
Leasing Activities Information



FINAL NOTICE OF SALE 204 Western Gulf of Mexico

Attached is the Final Notice of Sale 204 Package (FNOS 204 Package), Western Gulf of Mexico (GOM), scheduled to be held on August 22, 2007, in New Orleans, Louisiana.

This Package consists of:

- FNOS 204
- Lease Stipulations
- Royalty Suspension Provisions
- Information To Lessees
- List of Blocks Available for Leasing
- Unleased Split Blocks and Available Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease or Deferred
- Bid Form and Envelope
- Telephone Numbers/Addresses of Bidders Form
- Example of Preferred Format - Geophysical Data and Information Statement
- Lease Terms and Economic Conditions Map
- Stipulations and Deferred Blocks Map

All documents listed above are available from the MMS Gulf of Mexico Region Public Information Unit; telephone (800) 200-GULF or (504) 736-2519; or by written request to:

Minerals Management Service
Gulf of Mexico OCS Region
Public Information Unit (MS 5034)
1201 Elmwood Park Boulevard
New Orleans, Louisiana 70123-2394

All of these documents may also be found on the MMS Homepage Address on the Internet: www.mms.gov.

~~~~~

### Please Notice:

Terms and conditions for FNOS 204 are generally the same as the August 2006 Western GOM Lease Sale 200 except for the following noteworthy matters:

#### **New Administrative Planning Area Boundary Lines**

Western Gulf of Mexico Planning Area boundaries have been reconfigured. These boundary changes were first announced in the Draft Proposed Oil and Gas Leasing Program for 2007-2012 (February 2006), which may be viewed at the following website: [www.mms.gov/5-year](http://www.mms.gov/5-year). The MMS published new official leasing maps and protraction diagrams with the newly-defined administrative planning area boundaries implemented in this sale.

#### **Extension of 5-Year Initial Lease Term**

A 5-year initial term for a lease issued from this sale may be extended to 8 years if a well targeting hydrocarbons below 25,000 feet true vertical depth subsea (TVD SS) is spudded within the initial 5-year term. The 3-year extension may be granted in cases where the well is drilled to a target below 25,000 feet TVD SS and also in cases where the well does not reach a depth below 25,000 feet TVD SS due to mechanical or safety reasons. See paragraph (I) within the Information to Lessee's document.

**Escalating Rental Rates for Leases with an Approved Extension of the Initial 5-year Period:** Any lease granted a 3-year extension beyond the initial 5-year period will pay an escalating rental rate as identified in more detail in the FNOS 204 Package.

#### **Deepwater Royalty Rate Increase**

Royalty rates have been increased to 16 2/3 percent for blocks in all water depths.

**Royalty Suspension Provisions**

Please note that the final Notice of Sale document now includes the detailed royalty suspension provisions for this sale. In previous sales, those detailed provisions were contained in a separate royalty suspension provisions document contained within the final Notice of Sale package.

**Deepwater Royalty Suspension Price Threshold Changes**

Oil and gas price thresholds have been changed to \$35.75/bbl for oil and \$4.47/mmbtu for natural gas, expressed in 2006 dollars. These thresholds are consistent with those set under the Deepwater Royalty Relief Act at \$28/bbl for oil and \$3.50/mmbtu for natural gas, expressed in 1994 dollars.

**Not Offered:**

Block currently under appeal (although currently unleased, the following block is under appeal and bids will not be accepted:

High Island (Area TX7)  
Block 21

Currently unleased whole blocks and portions of blocks which lie within the boundaries of the Flower Garden Banks National Marine Sanctuary at the East and West Flower Garden Banks and Stetson Bank (the following list includes all blocks affected by the Sanctuary boundaries):

High Island, East Addition, South Extension (Area TX7C)  
Whole Blocks: A-375, A-398  
Portions of Blocks: A-366, A-367, A-374, A-383, A-384, A-385, A-388, A-389, A-397, A-399, A-401

High Island, South Addition (Area TX7B)  
Portions of Blocks: A-502, A-513

Garden Banks (Area NG15-02)  
Portions of Blocks: 134, 135

Whole blocks and portions of blocks which lie within the former Western Gap portion of the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico:

Keathley Canyon (Area NG15-05)  
Portions of Blocks: 978 through 980

Sigsbee Escarpment (Area NG15-08)  
Whole Blocks: 11, 57, 103, 148, 149, 194  
Portions of Blocks: 12 through 14, 58 through 60, 104 through 106, 150

Whole blocks and portions of blocks deferred from this lease sale are shown on the map "Stipulations and Deferred Blocks, Lease Sale 204, Final."

**Statistical Information (Lease Sale 204):**

**Approximate Size:** 3,338 unleased blocks; 18 million acres

**Initial Period:**

|                                                                                                                                                                                                                                 |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 5 years for blocks in water depths less than 400 meters (with a possible extension to 8 years if drilling requirements are met):                                                                                                | 1,814 blocks |
| 8 years for blocks in water depths of 400 to less than 800 meters (pursuant to 30 CFR 256.37, commencement of an exploratory well is required within the first 5 years of the initial 8-year term to avoid lease cancellation): | 283 blocks   |
| 10 years for blocks in water depths of 800 meters or deeper:                                                                                                                                                                    | 1,241 blocks |

**Minimum Bonus Bid Amount:**

|                                                                             |              |
|-----------------------------------------------------------------------------|--------------|
| \$25.00 per acre or fraction thereof for water depths less than 400 meters: | 1,814 blocks |
| \$37.50 per acre or fraction thereof for water depths 400 meters or deeper: | 1,524 blocks |

**Rental/Minimum Royalty Rates:**

|                                                                                                                                                                                                                                                                |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| \$6.25 per acre or fraction thereof for water depths less than 200 meters (with a possible escalation to as much as \$25.00 per acre if the lease has an approved extension of the initial 5-year period):                                                     | 1,687 blocks |
| \$9.50 per acre or fraction thereof for water depths 200 meters or deeper (with a possible escalation to as much as \$38.00 per acre in the 200 to less than 400 meter water depth range if the lease has an approved extension of the initial 5-year period): | 1,651 blocks |

**Royalty Rates:**

|                                           |              |
|-------------------------------------------|--------------|
| 16-2/3% royalty rate in all water depths: | 3,338 blocks |
|-------------------------------------------|--------------|

**Royalty Suspension Areas:**

|                               |              |
|-------------------------------|--------------|
| 0 to less than 400 meters:    | 1,814 blocks |
| 400 to less than 800 meters:  | 283 blocks   |
| 800 to less than 1600 meters: | 723 blocks   |
| 1600 to 2000 meters:          | 223 blocks   |
| Greater than 2000 meters:     | 295 blocks   |

For more information on the FNOS 204 Package, potential bidders are advised to contact Mr. Carrol Williams at (504) 736-2803, Ms. Nancy Kornrumpf at (504) 736-2726, or Ms. Ann Glazner at (504) 736-1759 of the MMS GOM OCS Region Sales and Support Unit.

-MMS-

Gulf of Mexico Region Public Information Unit  
Minerals Management Service  
1201 Elmwood Park Boulevard  
New Orleans, Louisiana 70123-2394  
Telephone: (504) 736-2519 or (800) 200-GULF  
MMS Homepage Address on the Internet: [www.mms.gov](http://www.mms.gov)

**MMS** *Securing Ocean Energy &  
Economic Value for America*