

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Outer Continental Shelf (OCS) Chukchi Sea Alaska, Oil and Gas Lease Sale 193

AGENCY: Minerals Management Service, Interior.

ACTION: Proposed Notice of Sale. OCS Oil and Gas Lease Sale 193, Chukchi Sea

SUMMARY: The MMS proposes to hold OCS Oil and Gas Lease Sale 193 on February 6, 2008, in accordance with provisions of the OCS Lands Act (43 U.S.C. 1331-1356, as amended), the implementing regulations (30 CFR Part 256), and the OCS Oil and Gas Leasing Program 2007 -2012.

DATES: Lease Sale 193 is tentatively scheduled to be held on February 6, 2008, at the Wilda Marston Theatre, Z. J. Loussac Public Library, 3600 Denali Street, Anchorage, Alaska. Public reading will begin at 9:00 a.m. All times referenced in this document are local Anchorage, Alaska times, unless otherwise specified.

ADDRESSES: A package containing the Proposed Notice of Sale and several supporting and essential documents referenced herein are available from:

Alaska OCS Region
Information Resource Center
Minerals Management Service
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823
Telephone: (907) 334-5200 or 1-800-764-2627

These documents are also available on the MMS Alaska OCS Region's webpage at www.mms.gov/alaska.

BID SUBMISSION DEADLINE: Bidders will be required to submit bids to MMS at the Alaska OCS Region Office, 3801 Centerpoint Drive, Suite 500, Anchorage, Alaska 99503, by 10 a.m. on the day before the sale, Tuesday, February 5, 2008. The MMS will further specify procedures for bid submission in the Final Notice of Sale, which will be published no later than 30 days prior to the Bid Opening date.

PROPOSED SALE AREA: The MMS proposes to offer for bid in this sale all of the acreage in the area of the Chukchi Sea identified on the map included as part of this Notice.

LEASE TERMS AND CONDITIONS: The following lease terms and condition are proposed:

Initial Period: 10 years.

Minimum Bonus Bid Amounts: \$25.00 per hectare, or a fraction thereof, for all blocks. Refer to the Proposed Notice of Sale, Chukchi Sea Sale 193 map and the *Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates* shown below.

Rental Rates: The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, a rental of \$13 per hectare or fraction thereof applies and is paid at the end of each lease year until the start of royalty-bearing production.

Minimum Royalty Rates: After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor, a minimum royalty of \$13 per hectare, or fraction thereof, 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.

Royalty Rates: A 12 1/2 percent royalty rate will apply for all blocks.

Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates

| Terms (values per hectare or fraction thereof) | |
|---|---------------|
| Royalty Rate | 12 1/2% fixed |
| Minimum Bonus Bid | \$25.00 |
| Minimum Royalty Rate | \$13.00 |
| Rental Rates: | |
| Year 1 | \$ 2.50 |
| Year 2 | \$ 3.75 |
| Year 3 | \$ 5.00 |
| Year 4 | \$ 6.25 |
| Year 5 | \$ 7.50 |
| Year 6 | \$10.00 |
| Year 7 | \$12.00 |
| Year 8 | \$15.00 |
| Year 9 | \$17.00 |
| Year 10 | \$20.00 |

Royalty Suspension: Royalty suspension, prorated by lease acreage and subject to price thresholds, will apply to all blocks. In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to your lease.

1. A lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

| Lease Size (Hectares) | RSV (Million Barrels of Oil Equivalent) |
|--------------------------|--|
| Less than 771 | 10 |
| 771 to less than 1541 | 20 |
| 1541 or more | 30 |

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. Each lessee must pay royalty on production that might otherwise receive royalty relief (in 30 CFR Part 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel oil or \$6.50 per million BTU gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
 - a) The threshold price in any year, say year t , is determined by inflating the base year 2004 price of \$39 per barrel oil or \$6.50 per million BTU (MMBTU) gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year t , resulting in the adjusted threshold price for year t . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008 then the threshold price in calendar year 2008 would become \$42.50 per barrel for oil and \$7.08 per MMBTU for gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price as calculated above exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price as calculated above exceeds \$7.08 per MMBTU.
 - b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual

NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

4. For purposes of the RSV, a Sale 193 lease that is part of an approved unit agreement can only apply allocated production from the unit against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
5. A lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year. This same threshold price for that entire year applies to that part of production which exhausts the remaining RSV.
6. The MMS will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website (www.mms.gov/econ).

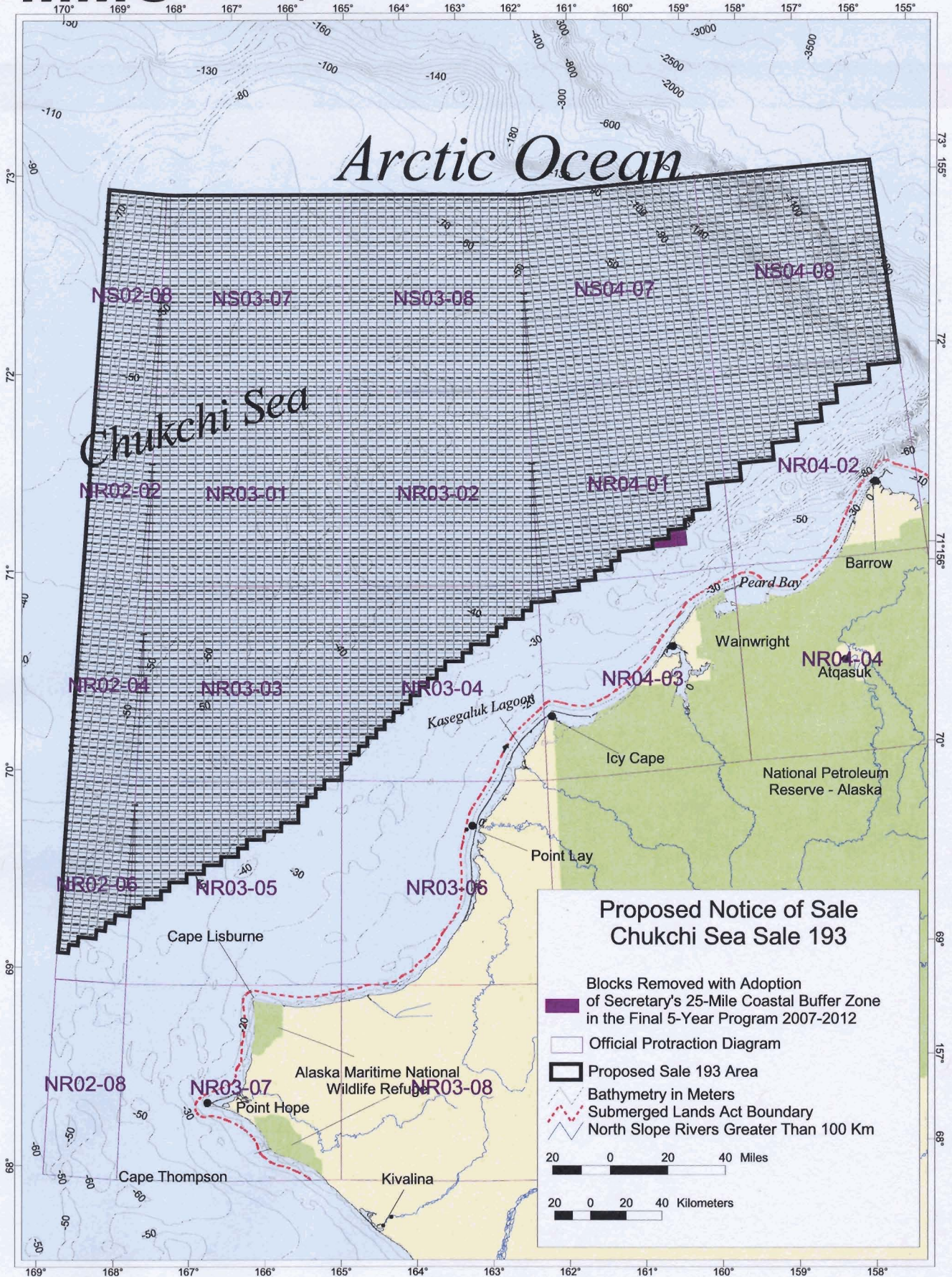
DEBARMENT AND SUSPENSION (Nonprocurement): As required by the MMS, each company that has been awarded a lease must execute all copies of the lease (Form MMS-2005 (March 1986) as amended), pay by electronic funds transfer (EFT) the balance of the bonus bid amount and the first year's rental for each lease issued in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, Subpart I, as amended.

Also, in accordance with regulations pursuant to 43 CFR, part 42, subpart C, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agree 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. Execution of the lease, which includes an Addendum specific to debarment, by each lessee constitutes notification to the MMS that each lessee is not excluded, disqualified, or convicted of a crime as described in 43 CFR 42.335, unless the lessee has provided a statement disclosing information as described in 43 CFR 42.335, and the MMS receives an exception from the U.S. Department of the Interior as described in 43 CFR 42.405 and 42.120.

STIPULATIONS AND INFORMATION TO LESSEES: The documents entitled "Proposed Lease Stipulations" and "Proposed Information to Lessees" for Oil and Gas Lease Sale 193 contains the text of the proposed Stipulations and the Information to Lessees clauses. These documents are included in the Proposed Notice of Sale 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. Under the authority granted by 30 CFR 256.46(b), MMS requires bidders to use electronic funds transfer procedures for payment of one-fifth bonus bid deposits for Lease Sale 193. Such payment will be due by 1:00 p.m. Eastern Time the day following bid reading. In addition, certain bid submitters [i.e., those that are NOT currently an OCS mineral lease record title holder or designated operator OR those that have ever defaulted on a one-fifth bonus bid payment (EFT or otherwise)] will be required to guarantee (secure) their one-fifth bonus bid payment prior to the submission of bids. Detailed bid deposit procedures for the final NOS for Sale 193 will be found within the "Instructions for Making EFT Bonus Payments" document on the MMS website.

UPCOMING MILESTONES: This Proposed Notice of Sale was sent to the Governor of Alaska on the day after the date it was signed. The Governor of Alaska has 60 days to comment on the size, timing, and location of the proposed sale, as required by Section 19 of the OCS Lands Act (43 U.S.C. 1345). After the Assistant Secretary for Land and Minerals Management receives the Governor's comments, a decision will be made on the Final Notice of Sale. The Department of the Interior reserves the right to revise the areas proposed for bidding and associated terms and conditions described in this Proposed Notice. If the Assistant Secretary decides to proceed with the sale, a Final Notice of Sale for Chukchi Sea Sale 193 will be published in the Federal Register at least 30 days prior to the date of the public opening of the bids. The Final Notice will also be available at that time from the MMS Alaska OCS Region at the address given in this document under "Addresses" and on our website at www.mms.gov/alaska. The Final Notice of Sale Package will contain all sale terms and conditions and detailed instructions to bidders.



**Proposed Notice of Sale
 Chukchi Sea Sale 193**


- Blocks Removed with Adoption of Secretary's 25-Mile Coastal Buffer Zone in the Final 5-Year Program 2007-2012
- Official Protraction Diagram
- Proposed Sale 193 Area
- Bathymetry in Meters
- Submerged Lands Act Boundary
- North Slope Rivers Greater Than 100 Km

20 0 20 40 Miles
 20 0 20 40 Kilometers

UNITED STATES
DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

Outer Continental Shelf
Proposed Notice of Sale
Chukchi Sea
Oil and Gas Lease Sale 193

With regard to oil and gas leasing on the Outer Continental Shelf, the Secretary of the Interior, pursuant to section 19 of the Outer Continental Shelf Lands Act, provides the affected States the opportunity to review the proposed Notice of Sale. The following is a proposed Notice of Sale for Sale 193 in the offshore waters of the Chukchi Sea.



Acting Director, Minerals Management Service

JUL 27 2007

Date