

DEPARTMENT OF THE INTERIOR
Minerals Management Service (MMS)
Outer Continental Shelf, Central Gulf of Mexico, Oil and Gas
Lease Sale 178, Part 2

AGENCY: Minerals Management Service, Interior

ACTION: FINAL NOTICE OF SALE 178, Part 2

SUMMARY: This Final Notice of Sale 178, Part 2, offers for lease only those blocks in the Central Gulf of Mexico that are beyond the United States Exclusive Economic Zone (in the area formerly known as the Northern Portion of the Western Gap) (in the Amery Terrace Area (NG15-09)), except for those blocks or portions of blocks which are in the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico.

On August 22, 2001, the Minerals Management Service will open and publicly announce bids received for blocks offered in Sale 178, Part 2, Central Gulf of Mexico, pursuant to the Outer Continental Shelf 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 178, Part 2 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 "Final Notice of Sale 178, Part 2 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 for this sale will begin after the public bid reading for Western Gulf Sale 180 (which begins at 9 a.m.), Wednesday, August 22, 2001, in the Hyatt Regency Conference Center (Cabildo Rooms), 500 Poydras Plaza, 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, 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 of 10 a.m., Tuesday, August 21, 2001. 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 178, Part 2

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 21, 2001. 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 blocks and partial blocks listed as offered below. All of these blocks are shown on the following Official Protraction Diagram (which may be purchased from the MMS Gulf of Mexico Regional Office Public Information Unit).

Outer Continental Shelf Official Protraction Diagram:

(This diagram sells for \$2.00)

NG15-09 Amery Terrace (revised October 25, 2000)

See the map titled "Lease Terms and Economic Conditions, Deferred Blocks, Sale 178, Part 2, Final" included in this Sale Notice Package.

NOTE: A CD-ROM (in ARC/INFO and Acrobat (.pdf) formats) 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. The Leasing Maps and Official Protraction Diagrams are also available on our Internet site. See also 66 FR 28002, published on May 21, 2001, for the current status of Central and Western Gulf of Mexico Leasing Maps and Official Protraction Diagrams.

The blocks and partial blocks offered in this sale are beyond the United States Exclusive Economic Zone (formerly known as the Western Gap). Not offered in this sale are those blocks or portions of blocks which are in the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico. Both the zone, in which leasing is prohibited for ten years, and the boundary were established by the "Treaty Between The Government Of The United States Of America And The Government Of The United Mexican States On The Delimitation Of The Continental Shelf In The Western Gulf Of Mexico Beyond 200 Nautical Miles" signed by the United States and Mexico on June 9, 2000; the U.S. Senate gave advice and consent to ratification on October 18, 2000, and the Mexican Senate gave its approval on November 28, 2000. The provisions of the treaty entered into force upon exchange of the instruments of ratification of the treaty on January 17, 2001.

The following blocks or partial blocks are offered in this sale:

Amery Terrace (Area NG15-09)
Blocks
 133 through 135
 177 through 184
 221 through 238
 265 through 279
 309 through 317

The portions of the following blocks lying within the 1.4 nautical mile buffer zone are deferred from this sale:

Amery Terrace (Area NG15-09)
Blocks
 235 through 238
 273 through 279
 309 through 317

The available Federal acreage of all whole and partial blocks in this sale is given in the document "List of Blocks Available for Leasing, Sale 178, Part 2" included in the Sale Notice Package.

The available acreage for all blocks in this sale with deferred portions lying within the 1.4 nautical mile buffer zone is provided in the document, "Available Unleased Acreage of Blocks with Irregular Portions Deferred", which is included in the Final Sale Notice Package. Also, Supplemental Official OCS Block Diagrams for these blocks and for blocks which contain the "U.S. 200 Nautical Mile Limit" line and the "U.S.-Mexico Maritime Boundary" line are available from the Public Information Unit, Gulf of Mexico Region, Minerals Management Service, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394. Telephone: (504) 736-2519. All these SOBDS can also be found on the MMS Homepage Address on the Internet: <http://www.mms.gov>. For additional information, please call Mr. Charles Hill (504) 736-2795.

NOTE: In addition to the previously noted partially deferred blocks, the following blocks of the former Western Gap are wholly within the 1.4 nautical mile buffer zone and are not offered in this sale:

Amery Terrace (Area NG15-09)

Blocks

280, 281

318 through 320

355 through 359

LEASING TERMS AND CONDITIONS: Primary lease terms, minimum bids, annual rental rates, royalty rates, and royalty suspension areas for leases resulting from this sale are:

Primary lease terms: 10 years;

Minimum bids: \$37.50 per acre or fraction thereof;

Annual rental rates: \$7.50 per acre or fraction thereof, to be paid on or before the first day of each lease year until a discovery in paying quantities of oil or gas is made, then at the expiration of each lease year until the start of royalty-bearing production;

Royalty rates: 12 1/2 percent royalty rate, except during periods of royalty suspension, to be paid monthly on the last day of the month next following the month in which the production is obtained;

Minimum royalty: After the start of royalty-bearing production: \$7.50 per acre or fraction thereof per year, to be paid at the expiration of each lease year;

Royalty Suspension Areas: Leases are being offered in this sale subject to the regulations in 30 CFR Part 260, published in the Federal Register at 66 FR 11512 on February 23, 2001. Deep water oil and gas royalty suspension will apply to all blocks; see the document contained within the Sale 178, Part 2, Final Notice Package titled "Royalty Suspension Provisions (Sale 178, Part 2)" for the specific details regarding royalty suspension eligibility and implementation. In addition to those provisions, the royalty payment stipulation included at the end of this Notice will be made a part of any lease resulting from this sale.

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 in Central Gulf of Mexico OCS Oil and Gas Sale 178, Part 2" 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 178, Part 2, not to be opened until 9 a.m., Wednesday, August 22, 2001." 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 66 FR 17731, on April 3, 2001. 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 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 payment via EFT prior to the submission of bids. 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), effective July 1, 1999, is available from the MMS Gulf of Mexico Regional Office Public Information Unit and is also on our Internet site.

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 by EFT the balance of the cash bonus bid along with the first year's annual rental for each lease issued 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.

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.

STIPULATION: There is only one stipulation applicable to leases resulting from this sale.

Law of the Sea Convention Royalty Payment Stipulation

The following stipulation will apply to all available blocks in this sale; these blocks are beyond the United States Exclusive Economic Zone in the area formerly known as the Western Gap:

If the U.S. becomes a party to the 1982 Law of the Sea Convention (Convention) prior to or during the life of a lease issued by the U.S. on a block or portion of a block located beyond the U.S. EEZ and subject to such conditions that the Senate may impose through its constitutional role of advice and consent, then the following royalty payment lease provisions will apply to the lease so issued, consistent with Article 82 of the Convention:

1. The Convention requires payments annually by coastal States party to the Convention with respect to all production at a site after the first five years of production at that site. Any such payments will be made by the U.S. government and not the lessee.
2. For the purpose of this stipulation regarding payments by the lessee to the U.S., a site is defined as an individual lease whether or not the lease is located in a unit.
3. For the purpose of this stipulation, the first production year begins on the first day of commercial production (excluding test production). Once a production year begins it shall run for a period of 365 days whether or not the lease produces continuously in commercial quantities.

Subsequent production years shall begin on the anniversary date of first production.

4. If total lease production during the first five years following first production exceeds the total royalty suspension volume(s) provided in the lease terms, or through application and approval of relief from royalties, the following provisions of this stipulation will not apply. If after the first five years of production but prior to termination of this lease, production exceeds the total royalty suspension volume(s) provided in the lease terms, or through application and approval of relief from royalties, the following provisions of this stipulation will no longer apply effective the day after the suspension volumes have been produced.
5. If, in any production year after the first five years of lease production, due to lease royalty suspension provisions or through application and approval of relief from royalties, no lease production royalty is due or payable by the lessee to the U.S., then the lessee will be required to pay, as stipulated in paragraph 9 below, Convention-related royalty in the following amount so that the required Convention payments may be made by the U. S. government as provided under the Convention:
 - a. In the sixth year of production, one percent of the value of the sixth year's lease production saved, removed, or sold from the leased area;
 - b. After the sixth year of production, the Convention-related royalty payment rate shall increase by one percent for each subsequent year until the twelfth year and shall remain at seven percent thereafter until lease termination.
6. If the U.S. becomes a party to the Convention after the fifth year of production from the lease, and a lessee is required, as provided herein, to pay Convention-related royalty, the amount of the royalty due will be based on the above payment schedule as determined from first production. For example, U.S. accession to the Convention in the tenth year of lease production would result in a Convention-related royalty payment of five percent of the value of the

tenth year's lease production, saved, removed, or sold from the lease. The following year, a payment of six percent would be due, and so forth as stated above, up to a maximum of seven percent per year.

7. If, in any production year after the first five years of lease production, due to lease royalty suspension provisions or through application and approval of relief from royalties, lease production royalty is paid but is less than the payment provided for by the Convention, then the lessee will be required to pay to the U.S. government the Convention-related royalty in the amount of the shortfall.
8. In determining the value of production from the lease if a payment of Convention-related royalty is to be made, the provisions of the lease and applicable regulations shall apply.
9. The Convention-related royalty payment(s) required under paragraphs 5 through 7 of this stipulation, if any, shall not be paid monthly but shall be due and payable to MMS on or before 30 days after the expiration of the relevant production lease year.
10. The lessee will receive royalty credit in the amount of the Convention-related royalty payment required under paragraphs 5 through 7 of this stipulation, which will apply to royalties due under the lease for which the Convention-related royalty accrued in subsequent periods as non-Convention related royalty payments become due.
11. Any lease production for which the lessee pays no royalty other than a Convention-related requirement, due to lease royalty suspension provisions or through application and approval of relief from royalties, will count against the lease's applicable royalty suspension or relief volume.
12. The lessee will not be allowed to apply or recoup any unused Convention-related credit(s) associated with a lease that has been relinquished or terminated.

s/ Thomas R. Kitsos
Acting Director, Minerals Management Service

Approved:

s/ Piet deWitt
Acting Assistant Secretary, Land and Minerals Management

July 13, 2001
Date