

UNITED STATES DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE  
GULF OF MEXICO OCS REGION

NTL No. 2004-G03

Effective Date: February 6, 2004

**NOTICE TO LESSEES AND OPERATORS  
OF FEDERAL OIL AND GAS LEASES  
ON THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION**

**Notification and Confirmation of Deep Gas Royalty Relief**

Beginning in 2001, shallow-water (less than 200 meters) leases in the Central and Western Gulf of Mexico were issued with royalty suspension provisions for deep gas production. For a lease to earn a royalty suspension volume of 20 BCF of deep gas production, a well must be drilled to and completed in a new deep gas reservoir with production commencing within the first 5 years of the life of the lease. Deep gas is defined as any gas production from a completion with the top of the perforated interval 15,000 feet or greater TVD subsea. Royalty on deep gas production is due, notwithstanding any unused royalty suspension volume, in years when the average daily closing gas price on the New York Mercantile Exchange exceeds \$5/MMBtu (\$3.50/MMBtu for leases in Sale 178) escalated since 2000 by the Gross Domestic Product Implicit Price Deflator.

You are reminded that, in accordance with 30 CFR 256.32 and pursuant to the lease terms, the Regional Supervisor, Office of Production and Development, Gulf of Mexico OCS Region, must be notified in writing that qualified deep gas production has begun. The Regional Supervisor must determine that the production is from a new deep gas reservoir. New reservoir means a reservoir that has not been produced on any current lease. To assist us in making this determination, you must submit the following information:

- Annotated well log section
- Well test data
- Structure map showing well completions

You will be advised in writing when the Regional Supervisor confirms that your lease qualifies for a royalty suspension volume pursuant to the lease terms. The effective date of the royalty suspension for your lease is the first day of the month in which you notify the Regional Supervisor that deep gas production has commenced.

Deep gas production on your lease from all deep gas reservoirs may be applied toward the royalty suspension volume with the exception of deep gas reservoirs that produced on an adjacent active lease prior to the effective date of the royalty suspension volume. The above-mentioned notification and information reporting requirements are also applicable to all subsequent wells that qualify to share in the royalty suspension volume earned by your lease.

Before beginning production, you must meet any production measurement requirements that the Regional Supervisor has determined are necessary under 30 CFR Part 250, Subpart L. Please contact Mr. B. J. Kruse at (504) 736-2634 with questions about deep gas royalty relief and Mr. Fred Jacobs at (504) 736-2424 with questions about measurement of production.

Under the Final Rule for Deep Gas Royalty Relief published January 26, 2004, and effective March 1, 2004, different royalty suspension terms, which would change the notification procedure described here, may be available to your lease.

**Paperwork Reduction Act of 1995 Statement:** The collection of information referred to in this notice primarily provides clarification, description, or interpretation of requirements contained in 30 CFR 256, Subpart F (1010-0006). The Office of Management and Budget (OMB) has approved the collection of information required by these regulations and Notice of Sale documents and assigned the OMB control number shown in parentheses.

Chris C. Oynes  
Regional Director