

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Outer Continental Shelf, Western Gulf of Mexico, Oil and Gas
Lease Sale 171

AGENCY: Minerals Management Service

ACTION: Final Notice of Sale

1. Authority. The Minerals Management Service (MMS) is issuing this Final Notice of Sale under the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1331-1356, as amended) and the regulations issued thereunder (30 CFR Part 256).

A "Sale Notice Package," containing this Notice and several supporting and essential documents referenced in the Notice, is available from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph 15 of this Notice).

2. Filing of Bids. Bidders must comply with the following requirements. Times specified hereafter are local New Orleans times unless otherwise indicated.

(a) Filing of Bids. Sealed bids must be received by the Regional Director (RD), Gulf of Mexico Region, MMS, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, during normal business hours (8 a.m. to 4 p.m.) until the Bid Submission Deadline at 10 a.m., Tuesday, August 25, 1998. If the RD receives bids later than the time and date specified above, he will return the bids unopened to bidders. Bidders may not modify or withdraw their bids unless the RD receives a written modification or written withdrawal request prior to 10 a.m. Tuesday, August 25, 1998.

(b) Bid Opening Time. Bid Opening Time will be 9 a.m., Wednesday, August 26, 1998, in the Hyatt Regency Hotel, 500 Poydras Plaza, New Orleans, Louisiana (Cabildo Ballrooms A, B, and C). The MMS published a list of restricted joint bidders, which applies to this sale, in the Federal Register at 63 FR 14473, on March 25, 1998.

(c) Natural Disasters. In the event of widespread flooding or other natural disaster, the MMS Gulf of Mexico Regional Office may extend the bid submission deadline. Bidders may call (504) 736-0557 for information about the possible extension of the bid submission deadline due to such an event.

3. Method of Bidding.

(a) Submission of Bids. For each tract bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed Bid for Oil and Gas Lease Sale 171, not to be opened until 9 a.m., Wednesday, August 26, 1998." The total amount bid must be in a whole dollar amount; any cent amount above the whole dollar will be ignored by the MMS. Details of the information required on the bid(s) and the bid envelope(s) are specified in the document "Bid Form and Envelope" contained in the Sale Notice Package (see paragraph 15 of this Notice).

Bidders must execute all documents in conformance with signatory authorizations on file in the MMS Gulf of Mexico Regional Office. Partnerships also must submit or have on file a list of signatories authorized to bind the partnership. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, e.g., 33.33333 percent. The MMS may require bidders to submit other documents in accordance with 30 CFR 256.46. The MMS warns bidders against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders.

(b) Submission of the 1/5th Bonus Payment. Bidders have the option of submitting the 1/5th cash bonus in cash or by cashier's check, bank draft, or certified check with the bid, or by using electronic funds transfer (EFT) procedures. Detailed instructions for submitting the 1/5th bonus payment by EFT are contained in the document "Instructions for Making EFT 1/5th Bonus Payments" included in the Sale Notice Package.

Bidders are advised that the MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the 1/5th bonus on all high bids. Bidders must include a statement to this effect on each bid (see the document "Bid Form and Envelope" contained in the Sale Notice Package).

4. Minimum Bid, Yearly Rental, and Bidding Systems.

The following minimum bid, yearly rental, and bidding systems apply to this sale (the map "Lease Terms, Bidding

Systems, and Royalty Suspension Areas, Sale 171" is included in the Sale Notice Package (see paragraph 1)):

NOTE: EXAMPLE FOR CALCULATING MINIMUM BID AND RENTAL: If the block bid on contains a fraction of an acre (for example, 3,010.2 acres), round up to the next whole acre (3,011 acres) and multiply by the applicable dollar amount to determine the correct minimum bid or rental. In this example, if the established minimum bid for the block is \$25 per acre, the minimum bid for the block would be \$75,275 (3,011 X \$25). If the rental rate for the block is \$5 per acre, the annual rental for the block would be \$15,055 (3,011 X \$5).

(a) Minimum Bid. Bidders must submit a cash bonus in the amount of \$25.00 or more per acre or fraction thereof with all bids submitted at this sale.

(b) Yearly Rental. All leases awarded on tracts in water depths of 200 meters and greater (i.e., tracts in any of the three royalty suspension areas), as depicted on the map "Lease Terms, Bidding Systems, and Royalty Suspension Areas, Sale 171," will require a yearly rental payment of \$7.50 per acre or fraction thereof until initial production is obtained.

All leases awarded on other tracts (i.e., those in water depths of less than 200 meters) will provide for a yearly rental payment of \$5.00 per acre or fraction thereof until initial production is obtained.

(c) Bidding Systems. After initial production is obtained, leases will require a minimum royalty of the amount per acre or fraction thereof as specified as the yearly rental in paragraph 4(b) above, except during periods of royalty suspension as discussed in paragraph 4(c)(3) of this Notice. The following royalty systems will be used in this sale:

(1) Leases with a 12 ½-Percent Royalty. This royalty rate applies to tracts in water depths of 400 meters or greater; this area is shown on the Map "Lease Terms, Bidding Systems, and Royalty Suspension Areas, Sale 171." Leases issued on the tracts offered in this area will have a fixed royalty rate of 12 ½ percent, except during periods of royalty suspension (see paragraph 4(c)(3) of this Notice).

(2) Leases with a 16 2/3-Percent Royalty. This royalty rate applies to tracts in water depths of less than 400 meters (see aforementioned map). Leases issued on the tracts offered in this area will have a fixed royalty rate of 16 2/3 percent,

except during periods of royalty suspension for leases in water depths 200 meters or greater (see paragraph 4(c)(3) of this Notice).

(3) Royalty Suspension. In accordance with Public Law 104-58, signed by the President on November 28, 1995, the MMS has developed procedures providing for the suspension of royalty payments on production from eligible leases issued as a result of this sale. The final rule specifying royalty suspension terms for lease sales in the Central and Western Gulf was published in the Federal Register on January 16, 1998 (63 FR 2626). Additional information pertaining to royalty suspension matters may be found in the document "Information to Lessees," contained in the Sale Notice Package.

The map titled "Lease Terms, Bidding Systems, and Royalty Suspension Areas, Sale 171" depicts the blocks in which such suspensions may apply.

5. Equal Opportunity. The certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, on the Compliance Report Certification Form, Form MMS-2033 (June 1985), and the Affirmative Action Representation Form, Form MMS-2032 (June 1985) must be on file in the MMS Gulf of Mexico Regional Office prior to lease award (see paragraph (e) of the document "Information to Lessees," contained in the Sale Notice Package).

6. Bid Opening. Bid opening will begin at the bid opening time stated in paragraph 2. The opening of the bids is for the sole purpose of publicly announcing bids received, and no bids will be accepted or rejected at that time.

7. Deposit of Payment. Any payments made in accordance with paragraph 3(b) above will be deposited by the Government in an interest-bearing account in the U.S. Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

8. Withdrawal of Tracts. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid for the tract.

9. Acceptance, Rejection, or Return of Bids. The United States reserves the right to reject any and all bids. In any case, no bid will be accepted, and no lease for any tract will be awarded to any bidder, unless:

(a) the bidder has complied with all requirements of this Notice, including the documents contained in the associated Sale Notice Package (see paragraphs 1 and 15 of this Notice), and applicable regulations;

(b) the bid is the highest valid bid; and

(c) the amount of the bid has been determined to be adequate by the authorized officer.

No bonus bid will be considered for acceptance unless it provides for a cash bonus as specified in paragraph 4 above. Any bid submitted which does not conform to the requirements of this Notice, the OCS Lands Act, as amended, and other applicable regulations may be returned to the person submitting that bid by the RD and not considered for acceptance.

To ensure that the Government receives a fair return for the conveyance of lease rights for this sale, tracts will be evaluated in accordance with established MMS bid adequacy procedures. A copy of the current procedures ("Summary of Procedures for Determining Bid Adequacy at Offshore Oil and Gas Lease Sales: Effective August 1997, with Sale 168") is available from the MMS Gulf of Mexico Regional Office Public Information Unit (see paragraph 15 of this Notice). This document incorporates changes announced in a Federal Register Notice at 62 FR 37589, dated July 14, 1997.

10. Successful Bidders. The following requirements apply to successful bidders in this sale:

(a) Lease Issuance. The MMS will require each person who has submitted a bid accepted by the authorized officer to execute copies of the lease (Form MMS-2005 (March 1986) as amended), pay the balance of the cash bonus bid along with the first year's annual rental for each lease issued by EFT in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, Subpart I, as amended.

Additional information pertaining to this matter may be found in the document "Information to Lessees" contained in the Sale Notice Package.

(b) Certification Regarding Nonprocurement Debarment, Suspension, and Other Responsibility Matters -- Primary Covered Transactions. Each person involved as a bidder in a successful high bid must have on file, in the MMS Gulf of Mexico Regional Office Adjudication Unit, a currently valid certification that the person is not excluded from participation in primary covered

transactions under Federal nonprocurement programs and activities. A certification previously provided to that office remains currently valid until new or revised information applicable to that certification becomes available. In the event of new or revised applicable information, the MMS will require a subsequent certification before lease issuance can occur. Persons submitting such certifications should review the requirements of 43 CFR, Part 12, Subpart D.

A copy of the certification form is contained in the Sale Notice Package.

11. Leasing Maps and Official Protraction Diagrams. The following Leasing Maps and Official Protraction Diagrams, which may be purchased from the MMS Gulf of Mexico Regional Office Public Information Unit (see the document "Information to Lessees" contained in the Sale Notice Package), depict the tracts offered for lease in this sale:

(a) Outer Continental Shelf (OCS) Leasing Maps--Texas, Nos. 1 through 8. This is a set of 16 maps which sells for \$18.00.

(b) Outer Continental Shelf (OCS) Official Protraction Diagrams. These diagrams sell for \$2.00 each.

NG 14-3 Corpus Christi (rev. 01/27/76)
 NG 14-6 Port Isabel (rev. 01/15/92)
 NG 15-1 East Breaks (rev. 01/27/76)
 NG 15-2 Garden Banks (rev. 10/19/81)
 NG 15-4 Alaminos Canyon (rev. 04/27/89)
 NG 15-5 Keathley Canyon (rev. 04/27/89)
 NG 15-8 (No Name) (rev. 04/27/89)

12. Description of the Areas Offered for Bids.

(a) Acreage Available for Leasing. Acreage of blocks is shown on Leasing Maps and Official Protraction Diagrams. Some of these blocks, however, may be partially leased or transected by administrative lines such as the Federal/State jurisdictional line. Information on the unleased portions of such blocks, including the exact acreage, is included in the document:

Western Gulf of Mexico Lease Sale 171 - Final. Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease.

The Sale Notice Package contains this document.

(b) Tracts not available for leasing. The areas offered for leasing include all those blocks shown on the OCS Leasing Maps and Official Protraction Diagrams listed in paragraph 11(a) and (b), except for those blocks or partial blocks already under lease and those blocks or partial blocks listed below. A list of Western Gulf of Mexico tracts currently under lease, titled "Western Gulf of Mexico Leased Lands List dated July 15, 1998," is included in the Sale Notice Package.

Although currently unleased, no bids will be accepted on High Island Area, East Addition, South Extension, Blocks A-375, A-398, and A-401 (at the Flower Garden Banks); and High Island Area, South Addition, Block A-513 (at Stetson Bank).

Although currently unleased, no bids will be accepted on the following blocks located off Corpus Christi which have been identified by the Navy as needed for testing equipment and training mine warfare personnel: Mustang Island Area Blocks 793, 799, and 816.

Although currently unleased, no bids will be accepted on the following blocks which are currently under appeal: High Island Area Block 170, and Galveston Area, South Addition, Block A-125.

Although currently unleased, no bids will be accepted in this Sale on the following blocks which are beyond the United States Exclusive Economic Zone (EEZ). The offering of these blocks, which are identified as the Northern portion of the Western Gap, has been temporarily deferred by the Department of the Interior due to ongoing negotiations with the Government of Mexico on the delimitation of the continental shelf in the Western Gap beyond the EEZ of both countries.

Keathley Canyon (Area NG15-05)

Blocks

722 through 724
764 through 770
807 through 816
849 through 861
892 through 907
934 through 953
978 through 999

Area NG15-08

Blocks

11 through 34
56 through 81
102 through 128
148 through 173
194 through 217
239 through 261
284 through 305
336 through 349

13. Lease Terms and Stipulations.

(a) Leases resulting from this sale will have initial terms as shown on the map "Lease Terms, Bidding Systems, and Royalty

Suspension Areas, Sale 171." A copy of this map is included in the Sale Notice Package. Copies of the lease form are available from the MMS Gulf of Mexico Regional Office Public Information Unit (see the document "Information to Lessees" contained in the Sale Notice Package).

(b) The map titled "Stipulations and Deferred Blocks, Sale 171" depicts the blocks to which the three lease stipulations (Topographic Features, Military Areas, and Naval Mine Warfare Area) apply. The text of the lease stipulations is contained in the document "Lease Stipulations for Oil and Gas Lease Sale 171;" this map and document are contained in the Sale Notice Package. These stipulations will become a part of any leases on applicable blocks resulting from Sale 171. These stipulations are the same stipulations used in Sale 168, Western Gulf, held in August 1997. (See the Final Notice of Sale for Sale 168 in the Federal Register at 62 FR 39863, July 24, 1997.)

14. Information to Lessees. The Sale Notice Package contains a document titled "Information to Lessees." These Information to Lessees items provide information on various matters of interest to potential bidders.

15. Sale Notice Package. The Sale Notice Package, and individual documents contained therein, are available from the Public Information Unit, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, either in writing or by telephone at (504) 736-2519 or (800) 200-GULF.

The documents referenced below and contained in the Sale Notice Package contain information essential for bidders, and bidders are charged with the knowledge contained therein. Included in the Package are:

- Cover sheet
- Final Notice of Sale for Sale 171
- Information to Lessees for Sale 171
- Western Gulf of Mexico Leased Lands List dated July 15, 1998
- Western Gulf of Mexico Lease Sale 171 - Final. Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease
- Lease Stipulations for Oil and Gas Lease Sale 171
- Debarment Certification Form
- Bid Form and Envelope
- Phone Numbers/Addresses of Bidders Form
- Instructions for Making EFT 1/5th Bonus Payments

Lease Terms, Bidding Systems, and Royalty Suspension Areas,
Sale 171 Map
Stipulations and Deferred Blocks, Sale 171 Map

For additional information, contact the Regional Supervisor for Leasing and Environment, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, or by telephone at (504) 736-2759. In addition, certain documents may be viewed and downloaded from the MMS World Wide Web site at <http://www.mms.gov>. The MMS also maintains a 24-hour Fax-on-Demand Service at (202) 219-1703.

s/ Cynthia Quarterman
Director, Minerals Management Service

Approved:

s/ Bob Armstrong
Assistant Secretary, Land and Minerals Management

July 20, 1998
Date