

Estimated Reporting and Recordkeeping "Non-Hour Cost"

Burden: There are two non-hour costs associated with this information collection. The estimated non-hour cost burden is \$603,125. Sections 256.62 and 256.64(a) require respondents to pay filing fees when submitting a request for assignment or transfer, and to file documents for record purposes. The application filing fees are required to recover the Federal Government's processing costs. We have not identified any other "non-hour cost" burdens associated with this collection of information.

Public Disclosure Statement: The PRA (44 U.S.C. 3501, *et seq.*) provides that an agency may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. Until OMB approves a collection of information, you are not obligated to respond.

Comments: Section 3506(c)(2)(A) of the PRA (44 U.S.C. 3501, *et seq.*) requires each agency " * * * to provide notice * * * and otherwise consult with members of the public and affected agencies concerning each proposed collection of information * * *" Agencies must specifically solicit comments to: (a) Evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

To comply with the public consultation process, on August 16, 2006, we published a **Federal Register** notice (71 FR 47243) announcing that we would submit this ICR to OMB for approval. The notice provided the required 60-day comment period. In addition, § 256.0 and the PRA statement on the MMS forms display the OMB control number, specifies that the public may comment at anytime on the collection of information required in the 30 CFR part 256 regulations and forms, and provides the address to which they should send comments. We have received one comment in response to those efforts, but it was not germane to the paperwork burden of the information collection.

If you wish to comment in response to this notice, you may send your comments to the offices listed under the **ADDRESSES** section of this notice. OMB has up to 60 days to approve or disapprove the information collection but may respond after 30 days. Therefore, to ensure maximum consideration, OMB should receive public comments by April 18, 2007.

Public Comment Procedures: The MMS's practice is to make comments, including names and addresses of respondents, available for public review. If you wish your name and/or address to be withheld, you must state this prominently at the beginning of your comment. The MMS will honor the request to the extent allowable by the law; however, anonymous comments will not be considered. There may be circumstances in which we would withhold from the record a respondent's identity, as allowable by the law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. In addition, you must present a rationale for withholding this information. This rationale must demonstrate that disclosure "would constitute an unwarranted invasion of privacy." Unsupported assertions will not meet this burden. In the absence of exceptional, documentable circumstances, this information will be released. All submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, will be made available for public inspection in their entirety.

MMS Information Collection Clearance Officer: Arlene Bajusz, (202) 208-7744.

Dated: November 30, 2006.

E.P. Danenberger,
Chief, Office of Offshore Regulatory Programs.

This document was received at the Office of the Federal Register on March 13, 2007.

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DEPARTMENT OF THE INTERIOR

Minerals Management Service

Outer Continental Shelf (OCS) Beaufort Sea Alaska, Oil and Gas Lease Sale 202

AGENCY: Minerals Management Service, Interior.

ACTION: Final Notice of Sale OCS Oil and Gas Lease Sale 202, Beaufort Sea.

SUMMARY: The MMS will hold OCS Oil and Gas Lease Sale 202 on April 18, 2007, in accordance with provisions of the OCS Lands Act (43 U.S.C. 1331-1356, as amended), the implementing regulations (30 CFR part 256), and the OCS Oil and Gas Leasing Program for 2002-2007.

DATES: Lease Sale 202 is scheduled to be held on April 18, 2007, at the Wilda Marston Theatre, Z. J. Loussac Public Library, 3600 Denali Street, Anchorage, Alaska. Public reading will begin at 9 a.m. All times referred to in this document are local Anchorage, Alaska times, unless otherwise specified.

ADDRESSES: A package containing the Final Notice of Sale (NOS) and several supporting and essential documents referenced herein are available from:

Alaska OCS Region, Information Resource Center, Minerals Management Service, 3801 Centerpoint Drive, Suite 500, Anchorage, Alaska 99503-5823, Telephone: (907) 334-5200 or 1-800-764-2627.

These documents are also available on the MMS Alaska OCS Region's Web site at <http://www.mms.gov/alaska>.

Bid Submission Deadline: Bidders will be required to submit bids to the MMS at the Alaska OCS Region Office, 3801 Centerpoint Drive, Suite 500, Anchorage, Alaska 99503, by 10 a.m. on the day before the sale, Tuesday, April 17, 2007. If bids are mailed, the envelope containing all of the sealed bids must be marked as follows:

Attention: Mr. Fred King, Contains Sealed Bids for Sale 202.

If bids are received later than the time and date specified above, they will be returned unopened to the bidders. Bidders may not modify or withdraw their bids unless the Regional Director, Alaska OCS Region receives a written modification or written withdrawal request prior to 10 a.m., Tuesday, April 17, 2007. Should an unexpected event such as an earthquake or travel restrictions be significantly disruptive to bid submission, the Alaska OCS Region

may extend the Bid Submission Deadline. Bidders may call (907) 334-5200 for information about the possible extension of the Bid Submission Deadline due to such an event.

Four blocks in the easternmost Beaufort Sea area are subject to claims by both the United States and Canada. This Notice refers to this area as the Disputed Portion of the Beaufort Sea. The section on Method of Bidding identifies the four blocks and describes the procedures for submitting bids for them.

Area Offered for Leasing: The MMS is offering for leasing all whole and partial blocks listed in the document "Blocks Available for Leasing in OCS Oil and Gas Lease Sale 202" included in the Final NOS 202 package. All of these blocks are shown on the following Official Protraction Diagrams (which may be purchased from the Alaska OCS Region):

- NR 05-01, Dease Inlet, revised September 30, 1997
- NR 05-02, Harrison Bay North, revised September 30, 1997
- NR 05-03, Teshekpuk, revised September 30, 1997
- NR 05-04, Harrison Bay, revised September 30, 1997
- NR 06-01, Beechey Point North, approved February 1, 1996
- NR 06-03, Beechey Point, revised September 30, 1997
- NR 06-04, Flaxman Island, revised September 30, 1997
- NR 07-03, Barter Island, revised September 30, 1997
- NR 07-05, Demarcation Point, revised September 30, 1997
- NR 07-06, Mackenzie Canyon, revised September 30, 1997

Official block descriptions are derived from these diagrams; however, not all blocks included on a diagram are being offered. To ascertain which blocks are being offered and the royalty suspension provisions that apply, you must refer to the document "Blocks Available for Leasing in OCS Oil and Gas Lease Sale 202." The Beaufort Sea OCS Oil and Gas Lease Sale 202 Locator Map is also available to assist in locating the blocks relative to the adjacent areas. The Locator Map is for use in identifying locations of blocks but is not part of the official description of blocks available for lease. Some of the blocks may be partially encumbered by an existing lease, or transected by administrative lines such as the Federal/State jurisdictional line. Partial block descriptions are derived from Supplemental Official OCS Block Diagrams and OCS Composite Block Diagrams, which are available upon

request at the address, phone number, or Internet site given above.

Statutes and Regulations: Each lease issued in this lease sale is subject to the OCS Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 *et seq.*, as amended (92 Stat. 629), hereinafter called "the Act"; all regulations issued pursuant to the Act and in existence upon the effective date of the lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the OCS and the protection of correlative rights therein; and all other applicable statutes and regulations.

Lease Terms and Conditions: For leases resulting from this sale the following terms and conditions apply:

Initial Period: 10 years.

Minimum Bonus Bid Amounts: \$37.50 per hectare, or a fraction thereof, for all blocks in Zone A and \$25.00 per hectare, or a fraction thereof, for all blocks in Zone B. Refer to the final Notice of Sale, Beaufort Sea Sale 202, April 2007 map and the Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates shown below.

Rental Rates: The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, a rental of \$13 per hectare applies in both zones and is paid at the end of each lease year until the start of royalty-bearing production.

Minimum Royalty Rates: The Lessee shall pay the Lessor, at the expiration of each lease year which commences after the start of royalty-bearing production, a minimum royalty of \$13 per hectare, or fraction thereof, with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

Royalty Rates: A 12½ percent royalty rate will apply for all blocks.

SUMMARY TABLE OF MINIMUM BIDS, MINIMUM ROYALTY RATES, AND RENTAL RATES

| Terms (values per hectare or fraction thereof) | Zone A | Zone B |
|--|-------------|------------|
| Royalty Rate | 12½% fixed. | 12½% fixed |

SUMMARY TABLE OF MINIMUM BIDS, MINIMUM ROYALTY RATES, AND RENTAL RATES—Continued

| Terms (values per hectare or fraction thereof) | Zone A | Zone B |
|--|--------------|---------|
| Minimum Bonus Bid | \$37.50 | \$25.00 |
| Minimum Royalty Rate. | \$13.00 | \$13.00 |
| Rental Rates: | | |
| Year 1 | \$7.50 | \$2.50 |
| Year 2 | \$7.50 | \$3.75 |
| Year 3 | \$7.50 | \$5.00 |
| Year 4 | \$7.50 | \$6.25 |
| Year 5 | \$7.50 | \$7.50 |
| Year 6 | \$12.00 | \$10.00 |
| Year 7 | \$17.00 | \$12.00 |
| Year 8 | \$22.00 | \$15.00 |
| Year 9 | \$30.00 | \$17.00 |
| Year 10 | \$30.00 | \$20.00 |

Royalty Suspension Areas: Royalty suspension provisions apply to first oil production. Royalty suspensions on the production of oil and condensate, prorated by lease acreage and subject to price thresholds, will apply to all blocks. Royalty suspension volumes (RSV) are based on 2 zones, Zone A and Zone B, as depicted on the Map. More specific details regarding royalty suspension eligibility, applicable price thresholds and implementations are included below as well as in the document "Royalty Suspension Provisions, Sale 202" in the Final NOS 202 package.

Royalty Suspension Provisions: In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions apply to leases issued as a result of Beaufort Sea Oil and Gas Lease Sale 202. The zones in which blocks are indicated on the Block List and the map included in the Notice of Sale package are available from the MMS OCS Alaska Region office.

These Royalty Suspension Provisions apply to Oil Production. In addition, refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to your lease.

1. A lease in the Beaufort Sea, depending on surface area and zone, will receive a royalty suspension volume (RSV) as follows:

| Lease size hectares | Zone A million barrels RSV | Zone B million barrels RSV |
|-----------------------------|----------------------------|----------------------------|
| Less than 771 ... | 10 | 15 |
| 771 to less than 1541 | 20 | 30 |
| 1541 or more | 30 | 45 |

2. The RSV applies only to liquid hydrocarbon production, i.e., oil and condensates. Natural gas volumes that

leave the lease are subject to original lease-specified royalties. The market value of natural gas will be determined by MMS's Minerals Revenue Management (MRM) office. The MRM will value the natural gas from Sale 202 based on its potential uses and applicable market characteristics at the time the gas is produced.

3. Each lessee must pay royalty on production of oil that might otherwise receive royalty relief (in 30 CFR part 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price of oil exceeds the "ceiling" price threshold (adjusted for inflation) for oil in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price of oil is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX for oil (light sweet crude) in a calendar year. The actual NYMEX annual price of oil is calculated by averaging the daily closing prices of oil for each month in the year, and then averaging the 12 monthly averages.

(a) The ceiling price threshold for oil in any year, say t , is determined by inflating the base year 2004 oil price of \$39 per barrel. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year t , resulting in the adjusted oil price ceiling for year t . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, and 2.5 percent in 2007, then the price ceiling in calendar year 2007 would become \$41.47 per barrel for oil. Therefore, royalty on *all* oil production in calendar year 2007 would be due if the 2007 actual NYMEX oil price as calculated above exceeds \$41.47 per barrel. (See exception in item 5 below.)

(b) Royalties on oil production, when the actual NYMEX annual price of oil exceeds the ceiling price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of oil exceeds the ceiling price in any calendar year, royalties on oil production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

4. If the actual NYMEX quarterly price of oil is at or below the fixed "floor" price threshold of \$21 per barrel (the price will not be adjusted for inflation) in any calendar quarter, then oil produced during that calendar quarter would be royalty free and would not

count against the lease's remaining RSV. However, if the actual NYMEX quarterly price of oil is at or below the floor price after the RSV has been fully used, the lessee receives no additional royalty-free production.

The actual NYMEX quarterly price of oil is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX for oil in the calendar quarter. The applicable calendar year quarters are January—March, April—June, July—September, and October—December. The actual NYMEX quarterly price of oil is calculated by averaging the daily closing prices of oil for each month in the quarter, and then averaging the 3 monthly averages.

5. Within the same calendar year, the actual NYMEX quarterly price of oil could be equal to or less than the price floor in one or more quarters, but the actual NYMEX annual price of oil could be greater than the ceiling price. If that were to occur, and the original RSV for the lease has not been exhausted, the consequences of the actual NYMEX annual price of oil exceeding the price ceiling for the year would apply only to oil production during those quarters of the year in which the actual NYMEX quarterly price of oil is above the floor price. For example, assume that oil production from a lease is 8 million barrels in a calendar year, and the actual NYMEX annual price of oil is greater than the ceiling price. Assume further that the production of oil from that lease is 2 million barrels during a quarter of that same calendar year, and the actual NYMEX quarterly price of oil for that quarter is equal to or less than the floor price. In this situation, no royalties would be due on that quarter's oil production, and the remaining RSV for the lease would be unchanged for that quarter. Royalties, however, would be due on the 6 million barrels of oil produced during the other 3 quarters of that year, and the RSV remaining for the lease at the end of the year would be 6 million barrels less than it was at the beginning of the year.

6. For purposes of the RSV, a Sale 202 lease that is part of an approved unit agreement can only apply allocated production from the unit against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating

one or more unitized substances produced from a reservoir.

7. Price thresholds apply throughout those periods (calendar year for the ceiling and quarter of the year for the floor) that commence with some RSV remaining unused.

8. A lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of oil exceeds the ceiling price threshold for that year.

9. The MMS will provide notice when the actual NYMEX annual price of oil is above the ceiling price threshold, or when the actual NYMEX quarterly price of oil is equal to or below the floor price threshold. Information on actual and threshold oil prices can be found at the MMS Web site (<http://www.mms.gov/econ>).

10. Minimum royalty requirements apply during RSV periods. *Debarment and Suspension (Nonprocurement)*: As required by the MMS, each company that has been awarded a lease must execute all copies of the lease (Form MMS-2005 (March 1986) as amended), pay by EFT the balance of the bonus bid amount and the first year's rental for each lease issued in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, subpart I, as amended.

Also, in accordance with regulations pursuant to 43 CFR, part 42, subpart C, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agrees to communicate this requirement to comply with these regulations to persons with whom the lessee does business as it relates to this lease by including this term as a condition in their contracts and other transactions. Execution of the lease, which includes an Addendum specific to debarment, by each lessee constitutes notification to the MMS that each lessee is not excluded, disqualified, or convicted of a crime as described in 43 CFR 42.335, unless the lessee has provided a statement disclosing information as described in 43 CFR 42.335, and the MMS receives an exception from the U.S. Department of the Interior as described in 43 CFR 42.405 and 42.120.

Stipulations and Information to Lessees: The document entitled "Lease Stipulations and Information to Lessees for Oil and Gas Lease Sale 202" contains the text of the Stipulations and the Information to Lessees clauses. This

document is included in the Final NOS package.

Method of Bidding: Procedures for the submission of bids in Sale 202 are described in paragraph 1 below.

Procedures for the submission of bids for the four blocks in the Disputed Portion of the Beaufort Sea will differ as described in paragraph 2 below.

1. *Submission of Bids.* For each block bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed bid for Oil and Gas Lease Sale 202, not to be opened until 9 a.m., Wednesday, April 18, 2007." The total amount of the bid must be in whole dollars; any cent amount above the whole dollar will be ignored by MMS. Details of the information required on the bid(s) and the bid envelope(s) are specified in the document "Bid Form and Envelope" contained in the Final NOS 202 package.

2. *Submission of Bids in the Disputed Portion of the Beaufort Sea.* Procedures for the submission of bids on blocks 6201, 6251, 6301, and 6361 in Official Protraction Diagram NR 07-06 will differ from procedures in paragraph (1.) above as follows:

(a) Separate, signed bids on these blocks must be submitted in sealed envelopes labeled only with "Disputed Portion of the Beaufort Sea," Company Number, and a sequential bid number for the company submitting the bid(s). The envelope thus would be in the following format:

(b) Disputed Portion of the Beaufort Sea Bid, *Company No.:* 00000, *Bid No.:* 1.

On or before April 18, 2012, the MMS will determine whether it is in the best interest of the United States either to open bids for these blocks or to return the bids unopened. The MMS will notify bidders at least 30 days before bid opening. Bidders on these blocks may withdraw their bids at any time after such notice and prior to 10 a.m. of the day before bid opening. If the MMS does not give notice by April 18, 2012, the bids will be returned unopened. The MMS reserves the right to return these bids at any time. The MMS will not disclose which blocks received bids or the names of bidders in this area unless the bids are opened.

Restricted Joint Bidders: The MMS published a list of restricted joint bidders, which applies to this sale, in the **Federal Register** at 71 FR 70530 on December 5, 2006. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, e.g. 33.33333 percent. The MMS may

require bidders to submit additional documents in accordance with 30 CFR 256.46. The MMS warns bidders against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders. Bidders must execute all documents in conformance with signatory authorizations on file in the Alaska OCS Region. Partnerships also must submit or have on file a list of signatories authorized to bind the partnership. Bidders are advised that MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the one-fifth bonus bid amount on all high bids. A statement to this effect must be included on each bid (see the document "Bid Form and Envelope" contained in the Final NOS 202 package).

Bonus Bid Deposit: Each bidder submitting an apparent high bid must submit a bonus bid deposit to MMS equal to one-fifth of the bonus bid amount for each such bid submitted for Sale 202. Under the authority granted by 30 CFR 256.46(b), the MMS requires bidders to use electronic funds transfer (EFT) procedures for payment of the one-fifth bonus bid deposits, following the detailed instructions contained in the document "Instructions for Making EFT Bonus Payments" included in the Final NOS 202 package. All payments must be electronically deposited into an interest-bearing account in the U.S. Treasury (account specified in the EFT instruction) by 1 p.m. Eastern Time the day following bid reading. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States. If a lease is awarded, MMS requests that only one transaction be used for payment of the four-fifths bonus bid amount and the first year's rental.

Certain bid submitters [i.e., those that do NOT currently own or operate an OCS mineral lease OR those that have ever defaulted on a one-fifth bonus payment] will be required to guarantee (secure) their one-fifth bonus payment prior to the submission of bids. For those who must secure the EFT one-fifth bonus payment, one of the following options may be provided: (1) A third-party guarantee; (2) an Amended Development Bond Coverage; (3) a Letter of Credit; or (4) a lump sum payment in advance via EFT. The EFT instructions specify the requirements for each option.

Withdrawal of Blocks: The United States reserves the right to withdraw any block from this sale prior to a written acceptance of a bid for the block.

Acceptance, Rejection or Return of Bids: The United States reserves the right to reject any and all bids. In any case, no bid will be accepted, and no lease for any block will be awarded to any bidder, unless the bidder has complied with all requirements of this Notice, including the documents contained in the associated Final NOS Sale 202 package and applicable regulations; the bid is the highest valid bid; and the amount of the bid has been determined to be adequate by the authorized officer. The Attorney General of the United States may also review the results of the lease sale prior to the acceptance of bids and issuance of leases. Any bid submitted which does not conform to the requirements of this Notice, the OCS Lands Act, as amended, and other applicable regulations may be returned to the person submitting that bid by the Regional Director and not considered for acceptance. To ensure that the Government receives a fair return for the conveyance of lease rights for this sale, high bids will be evaluated in accordance with MMS bid adequacy procedures.

Successful Bidders: As required by MMS, each company that has been awarded a lease must execute all three copies of the lease (Form MMS-2005 (March 1986) as amended), pay by EFT the balance of the bonus bid amount and the first year's rental for each lease issued in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, subpart I.

Affirmative Action: The MMS requests that, prior to bidding, Equal Opportunity Affirmative Action Representation Form MMS 2032 (June 1985) and Equal Opportunity Compliance Report Certification Form MMS 2033 (June 1985) be on file in the Alaska OCS Region. This certification is required by 41 CFR 60 and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967. In any event, prior to the execution of any lease contract, both forms are required to be on file in the Alaska OCS Region.

Jurisdiction: The United States claims exclusive maritime resource jurisdiction over the area offered. Canada claims such jurisdiction over the four easternmost blocks included in the sale area. These blocks are located in Official Protraction Diagram NR 07-06 and are block numbers 6201, 6251, 6301, and 6351. Nothing in this Notice shall affect or prejudice in any manner the position, rights or interests of the United States with respect to (1) the nature or extent of U.S. internal waters or territorial sea, (2) the U.S. Exclusive Economic Zone,

(3) the U.S. continental shelf, or (4) U.S. sovereign rights or jurisdiction for any purpose whatsoever.

Notice of Bidding Systems: Section 8(a)(8) (43 U.S.C. 1337(a)(8)) of the OCS Lands Act requires that, at least 30 days before any lease sale, a Notice be submitted to Congress and published in the **Federal Register**. This Notice of Bidding Systems is for Sale 202, Beaufort Sea, scheduled to be held on April 18, 2007.

In Sale 202, all blocks are being offered under a bidding system that uses

a cash bonus and a fixed royalty of 12½ percent with a royalty suspension of up to 30 million barrels of oil equivalent per lease in Zone A of the sale area or with a royalty suspension of up to 45 million barrels of oil equivalent per lease in Zone B of the sale area. The amount of royalty suspension available on each lease is dependent on the area of the lease and specified in the Sale Notice. This bidding system is authorized under 30 CFR 260.110(g), which allows use of a cash bonus bid

with a royalty rate of not less than 12½ percent and with suspension of royalties for a period, volume, or value of production, and an annual rental. Analysis performed by MMS indicates that use of this system provides an incentive for development of this area while ensuring that a fair sharing of revenues will result if major discoveries are made and produced.

Dated: March 12, 2007.

R.M. "Johnnie" Burton,

Director, Minerals Management Service.

