

**Minerals Management Service
Interim Policy Document**

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Series: Offshore Minerals Management
Title: Leasing Process Procedures

IPD No.: 07-07

Originating Office: Leasing Division, Offshore Minerals Management

1. Purpose and Scope. This document describes the Minerals Management Service (MMS) Outer Continental Shelf (OCS) Lease Sale Decision-making Procedures. The procedures will be used to provide the Directorate and Department of the Interior's (DOI) Assistant Secretary for Land and Minerals Management (ASLM) with all of the information necessary to fulfill the agency's Outer Continental Shelf Lands Act (OCSLA) Section 19 responsibilities, in compliance with all other applicable laws, regulations, and executive orders.

2. Authority. Section 19 of the OCSLA, Coastal Zone Management Act, National Environmental Policy Act (NEPA), Energy Policy Act of 2005

3. References.

A. Leasing of Sulphur or Oil and Gas in the Outer Continental Shelf (30 CFR Part 256).

B. Outer Continental Shelf Oil and Gas Leasing (30 CFR Part 260)

4. Policy.

A. It is the MMS policy to ensure that the MMS Directorate and the ASLM are provided comprehensive, accurate, and fully analyzed information to make decisions regarding the terms and conditions which will form the policy and legal basis for the Government's conveyance of oil and gas leases.

B. It is the MMS policy that procedures for the lease sale decisionmaking process will be documented, followed, and updated.

5. Responsibilities.

A. Director, MMS is responsible for ensuring that lease sale processes and policies reflect the guiding principles of the bureau and for final bureau approval of all documentation necessary to ultimately conduct a lease sale and issue executed leases.

B. Associate Director for Offshore Minerals Management (ADOMM) is responsible for:

(1) Ensuring that appropriate resources are made available to create and process all necessary documentation and analysis required to ultimately conduct a lease sale and issue executed leases.

(2) Providing final Program approval, Critical Action Dates (CADs), and any subsequent deviations from those dates.

(3) Providing support as needed by ensuring that documents are moved expeditiously between offices in the Main Interior Building and is responsible for reviewing Federal Register notices for format.

C. Chief, Leasing Division is responsible for:

(1) Designing and maintaining the lease sale decisionmaking process to include, as appropriate, tracking of changes and recommendations/decisions and the development and coordination of CADs for approval of the ADOMM and the Director.

(2) Coordinating the proposed Notice of Sale (PNOS) and Final Notice of Sale (FNOS) processes with the Regions, Headquarters divisions, Solicitor's office, and the ADOMM.

(3) Approving the final consolidated lease sale packages including the lease instrument and ensuring that the lease sale terms and conditions are consistent with relevant laws, regulations, and agency policy.

(4) Providing final Program approval of all lease terms and conditions.

(5) Reviewing lease sale documents for procedural process and inclusion decisions.

(6) Ensuring the completeness of the PNOS and FNOS packages while meeting the sale CADs.

D. Chief, Economics Division is responsible for:

(1) Designing the fiscal terms of a sale and providing incentives, if any, for energy production while ensuring fair market value for the public.

(2) Reviewing and commenting on the lease terms and conditions, including the Royalty Suspension Provisions, price thresholds, and the PNOS and FNOS documents as well as the Director's Summary of Decision document and the Recommendations Memo for the ASLM.

E. Chief, Environmental Division is responsible for reviewing the decision documents, draft and final, for consistency with the associated NEPA document (Environmental Assessments [EA] or Environmental Impact Statement [EIS]) and the NEPA document for adequacy.

F. Chief, Resource Evaluation Division is responsible for:

(1) Ensuring that appropriate resource estimates presented in the decision documents also appear in the 5-year EIS, or that the reason for any change is explained.

(2) Reviewing and commenting on the entire PNOS and FNOS, as well as the recommendation memo (and other items - if provided), and reviewing the geophysical data statement that appears in the Gulf of Mexico sale notices.

(3) Providing policy guidance and direction with regard to the bid evaluation process and the award of leases.

(4) Ensuring that resource economic evaluation models adhere to appropriate statutes, regulations, and sale terms and conditions.

G. Chief, Regulations and Standards Branch is responsible for:

(1) Reviewing Federal Register notices for format and ensure that CFR citations are current.

(2) Ensuring that any rules or regulations referenced in the decision documents are referenced correctly and do not contradict any existing rule or regulation.

(3) Ensuring that any pending rules or regulations that might affect leases terms and conditions are appropriately addressed in the decision documents.

H. Alaska Region [Note: The general responsibilities of the Alaska Region and the Gulf of Mexico Region are the same. Each region is unique based on their location, leasing interest, constituencies, and general environment. Therefore each region's responsibilities relative to implementing the proposed and final notice of sale processes separately are listed to reflect these regional organizational differences.]

(1) Regional Director is responsible for:

(a) Ensuring the Region develops lease sale terms and conditions for the individual lease offerings; ensuring review within the Regional offices and ensuring individual lease offering terms and conditions are consistent with agency regulations and federal policies.

(b) Ensuring the Region coordinates with the Headquarters divisions, DOI Solicitor's Office, other federal agencies, and interested parties to provide senior management with balanced, accurate, and thorough information and analyses to support appropriate lease sale decisions consistent with federal laws, agency and departmental regulations and policies.

(c) Providing Regional recommendations on the lease sale terms and conditions, and supporting information.

(d) Developing and documenting regional supplemental procedures to this document as appropriate.

(2) Regional Supervisor for Leasing and Environment is responsible for:

(a) Coordinating the development of the lease sale terms and conditions for the individual lease offerings that are consistent with agency regulations and federal policy; ensuring review within the Regional office and ensuring the terms and conditions through the NEPA evaluations and biological consultations are properly worded and included in the decision documents.

(b) Working closely with the Regional offices, the Headquarters divisions, DOI Solicitor's Office, other federal agencies, and interested parties to provide senior management with balanced, accurate, and thorough information and analyses to support appropriate lease sale decisions consistent with federal laws, agency and departmental regulations and policies.

(c) Providing oversight and review to the Chief, Leasing Activities Section for the pre-sale, sale, and post-sale processes including, bid receipt, bid opening, bid reading, bid adjudication, bid entry into the MMS database, lease preparation, and lease issuance.

(d) Signing each lease instrument, and is responsible for reviewing and ensuring each lease instrument is accurate and consistent with the terms and conditions in the FNOS; with the bid information as submitted by the high bidders at the sale, and with the Regional Director's bid adequacy decision. Preparing the lease sale decisions and documents for any/all high bids rejected by the bid adequacy review.

(3) Regional Supervisor for Resource Evaluation is responsible for:

(a) Coordinating the development of the lease sale economic terms and conditions for the individual lease offerings.

(b) Providing review within the office.

(c) Ensuring the economic terms and conditions included in the lease offering are consistent with federal laws, agency regulations, and administration policies.

(d) Providing policy guidance and direction with regard to the fair market evaluation and awarding of leases and policy guidance and inputs regarding geophysical data and information requirements.

(4) Chief, Leasing Activities Section is responsible for:

(a) Developing from the most recent applicable sale, the base lease sale administrative, economic, and environmental terms and conditions for individual lease offering, ensuring review within the Regional office, and maintaining accurate documentation of the proposed and accepted changes to the lease sale terms and conditions as part of the administrative record.

(b) Preparing draft decision documents that accurately document the administrative, economic, and environmental decisions available to senior management with thorough, accurate, and

balanced information and analysis to support lease sale decisions consistent with federal laws, agency and departmental regulations and policies.

(c) Ensuring the administrative, economic, and environmental terms and conditions as determined by the ASLM in the FNOS are accurately included in the lease documents issued as a result of the lease sale offering.

(i) The PNOS Package consists of the Notice; Lease Stipulations; Royalty Suspension Provisions; Information to Lessees; Lease Terms and Economic Conditions Map; Stipulations; and blocks available for leasing.

(ii) The FNOS Package which consists, in final form, of all of the above documents, in addition to the List of Blocks Available for Leasing; Unleased Split Blocks; Bid Form and Envelope; and the Telephone Numbers/Addresses of Bidders Form.

(d) Ensuring the pre-sale, sale, and post-sale processes including bid receipt, bid opening, bid reading, bid adjudication, bid entry into the MMS database, lease preparation, and lease issuance.

(e) Ensuring the leases prepared and issued are consistent with the terms and conditions of the FNOS and with the post-sale decisions from the Regional Director from the post-sale bid adequacy review.

(5) Chief, Environmental Assessment Section is responsible for ensuring the environmental terms and conditions developed through the NEPA evaluations and the biological consultations are properly worded and included in the decision documents and in the environmental lease sale terms and conditions for the individual lease offerings.

I. Gulf of Mexico Region (GOMR) [Note: The general responsibilities of the Alaska Region and the GOMR are the same. Each region is unique based on their location, leasing interest, constituencies, and general environment. Therefore each region's responsibilities relative to implementing the proposed and final notice of sale processes separately are listed to reflect these regional organizational differences.]

(1) Regional Director is responsible for:

(a) Ensuring the Region develops lease sale terms and conditions for the individual lease offerings; ensuring review within the Regional offices and ensuring individual lease offering terms and conditions are consistent with agency regulations and federal policies.

(b) Ensuring the Region coordinates with the Headquarters divisions, DOI Solicitor's Office, other federal agencies, and interested parties to provide senior management with balanced, accurate, and thorough information and analyses to support appropriate lease sale decisions consistent with federal laws, agency and departmental regulations and policies.

(c) Providing regional recommendations on the lease sale terms and conditions, and supporting information.

(d) Developing and documenting regional supplemental procedures to this document as appropriate.

(2) Supervisor, Leasing and Environment's Sales and Support Unit (SSU) is responsible for:

(a) The overall coordination, preparation, and distribution of the PNOS, the FNOS, and the applicable NOS Package of relevant documentation, including involvement in military stipulation development.

(b) The NOS Package which consists of the Notice; Lease Stipulations; Royalty Suspension Provisions; Information to Lessees; Example of Preferred Format – Geophysical Data and Information Statement; Lease Terms and Economic Conditions Map; and the Stipulations and Deferred Blocks Map.

(c) The FNOS Package which consists, in final form, of all of the above documents, in addition to the List of Blocks Available for Leasing; Unleased Split Blocks and Available Unleased Acreage of Blocks with Aliquots and Irregular Portions Under Lease or Deferred; Bid Form and Envelope; and the Telephone Numbers/Addresses of Bidders Form.

(d) The SSU Supervisor, in consultation with the Adjudication Unit (AU) Supervisor, is responsible for monitoring the preparation and assembly of lease documents after verification of applicable lease data, lease addenda, lease stipulations, topographic features maps, and/or split-block diagrams. Leases are issued for execution in a timely manner to the highest qualified bidder after determining that the bid is the highest valid bid, the amount of the bid meets fair market value, and documented written consensus to execute the lease has been reached between the Regional Director, GOMR Resource Evaluation, Headquarters Leasing Division, Headquarters Economics Division, and SSU/AU Supervisors.

(3) Supervisors, Leasing and Environment's Environmental Assessment and Environmental Sciences Sections are responsible for providing environmental terms and conditions and associated maps applicable to lease sale notices and supporting all sale notice related mapping at the Regional level.

(4) Regional Supervisor for Field Operations is responsible for:

(a) Providing critical lease status information, such as expirations and terminations, for inclusion in the List of Blocks Available for Leasing to be included in the FNOS Package.

(b) Providing updated information regarding applicable policies and regulations associated with pipelines, fairways, anchorage areas, and other such operational requirements.

(5) Regional Supervisor for Production and Development is responsible for providing guidance concerning MMS policies on deep gas and deepwater royalty suspension provisions, including price thresholds and other relevant rules and regulations.

(6) Regional Supervisor for Resource Evaluation is responsible for coordinating the development of lease sale economic terms and conditions. The position is responsible for conducting fair market value determinations and awarding leases in accordance with established MMS policy and for providing policy guidance regarding geophysical data and information requirements.

6. Guidelines. The specific guidelines for implementing this process are contained in the Standards of Procedures for Notice of Sale and Lease Preparation, maintained by the Offshore Leasing Division.

7. Cancellation. This IPD will remain in effect until incorporated into the MMS Manual or superseded by another IPD.

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