

**DEPARTMENT OF THE INTERIOR
Minerals Management Service**

Outer Continental Shelf, Western Gulf of Mexico, Oil and Gas
Lease Sale 177

AGENCY: Minerals Management Service, Interior

ACTION: FINAL NOTICE OF SALE 177

On August 23, 2000, the Minerals Management Service (MMS) will open and publicly announce bids received for blocks offered in Sale 177, Western Gulf of Mexico, pursuant to the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1331-1356, as amended) and the regulations issued thereunder (30 CFR Part 256). Bidders can obtain a "Final Notice of Sale 177 Package" containing this Notice of Sale and several supporting and essential documents referenced herein, from the MMS Gulf of Mexico Region's Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, (504) 736-2519 or (800) 200-GULF, or via the MMS Gulf of Mexico Region's Internet site at <http://www.gomr.mms.gov>. The MMS also maintains a 24-hour Fax-on-Demand Service at (202) 219-1703. The "Final Notice of Sale 177 Package" contains information essential to bidders, and bidders are charged with the knowledge of the documents contained in the package.

LOCATION AND TIME: Public bid reading will begin at 9 a.m., Wednesday, August 23, 2000, in the Grand Ballroom of the Royal Sonesta Hotel, 300 Bourbon Street, New Orleans, Louisiana. All times referred to in this document are local New Orleans time.

FILING OF BIDS: Bidders must submit sealed bids to the Regional Director (RD), MMS Gulf of Mexico Region, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, between 8 a.m. and 4 p.m., prior to the Bid Submission Deadline at 10 a.m., Tuesday, August 22, 2000. If the bids are mailed, mark on the envelope containing all the sealed bids the following:

Attention: Mr. John Rodi
Contains Sealed Bids for Sale 177

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 22, 2000. 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.

AREAS OFFERED FOR LEASING: The MMS is offering for leasing all the blocks and partial blocks listed in the document "List of Blocks Available for Leasing, Sale 177" included in the Sale Notice Package. All of these blocks are shown on the following Leasing Maps and Official Protraction Diagrams (which may be purchased from the MMS Gulf of Mexico Regional Office Public Information Unit).

Outer Continental Shelf Leasing Maps--Texas, Nos. 1 through 8. These 16 maps sell for \$2.00 each:

TX1 South Padre Island Area (revised 09/01/99)
 TX1A South Padre Island Area, East Addition (revised 09/09/98)
 TX2 North Padre Island Area (revised 09/01/99)
 TX2A North Padre Island Area, East Addition (revised 09/01/99)
 TX3 Mustang Island Area (revised 09/01/99)
 TX3A Mustang Island Area, East Addition (revised 09/01/99)
 TX4 Matagorda Island Area (revised 09/01/99)
 TX5 Brazos Area (revised 09/01/99)
 TX5B Brazos Area, South Addition (revised 09/01/99)
 TX6 Galveston Area (revised 09/01/99)
 TX6A Galveston Area, South Addition (revised 09/01/99)
 TX7 High Island Area (revised 09/01/99)
 TX7A High Island Area, East Addition (revised 05/30/97)
 TX7B High Island Area, South Addition (revised 03/15/99)
 TX7C High Island Area, East Addition, South Extension (revised 03/15/99)
 TX8 Sabine Pass Area (revised 05/30/97)

Outer Continental Shelf Official Protraction Diagrams.
 These diagrams sell for \$2.00 each:

NG14-03 Corpus Christi (revised 09/01/99)
 NG14-06 Port Isabel (revised 09/09/98)
 NG15-01 East Breaks (revised 09/01/99)
 NG15-02 Garden Banks (revised 03/15/99)
 NG15-04 Alaminos Canyon (revised 09/09/99)

NG15-05 Keathley Canyon (revised 04/27/89)

NG15-08 (Unnamed) (revised 04/27/89)

NOTE: A CD-ROM (in ARC/INFO format) containing all of the Gulf of Mexico Leasing Maps and Official Protraction Diagrams, except for those not yet revised to digital format, is available from the MMS Gulf of Mexico Regional Office Public Information Unit for a price of \$15.00. Only NG15-05 and NG15-08 in the Western Gulf are not available on the CD-ROM. The Leasing Maps and Official Protraction Diagrams are also available on our Internet site. See also 65 FR 2191, published on January 13, 2000, for the current status of all Gulf of Mexico Leasing Maps and Official Protraction Diagrams.

Acreage of all blocks is shown on these Leasing Maps and Official Protraction Diagrams. The available Federal acreage of all whole and partial blocks in this sale is shown in the document "List of Blocks Available for Leasing, Sale 177" included in the Sale Notice Package. Some of these blocks may be partially leased, or transected by administrative lines such as the Federal/State jurisdictional line, or partially included in the Flower Garden Banks National Marine Sanctuary (in accordance with the President's June 1998 withdrawal directive, portions of blocks lying within National Marine Sanctuaries are no longer available for leasing). Information on the unleased portions of such blocks, including the exact acreage, is found in the document titled "Western Gulf of Mexico Lease Sale 177 - Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease," included in the Sale Notice Package.

AREAS NOT AVAILABLE FOR LEASING: The following blocks in the Western Gulf of Mexico Planning Area are not available for leasing:

blocks currently under lease; and

the following unleased block:

High Island Area Block 170 (which is currently under appeal); and

High Island Area, East Addition, South Extension, Blocks A-375 and A-398 (at the Flower Garden Banks), and the portions of other blocks within the boundary of the Flower Garden Banks National Marine Sanctuary; portions of High Island Area, East Addition, South Extension, Block A-401; High Island Area, South Addition, Blocks A-502 and A-513; and Garden Banks Area Block 135; and

Mustang Island Area Blocks 793, 799, and 816 (blocks located off Corpus Christi which have been identified by the Navy as needed for testing equipment and training mine warfare personnel); and

the following blocks which are beyond the United States Exclusive Economic Zone and have been temporarily deferred from leasing by the Department of the Interior. These blocks are contained in an area subject to a treaty only recently negotiated and signed by the United States and Mexico (but not yet ratified). These blocks were deferred from this sale in the proposed Notice of Sale for Sale 177:

<u>Keathley Canyon (Area NG 15-05)</u>	<u>Area NG 15-08</u>
Blocks	Blocks
722 through 724	11 through 34
764 through 770	56 through 81
807 through 816	102 through 128
849 through 861	148 through 173
892 through 907	194 through 217
934 through 953	239 through 261
978 through 999	284 through 305
	336 through 349

LEASING TERMS AND CONDITIONS: Primary lease terms, minimum bids, annual rental rates, royalty rates, and royalty suspension areas are shown on the map "Lease Terms and Economic Conditions, Sale 177, Final" for leases resulting from this sale:

Primary lease terms: 5 years for blocks in water depths of less than 400 meters; 8 years for blocks in water depths of 400 to 799 meters; and 10 years for blocks in water depths of 800 meters or deeper;

Minimum bids: \$25 per acre or fraction thereof for blocks in water depths of less than 800 meters and \$37.50 per acre or fraction thereof for blocks in water depths of 800 meters or deeper;

Annual rental rates: \$5 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof for blocks in water depths of 200 meters or deeper, until a discovery in paying quantities of oil or gas is made;

Royalty rates: 16 $\frac{2}{3}$ percent royalty rate for blocks in water depths of less than 400 meters and a 12 $\frac{1}{2}$ percent royalty rate for blocks in water depths of 400 meters or deeper, except during periods of royalty suspension;

Minimum royalty: After a discovery in paying quantities of oil or gas is made: \$5 per acre or fraction thereof per year

for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof per year for blocks in water depths of 200 meters or deeper;

Royalty Suspension Areas: Royalty suspension may apply for blocks in water depths of 200 meters or deeper; see the map for specific areas. See 30 CFR 260 for the final rule specifying royalty suspension terms. Threshold prices will be applied to royalty suspension determinations; see paragraph (1) of the document "Information To Lessees, Western Gulf of Mexico Sale 177" included in the Sale Notice Package. The minimum royalty requirement is not applicable during periods of royalty suspension.

The map titled "Stipulations and Deferred Blocks, Sale 177, Final" depicts the blocks where the Topographic Features, Military Areas, and Naval Mine Warfare Area stipulations apply. The texts of the lease stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 177, Final" included in the Sale Notice Package. Also shown on this map are the deferred blocks noted above.

ROUNDING: The following procedure must be used to calculate minimum bid, rental, and minimum royalty on blocks with fractional acreage: Round up to the next whole acre and multiply by the applicable dollar amount to determine the correct minimum bid, rental, or minimum royalty.

NOTE: For the minimum bid only, if the calculation results in a decimal figure, round up to the next whole dollar amount (see next paragraph). The minimum bid calculation, including all rounding, is shown in the document "List of Blocks Available for Leasing, Sale 177" included in the Sale Notice Package.

METHOD OF BIDDING: For each block bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed Bid for Oil and Gas Lease Sale 177, not to be opened until 9 a.m., Wednesday, August 23, 2000." 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.

The MMS published a list of restricted joint bidders, which applies to this sale, in the Federal Register at 65 FR 16957, on March 30, 2000. 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. 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. A statement to this effect must be included on each bid (see the document "Bid Form and Envelope" contained in the Sale Notice Package).

BID DEPOSIT: Submitters of high bids must deposit the 1/5th bonus by using electronic funds transfer (EFT) procedures, following the detailed instructions contained in the document "Instructions for Making EFT Bonus Payments" included in the Sale Notice Package. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury (account specified in the EFT instructions) 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.

NOTE: Certain bid submitters (i.e., those that do NOT currently own or operate an OCS mineral lease OR those that have ever defaulted on a 1/5th bonus payment (EFT or otherwise)) are required to guarantee (secure) their 1/5th bonus payment. For those who must secure the EFT 1/5th bonus payment, one of the following options may be used: 1. Provide a third-party guaranty; 2. Amend Development Bond Coverage; 3. Provide a Letter of Credit; or 4. Provide a lump-sum check. The EFT instructions specify the requirements for each option.

WITHDRAWAL OF BLOCKS: The United States reserves the right to withdraw any block from this sale prior to issuance of a written acceptance of a bid for the block.

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 block will be awarded to any bidder, unless the bidder has complied with all requirements of this Notice, including the documents contained in the associated Sale Notice Package and applicable regulations; the bid is the highest valid bid; and the amount of the bid has been determined to be adequate by the authorized officer. 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, high bids will be evaluated in accordance with MMS bid adequacy procedures. A copy of the current procedures, "Modifications to the Bid Adequacy Procedures" (64 FR 37560 of July 12, 1999), is available from the MMS Gulf of Mexico Regional Office Public Information Unit.

SUCCESSFUL BIDDERS: As required by MMS, each company that has been awarded a lease must execute all 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. Each bidder in a successful high bid must have on file, in the MMS Gulf of Mexico Regional Office Adjudication Unit, a currently valid certification (Debarment Certification Form) certifying that the bidder 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 Debarment Certification Form is contained in the Sale Notice Package.

AFFIRMATIVE ACTION: The MMS requests that 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) be on file in the MMS Gulf of Mexico Regional Office Adjudication Unit prior to bidding. In any event, these forms are required to be on file in the MMS Gulf of Mexico Regional Office Adjudication Unit prior to execution of any lease contract. Bidders must also comply with the requirements of 41 CFR 60.

