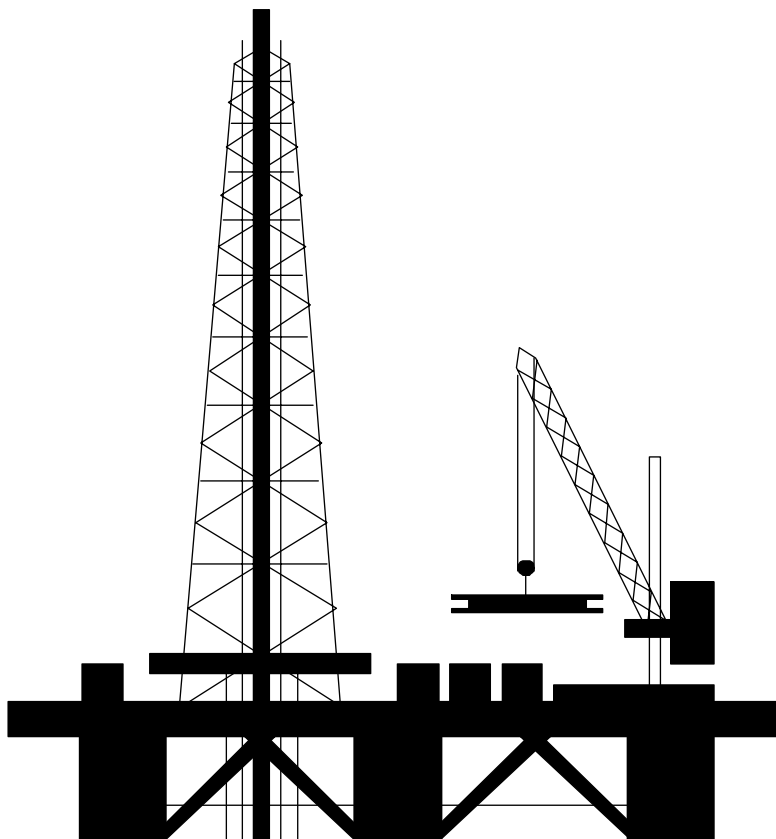


# Western Gulf of Mexico Sale 192 August 18, 2004

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Sale Summary, Bidding Results and  
Related Analyses

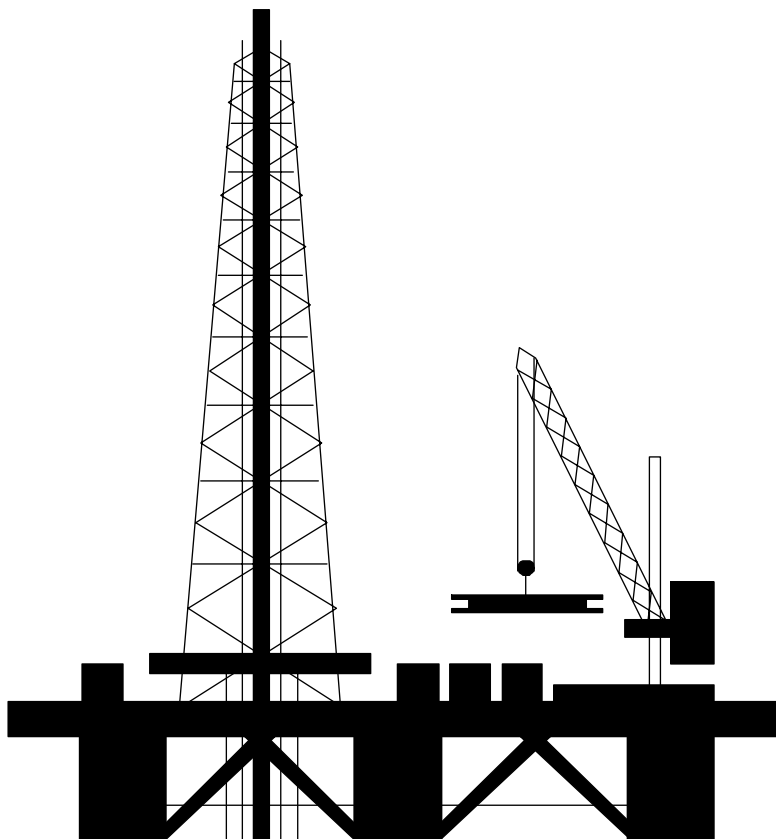


# Western Gulf of Mexico Sale 192 August 18, 2004

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Sale Summary, Bidding Results and  
Related Analyses

By  
Larry Slaski



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# Western Gulf of Mexico

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## Sale 192 August 18, 2004 Sale Overview

Sale 192 in the Western Gulf of Mexico (WGOM) was held on August 18, 2004. In this sale, 351 tracts received 421 bids (an average of 1.20 bids per tract). Tracts that were in water depths eligible for deepwater royalty relief totaled 193, while 135 were in water depths eligible for shallow water, deep gas royalty relief.

### Bidding Results

Sale 192, in terms of the number of tracts receiving bids, was about 5 percent larger than WGOM Sale 187, held in 2003. In addition, there was an increase in aggregate high bids in Sale 192 compared to Sale 187 of about 15 percent. In Sale 192, high bids totaled \$171,387,285.

Bidding results by water depth zone are summarized in table 1 and 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.	135	\$72.57	171	1.27
200 - 399 m.	23	\$9.37	26	1.13
400 - 799 m.	37	\$11.94	39	1.05
800 - 1,599 m.	101	\$45.38	113	1.12
1,600+ m.	55	\$32.13	72	1.31
Total	351	\$171.39	421	1.20

Bidding activity in Sale 192 resulted in a slight increase in the number of tracts receiving bids and number of bids, as well as a moderate increase in aggregate high bids compared to the previous WGOM sale (Sale 187, August 20, 2003). In Sale 187, 335 tracts received 407 bids, whereas 351 tracts received 421 bids in Sale 192, resulting in increases of 5 percent for tracts and 3 percent for total bids. In addition, the sum of high bids submitted on tracts receiving bids in Sale 192 increased by about 15 percent compared to Sale 187 (\$171.39 million v. \$148.72 million). The amount of competition for tracts was similar to other recent WGOM lease sales. About 86 percent of tracts received single bids. Two-bid tracts accounted for the next highest percent of tracts receiving bids (about 10 percent). 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*<sup>1</sup>

<b>Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	301	85.75%	\$120.05	70.04%
2	36	10.26%	\$26.44	15.43%
3	9	2.56%	\$9.72	5.67%
4	4	1.14%	\$11.07	6.46%
5 or more	1	0.28%	\$4.11	2.40%
Total	351	100.00%	\$171.39	100.00%

Sale 192 was typical of sales in the WGOM as more tracts received high bids less than \$50 per acre than those receiving bids greater than that amount. In Sale 192, tracts with high bids greater than \$150 per acre accounted for about 43 percent of aggregate high bids, an amount higher than that observed in Sale 187. 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*

<b>High Bid per Acre</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
< \$50	185	52.71%	\$39.39	22.98%
\$50 - 74.99	67	19.09%	\$22.70	13.25%
\$75 - 99.99	38	10.83%	\$18.57	10.83%
\$100 - 149.99	25	7.12%	\$16.34	9.53%
\$150+	36	10.26%	\$74.39	43.41%
Total	351	100.00%	\$171.39	100.00%

<sup>1</sup>In the tables throughout this report, percent totals may not add exactly to 100.00 percent 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

In water depths of less than 200 meters, in which leases are eligible for royalty suspension volumes for natural gas produced from wells 15,000 feet or more deep, 135 tracts received bids in Sale 192 compared to 110 tracts in Sale 187. There was about a 23 percent increase in tracts receiving bids in this water depth category, and their high bids were about 19 percent higher than those from Sale 187.

A total of 37 tracts in 400 - 799 meters eligible for royalty suspension volumes of 5 million barrels of oil equivalent (MMBOE) received bids, as did 101 tracts in 800 - 1,599 meters eligible for royalty suspension volumes of 9 MMBOE, and 55 tracts in 1,600 meters or more eligible for royalty suspension volumes of 12 MMBOE. These tracts accounted for 55 percent of the tracts in the sale receiving bids and 52 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 192 was 12 percent lower, but their associated high bids were 5 percent higher than those received in Sale 187.

In the water depth categories between 200 - 399 meters, bidding activity in Sale 192 was much higher than the level observed in Sale 187 for tracts receiving bids. In this water depth category, the number of tracts receiving bids was 283 percent higher and high bids increased by 306 percent. In both Sales 192 and 187, tracts in 200 - 399 meters were not eligible for automatic royalty suspension volumes.

Table 4.—*Bidding Results by High Bid per Acre: Sale 192 v. Sale 187*

<b>Water Depth</b>	<b>Sale 192</b>	<b>Sale 187</b>
< 200 m.	\$95.92	\$100.46
200 - 399 m.	\$72.67	\$70.05
400 - 799 m.	\$56.02	\$122.14
800+ m.	\$86.26	\$56.21

These results suggest that industry continues to perceive significant economic potential to exist in all water depths in the WGOM. In water depths less than 200 meters, the average high bid per acre decreased by 5 percent relative to Sale 187. However, that difference was due to the high bid of \$22.6 million on Tract G25561 in Sale 187. Without that bid, the average high bid for the remaining tracts in that water depth category was \$63.80 per acre or 33 percent less than Sale 192. In water depths of 200-399 meters, the average high bid per acre increased 4 percent compared to Sale 187. In water depths of 400-799 meters, the average high bid per acre decreased 54 percent compared to Sale 187. Finally, in water depths of 800 meters or more, the average high bid per acre increased 53 percent compared to Sale 187.

## Phase 1 Results

Following the post-sale bid evaluation procedures, which include a modified 3-bid rule, high bids on 116 tracts were accepted in Phase 1 of Sale 192. High bids were accepted on 60 tracts in water depths less than 200 meters, 3 tracts in 200 - 399 meters, and 53 tracts in water depths of 400 meters or more, which are eligible for automatic royalty suspension volumes. The Phase 1-accepted high bids accounted for about 33 percent of the tracts and included 19 percent of the high bids. The high bids on 2 tracts met the criteria for acceptance by the Phase 1 number of bids rule. The other 114 Phase 1 acceptances were wildcat and confirmed tracts determined to be non-viable.

The Sale 192, Phase 1 results by number of bids and high bid per acre are presented in tables 5 and 6, respectively.

Table 5.—Phase 1 Results by Number of Bids

Bids	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
1	108	93.10%	\$28.98	89.00%
2	5	4.31%	\$1.37	4.21%
3+	3	2.59%	\$2.21	6.79%
Total	116	100.00%	\$32.56	100.00%

Table 6.—Phase 1 Results by High Bid per Acre

High Bid per Acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	86	74.14%	\$17.39	53.41%
\$50 - 74.99	14	12.07%	\$4.93	15.14%
\$75 - 99.99	8	6.90%	\$3.70	11.36%
\$100 - 149.99	5	4.31%	\$3.30	10.14%
\$150+	3	2.58%	\$3.24	9.95%
Total	116	100.00%	\$32.56	100.00%

## **Revised Arithmetic Average Measure of Tract (RAM)**

The Revised Arithmetic Average Measure of Tract (RAM) is a secondary bid acceptance criterion. It was used in Phase 2 of the Sale 192 bid evaluation process on multi-bid tracts that have high bids that do not exceed the Government's Adjusted Delayed Value (ADV) of the tract. 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 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. Using the RAM, the highest ADV required to reject a high bid on a multi-bid tract in Sale 192 was about \$6.9 million, and the majority was less than \$3 million. These values are not unreasonable relative to high bids observed in this sale.

In Sale 192, 11 tracts classified as wildcat and confirmed receiving three or more bids were passed to Phase 2 for evaluation. These tracts, potentially, could have their bid acceptance or rejection decision based on the RAM. After adjusting the number of bids to include only those bids that are at least 25 percent of a tract's high bid, 9 tracts could be eligible for a decision based on the RAM. These 9 tracts would require ADV's of around \$0.6 million to \$6.9 million for rejection. However, in all cases, the tract's high bid exceeded the ADV and the RAM was not used as the decision rule for any bids in Sale 192. 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 192 decreased to 54 from the 63 active in Sale 187, the previous WGOM sale. Fourteen companies submitted bids (either solo or jointly) on 10 or more tracts. Amerada Hess was the most active company in terms of bids submitted with 64. The most apparent high bids, 58, were also submitted by Amerada Hess. BP Exploration & Production had the greatest aggregate high bids with a total of \$28.05 million.

With about 14 percent of the tracts receiving bids in the sale being multi-bid tracts, two firms (Anadarko Petroleum and BHP Billiton) that submitted 10 or more bids were the high bidder on every bid they submitted. For firms submitting 20 or more bids, the most successful bidder was Petrobras America, with 37 high bids out of the 38 bids that it offered.

The 10 most active bidders in terms of total amount of high bids are listed in table 7. 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.



Four of the ten companies that were most active in WGOM Sale 187 (August 20, 2003), in terms of high bids submitted, continued to be among the most active in Sale 192. With the magnitude of the high bids about 15 percent higher in Sale 192 than in Sale 187, a large increase in bidding activity was noted for BP Exploration & Production, which increased its total high bids submitted to \$28.05 million from \$9.13 million in Sale 187.

Appendix G presents a listing of bidding by the most active companies in Sales 192 and 187.

Table 7.—*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
BP Exploration & Production	\$28,050,288	59 (2)	48 (2)
Kerr-McGee Oil & Gas	\$14,089,305	26 (5)	24 (5)
Amerada Hess	\$13,731,397	64 (1)	58 (1)
Devon Energy Production	\$11,519,457	33 (4)	26 (4)
Petrobras America	\$10,719,375	38 (3)	37 (3)
The Houston Exploration Company	\$8,133,065	3 (35)	3 (31)
Chevron USA	\$7,484,291	13 (11)	11 (11)
Remington Oil and Gas	\$6,313,099	7 (20)	7 (16)
Pioneer Natural Resources	\$6,200,188	16 (9)	15 (9)
Shell Offshore	\$5,473,442	26 (5)	17 (6)

### **Sale 192 v. Sale 187**

The results of Sale 192 were similar to the results of Sale 187 in many categories of bidding activity. The average high bid per acre was \$85.81 in Sale 192 as compared with \$78.41 in Sale 187. In Sale 192, 351 tracts received 421 bids, thus slightly exceeding the 335 tracts that received 407 bids in Sale 187. In addition, the average number of bids per tract, 1.2, was the same in both sales.

The amount of bidding activity in less than 200 meters of water in Sale 192 increased compared to Sale 187. Specifically, the number of tracts potentially eligible for deep gas royalty suspension volumes (water depth of less than 200 meters and a drilling depth of 15,000 feet or more) receiving bids increased by about 23 percent and the high bids on these tracts increased 19 percent. In water depths of 400 meters or more (tracts potentially eligible for deep water royalty relief), bidding activity in Sale 192 was lower than Sale 187. In the deeper water depth zones, the number of tracts receiving bids in Sale 192 declined about 12 percent compared to Sale 187,

but high bids on the deep water tracts increased 5 percent. Appendix H presents a graphical comparison of sale results.

In Sale 192, two tracts with high bids that were rejected in Sale 187 received bids. However, the high bids on both these tracts were rejected in Sale 192 as well. For the two tracts with high bids rejected in both Sales 192 and 187, the Sale 192 bid was \$150,056 more than the bid in the previous sale, but these bids were well below the Government's estimate of fair market value for each tract. In addition, there were three tracts with rejected high bids in Sale 187 of \$2,278,037 that did not receive bids in Sale 192.

# Appendix A

Western Gulf of Mexico  
Outer Continental Shelf  
Oil and Gas Lease Sale 192

## **Bidding Summary**

# Western Gulf of Mexico OCS Oil and Gas Lease Sale 192

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## 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	158	193	351
Acres Receiving Bids	885,496.57	1,111,680.00	1,997,176.57
Sum of High Bids	\$81,943,184	\$89,444,101	\$171,387,285
Sum of All Bids	\$96,198,382	\$101,196,782	\$197,395,164
Total Number of Bids	197	224	421
Average Bids	1.25	1.16	1.20
Companies Bidding	45	27	54
Highest Bid per Tract	\$6,775,400	\$4,877,331	\$6,775,400
- Tract Number	G26556	G26664	G26556
- Number of Bids	4	1	4
Highest Bid per Acre	\$1,176.28	\$846.76	\$1,176.28
- Tract Number	G26556	G26664	G26556
- Number of Bids	4	1	4
Most Bids	5	4	5
- Tract Number	G26506	G26694 G26777	G26506

# Western Gulf of Mexico OCS Oil and Gas Lease Sale 192

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

	<u>16 2/3% w/RS<sup>1</sup></u>	<u>16 2/3% w/ROY<sup>2</sup></u>	<u>16 2/3% Total</u>
Tracts Receiving Bids	135	23	158
Acres Receiving Bids	756,560.58	128,935.99	885,496.57
Sum of High Bids	\$72,573,043	\$9,370,141	\$81,943,184
Sum of All Bids	\$85,610,441	\$10,587,941	\$96,198,382
Total Number of Bids	171	26	197
Average Bids	1.27	1.13	1.25
Companies Bidding	43	11	45
Highest Bid per Tract	\$6,775,400	\$1,242,400	\$6,775,400
- Tract Number	G26556	G26639	G26556
- Number of Bids	4	1	4
Highest Bid per Acre	\$1,176.28	\$215.69	\$1,176.28
- Tract Number	G26556	G26639	G26556
- Number of Bids	4	1	4
Most Bids	5	3	5
- Tract Number	G26506	G26636	G26506

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<sup>1</sup> “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 as prescribed in 30 CFR 203.40 through 203.47 for natural gas from wells 15,000 feet or more deep.

<sup>2</sup> “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.

# Western Gulf of Mexico OCS Oil and Gas Lease Sale 192

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

	<u>12 1/2% w/RS5<sup>1</sup></u>	<u>12 1/2% w/RS3<sup>2</sup></u>	<u>12 1/2% w/RS4<sup>3</sup></u>	<u>12 1/2% Royalty</u>
Tracts Receiving Bids	37	101	55	193
Acres Receiving Bids	213,120.00	581,760.00	316,800.00	1,111,680.00
Sum of High Bids	\$11,937,983	\$45,376,209	\$32,129,909	\$89,444,101
Sum of All Bids	\$12,463,952	\$49,236,622	\$39,496,208	\$101,196,782
Total Number of Bids	39	113	72	224
Average Bids	1.05	1.12	1.31	1.16
Companies Bidding	11	19	17	27
Highest Bid per Tract	\$853,167	\$4,877,331	\$2,492,500	\$4,877,331
- Tract Number	G26667	G26664	G26767	G26664
- Number of Bids	2	1	1	1
Highest Bid per Acre	\$148.12	\$846.76	\$432.73	\$846.76
- Tract Number	G26667	G26664	G26767	G26664
- Number of Bids	2	1	1	1
Most Bids	2	4	4	4
- Tract Number	G26667 G26705	G26694	G26777	G26694 G26777

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<sup>1</sup> “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.

<sup>2</sup> “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.

<sup>3</sup> “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

Western Gulf of Mexico  
Outer Continental Shelf  
Oil and Gas Lease Sale 192

**Bidding by Number of Bids**

# Sale 192

## *All Tracts*

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	301	85.75%	\$120.05	70.04%
2	36	10.26%	\$26.44	15.43%
3	9	2.56%	\$9.72	5.67%
4	4	1.14%	\$11.07	6.46%
<u>5+</u>	<u>1</u>	<u>0.28%</u>	<u>\$4.11</u>	<u>2.40%</u>
Total	351	100.00%	\$171.39	100.00%

## *Tracts with 1/6 Royalty Rate*

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	131	82.91%	\$47.17	57.56%
2	19	12.03%	\$17.19	20.97%
3	5	3.16%	\$5.82	7.10%
4	2	1.27%	\$7.66	9.35%
<u>5+</u>	<u>1</u>	<u>0.63%</u>	<u>\$4.11</u>	<u>5.02%</u>
Total	158	100.00%	\$81.94	100.00%

## *Tracts with 1/8 Royalty Rate*

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	170	88.08%	\$72.88	81.48%
2	17	8.81%	\$9.26	10.35%
3	4	2.07%	\$3.90	4.36%
4	2	1.04%	\$3.41	3.81%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	193	100.00%	\$89.44	100.00%



## Sale 192, by Water Depth Category

*1/6 Royalty (<200 meters; Royalty Suspension Volume [RSV] as prescribed in 30 CFR 203.40 through 203.47 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	110	81.48%	\$39.03	53.78%
2	18	13.33%	\$16.56	22.82%
3	4	2.96%	\$5.21	7.18%
4	2	1.48%	\$7.66	10.56%
<u>5+</u>	<u>1</u>	<u>0.74%</u>	<u>\$4.11</u>	<u>5.66%</u>
Total	135	100.00%	\$72.57	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	21	91.30%	\$8.14	86.83%
2	1	4.35%	\$0.63	6.67%
3	1	4.35%	\$0.61	6.50%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	23	100.00%	\$9.37	100.00%

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

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	35	94.59%	\$10.80	90.51%
2	2	5.41%	\$1.13	9.49%
3	0	0.00%	\$0.00	0.00%
4	0	0.00%	\$0.00	0.00%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	37	100.00%	\$11.94	100.00%

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

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	93	92.08%	\$39.70	87.48%
2	5	4.95%	\$3.35	7.39%
3	2	1.98%	\$1.39	3.07%
4	1	0.99%	\$0.93	2.06%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	101	100.00%	\$45.38	100.00%

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

<b>No. Of Bids</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
1	42	76.36%	\$22.38	69.65%
2	10	18.18%	\$4.77	14.85%
3	2	3.64%	\$2.51	7.80%
4	1	1.82%	\$2.47	7.70%
<u>5+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	55	100.00%	\$32.13	100.00%

# Appendix C

Western Gulf of Mexico  
Outer Continental Shelf  
Oil and Gas Lease Sale 192

**Bidding by High Bid per Acre**

## Sale 192

### *All Tracts*

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	185	52.71%	\$39.39	22.98%
\$50 - 74.99	67	19.09%	\$22.70	13.25%
\$75 - 99.99	38	10.83%	\$18.57	10.83%
\$100 - 149.99	25	7.12%	\$16.34	9.53%
<u>\$150+</u>	<u>36</u>	<u>10.26%</u>	<u>\$74.39</u>	<u>43.41%</u>
Total	351	100.00%	\$171.39	100.00%

### *Tracts with 1/6 Royalty Rate*

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	81	51.27%	\$14.61	17.83%
\$50 - 74.99	28	17.72%	\$8.76	10.69%
\$75 - 99.99	17	10.76%	\$7.83	9.56%
\$100 - 149.99	11	6.96%	\$6.77	8.26%
<u>\$150+</u>	<u>21</u>	<u>13.29%</u>	<u>\$43.98</u>	<u>53.67%</u>
Total	158	100.00%	\$81.94	100.00%

### *Tracts with 1/8 Royalty Rate*

High Bid/acre	Tracts	Percent of Tracts	High Bids (\$MM)	Percent of High Bids
< \$50	104	53.89%	\$24.78	27.70%
\$50 - 74.99	39	20.21%	\$13.95	15.59%
\$75 - 99.99	21	10.88%	\$10.73	12.00%
\$100 - 149.99	14	7.25%	\$9.57	10.70%
<u>\$150+</u>	<u>15</u>	<u>7.77%</u>	<u>\$30.42</u>	<u>34.01%</u>
Total	193	100.00%	\$89.44	100.00%

## Sale 192, by Water Depth Category

*1/6 Royalty (<200 meters; Royalty Suspension Volume [RSV] as prescribed in 30 CFR 203.40 through 203.47 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	73	54.07%	\$12.98	17.89%
\$50 - 74.99	21	15.56%	\$6.59	9.08%
\$75 - 99.99	15	11.11%	\$6.80	9.36%
\$100 - 149.99	6	4.44%	\$3.47	4.78%
<u>\$150+</u>	<u>20</u>	<u>14.81%</u>	<u>\$42.73</u>	<u>58.89%</u>
Total	135	100.00%	\$72.57	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	8	34.78%	\$1.63	17.37%
\$50 - 74.99	7	30.43%	\$2.17	23.11%
\$75 - 99.99	2	8.70%	\$1.04	11.06%
\$100 - 149.99	5	21.74%	\$3.30	35.20%
<u>\$150+</u>	<u>1</u>	<u>4.35%</u>	<u>\$1.24</u>	<u>13.26%</u>
Total	23	100.00%	\$9.37	100.00%

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

<b>High Bid/acre</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
< \$50	22	59.46%	\$5.40	45.19%
\$50 - 74.99	11	29.73%	\$3.97	33.23%
\$75 - 99.99	2	5.41%	\$1.07	8.92%
\$100 - 149.99	2	5.41%	\$1.51	12.65%
<u>\$150+</u>	<u>0</u>	<u>0.00%</u>	<u>\$0.00</u>	<u>0.00%</u>
Total	37	100.00%	\$11.94	100.00%

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

<b>High Bid/acre</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
< \$50	60	59.41%	\$14.00	30.86%
\$50 - 74.99	17	16.83%	\$5.99	13.21%
\$75 - 99.99	10	9.90%	\$4.98	10.97%
\$100 - 149.99	6	5.94%	\$3.93	8.57%
<u>\$150+</u>	<u>8</u>	<u>7.92%</u>	<u>\$16.47</u>	<u>36.29%</u>
Total	101	100.00%	\$45.38	100.00%

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

<b>High Bid/acre</b>	<b>Tracts</b>	<b>Percent of Tracts</b>	<b>High Bids (\$MM)</b>	<b>Percent of High Bids</b>
< \$50	22	40.00%	\$5.38	16.74%
\$50 - 74.99	11	20.00%	\$3.98	12.40%
\$75 - 99.99	9	16.36%	\$4.69	14.60%
\$100 - 149.99	6	10.91%	\$4.13	12.85%
<u>\$150+</u>	<u>7</u>	<u>12.73%</u>	<u>\$13.95</u>	<u>43.41%</u>
Total	55	100.00%	\$24.54	100.00%

# Appendix D

Western Gulf of Mexico  
Outer Continental Shelf  
Oil and Gas Lease Sale 192

**Bidding Results – Graphs**

# Distribution of High Bids Sale 192, WGOM

Prepared by:  
Economics Division, MMS

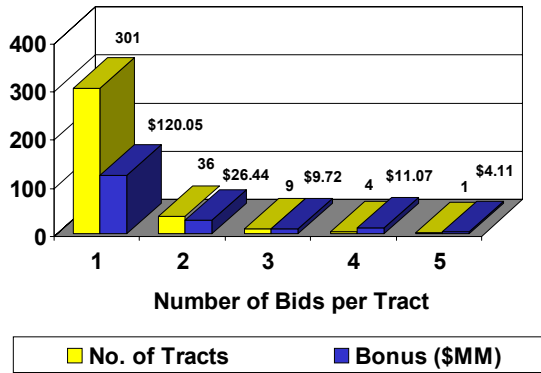
## Sale 192 (WGOM) Bidding Results

- 351 tracts received 421 bids (1.20 bids/tract).
- High bids were \$171.39 MM.
- Average high bid per acre was \$85.81.
- 54 companies submitted bids.
- 158 tracts in < 400 meters received bids – 45.01 percent of tracts and 47.81 percent of high bids.
- 193 tracts in 400+ meters received bids – 54.99 percent of tracts and 52.19 percent of high bids.



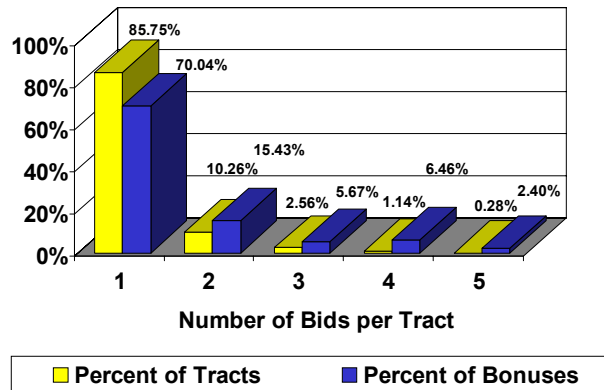
## Sale 192, Aggregate

### Bidding Activity by Bids per Tract



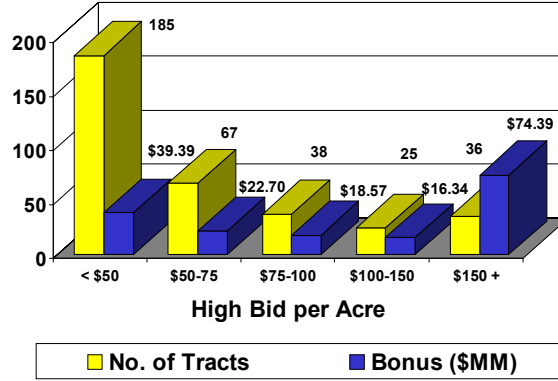
## Sale 192, Aggregate

### Bidding Activity by Bids per Tract



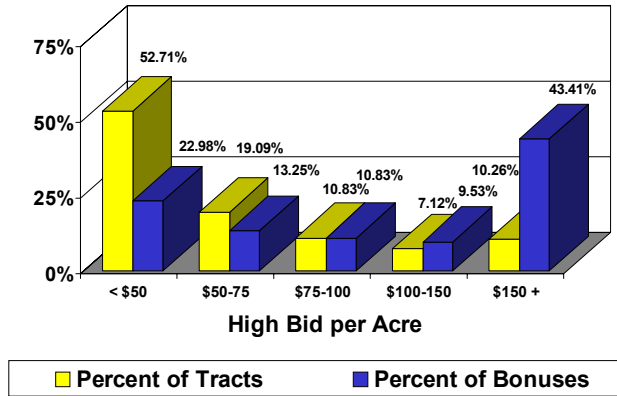
## Sale 192, Aggregate

### Bidding Activity by High Bid per Acre



## Sale 192, Aggregate

### Bidding Activity by High Bid per Acre



## Sale 192

### Bidding by Water Depth Category

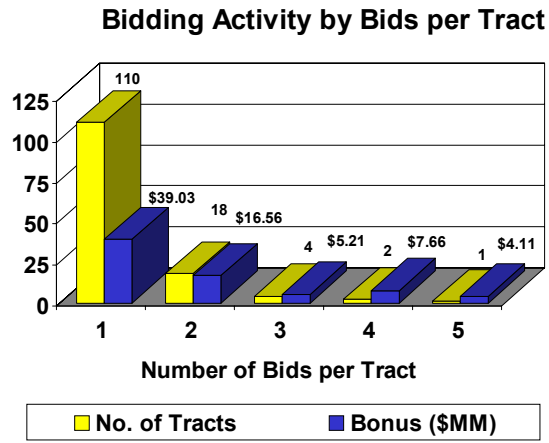
Prepared by:  
Economics Division, MMS

## Sale 192 (WGOM)

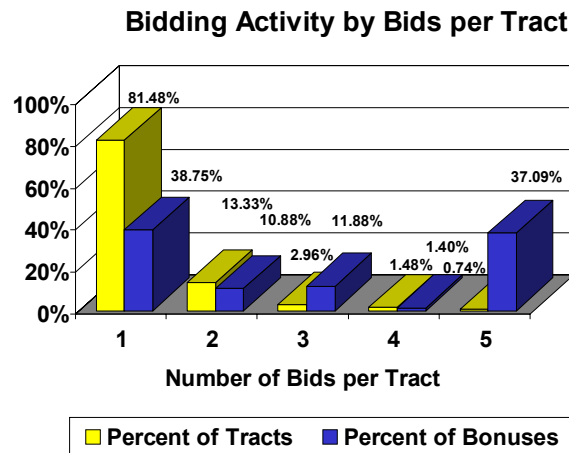
### Bidding by Water Depth Category

- 135 tracts in < 200 meters received 171 bids and high bids of \$72.57 MM (\$95.92/acre).
- 23 tracts in 200-399 meters had 26 bids and high bids of \$9.37 MM (\$72.67/acre).
- 37 tracts in 400-799 meters had 39 bids and high bids of \$11.94 MM (\$56.02/acre).
- 101 tracts in 800-1,599 meters had 113 bids and high bids of \$45.38 MM (\$78.00/acre).
- 55 tracts in > 1,600 meters had 72 bids and high bids of \$32.13 MM (\$101.42/acre).

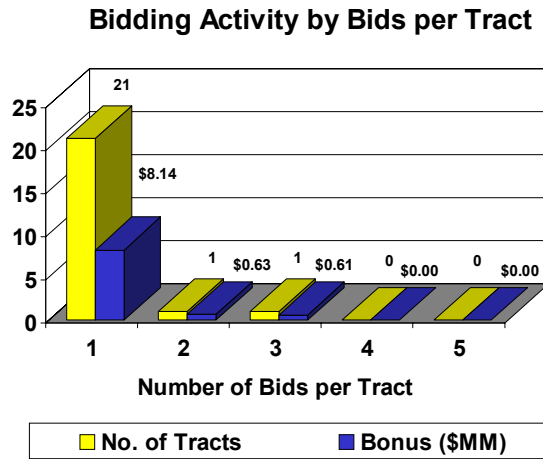
## Sale 192, Tracts in < 200 Meters Water Depth



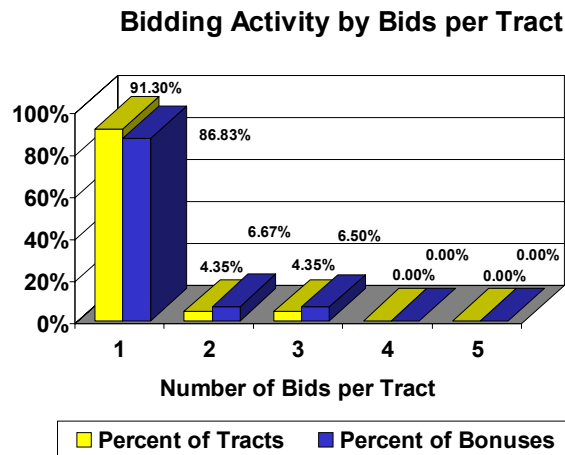
## Sale 192, Tracts in < 200 Meters Water Depth



## Sale 192, Tracts in 200-399 Meters Water Depth

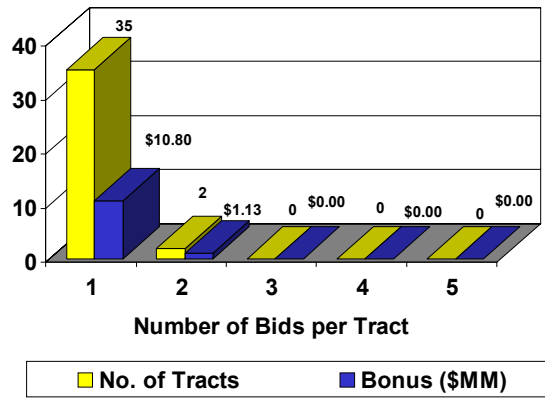


## Sale 192, Tracts in 200-399 Meters Water Depth



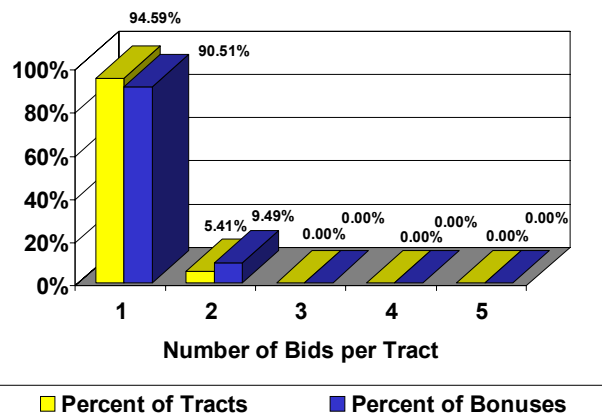
## Sale 192, Tracts in 400-799 Meters Water Depth

Bidding Activity by Bids per Tract

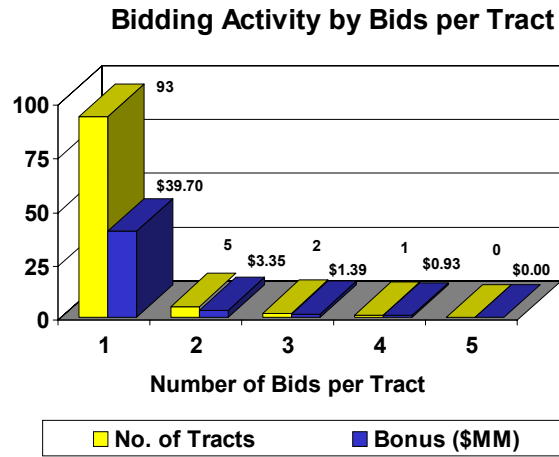


## Sale 192, Tracts in 400-799 Meters Water Depth

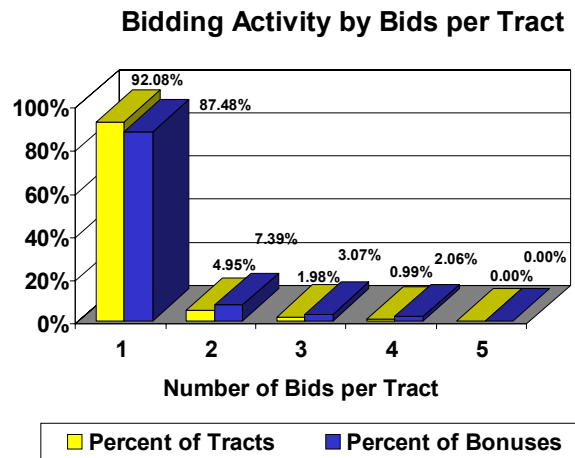
Bidding Activity by Bids per Tract



## Sale 192, Tracts in 800-1,599 Meters Water Depth

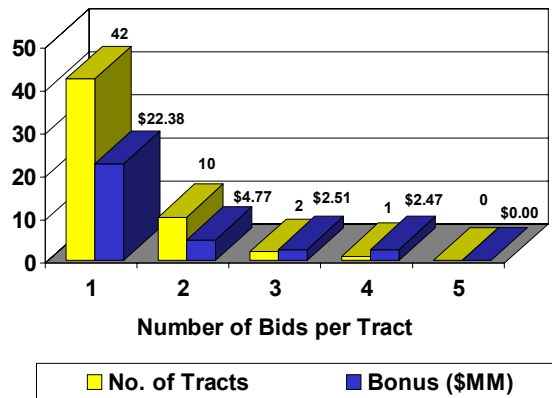


## Sale 192, Tracts in 800-1,599 Meters Water Depth



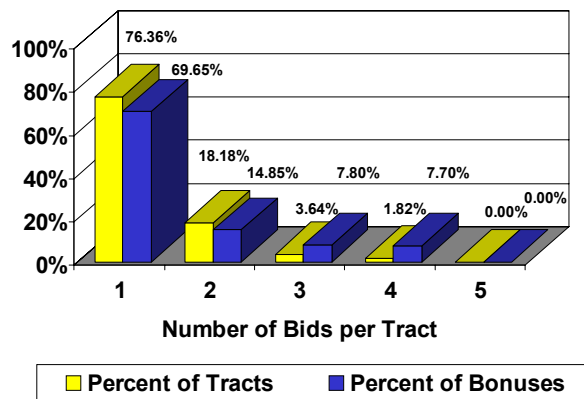
**Sale 192, Tracts in 1,600 Meters or More Water Depth**

**Bidding Activity by Bids per Tract**



**Sale 192, Tracts in 1,600 Meters or More Water Depth**

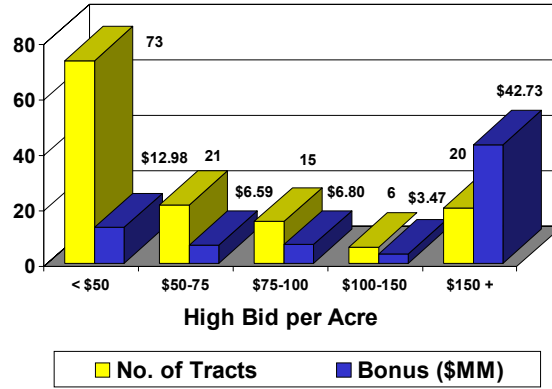
**Bidding Activity by Bids per Tract**





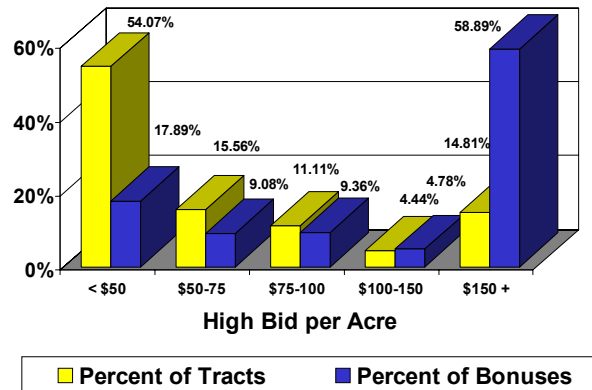
## Sale 192, Tracts in < 200 Meters Water Depth

### Bidding Activity by High Bid per Acre



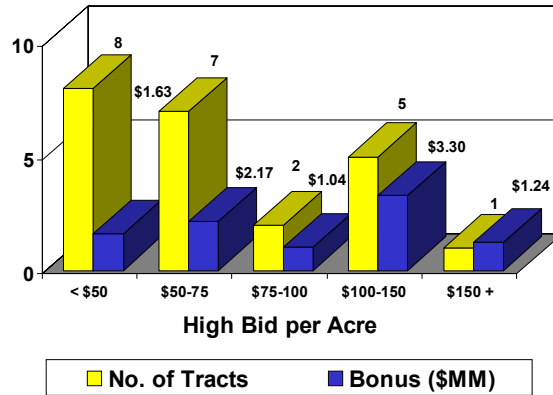
## Sale 192, Tracts in < 200 Meters Water Depth

### Bidding Activity by High Bid per Acre



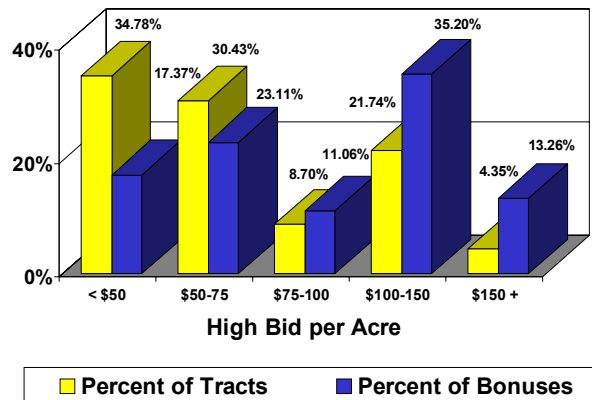
## Sale 192, Tracts in 200-399 Meters Water Depth

### Bidding Activity by High Bid per Acre



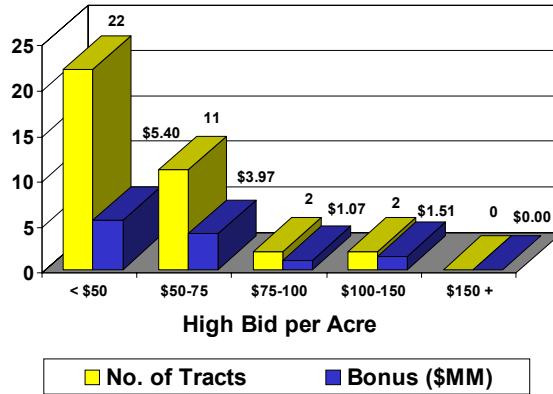
## Sale 192, Tracts in 200-399 Meters Water Depth

### Bidding Activity by High Bid per Acre



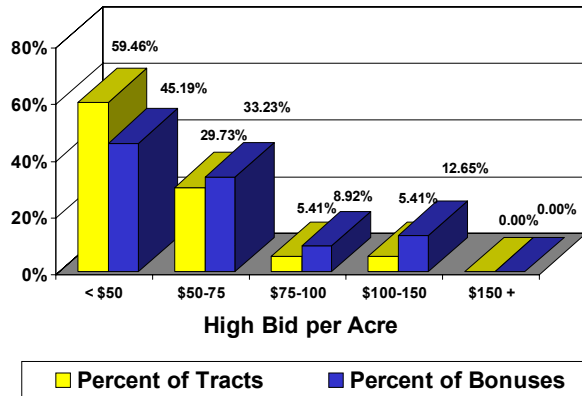
## Sale 192, Tracts in 400-799 Meters Water Depth

### Bidding Activity by High Bid per Acre



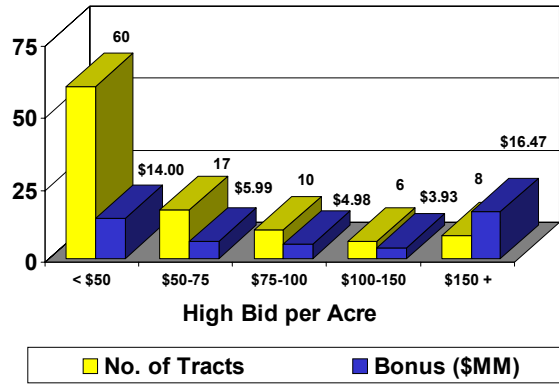
## Sale 192, Tracts in 400-799 Meters Water Depth

### Bidding Activity by High Bid per Acre



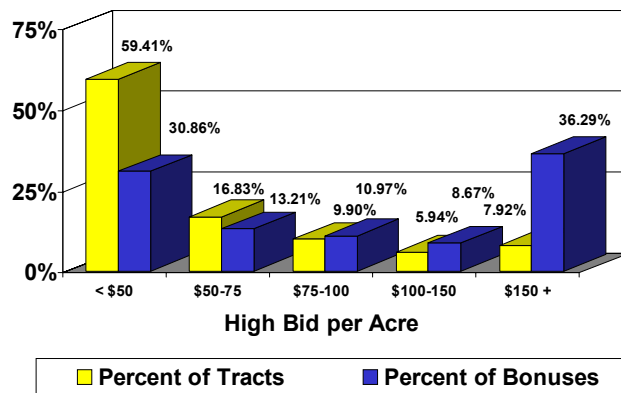
## Sale 192, Tracts in 800-1,599 Meters Water Depth

### Bidding Activity by High Bid per Acre



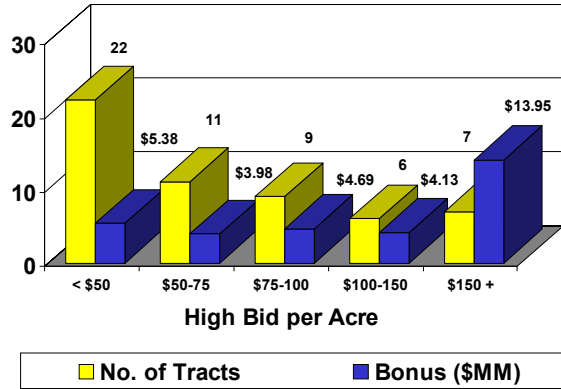
## Sale 192, Tracts in 800-1,599 Meters Water Depth

### Bidding Activity by High Bid per Acre



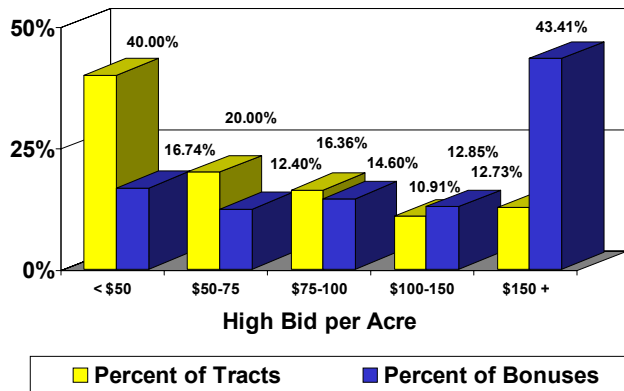
**Sale 192, Tracts in 1,600 Meters or More Water Depth**

**Bidding Activity by High Bid per Acre**



**Sale 192, Tracts in 1,600 Meters or More Water Depth**

**Bidding Activity by High Bid per Acre**



# Appendix E

## **Revised Arithmetic Average Measure (RAM)**

## Sale 192, Tracts with Three or More Bids

In Sale 192, three or more bids were received on 14 tracts. The distribution of those bids by water depth category and third bid as a percent of high bid is presented in table E1.

Table E1.—*Third Bid as a Percent of a Tract’s High Bid by Water Depth Category*

Category	< 25%	25 - 50%	50 - 75%	> 75%	Total
< 200 m.	3	4	0	0	7
200 - 399 m.	0	0	1	0	1
400 - 799 m.	0	0	0	0	0
800 – 1,599 m.	1	0	2	0	3
1,600 m. or more	1	2	0	0	3
Total	5	6	3	0	14

Applying the bid adequacy procedures, 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 187, two tracts (G26636 and G26694) with three or more bids met the bid acceptance criteria described above.

A modified Phase 2 averaging rule, the “Revised Arithmetic Average Measure” (RAM) of tract value was also applicable in this sale. 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, then the high bid is accepted. If the RAM exceeds the high bid, then the high bid is rejected.

Twelve three-or-more-bid tracts that could potentially use the RAM as the bid acceptance decision rule were passed to Phase 2 for further evaluation. Of those, two 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 ten tracts, the ADV's that would be needed to reject a tract's high bid using the RAM were calculated. Using the RAM, 3 tracts need an ADV of less than \$1 million, 5 tracts need an ADV of between \$1 million to \$5 million, and 2 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.	2	2	2	0	6
200 - 399 m.	0	0	0	0	0
400 - 799 m.	0	0	0	0	0
800 – 1,599 m.	1	0	0	0	1
1,600 m. or more	0	3	0	0	3
Total	3	5	2	0	10

## Sale 192, Tracts with Three or More Bids Passed to Phase 2

Table E3.—*Tracts in Less Than 200 Meters; Potential Royalty Suspension Volume as Prescribed in 30 CFR 203.40 Through 203.47 for Natural Gas From Deep (more than 15,000 feet) Wells*

Tract	High Bid	No. of Bids	3 <sup>rd</sup> Bid as % of High Bid	Adjusted No. of Bids	ADV to Reject w/RAM
G26451	\$2,818,820	3	42.73%	3	\$5,696,305
G25496	\$359,026	3	46.95%	3	\$734,837
G26506	\$4,111,111	5	19.89%	2	\$6,912,222
G26507	\$1,511,111	3	23.64%	2	\$2,398,235
G26528	\$887,000	4	26.61%	3	\$2,116,008
G26555	\$518,400	3	28.82%	3	\$919,314
G26556	\$6,775,400	4	5.53%	1	Not Applicable



Table E4.— *Tracts in 800 - 1,599 Meters; 9 MMBOE Royalty Suspension Volume*

<b>Tract</b>	<b>High Bid</b>	<b>No. of Bids</b>	<b>3<sup>rd</sup> Bid as % of High Bid</b>	<b>Adjusted No. of Bids</b>	<b>ADV to Reject w/RAM</b>
G26666	\$1,059,840	3	20.89%	1	Not Applicable
G26669	\$334,420	3	66.20%	3	\$558,872

Table E5.— *Tracts in 1,600 Meters or Deeper; 12 MMBOE Royalty Suspension Volume*

<b>Tract</b>	<b>High Bid</b>	<b>No. of Bids</b>	<b>3<sup>rd</sup> Bid as % of High Bid</b>	<b>Adjusted No. of Bids</b>	<b>ADV to Reject w/RAM</b>
G26770	\$668,681	3	40.67%	3	\$1,445,250
G26777	\$2,474,561	4	45.35%	3	\$4,561,684
G26780	\$1,836,727	3	13.97%	2	\$2,898,776

The RAM was not used in the acceptance of the high bid on any tracts in Sale 192.

# Appendix F

## **Summary of Company Bids**

## Sale 192 - Company Bids by Total Amount of High Bids

Rank	Company Number	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
1	2481	BP Exploration & Production	59	48	11	\$30,840,159	\$28,050,288	\$2,789,871
2	2219	Kerr-McGee Oil & Gas	26	24	2	\$14,592,613	\$14,089,305	\$503,309
3	59	Amerada Hess	64	58	6	\$15,001,025	\$13,731,397	\$1,269,628
4	2421	Devon Energy Production	33	26	7	\$14,223,234	\$11,519,457	\$2,703,778
5	1207	Petrobras America	38	37	1	\$11,841,693	\$10,719,375	\$1,122,318
6	1046	The Houston Exploration Co.	3	3	0	\$8,133,065	\$8,133,065	\$0
7	78	Chevron USA	13	11	2	\$8,142,651	\$7,484,291	\$658,360
8	1704	Remington Oil and Gas	7	7	0	\$6,313,099	\$6,313,099	\$0
9	1935	Pioneer Natural Resources	16	15	14	\$6,468,380	\$6,200,188	\$268,192
10	689	Shell Offshore	26	17	9	\$8,254,676	\$5,473,442	\$2,781,234
11	2248	Eni Petroleum Exploration	9	8	1	\$4,999,948	\$4,736,010	\$263,939
12	981	Anadarko Petroleum	10	10	0	\$4,501,728	\$4,501,728	\$0
13	1978	Helis Oil & Gas	9	7	8	\$5,495,532	\$4,075,713	\$1,419,819
14	2668	Red Willow Offshore	8	7	1	\$4,392,775	\$4,003,886	\$388,889
15	1355	Cabot Oil & Gas	3	3	0	\$3,557,000	\$3,557,000	\$0
16	3	Union Oil - California	15	13	2	\$4,328,502	\$3,235,088	\$1,093,414
17	56	ConocoPhillips	17	16	1	\$3,318,013	\$3,202,188	\$115,825
18	2407	Woodside Energy (USA)	18	17	1	\$3,222,489	\$3,106,664	\$115,825
19	2579	Tana Exploration	3	3	0	\$3,008,905	\$3,008,905	\$0
20	2169	Spinnaker Exploration	12	10	2	\$3,279,339	\$2,687,339	\$592,000
21	1999	Houston Energy	8	7	1	\$2,800,109	\$2,566,776	\$233,333
22	1284	W & T Offshore	8	6	2	\$2,770,000	\$1,945,000	\$825,000
23	1963	Apex Oil & Gas	3	3	0	\$1,882,348	\$1,882,348	\$0
24	236	El Paso Production	2	2	0	\$1,523,235	\$1,523,235	\$0
25	2377	MCX Gulf of Mexico	6	6	0	\$1,484,879	\$1,484,879	\$0
26	1958	Maxus (US) Exploration	5	5	0	\$1,482,250	\$1,482,250	\$0
27	2466	Gryphon Exploration	6	5	1	\$2,623,300	\$1,418,700	\$1,204,600
28	64	Hunt Oil	4	2	2	\$1,913,736	\$1,404,504	\$509,232
29	2647	Murphy E & P	5	2	3	\$1,600,000	\$1,034,000	\$566,000
30	730	Walter Oil & Gas	3	2	1	\$1,179,795	\$1,016,395	\$163,400
31	2277	BHP Billiton (Deepwater)	10	10	0	\$956,029	\$956,029	\$0

Rank	Company Number	Company Name	Total	High	Losers	Total Exposed	Total High Bids	Total Unsuccessful
32	2455	Triumph Energy	3	3	0	\$939,503	\$939,503	\$0
33	48	Forest Oil	1	1	0	\$853,167	\$853,167	\$0
34	1819	ATP Oil & Gas	4	3	1	\$1,125,968	\$816,976	\$308,992
35	1103	EOG Resources	5	4	1	\$790,250	\$714,000	\$76,250
36	1500	Total E & P USA	5	5	0	\$556,664	\$556,664	\$0
37	2566	F-W Oil Exploration	3	3	0	\$445,000	\$445,000	\$0
38	818	Mariner Energy	3	2	1	\$597,400	\$434,000	\$163,400
39	2079	Nexen Petroleum Offshore	4	3	1	\$515,554	\$386,666	\$128,889
40	2432	Andex Resources	5	4	1	\$351,219	\$317,330	\$33,889
41	1364	Newfield Exploration	6	6	0	\$297,176	\$297,176	\$0
42	2058	LLOG Exploration Offshore	3	1	2	\$2,040,999	\$289,999	\$1,751,000
43	2330	Cheniere Energy	5	4	1	\$263,422	\$238,005	\$25,417
44	2066	Ridgelake Energy	2	1	1	\$648,000	\$174,000	\$474,000
45	2506	Wolf Resources	5	4	1	\$175,609	\$158,665	\$16,944
46	2743	Alitheia Resources	1	1	0	\$145,440	\$145,440	\$0
47	2721	Tarpon Offshore Ventures	6	6	0	\$78,152	\$78,152	\$0
48	2383	Millennium Offshore Group	3	0	3	\$982,987	\$0	\$982,987
49	1513	Callon Petroleum	2	0	2	\$901,432	\$0	\$901,432
50	2611	Encana Gulf of Mexico	2	0	2	\$613,574	\$0	\$613,574
51	2561	NCX Company	2	0	2	\$298,800	\$0	\$298,800
52	2266	Energy Partners	1	0	1	\$278,525	\$0	\$278,525
53	222	Hunt Petroleum (AEC)	1	0	1	\$274,362	\$0	\$274,362
54	560	Seneca Resources	1	0	1	\$91,454	\$0	\$91,454

# Appendix G

**Sales 192 and 187**

**Active Bidders**

## Companies Participating in 10 or More Bids in Sale 192

Company	Company Number	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Amerada Hess	59	4	5	3	49	3	64	\$15,001,025	2	\$234,391
BP Exploration & Production	2481	48	0	0	2	9	59	\$30,840,159	1	\$522,715
Petrobras America	1207	4	11	19	3	1	38	\$11,841,693	5	\$311,624
Devon Energy Production	2421	14	0	0	4	15	33	\$14,223,234	4	\$431,007
Kerr-McGee Oil & Gas	2219	0	3	8	14	1	26	\$14,592,613	3	\$561,254
Shell Offshore	689	13	0	0	11	2	26	\$8,254,676	6	\$317,488
Woodside Energy (USA)	2407	5	0	0	13	0	18	\$3,222,489	19	\$179,027
ConocoPhillips	56	2	0	0	13	2	17	\$3,318,013	17	\$195,177
Pioneer Natural Resources	1935	9	0	1	5	1	16	\$6,468,380	9	\$404,274
Union Oil of California	3	1	0	0	4	10	15	\$4,328,502	15	\$288,567
Chevron USA	78	0	0	0	0	13	13	\$8,142,651	7	\$626,358
Spinnaker Exploration	2169	5	0	0	1	6	12	\$3,279,339	18	\$273,278
Anadarko Petroleum	981	0	0	0	4	6	10	\$4,501,728	13	\$450,173
BHP Billiton (Deepwater)	2277	3	0	2	2	3	10	\$956,029	34	\$95,603

## Companies Participating in 10 or More Bids in Sale 187

Company	Company Number	< 200 m.	200 - 399 m.	400 - 799 m.	800 - 1,599 m.	1,600 + m.	Total	Exposure	Exposure Rank	Exposure per Bid
Amerada Hess	59	0	0	7	39	19	65	\$17,828,411	4	\$274,283
BHP Billiton Petroleum (DW)	2277	22	0	12	10	19	63	\$9,232,316	10	\$146,545
BP Exploration & Production	2481	0	0	6	27	15	48	\$11,917,963	6	\$248,291
Newfield Exploration	1364	17	0	7	4	0	28	\$25,130,537	2	\$897,519
Kerr-McGee Oil & Gas	2219	0	2	12	4	5	23	\$7,884,093	12	\$342,787
Total E&P USA	1500	0	0	0	0	22	22	\$5,682,442	14	\$258,293
Gryphon Exploration	2466	21	0	0	0	0	21	\$11,264,411	7	\$536,401
Devon Energy Production	2421	3	2	2	4	9	20	\$4,170,869	23	\$208,543
Chevron USA	78	0	0	0	4	14	18	\$4,633,563	19	\$257,420
ExxonMobil	276	0	0	0	9	5	14	\$4,910,000	18	\$350,714
Shell Offshore	689	0	1	2	6	2	11	\$9,405,150	9	\$855,014
Spinnaker Exploration	2169	8	0	2	1	0	11	\$8,587,800	11	\$780,709
Forest Oil	48	7	3	1	0	0	11	\$4,472,525	21	\$406,593
Anadarko Petroleum	981	1	0	0	0	9	10	\$4,972,193	17	\$497,219
Nexen Petroleum Offshore USA	2079	0	0	8	2	0	10	\$4,567,619	20	\$456,762
Maxus (US) Exploration	1958	0	0	0	0	10	10	\$3,186,560	25	\$318,656

# Appendix H

**Sales 192 and 187**

**Comparison of Sales - Graphs**



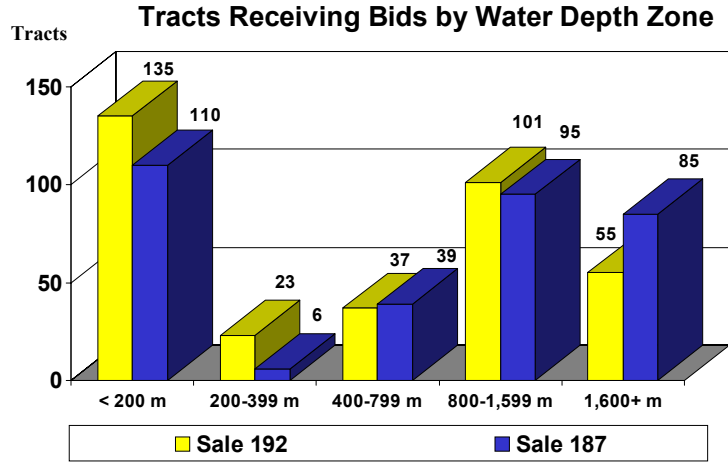
# Sale 192 v. Sale 187

Prepared by:  
Economics Division, MMS

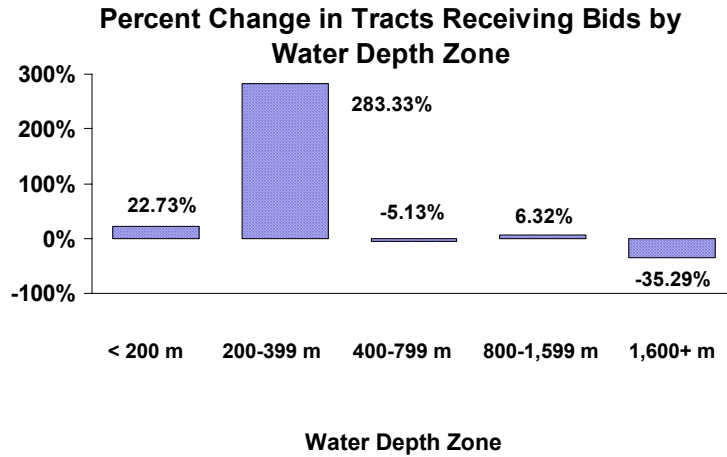
## Sale 192 v. Sale 187 (WGOM) Comparison of Results

- In aggregate, 351 tracts received high bids of \$171.39 MM in Sale 192 and 335 tracts received high bids of \$148.72 MM in Sale 187.
- Bids per tract were 1.20 in Sale 192 and 1.21 in Sale 187.
- Sale 192 had 135 tracts in < 200 m. receiving high bids of \$72.57 MM v. 110 tracts and high bids of \$60.93 MM in Sale 187.
- Sale 192 had 216 tracts in 200 m. or more receiving high bids of \$98.82 MM v. 225 tracts and high bids of \$87.79 MM in Sale 187.

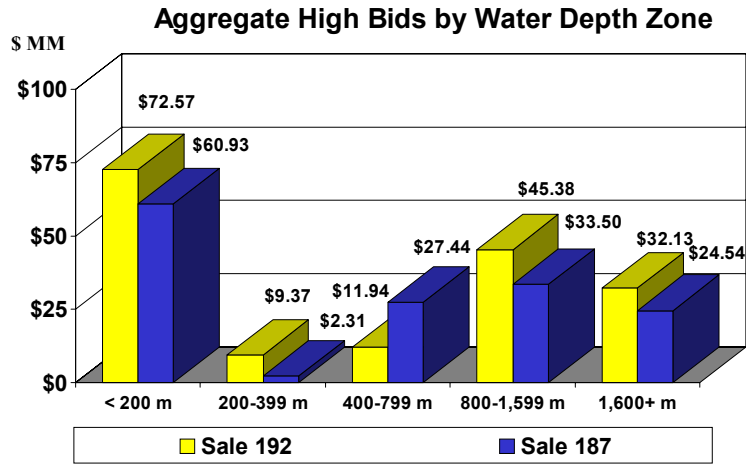
## Sale 192 v. Sale 187 - Tracts



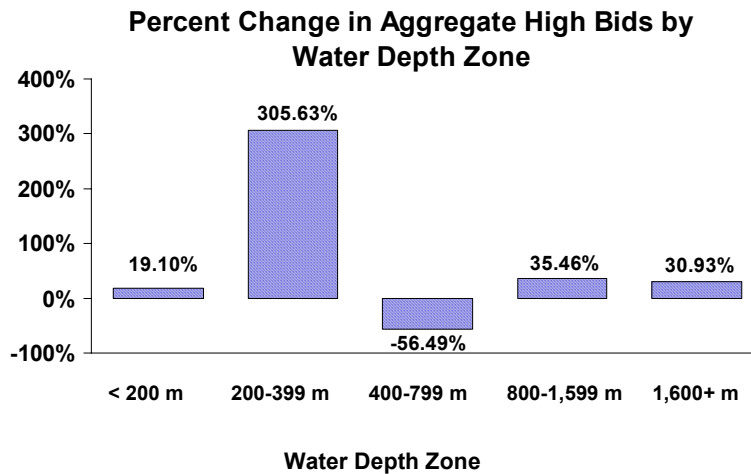
## Sale 192 v. Sale 187 - Tracts



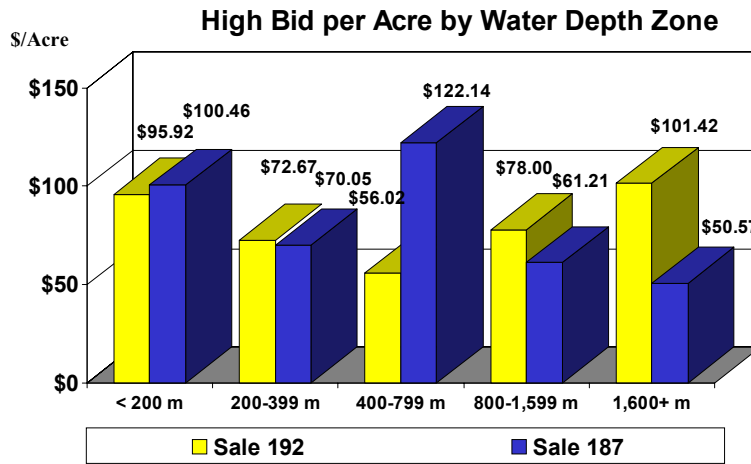
## Sale 192 v. Sale 187 - Bonuses



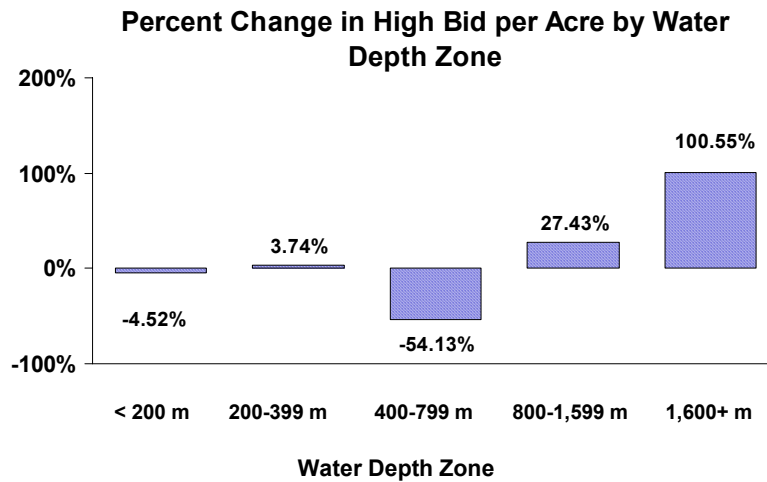
## Sale 192 v. Sale 187 - Bonuses



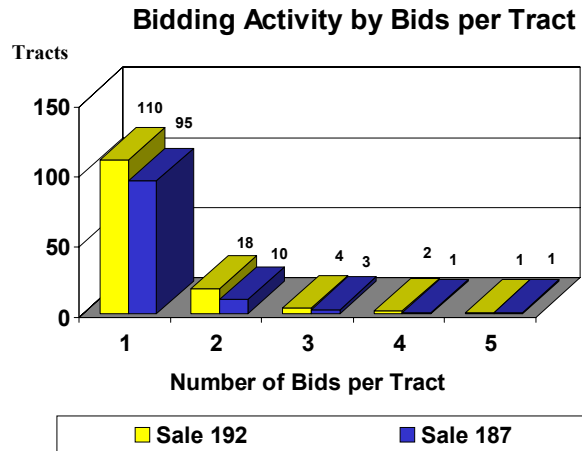
## Sale 192 v. Sale 187 - High Bid per Acre



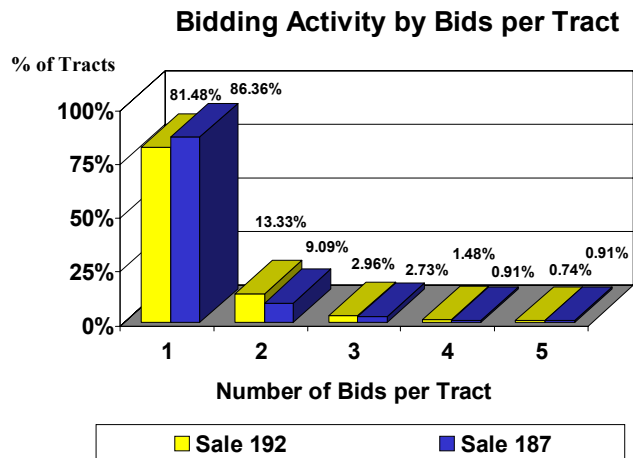
## Sale 192 v. Sale 187 - High Bid per Acre



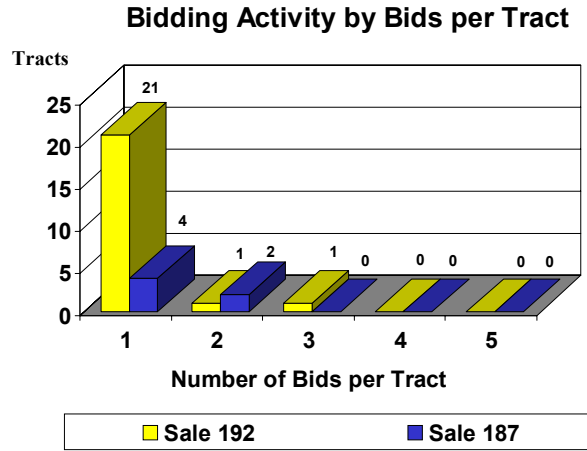
## Sale 192 v. Sale 187 - Tracts < 200 Meters Water Depth



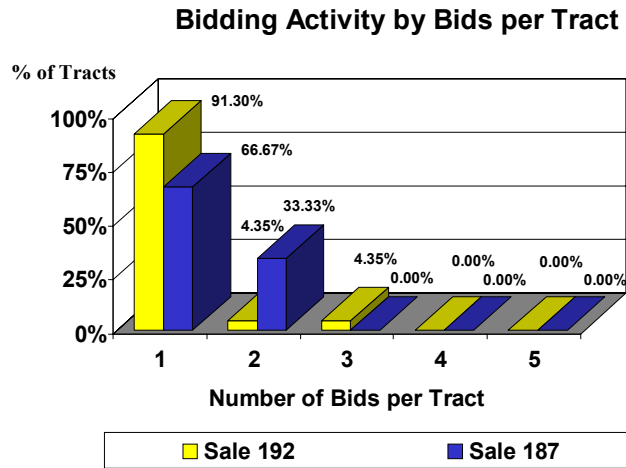
## Sale 192 v. Sale 187 - Tracts < 200 Meters Water Depth



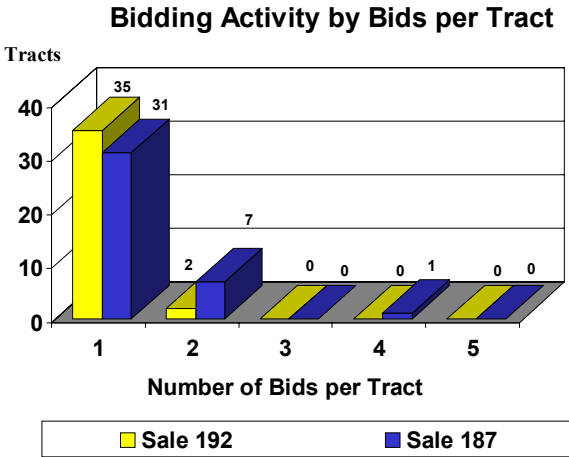
## Sale 192 v. Sale 187 - Tracts in 200 to 399 Meters Water Depth



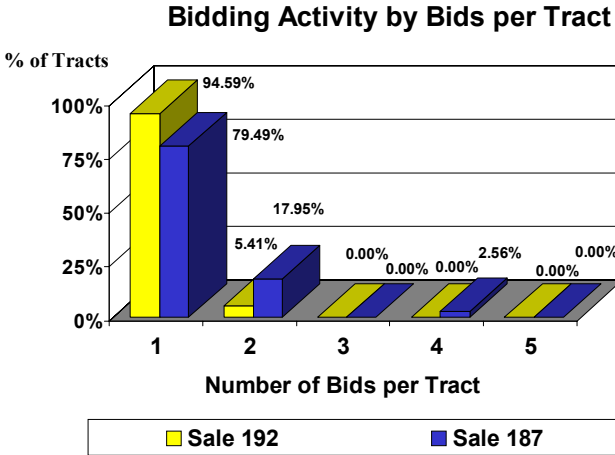
## Sale 192 v. Sale 187 - Tracts in 200 to 399 Meters Water Depth



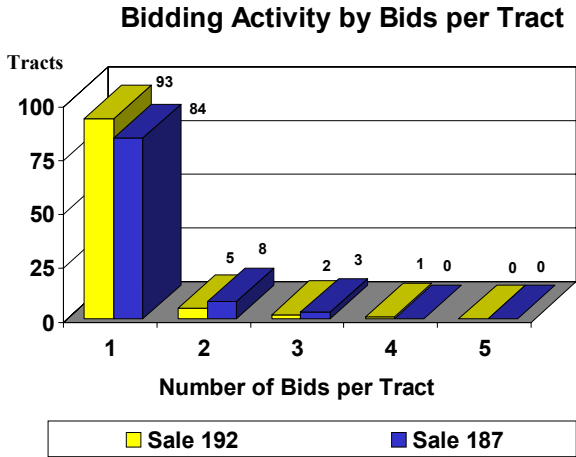
### Sale 192 v. Sale 187 - Tracts in 400 to 799 Meters Water Depth



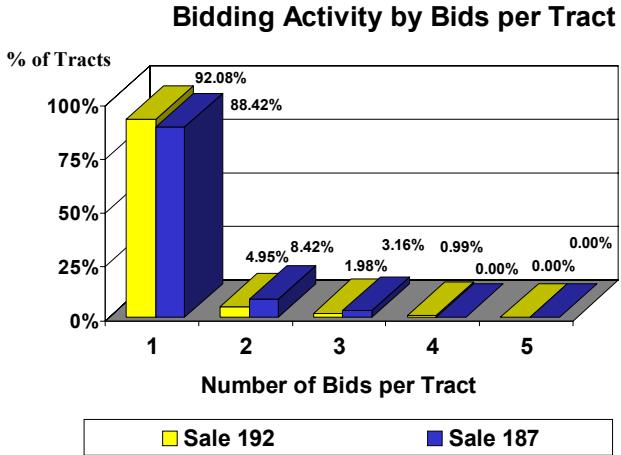
### Sale 192 v. Sale 187 - Tracts in 400 to 799 Meters Water Depth



**Sale 192 v. Sale 187 - Tracts in 800 to 1,599 Meters Water Depth**

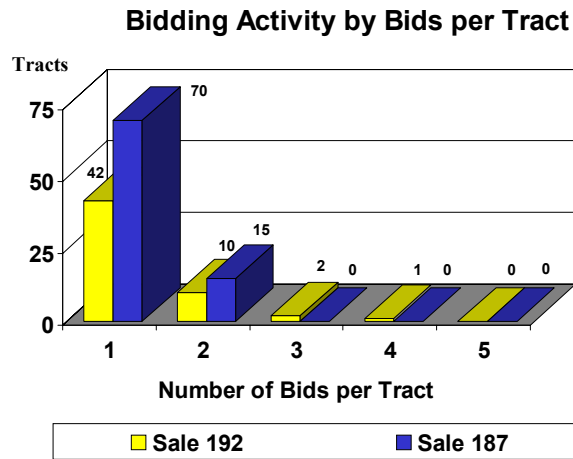


**Sale 192 v. Sale 187 - Tracts in 800 to 1,599 Meters Water Depth**

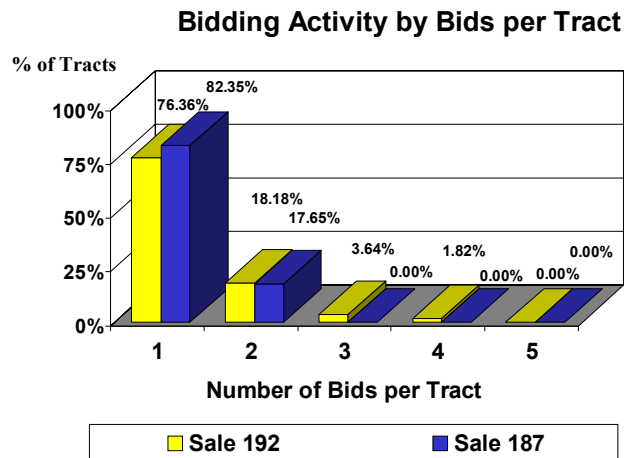




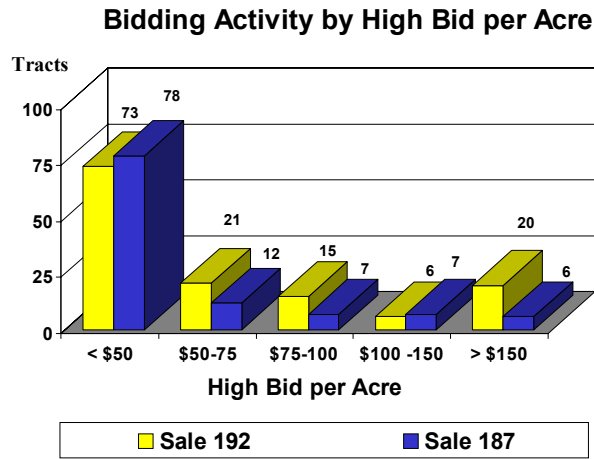
### Sale 192 v. Sale 187 - Tracts in 1,600 Meters or More Water Depth



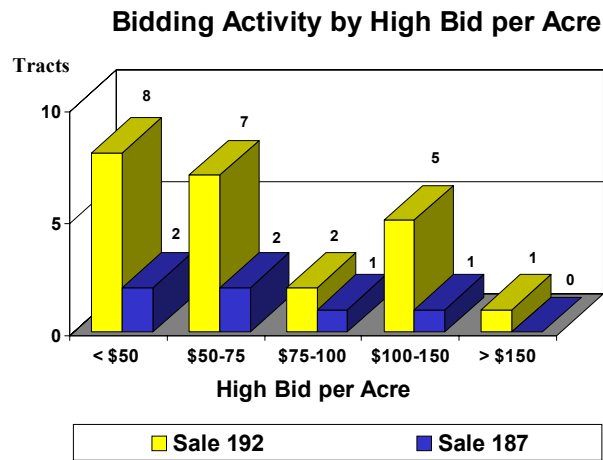
### Sale 192 v. Sale 187 - Tracts in 1,600 Meters or More Water Depth



### Sale 192 v. Sale 187 - Tracts < 200 Meters Water Depth

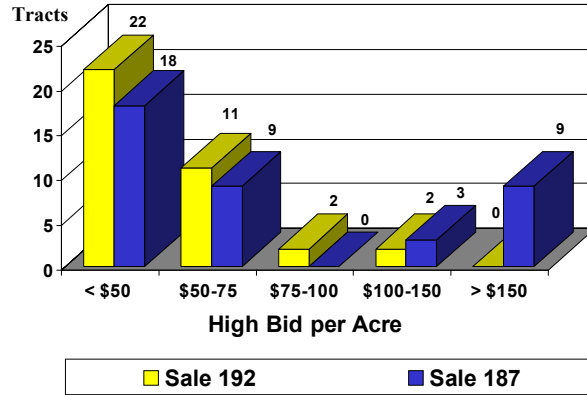


### Sale 192 v. Sale 187 - Tracts in 200 to 399 Meters Water Depth



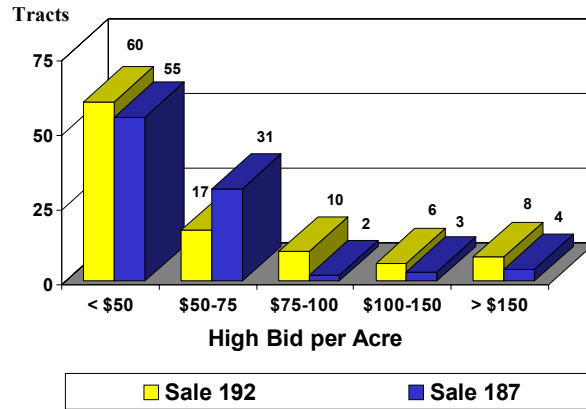
## Sale 192 v. Sale 187 - Tracts in 400 to 799 Meters Water Depth

**Bidding Activity by High Bid per Acre**

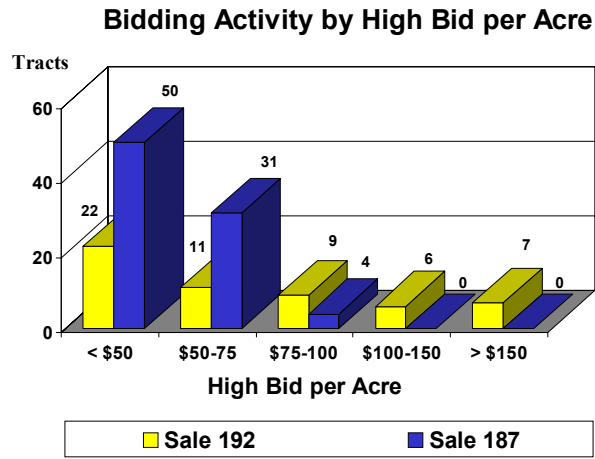


## Sale 192 v. Sale 187 - Tracts in 800 to 1,599 Meters Water Depth

**Bidding Activity by High Bid per Acre**



# Sale 192 v. Sale 187 - Tracts in 1,600 Meters Water or More Depth



# Appendix I

## **High Bid Rejections**

## Sale 192 Rejections

High bids on four tracts were rejected in Sale 192. The rejected blocks all received one bid. By water depth category, the rejections were as follows: two in less than 200 meters and two in 400 to 799 meters. In addition, one bid on a tract less than 200 meters was rejected in Phase 1 as invalid because it did not meet the minimum bid requirement.

Table I1.—*Sale 192, 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
G26473	1	\$160,221	\$840,000	Not Applicable
G26474	1	\$276,976	\$780,000	Not Applicable

Table I2.—*Sale 192, Rejections in Water Depths of 400-799 Meters; Royalty Rate = 1/8; 5 MMBOE Royalty Suspension Volume*

Tract No.	Bids	High Bid	ADV	RAM
G26644	1	\$409,944	\$1,200,000	Not Applicable
G26647	1	\$409,944	\$1,400,000	Not Applicable

Table I3.—*Sale 192, Invalid High Bid 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
G26579	1	\$201,201	Not Applicable	Not Applicable

## Sale 192 Bidding on Sale 187 Rejections

In Sale 192, two tracts with high bids that were rejected in Sale 187 received bids. In addition, there were three rejected tracts in Sale 187 with aggregate high bids of \$2,278,037 that did not receive bids in Sale 192.

The high bids on the two tracts with bids increased from \$519,776 in Sale 187 to \$819,888 in Sale 192, an increase in high bids of 58 percent. However, the high bids on these tracts (G26644 and G26647) were rejected as inadequate in Sale 192 as they were below the Government's estimate of the tracts' values.

Table I4.—Sale 192 High Bids on Sale 187 Rejections

**Tracts with No Sale 192 Bids**

<b>Sale 187 Rejections</b>			<b>Sale 192 High Bids</b>		
<b>Tract No.</b>	<b>Bids</b>	<b>High Bid</b>	<b>Tract No.</b>	<b>Bids</b>	<b>High Bid</b>
G25580	1	\$450,500	---	No Bids	Not Applicable
G25666	2	\$668,160	---	No Bids	Not Applicable
G25684	1	\$1,159,377	---	No Bids	Not Applicable
<b>Totals</b>	4	\$2,278,037	---	No Bids	Not Applicable

**Tracts with Sale 192 Bids**

<b>Sale 187 Rejections</b>			<b>Sale 192 High Bids</b>		
<b>Tract No.</b>	<b>Bids</b>	<b>High Bid</b>	<b>Tract No.</b>	<b>Bids</b>	<b>High Bid</b>
G25671	1	\$259,888	G26644	1	\$409,944 - Reject
G25674	1	\$259,888	G26647	1	\$409,944 - Reject
<b>Totals</b>	2	\$519,776	<b>Totals</b>	2	\$819,888

# Appendix J

## **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]

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## **DEPARTMENT OF THE INTERIOR**

### **Minerals Management Service**

#### **Modifications to the Bid Adequacy Procedures**

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Notification of procedural change.

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



## **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.