

MMS Issues Final Notice of Western Gulf Lease Sale 196

NEW ORLEANS – The Minerals Management Service announced the Final Notice of Lease Sale 196 for offshore oil and gas in the Western Planning Area of the Gulf of Mexico was recently published in the [Federal Register](#) on July 7, 2005. The sale is scheduled for August 17, 2005.

Sale 196 encompasses 3,762 unleased blocks covering approximately 20.3 million acres of federal land offshore Texas and in deeper waters offshore Louisiana. The blocks are located five to 357 kilometers offshore in water depths ranging from eight to 3,100 meters. MMS estimates the lease sale could result in the production of 136 to 262 million barrels of oil and 0.81 to 1.44 trillion cubic feet of natural gas.

A recently revised provision to increase the base rental rates and minimum royalty that was included in the proposed notice of sale has been adopted for the final notice of sale. This increase in base rental rates (as well as minimum royalty) from \$5.00 to \$6.25 per acre or fraction thereof for blocks in water depths of less than 200 meters and from \$7.50 to \$9.50 per acre or fraction thereof for blocks in water depths of 200 meters or deeper reflects inflationary adjustments from the last time rentals were revised.

Bidders should note that an application from Beacon Port LLC for the licensing of a deepwater port involving a proposed LNG facility in the Western Gulf of Mexico has been received by the U.S. Coast Guard and the Maritime Administration. Bidders should be aware that this proposed facility will affect certain blocks in the High Island and West Cameron Areas.

Finally, the final notice of sale also restates a recently adopted regulation that was not included in the proposed notice of sale. The final rule, effective April 29, 2005, amends regulations to correct an unintended potential gap and administrative oversight in the original deep gas royalty rule by making leases located partly in water deeper than 200 meters and issued during lease sales held in 2001 and later years expressly eligible for royalty relief for drilling deep gas wells on leases not subject to deep water royalty relief.

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

Statistical Information (Lease Sale 196):

Size: 3,762 unleased blocks: 20.3 million acres

Initial Period:

5 years for blocks in water depths less than 400 meters:	1,762 blocks
8 years for blocks in water depths of 400 to less than 800 meters: (pursuant to 30 CFR 256.37, commencement of an exploratory well is required within the first 5 years of the initial 8-year term to avoid lease cancellation):	358 blocks
10 years for blocks in water depths of 800 meters or deeper:	1,642 blocks

Minimum Bonus Bid Amount:

\$25.00 per acre or fraction thereof for water depths less than 400 meters:	1,762 blocks
\$37.50 per acre or fraction thereof for water depths 400 meters or deeper:	2,000 blocks

Rental/Minimum Royalty Rates:

\$6.25 per acre or fraction thereof for water depths less than 200 meters:	1,576 blocks
\$9.50 per acre or fraction thereof for water depths 200 meters or deeper:	2,186 blocks

Royalty Rates:

16-2/3% royalty rate in water depths less than 400 meters:	1,762 blocks
12-1/2% royalty rate in water depths 400 meters or deeper:	2,000 blocks

Royalty Suspension Areas:

0 to less than 200 meters:	1,576 blocks
400 to less than 800 meters:	358 blocks
800 to less than 1,600 meters:	902 blocks
1,600 meters or deeper:	740 blocks

The Final Notice of Lease Sale 196 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) 736-2519, toll free 1-800-200-GULF.

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments through advanced science and technology research. The OCS provides 30 percent of oil and 21 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982. The Land and Water Conservation Fund, which pays for cooperative conservation, grants to states, and Federal land acquisition, gets nearly \$1 billion a year.

Relevant Web Sites:

[MMS Main Website](#)
[Gulf of Mexico Website](#)

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[MMS: Securing Ocean Energy & Economic Value for America](#)
U.S. Department of the Interior