
Leasing Activities Information



PROPOSED NOTICE OF SALE 207 Western Gulf of Mexico Planning Area

Attached is the Proposed Notice of Sale 207 Package (PNOS 207 Package), for Western Gulf of Mexico Planning Area (WPA) to be held on August 20, 2008, in New Orleans, Louisiana.

This Package consists of:

- PNOS 207
- Lease Stipulations
- 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 (GOM) 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.gomr.mms.gov.

The Final Notice of Sale 207 Package is expected to be available in mid to late July, 2008. 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

Please Notice:

Terms and conditions for PNOS 207 are generally the same as the August 2007 WPA Lease Sale 204 except for the following noteworthy matters:

Possible Royalty Relief Changes

Bidders are advised about possible changes in royalty relief for this sale. The House of Representatives and the President have indicated a desire to repeal Sections 344 and 345 of the Energy Policy Act of 2005 (EPA05). The Congress could adopt and the President sign a bill with repeal of either or both of these two sections before we issue the FNOS 207.

Should section 344 be repealed on or before June 19, 2008, a date giving enough lead time for bidders and MMS to prepare for the FNOS 207, MMS intends to offer leases for sale with no deep gas royalty suspension volumes in their lease terms. This means that leases located in 0 to entirely less than 200 meters of water with deep gas wells would not earn royalty suspension volumes of 15 or 25 Bcf depending on drilling depth, leases located in 200 to 400 meters of water with deep gas wells would not earn royalty suspension volumes, and leases located in 0 to 400 meters of water with ultra-deep wells would not earn royalty suspension volumes of least 35 Bcf. Only leases located partly but not entirely in less than 200 meters would receive deep gas royalty relief as specified in our current regulations as long as they produce before May 3, 2009.

Should section 345 be repealed on or before June 19, 2008, MMS intends to offer leases for sale with no deepwater royalty relief in their lease terms. This means that no deepwater leases would be eligible for royalty relief simply by virtue of being located in deepwater.

Absent repeal, section 344 of EAct05 extends existing deep gas incentives in two ways. First, it mandates a RSV of at least 35 Bcf of natural gas for certain wells completed in a drilling depth category (20,000 feet TVD SS or deeper) for leases in 0-400 meters of water. Second, section 344 directs that the same incentives prescribed in MMS' 2004 rule for wells completed between 15,000 feet and 20,000 feet TVD SS on leases in 0-200 meters of water be applied to leases in 200-400 meters of water. Section 345 of the EAct05 directs continuation of the MMS deepwater incentive program utilized since 2001 in the Gulf of Mexico for leases issued between August 8, 2005, and August 8, 2010, and provides for an increase in RSV from 12 MMBOE to 16 MMBOE for leases in water depths greater than 2000 meters.

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**Not Offered:**

Block currently under appeal (although currently unleased, the following block is under appeal and bids will not be accepted. Subsequently, if a determination of this appeal is reached prior to FNOS 207, this block may become available for bidding):

Garden Banks (Official Protraction Diagram (OPD) NG15-02)  
Block 716

Currently unleased whole blocks and portions of blocks which lie within the boundaries of the Flower Garden Banks National Marine Sanctuary at the East and West Flower Garden Banks and Stetson Bank (the following list includes all blocks affected by the Sanctuary boundaries):

High Island, East Addition, South Extension (Leasing Map TX7C)  
Whole Blocks: A-375, A-398  
Portions of Blocks: A-366, A-367, A-374, A-383, A-384, A-385, A-388, A-389, A-397, A-399, A-401

High Island, South Addition (Leasing Map TX7B)  
Portions of Blocks: A-502, A-513

Garden Banks (OPD NG15-02)  
Portions of Blocks: 134, 135

Whole blocks and portions of blocks which lie within the former Western Gap portion of the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico:

Keathley Canyon (OPD NG15-05)  
Portions of Blocks: 978 through 980

Sigsbee Escarpment (OPD NG15-08)  
Whole Blocks: 11, 57, 103, 148, 149, 194  
Portions of Blocks: 12 through 14, 58 through 60, 104 through 106, 150

Whole blocks and portions of blocks deferred from this lease sale are shown on the map "Stipulations and Deferred Blocks, Lease Sale 207, Proposed."

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Statistical Information (Lease Sale 207):

Approximate Size: 3,400 unleased blocks; 18 million acres

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For more information on the PNOS 207 Package, potential bidders are advised to contact Mr. Carrol Williams at (504) 736-2803, Ms. Nancy Kornrumpf at (504) 736-2726, or Ms. Ann Glazner at (504) 736-1759 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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