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NEWS RELEASE

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MMS Issues Final Notice of Central Gulf Lease Sale 182

The Minerals Management Service announced in the *Federal Register* today the availability of the Final Notice of Sale 182, an offshore oil and gas lease sale in the Central Gulf of Mexico, scheduled for March 20, 2002, at the Sheraton New Orleans Hotel, in the Grand Ballroom C, 500 Canal Street. That final notice includes several measures to increase domestic natural gas and oil production to meet the Nation's energy needs.

One of these measures is a continuation of a shallow-water, deep-gas initiative begun with the year 2001 Gulf of Mexico offshore oil and gas lease sales.

- An incentive to drill for new deep-gas deposits located in the shallow-water shelf area of the Gulf of Mexico (in water depths less than 200 meters) by providing for royalty suspension for the first 20 billion cubic feet (BCF) of production from a well drilled 15,000 feet or greater below sea level.

This shallow-water, deep-gas measure is specifically designed to spur domestic natural gas production during the years 2003-2007. Several studies, including the report issued by the National Petroleum Council, indicate that the Nation's demand for natural gas will grow from the current 22 trillion cubic feet (TCF) of gas to 29 TCF of gas in 2010. This initiative, if adopted and implemented for several offshore lease sales, could contribute additional gas production in the range of 250 to 600 BCF in the period 2003 to 2007. Up to 10 percent of this incremental effect could be realized from proposed Sale 182 alone.

Included also in this final notice are both new and continued measures for increasing deepwater natural gas *and* oil production:

- A new incentive in the 400 to 799 meter water depth zone; the incentive would provide deepwater royalty relief per lease on the first 5 million barrels of oil equivalent (BOE). MMS analysis suggests that this incentive would encourage additional production earlier than with no royalty relief.
- Continuation of incentives similarly adopted in year 2001 Gulf of Mexico offshore lease sales; these incentives provide deepwater royalty relief in the 800 to 1,599 meter water depth zone (9 million BOE per lease) and 1,600 meter and greater water depth zone (12 million BOE per lease).
- Opportunity to apply for additional "discretionary" royalty relief, pursuant to final regulations, if certain conditions are satisfied.
- An Information to Lessees provision concerning Subsalt Exploration; this provision alerts bidders that MMS has proposed regulations that would amend requirements for the granting of a Suspension of Operations under limited circumstances. MMS recognizes the complexities of subsalt analysis and is proposing more time to a lessee to conduct the needed analysis to determine the best location for drilling a well.
- A stipulation will be made a part of any lease resulting from this sale to protect certain marine species from potential harm, injury, or mortality from oil and gas operations. Measures to provide such protection include reducing the amount of trash introduced into Gulf of Mexico waters and minimizing the potential for vessel collisions with protected species.

Final Sale 182 encompasses about 4,446 available blocks in the Central Gulf of Mexico Outer Continental Shelf planning area offshore Louisiana, Mississippi, and Alabama. This area covers about 23.4 million acres. Blocks in this sale are located from 3 to 210 miles offshore in water depths ranging from 4 to more than 3,425 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale proposal range from 150 to 440 million barrels of oil and 1.53 to 4.39 TCF of natural gas.

Statistical Information Sale 182

Size	4 ,446 unleased blocks; 23.4 million acres
Primary Lease Terms:	5 Year - Water depths less than 400 meters - 1,405 Blocks 8 Year - Water depths between 400 and 799 meters - 136 Blocks 10 Year - Water depths between 800 meters or deeper - 2,905 Blocks
Minimum Bids:	$25.00 per acre or fraction thereof - Water depths less than 800 meters - 1,541 Blocks $37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 2,905 Blocks
Annual Rental Rates:	$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,318 Blocks $7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 3,128 Blocks
Royalty Rates:	16 2/3% Royalty - Water depths less than 400 meters - 1,405 Blocks 12 ½% Royalty - Water depths 400 meters or deeper - 3,041 Blocks
Royalty Relief Areas:	0 - 199 Meter Royalty Suspension Area - 1,318 Blocks 400 - 799 Meter Royalty Suspension Area - 136 Blocks 800 - 1,599 Meter Royalty Suspension Area - 345 Blocks 1,600 Meters and Greater Royalty Suspension Area - 2,560 Blocks
Royalty Suspension Volumes:	1,318 blocks subject to deep gas incentive (first 20 BCF) 87 blocks with no automatic royalty relief 136 Blocks subject to 5MMBOE relief 345 blocks subject to 9-MMBOE relief 2,560 blocks subject to 12-MMBOE relief

Deep Gas Initiative

- Applies to all new leases in 0 to 199 meters of water.
- Eliminates royalty for first 20 BCF of gas production from the lease at greater than 15,000-foot depth.
- Does not apply to oil production.
- Ends after 20 BCF of gas production.
- Ends for a year if prices reach trigger limit of $5.00 per million BTU's (in Year 2000 dollars).

Deepwater Royalty Relief

- Previous deepwater relief given for new leases under DWRR Act of 1995 has expired. (Leases issued during 1996-2000 continue to have this relief). This new deepwater relief applies to leases issued in water depths of 800 to 1,599 meters (first 9 MMBOE of production is royalty free) and for leases in 1,600 meters or greater water depth (first 12 MMBOE of production is royalty free).
- A new relief incentive has been added for this sale in the 400-799 meters category (first 5 MMBOE of production royalty free).
- This royalty relief is provided on a lease basis.
- If a new lease from this sale is combined with a field under the 1995 DWRR provisions, it still gets its own relief of either 5, 9 or 12 MMBOE.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for and **disburses mineral revenues** from federal and Indian leases. These revenues totaled nearly $10 billion in 2001 and more than $120 billion since the agency was created in 1982. Annually, nearly $1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and Federal park and recreation lands.

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