. Eastern Time**

Bidders are advised of the change in submission time for the 1/5<sup>th</sup> bonus, 4/5<sup>th</sup> bonus, and 1st year rental payments to 11 a.m. Eastern Time versus the prior time of 1 p.m. Eastern Time. Please refer to paragraph (s) in the Information To Lessees document for specific details.

**Deep Gas Provisions (Relief or Reduction in Royalty Rates)**

Effective April 29, 2005, a final rule published in the *Federal Register* at 70 FR 22250 amends regulations to correct an unintended potential gap and administrative oversight in the original deep gas royalty rule by making leases located partly in water deeper than 200 meters and issued during lease sales held in 2001 and later years expressly eligible for royalty relief for drilling deep gas wells on leases not subject to deep water royalty relief.

**Potential Sand Dredging Activities**

It is likely that offshore dredging activities will occur in the near-term in some of the following blocks: Ship Shoal Area Blocks 87 through 89, 94 and 95; South Pelto Area Blocks 12 through 14, 18 and 19; West Delta Area Blocks 27 and 49; Eugene Island Area Blocks 10, 18 through 35, 37 through 69, and 71 through 93; and South Marsh Island North Addition Area Blocks 207 through 222, 226 through 232, and 241 through 246. Please refer to paragraph (p) of the Information To Lessees document included in the PNOS 198 Package.

**Archaeological Resource Surveys and Reports**

Effective July 1, 2005, NTL No. 2005-G10 conveys additions to the list of OCS blocks that require archaeological resource surveys and reports for submittal to the MMS, and the required survey line-spacing for each block. This NTL does not rescind recently issued NTL 2005-G07 which provides guidance on MMS regulations regarding archaeological discoveries, clarifies when you must report discoveries to MMS, states that you are responsible for conducting discovery investigations and assessments, and reminds you of the penalties that could be assessed for non-compliance. It announces changes to deepwater survey requirements by increasing the number of archaeologically sensitive OCS blocks. It also makes numerous technical amendments and updates cited regulatory authorities. Each NTL has an attached list of relevant OCS blocks which can also be identified on the MMS Website.

**Not Offered:**

**Lund South (Area NG16-07): Blocks 172 and 173; 213 through 217; 252 through 261; 296 through 305; and 349**

These blocks are beyond the United States Exclusive Economic Zone in the area known as the Northern portion of the Eastern Gap.

**Amery Terrace (Area NG15-09): Whole Blocks: 280 and 281; 318 through 320; and 355 through 359. Partial Blocks: 235 through 238; 273 through 279; and 309 through 317**

These whole and partial blocks are beyond the United States Exclusive Economic Zone and lie within the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico.

**Statistical Information for Lease Sale 198:**

**Size:** 4,000 unleased blocks; 21 million acres

**Initial Period:**

|                                                                                                                                                                                                                                 |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 5 years for blocks in water depths less than 400 meters:                                                                                                                                                                        | 1,130 blocks |
| 8 years for blocks in water depths of 400 to less than 800 meters (pursuant to 30 CFR 256.37, commencement of an exploratory well is required within the first 5 years of the initial 8-year term to avoid lease cancellation): | 130 blocks   |
| 10 years for blocks in water depths of 800 meters or deeper:                                                                                                                                                                    | 2,740 blocks |

**Minimum Bonus Bid Amount:**

|                                                                             |              |
|-----------------------------------------------------------------------------|--------------|
| \$25.00 per acre or fraction thereof for water depths less than 400 meters: | 1,130 blocks |
| \$37.50 per acre or fraction thereof for water depths 400 meters or deeper: | 2,870 blocks |

**Rental/Minimum Royalty Rates:**

|                                                                            |              |
|----------------------------------------------------------------------------|--------------|
| \$6.25 per acre or fraction thereof for water depths less than 200 meters: | 1,020 blocks |
| \$9.50 per acre or fraction thereof for water depths 200 meters or deeper: | 2,980 blocks |

**Royalty Rates:**

|                                                            |              |
|------------------------------------------------------------|--------------|
| 16-2/3% royalty rate in water depths less than 400 meters: | 1,130 blocks |
| 12-1/2% royalty rate in water depths 400 meters or deeper: | 2,870 blocks |

**Royalty Suspension Areas:**

|                               |              |
|-------------------------------|--------------|
| 0 to less than 400 meters:    | 1,130 blocks |
| 400 to less than 800 meters:  | 130 blocks   |
| 800 to less than 1600 meters: | 240 blocks   |
| 1600 to 2000 meters:          | 300 blocks   |
| Greater than 2000 meters:     | 2,200 blocks |

For more information on the PNOS 198 Package, potential bidders are advised to contact Ms. Jane Burrell Johnson at (504) 736-2811 or Ms. Nancy Kornrumpf at (504) 736-2726 of the MMS GOM OCS Region Sales and Support Unit.

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Gulf of Mexico Region Public Information Unit  
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