

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Outer Continental Shelf, Central Gulf of Mexico, Oil and Gas
Lease Sale 178, Part 1

AGENCY: Minerals Management Service, Interior

ACTION: FINAL NOTICE OF SALE 178, Part 1

This Final Notice of Sale 178, Part 1, offers for lease all blocks in the Central Gulf of Mexico except for blocks beyond the United States Exclusive Economic Zone in the area known as the Northern Portion of the Western Gap and certain other deferrals as specified below. A separate offering in late August 2001 of Central Gulf of Mexico blocks in 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.

On March 28, 2001, the Minerals Management Service (MMS) will open and publicly announce bids received for blocks offered in Sale 178, Part 1, Central 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 178, Part 1 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 1 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, March 28, 2001, in the Sheraton New Orleans Hotel (Armstrong Ballroom, 8th floor), 500 Canal 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 of 10 a.m.,

Tuesday, March 27, 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 1

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, March 27, 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 in the document "Blocks Available for Leasing in Gulf of Mexico OCS Oil and Gas Lease Sale 178, Part 1" 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--Louisiana Nos. 1 through 12:
(These 30 maps sell for \$2.00 each)

LA1 West Cameron Area (revised 09/01/99)
 LA1A West Cameron Area, West Addition (revised 05/30/97)
 LA1B West Cameron Area, South Addition (revised 05/30/97)
 LA2 East Cameron Area (revised 09/01/99)
 LA2A East Cameron Area, South Addition (revised 09/01/99)
 LA3 Vermilion Area (revised 09/01/99)
 LA3A South Marsh Island Area (revised 09/01/99)
 LA3B Vermilion Area, South Addition (revised 09/01/99)
 LA3C South Marsh Island Area, South Addition (revised 09/01/99)
 LA3D South Marsh Island Area, North Addition (revised 09/01/99)
 LA4 Eugene Island Area (revised 09/01/99)
 LA4A Eugene Island Area, South Addition (revised 09/01/99)
 LA5 Ship Shoal Area (revised 09/01/99)
 LA5A Ship Shoal Area, South Addition (revised 09/01/99)
 LA6 South Timbalier Area (revised 09/01/99)
 LA6A South Timbalier Area, South Addition (revised 09/01/99)
 LA6B South Pelto Area (revised 09/01/99)
 LA6C Bay Marchand Area (revised 12/30/94)
 LA7 Grand Isle Area (revised 09/01/99)

LA7A Grand Isle Area, South Addition (revised 09/01/99)
 LA8 West Delta Area (revised 09/01/99)
 LA8A West Delta Area, South Addition (revised 09/01/99)
 LA9 South Pass Area (revised 09/01/99)
 LA9A South Pass Area, South and East Addition (revised 09/01/99)
 LA10 Main Pass Area (revised 09/01/99)
 LA10A Main Pass Area, South and East Addition (revised 09/01/99)
 LA10B Breton Sound Area (revised 09/01/99)
 LA11 Chandeleur Area (revised 09/01/99)
 LA11A Chandeleur Area, East Addition (revised 09/01/99)
 LA12 Sabine Pass Area (revised 05/30/97)

Outer Continental Shelf Official Protraction Diagrams:

(These diagrams sell for \$2.00 each)

NG15-03 Green Canyon (revised 09/01/99)
 NG15-06 Walker Ridge (revised 09/01/99)
 NG15-09 Amery Terrace (revised 10/25/00)
 NG16-01 Atwater Valley (revised 09/01/99)
 NG16-04 Lund (revised 09/01/99)
 NG16-07 Lund South (revised 09/01/99)
 NH15-12 Ewing Bank (revised 09/01/99)
 NH16-04 Mobile (revised 09/01/99)
 NH16-07 Viosca Knoll (revised 09/01/99)
 NH16-10 Mississippi Canyon (revised 05/01/96)

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 Amery Terrace (NG15-09) in the Central Gulf is 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, and 65 FR 67016, published on November 8, 2000, for the current status of all Gulf of Mexico Leasing Maps and Official Protraction Diagrams.

All blocks are 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 178, Part 1" 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. Information on the unleased portions of such blocks, including the exact acreage, is found in the document titled "Central Gulf of Mexico Lease Sale 178, Part 1 - 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 Central Gulf of Mexico Planning Area are not available for leasing:

blocks currently under lease;

Mississippi Canyon Block 474, which is under consideration for use as the host location to develop several existing leases termed the "NaKika Project";

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

the following blocks which are beyond the United States Exclusive Economic Zone in the area known as the Northern Portion of the Eastern Gap are deferred from leasing in this sale by the Department of the Interior:

Lund South (Area NG16-07)

Blocks
172, 173
213 through 217
252 through 261
296 through 305
349;

and the following blocks which are beyond the United States Exclusive Economic Zone in the area known as the Northern Portion of the Western Gap are deferred from leasing in this sale by the Department of the Interior but are under consideration to be offered in a Sale 178, Part 2, in August 2001:

Amery Terrace (Area NG15-09)

Blocks
 133 through 135
 177 through 184
 221 through 238
 265 through 281
 309 through 320
 355 through 359

LEASING TERMS AND CONDITIONS: Primary lease terms, primary lease term extensions, minimum bids, annual rental rates, royalty rates, and royalty suspension areas are shown on the map "Lease Terms and Economic Conditions, Sale 178, Part 1, 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;

Primary lease term extensions: Extensions may be granted for eligible blocks in water depths less than 400 meters as specified in Notice To Lessees and Operators (NTL) 2000-G22, effective December 22, 2000;

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, 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: 16 2/3 percent royalty rate for blocks in water depths of less than 400 meters and a 12 1/2 percent royalty rate for blocks in water depths of 400 meters or deeper, 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: \$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, to be paid at the expiration of each lease year;

Royalty Suspension Areas: We are offering leases in this sale subject to the new final regulations in 30 CFR Part 260, published in February 2001. Royalty suspension will apply for blocks in water depths less than 200 meters where new deep gas (15,000 feet or greater subsea) is drilled and commences production within the initial primary 5-year lease term, and in water depths of 800 meters or deeper (for oil and gas); see the map titled "Lease Terms and Economic Conditions, Sale 178, Part 1, Final" for specific areas. See the document contained within the Sale 178, Part 1, Final Notice Package titled "Royalty Suspension Provisions, Sale 178, Part 1" for the specific details regarding royalty suspension eligibility and implementation.

The map titled "Stipulations and Deferred Blocks, Sale 178, Part 1, Final" depicts the blocks where four lease stipulations apply: 1. Topographic Features, 2. Live Bottoms, 3. Military Areas, and 4. Blocks South of Baldwin County, Alabama. The texts of the stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 178, Part 1, Final" included in the Final 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 in Central Gulf of Mexico OCS Oil and Gas Sale 178, Part 1" 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 1, not to be opened until 9 a.m., Wednesday, March 28, 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 65 FR 59869, on October 6, 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 payment via EFT prior to the sale. 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.

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.

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.

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

Approved:

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

February 16, 2001
 Date