FOR RELEASE: July 23, 2001

Barney Congdon (504) 736-2595
Caryl Fagot (504) 736-2590
Debra Winbush (504) 736-2597

MMS Issues Final Notice of Western Gulf Lease Sale 180

The Final Notice of Sale for Western Gulf of Mexico Sale 180, scheduled for August 22, 2001, is available in today's Federal Register. The final notice includes several initiatives to increase domestic oil and natural gas production to meet the nation's energy needs. The sale will be held at 9 a.m. at the Hyatt Regency Hotel Conference Center, 500 Poydras Plaza, New Orleans, La.

"These are the same initiatives instituted for Central Gulf Lease Sale 178, Part 1, held in March of this year," according to Minerals Management Service Acting Director Tom Kitsos. He explained that "the Lease Sale 180 will provide incentives for high cost/high risk exploration for natural gas targets deep below the ocean floor, in addition to providing an appropriate mix of incentives to ensure that exploration and development continues in ultra-deep waters with the same momentum as in the past."

Included in the final notice is an incentive to drill for deep gas deposits located in the shallow-water shelf area of the Gulf of Mexico by providing for royalty suspension for the first 20 billion cubic feet (BCF) of production from a well drilled below 15,000 feet subsea. Kitsos noted that "this incentive was modified to address our reassessment of economic factors by raising the threshold price at which the royalty suspension would end from $3.50 to $5.00 per Mbtu (thousand British thermal units). This ensures that the incentive is not pulled back prematurely by wildly fluctuating gas prices. The incentive will stay in place during periods of modestly high natural gas prices but end when the price remains at sustained high levels, over a period of a year. This incentive at this level is necessary to stimulate industry's willingness to invest in this high cost, high risk, and operationally difficult area."

Deepwater royalty relief will be applied to tracts in water depths greater than 800 meters. The specific terms for royalty relief will be granted to individual leases rather than fields. For Sale 180, the royalty "suspension volumes" range from 9 million barrels of oil equivalent (BOE) in water depths of 800-599 meters and to 12 million BOE of relief in depths greater than 1,600 meters. Under the terms of this leasing system, lessees are allowed to produce these volumes of oil and gas before any royalty obligations are due the federal government.

Sale 180 encompasses 4,114 unleased blocks, about 22.37 million acres, in the Western Gulf of Mexico Outer Continental Shelf Planning Area offshore Texas and in deeper waters offshore Louisiana. The blocks are located from 9 to 250 miles offshore in water depths ranging from 8 to more than 3,000 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale proposal range from 10 to 90 million barrels of oil and 0.57 to 1.93 TCF of natural gas. There are 1,951 blocks in water depths of 800 meters or more.

Included in Sale 180 are 258 blocks in the area formerly known as the "Western Gap," the subject of the new U.S./Mexican boundary agreement. MMS also plans to offer 53 blocks in the Central Planning area of the area formerly known as the "Western Gap" in the Central Gulf of Mexico Sale 178, Part 2, which will be held concurrently with Lease Sale 180. These blocks will be subject to the provisions of the Law of the Sea Convention Royalty Payment Stipulation contained in the Sale Notice. This stipulation has been developed as a contingency if the United States Senate agrees that the United States should become a signatory to this Convention.

The Final Notice of Sale will be posted on the MMS Website at http://www.mms.gov. In addition, copies of the document are available from MMS's Gulf of Mexico Regional Office, Public Information Unit, 1201 Elmwood Park Blvd., New Orleans, La., 70123. Telephone (504) 736-2591, toll free 1-800-200-GULF.

Statistical Information Sale 180

Size:	4,114 unleased blocks; 22.37 million acres
Primary Lease Terms:	5 Year - Water depths less than 400 meters - 1,807 Blocks 8 Year - Water depths between 400 and 799 meters - 356 Blocks 10 Year - Water depths 800 meters or deeper - 1,951 Blocks
Minimum Bids:	$25.00 per acre or fraction thereof - Water depths less than 800 meters - 2,163 Blocks $37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 1,951 Blocks
Annual Rental Rates:	$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,625 Blocks $7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 2,489 Blocks
Royalty Rates:	16 2/3% Royalty - Water depths less than 400 meters - 1,807 Blocks 12 ½% Royalty - Water depths 400 meters or deeper - 2,307 Blocks
Royalty Relief Areas:	0 - 199 Meter Royalty Suspension Area - 1,625 Blocks 800 - 1,599 Meter Royalty Suspension Area - 1,074 Blocks 1,600 Meters and Greater Royalty Suspension Area - 877Blocks
Royalty Suspension Rates:	1,625 blocks subject to deep gas incentive (first 20 BCF) 538 blocks with no automatic royalty relief 1,074 blocks subject to 9-MMBOE relief 877 blocks subject to 12-MMBOE relief

Deep Gas Initiative

- Applies to all new leases in 0 to 199 meters of water.
- Eliminates royalty for first 20 BCF of gas production from the lease at greater than 15,000-foot depth.
- Does not apply to oil production.
- Ends after 20 BCF of gas production.
- Ends for a year if prices reach trigger limit of $5.00 per million BTU's (in Year 2000 dollars).

Deepwater Royalty Relief

- Previous deepwater relief given for new leases under DWRR Act of 1995 has expired. (Leases issued during 1996-2000 continue to have this relief).
- This new deepwater relief applies only to leases issued in water depths of 800 to 1,599 meters (first 9 MMBOE of production is royalty free) and for leases in 1,600 meters or greater water depth (first 12 MMBOE of production is royalty free).
- This royalty relief is provided on a lease basis.
- If a new lease from this sale is combined with a field under the 1995 DWRR provisions, it still gets its own relief of either 9 or 12 MMBOE.

MMS 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 Indian leases. These collections totaled nearly $8 billion last year and more than $110 billion since the agency was created in 1982. Annually, nearly $1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and Federal park and recreation lands.