



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

NEWS RELEASE

FOR RELEASE: April 16, 2002

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**MMS Issues Proposed Notice of Western Gulf Lease Sale 184
Including Initiatives to Increase Domestic Energy Production**

The U.S. Department of the Interior's Minerals Management Service (MMS) is making available the Proposed Notice of Sale for Western Gulf of Mexico (GOM) Sale 184. Several initiatives to increase domestic natural gas and oil production to meet the Nation's energy needs are proposed for the sale, scheduled for August 21, 2002, in New Orleans. The initiatives are part of the issuance of a proposed notice of sale for Sale 184 in today's [Federal Register](#).

Included in the proposed notice is an incentive to drill for deep gas deposits located in the shallow-water shelf area of the Gulf of Mexico by providing for royalty suspension for the first 20 billion cubic feet (BCF) of production from a well drilled below 15,000 feet sea level.

Deepwater royalty relief will be applied to tracts in water depths greater than 400 meters. The specific terms for royalty relief will be granted to individual leases, not fields as in the Deep Water Royalty Relief Act, and will be designated at the time of the final notice of sale. In the case of proposed Sale 184, the royalty "suspension volumes" range from 5 million barrels of oil equivalent (BOE) in water depths of 400 – 799 meters, to a nine million barrels of oil equivalent (BOE) in water depths of 800 – 1599 meters, and to 12 million barrels of relief in depths greater than 1,600 meters. Under the terms of this leasing system, lessees are allowed to produce these volumes of oil and gas before any royalty obligations are due the Federal Government.

Proposed Sale 184 encompasses 4,085 unleased blocks, about 22.2 million acres, in the Western GOM Outer Continental Shelf Planning Area offshore Texas and in deeper waters offshore Louisiana. The blocks are located from 9 to 250 miles offshore in water depths ranging from 8 meters to more than 3,000 meters. Estimates of undiscovered economically recoverable hydrocarbons expected to be discovered and produced as a result of this sale proposal range from 10 to 90 million barrels of oil and 0.57 to 1.93 trillion cubic feet of natural gas. There are 1,875 blocks in water depths of 800 meters or more.

The Proposed Notice of Sale will be posted on the MMS Website at <http://www.gomr.mms.gov>. In addition, copies of the document are available from MMS's Gulf of Mexico Regional Office, Public Information Unit, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123. Telephone (504) 736-2591, toll free 1-800-200-GULF.

Statistical Information Sale 184

Size: 4,085 Unleased blocks - 22.2 million acres

Primary Lease Terms:
5 Year - Water depths less than 400 meters - 1,838 Blocks
8 Year - Water depths between 400 and 799 meters - 372 Blocks
10 Year - Water depths 800 meters or deeper - 1,875 Blocks

Minimum Bids:
\$25.00 per acre or fraction thereof - Water depths less than 800 meters - 2,210 Blocks
\$37.50 per acre or fraction thereof - Water depths 800 meters or deeper - 1,875 Blocks

Annual Rental Rates:
\$5.00 per acre or fraction thereof - Water depths less than 200 meters - 1,642 Blocks
\$7.50 per acre or fraction thereof - Water depths 200 meters or deeper - 2,443 Blocks

Royalty Rates:
16 2/3% Royalty - Water depths less than 400 meters - 1,838 Blocks
12 1/2% Royalty - Water depths 400 meters or deeper - 2,247 Blocks

Royalty Suspension Rates:
0 - 199 Meter Royalty Suspension Area - 1,642 Blocks
400-799 Meter Royalty Suspension Area - 372 Blocks
800 - 1,599 Meter Royalty Suspension Area - 1,030 Blocks
1,600 Meters and Greater Royalty Suspension Area - 845 Blocks

Royalty Relief

- 1,642 blocks subject to deep gas incentive (first 20 BCF).
- 196 blocks with no automatic royalty relief.

- 372 blocks subject to 5 MMBOE relief.
- 1,030 blocks subject to 9-MMBOE relief.
- 845 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 only to leases issued in water depths of 400-799 (first 5 MMBOE of production is royalty free), 800 to 1,599 meters of water (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).
- 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 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.

-MMS-GOM-

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