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Dr. Marshall Rose
Chief, Economics Division
Minerals Management Service Room 3120
381 Elden Street
Herndon, Virginia 20170

VIA EMAIL: marshall.rose@mms.gov

Subject: Comments on Notice of Availability of the Proposed Notice of Sale for Outer Continental Shelf Oil and Gas Lease Sale 213 in the Central Planning Area in the Gulf of Mexico

Dear Mr. Rose:

Apache Corporation appreciates the opportunity to submit comments to the Minerals Management Service (MMS) on the Notice of Availability of the Proposed Notice of Sale for Outer Continental Shelf Oil and Gas Lease Sale 213 in the Central Planning Area in the Gulf of Mexico.

Apache Corporation is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. In North America, the Company's exploration and production interests are focused in the Gulf of Mexico, the Gulf Coast, East Texas, the Permian Basin, the Anadarko Basin and the Western Sedimentary Basin of Canada. Apache thanks the Department of Interior for the opportunity to comment on the Proposed Program and draft environmental impact statement. We trust you will consider our views as you prepare the final program and environmental impact statement.

Apache is pleased MMS is moving forward with planned lease sales, but has concerns regarding changes in lease terms. Regulations addressing diligence are already in place and provide the American public with a fair market value for its resources. Oil and natural gas companies actively develop their leases but not every lease contains hydrocarbons in commercial quantities. Companies go through a long process with new leases including geologic evaluation and seismic studies, which require more permitting.

If commercial quantities exist, another permit for an exploratory well is required. Shortening the terms of leases would make this already tedious process more difficult. Companies invest billions of dollars to obtain and sustain their lease inventories. A company must pay an initial bonus fee to acquire a lease and annual rental payments during the pre-production period. If the high bonus bid is accepted, the working interest is conveyed to the lessee for a limited period called the initial term. During the initial term of a lease and before the lease goes into production, when the lessor is not receiving any benefit from its retained royalty interest, the lessee pays annual rentals.

Companies are already required under government regulations to develop a lease expeditiously (between five- and 10-year terms depending on the area) or return it to the government. Leases not producing by the end of their term are returned back to the government, which can then re-lease them.

It is critical that the government move swiftly to increase and encourage oil and gas production given today's supply and price situation. As our nation's energy demand continues to increase, a failure to provide needed access to the OCS will increase domestic energy prices, slow U.S. economic growth and create hardships for consumers.

Thank you for considering our comments on the Notice of Availability of the Proposed Notice of Sale for Outer Continental Shelf Oil and Gas Lease Sale 213 in the Central Planning Area in the Gulf of Mexico and hopes MMS will reconsider it proposal to shorten the terms of leases in the OCS.

Sincerely,

Obie O'Brien
Vice President, Governmental Affairs