

## The NewsRoom

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### **MMS Issues Proposed Notice of Central Gulf Lease Sale 198**

NEW ORLEANS - The Minerals Management Service announced in the Federal Register the availability of the Proposed Notice of Sale 198, an offshore oil and gas lease sale in the central Gulf of Mexico (GOM), scheduled for March 15, 2006.

The proposed lease sale encompasses about 4,000 unleased blocks covering approximately 21 million acres in the Central GOM Outer Continental Shelf (OCS) Planning Area offshore Louisiana, Mississippi, and Alabama. The blocks are located from 3 to about 210 miles offshore in water depths of 4 meters to more than 3,400 meters. MMS estimates the proposed lease sale could result in the production of 276 to 654 million barrels of oil and 1.59 to 3.3 trillion cubic feet of natural gas.

Recently revised provisions proposed in this lease sale include the following:

- Deepwater royalty relief lease terms that were specified in the Energy Policy Act of 2005 and initially implemented with the recent August 2005 Western GOM Sale 196.
- Shallow-water deep-gas royalty relief provided for in the Energy Policy Act of 2005. In this sale, such relief is available to leases in water depths of 0 to less than 400 meters (recent previous sale relief was in the 0 to less than 200 meter range). In addition, this sale will provide an increase in the royalty suspension volume from 25 BCF to 35 BCF for successful wells drilled wells 20,000 feet TVD SS or deeper.
- This will be the first Central GOM sale with the higher rental rates that were implemented in the August 2005 Western GOM Sale 196. As a reminder, those rates are \$6.25 per acre in water depths less than 200 meters and \$9.50 per acre in water depths 200 meters and greater.
- A newly developed stipulation regarding limitations on use of the seabed and water column in Mississippi Canyon Block 118 because of an ongoing federally funded University of Mississippi study of gas hydrates. This block will be the site of an approved research facility on the seafloor and oil and gas operations will need to avoid conflict with this facility.
- A new Information to Lessee (ITL) clause that relates to ongoing U.S. Coast Guard reviews of the Gulf Landing LNG Project. The ITL notes that this ongoing LNG permit analysis may eventually result in a lease stipulation that will be designed to minimize conflict of oil and gas operations with the LNG project.
- An earlier time deadline for Electronic Fund Transfer (EFT) of 1/5th bonus, 4/5th bonus, and 1st year rental payments associated with this sale. That deadline will be 11 a.m. Eastern Time on the specified days within the EFT sale guidelines versus the prior time of 1 p.m. Eastern time on those specified days. This earlier deadline is needed to ensure that the funds are credited to the U.S. Treasury account on the same day they are paid by the company.

#### **Statistical Information for Lease Sale 198:**

Size: 4,000 unleased blocks; 21 million acres

#### **Initial Period:**

5 years for blocks in water depths less than 400 meters:	1,130 blocks
8 years for blocks in water depths of 400 to less than 800 meters:	130 blocks
10 years for blocks in water depths of 800 meters or deeper:	2,740 blocks

**Minimum Bonus Bid Amount:**

\$25.00 per acre or fraction thereof for water depths less than 400 meters:	1,130 blocks
\$37.50 per acre or fraction thereof for water depths 400 meters or deeper:	2,870 blocks

**Rental/Minimum Royalty Rates:**

\$6.25 per acre or fraction thereof for water depths less than 200 meters:	1,020 blocks
\$9.50 per acre or fraction thereof for water depths 200 meters or deeper:	2,980 blocks

**Royalty Rates:**

16-2/3% royalty rate in water depths less than 400 meters:	1,130 blocks
12-1/2% royalty rate in water depths 400 meters or deeper:	2,870 blocks

**Royalty Suspension Areas:**

0 to less than 400 meters:	1,130 blocks
400 to less than 800 meters:	130 blocks
800 to less than 1,600 meters:	240 blocks
1,600 meters to 2,000 meters:	300 blocks
Greater than 2,000 meters:	2,200 blocks

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 the MMS 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.

MMS, an agency of the U.S. Department of the Interior, manages offshore oil and gas exploration as well as renewable and alternative energy sources such as wind, wave, and solar on 1.76 billion acres of the Outer Continental Shelf while protecting the human, marine, and coastal environments. The OCS provides 30 percent of oil and 21 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, and contributes to the Land and Water Conservation Fund and other special use funds, with Fiscal Year 2005 disbursements of approximately \$9.9 billion and more than \$153 billion since 1982.

**Relevant Web Sites:**

[MMS Main Website](#)

[Gulf of Mexico Website:](#)

**Media Contacts:**

**Debra Winbush** (281) 873-1958

**Caryl Fagot** (281) 873-1959

[MMS: Securing Ocean Energy & Economic Value for America](#)  
**U.S. Department of the Interior**