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MMS Issues Proposed Notice of Central Gulf Lease Sale 194

The Minerals Management Service announced today in the *Federal Register* the availability of the Proposed Notice of Lease Sale 194, an offshore oil and gas lease sale in the Central Gulf of Mexico (GOM) scheduled for March 16, 2005. The proposed lease sale encompasses 4,043 unleased blocks covering approximately 21.3 million acres in the Central GOM Outer Continental Shelf (OCS) Planning Area offshore Louisiana, Mississippi, and Alabama. The blocks are located from 3 to about 210 miles offshore in water depths of 4 to more than 3,400 meters. MMS estimates the proposed lease sale could result in the production of 276 million - 654 million barrels of oil and 1.59 trillion - 3.30 trillion cubic feet of natural gas.

Recently revised provisions proposed for this lease sale include the following:

- Price thresholds when deepwater royalty suspension would end are set at \$39.00 per barrel for oil and \$6.50 per MMBTU for gas, expressed in 2004 dollars.
- MMS proposes to offer in this lease sale Vermilion Blocks 139 and 140, subject to a new proposed lease stipulation entitled "Limitation on Use of Seabed and Water Column in the Vicinity of an Approved Offshore Liquefied Natural Gas (LNG) Deepwater Port Receiving Terminal." Vermilion Blocks 139 and 140 were previously deferred in recent Central GOM Lease Sale 190, pending completion of MMS's ongoing consultation with the U.S. Coast Guard regarding appropriate measures to ensure avoidance of potential conflicts between LNG port activities and OCS oil and gas activities.

The U.S. Coast Guard and the Maritime Administration, to date, have received six applications for the licensing of deepwater ports involving proposed LNG facilities. These proposed facilities would receive LNG ships, re-gasify the LNG offshore, and transport the natural gas to onshore markets through new pipelines that interconnect with existing pipelines.

- MMS is considering whether to revise royalty suspension price thresholds for deepwater oil and gas from an annual system to a monthly system for future deepwater leases. MMS requests comments on the desirability and the specific components of the monthly approach. Depending on the comments received and further analysis, MMS may choose to retain the annual system or adopt the monthly system. A decision on this issue will be made for the Final Notice of Sale scheduled for February 2005.

- Revised shallow-water deep-gas royalty suspension provisions. This revision incorporates references to recent amendments to the January 26, 2004, final rule and to recent related Notices to Lessees and Operators.

- A minimum bonus bid amount has been raised from \$25 per acre, or fraction thereof, to \$37.50 per acre, or fraction thereof, for deep water tracts located in water depths of 400 to less than 800 meters.

- A final rule was published on November 26, 2003, (68 FR 66533, 66547-48 [pursuant to 43 CFR, Part 42, Subpart C]), which requires compliance with the Department of the Interior's nonprocurement debarment and suspension requirements. Each lessee must communicate this requirement to comply with these regulations to persons with whom they do business related to their lease by including this term as a condition in their contracts and other transactions. This agreement will be evidenced by language prepared by MMS through an Addendum included in each lease resulting from this lease sale.

- Expanded Information to Lessees clauses regarding unleased blocks available for bid in this lease sale that may be affected by the proposed OCS deepwater LNG port facilities or sand dredging projects.

- This proposed notice contains a requirement that every bidder submit, by the bid submission deadline, a geophysical data and information statement identifying any processed or reprocessed pre- and post-stack depth migrated geophysical data and information in its possession or control and used in the evaluation for each block upon which they are participating as a bidder.

This proposed lease sale incorporates a continuation of previously adopted lease terms and conditions relative to recent Central GOM lease sales.

Statistical Information (Lease Sale 194):

Size: 4,043 unleased blocks; 21.3 million acres

Initial Period:

5 years for blocks in water depths less than 400 meters:	1,180 blocks
8 years for blocks in water depths of 400 to less than 800 meters:	125 blocks
10 years for blocks in water depths of 800 meters or deeper:	2,738 blocks

Minimum Bonus Bid Amount:

\$25.00 per acre or fraction thereof for water depths less than 400 meters:	1,180 blocks
\$37.50 per acre or fraction thereof for water depths 400 meters or deeper:	2,863 blocks

Rental/Minimum Royalty Rates:

\$5.00 per acre or fraction thereof for water depths less than 200 meters:	1,091 blocks
\$7.50 per acre or fraction thereof for water depths 200 meters or deeper:	2,952 blocks

Royalty Rates:

16-2/3% royalty rate in water depths less than 400 meters: 1,180 blocks

12-1/2% royalty rate in water depths 400 meters or deeper: 2,863 blocks

Royalty Suspension Areas:

0 to less than 200 meters: 1,091 blocks

400 to less than 800 meters: 125 blocks

800 to less than 1600 meters: 195 blocks

1600 meters or deeper: 2,543 blocks

The Proposed Notice of Lease Sale 194 will be posted on the MMS website at <http://www.gomr.mms.gov>. In addition, copies of the document are available from the MMS Gulf of Mexico Regional Office, Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123. Telephone (504) 736-2591, toll free 1-800-200-GULF.

The Minerals Management Service is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in Federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands. MMS disbursed more than \$8 billion in FY 2003 and more than \$135 billion since the agency was created in 1982. Nearly \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and Federal park and recreation lands.

MMS Main Website: www.mms.gov
Gulf of Mexico Website: www.gomr.mms.gov

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