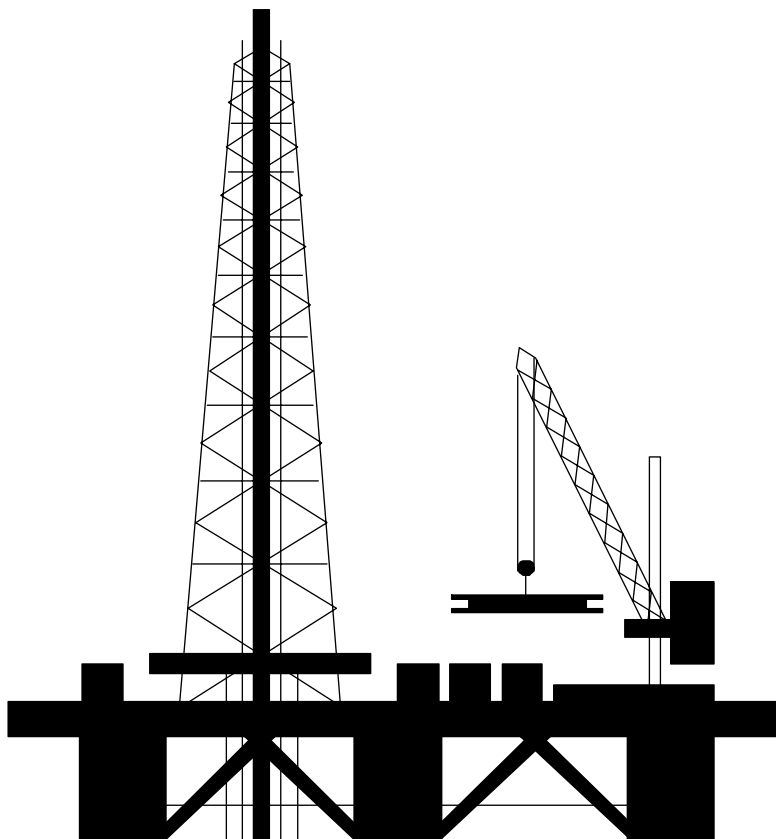


Central Gulf of Mexico Sale 185 March 19, 2003

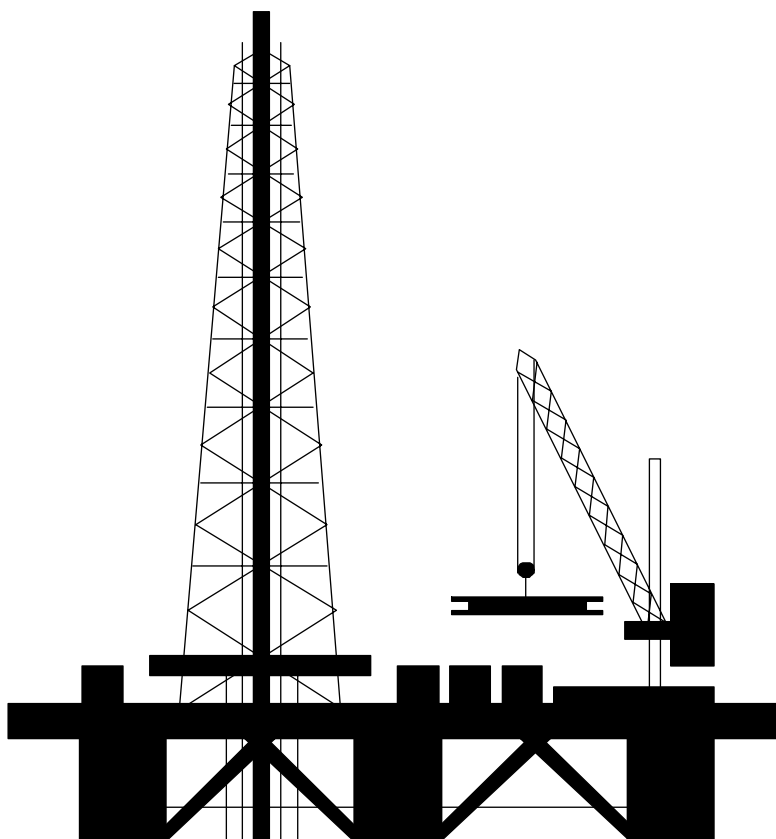
Sale Summary, Bidding Results and
Related Analyses



Central Gulf of Mexico Sale 185 March 19, 2003

Sale Summary, Bidding Results and
Related Analyses

By
Larry Slaski



Contents

Sale 185, Central Gulf of Mexico	1
Bidding Results	1
Bidding on Royalty Suspension Volume Tracts	3
Phase 1 Results	3
Revised Arithmetic Average Measure of Tract (RAM)	4
Bidding Activity.....	5
Sale 185 vs. Sale 182	6

Tables

1. Bidding Activity by Water Depth Zone.....	1
2. Bidding Results by Number of Bids Submitted.....	2
3. Bidding Results by High Bid per Acre	2
4. Phase 1 Results by Number of Bids.....	4
5. Phase 1 Results by High Bid per Acre.....	4
6. Most Active Bidders by Total Amount of High Bids	6

Appendices

Appendix A – Sale 185	
Bidding Summary	
Appendix B – Sale 185	
Bidding by Number of Bids	
Appendix C – Sale 185	
Bidding by High Bid per Acre	
Appendix D – Sale 185	
Bidding Results – Graphs	
Appendix E – Sale 185	
Revised Arithmetic Average Measure (RAM)	
Appendix F – Sale 185	
Summary of Company Bids	
Appendix G – Sales 185 and 182	
Active Bidders	
Appendix H – Sales 185 and 182	
Comparison of Sales – Graphs	
Appendix I – Sale 185	
High Bid Rejections	
Appendix J – Modifications to the Bid Adequacy Procedures	
Bid Adequacy Procedures	

Central Gulf of Mexico

Sale Overview

Sale 185 is the third sale in the Central Gulf of Mexico (CGOM) planning area in which the sale's royalty suspension volumes and water depth categories were specified in the notice of lease sale. In this sale, 561 tracts received 793 bids (an average of 1.41 bids per tract). Tracts located in water depths eligible for deepwater royalty relief received 177 bids, while those tracts in water depths eligible for shallow water, deep gas royalty relief received 374 bids.

Bidding Results

Sale 185 was about 11 percent larger than CGOM Sale 182 held in 2002 in terms of the number of tracts receiving bids. The decrease in aggregate high bids in Sale 185 compared to Sale 182 was about 13 percent. In Sale 185, 561 tracts received 793 bids with high bids totaling \$315,531,229.

Table 1 summarizes bidding results by water depth zone. More complete details are presented in Appendix A.

Table 1. *Bidding Activity by Water Depth Zone*

Water Depth	Tracts with Bids	High Bids(MM)	Number of Bids	Average Bids/Tract
< 200 m	374	\$175.19	530	1.42
200 - 399 m	10	\$13.95	21	2.10
400 - 799 m	35	\$23.41	39	1.11
800 - 1,599 m	79	\$76.61	113	1.43
1,600+ m	63	\$26.37	88	1.40
Total	561	\$315.53	793	1.41

The bidding activity in Sale 185 resulted in an increase in the number of tracts receiving bids and number of bids, but a decrease in aggregate high bids compared to the previous CGOM sale (Sale 182, March 20, 2002). In Sale 182, 506 tracts received 697 bids, whereas 561 tracts received 793 bids in Sale 185, resulting in increases of 11 and 14 percent, respectively. However, the sum of high bids submitted on tracts receiving bids in Sale 185 decreased by about 13 percent compared to Sale 182 (\$315.53 million vs. \$363.21 million). The increase in tracts and number of bids was due to greater bidding activity in water depths of less than 200 meters.

The decrease in aggregate high bids was due to lower bids in water depths of more than 400 meters. The amount of competition for tracts was similar to other recent CGOM lease sales. About 73 percent of tracts received single-bids. A summary of bidding results by number of bidders is presented in Table 2, and bidding results by number of bids for the various water depth zones are presented in Appendix B.

Table 2. *Bidding Results by Number of Bids Submitted*¹

Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	412	73.44%	\$148.84	47.17%
2	98	17.47%	\$76.96	24.39%
3	34	6.06%	\$44.59	14.13%
4	11	1.96%	\$30.97	9.82%
5 or more	6	1.07%	\$14.17	4.49%
Total	561	100.00%	\$315.53	100.00%

Sale 185 was typical of sales in the CGOM. Many more tracts received high bids greater than \$50 per acre than those receiving less than that amount. In Sale 185, tracts with high bids greater than \$150 per acre accounted for about 56 percent of aggregate high bids, an amount lower than that observed in Sale 182. A summary of bidding results by high bid per acre for the sale is presented in Table 3, and bidding results by high bid per acre for the various water depth zones are presented in Appendix C. In addition, a graphical presentation of bidding results is presented in Appendix D.

Table 3. *Bidding Results by High Bid per Acre*

High Bid per Acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	230	41.00%	\$43.58	13.81%
\$50 - 74.99	145	25.85%	\$45.71	14.49%
\$75 - 99.99	52	9.27%	\$22.86	7.24%
\$100 - 149.99	46	8.20%	\$26.54	8.41%
\$150+	88	15.69%	\$176.84	56.05%
Total	561	100.00%	\$315.53	100.00%

¹In the tables throughout this report, percent totals may not add exactly to 100.00% because of rounding. In addition, other totals in the tables, e.g., high bids, also may differ slightly from the text because of rounding.

Bidding on Royalty Suspension Volume Tracts

Thirty-five tracts in water depths between 400 - 799 meters that are eligible for royalty suspension volumes of 5 million barrels of oil equivalent (MMBOE) received bids, as did 79 tracts in 800 - 1,599 meters that are eligible for royalty suspension volumes of 9 MMBOE, and including 63 tracts in 1,600 meters or more that are eligible for royalty suspension volumes of 12 MMBOE. These tracts accounted for 32 percent of the tracts in the sale receiving bids and 40 percent of the sale's high bids. To put the magnitude of this bidding activity in perspective, the number of tracts receiving bids in water depths of 400 meters or more in Sale 186 was 11 percent lower, and their associated high bids were 44 percent lower than those received in Sale 182. In all, the water depth categories in 400 meters or more, the average high bid per acre was less in Sale 185 than in Sale 182. In the 1,600 meters or more water depth category, the average high bid per acre in Sale 185 was only about one-third the amount received in Sale 182.

In the water depth categories between 200 - 399 meters, bidding activity in Sale 185 was lower than the level observed in Sale 182, but the Sale 185 average high bid per acre was much higher. In Sales 185 and 182, tracts in water depths between 200 - 399 meters were not eligible for automatic royalty suspension volumes.

In comparing the average high bid per acre by water depth category between Sales 185 and 182 in water depth categories below 400 meters, the Sale 185 averages were above those observed in Sale 182. In water depths less than 200 meters, the Sale 185 average was \$101.33/acre and the Sale 182 average was \$94.65/acre. In 200 - 399 meters, Sale 185's average was \$268.68/acre and Sale 182's was \$121.99/acre. For the deeper water depths, the Sale 185 averages were less than the Sale 182 averages. In 400 - 799 meters, Sale 185's average was \$116.12/acre and Sale 182's was \$135.22/acre. In 800 - 1,599 meters, Sale 185's average was \$168.36/acre and Sale 182's was \$217.57/acre. Finally, in 1,600 meters or more, Sale 185's average was \$72.66/acre and Sale 182's was \$215.41/acre. Even with some lower bids, these results suggest that industry continues to perceive significant economic potential to exist in all water depths in the CGOM as average high bids still are well above the minimum bid level.

Phase 1 Results

Following the post-sale bid evaluation procedures, which include a modified 3-bid rule, high bids on 133 tracts were accepted in Phase 1 of Sale 185. High bids were accepted on 110 tracts in water depths less than 200 meters, 4 tracts in 200 - 399 meters, and 19 tracts in water depths of 400 meters or more, which are eligible for automatic royalty suspension volumes. The Phase 1 accepted high bids that accounted for about 24 percent of the tracts, representing 17 percent of the high bids.

The high bids accepted in Phase 1 were in two categories of tracts. There were 123 wildcat and confirmed tracts, both were determined to be non-viable. In addition, 10 tracts were accepted in Phase 1 by the number of bids rule. The Sale 185, Phase 1 results by number of bids and high bid per acre are presented in Tables 4 and 5, respectively.

Table 4. *Phase 1 Results by Number of Bids*

Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	110	82.71%	\$28.07	52.22%
2	12	9.02%	\$3.63	6.75%
3+	11	8.27%	\$22.05	41.03%
Total	133	100.00%	\$53.75	100.00%

Table 5. *Phase 1 Results by High Bid per Acre*

High Bid per Acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	71	53.38%	\$12.53	23.31%
\$50 - 74.99	27	20.30%	\$7.39	13.75%
\$75 - 99.99	12	9.02%	\$4.85	9.02%
\$100 - 149.99	14	10.53%	\$7.80	14.51%
\$150+	9	6.77%	\$21.18	39.41%
Total	133	100.00%	\$53.75	100.00%

Revised Arithmetic Average Measure of Tract (RAM)

The RAM is a secondary bid acceptance criterion that was used in Phase 2 of the Sale 185 bid evaluation process on multi-bid tracts, which have high bids not exceeding the Government's Adjusted Delayed Value (ADV). The ADV is explained in detail in Appendix J.

For evaluating the high bids on multi-bid tracts that do not exceed the ADV, the RAM is applied to (a) drainage and development (DD) tracts having three or more qualified bids with the third highest bid being at least 25 percent of the tract's high bid, and (b) confirmed and wildcat tracts having two or more qualified bids with the second highest bid being at least 25 percent of the tract's high bid. Only bids that are at least 25 percent of the high bid are considered in calculating the RAM. If the high bid exceeds the RAM, it is accepted.

Use of the RAM allows the MMS to balance market factors and its own ADV evaluation in determining fair market value. Previously, using the Geometric Average Evaluation Of Tract (GAEOT), a few low losing bids on a tract were sufficient to require an MMS evaluation of the ADV well in excess of \$100 million for the high bid to be rejected.

Using the RAM, the highest ADV required to reject a high bid on a multi-bid tract in Sale 185 was about \$5 million, and the majority was less than \$2 million. These values are not unreasonable relative to high bids observed in this sale.

In Sale 185, 41 tracts classified as wildcat and confirmed, and that received three or more bids were passed to Phase 2 for evaluation. Based on the RAM, these tracts, potentially, could have bids accepted or rejected. After adjusting the number of bids to include only those bids that are at least 25 percent of a tract's high bid, 32 tracts could be eligible for a decision based on the RAM. These 32 tracts would require ADV's of around \$0.14 million to \$5.24 million for rejection. No high bids in Sale 185 were accepted because of the RAM. Detailed tables of tracts receiving three or more bids by water depth zone are presented in Appendix E.

Bidding Activity

The number of companies participating in Sale 185 decreased slightly to 74 from the 77 active in Sale 182, the previous CGOM sale. Fourteen companies submitted bids (either solo or jointly) on 20 or more tracts. Kerr-McGee Oil & Gas was the most active company in terms of bids submitted with 69. The most high bids, 63, also were submitted by Kerr-McGee Oil & Gas. In addition, Kerr-McGee Oil & Gas had the greatest aggregate high bids with a total of \$25.2 million.

With about 27 percent of the tracts receiving bids in the sale being multi-bid tracts, only one firm, Mariner Energy was the high bidder on every bid it submitted with 10 or more bids. For firms submitting 20 or more bids, the most successful bidder was Kerr-McGee Oil & Gas, with 63 high bids out of the 69 bids that it offered.

Listed in Table 6 are the 10 most active bidders in terms of total amount of high bids. Also listed in the table are the total number of bids and number of high bids submitted by the companies with their rank indicated in parentheses. Appendix F contains a summary of bids for all companies that participated in the sale.

Many of the companies that were most active in CGOM Sale 182 (March 20, 2002) were not among the most active in Sale 185. Among the companies that were very active in Sale 185, but had been less active in the previous CGOM sale were Murphy Exploration & Production, Union Oil Company of California, Newfield Exploration, and Ocean Energy. Although the magnitude of the high bids was lower in Sale 185 than in Sale 182, in general, companies with relatively high levels of interest in the CGOM in previous sales continued to participate in the current sale. Appendix G presents a listing of bidding by the most active companies in Sales 185 and 182.

Table 6. *Most Active Bidders by Total Amount of High Bids*
(For Number of Bids and High Bids, rank is in parentheses.)

Company	Total High Bids	Number of Bids	High Bids
Kerr-McGee Oil & Gas	\$28,195,761	69 (1)	63 (1)
Chevron USA	\$21,704,955	56 (5)	41 (4)
Murphy Exploration & Production	\$21,540,463	44 (6)	35 (6)
Union Oil Co. of California	\$18,709,956	37 (7)	27 (7)
Dominion Exploration & Production	\$14,310,657	18 (17)	12 (18)
Newfield Exploration	\$12,579,570	62 (3)	51 (2)
Spinnaker Exploration	\$12,000,003	19 (15)	15 (14)
Ocean Energy	\$11,561,461	26 (10)	22 (9)
BHP Billiton Petroleum (Deepwater)	\$10,484,426	65 (2)	50 (3)
LLOG Exploration Offshore	\$8,773,900	22 (14)	14 (16)

Sale 185 vs. Sale 182

The results of Sale 185 were higher than the results of Sale 182 in the other categories of bidding activity except for average high bid per acre and aggregate high bids. The average high bid per acre was \$142.35 in Sale 182 as compared with \$112.68 in Sale 185. High bids in Sale 185 were \$315,531,229 a decrease of 13 percent as compared to \$363,210,467 in Sale 182. However, in Sale 185, 561 tracts received 793 bids, which exceeds the 697 bids received for 506 tracts in Sale 182. In addition, the number of bids per tract increased slightly to 1.41 from 1.38 in the previous sale.

Moreover, the amount of bidding activity in deep water in Sale 185 decreased compared to Sale 182. Specifically, the number of tracts potentially eligible for deepwater royalty suspension volumes (water depth of 400 meters or more) receiving bids decreased by about 11 percent and the high bids on these tracts decreased 44 percent. However, on the tracts eligible for shallow water, deep gas royalty suspension volumes (water depth of less than 200 meters), bidding activity increased in Sale 185 compared to Sale 182. In Sale 185, 374 tracts potentially eligible for this category of royalty relief received bids compared with 288 in Sale 182, an increase of 30 percent. The high bids on tracts in water depths of less than 200 meters increased by 30 percent compared to the previous sale in the CGOM. Appendix H presents a graphical comparison of sale results.

In Sale 185, 12 tracts with high bids that were rejected in Sale 182 received bids. In addition, there were three rejected tracts from Sale 182 with aggregate high bids of \$751,674 that did not receive bids in Sale 185.

The high bids on the 12 tracts with bids increased from \$4,726,547 in Sale 182 to \$17,707,343 in Sale 185, an increase in high bids of 275 percent. The number of bids on these 12 tracts increased from 20 to 24, a gain of 20 percent. Subsequently, the high bids on six of the tracts were rejected in Sale 185. For the six tracts on which the high bids were accepted, the increase in high bids was 452 percent. The potential to realize substantial gains in high bids on tracts that were previously rejected highlights the importance of MMS's bid adequacy procedure.

Appendix A –
Sale 185
Bidding Summary

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 185

Sale Day Statistics by Royalty Rate

	<u>16 2/3% Royalty</u>	<u>12 1/2% Royalty</u>	<u>Sale Total</u>
Tracts Receiving Bids	384	177	561
Acres Receiving Bids	1,780,767.17	1,019,520.00	2,800,287.17
Sum of High Bids	\$189,144,497	\$126,386,732	\$315,531,229
Sum of All Bids	\$266,948,884	\$147,789,793	\$414,738,677
Total Number of Bids	551	242	793
Average Bids	1.43	1.37	1.41
Companies Bidding	67	32	74
Highest Bid per Tract	\$8,216,885	\$7,750,750	\$8,216,885
- Tract Number	G24873	G25152	G24873
- Number of Bids	3	2	3
Highest Bid per Acre	\$1,815.27	\$1,345.62	\$1,815.27
- Tract Number	G24820	G25152	G24820
- Number of Bids	3	2	3
Most Bids	10	4	10
- Tract Number	G24701	G25141	G24701

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 185

Sale Day Statistics for 16 2/3% Royalty Rate Tracts

	<u>16 2/3% w/RS¹</u>	<u>16 2/3% w/ROY²</u>	<u>16 2/3% Total</u>
Tracts Receiving Bids	374	10	384
Acres Receiving Bids	1,728,830.19	51,936.98	1,780,767.17
Sum of High Bids	\$175,190,294	\$13,954,203	\$189,144,497
Sum of All Bids	\$237,808,605	\$29,140,279	\$266,948,884
Total Number of Bids	530	21	551
Average Bids	1.42	2.10	1.43
Companies Bidding	66	18	67
Highest Bid per Tract	\$8,216,885	\$5,431,000	\$8,216,885
- Tract Number	G24873	G25072	G24873
- Number of Bids	3	4	3
Highest Bid per Acre	\$1,815.27	\$978.03	\$1,815.27
- Tract Number	G24820	G25072	G24820
- Number of Bids	3	4	3
Most Bids	10	4	10
- Tract Number	G24701	G25072 G25073	G24701

¹ "16 2/3% w/RS" is that category of tract in less than 200 meters of water with a royalty rate of 1/6 that is eligible for royalty suspension volumes of 20 billion cubic feet for natural gas from wells 15,000 feet or more deep.

² "16 2/3% w/ROY" is that category of tract in 200 to 399 meters of water with a royalty rate of 1/6 that is not eligible for an automatic royalty suspension volume.

Central Gulf of Mexico

OCS Oil and Gas Lease Sale 185

Sale Day Statistics for 12 1/2% Royalty Rate Tracts

	<u>12 1/2% w/RS5¹</u>	<u>12 1/2% w/RS3²</u>	<u>12 1/2% w/RS4³</u>	<u>12 1/2% Royalty</u>
Tracts Receiving Bids	35	79	63	177
Acres Receiving Bids	201,600.00	455,040.00	362,880.00	1,019,520.00
Sum of High Bids	\$23,409,731	\$76,610,838	\$26,366,163	\$126,386,732
Sum of All Bids	\$26,117,506	\$89,232,369	\$32,439,918	\$147,789,793
Total Number of Bids	41	113	88	242
Average Bids	1.17	1.43	1.40	1.37
Companies Bidding	22	24	19	32
Highest Bid per Tract	\$4,200,000	\$7,750,750	\$4,005,760	\$7,750,750
- Tract Number	G25103	G25152	G25206	G25152
- Number of Bids	3	2	2	2
Highest Bid per Acre	\$729.17	\$1,345.62	\$695.44	\$1,345.62
- Tract Number	G25103	G25152	G25206	G25152
- Number of Bids	3	2	2	2
Most Bids	3	4	3	4
- Tract Number	G25103	G25141	G25193, G25198 G25199, G25242 G25258	G25141

¹ “12 1/2% w/RS5” is that category of tract in 400 to 799 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 5 MMBOE per lease.

² “12 1/2% w/RS3” is that category of tract in 800 to 1,599 meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 9 MMBOE per lease.

³ “12 1/2% w/RS4” is that category of tract in 1,600 or more meters of water with a royalty rate of 1/8 that is eligible for a royalty suspension volume of 12 MMBOE per lease.

Appendix B –

Sale 185

Bidding by Number of Bids

Sale 185

All Tracts

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	412	73.44%	\$148.84	47.17%
2	98	17.47%	\$76.96	24.39%
3	34	6.06%	\$44.59	14.13%
4	11	1.96%	\$30.97	9.82%
5+	6	1.07%	\$14.17	4.49%
Total	561	100.00%	\$315.53	100.00%

Tracts with 1/6 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	288	75.00%	\$90.64	47.92%
2	56	14.58%	\$33.29	17.60%
3	24	6.25%	\$27.15	14.35%
4	10	2.60%	\$23.89	12.63%
5+	6	1.56%	\$14.17	7.49%
Total	384	100.00%	\$189.14	100.00%

Tracts with 1/8 Royalty Rate

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	124	70.06%	\$58.20	46.05%
2	42	23.73%	\$43.67	34.55%
3	10	5.65%	\$17.44	13.80%
4	1	0.56%	\$7.08	5.60%
5+	0	0.00%	\$0.00	0.00%
Total	199	100.00%	\$126.39	100.00%

Sale 185, by Water Depth Category

1/6 Royalty (<200 meters; 20 billion cubic feet Royalty Suspension Volume [RSV] for gas from deep wells, i.e., drilling depth of 15,000 feet or more)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	284	75.94%	\$89.15	50.89%
2	53	14.17%	\$30.96	17.67%
3	23	6.15%	\$25.29	14.44%
4	8	2.14%	\$15.61	8.91%
5+	6	1.60%	\$14.17	8.09%
Total	374	100.00%	\$175.19	100.00%

1/6 Royalty (200-399 meters; no automatic RSV)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	4	40.00%	\$1.49	10.68%
2	3	30.00%	\$2.33	16.69%
3	1	10.00%	\$1.85	13.29%
4	2	20.00%	\$8.28	59.35%
5+	0	0.00%	\$0.00	0.00%
Total	10	100.00%	\$13.95	100.00%

1/8 Royalty (400-799 meters; 5 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	30	85.71%	\$14.74	62.98%
2	4	11.43%	\$4.47	19.08%
3	1	2.86%	\$4.20	17.94%
4	0	0.00%	\$0.00	0.00%
5+	0	0.00%	\$0.00	0.00%
Total	35	100.00%	\$23.41	100.00%

1/8 Royalty (800-1,599 meters; 9 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	51	64.56%	\$27.64	36.08%
2	23	29.11%	\$30.51	39.82%
3	4	5.06%	\$11.39	14.86%
4	1	1.27%	\$7.08	9.24%
5+	0	0.00%	\$0.00	0.00%
Total	79	100.00%	\$76.61	100.00%

1/8 Royalty (1,600 or more meters; 12 MMBOE RSV per lease)

No. Of Bids	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
1	43	68.25%	\$15.81	59.98%
2	15	23.81%	\$8.70	32.99%
3	5	7.94%	\$1.85	7.04%
4	0	0.00%	\$0.00	0.00%
5+	0	0.00%	\$0.00	0.00%
Total	63	100.00%	\$26.37	100.00%

Appendix C –

Sale 185

Bidding by High Bid per Acre

Sale 185

All Tracts

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	230	41.00%	\$43.58	13.81%
\$50 - 74.99	145	25.85%	\$45.71	14.49%
\$75 - 99.99	52	9.27%	\$22.86	7.24%
\$100 - 149.99	46	8.20%	\$26.54	8.41%
\$150+	88	15.69%	\$176.84	56.05%
Total	561	100.00%	\$315.53	100.00%

Tracts with 1/6 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	165	42.97%	\$27.54	14.56%
\$50 - 74.99	86	22.40%	\$25.21	13.33%
\$75 - 99.99	38	9.90%	\$15.69	8.30%
\$100 - 149.99	32	8.33%	\$16.89	8.93%
\$150+	63	16.41%	\$103.81	54.88%
Total	384	100.00%	\$189.14	100.00%

Tracts with 1/8 Royalty Rate

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	65	36.72%	\$16.03	12.69%
\$50 - 74.99	59	33.33%	\$20.50	16.22%
\$75 - 99.99	14	7.91%	\$7.16	5.67%
\$100 - 149.99	14	7.91%	\$9.65	7.64%
\$150+	25	14.12%	\$73.04	57.79%
Total	177	100.00%	\$126.39	100.00%

Sale 185, by Water Depth Category

1/6 Royalty (<200 meters; 20 billion cubic feet Royalty Suspension Volume [RSV] for gas from deep wells, i.e., drilling depth of 15,000 feet or more)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	164	43.85%	\$27.44	15.66%
\$50 - 74.99	84	22.46%	\$24.76	14.13%
\$75 - 99.99	37	9.89%	\$15.14	8.64%
\$100 - 149.99	30	8.02%	\$15.56	8.88%
\$150+	59	15.78%	\$92.30	52.68%
Total	374	100.00%	\$175.19	100.00%

1/6 Royalty (200-399 meters; no automatic RSV)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	1	10.00%	\$0.11	0.76%
\$50 - 74.99	2	20.00%	\$0.45	3.24%
\$75 - 99.99	1	10.00%	\$0.56	3.99%
\$100 - 149.99	2	20.00%	\$1.33	9.51%
\$150+	4	40.00%	\$11.51	82.49%
Total	10	100.00%	\$13.95	100.00%

1/8 Royalty (400 - 799 meters; 5 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	11	31.43%	\$2.54	10.87%
\$50 - 74.99	10	28.57%	\$3.36	14.35%
\$75 - 99.99	3	8.57%	\$1.57	6.72%
\$100 - 149.99	3	8.57%	\$2.16	9.24%
\$150+	8	22.86%	\$13.77	58.83%
Total	35	100.00%	\$23.41	100.00%

1/8 Royalty (800-1,599 meters; 9 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	27	34.18%	\$6.82	8.90%
\$50 - 74.99	22	27.85%	\$7.82	10.21%
\$75 - 99.99	7	8.86%	\$3.62	4.72%
\$100 - 149.99	8	10.13%	\$5.45	7.11%
\$150+	15	18.99%	\$52.91	69.06%
Total	79	100.00%	\$76.61	100.00%

1/8 Royalty (1,600 or more meters; 12 MMBOE RSV per lease)

High Bid/acre	Tracts	Percent of Tracts	High Bids (MM)	Percent of High Bids
< \$50	27	42.86%	\$6.67	25.30%
\$50 - 74.99	27	42.86%	\$9.32	35.35%
\$75 - 99.99	4	6.35%	\$1.98	7.49%
\$100 - 149.99	3	4.76%	\$2.04	7.73%
\$150+	2	3.17%	\$6.36	24.12%
Total	63	100.00%	\$26.37	100.00%

Appendix D –

Sale 185

Bidding Results – Graphs

Distribution of High Bids Sale 185, CGOM

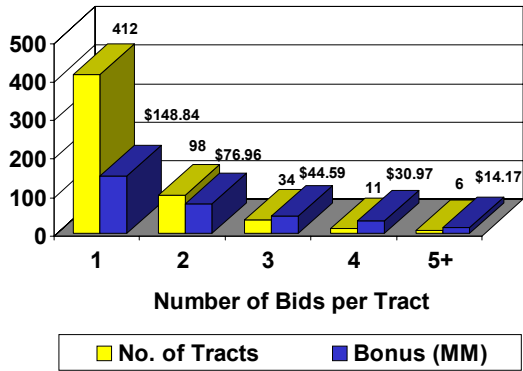
Prepared by:
Economics Division, MMS

Sale 185 (CGOM) Bidding Results

- 561 tracts received 791 bids (1.41 bids/tract)
- High bids were \$315.53 MM
- Average high bid per acre was \$112.68
- 74 companies submitted bids
- 384 tracts in < 400 meters received bids - 68.45% of tracts and 59.94% of high bids
- 177 tracts in 400+ meters received bids - 31.55% of tracts and 40.06% of high bids

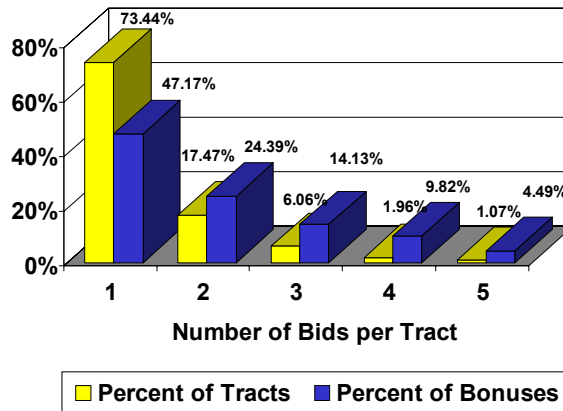
Sale 185, Aggregate

Bidding Activity by Bids per Tract



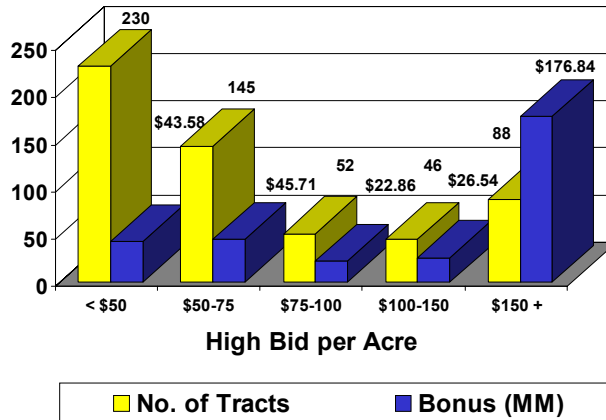
Sale 185, Aggregate

Bidding Activity by Bids per Tract



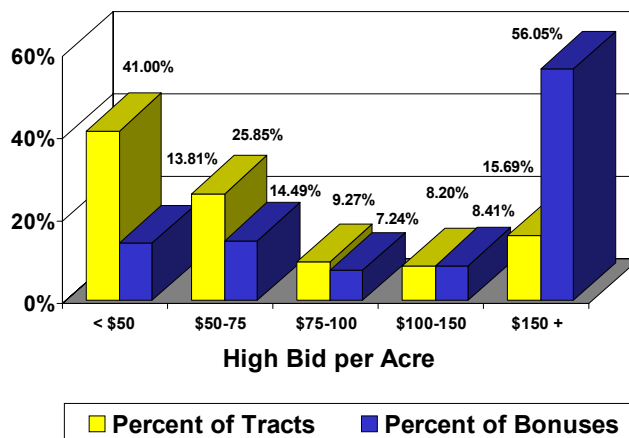
Sale 185, Aggregate

Bidding Activity by High Bid per Acre



Sale 185, Aggregate

Bidding Activity by High Bid per Acre



Sale 185

Bidding by Water Depth Category

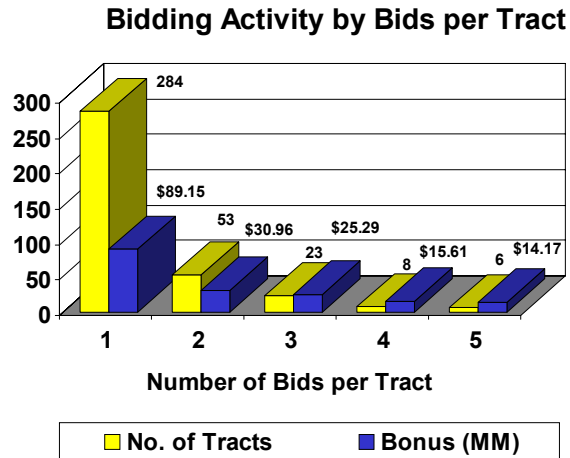
Prepared by:
Economics Division, MMS

Sale 185 (CGOM)

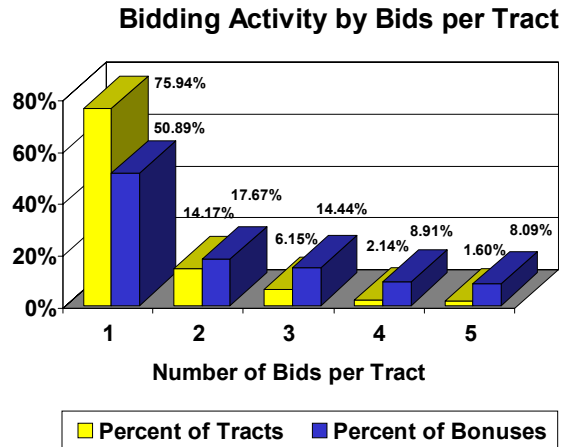
Bidding by Water Depth Category

- 374 tracts in < 200 meters received 530 bids and high bids of \$175.19 MM (\$101.33/acre)
- 10 tracts in 200-399 meters had 21 bids and high bids of \$13.95 MM (\$268.68/acre)
- 35 tracts in 400-799 meters had 39 bids and high bids of \$23.41 MM (\$116.12/acre)
- 79 tracts in 800-1,599 meters had 113 bids and high bids of \$76.61 MM (\$168.36/acre)
- 63 tracts in > 1,600 meters had 88 bids and high bids of \$26.37 MM (\$72.66/acre)

Sale 185, Tracts in < 200 Meters Water Depth

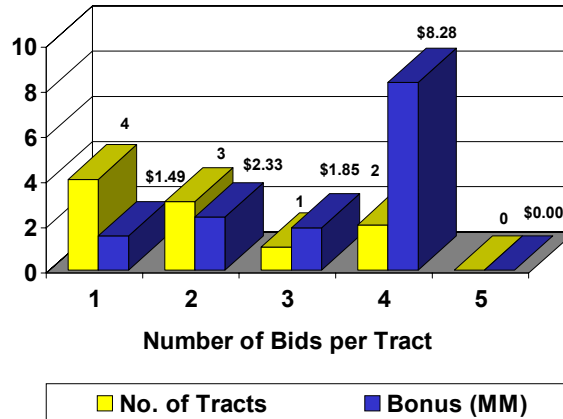


Sale 185, Tracts in < 200 Meters Water Depth



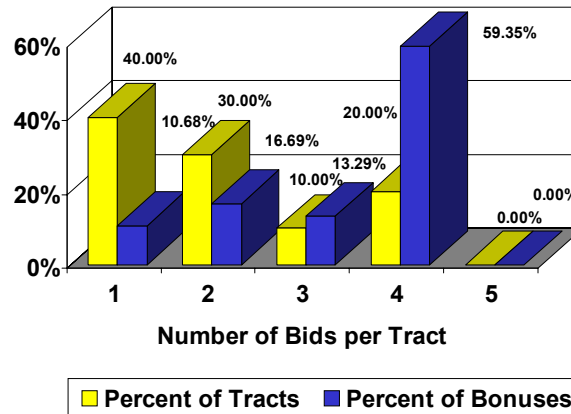
Sale 185, Tracts in 200-399 Meters Water Depth

Bidding Activity by Bids per Tract



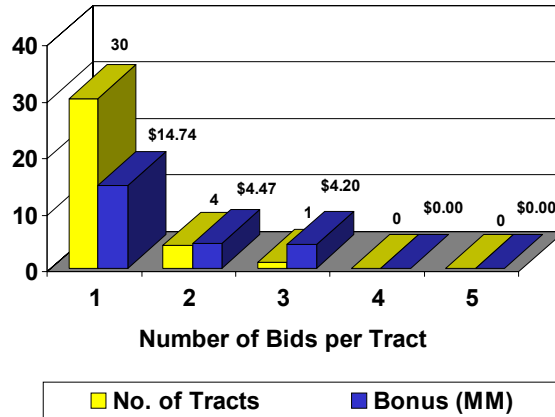
Sale 185, Tracts in 200-399 Meters Water Depth

Bidding Activity by Bids per Tract



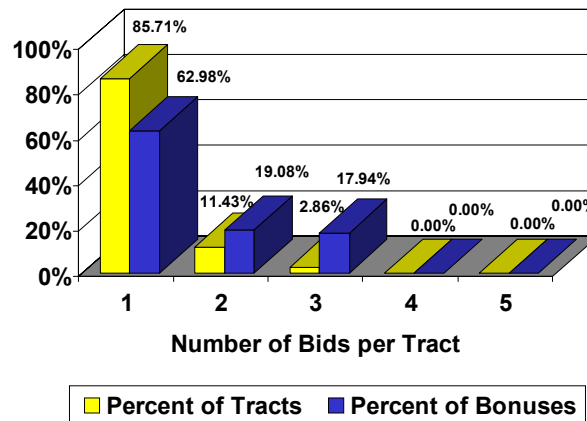
Sale 185, Tracts in 400-799 Meters Water Depth

Bidding Activity by Bids per Tract



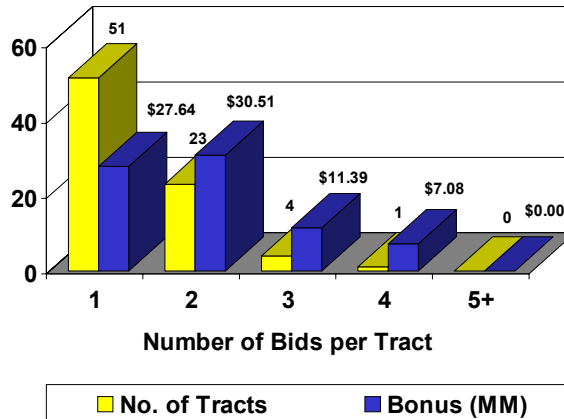
Sale 185, Tracts in 400-799 Meters Water Depth

Bidding Activity by Bids per Tract



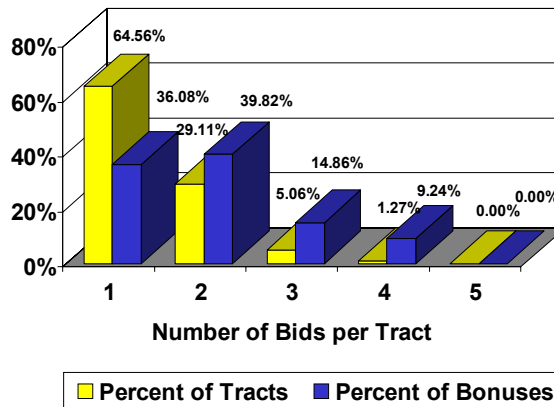
Sale 185, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by Bids per Tract



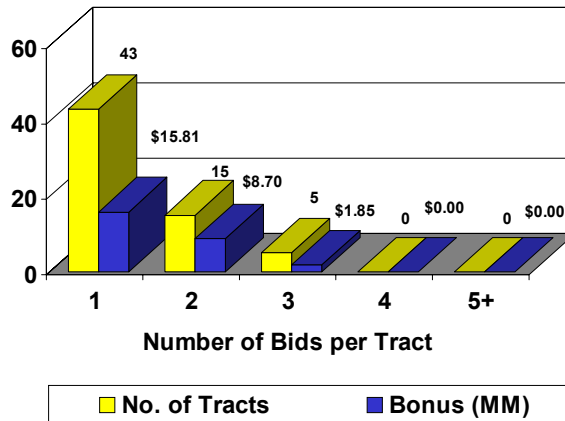
Sale 185, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by Bids per Tract



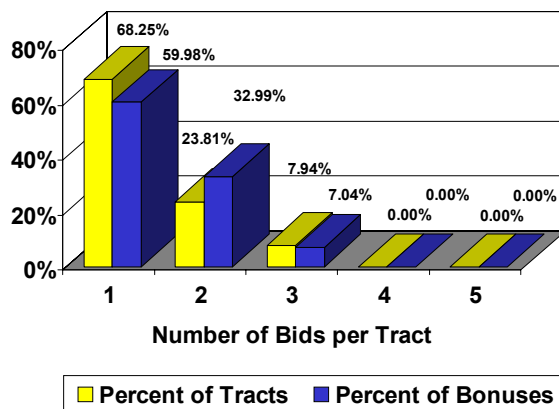
Sale 185, Tracts in 1,600 Meters Water Depth

Bidding Activity by Bids per Tract

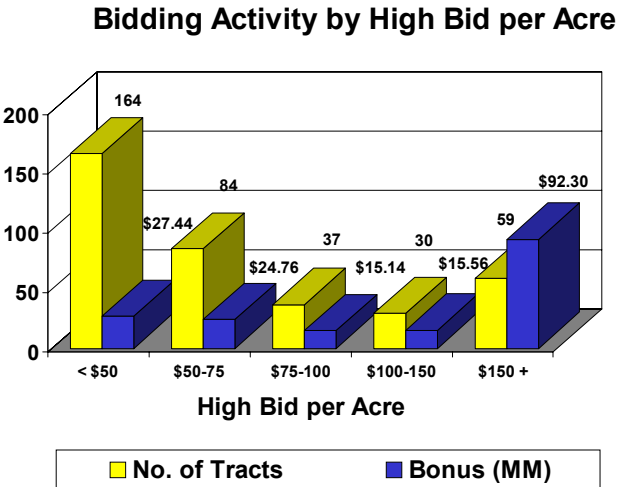


Sale 185, Tracts in 1,600 Meters Water Depth

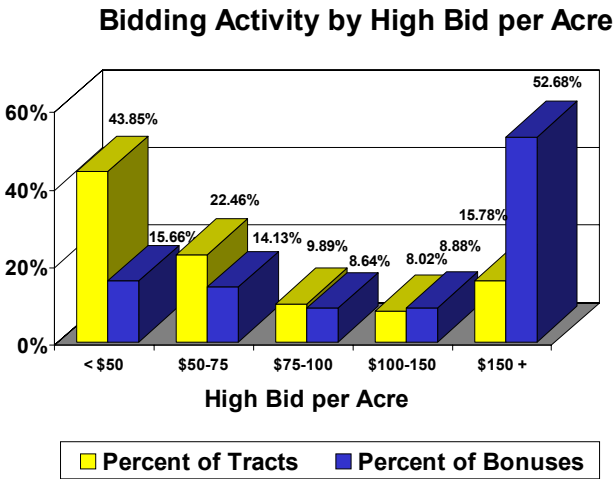
Bidding Activity by Bids per Tract



Sale 185, Tracts in < 200 Meters Water Depth

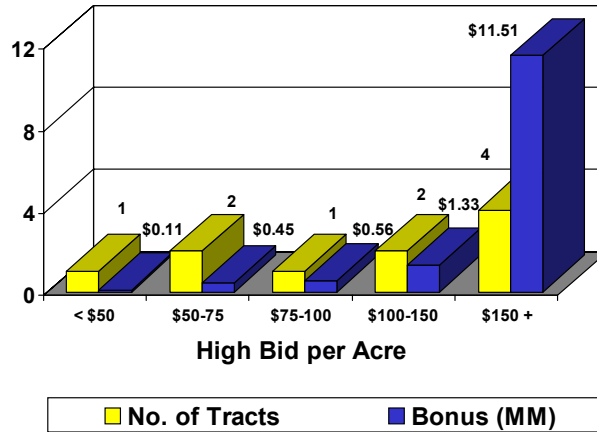


Sale 185, Tracts in < 200 Meters Water Depth



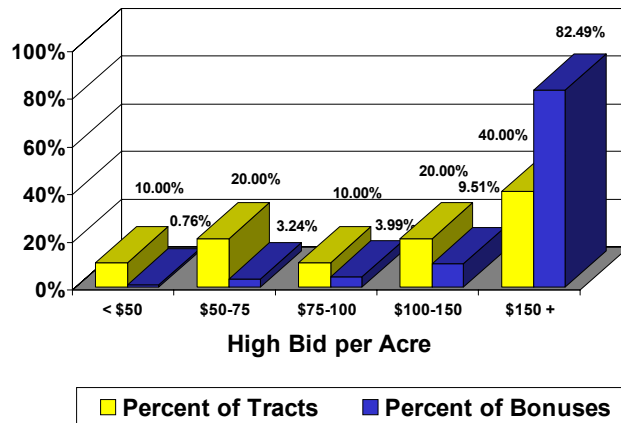
Sale 185, Tracts in 200-399 Meters Water Depth

Bidding Activity by High Bid per Acre



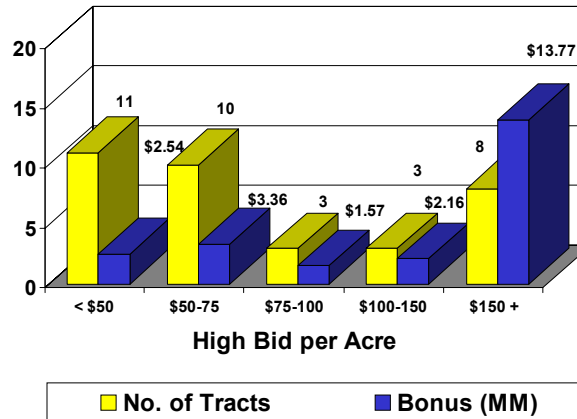
Sale 185, Tracts in 200-399 Meters Water Depth

Bidding Activity by High Bid per Acre



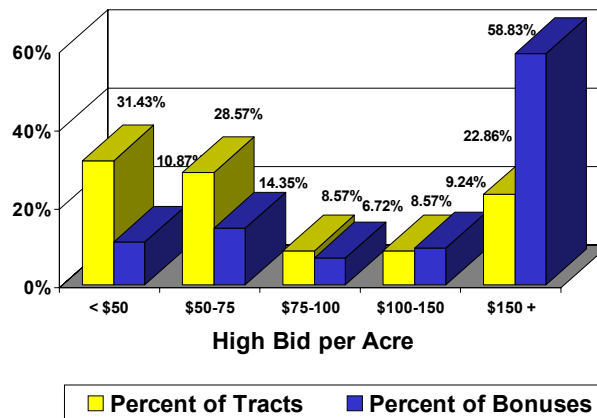
Sale 185, Tracts in 400-799 Meters Water Depth

Bidding Activity by High Bid per Acre



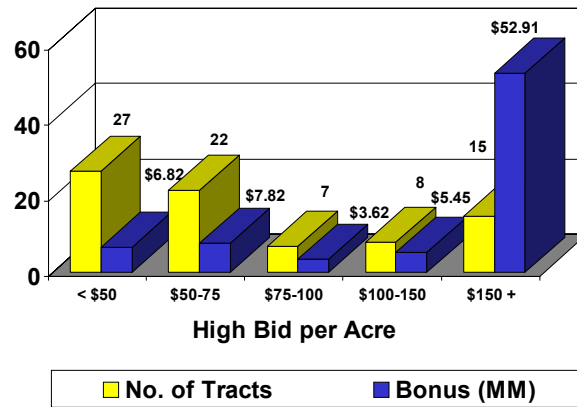
Sale 185, Tracts in 400-799 Meters Water Depth

Bidding Activity by High Bid per Acre



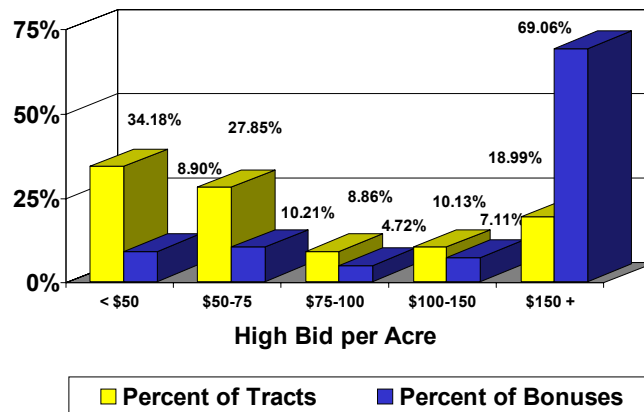
Sale 185, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by High Bid per Acre



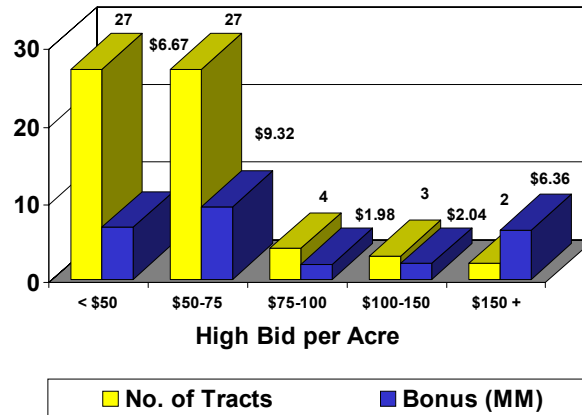
Sale 185, Tracts in 800-1,599 Meters Water Depth

Bidding Activity by High Bid per Acre



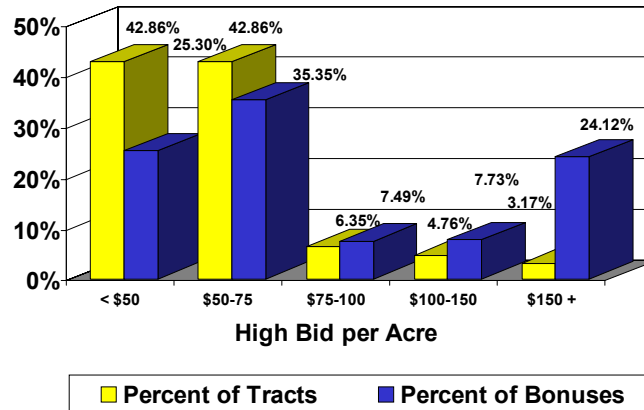
Sale 185, Tracts in 1,600+ Meters Water Depth

Bidding Activity by High Bid per Acre



Sale 185, Tracts in 1,600+ Meters Water Depth

Bidding Activity by High Bid per Acre



Appendix E –

Sale 185

**Revised Arithmetic Average Measure
(RAM)**

Sale 185, Tracts with Three or More Bids

In Sale 185, three or more bids were received on 51 tracts. Table E1 presents the distribution of those bids by water depth category and third bid as a percent of high bid.

Table E1. *Percent Difference Between a Tract's High Bid and Third Bid as a Percent of High Bid by Water Depth Category*

Category	< 25%	25 - 50%	50 - 75%	> 75%	Total
< 200 m	0	9	13	15	37
200 - 399 m	0	2	1	0	3
400 - 799 m	0	0	0	1	1
800 - 1,599 m	0	1	1	3	5
1,600 m. or more	2	2	1	0	5
Total	2	14	16	19	51

Sale 185 was the eleventh sale in which the modified number of bids rule was used for Phase 1 acceptance of high bids on selected tracts receiving three or more bids. Under the rule, high bids on wildcat and confirmed tracts receiving three or more bids are accepted in Phase 1, if the third highest bid on the tract is at least 50 percent of the high bid and the high bid per acre ranks in the top 75 percent of high bids per acre for all three-or-more bid tracts within a specified water depth category. (The procedure is described in the *Federal Register*, vol. 64, no.132, pp. 37,560-37,562.) In Sale 185, 10 three-or-more bid tracts met the bid acceptance criteria described above.

Sale 185 was also the eleventh sale using a modified Phase 2 averaging rule, the Revised Arithmetic Average Measure (RAM) of tract value. The RAM is a secondary bid acceptance rule that is used on multi-bid tracts if the Government's value of the tract (ADV) exceeds the high bid. The RAM is an arithmetic average of a tract's high bid, ADV, and all other bids that are at least 25 percent of the high bid. If a bid on a tract is not at least 25 percent of the high bid, that bid is considered an outlier and not included in the RAM calculation. Thus, the adjusted number of bids on a tract for the RAM calculation can be less than the total number of bids that a tract receives.

For those tracts on which the RAM is used as the bid acceptance rule, if the RAM is less than the tract's high bid, the high bid is accepted, and if the RAM exceeds the high bid, the high bid is rejected.

Forty-one tracts were passed to Phase 2 for further evaluation that potentially could use the RAM as the bid acceptance decision rule. Of those, 9 tracts did not have second bids that were at least 25 percent of the high bids. So, the use of the RAM as a Phase 2 decision criterion for those tracts was not a possibility. For the remaining 32 tracts, the ADV's needed to reject a tract's high bid using the RAM were calculated. Using the RAM, 15 tracts need an ADV of less than \$1 million; 15 tracts need an ADV of between \$1 million to \$5 million; and 2 tracts need an ADV of between \$5 million to \$10 million for high bid rejection based on this criterion. The results are presented in Table E2.

Table E2. *ADV Needed to Reject a High Bid Using the RAM by Water Depth Category*

Category	< \$1 MM	\$1-5 MM	\$5-10 MM	> \$10 MM	Total
< 200 m	12	12	2	0	26
200 - 399 m	0	1	0	0	1
400 - 799 m	0	0	0	0	0
800 – 1,599 m	1	1	0	0	2
1,600 m. or more	2	1	0	0	3
Total	15	15	2	0	32

Sale 182, Tracts with Three or More Bids Passed to Phase 2

Table E3. *Tracts in < 200 Meters; potential Royalty Suspension Volume of 20 billion cubic feet for natural gas from deep (more than 15,000 feet) wells*

Tract	High Bid	No. of Bids	3 rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G24704	\$3,755,500	5	10.79%	2	\$5,234,000
G24705	\$1,351,633	5	22.85%	2	\$1,947,711
G24706	\$2,310,024	4	31.90%	3	\$4,970,392
G24710	\$1,222,680	3	20.45%	2	\$2,135,260
G24718	\$1,875,300	4	19.09%	2	\$2,983,200
G24776	\$1,115,000	4	20.35%	2	\$1,900,600
G24808	\$1,200,303	3	35.10%	3	\$2,179,654
G24818	\$539,303	5	37.33%	5	\$1,813,315
G24820	\$3,080,552	3	3.61%	2	\$5,048,635
G24823	\$511,963	3	21.05%	2	\$534,374
G24831	\$1,173,957	3	29.82%	3	\$2,489,221

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G24835	\$511,150	3	46.06%	3	\$790,010
G24873	\$8,216,885	3	6.72%	1	Not Applicable
G24879	\$535,535	3	14.97%	1	Not Applicable
G24886	\$875,211	3	17.74%	1	Not Applicable
G24889	\$432,214	3	31.23%	3	\$897,742
G24895	\$1,310,000	3	23.51%	2	\$2,265,600
G24903	\$727,000	3	24.66%	2	\$1,227,600
G24920	\$2,226,350	3	7.00%	1	Not Applicable
G24922	\$500,100	3	48.19%	3	\$982,990
G24939	\$366,250	3	55.43%	3	\$630,750
G24960	\$487,400	3	32.42%	3	\$937,200
G24966	\$4,858,888	4	3.13%	1	Not Applicable
G24968	\$593,100	3	9.78%	1	Not Applicable
G24970	\$175,160	3	74.88%	3	\$261,657
G24972	\$83,800	3	66.11%	3	\$138,000
G24973	\$567,000	4	27.31%	3	\$1,288,235
G24974	\$367,000	3	28.54%	3	\$843,702
G24980	\$812,313	3	46.90%	3	\$1,535,429
G24981	\$374,000	3	38.06%	3	\$823,395
G24994	\$455,550	3	28.54%	3	\$843,702
G24997	\$366,250	3	56.00%	3	\$668,193

Table E4. *Tract in 200 - 399 Meters; No Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G25104	\$1,854,000	3	25.41%	3	\$4,240,332

Table E5. *Tract in 400 - 799 Meters; 5 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G25103	\$4,200,000	3	10.17%	1	Not Applicable

Table E6. *Tracts in 800 – 1,599 Meters; 9 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G25098	\$3,285,888	3	15.53%	2	\$4,692,775
G25139	\$7,350,000	3	3.52%	1	Not Applicable
G25141	\$7,076,000	4	5.92%	1	Not Applicable
G25220	\$311,440	3	73.49%	3	\$464,113

Table E7. *Tracts in 1,600 Meters or More; 12 MMBOE Royalty Suspension Volume*

Tract	High Bid	No. of Bids	3rd Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G25193	\$257,000	3	91.67%	3	\$293,960
G25199	\$350,772	3	83.63%	3	\$350,772
G25258	\$601,500	3	38.12%	3	\$1,330,314

Note: The RAM was not used in the acceptance of any high bids in Sale 185.

Appendix F –

Sale 185

Summary of Company Bids

Sale 185 - Company Bids by Total Amount of High Bids

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
1	2219	Kerr-McGee Oil & Gas	69	63	6	\$31,886,211	\$28,195,761	\$3,690,450
2	78	Chevron USA	56	41	15	\$25,100,817	\$21,704,955	\$3,395,862
3	2647	Murphy Exploration & Production	44	35	9	\$23,743,463	\$21,540,463	\$2,203,000
4	3	Union Oil Co. of California	37	27	10	\$24,103,471	\$18,709,956	\$5,393,516
5	282	Dominion Exploration & Production	18	12	6	\$18,772,662	\$14,310,657	\$4,462,005
6	1364	Newfield Exploration	62	51	11	\$15,206,484	\$12,579,570	\$2,626,914
7	2169	Spinnaker Exploration	19	15	4	\$13,680,853	\$12,000,003	\$1,680,850
8	1777	Ocean Energy	26	22	4	\$12,334,586	\$11,561,461	\$773,125
9	2277	BHP Billiton Petroleum (Deepwater)	65	50	15	\$13,535,083	\$10,484,426	\$3,050,657
10	2058	LLOG Exploration Offshore	22	14	8	\$10,498,100	\$8,773,900	\$1,724,200
11	2079	Nexen Petroleum Offshore USA	14	6	8	\$10,399,749	\$8,708,886	\$1,690,863
12	2349	Magnum Hunter Production	59	40	19	\$10,704,669	\$8,488,948	\$2,215,722
13	236	El Paso Production	25	17	8	\$9,999,281	\$7,128,021	\$2,871,260
14	276	Exxon Mobil	24	21	3	\$7,986,800	\$7,118,800	\$868,000
15	222	Hunt Petroleum (AEC)	11	6	5	\$8,128,784	\$7,002,499	\$1,126,285
16	64	Hunt Oil	18	5	13	\$11,951,250	\$6,587,820	\$5,363,430
17	1355	Cabot Oil & Gas	16	12	4	\$7,188,053	\$6,486,803	\$701,250
18	2525	Westport Resources	12	5	7	\$9,878,126	\$5,717,626	\$4,160,500
19	2397	Samson Offshore	10	9	1	\$5,909,095	\$5,504,064	\$405,031
20	56	ConocoPhillips	13	10	3	\$7,000,000	\$5,182,000	\$1,818,000
21	1500	TotalFinaElf E&P USA	4	4	0	\$5,054,080	\$5,054,080	\$0
22	1978	The William G. Helis Co.	18	11	7	\$10,008,320	\$5,049,263	\$4,959,057
23	2466	Gryphon Exploration	26	19	7	\$8,689,393	\$4,852,893	\$3,836,500
24	2579	Tana Exploration	14	7	7	\$7,997,350	\$4,769,593	\$3,227,757
25	2481	BP Exploration & Production	32	22	10	\$6,121,932	\$4,313,699	\$1,808,233
26	818	Mariner Energy	11	11	0	\$3,953,405	\$3,953,405	\$0
27	1958	Maxus (US) Exploration	11	9	2	\$4,380,087	\$3,897,320	\$482,767
28	2266	Energy Partners	8	6	2	\$3,544,035	\$3,329,885	\$214,150
29	231	Pogo Producing	13	10	3	\$6,131,000	\$3,290,000	\$2,841,000
30	1834	Stone Energy	8	5	3	\$3,641,700	\$3,205,700	\$436,000

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
31	1704	Remington Oil and Gas	36	23	13	\$5,007,649	\$3,080,031	\$1,927,619
32	2237	Noble Energy	7	5	2	\$3,321,235	\$2,850,785	\$470,450
33	2268	Bois d'Arc Offshore	17	15	2	\$3,448,450	\$2,798,250	\$650,200
34	1284	W & T Offshore	14	13	1	\$3,009,127	\$2,653,718	\$355,409
35	1630	Cheyenne International	9	4	5	\$2,675,670	\$2,547,717	\$127,953
36	2586	Lawco Offshore	1	1	0	\$2,226,350	\$2,226,350	\$0
37	2436	Palace Exploration	16	12	4	\$2,396,018	\$2,162,268	\$233,750
38	2421	Devon Energy Production	16	11	5	\$3,021,320	\$2,103,938	\$917,383
39	724	Marathon Oil	6	5	1	\$2,268,350	\$2,083,000	\$185,350
40	560	Seneca Resources	3	2	1	\$2,217,380	\$1,727,828	\$489,552
41	1046	The Houston Exploration Co.	16	6	10	\$8,715,989	\$1,658,301	\$7,057,688
42	730	Walter Oil & Gas	10	7	3	\$2,819,175	\$1,534,090	\$1,285,085
43	2646	Chanex	5	5	0	\$1,481,731	\$1,481,731	\$0
44	689	Shell Offshore	19	6	13	\$6,389,595	\$1,427,720	\$4,961,876
45	2455	Triumph Energy	1	1	0	\$1,408,000	\$1,408,000	\$0
46	2417	Arena Energy	5	3	2	\$1,539,075	\$1,364,000	\$175,075
47	59	Amerada Hess	7	2	5	\$2,597,080	\$1,249,880	\$1,347,200
48	981	Anadarko Petroleum	14	7	7	\$6,257,958	\$1,162,227	\$5,095,732
49	2611	EnCana Gulf of Mexico	10	7	3	\$1,176,698	\$984,357	\$192,342
50	1513	Callon Petroleum Operating Co.	8	3	5	\$1,201,100	\$953,800	\$247,300
51	1999	Houston Energy	18	11	7	\$1,932,628	\$912,436	\$1,020,192
52	2479	Republic Exploration	2	1	1	\$953,200	\$858,800	\$94,400
53	1866	Range Energy Ventures	8	3	5	\$872,599	\$692,936	\$179,663
54	2480	Davis Offshore	2	2	0	\$682,280	\$682,280	\$0
55	2643	Contango Offshore Exploration	6	3	3	\$1,065,950	\$638,800	\$427,150
56	2341	Winwell Resources	4	4	0	\$628,907	\$628,907	\$0
57	105	Apache Corporation	2	2	0	\$606,617	\$606,617	\$0
58	1298	RIMCO Production	3	2	1	\$800,000		\$800,000
59	1586	Petsec Energy	2	2	0	\$457,776	\$457,776	\$0
60	1819	ATP Oil & Gas	2	1	1	\$685,000		\$685,000

Rank	Company #	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
61	1103	EOG Resources	2	2	0	\$376,100	\$376,100	\$0
62	1935	Pioneer Natural Resources USA	2	2	0	\$276,750	\$276,750	\$0
63	2407	Woodside Energy (USA)	3	1	2	\$613,577	\$271,427	\$342,150
64	48	Forest Oil	4	1	3	\$719,700	\$186,300	\$533,400
65	774	Taylor Energy	1	1	0	\$178,250	\$178,250	\$0
66	2427	Virgin Offshore USA	1	1	0	\$152,000	\$152,000	\$0
67	2503	Contango Operators	1	1	0	\$138,800	\$138,800	\$0
68	1963	Apex Oil & Gas	2	1	1	\$301,300	\$138,150	\$163,150
69	145	J.M. Huber Corp.	1	1	0	\$136,992	\$136,992	\$0
70	2108	Transworld Exploration & Production	1	1	0	\$132,000	\$132,000	\$0
71	2574	CL&F Resources	2	2	0	\$125,367	\$125,367	\$0
72	2248	Agip Petroleum Exploration	1	0	1	\$1,879,001	\$0	\$1,879,001
73	2522	Denbury Offshore	1	0	1	\$203,000	\$0	\$203,000
74	2477	Tarpon Operatin & Development	2	0	2	\$114,086	\$0	\$114,086

Appendix G –
Sales 185 and 182
Active Bidders

Companies Participating in 20 or More Bids in Sale 185

Company	Co. #	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Kerr-McGee Oil & Gas	2219	35	3	10	14	7	69	\$31,886,211	1	\$462,119
BHP Billiton Petroleum (Deepwater)	2277	36	0	2	16	11	65	\$13,535,083	8	\$208,232
Newfield Exploration	1364	58	1	0	3	0	62	\$15,206,484	6	\$245,266
Magnum Hunter Production	2349	57	2	0	0	0	59	\$10,704,669	11	\$181,435
Chevron USA	78	14	0	1	17	24	56	\$25,100,817	2	\$448,229
Murphy Exploration & Production	2647	7	0	3	27	7	44	\$23,743,463	4	\$539,624
Union Oil Co. of California	3	14	3	5	11	4	37	\$24,103,471	3	\$651,445
Remington Oil and Gas	1704	36	0	0	0	0	36	\$5,007,649	30	\$139,101
BP Exploration & Production	2481	12	0	2	10	8	32	\$6,121,932	27	\$191,310
Ocean Energy	1777	6	0	4	12	4	26	\$12,334,586	9	\$474,407
Gryphon Exploration	2466	25	1	0	0	0	26	\$8,689,393	18	\$334,207
El Paso Production	236	25	0	0	0	0	25	\$9,999,281	15	\$399,971
Exxon Mobil	276	13	0	0	4	7	24	\$7,986,800	21	\$332,783
LLOG Exploration Offshore	2058	19	1	2	0	0	22	\$10,498,100	12	\$477,186

Companies Participating in 20 or More Bids in Sale 182

Company	Co. #	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Magnum Hunter Production	2349	63	1	0	0	0	64	\$8,307,658	22	\$129,807
Spinnaker Exploration	2169	15	3	18	18	2	56	\$32,220,630	3	\$575,368
BP Exploration & Production	2481	18	7	10	6	15	56	\$32,468,881	2	\$579,801
Dominion Exploration & Production	282	19	0	9	21	1	50	\$40,400,375	1	\$808,008
Kerr-McGee Oil & Gas	2219	21	1	6	7	7	42	\$17,299,226	8	\$411,886
Nexen Petroleum Offshore USA	2079	10	4	14	8	3	39	\$18,829,510	6	\$482,808
Remington Oil and Gas	1704	39	0	0	0	0	39	\$5,020,668	28	\$128,735
Chevron USA	78	21	0	8	5	1	35	\$28,692,597	4	\$819,788
Conoco	1	0	0	5	28	0	33	\$11,679,200	11	\$353,915
BHP Petroleum (Deepwater)	2277	0	4	13	11	4	32	\$20,000,585	5	\$625,018
Union Oil Company of California	3	24	0	2	0	1	27	\$8,159,520	23	\$302,204
LLOG Exploration Offshore	2058	14	2	3	3	1	23	\$10,128,208	13	\$440,357
El Paso Production	236	22	0	0	0	0	22	\$8,739,167	19	\$397,235
Shell Offshore	689	8	4	5	2	1	20	\$17,240,320	9	\$862,016

Appendix H –

Sales 185 and 182

Comparison of Sales - Graphs

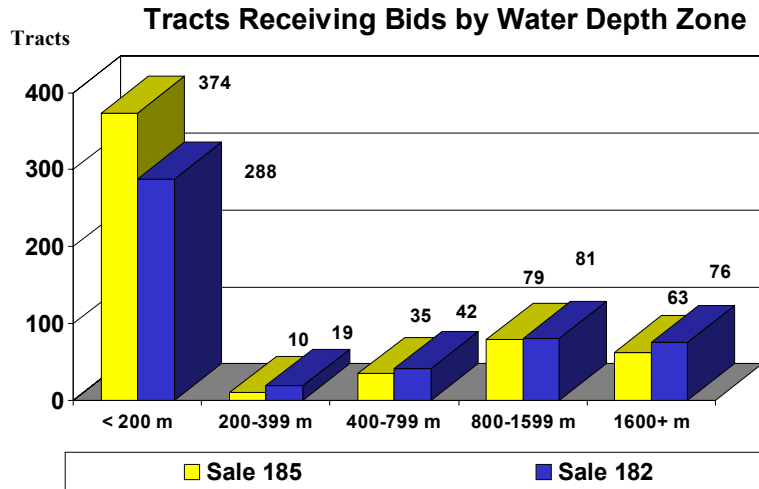
Sale 185 vs. Sale 182

Prepared by:
Economics Division, MMS

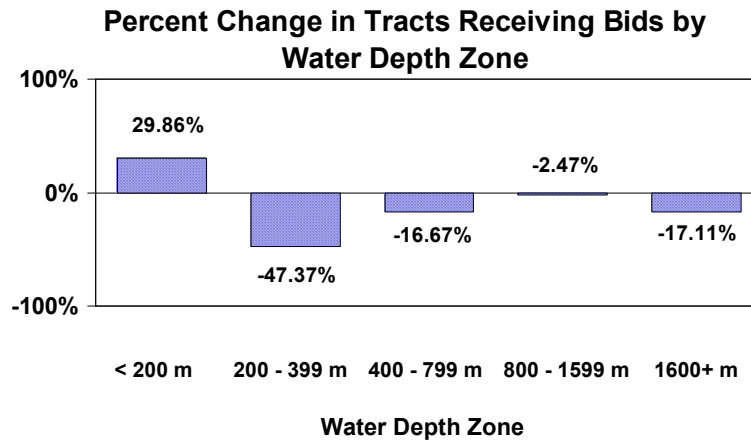
Sale 185 vs. Sale 182 (CGOM) Comparison of Results

- In aggregate, 561 tracts received high bids of \$315.53 MM in Sale 185 and 506 tracts received high bids of \$363.21 MM in Sale 182
- Bids per tract increased to 1.41 in Sale 185 from 1.38 in Sale 182
- Sale 185 had 374 tracts in < 200 m receiving high bids of \$175.19 MM vs. 288 tracts and high bids of \$125.71 MM in Sale 182
- Sale 185 had 187 tracts in > 200 m receiving high bids of \$140.34 MM vs. 218 tracts and high bids of \$237.50 MM in Sale 182

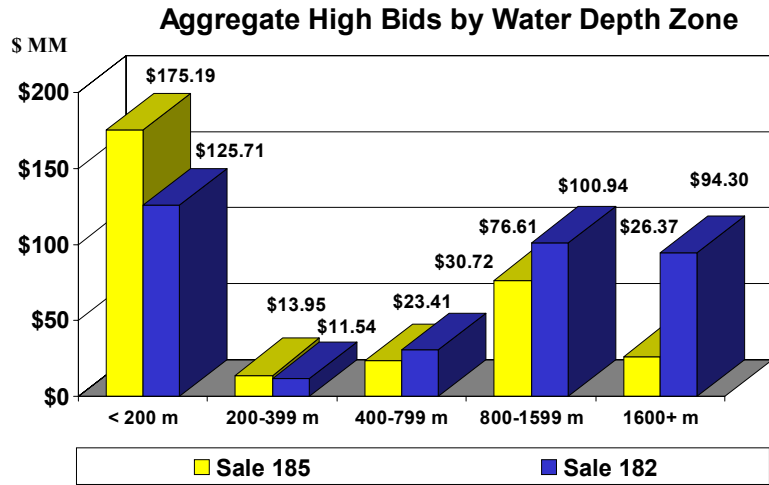
Sale 185 vs. Sale 182 - Tracts



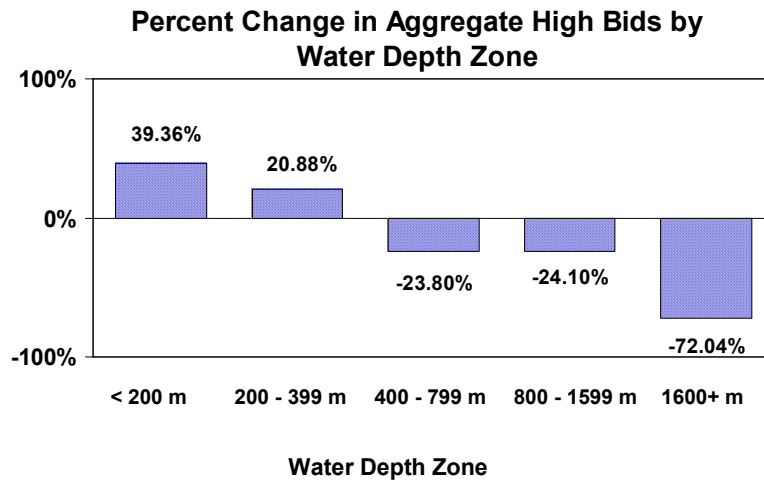
Sale 185 vs. Sale 182 - Tracts



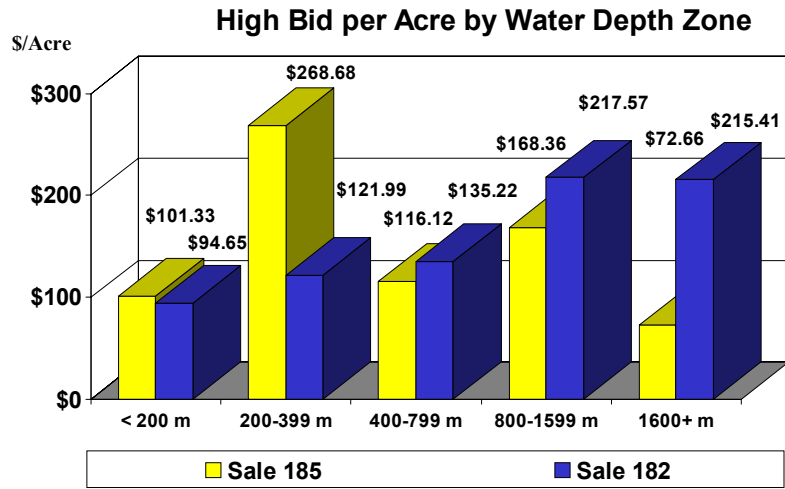
Sale 185 vs. Sale 182 - Bonuses



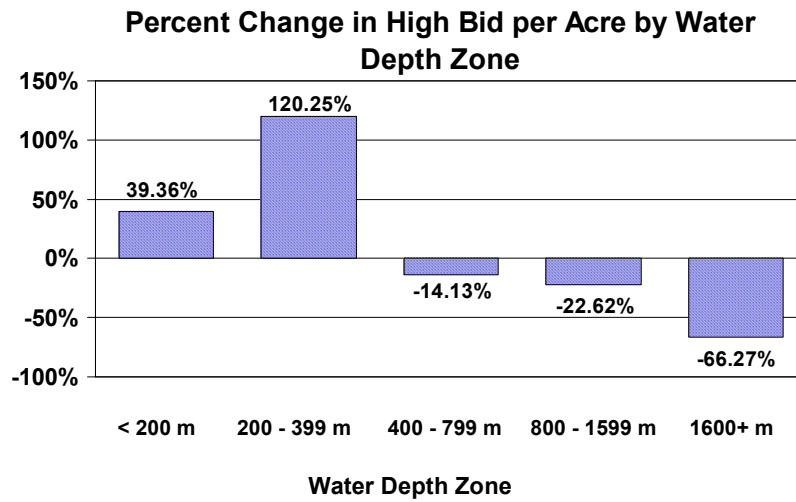
Sale 185 vs. Sale 182 - Bonuses



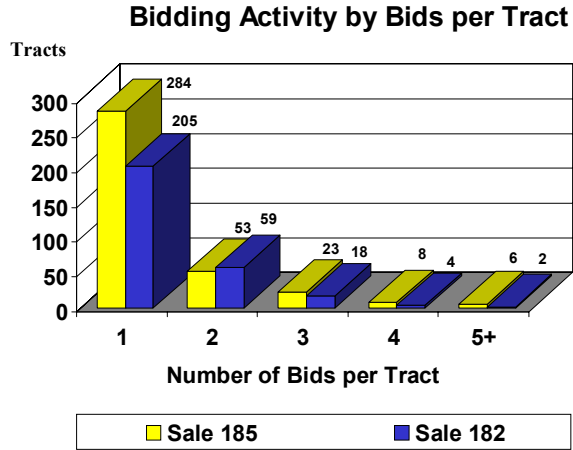
Sale 185 vs. Sale 182 - High Bid per Acre



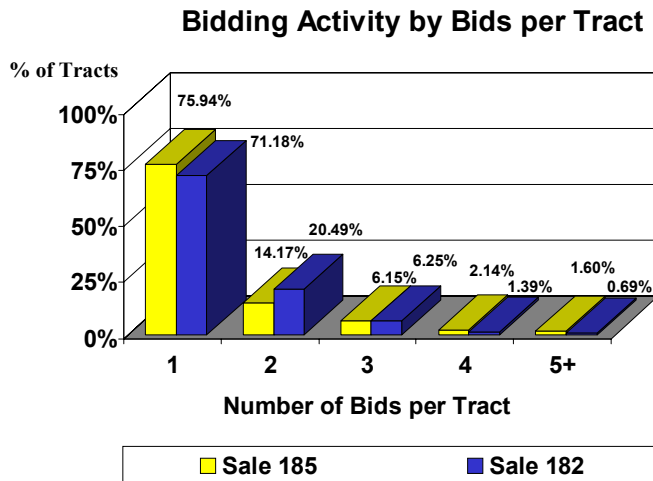
Sale 185 vs. Sale 182 - High Bid per Acre



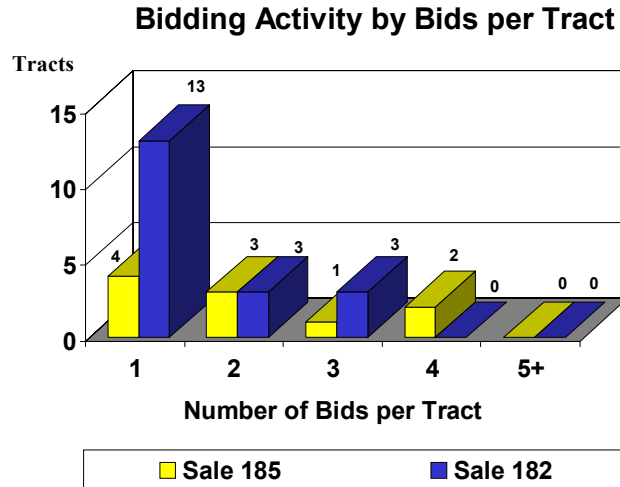
Sale 185 vs. Sale 182 - Tracts < 200 Meters Water Depth



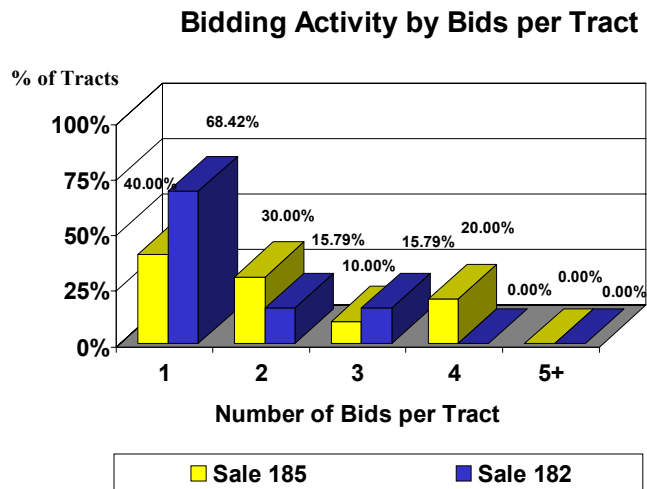
Sale 185 vs. Sale 182 - Tracts < 200 Meters Water Depth



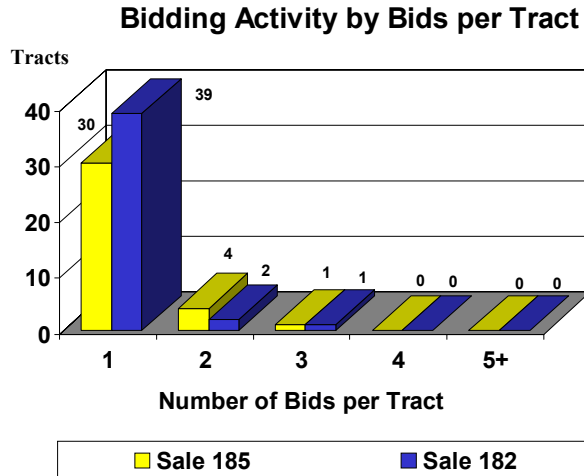
Sale 185 vs. Sale 182 - Tracts in 200 to 399 Meters Water Depth



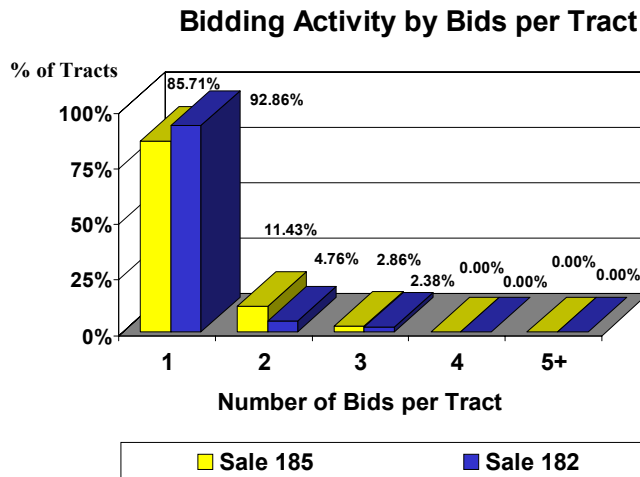
Sale 185 vs. Sale 182 - Tracts in 200 to 399 Meters Water Depth



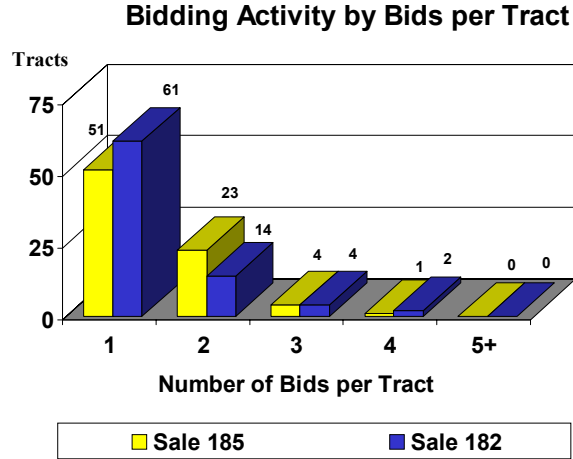
Sale 185 vs. Sale 182 - Tracts in 400 to 799 Meters Water Depth



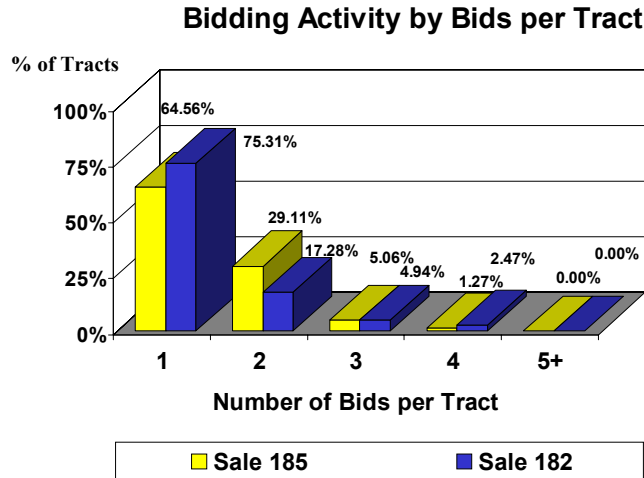
Sale 185 vs. Sale 182 - Tracts in 400 to 799 Meters Water Depth



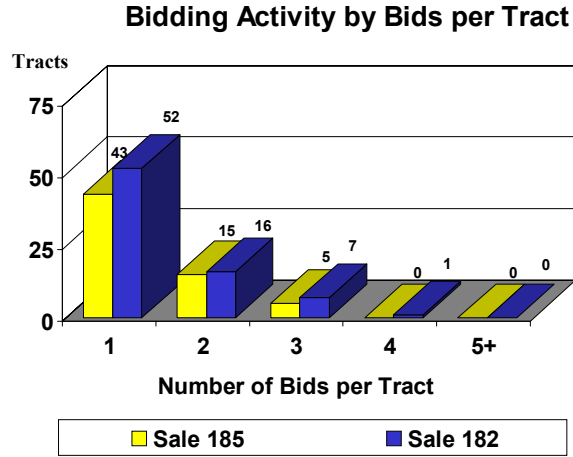
Sale 185 vs. Sale 182 - Tracts in 800 to 1599 Meters Water Depth



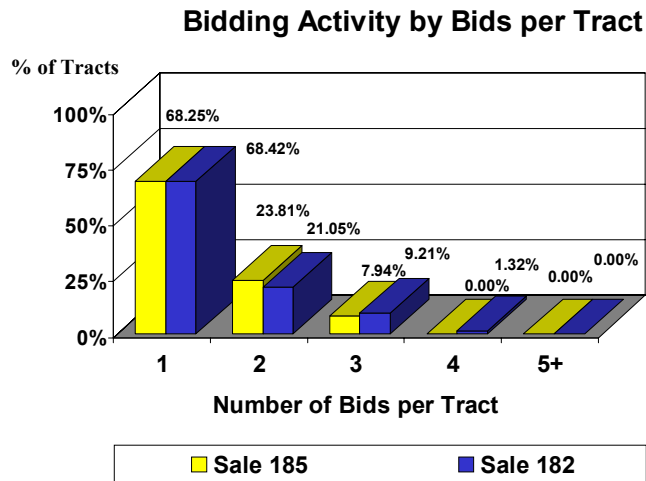
Sale 185 vs. Sale 182 - Tracts in 800 to 1599 Meters Water Depth



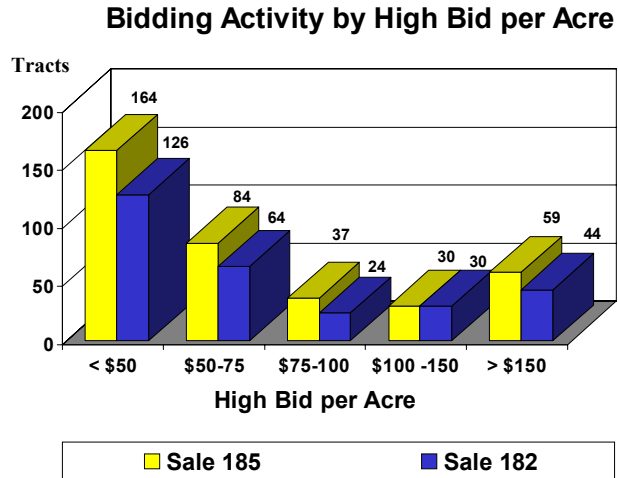
Sale 185 vs. Sale 182 - Tracts in 1600+ Meters Water Depth



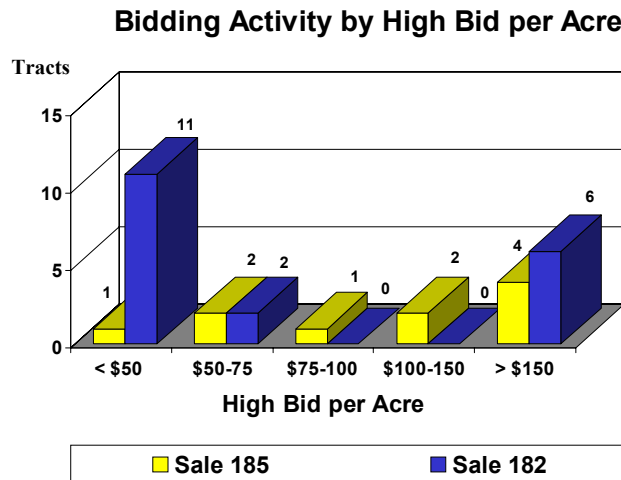
Sale 185 vs. Sale 182 - Tracts in 1600+ Meters Water Depth



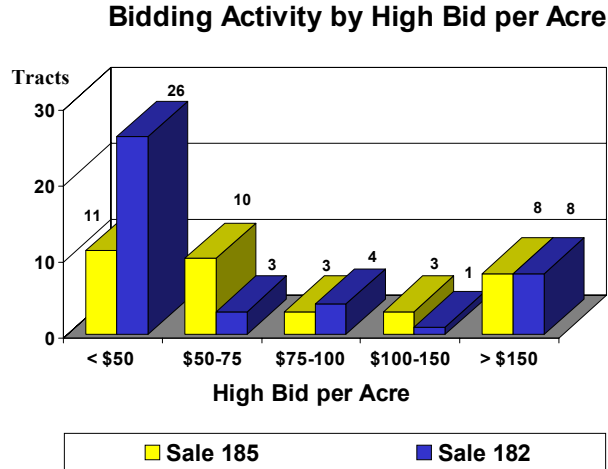
Sale 185 vs. Sale 182 - Tracts < 200 Meters Water Depth



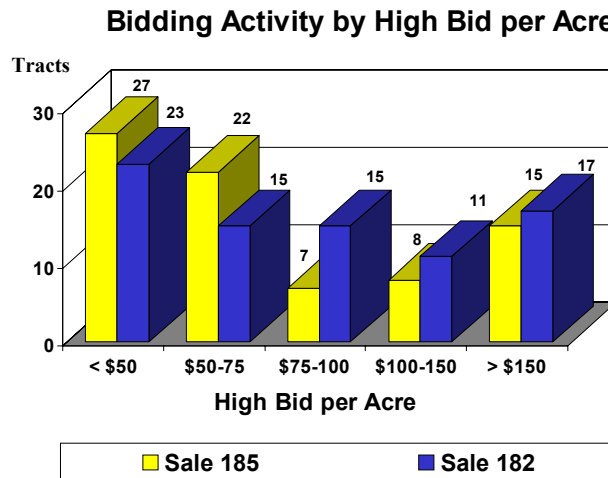
Sale 185 vs. Sale 182 - Tracts in 200 to 399 Meters Water Depth



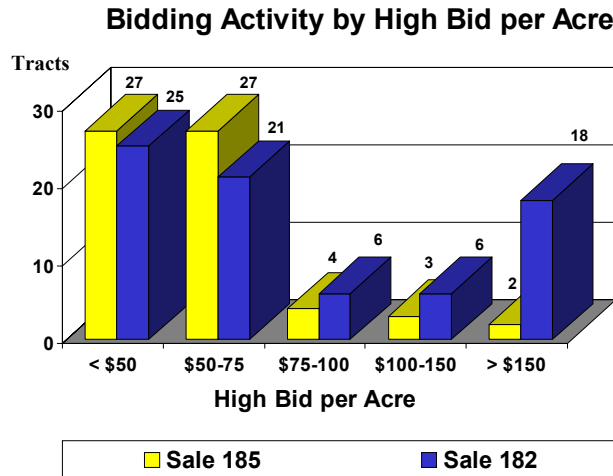
Sale 185 vs. Sale 182 - Tracts in 400 to 799 Meters Water Depth



Sale 185 vs. Sale 182 - Tracts in 800 to 1599 Meters Water Depth



Sale 185 vs. Sale 182 - Tracts in 1600+ Meters Water Depth



Appendix I –

Sale 185

High Bid Rejections

Sale 185 Rejections

The high bids on 16 tracts were rejected in Sale 185. The rejected blocks received from one to three bids. By water depth category, the rejections were as follows: nine in less than 200 meters, one in 200 to 399 meters, three in 400 to 799 meters, and three in 800 to 1,599 meters.

Table I1. *Sale 182, Rejections in Water Depths Less than 200 Meters; Royalty Rate = 1/6; Potential Royalty Suspension Volume for Natural Gas from Deep (15,000 feet or more) Wells*

Tract No.	Bids	High Bid	ADV	RAM
G24794	1	\$325,825	\$1,200,000	Not Applicable
G24795	1	\$757,777	\$1,200,000	Not Applicable
G24801	1	\$276,350	\$800,000	Not Applicable
G24804	1	\$187,552	\$860,000	Not Applicable
G24835	3	\$511,150	\$1,200,000	\$663,648
G24837	1	\$141,957	\$1,300,000	Not Applicable
G24894	1	\$223,000	\$930,000	Not Applicable
G24902	1	\$141,957	\$700,000	Not Applicable
G24968	3	\$593,100	\$1,100,000	Not Applicable

Table I2. *Sale 182, Rejections in Water Depths of 200-399 Meters; Royalty Rate = 1/6; No Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G25088	2	\$1,375,500	\$2,500,000	\$1,776,970

Table I3. *Sale 182, Rejections in Water Depths of 400-799 Meters; Royalty Rate = 1/8; 5 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G25096	1	\$157,319	\$730,000	Not Applicable
G25097	1	\$157,319	\$600,000	Not Applicable
G25132	1	\$878,888	\$1,700,000	Not Applicable

Table I4. *Sale 182, Rejection in Water Depths of 800-1,599 Meters; Royalty Rate = 1/8; 9 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G25152	2	\$7,750,750	\$14,000,000	Not Applicable
G25162	2	\$3,753,600	\$15,000,000	Not Applicable
G25216	2	\$701,020	\$2,000,000	\$1,079,340

Appendix J –

Modifications to the Bid Adequacy Procedures

Bid Adequacy Procedures

[Federal Register: July 12, 1999 (Volume 64, Number 132)]
[Notices]
[Page 37560-37562]
From the Federal Register Online via GPO Access [wais.access.gpo.gov]
[DOCID:fr12jy99-108]

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Modifications to the Bid Adequacy Procedures

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Notification of procedural change.

SUMMARY: The Minerals Management Service (MMS) has changed a criterion in its existing bid adequacy procedures for ensuring receipt of fair market value on Outer Continental Shelf (OCS) oil and gas leases. The change ensures consistency in the evaluation of tracts.

DATES: This modification is effective July 1, 1999.

FOR FURTHER INFORMATION CONTACT: Dr. Marshall Rose, Chief, Economics Division, at (703) 787-1536.

The revised bid adequacy procedures are described below.

What Definitions Apply to These Procedures?

The *MROV* is a dollar measure of a tract's expected net present value, if that tract is leased in the current sale. The calculation of the *MROV* allows for exploration and economic risk, and includes tax consequences, e.g., depletion of the cash bonus.

The *delayed MROV (DMROV)* is a measure used to determine the size of the high bid needed in the current sale to equalize it with the discounted sum of the bonus and royalties expected in the next sale, less the foregone royalties from the current sale. The bonus for the next sale is computed as the *MROV* associated with the delay in leasing under the projected economic, engineering, and geological leasing receipts conditions, including drainage. If the high bid exceeds the *DMROV*, then the leasing receipts from the current sale are expected to be greater than those from the next sale, even in cases in which the *MROV* exceeds the high bid.

The *Adjusted Delayed Value (ADV)* is the minimum of the MROV and the DMROV.

The *RAM* is the revised arithmetic average measure of the MROV and all qualified bids on a tract that are equal to at least 25 percent of the high bid.

Anomalous bids are all but the highest bid submitted for a tract by the same company (bidding alone or jointly with another company), parent, or subsidiary. These bids are excluded when applying the number of bids rule or any other bid adequacy measure.

Legal bids are those bids which comply with the MMS regulations (30 CFR 256) and the Notice of Sale, e.g., equal or exceed the specified minimum bid. Any illegal bid will be returned to the bidder.

Qualified bids are those bids that are legal and not anomalous.

MONTCAR is a probabilistic, cash flow computer simulation model used to conduct a resource-economic evaluation that results in an estimate of the expected net present value of a tract (or prospect).

Nonviable tracts or prospects are those geographic or geologic configurations of hydrocarbons that are estimated to be uneconomic to produce with the costs and anticipated future prices used in the analysis.

Within the context of our bid adequacy procedures, the term “*unusual bidding patterns*” typically refers to a situation in which two or more companies bid against each other more often than would normally be expected. Companies could agree to bid against each other on certain sets of tracts in a sale so that the number of bids rule would apply for bid acceptance. Other forms of unusual bidding patterns exist as well, and generally involve anti-competitive practices, e.g., if it appears that companies are attempting to avoid bidding against each other in a sale on a set of prospective tracts.

A *confirmed tract* is a previously leased tract having a well(s) which encountered hydrocarbons and may have produced. It contains some oil and/or gas resources whose volume may or may not be known.

A *development tract* is a tract which has nearby productive (past or currently capable) wells with indicated hydrocarbons and which is not interpreted to have a productive reservoir extending under the tract. There should be evidence supporting the interpretation that at least part of the tract is on the same general structure as the proven productive well.

A *drainage tract* is a tract which has a nearby well which is capable of producing oil or gas, and the tract could incur drainage if and when such a well is placed on production. The reservoir, from which the nearby well is capable of producing, is interpreted to extend under the drainage tract to some extent.

A *wildcat tract* is a tract which has neither nearby productive (past or currently capable) wells, nor is interpreted to have a productive reservoir extending under the tract. It has high risk in addition to sparse well control.

Water depth categories for bid adequacy purposes in the Gulf of Mexico are designated as (1) less than 800 meters and (2) 800 meters or more.

If different water depth categories are used for a Gulf of Mexico sale, they will be specified in the sale's final notice. For areas other than the Gulf of Mexico, all tracts will be considered to be in the same water depth category, unless an alternative is specified in the final notice of sale.

What Problem Is Addressed by the Change?

In any OCS lease sale, a limited number of tracts may be reclassified from drainage or development (DD) in Phase 1 of the bid evaluation process to confirmed or wildcat (CW) in Phase 2. (The MMS reclassifies a tract if additional Phase 2 analysis supports a classification different than the one assigned the tract in Phase 1 of the evaluation.) However, under the old bid adequacy procedures, a tract classified as CW in Phase 1 was evaluated under different criteria than a tract that was reclassified as CW in Phase 2. This change ensures the consistent treatment of similarly classified tracts whether they are evaluated in Phase 1 or Phase 2.

What Change Is Being Made?

In Phase 1 of the bid adequacy procedures, the MMS classifies tracts as either CW or DD based on information available at the time of sale. Under the old (February 10, 1999) guidelines, tracts within designated water depth categories that were reclassified from DD to CW in Phase 2 only had to have a third largest bid within 50 percent of the high bid to be accepted. Now, DD tracts reclassified as CW tracts must satisfy the same criteria for acceptance that would have had to been met if they were classified as CW in Phase 1.

To ensure consistency in evaluations, the following change is being made. In Phase 1, for CW tracts receiving three-or-more qualified bids, acceptance under the number of bids rule will apply only if the third largest bid is within 50 percent of the high bid, and if the high bid is in the top 75 percent of high bids on a per acre basis for all three-or-more-bid tracts within designated water depth categories. In Phase 2 of the bid evaluation process, DD tracts that have been reclassified as CW will be subject to the same screening criteria that the CW tracts with three-or-more bids had to meet in Phase 1.

How Are Bids Evaluated?

During the bid review process, we conduct evaluations in a two-phased procedure for bid adequacy determination. We also review bids to ensure that they are for at least the minimum amount specified in the notice of sale and that unusual bidding patterns are not present.

What Happens in Phase 1 of the Bid Adequacy Procedures?

In Phase 1, we partition the tracts receiving bids into three general categories:

1. Those tracts with three-or-more bids, on which competitive market forces can be used to assure fair market value;
2. Those tracts which we identify as being nonviable based on adequate data and maps; and
3. Those tracts which we identify as being viable and on which we have the most detailed and reliable data, including tracts classified as DD.

What Phase 1 Rules Are Applied to All Tracts Receiving Bids?

Six Phase 1 rules are applied to all tracts receiving bids:

1. We accept the highest qualified bid on viable CW tracts receiving three-or-more qualified bids if the third largest bid on the tract is at least 50 percent of the highest qualified bid and if the high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts within a specified water depth category.
2. We accept the highest qualified bid on CW tracts that we determine to be nonviable.
3. We pass to Phase 2 all tracts that require additional information to make a determination on viability or tract type.
4. We pass to Phase 2 all viable CW tracts receiving one or two qualified bids.
5. We pass to Phase 2 all viable CW tracts receiving three-or-more qualified bids if either the third largest such bid is less than 50 percent of the highest qualified bid or if the high bid per acre ranks in the lowest 25 percent of high bids for all three-or-more-bid tracts in the specified water depth category.
6. We pass to Phase 2 all DD tracts.

How Is the Percentile Ranking of a Tract's High Bid Calculated?

The percentile ranking of a tract's high bid is calculated by multiplying 100 times the ratio of the numerical ordering of the three-or-more-bid tract's high bid to the total number of all three-or-more-bid tracts in the designated water depth. For example, suppose there are 21 total tracts identified in Phase 1 as receiving three-or-more-bids in the designated water depth category of at least 800 meters. All tracts in this set having a high bid among the top 15 high bids would satisfy the 75 percent requirement; the 15th ranked high bid would represent the 71st percentile, i.e., $(100 * (15/21) = 71)$.

Can any Other Procedures Be Used in Phase 1 to Ensure the Receipt of Fair Market Value?

In ensuring the integrity of the bidding process, the Regional Director may identify an unusual bidding pattern at any time during the bid review process, but before a tract's high bid is accepted. If the finding is documented, the Regional Director has discretionary authority, after consultation with the Solicitor, to pass those identified tracts to Phase 2 for further analysis. The Regional Director may eliminate all but the largest of the unusual bids from consideration when applying any bid adequacy rule, may choose not to apply a bid adequacy rule, or may reject the tract's highest qualified bid.

How Long Does it Take To Complete the Phase 1 Procedures?

These procedures are generally completed within 3 weeks of the bid opening. All the leases that will be awarded as a result of the Phase 1 analysis are announced at the end of this period.

How Long Do the Phase 2 Procedures Take?

The Phase 2 bid adequacy determinations are normally completed sequentially over a period ranging between 21 and 90 days after the sale. Leases are awarded as the analysis of bids is completed over this time period. The total evaluation period can be extended, if needed, at the Regional Director's discretion (61 FR 34730, July 3, 1996).

What are the Initial Steps of the Bid Adequacy Process that Are Followed in Phase 2?

Activities to assess bids are undertaken by analyzing, partitioning, and evaluating tracts in two steps:

1. Further mapping and/or analysis is performed to review, modify, and finalize viability determinations and tract classifications.
2. Tracts we identify as being viable must undergo an evaluation to determine if fair market value has been received.

What Decision Rules Are Applied in Phase 2 of the Bid Evaluation Process?

After completing the initial two steps, a series of rules and procedures are followed.

1. We accept the highest qualified bid on newly classified CW tracts having three-or-more qualified bids if its third largest bid is at least 50 percent of the highest qualified bid and if its high bid per acre ranks in the top 75 percent of high bids for all three-or-more-bid tracts that reside within its specified water depth category.
2. We accept the highest qualified bid on all tracts determined to be nonviable.
3. We determine whether any categorical fair market evaluation technique(s) will be used.

If so we:

- A. Evaluate, define, and identify the appropriate threshold measure(s) for bid acceptance.
 - B. Accept all tracts whose individual measures of bid adequacy satisfy the threshold categorical requirements.
4. We conduct a full-scale evaluation, which could include the use of MONTCAR, on all remaining tracts passed to Phase 2 and still awaiting an acceptance or rejection decision.

What Subset of Tracts Comprise the “Remaining Tracts” That Still Need a Phase 2 Acceptance or Rejection Decision?

The remaining tracts include tracts not accepted by a categorical rule that we classify as:

- 1. DD tracts, or
- 2. CW tracts that are viable and received:
 - A. One or two qualified bids, or
 - B. Three-or-more qualified bids, if either its third largest bid is less than 50 percent of the highest qualified bid or the high bid is in the bottom 25 percent of all three-or-more-bid CW tracts within a designated water depth category.

What Procedures Are Followed for Evaluating the Adequacy of Bids on These Tracts?

For these tracts we:

- 1. Accept the highest qualified bid, if it equals or exceeds the tract's ADV.
- 2. Reject the highest qualified bid on DD tracts receiving three-or-more qualified bids, if the high bid is less than one-sixth of the tract's MROV.
- 3. Reject the highest qualified bid on DD tracts receiving one or two qualified bids and on CW tracts receiving only one qualified bid, if the high bid is less than the tract's ADV.

What Happens Next to the Tracts Still Awaiting an Acceptance or Rejection Decision?

At this stage of the process, the tracts still awaiting a decision consist of those having a highest qualified bid that is less than the ADV that are either:

- 1. DD tracts receiving three-or-more qualified bids with the highest bid exceeding one-sixth of the tract's MROV or
- 2. Viable CW tracts that receive two-or-more qualified bids.

From these tracts, we select the following:

- A. DD tracts having three-or-more qualified bids with the third largest bid being at least 25 percent of the highest qualified bid, and
- B. CW tracts having two-or-more qualified bids with the second largest bid being at least 25 percent of the highest qualified bid.

We then compare the highest qualified bid on each of these selected tracts to the tract's RAM. For all these tracts, we:

- 1. Accept the highest qualified bid, if the high bid equals or exceeds the tract's RAM, or
- 2. Reject the highest qualified bid, if the high bid is less than the tract's RAM.

Finally, we identify those tracts that are still awaiting a decision, but did not meet the requirements for comparison to the RAM and we reject the high bid on these tracts.

At this point, the acceptance or rejection decisions are made on all the high bids in the sale. The successful bidders are notified and their leases are awarded after the full payment of the high bid is received. The unsuccessful bidders are notified as well and their bid deposits are returned. Unsuccessful bidders may appeal a bid rejection decision as described in 30 CFR 256.47(e)(3).

Dated: July 1, 1999.
Carolita U. Kallaur,
Associate Director for Offshore Minerals Management.
[FR Doc. 99-17662 Filed 7-9-99; 8:45 am]
BILLING CODE 4310-MR-P



The Department of the Interior Mission

As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



The Minerals Management Service Mission

As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil and other mineral resources. The MMS **Minerals Revenue Management** meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.