
Leasing Activities Information



U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

FINAL NOTICE OF OCS SALE 178, PART 1

Central Gulf of Mexico March 28, 2001

Attached is the Final Notice of OCS Sale (FNOS) 178, Part 1, Central Gulf of Mexico, which is scheduled to be held on March 28, 2001, in New Orleans:

In addition to the Final Notice, this package consists of:

- o Information to Lessees for Sale 178, Part 1
- o Lease Stipulations for Oil and Gas Lease Sale 178, Part 1
- o Royalty Suspension Provisions, Sale 178, Part 1
- o List of Blocks Available for Leasing, Sale 178, Part 1
- o Unleased Split Blocks and Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease
- o Debarment Certification Form
- o Bid Form and Envelope
- o Phone Numbers/Addresses of Bidders Form
- o Instructions for Making EFT Bonus Payments
- o Lease Terms and Economic Conditions, Sale 178, Part 1, Map
- o Stipulations and Deferred Blocks, Sale 178, Part 1, Map

All of these documents may be found on the Internet at: <http://www.gomr.mms.gov/homepg/lseale/cgom178.html>.

The terms and conditions for Sale 178, Part 1, which differ from the most recent Central Gulf of Mexico Sale (Sale 175) are noted below. A Sale 178, Part 2, **is under consideration** to offer blocks of the northern portion of the Western Gap which are deferred from this sale (see below).

NOTICE:

New water depth data. The areas defining primary lease terms, minimum bids, annual rental rates, royalty rates, and royalty suspension are based on water depth. The MMS has received and implemented new water depth data, and these areas have changed slightly since the last sale. Bidders are advised to check carefully the Lease Terms and Economic Conditions, Sale 178, Part 1, Map included in this Sale Notice Package.

Royalty relief. Royalty relief will be available under certain conditions for leases on blocks in less than 200 meters (shallow water deep gas production) and on blocks in 800 meters or deeper (oil and gas); see the document "Royalty Suspension Provisions, Sale 178, Part 1" and paragraph (m) in the document "Information To Lessees", both included in this Sale Notice Package.

Rentals and Minimum Royalty. Beginning with this sale, lessees will pay rentals 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. After the start of royalty-bearing production, minimum royalty (if applicable) will be paid at the expiration of each lease year.

Subsalt Lease Term Extension. A 1- or 2-year lease term extension **may** be available under **certain conditions** for subsalt development in water depths of less than 400 meters (i.e., for leases with a primary term of 5 years); see paragraph (v) in the document "Information To Lessees" included in this Sale Notice Package and Notice To Lessees and Operators (NTL)

2000-G22 (available on our website). There is no lease stipulation to implement this provision; this is a change from the Proposed Notice of Sale.

Mississippi Canyon Block 474 is deferred. This block is under consideration as the host location for a project known as the NaKika Project, and is deferred from this sale. This is a change from the Proposed Notice of Sale.

Electronic Funds Transfer (EFT) payments for the 1/5th bonus. The MMS will continue to **require** the use of EFT for payment of the 1/5th bonus. Current OCS lessees and operators may secure such payment using only a signed bid form as prescribed in the Final Notice of Sale; others will be required to secure the EFT payment by any one of several additional methods (including advance EFT). Procedures for the use of EFT are available on our Homepage or from our Public Information Unit (see below), and are included in this Sale Notice Package. Questions or comments regarding EFT procedures should be directed to Ms. Vicki Zatarain at (504) 736-2779.

Tracts beyond U.S. Exclusive Economic Zone. Tracts beyond the U.S. Exclusive Economic Zone (tracts in the Northern Portion of the Western Gap and in the Northern Portion of the Eastern Gap) are **NOT** included in this Final Notice of Sale. A separate offering in late August 2001 of Central Gulf of Mexico blocks in the Northern Portion of the Western Gap (in the Amery Terrace Area (NG15-09)) is under consideration. If it occurs, it will be known as Sale 178, Part 2. This is a change from the Amendment to the Proposed Notice of Sale.

NOT OFFERED:

Viosca Knoll Block 69 (lease termination is currently under appeal)

Mississippi Canyon Block 474 (being considered for use as host location for NaKika Project)

Amery Terrace (NG15-09) Blocks 133 through 135, 177 through 184, 221 through 238, 265 through 281, 309 through 320, and 355 through 359; Lund South (NG16-07) Blocks 172, 173, 213 through 217, 252 through 261, 296 through 305, and 349 (blocks beyond the U.S. Exclusive Economic Zone)

Bidders are reminded that Leasing Activity Update Lists are prepared monthly and are available on or about the 20th of each month through the MMS Gulf of Mexico Public Information Unit and on the MMS Homepage (see below).

STATISTICAL INFORMATION (Sale 178, Part 1)

- o **SIZE:** 4,391 Unleased blocks; 23.19 million acres
- o **PRIMARY LEASE TERMS:**
 - 5 Year - Water depths less than 400 meters - 1,380 Blocks
 - 8 Year - Water depths between 400-799 meters - 141 Blocks
 - 10 Year - Water depths 800 meters or deeper - 2,870 Blocks
- o **MINIMUM BID:** \$25.00 per acre or fraction thereof - Water depths less than 800 meters - 1,521 Blocks
\$37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 2,870 Blocks
- o **ANNUAL RENTAL RATES:** \$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,306 Blocks
\$7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 3,085 Blocks
- o **ROYALTY RATES:** 16 2/3% Royalty - Water depths less than 400 meters - 1,380 Blocks
12 1/2% Royalty - Water depths 400 meters or deeper - 3,011 Blocks
- o **ROYALTY SUSPENSION AREAS:** 0-199 Meter Royalty Suspension Area - 1,306 Blocks
800-1599 Meter Royalty Suspension Area - 410 Blocks
1600 Meter and Greater Royalty Suspension Area - 2,460 Blocks

For more information on this FNOS, potential bidders are advised to contact Mr. Charles Hill of the MMS GOM OCS Region Sales and Support Unit at (504) 736-2795.

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MMS Homepage Address on the Internet: <http://www.mms.gov>