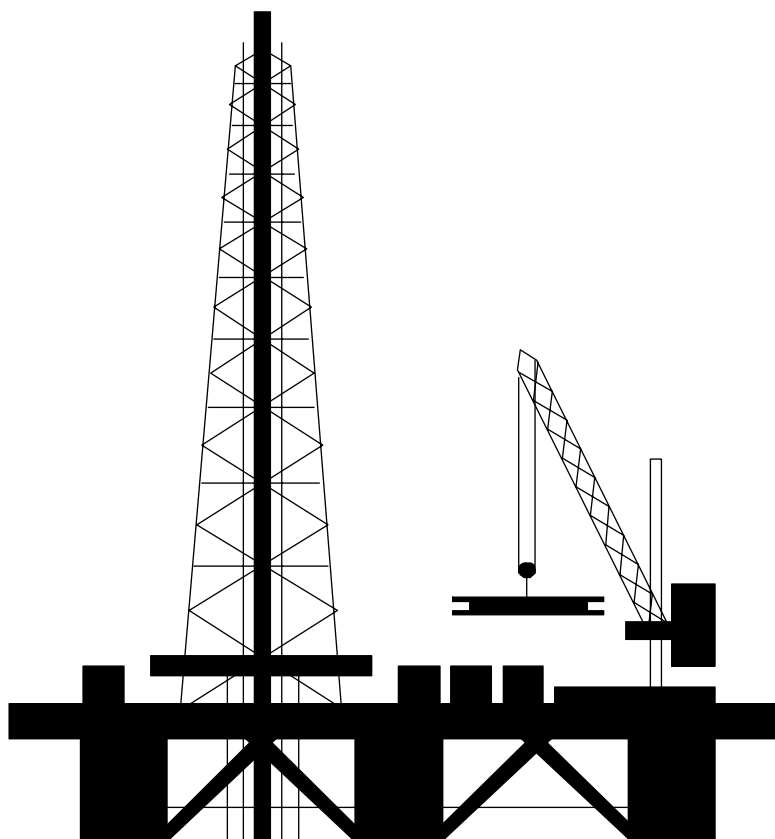


Western Gulf of Mexico Sale 196 August 17, 2005

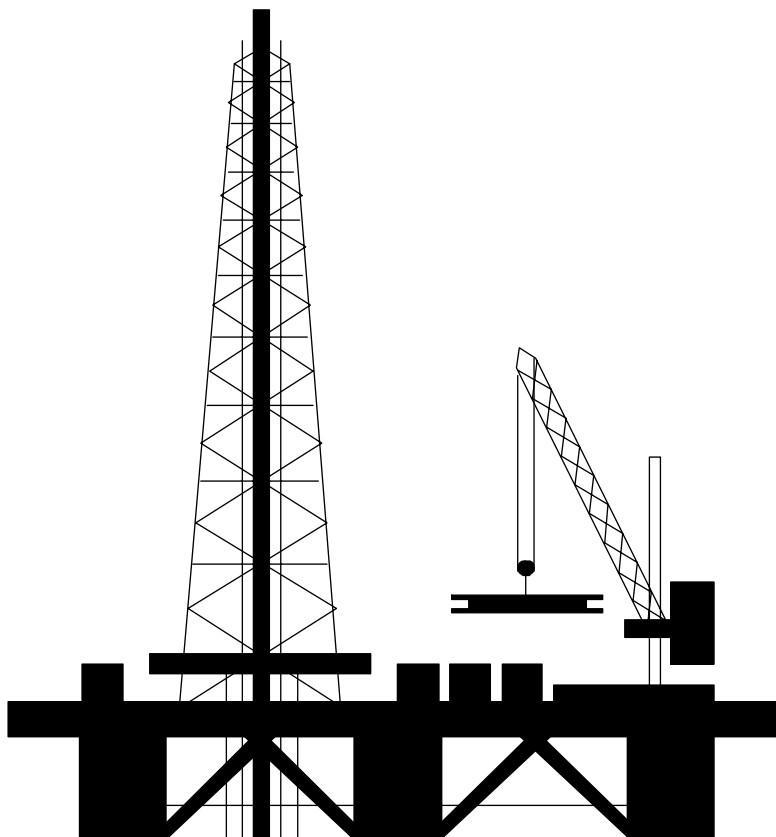
Sale Summary, Bidding Results and
Related Analyses



Western Gulf of Mexico Sale 196 August 17, 2005

Sale Summary, Bidding Results and
Related Analyses

By
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Western Gulf of Mexico

Sale 196 August 17, 2005 Sale Overview

Sale 196 in the Western Gulf of Mexico (WGOM) was held on August 17, 2005. In this sale, 346 tracts received 422 bids (an average of 1.22 bids per tract). Tracts that were in water depths eligible for deepwater royalty relief totaled 224, while 107 were in water depths eligible for shallow water, deep gas royalty relief.

Bidding Results

Sale 196, in terms of the number of tracts receiving bids, was similar in size to WGOM Sale 192, held in 2004. However, there was an increase in aggregate high bids in Sale 196 compared to Sale 192 of about 66 percent. In Sale 196, high bids totaled \$285,192,865.

Bidding results by water depth zone are summarized in table 1 and more complete details are presented in appendix A.

Table 1.—*Bidding Activity by Water Depth Zone*

Water Depth	Tracts with Bids	High Bids (\$MM)	Number of Bids	Average Bids/Tract
< 200 m.	107	\$116.08	130	1.21
200 - 399 m.	15	\$10.71	23	1.53
400 - 799 m.	37	\$31.73	46	1.24
800 - 1,599 m.	101	\$37.13	117	1.08
1,600 – 2,000 m.	26	\$8.61	28	1.08
2,000+ m.	60	\$80.93	78	1.30
Total	346	\$285.19	421	1.22

Bidding activity in Sale 196 resulted in a slight decrease in the number of tracts receiving bids, a slight increase in the number of bids, and a large increase in aggregate high bids compared to the previous WGOM sale (Sale 192, August 18, 2004). In Sale 192, 351 tracts received 421 bids, whereas 346 tracts received 422 bids in Sale 196, resulting in a decrease of 1.4 percent for tracts receiving bids and virtually no change in the number of bids. However, the sum of high bids submitted on tracts receiving bids in Sale 196 increased by 66 percent compared to Sale 192 (\$285.19 million v. \$171.39 million). The amount of competition for tracts was similar to other

recent WGOM lease sales. About 83.5 percent of tracts received single bids. Two-bid tracts accounted for the next highest percent of tracts receiving bids (11.5 percent). A summary of bidding results by number of bidders is presented in table 2 and bidding results by number of bids for the various water depth zones are presented in appendix B.

Table 2.—*Bidding Results by Number of Bids Submitted*¹

Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	289	83.53%	\$185.15	64.92%
2	40	11.56%	\$25.52	8.95%
3	15	4.34%	\$69.52	24.38%
4	2	0.58%	\$5.00	1.75%
5 or more	0	0.00%	\$0.00	0.00%
Total	346	100.00%	\$285.19	100.00%

Sale 196 was not typical of sales in the WGOM as more tracts received high bids of \$50 per acre or more than those receiving bids less than that amount. In Sale 196, tracts with high bids greater than \$150 per acre accounted for about 68 percent of aggregate high bids, an amount much higher than that observed in previous WGOM sales. A summary of bidding results by high bid per acre for the sale is presented in table 3 and bidding results by high bid per acre for the various water depth zones are presented in appendix C. In addition, a graphical presentation of bidding results is presented in appendix D.

Table 3.—*Bidding Results by High Bid per Acre*

High Bid per Acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	141	40.75%	\$30.01	10.52%
\$50 - 74.99	116	33.53%	\$40.72	14.28%
\$75 - 99.99	15	4.34%	\$7.08	2.48%
\$100 - 149.99	20	5.78%	\$13.71	4.81%
\$150+	54	15.61%	\$193.67	67.91%
Total	346	100.00%	\$285.19	100.00%

¹In the tables throughout this report, percent totals may not add exactly to 100.00 percent because of rounding. In addition, other totals in the tables, e.g., high bids, also may differ slightly from the text because of rounding.

Bidding on Royalty Suspension Volume Tracts

In water depths of less than 200 meters, in which leases are eligible for royalty suspension volumes for natural gas produced from wells 15,000 feet or deeper, 107 tracts received bids in Sale 196 compared to 135 tracts in Sale 192. There was about a 21 percent decrease in tracts receiving bids in this water depth category, but their high bids were about 60 percent higher than those from Sale 192.

A total of 37 tracts in 400 - 799 meters eligible for royalty suspension volumes of 5 million barrels of oil equivalent (MMBOE) received bids, as did 101 tracts in 800 - 1,599 meters eligible for royalty suspension volumes of 9 MMBOE, 26 tracts in 1,600 – 2,000 meters eligible for royalty suspension volumes of 12 MMBOE, and 60 blocks in more than 2,000 meters eligible for royalty suspension volumes of 16 MMBOE. These tracts accounted for 65 percent of the tracts in the sale receiving bids and 56 percent of the sale's high bids. To put the magnitude of this bidding activity in perspective, the number of tracts receiving bids in water depths of 400 meters or more in Sale 196 was 16 percent higher and their associated high bids were 77 percent higher than those received in Sale 192.

In the water depth categories between 200 - 399 meters, bidding activity in Sale 196 was lower than the level observed in Sale 192 for tracts receiving bids. In this water depth category, the number of tracts receiving bids was 35 percent lower, but high bids increased by 14 percent. In both Sales 196 and 192, tracts in 200 - 399 meters were not eligible for automatic royalty suspension volumes.

Table 4.—*Bidding Results by High Bid per Acre: Sale 196 v. Sale 192*

Water Depth	Sale 196	Sale 192
< 200 m.	\$196.14	\$95.92
200 - 399 m.	\$127.29	\$72.67
400 - 799 m.	\$148.91	\$56.02
800+ m.	\$118.72	\$86.26

These results suggest that industry continues to perceive significant economic potential to exist in all water depths in the WGOM. There was a large increase in average high bid per acre across all water depth categories. In water depths less than 200 meters, the average high bid per acre increased by 104 percent relative to Sale 192. In water depths of 200-399 meters, the average high bid per acre increased 75 percent compared to Sale 192. In water depths of 400-799 meters, the average high bid per acre increased 166 percent compared to Sale 192. Finally, in water depths of 800 meters or more, the average high bid per acre increased 38 percent compared to Sale 192.

Phase 1 Results

Following the post-sale bid evaluation procedures, which include a modified 3-bid rule, high bids on 90 tracts were accepted in Phase 1 of Sale 196. High bids were accepted on 34 tracts in water depths less than 200 meters, 7 tracts in 200 - 399 meters, and 49 tracts in water depths of 400 meters or more, which are eligible for automatic royalty suspension volumes. The Phase 1-accepted high bids accounted for 26 percent of the tracts and included 10 percent of the high bids. The high bid on one tract met the criteria for acceptance by the Phase 1 number of bids rule. The other 89 Phase 1 acceptances were wildcat and confirmed tracts determined to be non-viable.

The Sale 196, Phase 1 results by number of bids and high bid per acre are presented in tables 5 and 6, respectively.

Table 5.—Phase 1 Results by Number of Bids

Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	88	97.78%	\$23.80	84.31%
2	1	1.11%	\$0.30	1.06%
3+	1	1.11%	\$4.13	14.63%
Total	90	100.00%	\$28.23	100.00%

Table 6.—Phase 1 Results by High Bid per Acre

High Bid per Acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	55	61.11%	\$11.11	39.36%
\$50 - 74.99	25	27.78%	\$8.52	30.18%
\$75 - 99.99	6	6.67%	\$2.71	9.60%
\$100 - 149.99	3	3.33%	\$1.76	6.23%
\$150+	1	1.11%	\$4.13	14.63%
Total	90	100.00%	\$28.23	100.00%

Bidding Activity

The number of companies participating in Sale 196 increased to 56 from the 54 active in Sale 192, the previous WGOM sale. Sixteen companies submitted bids (either solo or jointly) on 10 or more tracts. Petrobras America was the most active company in terms of bids submitted with 57 as well as high bids with 53. LLOG Exploration Offshore had the greatest aggregate high bids with a total of \$49.05 million.

With about 16 percent of the tracts receiving bids in the sale being multi-bid tracts, two firms (ConocoPhillips and Amerada Hess) that submitted 10 or more bids were the high bidder on every bid they submitted. For firms submitting 20 or more bids, the most successful bidder in was Shell Offshore, with 30 high bids out of the 31 bids that it offered.

The 10 most active bidders in terms of total amount of high bids are listed in table 7. Also listed in the table are the total number of bids and number of high bids submitted by the companies with their rank indicated in parentheses. Appendix F contains a summary of bids for all companies that participated in the sale.

Three of the ten companies that were most active in WGOM Sale 192 (August 18, 2004), in terms of high bids submitted, continued to be among the most active in Sale 196. With the magnitude of the high bids about 66 percent higher in Sale 196 than in Sale 192, a number of companies had a large increase in bidding activity.

Appendix G presents a listing of bidding by the most active companies in Sales 196 and 192.

Table 7.—*Most Active Bidders by Total Amount of High Bids*
(For number of bids and high bids, rank is in parentheses.)

Company	Total High Bids	Number of Bids	High Bids
LLOG Exploration Offshore	\$49,054,000	8 (18)	4 (29)
Petrobras America	\$30,122,505	57 (1)	53 (1)
Anadarko Petroleum	\$28,007,460	25 (5)	20 (4)
Eni Petroleum Exploration	\$23,251,687	9 (17)	9 (14)
BP Exploration & Production	\$13,891,640	48 (2)	40 (2)
Shell Offshore	\$12,786,240	31 (3)	30 (3)
Spinnaker Exploration	\$10,355,957	17 (8)	16 (6)
Tana Exploration	\$8,487,880	7 (21)	4 (29)
Newfield Exploration	\$8,095,504	11 (11)	10 (11)
Helis Oil & Gas	\$6,816,940	10 (13)	6 (17)

Sale 196 v. Sale 192

The results of Sale 196 were similar to the results of Sale 192 in terms of the number of blocks receiving bids as well as the number of bids. However, the magnitude of the bids was much higher in Sale 196 than in Sale 192. The average high bid per acre was \$145.60 in Sale 196 as compared with \$85.81 in Sale 192. In Sale 196, 346 tracts received 422 bids, which was similar to the 351 tracts that received 421 bids in Sale 192. In addition, the average number of bids per tract, 1.2, was the same in both sales.

The amount of bidding activity in less than 200 meters of water in Sale 196 decreased compared to Sale 192, but the high bids increased. Specifically, the number of tracts potentially eligible for deep gas royalty suspension volumes (water depth of less than 200 meters and a drilling depth of 15,000 feet or more) receiving bids decreased by about 21 percent, but the high bids in this water depth category increased 60 percent. In water depths of 400 meters or more (tracts potentially eligible for deep water royalty relief), bidding activity in Sale 196 was higher than Sale 192. In the deeper water depth zones, the number of tracts receiving bids in Sale 196 increased about 16 percent compared to Sale 192 and the high bids on the deep water tracts increased 77 percent. Appendix H presents a graphical comparison of these sale results.

In Sale 196, the four tracts with high bids that were rejected in Sale 192 received bids. The aggregate high bids on these tracts increased from \$1,257,085 in Sale 192 to \$6,263,127 in Sale 196, an increase of 398 percent. The high bids on all of these tracts were accepted in Sale 196.

Appendix A

Western Gulf of Mexico
Outer Continental Shelf
Oil and Gas Lease Sale 196

Bidding Summary

Western Gulf of Mexico OCS Oil and Gas Lease Sale 196

Sale Statistics by Royalty Rate

	<u>16 2/3% Royalty</u>	<u>12 1/2% Royalty</u>	<u>Sale Total</u>
Tracts Receiving Bids	122	224	346
Acres Receiving Bids	675,946.41	1,282,761.65	1,958,708.06
Sum of High Bids	\$126,788,920	\$158,403,945	\$285,192,865
Sum of All Bids	\$149,718,591	\$185,909,539	\$335,628,130
Total Number of Bids	153	269	422
Average Bids	1.25	1.20	1.22
Companies Bidding	44	33	56
Highest Bid per Tract	\$26,500,000	\$19,334,351	\$26,500,000
- Tract Number	G27507	G27777	G27507
- Number of Bids	1	3	1
Highest Bid per Acre	\$4,600.69	\$3,356.66	\$4,600.69
- Tract Number	G27507	G27777	G27507
- Number of Bids	1	3	1
Most Bids	4	4	4
- Tract Number	G27532	G27642	G27532 G27642

Western Gulf of Mexico OCS Oil and Gas Lease Sale 196

Sale Statistics for 16 2/3% Royalty Rate Tracts

	<u>16 2/3% w/RS6¹</u>	<u>16 2/3% w/R7²</u>	<u>16 2/3% Total</u>
Tracts Receiving Bids	107	15	122
Acres Receiving Bids	591,825.13	84,121.28	675,946.41
Sum of High Bids	\$116,081,377	\$10,707,543	\$126,788,920
Sum of All Bids	\$134,097,778	\$15,620,813	\$149,718,591
Total Number of Bids	130	23	153
Average Bids	1.21	1.53	1.25
Companies Bidding	41	17	44
Highest Bid per Tract	\$26,500,000	\$3,185,185	\$26,500,000
- Tract Number	G27507	G27633	G27507
- Number of Bids	1	3	1
Highest Bid per Acre	\$4,600.69	\$552.98	\$4,600.69
- Tract Number	G27507	G27633	G27507
- Number of Bids	1	3	1
Most Bids	4	3	4
- Tract Number	G27532	G27551, G27629 G27633, G27636	G27532

¹ “16 2/3% w/RS6” is that category of tract in less than 200 meters of water with a royalty rate of 1/6 that is eligible for royalty suspension volumes as prescribed in 30 CFR 203.40 through 203.47 for natural gas from wells 15,000 feet or more deep.

² “16 2/3% w/R7” is that category of tract in 200 to less than 400 meters of water with a royalty rate of 1/6 that is not eligible for an automatic royalty suspension volume.

Western Gulf of Mexico OCS Oil and Gas Lease Sale 196

Sale Statistics for 12 1/2% Royalty Rate Tracts

	<u>12 1/2% w/RS5¹</u>	<u>12 1/2% w/RS3²</u>
Tracts Receiving Bids	37	101
Acres Receiving Bids	213,120.00	581,760.00
Sum of High Bids	\$31,734,761	\$37,133,180
Sum of All Bids	\$38,781,945	\$41,583,320
Total Number of Bids	46	117
Average Bids	1.24	1.16
Companies Bidding	22	16
Highest Bid per Tract	\$6,770,101	\$1,818,800
- Tract Number	G27632	G27602
- Number of Bids	3	1
Highest Bid per Acre	\$1,175.36	\$315.76
- Tract Number	G27632	G27602
- Number of Bids	3	1
Most Bids	4	2
- Tract Number	G27642	16 Tracts

¹ “12 1/2% w/RS5” is that category of tract in 400 to less than 800 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 5 MMBOE per lease.

² “12 1/2% w/RS3” is that category of tract in 800 to less than 1,600 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 9 MMBOE per lease.

Western Gulf of Mexico OCS Oil and Gas Lease Sale 196

Sale Statistics for 12 1/2% Royalty Rate Tracts (continued)

	<u>12 1/2% w/RS8³</u>	<u>12 1/2% w/RS9⁴</u>	<u>12 1/2% Royalty</u>
Tracts Receiving Bids	26	60	224
Acres Receiving Bids	149,760.00	338,121.65	1,282,761.65
Sum of High Bids	\$8,605,227	\$80,930,777	\$158,403,945
Sum of All Bids	\$9,209,640	\$96,334,634	\$185,909,539
Total Number of Bids	28	78	269
Average Bids	1.08	1.30	1.20
Companies Bidding	9	8	33
Highest Bid per Tract	\$503,700	\$19,334,351	\$19,334,351
- Tract Number	G27704	G27777	G27777
- Number of Bids	1	3	3
Highest Bid per Acre	\$87.45	\$3,356.66	\$3,356.66
- Tract Number	G27704	G27777	G27777
- Number of Bids	1	3	3
Most Bids	2	3	4
- Tract Number	G27710 G27720	G27777, G27779 G27780	G27642

³ “12 1/2% w/RS8” is that category of tract in 1,600 to 2,000 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 12 MMBOE per lease.

⁴ “12 1/2% w/RS9” is that category of tract in 2,000 meters of water or deeper with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 16 MMBOE per lease.

Appendix B

Western Gulf of Mexico
Outer Continental Shelf
Oil and Gas Lease Sale 196

Bidding by Number of Bids

Sale 196

All Tracts

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	289	83.53%	\$185.15	64.92%
2	40	11.56%	\$25.52	8.95%
3	15	4.34%	\$69.52	24.38%
4	2	0.58%	\$5.00	1.75%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	346	100.00%	\$171.39	100.00%

Tracts with 1/6 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	103	84.43%	\$96.34	75.99%
2	8	6.56%	\$9.70	7.65%
3	10	8.20%	\$18.53	14.62%
4	1	0.82%	\$2.21	1.74%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	122	100.00%	\$126.79	100.00%

Tracts with 1/8 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	186	83.04%	\$88.81	56.06%
2	32	14.29%	\$15.82	9.99%
3	5	2.23%	\$50.99	32.19%
4	1	0.45%	\$2.79	1.76%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	224	100.00%	\$158.40	100.00%

Sale 196, by Water Depth Category

1/6 Royalty (<200 meters; Royalty Suspension Volume [RSV] as prescribed in 30 CFR 203.40 through 203.47 for gas from deep wells, i.e., drilling depth of 15,000 feet or more)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	92	85.98%	\$93.04	80.15%
2	8	7.48%	\$9.70	8.36%
3	6	5.61%	\$11.13	9.59%
4	1	0.93%	\$2.21	1.91%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	107	100.00%	\$116.08	100.00%

1/6 Royalty (200 to less than 400 meters; no automatic RSV)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	11	73.33%	\$3.31	30.88%
2	0	0.00%	\$0.00	0.00%
3	4	26.67%	\$7.40	69.12%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	15	100.00%	\$10.71	100.00%

1/8 Royalty (400 to less than 800 meters; 5 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	32	86.49%	\$19.84	62.51%
2	2	5.41%	\$0.81	2.55%
3	2	5.41%	\$8.30	26.15%
4	1	2.70%	\$2.79	8.78%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	37	100.00%	\$31.73	100.00%

1/8 Royalty (800 to less than 1,600 meters; 9 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	85	84.16%	\$30.12	81.13%
2	16	15.84%	\$7.01	18.87%
3	0	0.00%	\$0.00	0.00%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	101	100.00%	\$37.13	100.00%

1/8 Royalty (1,600 to 2,000 meters; 12 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	24	92.31%	\$7.84	91.07%
2	2	7.69%	\$0.77	8.93%
3	0	0.00%	\$0.00	0.00%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	26	100.00%	\$8.61	100.00%

1/8 Royalty (more than 2,000 meters; 16 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	45	75.00%	\$31.01	38.31%
2	12	20.00%	\$7.23	8.94%
3	3	5.00%	\$42.69	52.75%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	60	100.00%	\$80.93	100.00%

Appendix C

Western Gulf of Mexico
Outer Continental Shelf
Oil and Gas Lease Sale 196

Bidding by High Bid per Acre

Sale 196

All Tracts

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	141	40.75%	\$30.01	10.52%
\$50 - 74.99	116	33.53%	\$40.72	14.28%
\$75 - 99.99	15	4.34%	\$7.08	2.48%
\$100 - 149.99	20	5.78%	\$13.71	4.81%
<u>\$150+</u>	<u>54</u>	<u>15.61%</u>	<u>\$193.67</u>	<u>67.91%</u>
Total	346	100.00%	\$285.19	100.00%

Tracts with 1/6 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	61	51.27%	\$14.61	17.83%
\$50 - 74.99	24	17.72%	\$8.76	10.69%
\$75 - 99.99	2	10.76%	\$7.83	9.56%
\$100 - 149.99	10	6.96%	\$6.77	8.26%
<u>\$150+</u>	<u>25</u>	<u>13.29%</u>	<u>\$43.98</u>	<u>53.67%</u>
Total	122	100.00%	\$81.94	100.00%

Tracts with 1/8 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	80	35.71%	\$18.62	11.76%
\$50 - 74.99	92	41.07%	\$32.14	20.29%
\$75 - 99.99	13	5.80%	\$6.30	3.98%
\$100 - 149.99	10	4.46%	\$7.27	4.59%
<u>\$150+</u>	<u>29</u>	<u>12.95%</u>	<u>\$ 94.07</u>	<u>59.38%</u>
Total	224	100.00%	\$158.40	100.00%

Sale 196, by Water Depth Category

1/6 Royalty (<200 meters; Royalty Suspension Volume [RSV] as prescribed in 30 CFR 203.40 through 203.47 for gas from deep wells, i.e., drilling depth of 15,000 feet or more)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	56	52.34%	\$10.49	9.04%
\$50 - 74.99	19	17.76%	\$6.90	5.94%
\$75 - 99.99	2	1.87%	\$0.78	0.68%
\$100 - 149.99	8	7.48%	\$5.04	4.34%
<u>\$150+</u>	<u>22</u>	<u>20.56%</u>	<u>\$92.86</u>	<u>80.00%</u>
Total	107	100.00%	\$116.08	100.00%

1/6 Royalty (200 to less than 400 meters; no automatic RSV)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	5	33.33%	\$0.89	8.35%
\$50 - 74.99	5	33.33%	\$1.68	15.69%
\$75 - 99.99	0	0.00%	\$0.00	0.00%
\$100 - 149.99	2	13.33%	\$1.39	13.01%
<u>\$150+</u>	<u>3</u>	<u>20.00%</u>	<u>\$6.74</u>	<u>62.95%</u>
Total	15	100.00%	\$10.71	100.00%

1/8 Royalty (400 to less than 800 meters; 5 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	17	45.95%	\$3.91	12.33%
\$50 - 74.99	6	16.22%	\$2.02	6.35%
\$75 - 99.99	2	5.41%	\$1.08	3.40%
\$100 - 149.99	2	5.41%	\$1.62	5.11%
<u>\$150+</u>	<u>10</u>	<u>27.03%</u>	<u>\$23.11</u>	<u>72.82%</u>
Total	37	100.00%	\$31.73	100.00%

1/8 Royalty (800 to less than 1,600 meters; 9 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	43	42.57%	\$10.29	27.71%
\$50 - 74.99	44	43.56%	\$15.66	42.17%
\$75 - 99.99	5	4.95%	\$2.33	6.28%
\$100 - 149.99	5	4.95%	\$3.68	9.91%
<u>\$150+</u>	<u>4</u>	<u>3.96%</u>	<u>\$5.17</u>	<u>13.93%</u>
Total	101	100.00%	\$37.13	100.00%

1/8 Royalty (1,600 to 2,000 meters; 12 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	6	23.08%	\$1.51	17.49%
\$50 - 74.99	19	73.08%	\$6.60	76.66%
\$75 - 99.99	1	3.85%	\$0.50	5.85%
\$100 - 149.99	0	0.00%	\$0.00	0.00%
<u>\$150+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	26	100.00%	\$8.61	100.00%

1/8 Royalty (more than 2,000 meters; 16 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	14	23.33%	\$2.91	3.60%
\$50 - 74.99	23	38.33%	\$7.87	9.73%
\$75 - 99.99	5	8.33%	\$2.39	2.95%
\$100 - 149.99	3	5.00%	\$1.97	2.44%
<u>\$150+</u>	<u>15</u>	<u>25.00%</u>	<u>\$65.79</u>	<u>81.29%</u>
Total	60	100.00%	\$80.93	100.00%

Appendix D

Western Gulf of Mexico
Outer Continental Shelf
Oil and Gas Lease Sale 196

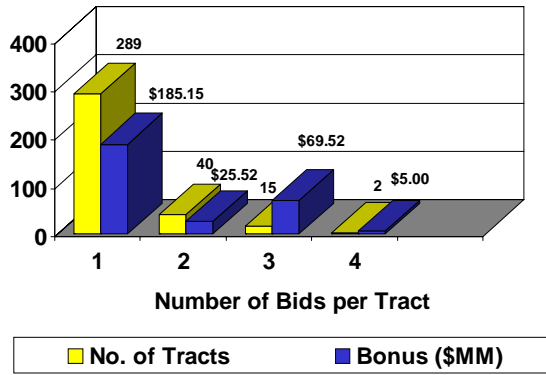
Bidding Results – Graphs

Sale 196 (WGOM) Bidding Results

- 346 tracts received 422 bids (1.22 bids/tract).
- High bids were \$285.19 MM.
- Average high bid per acre was \$145.60.
- 56 companies submitted bids.
- 122 tracts in < 400 meters received bids – 35.26 percent of tracts and 44.46 percent of high bids.
- 224 tracts in 400+ meters received bids – 64.74 percent of tracts and 55.54 percent of high bids.

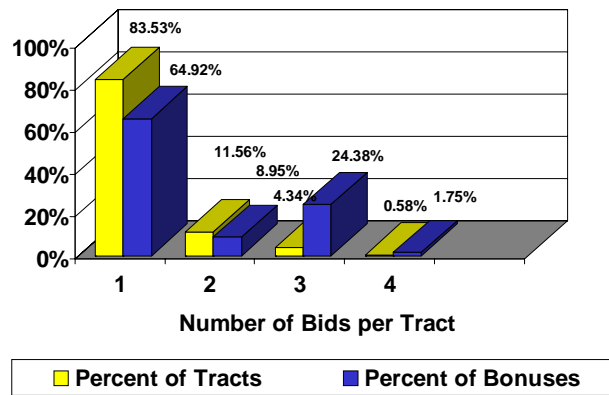
Sale 196, Aggregate

Bidding Activity by Bids per Tract



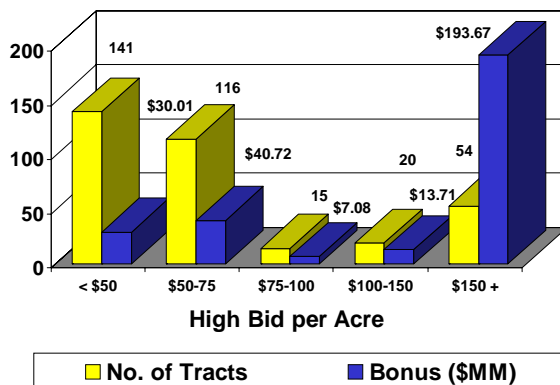
Sale 196, Aggregate

Bidding Activity by Bids per Tract



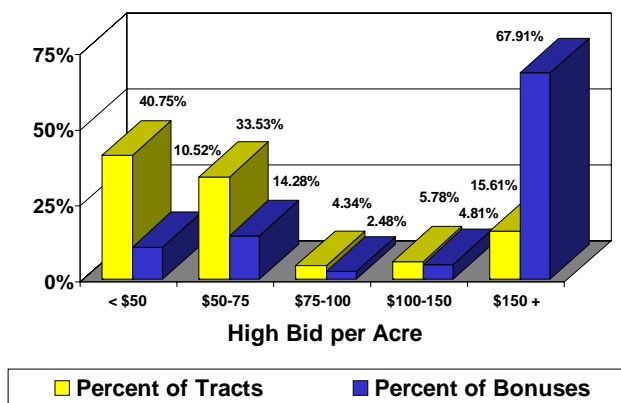
Sale 196, Aggregate

Bidding Activity by High Bid per Acre



Sale 196, Aggregate

Bidding Activity by High Bid per Acre

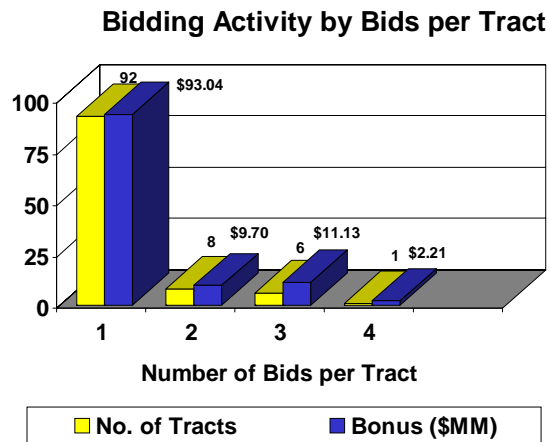


Sale 196 (WGOM)

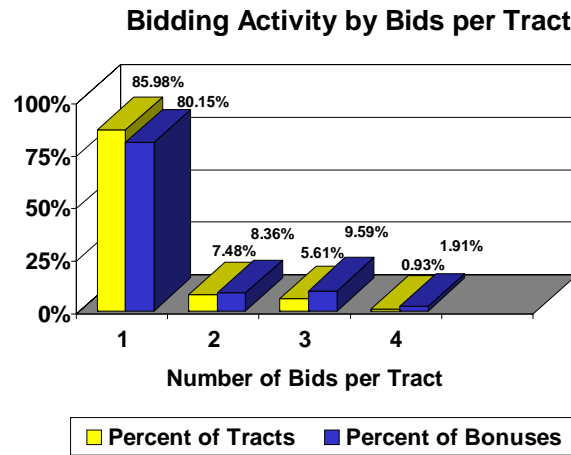
Bidding by Water Depth Category

- 107 tracts in < 200 meters received 130 bids and high bids of \$116.08 MM (\$196.14/acre).
- 15 tracts in 200-399 meters had 23 bids and high bids of \$10.71 MM (\$127.29/acre).
- 37 tracts in 400-799 meters had 46 bids and high bids of \$31.73 MM (\$148.91/acre).
- 101 tracts in 800-1,599 meters had 117 bids and high bids of \$37.13 MM (\$63.83/acre).
- 26 tracts in 1,600-2,000 meters had 28 bids and high bids of \$8.61 MM (\$57.46/acre).

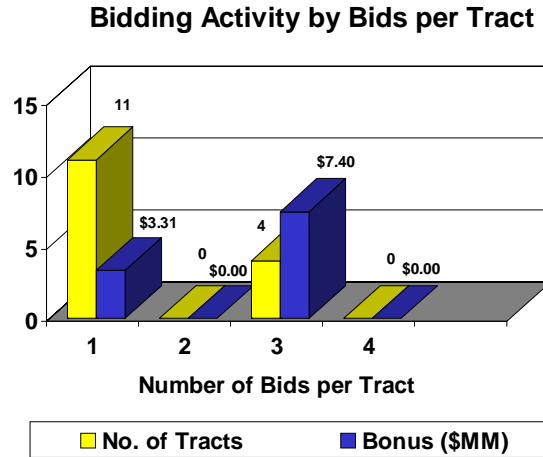
Sale 196, Tracts in < 200 Meters Water Depth



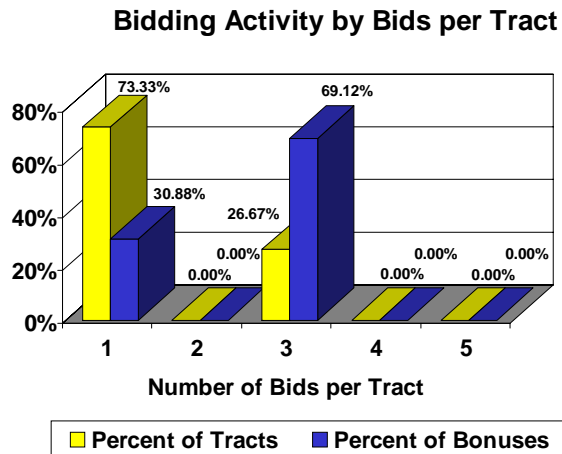
Sale 196, Tracts in < 200 Meters Water Depth



Sale 196, Tracts in 200-399 Meters Water Depth

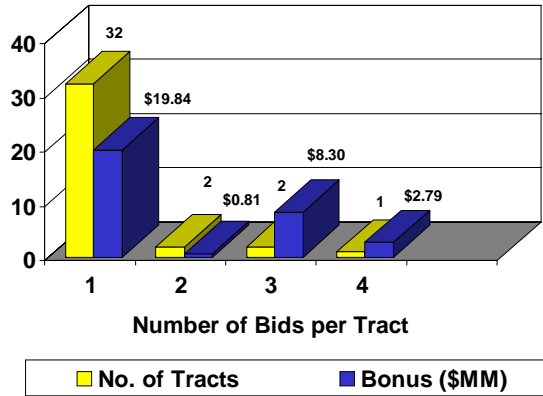


Sale 196, Tracts in 200-399 Meters Water Depth



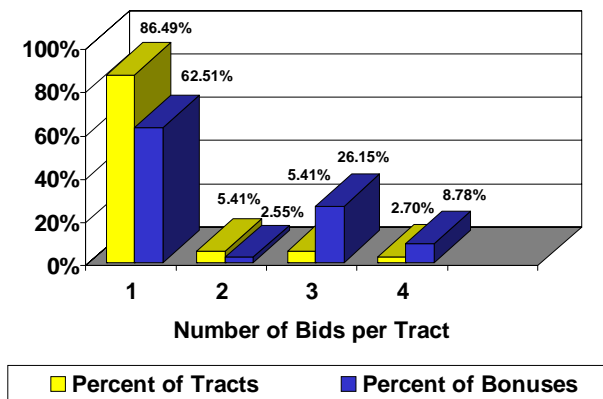
Sale 196, Tracts in 400-799 Meters Water Depth

Bidding Activity by Bids per Tract



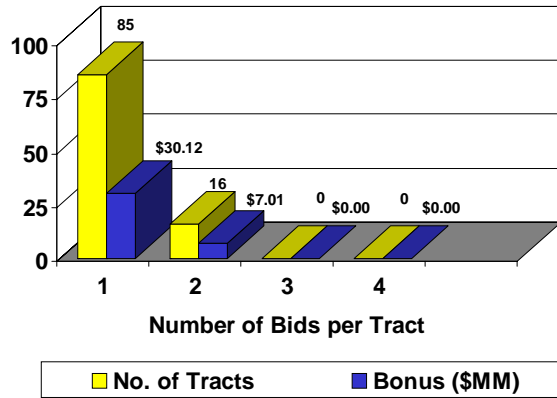
Sale 196, Tracts in 400-799 Meters Water Depth

Bidding Activity by Bids per Tract



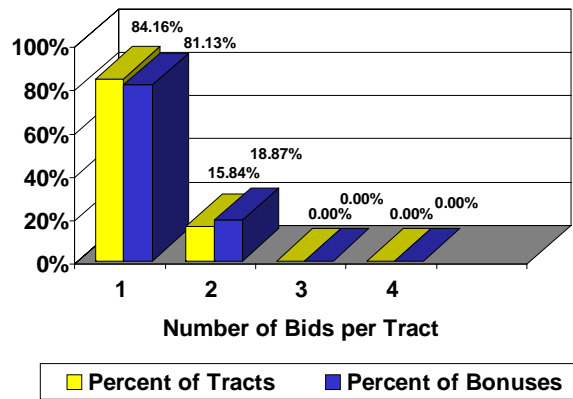
Sale 196, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by Bids per Tract



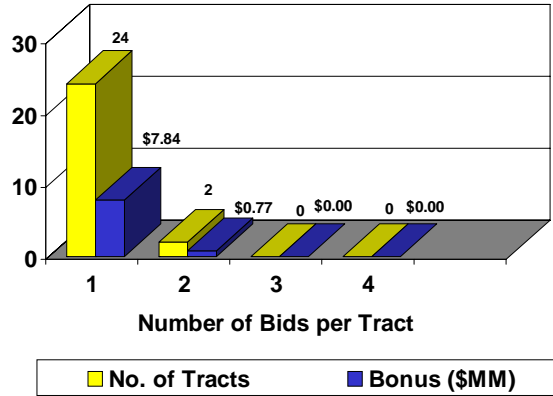
Sale 196, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by Bids per Tract



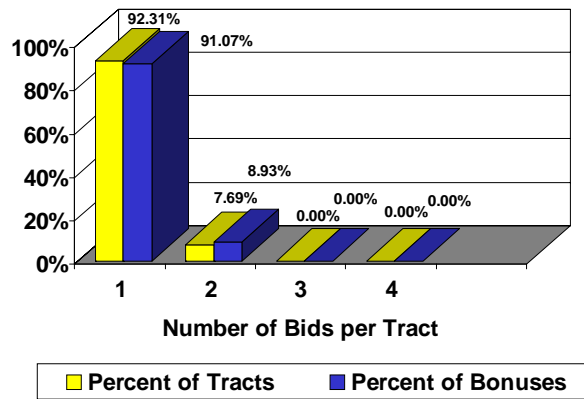
Sale 196, Tracts in 1,600-2,000 Meters Water Depth

Bidding Activity by Bids per Tract



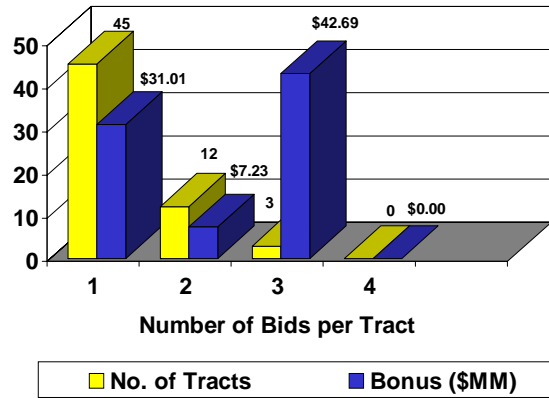
Sale 196, Tracts in 1,600-2,000 Meters Water Depth

Bidding Activity by Bids per Tract



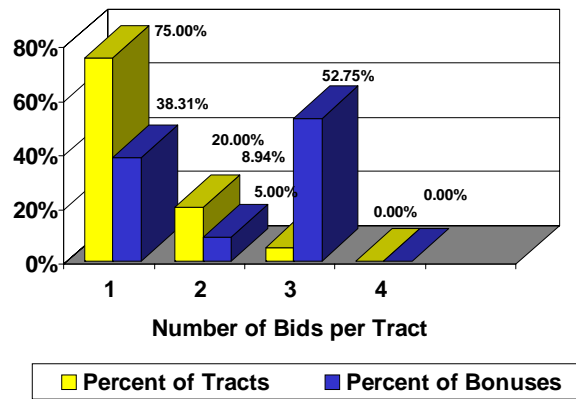
Sale 196, Tracts in More than 2,000 Meters Water Depth

Bidding Activity by Bids per Tract



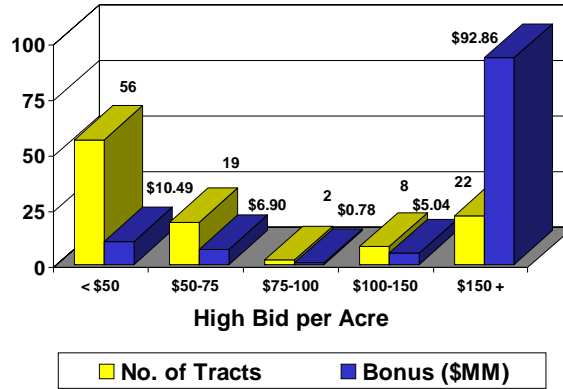
Sale 196, Tracts in More than 2,000 Meters Water Depth

Bidding Activity by Bids per Tract



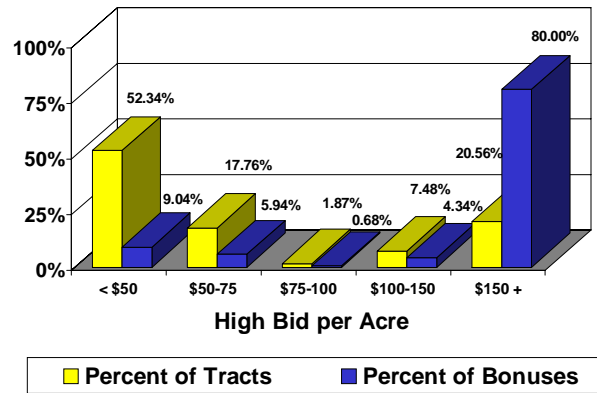
Sale 196, Tracts in < 200 Meters Water Depth

Bidding Activity by High Bid per Acre



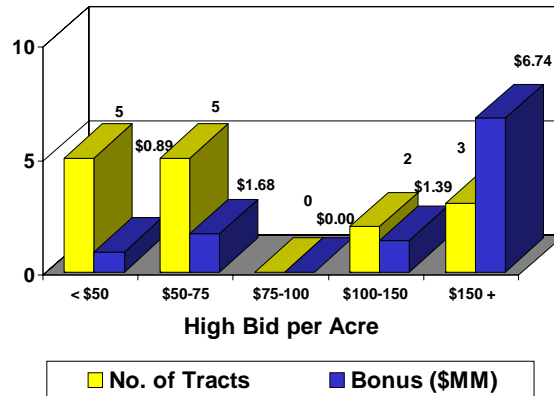
Sale 196, Tracts in < 200 Meters Water Depth

Bidding Activity by High Bid per Acre



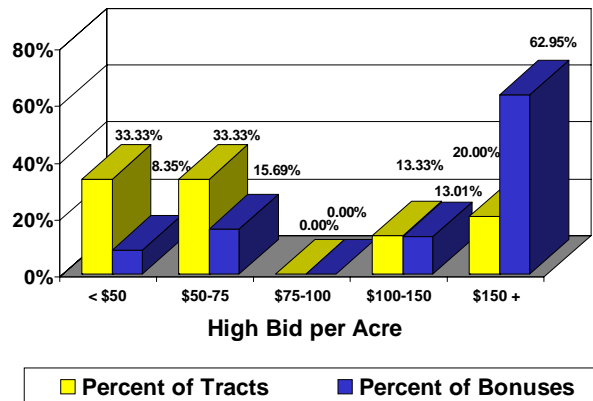
Sale 196, Tracts in 200-399 Meters Water Depth

Bidding Activity by High Bid per Acre



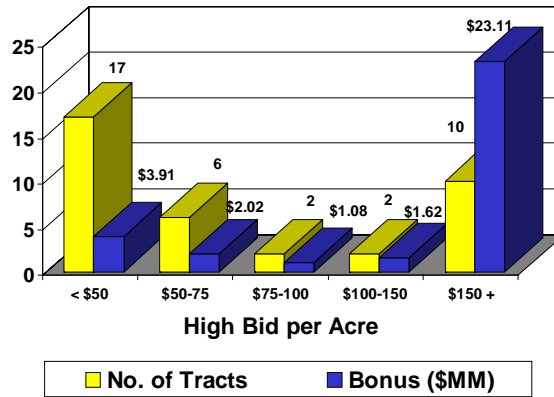
Sale 196, Tracts in 200-399 Meters Water Depth

Bidding Activity by High Bid per Acre



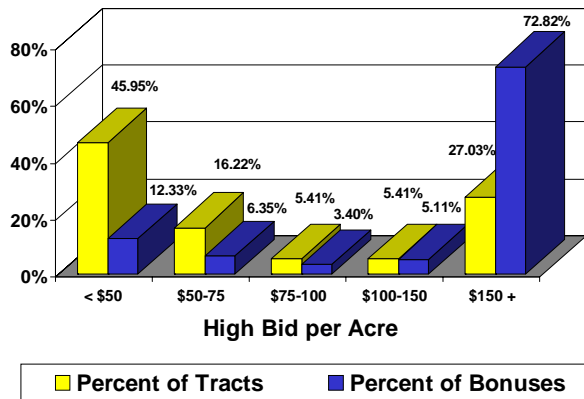
Sale 196, Tracts in 400-799 Meters Water Depth

Bidding Activity by High Bid per Acre



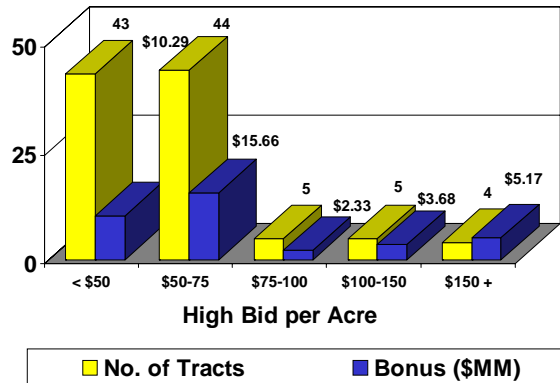
Sale 196, Tracts in 400-799 Meters Water Depth

Bidding Activity by High Bid per Acre



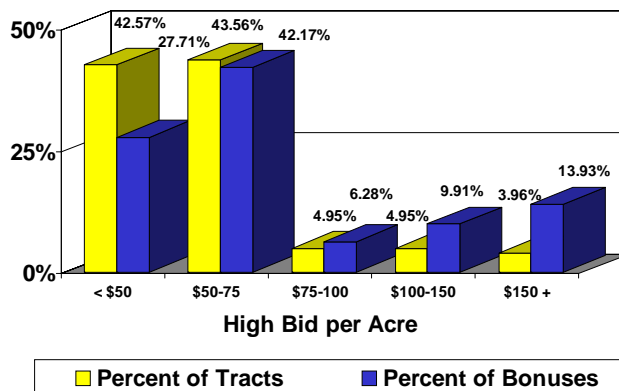
Sale 196, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by High Bid per Acre



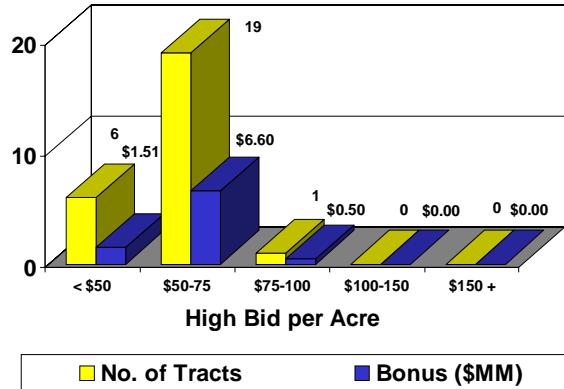
Sale 196, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by High Bid per Acre



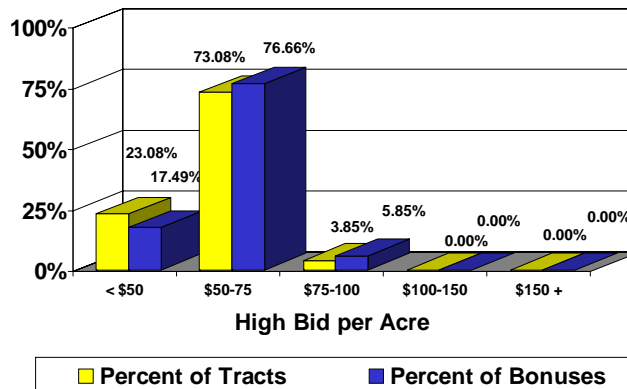
Sale 196, Tracts in 1,600-2,000 Meters Water Depth

Bidding Activity by High Bid per Acre



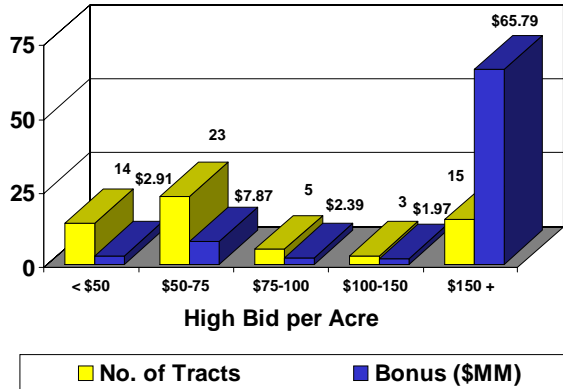
Sale 196, Tracts in 1,600-2,000 Meters Water Depth

Bidding Activity by High Bid per Acre



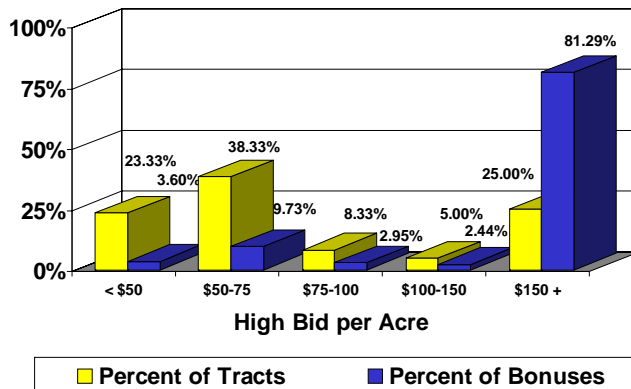
Sale 196, Tracts in More than 2,000 Meters Water Depth

Bidding Activity by High Bid per Acre



Sale 196, Tracts in More than 2,000 Meters Water Depth

Bidding Activity by High Bid per Acre



Appendix E

Revised Arithmetic Average Measure (RAM)

Sale 196, Tracts with Three or More Bids

In Sale 196, three or more bids were received on 17 tracts. The distribution of those bids by water depth category and third bid as a percent of high bid is presented in table E1.

Table E1.—*Third Bid as a Percent of a Tract’s High Bid by Water Depth Category*

Category	< 25%	25 - 50%	50 - 75%	> 75%	Total
< 200 m.	2	3	1	1	7
200 - 399 m.	3	1	0	0	4
400 - 799 m.	3	0	0	0	3
800 – 1,599 m.	0	0	0	0	0
1,600 – 2,000 m.	0	0	0	0	0
2,000 m. or more	3	0	0	0	3
Total	11	4	1	1	17

Applying the bid adequacy procedures, the modified number of bids rule was used for Phase 1 acceptance of high bids on selected tracts receiving three or more bids. Under the rule, high bids on wildcat and confirmed tracts receiving three or more bids are accepted in Phase 1, if the third highest bid on the tract is at least 50 percent of the high bid and the high bid per acre ranks in the top 75 percent of high bids per acre for all three-or-more bid tracts within a specified water depth category. (The procedure is described in the *Federal Register*, vol. 64, no.132, pp. 37,560-37,562.) In Sale 196, one tract (G27503) with three or more bids met the bid acceptance criteria described above.

A modified Phase 2 averaging rule, the “Revised Arithmetic Average Measure” (RAM) of tract value was also applicable in this sale. The RAM is a secondary bid acceptance rule that is used on multi-bid tracts if the Government’s value of the tract (ADV) exceeds the high bid. The RAM is an arithmetic average of a tract’s high bid, ADV, and all other bids that are at least 25 percent of the high bid. If a bid on a tract is not at least 25 percent of the high bid, that bid is considered an outlier and not included in the RAM calculation. Thus, the adjusted number of bids on a tract for the RAM calculation can be less than the total number of bids that a tract receives.

For those tracts on which the RAM is used as the bid acceptance rule, if the RAM is less than the tract’s high bid, then the high bid is accepted. If the RAM exceeds the high bid, then the high bid is rejected.

Sixteen three-or-more-bid tracts that could potentially use the RAM as the bid acceptance decision rule were passed to Phase 2 for further evaluation. Of those, three did not have second bids that were at least 25 percent of the high bids, so the use of the RAM as a Phase 2 decision criterion for those tracts was not a possibility. For the remaining thirteen tracts, the ADV's that would be needed to reject a tract's high bid using the RAM were calculated. Using the RAM, 3 tracts need an ADV of less than \$1 million, 5 tracts need an ADV of between \$1 million to \$5 million, and 2 need an ADV of between \$5 million to \$10 million for high bid rejection based on this criterion. The results are presented in table E2.

Table E2.—ADV Needed to Reject a High Bid Using the RAM by Water Depth Category

Category	< \$1 MM	\$1-5 MM	\$5-10 MM	> \$10 MM	Total
< 200 m.	1	5	0	0	6
200 - 399 m.	0	3	0	0	3
400 - 799 m.	0	2	0	1	3
800 – 1,599 m.	0	0	0	0	0
1,600 – 2,000 m.	0	0	0	0	0
2,000 m. or more	0	0	0	1	1
Total	1	10	0	2	13

Sale 196, Tracts with Three or More Bids Passed to Phase 2

Table E3.—Tracts in Less Than 200 Meters; Potential Royalty Suspension Volume as Prescribed in 30 CFR 203.40 Through 203.47 for Natural Gas From Deep (more than 15,000 feet) Wells

Tract	High Bid	No. of Bids	3 rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27483	\$2,842,000	3	17.72%	2	\$4,768,088
G27484	\$1,665,000	3	31.61%	3	\$3,813,812
G27528	\$1,346,643	3	30.12%	3	\$3,104,359
G27532	\$2,211,800	4	39.58%	3	\$4,349,900
G27539	\$951,219	3	16.12%	2	\$1,583,949
G27540	\$202,169	3	71.23%	3	\$309,595

Table E4.—*Tracts in 200 to less than 400 Meters; No Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27551	\$659,987	3	22.05%	2	\$1,104,174
G27629	\$1,350,000	3	17.03%	2	\$2,062,000
G27633	\$3,185,185	3	5.62%	1	Not Applicable
G27636	\$2,205,389	3	35.37%	3	\$3,736,167

Table E5.—*Tracts in 400 to less than 800 Meters; 5 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27558	\$1,529,970	3	14.12%	2	\$2,242,653
G27632	\$6,770,101	3	8.61%	2	\$11,415,637
G27642	\$2,786,250	4	19.74%	2	\$3,512,500

Table E6.—*Tracts in 2,000 Meters or Deeper; 16 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G27777	\$19,334,351	3	2.71%	2	\$32,958,270
G27779	\$15,177,000	3	3.45%	1	Not Applicable
G27780	\$8,177,000	3	3.46%	1	Not Applicable

The RAM was not used in the acceptance of the high bid on any tracts in Sale 196.

Appendix F

Summary of Company Bids

Sale 196 - Company Bids by Total Amount of High Bids

Rank	Company Number	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
1	2058	LLOG Exploration Offshore	8	4	4	\$53,622,000	\$49,054,000	\$4,568,000
2	1207	Petrobras America	57	53	4	\$39,925,906	\$30,122,505	\$9,803,402
3	981	Anadarko Petroleum	25	20	5	\$29,240,510	\$28,007,460	\$1,233,050
4	2248	Eni Petroleum Exploration	9	9	0	\$23,251,687	\$23,251,687	\$0
5	2481	BP Exploration & Production	48	40	8	\$15,999,968	\$13,891,640	\$2,108,328
6	689	Shell Offshore	31	30	1	\$13,595,128	\$12,786,240	\$808,888
7	2169	Spinnaker Exploration	17	16	4	\$12,771,956	\$10,355,957	\$2,416,000
8	2579	Tana Exploration	7	4	3	\$10,377,790	\$8,487,880	\$1,889,910
9	1364	Newfield Exploration	11	10	1	\$8,176,687	\$8,095,504	\$81,182
10	1978	Helis Oil & Gas	10	6	4	\$10,135,368	\$6,816,940	\$3,318,428
11	78	Chevron USA	27	17	10	\$9,883,598	\$6,609,115	\$3,274,483
12	2377	MCX Gulf of Mexico	8	6	2	\$6,370,995	\$5,923,164	\$447,831
13	236	El Paso Production	3	2	1	\$5,932,800	\$5,527,200	\$405,600
14	56	ConocoPhillips	14	14	0	\$4,997,340	\$4,997,340	\$0
15	2266	Energy Partners	4	4	0	\$4,589,627	\$4,589,627	\$0
16	818	Mariner Energy	7	5	2	\$6,095,200	\$4,494,200	\$1,601,000
17	2219	Kerr-McGee Oil & Gas	22	16	6	\$7,698,409	\$4,488,127	\$3,210,282
18	59	Amerada Hess	10	10	0	\$3,613,910	\$3,613,910	\$0
19	48	Forest Oil	7	5	2	\$4,242,426	\$3,569,733	\$672,694
20	2790	Focus Exploration	16	12	4	\$4,495,876	\$3,414,908	\$1,080,969
21	560	Seneca Resources	4	4	0	\$3,177,019	\$3,177,019	\$0
22	1834	Stone Energy	6	6	0	\$3,016,656	\$3,016,656	\$0
23	730	Walter Oil & Gas	8	6	2	\$4,073,000	\$2,852,000	\$1,221,000
24	2668	Red Willow Offshore	7	6	1	\$3,631,712	\$2,840,392	\$791,321
25	1819	ATP Oil & Gas	4	3	1	\$3,023,300	\$2,807,500	\$215,800
26	2822	Centaurus Gulf of Mexico	10	7	3	\$3,278,496	\$2,610,137	\$668,359
27	1513	Callon Petroleum	7	7	0	\$2,287,750	\$2,287,750	\$0
28	1046	The Houston Exploration Co.	3	2	1	\$3,129,000	\$2,253,500	\$875,500
29	2079	Nexen Petroleum Offshore	18	14	4	\$2,479,623	\$2,098,315	\$381,308
30	2421	Devon Energy Production	7	5	2	\$3,222,801	\$2,064,301	\$1,158,500

F-1

Rank	Company Number	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
31	1963	Apex Oil & Gas	6	6	0	\$1,927,872	\$1,927,872	\$0
32	2455	Triumph Energy	5	2	3	\$3,651,000	\$1,775,000	\$1,876,000
33	1999	Houston Energy	10	6	4	\$2,429,485	\$1,704,235	\$725,250
34	1704	Remington Oil and Gas	3	2	1	\$1,781,306	\$1,563,974	\$217,332
35	64	Hunt Oil	4	3	1	\$3,156,606	\$1,545,939	\$1,610,666
36	2111	Legacy Resources	2	1	1	\$1,671,126	\$1,527,126	\$144,000
37	222	Hunt Petroleum (AEC)	1	1	0	\$1,332,235	\$1,332,235	\$0
38	2812	HHEP Fund I	2	2	0	\$1,230,000	\$1,230,000	\$0
39	2821	Valkyries USA	1	1	0	\$1,210,714	\$1,210,714	\$0
40	2528	Norsk Hydro USA Oil & Gas	3	3	0	\$1,184,096	\$1,184,096	\$0
41	2407	Woodside Energy (USA)	6	6	0	\$1,068,929	\$1,068,929	\$0
42	2277	BHP Billiton (Deepwater)	11	10	1	\$1,132,741	\$992,804	\$139,937
43	2643	Contango Offshore	2	2	0	\$605,467	\$605,467	\$0
44	2566	F-W Oil Exploration	3	3	0	\$455,300	\$455,300	\$0
45	2743	Alitheia Resources	2	2	0	\$443,154	\$443,154	\$0
46	1935	Pioneer Natural Resources	2	2	0	\$440,392	\$440,392	\$0
47	1284	W & T Offshore	4	1	3	\$2,330,000	\$375,000	\$1,955,000
48	2330	Cheniere Energy	1	1	0	\$361,200	\$361,200	\$0
49	2466	Gryphon Exploration	1	1	0	\$276,850	\$276,850	\$0
50	2538	Manti Resources	1	1	0	\$258,000	\$258,000	\$0
51	2066	Ridgelake Energy	1	1	0	\$244,000	\$244,000	\$0
52	1308	Ridgewood Energy	1	1	0	\$217,444	\$217,444	\$0
53	2246	St. Mary Energy	1	1	0	\$163,000	\$163,000	\$0
54	2721	Tarpon Offshore Ventures	6	4	2	\$109,000	\$85,430	\$23,570
55	276	Exxon Mobil	3	0	3	\$1,329,900	\$0	\$1,329,900
56	3	Union Oil - California	1	0	1	\$81,776	\$0	\$81,776

Appendix G

Sales 196 and 192

Active Bidders

Companies Participating in 10 or More Bids in Sale 196

Company	Company Number	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Petrobras America	1207	31	0	4	0	22	57	\$53,622,000	2	\$940,737
BP Exploration & Production	2481	0	0	6	30	12	48	\$15,999,968	5	\$333,333
Shell Offshore	689	2	0	0	19	10	31	\$13,595,128	6	\$438,553
Chevron USA	78	0	0	0	8	19	27	\$9,883,598	10	\$366,059
Anadarko Petroleum	981	0	1	6	9	9	25	\$29,240,510	3	\$1,169,620
Kerr-McGee Oil & Gas	2219	0	0	4	16	2	22	\$7,698,409	12	\$349,928
Nexen Petroleum Offshore	2079	0	2	0	16	0	18	\$2,479,623	31	\$137,757
Spinnaker Exploration	2169	4	2	3	4	4	17	\$12,771,956	7	\$751,292
Focus Exploration	2790	10	1	4	1	0	16	\$4,495,876	17	\$280,992
ConocoPhillips	56	0	0	0	0	14	14	\$4,997,340	16	\$356,953
Newfield Exploration	1364	8	0	3	0	0	11	\$8,176,687	11	\$743,335
BHP Billiton (Deepwater)	2277	9	2	0	0	0	11	\$1,132,741	43	\$102,976
Helis Oil & Gas	1978	6	3	1	0	0	10	\$10,135,368	9	\$1,013,537
Amerada Hess	59	0	0	2	8	0	10	\$3,613,910	23	\$361,391
Centaurus Gulf of Mexico	2822	8	2	0	0	0	10	\$3,278,496	24	\$327,850
Houston Energy	1999	6	3	1	0	0	10	\$2,429,485	32	\$242,948

Companies Participating in 10 or More Bids in Sale 192

Company	Company Number	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Amerada Hess	59	4	5	3	49	3	64	\$15,001,025	2	\$234,391
BP Exploration & Production	2481	48	0	0	2	9	59	\$30,840,159	1	\$522,715
Petrobras America	1207	4	11	19	3	1	38	\$11,841,693	5	\$311,624
Devon Energy Production	2421	14	0	0	4	15	33	\$14,223,234	4	\$431,007
Kerr-McGee Oil & Gas	2219	0	3	8	14	1	26	\$14,592,613	3	\$561,254
Shell Offshore	689	13	0	0	11	2	26	\$8,254,676	6	\$317,488
Woodside Energy (USA)	2407	5	0	0	13	0	18	\$3,222,489	19	\$179,027
ConocoPhillips	56	2	0	0	13	2	17	\$3,318,013	17	\$195,177
Pioneer Natural Resources	1935	9	0	1	5	1	16	\$6,468,380	9	\$404,274
Union Oil of California	3	1	0	0	4	10	15	\$4,328,502	15	\$288,567
Chevron USA	78	0	0	0	0	13	13	\$8,142,651	7	\$626,358
Spinnaker Exploration	2169	5	0	0	1	6	12	\$3,279,339	18	\$273,278
Anadarko Petroleum	981	0	0	0	4	6	10	\$4,501,728	13	\$450,173
BHP Billiton (Deepwater)	2277	3	0	2	2	3	10	\$956,029	34	\$95,603

Appendix H

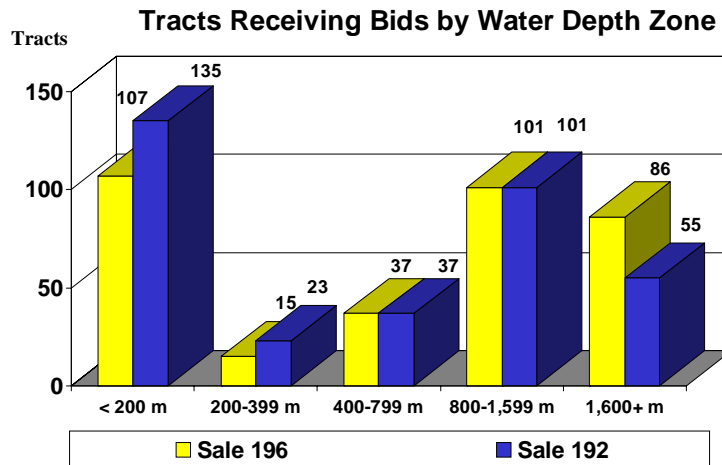
Sales 196 and 192

Comparison of Sales - Graphs

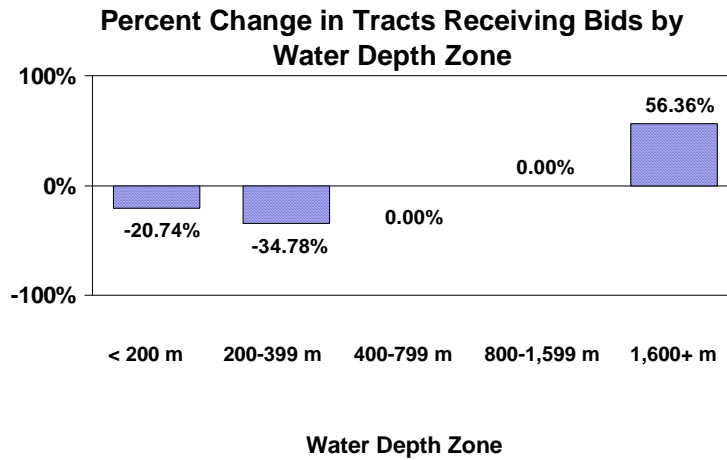
Sale 196 v. Sale 192 (WGOM) Comparison of Results

- In aggregate, 346 tracts received high bids of \$285.19 MM in Sale 196 and 351 tracts received high bids of \$171.39 MM in Sale 192.
- Bids per tract were 1.22 in Sale 196 and 1.20 in Sale 192.
- Sale 196 had 107 tracts in < 200 m. receiving high bids of \$116.08 MM v. 135 tracts and high bids of \$72.57 MM in Sale 192.
- Sale 196 had 239 tracts in 200 m. or more receiving high bids of \$169.11 MM v. 216 tracts and high bids of \$98.82 MM in Sale 192.

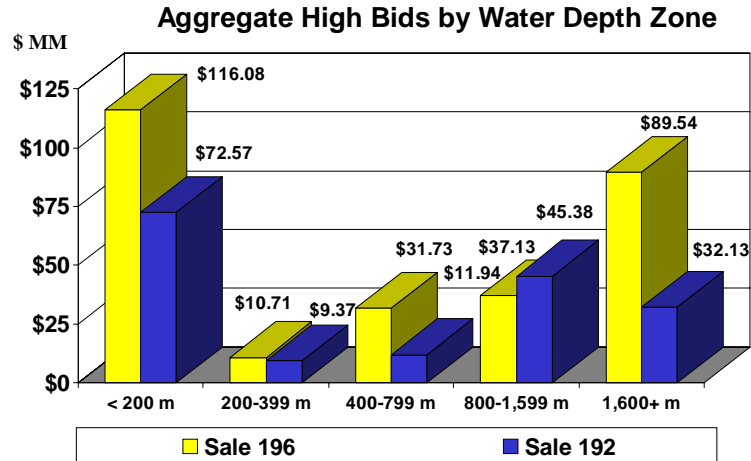
Sale 196 v. Sale 192 - Tracts



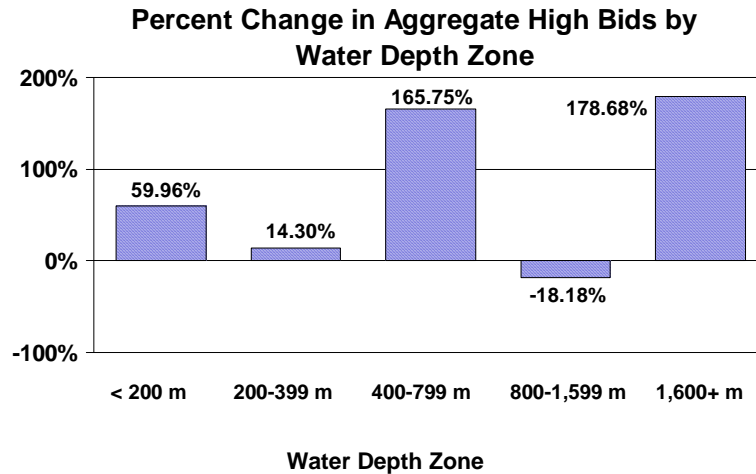
Sale 196 v. Sale 192 - Tracts



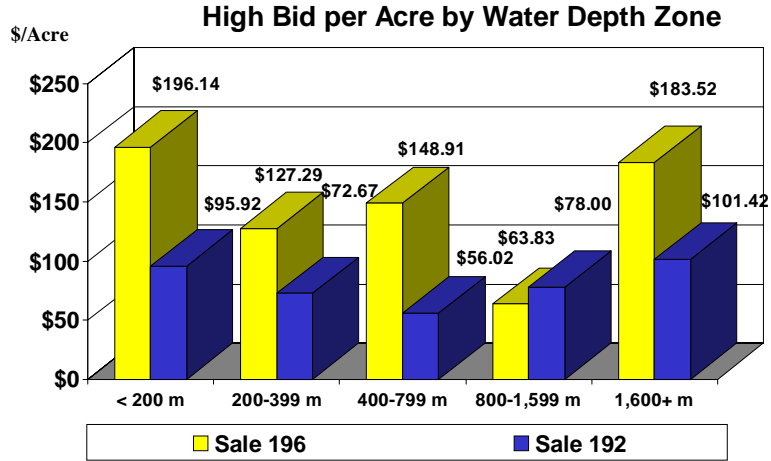
Sale 196 v. Sale 192 - Bonuses



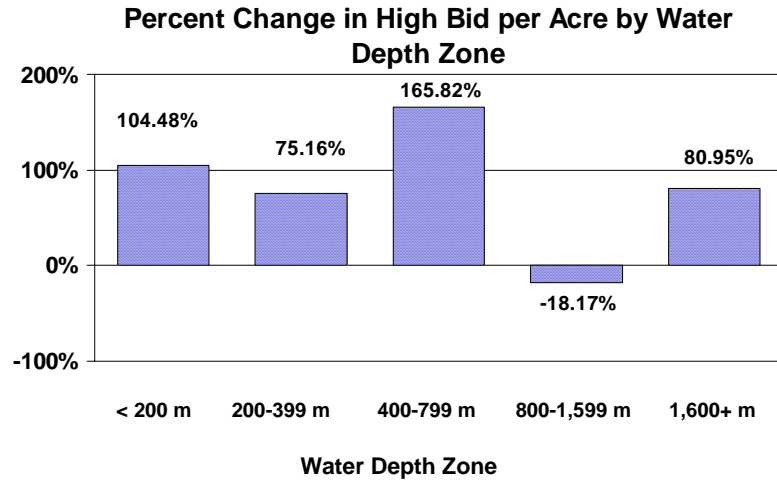
Sale 196 v. Sale 192 - Bonuses



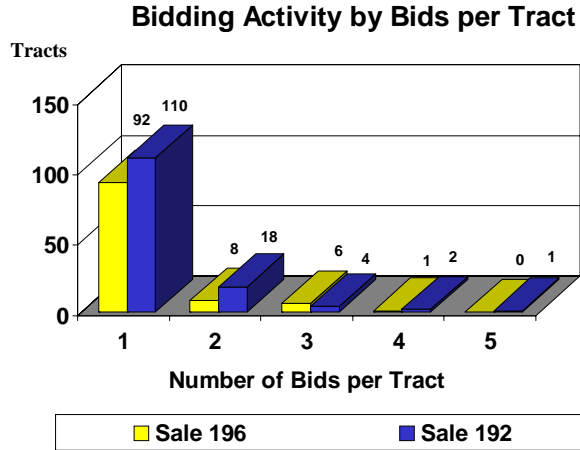
Sale 196 v. Sale 192 - High Bid per Acre



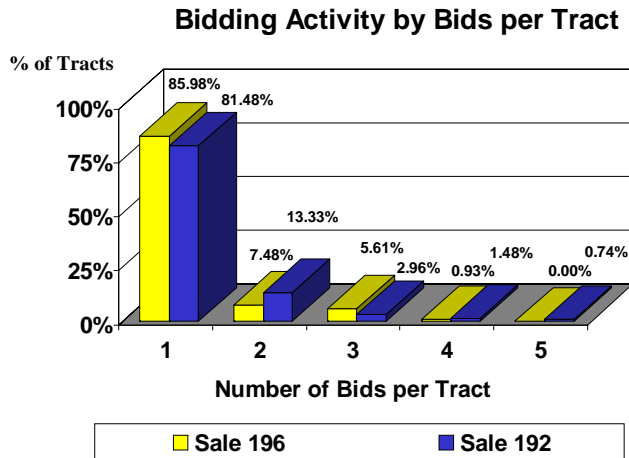
Sale 196 v. Sale 192 - High Bid per Acre



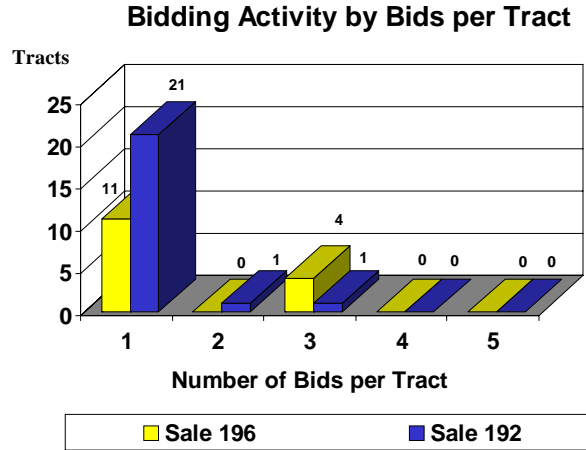
Sale 196 v. Sale 192 - Tracts < 200 Meters Water Depth



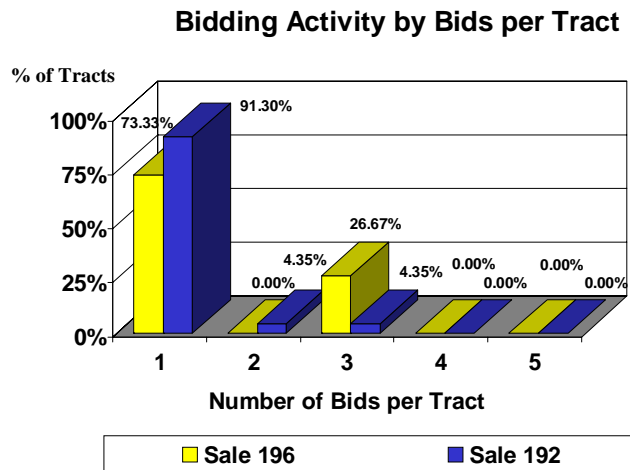
Sale 196 v. Sale 192 - Tracts < 200 Meters Water Depth



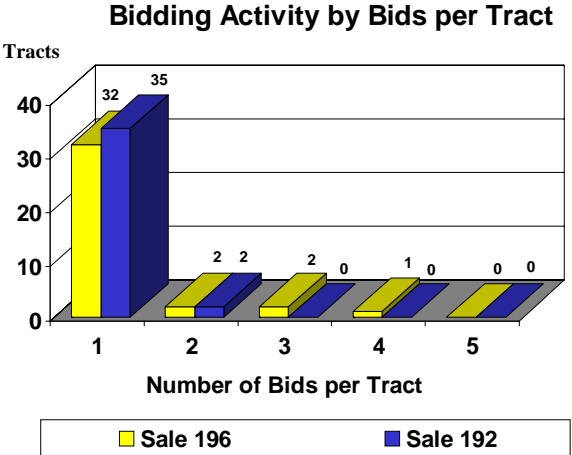
Sale 196 v. Sale 192 - Tracts in 200 to 399 Meters Water Depth



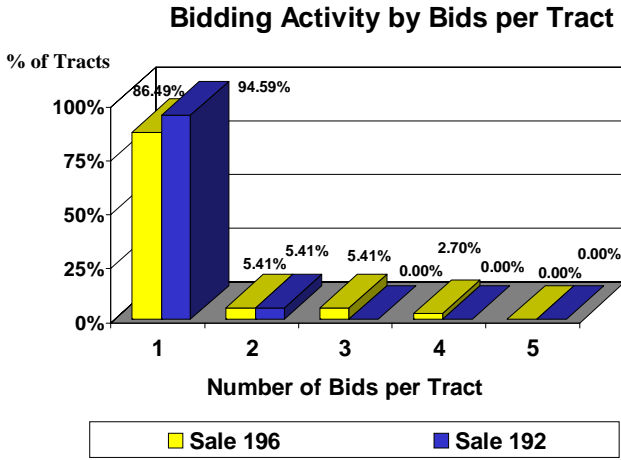
Sale 196 v. Sale 192 - Tracts in 200 to 399 Meters Water Depth



Sale 196 v. Sale 192 - Tracts in 400 to 799 Meters Water Depth

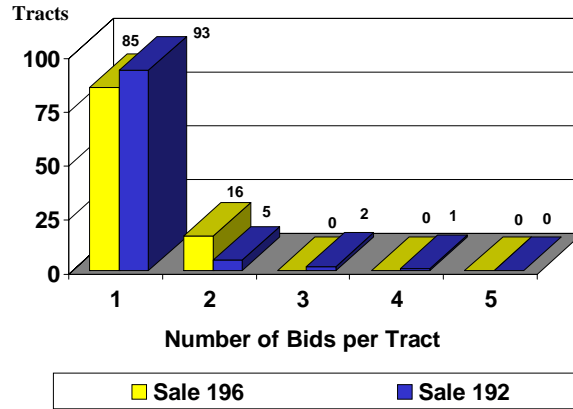


Sale 196 v. Sale 192 - Tracts in 400 to 799 Meters Water Depth



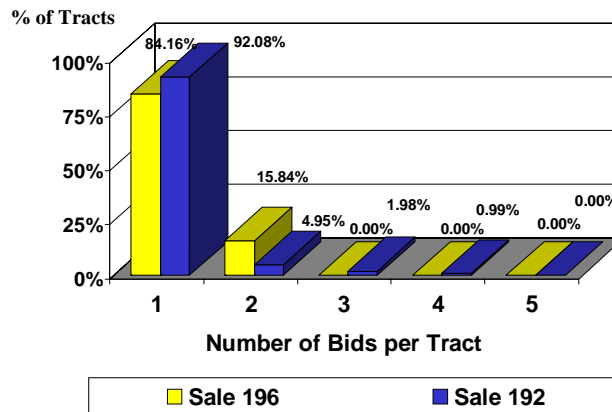
**Sale 196 v. Sale 192
Tracts in 800 to 1,599
Meters Water Depth**

Bidding Activity by Bids per Tract

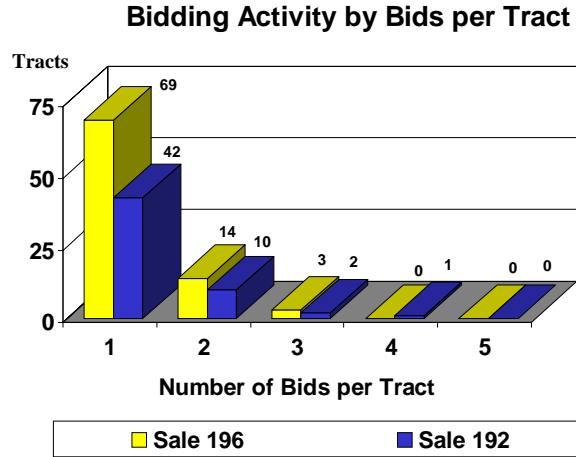


**Sale 196 v. Sale 192 - Tracts in 800 to 1,599
Meters Water Depth**

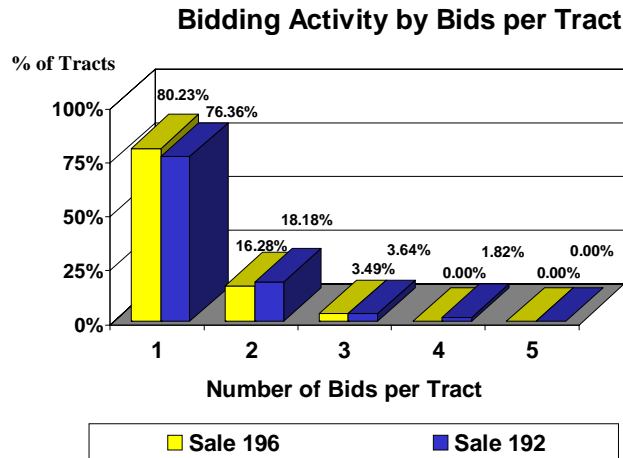
Bidding Activity by Bids per Tract



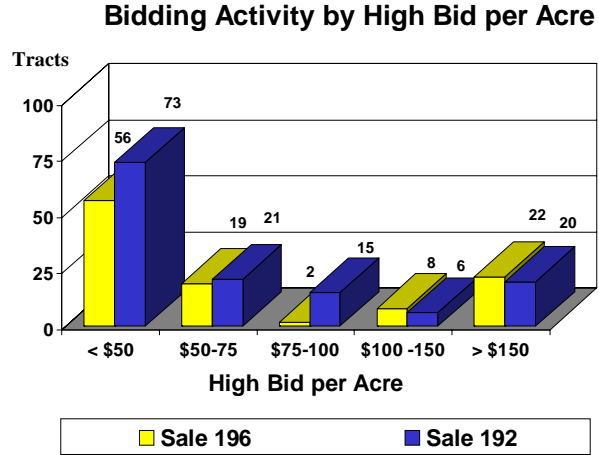
Sale 196 v. Sale 192 - Tracts in 1,600 Meters or More Water Depth



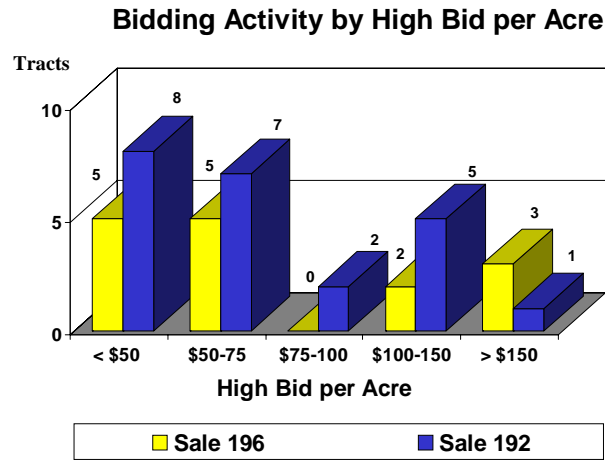
Sale 196 v. Sale 192 - Tracts in 1,600 Meters or More Water Depth



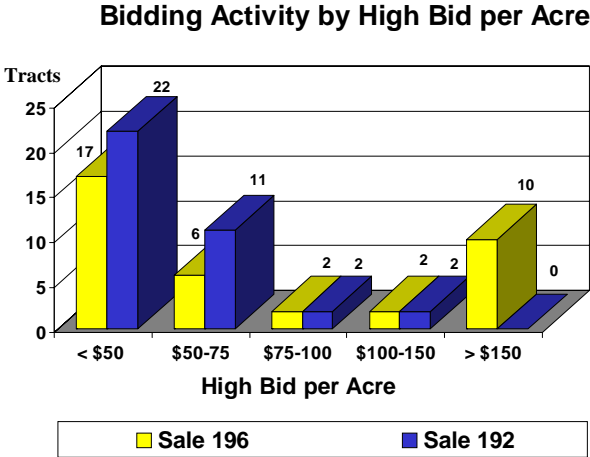
Sale 196 v. Sale 192 - Tracts < 200 Meters Water Depth



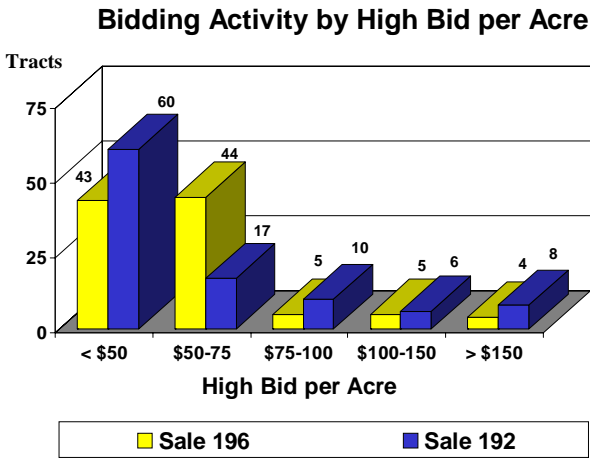
Sale 196 v. Sale 192 - Tracts in 200 to 399 Meters Water Depth



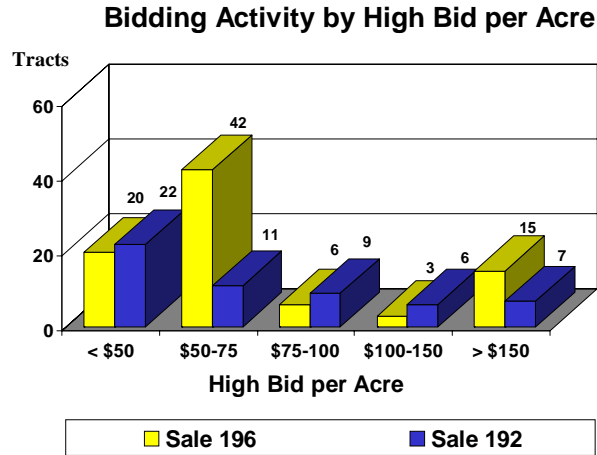
Sale 196 v. Sale 192 - Tracts in 400 to 799 Meters Water Depth



Sale 196 v. Sale 192 - Tracts in 800 to 1,599 Meters Water Depth



Sale 196 v. Sale 192 - Tracts in 1,600 Meters Water or More Depth



Appendix I

High Bid Rejections

Sale 196 Rejections

High bids on four tracts were rejected in Sale 196. Three rejected blocks received one bid and the other received two bids. By water depth category, the rejections were as follows: one in less than 200 meters and three in 400 to 799 meters.

Table I1.—*Sale 196, Rejections in Water Depths Less than 200 Meters; Royalty Rate = 1/6; Potential Royalty Suspension Volume for Natural Gas from Deep (15,000 feet or more) Wells*

Tract No.	Bids	High Bid	ADV	RAM
G27485	2	\$351,700	\$1,800,000	Not Applicable

Table I2.—*Sale 196, Rejections in Water Depths of 400-799 Meters; Royalty Rate = 1/8; 5 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G27557	1	\$334,000	\$1,200,000	Not Applicable
G27568	1	\$222,291	\$1,400,000	Not Applicable
G27570	1	\$843,000	\$1,400,000	Not Applicable

Sale 196 Bidding on Sale 192 Rejections

In Sale 196, all four tracts with high bids that were rejected in Sale 192 received bids. The high bids on the four tracts increased from \$1,257,085 in Sale 192 to \$6,263,127 in Sale 196, an increase in high bids of 398 percent.

Table I3.—*Sale 196 High Bids on Sale 192 Rejections*

Sale 192 Rejections			Sale 196 High Bids		
Tract No.	Bids	High Bid	Tract No.	Bids	High Bid
G26473	1	\$160,221	G27488	1	\$3,121,505
G26474	1	\$276,976	G27489	1	\$1,343,642
G26644	1	\$409,944	G27635	1	\$918,990
G26647	1	\$409,944	G27638	1	\$878,990
Totals	4	\$1,257,085		4	\$6,263,127

Appendix J

Bid Adequacy Procedures

[Federal Register: July 12, 1999 (Volume 64, Number 132)]
[Notices]
[Page 37560-37562]
From the Federal Register Online via GPO Access [wais.access.gpo.gov]
[DOCID:fr12jy99-108]

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Modifications to the Bid Adequacy Procedures

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Notification of procedural change.

SUMMARY: The Minerals Management Service (MMS) has changed a criterion in its existing bid adequacy procedures for ensuring receipt of fair market value on Outer Continental Shelf (OCS) oil and gas leases. The change ensures consistency in the evaluation of tracts.

DATES: This modification is effective July 1, 1999.

FOR FURTHER INFORMATION CONTACT: Dr. Marshall Rose, Chief, Economics Division, at (703) 787-1536.

The revised bid adequacy procedures are described below.

What Definitions Apply to These Procedures?

The *MROV* is a dollar measure of a tract's expected net present value, if that tract is leased in the current sale. The calculation of the *MROV* allows for exploration and economic risk, and includes tax consequences, e.g., depletion of the cash bonus.

The *delayed MROV (DMROV)* is a measure used to determine the size of the high bid needed in the current sale to equalize it with the discounted sum of the bonus and royalties expected in the next sale, less the foregone royalties from the current sale. The bonus for the next sale is computed as the *MROV* associated with the delay in leasing under the projected economic, engineering, and geological leasing receipts conditions, including drainage. If the high bid exceeds the *DMROV*, then the leasing receipts from the current sale are expected to be greater than those from the next sale, even in cases in which the *MROV* exceeds the high bid.

The *Adjusted Delayed Value (ADV)* is the minimum of the MROV and the DMROV.

The *RAM is the revised arithmetic average measure* of the MROV and all qualified bids on a tract that are equal to at least 25 percent of the high bid.

Anomalous bids are all but the highest bid submitted for a tract by the same company (bidding alone or jointly with another company), parent, or subsidiary. These bids are excluded when applying the number of bids rule or any other bid adequacy measure.

Legal bids are those bids which comply with the MMS regulations (30 CFR 256) and the Notice of Sale, e.g., equal or exceed the specified minimum bid. Any illegal bid will be returned to the bidder.

Qualified bids are those bids that are legal and not anomalous.

MONTCAR is a probabilistic, cash flow computer simulation model used to conduct a resource-economic evaluation that results in an estimate of the expected net present value of a tract (or prospect).

Nonviable tracts or prospects are those geographic or geologic configurations of hydrocarbons that are estimated to be uneconomic to produce with the costs and anticipated future prices used in the analysis.

Within the context of our bid adequacy procedures, the term “*unusual bidding patterns*” typically refers to a situation in which two or more companies bid against each other more often than would normally be expected. Companies could agree to bid against each other on certain sets of tracts in a sale so that the number of bids rule would apply for bid acceptance. Other forms of unusual bidding patterns exist as well, and generally involve anti-competitive practices, e.g., if it appears that companies are attempting to avoid bidding against each other in a sale on a set of prospective tracts.

A *confirmed tract* is a previously leased tract having a well(s) which encountered hydrocarbons and may have produced. It contains some oil and/or gas resources whose volume may or may not be known.

A *development tract* is a tract which has nearby productive (past or currently capable) wells with indicated hydrocarbons and which is not interpreted to have a productive reservoir extending under the tract. There should be evidence supporting the interpretation that at least part of the tract is on the same general structure as the proven productive well.

A *drainage tract* is a tract which has a nearby well which is capable of producing oil or gas, and the tract could incur drainage if and when such a well is placed on production. The reservoir, from which the nearby well is capable of producing, is interpreted to extend under the drainage tract to some extent.

A *wildcat tract* is a tract which has neither nearby productive (past or currently capable) wells, nor is interpreted to have a productive reservoir extending under the tract. It has high risk in addition to sparse well control.

Water depth categories for bid adequacy purposes in the Gulf of Mexico are designated as (1) less than 800 meters and (2) 800 meters or more.

If different water depth categories are used for a Gulf of Mexico sale, they will be specified in the sale's final notice. For areas other than the Gulf of Mexico, all tracts will be considered to be in the same water depth category, unless an alternative is specified in the final notice of sale.

What Problem Is Addressed by the Change?

In any OCS lease sale, a limited number of tracts may be reclassified from drainage or development (DD) in Phase 1 of the bid evaluation process to confirmed or wildcat (CW) in Phase 2. (The MMS reclassifies a tract if additional Phase 2 analysis supports a classification different than the one assigned the tract in Phase 1 of the evaluation.) However, under the old bid adequacy procedures, a tract classified as CW in Phase 1 was evaluated under different criteria than a tract that was reclassified as CW in Phase 2. This change ensures the consistent treatment of similarly classified tracts whether they are evaluated in Phase 1 or Phase 2.

What Change Is Being Made?

In Phase 1 of the bid adequacy procedures, the MMS classifies tracts as either CW or DD based on information available at the time of sale. Under the old (February 10, 1999) guidelines, tracts within designated water depth categories that were reclassified from DD to CW in Phase 2 only had to have a third largest bid within 50 percent of the high bid to be accepted. Now, DD tracts reclassified as CW tracts must satisfy the same criteria for acceptance that would have had to been met if they were classified as CW in Phase 1.

To ensure consistency in evaluations, the following change is being made. In Phase 1, for CW tracts receiving three-or-more qualified bids, acceptance under the number of bids rule will apply only if the third largest bid is within 50 percent of the high bid, and if the high bid is in the top 75 percent of high bids on a per acre basis for all three-or-more-bid tracts within designated water depth categories. In Phase 2 of the bid evaluation process, DD tracts that have been reclassified as CW will be subject to the same screening criteria that the CW tracts with three-or-more bids had to meet in Phase 1.

How Are Bids Evaluated?

During the bid review process, we conduct evaluations in a two-phased procedure for bid adequacy determination. We also review bids to ensure that they are for at least the minimum amount specified in the notice of sale and that unusual bidding patterns are not present.

What Happens in Phase 1 of the Bid Adequacy Procedures?

In Phase 1, we partition the tracts receiving bids into three general categories:

1. Those tracts with three-or-more bids, on which competitive market forces can be used to assure fair market value;
2. Those tracts which we identify as being nonviable based on adequate data and maps; and
3. Those tracts which we identify as being viable and on which we have the most detailed and reliable data, including tracts classified as DD.

What Phase 1 Rules Are Applied to All Tracts Receiving Bids?

Six Phase 1 rules are applied to all tracts receiving bids:

1. We accept the highest qualified bid on viable CW tracts receiving three-or-more qualified bids if the third largest bid on the tract is at least 50 percent of the highest qualified bid and if the high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts within a specified water depth category.
2. We accept the highest qualified bid on CW tracts that we determine to be nonviable.
3. We pass to Phase 2 all tracts that require additional information to make a determination on viability or tract type.
4. We pass to Phase 2 all viable CW tracts receiving one or two qualified bids.
5. We pass to Phase 2 all viable CW tracts receiving three-or-more qualified bids if either the third largest such bid is less than 50 percent of the highest qualified bid or if the high bid per acre ranks in the lowest 25 percent of high bids for all three-or-more-bid tracts in the specified water depth category.
6. We pass to Phase 2 all DD tracts.

How Is the Percentile Ranking of a Tract's High Bid Calculated?

The percentile ranking of a tract's high bid is calculated by multiplying 100 times the ratio of the numerical ordering of the three-or-more-bid tract's high bid to the total number of all three-or-more-bid tracts in the designated water depth. For example, suppose there are 21 total tracts identified in Phase 1 as receiving three-or-more-bids in the designated water depth category of at least 800 meters. All tracts in this set having a high bid among the top 15 high bids would satisfy the 75 percent requirement; the 15th ranked high bid would represent the 71st percentile, i.e., $(100 * (15/21) = 71)$.

Can any Other Procedures Be Used in Phase 1 to Ensure the Receipt of Fair Market Value?

In ensuring the integrity of the bidding process, the Regional Director may identify an unusual bidding pattern at any time during the bid review process, but before a tract's high bid is accepted. If the finding is documented, the Regional Director has discretionary authority, after consultation with the Solicitor, to pass those identified tracts to Phase 2 for further analysis. The Regional Director may eliminate all but the largest of the unusual bids from consideration when applying any bid adequacy rule, may choose not to apply a bid adequacy rule, or may reject the tract's highest qualified bid.

How Long Does it Take To Complete the Phase 1 Procedures?

These procedures are generally completed within 3 weeks of the bid opening. All the leases that will be awarded as a result of the Phase 1 analysis are announced at the end of this period.

How Long Do the Phase 2 Procedures Take?

The Phase 2 bid adequacy determinations are normally completed sequentially over a period ranging between 21 and 90 days after the sale. Leases are awarded as the analysis of bids is completed over this time period. The total evaluation period can be extended, if needed, at the Regional Director's discretion (61 FR 34730, July 3, 1996).

What are the Initial Steps of the Bid Adequacy Process that Are Followed in Phase 2?

Activities to assess bids are undertaken by analyzing, partitioning, and evaluating tracts in two steps:

1. Further mapping and/or analysis is performed to review, modify, and finalize viability determinations and tract classifications.
2. Tracts we identify as being viable must undergo an evaluation to determine if fair market value has been received.

What Decision Rules Are Applied in Phase 2 of the Bid Evaluation Process?

After completing the initial two steps, a series of rules and procedures are followed.

1. We accept the highest qualified bid on newly classified CW tracts having three-or-more qualified bids if its third largest bid is at least 50 percent of the highest qualified bid and if its high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts that reside within its specified water depth category.
2. We accept the highest qualified bid on all tracts determined to be nonviable.
3. We determine whether any categorical fair market evaluation technique(s) will be used.

If so we:

- A. Evaluate, define, and identify the appropriate threshold measure(s) for bid acceptance.
 - B. Accept all tracts whose individual measures of bid adequacy satisfy the threshold categorical requirements.
4. We conduct a full-scale evaluation, which could include the use of MONTCAR, on all remaining tracts passed to Phase 2 and still awaiting an acceptance or rejection decision.

What Subset of Tracts Comprise the “Remaining Tracts” That Still Need a Phase 2 Acceptance or Rejection Decision?

The remaining tracts include tracts not accepted by a categorical rule that we classify as:

- 1. DD tracts, or
- 2. CW tracts that are viable and received:
 - A. One or two qualified bids, or
 - B. Three-or-more qualified bids, if either its third largest bid is less than 50 percent of the highest qualified bid or the high bid is in the bottom 25 percent of all three-or-more-bid CW tracts within a designated water depth category.

What Procedures Are Followed for Evaluating the Adequacy of Bids on These Tracts?

For these tracts we:

- 1. Accept the highest qualified bid, if it equals or exceeds the tract's ADV.
- 2. Reject the highest qualified bid on DD tracts receiving three-or-more qualified bids, if the high bid is less than one-sixth of the tract's MROV.
- 3. Reject the highest qualified bid on DD tracts receiving one or two qualified bids and on CW tracts receiving only one qualified bid, if the high bid is less than the tract's ADV.

What Happens Next to the Tracts Still Awaiting an Acceptance or Rejection Decision?

At this stage of the process, the tracts still awaiting a decision consist of those having a highest qualified bid that is less than the ADV that are either:

- 1. DD tracts receiving three-or-more qualified bids with the highest bid exceeding one-sixth of the tract's MROV or

- 2. Viable CW tracts that receive two-or-more qualified bids.

From these tracts, we select the following:

- A. DD tracts having three-or-more qualified bids with the third largest bid being at least 25 percent of the highest qualified bid, and

- B. CW tracts having two-or-more qualified bids with the second largest bid being at least 25 percent of the highest qualified bid.

We then compare the highest qualified bid on each of these selected tracts to the tract's RAM. For all these tracts, we:

- 1. Accept the highest qualified bid, if the high bid equals or exceeds the tract's RAM, or
- 2. Reject the highest qualified bid, if the high bid is less than the tract's RAM.

Finally, we identify those tracts that are still awaiting a decision, but did not meet the requirements for comparison to the RAM and we reject the high bid on these tracts.

At this point, the acceptance or rejection decisions are made on all the high bids in the sale. The successful bidders are notified and their leases are awarded after the full payment of the high bid is received. The unsuccessful bidders are notified as well and their bid deposits are returned. Unsuccessful bidders may appeal a bid rejection decision as described in 30 CFR 256.47(e)(3).

Dated: July 1, 1999.

Carolita U. Kallaur,
Associate Director for Offshore Minerals Management.
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MMS *Securing Ocean Energy & Economic Value for America*



The Department of the Interior Mission

As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



The Minerals Management Service Mission

As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil and other mineral resources. The MMS **Minerals Revenue Management** meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.