

DEPARTMENT OF THE INTERIOR
Minerals Management Service (MMS)
Outer Continental Shelf, Eastern Gulf of Mexico, Oil and Gas
Lease Sale 181

AGENCY: Minerals Management Service, Interior

ACTION: FINAL NOTICE OF SALE 181

SUMMARY: On December 5, 2001, the Minerals Management Service will open and publicly announce bids received for blocks offered in Sale 181, Eastern 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 181 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 181 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, December 5, 2001, in the Versailles Ballroom of the Riverside Hilton Hotel, 2 Poydras 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, MMS Gulf of Mexico Region, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123-2394, between 8 a.m. and 4 p.m. on normal working days, prior to the Bid Submission Deadline at 10 a.m., Tuesday, December 4, 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 181

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, December 4, 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 the blocks listed in the document "List of Blocks Available for Leasing, Sale 181" included in the Final Sale Notice Package. All of these blocks lie west of 87°30' West Longitude and are more than 100 miles south of Alabama. See the map in the Final Sale Notice Package: "Lease Terms, Economic Conditions, Stipulations, and Deferred Blocks, Final". All of these blocks are shown on the following Official Protraction Diagrams (which may be purchased from the MMS Gulf of Mexico Regional Office Public Information Unit).

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

NG16-02 Lloyd Ridge (revised November 1, 2000)
NH16-11 De Soto Canyon (revised November 1, 2000)

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.

Acreage of all blocks is shown on these Official Protraction Diagrams. The available Federal acreage of all blocks in this sale is shown in the document "List of Blocks Available for Leasing, Sale 181" included in the Final Sale Notice Package.

AREAS NOT AVAILABLE FOR LEASING: The following blocks west of 87°30' West Longitude and more than 100 miles south of Alabama in the Sale 181 area are not available for leasing:

Blocks currently under lease:

De Soto Canyon Blocks 133, 177, 446, 447, 622, 666, 793,
794, 837, 838, 840, 883, 927, 929, 970, 971
Lloyd Ridge Blocks 1, 2, 133, 134, 136, 267, 268

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, Economic Conditions,

Stipulations, and Deferred Blocks, Final" for leases resulting from this sale:

Primary lease terms: 10 years;

Minimum bids: \$37.50 per acre;

Annual rental rates: \$7.50 per acre, 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, 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 per year, to be paid at the expiration of each lease year;

Royalty Suspension Areas: All leases in this sale are being offered subject to the regulations in 30 CFR Part 260, published in the Federal Register at 66 FR 11512 on February 23, 2001. Royalty suspension per lease of 12 million barrels of oil equivalent will apply to all leases in this sale (for oil and gas). Supplemental royalty relief may be available for leases in this area in accordance with 30 CFR Part 203. [See the document contained within the Sale 181, Final Sale Notice Package titled "Royalty Suspension Provisions, Sale 181" for the specific details regarding royalty suspension eligibility and implementation.]

Stipulations: Four lease stipulations (Military Areas, Evacuation, Coordination, and Marine Protected Species) will apply to all leases resulting from this sale. The texts of the stipulations are contained in the document "Lease Stipulations for Oil and Gas Lease Sale 181, Final" included in the Final Sale Notice Package.

ROUNDING: The following procedure must be used to calculate minimum bid, rental, and minimum royalty. 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 181" included in the Final 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 181, not to be opened until 9 a.m., Wednesday, December 5, 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 Final Sale Notice Package.

The MMS published a list of restricted joint bidders, which applies to this sale, in the Federal Register at 66 FR 52150, on October 12, 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 Final 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 Final 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 Final 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 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 Final 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 Final 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.

NOTICE OF BIDDING SYSTEMS: Section 8(a)(8) (43 U.S.C. 1337(a)(8)) of the Outer Continental Shelf Lands Act (OCSLA) requires that, at least 30 days before any lease sale, a Notice be submitted to Congress and published in the Federal Register. This Notice of Bidding Systems is for Sale 181, Eastern Gulf of Mexico, scheduled to be held in December 2001.

In Sale 181, all blocks are being offered under a bidding system that uses a cash bonus and a fixed royalty of 12.5 % with a royalty suspension volume of 12 million barrels of oil equivalent per lease. This bidding system is authorized under 30 CFR 260.110(a)(7), which allows use of a cash bonus bid with a royalty rate of not less than 12.5 percent and with suspension of royalties for a period, volume, or value of production, and an annual rental. Analysis performed by the MMS indicates that use of this system provides an incentive for development of this area while ensuring that a fair sharing of revenues will result if major discoveries are made and produced.

Specific provisions for Sale 181 are contained in the document "Royalty Suspension Provisions, Sale 181" and a map "Lease Terms, Economic Conditions, Stipulations and Deferred Blocks, Final" depicting blocks and applicable royalty suspension volumes. Both documents are included in the Sale Notice Package.

10/23/01
Date

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