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MMS Issues Proposed Notice of Eastern Gulf of Mexico Lease Sale 197

The Minerals Management Service announced today in the *Federal Register* the availability of the Proposed Notice of Sale for Eastern Gulf of Mexico (GOM) Lease Sale 197, an offshore oil and gas lease sale scheduled for March 16, 2005. This proposed lease sale is the third Eastern GOM Outer Continental Shelf (OCS) lease offering in the last five years, and the configuration is the same as for lease sales 181 and 189, held in December 2001 and December 2003, respectively.

The proposed lease sale area encompasses 124 unleased blocks in an area of the Eastern GOM OCS Planning Area, and covers about 714,240 acres located from 100 to 196 miles offshore in water depths of 1,600 to more than 3,425 meters. Estimates of undiscovered economically recoverable hydrocarbons in the proposed sale area range from 65 million to 85 million barrels of oil and 0.265 trillion to 0.34 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 is considering whether to change 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.
- 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.

As a further incentive towards meeting our Nation's energy needs and increasing domestic natural gas and oil production, MMS will continue a royalty suspension of 12 million barrels of oil equivalent for a lease in water depths of 1,600 meters or deeper in this proposed notice of sale.

At this stage in the lease sale process, the proposed notice of terms and conditions will be sent to the Governors of the affected states for a 60-day comment period. The states are Florida, Alabama, Louisiana, and Mississippi.

Statistical Information (Lease Sale 197):

Size: 124 unleased blocks; 714,240 acres

Initial Period: 10 years

Minimum Bonus Bid Amount: \$37.50 per acre, or fraction thereof

Rental/Minimum Royalty Rates: \$7.50 per acre, or fraction thereof

Royalty Rates: 12-1/2%

Royalty Suspension Area: A royalty suspension of 12 million barrels of oil equivalent will apply to all leases in this sale.

The Proposed Notice of Lease Sale 197 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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