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# Leasing Activities Information



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

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## FINAL NOTICE OF SALE 198 Central Gulf of Mexico

Attached is the Final Notice of Sale 198 Package (FNOS 198 Package), Central Gulf of Mexico (GOM), scheduled to be held on March 15, 2006, in New Orleans, Louisiana.

This Package consists of:

- FNOS 198
- 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](http://www.mms.gov).

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**Please Notice:**

Terms and conditions for FNOS 198 are generally the same as the March 2005 Central GOM Lease Sale 194 except for the following noteworthy matters:

### **Deepwater Royalty Relief Lease Terms**

Lease terms for deepwater royalty relief were specified in the Energy Policy Act of 2005 and initially implemented with the recent August 2005 Western GOM Lease Sale 196. The new provisions of the Act eliminated the 1600 meters or deeper category of royalty relief and established two new royalty suspension volume categories: 12 million barrels of oil equivalent (BOE) for leases located in water depths of 1600 meters to 2000 meters, and 16 million BOE for leases located in water depths greater than 2000 meters. These new royalty suspension volumes will apply to relevant leases issued as a result of Lease Sale 198.

### **Shallow-Water Deep Gas Royalty Relief**

The Energy Policy Act of 2005 also provided shallow-water deep gas royalty relief. In this lease sale, such relief is available to leases in water depths of 0 to less than 400 meters (previous lease sale relief was in the 0 to less than 200 meter range). In addition, this lease sale will provide incentives for ultra deep wells subject to the rulemaking under the Energy Policy Act of 2005.

### **Deferred Blocks – Currently Under Appeal**

The high bid rejection decisions for South Pelto Block 16 and West Delta Blocks 129 and 144 are currently under appeal; therefore, these blocks are deferred from this lease sale. High bids for said blocks were rejected in the March 2005 Central GOM Lease Sale 194.

### **Rental/Minimum Royalty Rates**

This will be the first Central GOM lease sale with the higher rental rates that were implemented in the August 2005 Western GOM Lease Sale 196. As a reminder, those rates are \$6.25 per acre or fraction thereof for blocks in water depths less than 200 meters and \$9.50 per acre or fraction thereof for blocks in water depths 200 meters or deeper.

### **Limitation on Use of Seabed and Water Column in the Vicinity of an Approved Research Facility for Gas Hydrates, Mississippi Canyon Area, Block 118**

A newly developed lease stipulation regarding Mississippi Canyon Block 118 has been implemented 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. Please refer to the Lease Stipulations document included in the FNOS 198 Package.

### **Limitation on Use of Seabed and Water Column in the Vicinity of the Approved Gulf Landing Offshore LNG Deepwater Port Receiving Terminal, West Cameron Area, Block 213**

A newly developed stipulation regarding West Cameron Area, Block 213, has been adopted. Please refer to the Lease Stipulations document and paragraph (r) in the Information To Lessees document included in the FNOS 198 Package.

**Change in Submission Time for Electronic Funds Transfer (EFT) to 11 a.m. Eastern Time**

Bidders are advised of the change in submission time for the 1/5<sup>th</sup> bonus, 4/5<sup>th</sup> bonus, and 1st year rental payments to 11 a.m. Eastern Time versus the prior time of 1 p.m. Eastern Time. Please refer to paragraph (s) in the Information To Lessees document for specific details.

**Potential Sand Dredging Activities**

It is likely that offshore dredging activities will occur in the near-term in some of the following blocks: Ship Shoal Area Blocks 87 through 89, 94 and 95; South Pelto Area Blocks 12 through 14, 18 and 19; West Delta Area Blocks 27 and 49; Eugene Island Area Blocks 10, 18 through 35, 37 through 69, and 71 through 93; and South Marsh Island North Addition Area Blocks 207 through 222, 226 through 232, and 241 through 246. Please refer to paragraph (p) of the Information To Lessees document included in the FNOS 198 Package.

**Archaeological Resource Surveys and Reports**

Effective July 1, 2005, NTL No. 2005-G10 conveys additions to the list of OCS blocks that require archaeological resource surveys and reports for submittal to the MMS, and the required survey line-spacing for each block. This NTL does not rescind recently issued NTL 2005-G07 which provides guidance on MMS regulations regarding archaeological discoveries, clarifies when you must report discoveries to MMS, states that you are responsible for conducting discovery investigations and assessments, and reminds you of the penalties that could be assessed for non-compliance. It announces changes to deepwater survey requirements by increasing the number of archaeologically sensitive OCS blocks. It also makes numerous technical amendments and updates cited regulatory authorities. Each NTL has an attached list of relevant OCS blocks which can also be identified on the MMS Website.

**Not Offered:**

**South Pelto (Area LA6B): Block 16**

The high bid rejection decision for this block is currently under appeal.

**West Delta (Area LA8A): Blocks 129 and 144**

The high bid rejection decisions for these blocks are currently under appeal.

**Lund South (Area NG16-07): Blocks 172 and 173; 213 through 217; 252 through 261; 296 through 305; and 349**

These blocks are beyond the United States Exclusive Economic Zone in the area known as the Northern portion of the Eastern Gap.

**Amery Terrace (Area NG15-09): Whole Blocks: 280 and 281; 318 through 320; and 355 through 359. Partial Blocks: 235 through 238; 273 through 279; and 309 through 317**

These whole and partial blocks are beyond the United States Exclusive Economic Zone and lie within the 1.4 nautical mile buffer zone north of the continental shelf boundary between the United States and Mexico.

**Statistical Information for Lease Sale 198:**

**Size:** 4,040 unleased blocks; 21.3 million acres

**Initial Period:**

|                                                                                                                                                                                                                                 |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 5 years for blocks in water depths less than 400 meters:                                                                                                                                                                        | 1,174 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): | 120 blocks   |
| 10 years for blocks in water depths of 800 meters or deeper:                                                                                                                                                                    | 2,746 blocks |

**Minimum Bonus Bid Amount:**

|                                                                             |              |
|-----------------------------------------------------------------------------|--------------|
| \$25.00 per acre or fraction thereof for water depths less than 400 meters: | 1,174 blocks |
| \$37.50 per acre or fraction thereof for water depths 400 meters or deeper: | 2,866 blocks |

**Rental/Minimum Royalty Rates:**

|                                                                            |              |
|----------------------------------------------------------------------------|--------------|
| \$6.25 per acre or fraction thereof for water depths less than 200 meters: | 1,086 blocks |
| \$9.50 per acre or fraction thereof for water depths 200 meters or deeper: | 2,954 blocks |

**Royalty Rates:**

|                                                            |              |
|------------------------------------------------------------|--------------|
| 16-2/3% royalty rate in water depths less than 400 meters: | 1,174 blocks |
| 12-1/2% royalty rate in water depths 400 meters or deeper: | 2,866 blocks |

**Royalty Suspension Areas:**

|                               |              |
|-------------------------------|--------------|
| 0 to less than 400 meters:    | 1,174 blocks |
| 400 to less than 800 meters:  | 120 blocks   |
| 800 to less than 1600 meters: | 189 blocks   |
| 1600 to 2000 meters:          | 162 blocks   |
| Greater than 2000 meters:     | 2,395 blocks |

For more information on the FNOS 198 Package, potential bidders are advised to contact Ms. Jane Burrell Johnson at (504) 736-2811 or Ms. Nancy Kornrumpf at (504) 736-2726 of the MMS GOM OCS Region Sales and Support Unit.

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