Dated: October 14, 2014.

Alma Ripps,

Chief, Office of Policy.

[FR Doc. 2014–24808 Filed 10–16–14; 8:45 am]

BILLING CODE 4310–EE–P

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

[Docket No. BOEM–2014–0069; MMAA104000]

Modifications to the Bid Adequacy Procedures

AGENCY: Bureau of Ocean Energy Management (BOEM), Interior.

ACTION: Notification of procedural change and clarification of definitions.

SUMMARY: The Bureau of Ocean Energy Management (BOEM) is giving notice of its intent to change a criterion and to clarify selected definitions in its existing Bid Adequacy Procedures for ensuring receipt of Fair Market Value (FMV) on Outer Continental Shelf (OCS) oil and gas leases. In particular, BOEM proposes to remove the ''Number of Bids Rule'' that is currently applicable in Phase 1 of the Bid Adequacy Procedures. A copy of current procedures, ''Modifications to the Bid Adequacy Procedures,'' published at 64 FR 37560 on July 12, 1999, can be obtained from the BOEM Web site at *http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Bid-Adequacy-Procedures.aspx.* BOEM invites comments during a 45-day comment period following publication of this notice.

DATES: Comments can be submitted electronically through the Federal eRulemaking Portal at *http://www.regulations.gov* (Docket ID: BOEM–2014–0069) or postmarked no later than December 1, 2014. All comments received or postmarked during the comment period will be made publically available in the docket. BOEM will consider all comments and intends to publish the revised Bid Adequacy Procedures prior to or in conjunction with the Central Gulf of Mexico Planning Area Lease Sale 235 Final Notice of Sale.

ADDRESSES: You may submit comments, identified by the docket number, by any of the following methods:

- *Federal rulemaking portal: http://www.regulations.gov.* Follow the instruction for submitting comments.
- *Mail:* Department of the Interior, Bureau of Ocean Energy Management, Economics Division, Attention: Marshall Rose, 381 Elden Street, MS–3310, Herndon, Virginia 20170–4817.

Public Availability of Comments

Before including your name, address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

FOR FURTHER INFORMATION CONTACT: Dr. Marshall Rose, Chief, Economics Division, at (703) 787–1536. The revised Bid Adequacy Procedures are described below.

SUPPLEMENTARY INFORMATION: In the first phase of its tract evaluation procedures for OCS oil and gas lease sales, BOEM considers the number and characteristics of bids received on a tract to help determine whether the tract's high bid can be accepted without further evaluation. BOEM is proposing to eliminate these factors of consideration from the initial part of the tract evaluation and bid acceptance process.

What is the regulatory authority for BOEM's procedures to accept or reject high bids on tracts?

The FMV procedures used to determine the adequacy of the high bids received for OCS oil and gas leases clarify the steps involved in the authorized officer's decisions on bid awards set forth in BOEM regulations at 30 CFR 556.47.

What definitions apply to these procedures?

BOEM is proposing to revise several bid adequacy definitions in its Bid Adequacy Procedures guidelines for clarity. These changes do not alter the fundamental meaning or application of these terms to the Bid Adequacy Procedures.

Bid Adequacy Procedures are the guidelines followed by BOEM in determining which high bids to accept and reject following receipt and opening of bids in an OCS oil and gas lease sale.

Number of Bids Rule is one of the criteria employed in Phase 1 of the Bid Adequacy Procedures to determine whether to accept a tract's high bid without a further BOEM evaluation in Phase 2. Under this rule, the high bid on Confirmed and Wildcat tracts receiving three-or-more Qualified Bids may be accepted as representative of FMV if: (1) The third highest Qualified Bid on a tract is within 50 percent of the tract's highest Qualified Bid, and (2) the tract's highest Qualified Bid per acre is within the top 75 percent of all high Qualified Bids per acre for all tracts receiving three-or-more Qualified Bids within the tract's designated water depth category. (See ''Modifications to the Bid Adequacy Procedures,'' **Federal Register**, Volume 64, No. 132, July 12, 1999, Pps. 37560–37562, at *http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Bid-Adequacy-Procedures.aspx.*)

Mean Range of Values (MROV) is BOEM's estimate of the dollar measure of a tract's expected net present value, assuming that tract is leased in the current sale. It reflects the maximum amount a bidder could afford to pay as a cash bonus for the tract while expecting to earn a specified after-tax rate of return. The calculation of the MROV considers exploration and economic risk, sales value, exploration, development and production costs, royalties, and corporate income taxes allowing for depreciation of certain capital investments and depletion of the cash bonus as estimated by the MROV.

Delay-adjusted Mean Range of Values (DMROV) is BOEM's estimate of the amount of a tract's high bonus bid needed in the current sale which, when added to the present value of anticipated royalties from accepting the tract's high bid and leasing the tract, equals the discounted sum of the tract's expected high bonus bid and present value of anticipated royalties in the next sale if the high bid is rejected and the tract re-offered and sold in that next sale. The MROV estimated by BOEM for the tract in the next sale is used as the proxy for the next sale's high bid on the tract, under projected economic, engineering and geologic conditions, including potential drainage. If the high bonus bid in the current sale exceeds the DMROV, then the present value of leasing receipts from selling the tract in the current sale are expected to be greater than those from rejecting the tract's high bid in the current sale and selling the tract in the next sale.

Revised Arithmetic Measure (RAM) is BOEM's representation of the average ''bid'' on certain tracts, and includes in its calculation all Qualified Bids on the tract that are equal to at least 25 percent of the tract's high bid, as well as the MROV for the tract as estimated by BOEM.

Unusual Bidding Patterns typically refers to a situation in which two or more companies bid on some tracts or subset of tracts far more often or less often than would normally be expected.

Legal Bids are those bids that comply with the applicable regulations (30 CFR part 256) and the Notice of Sale, e.g., bids that, among other things, are at least equal to the specified minimum bid level. Any bids that fail to comply with the applicable regulations and Notice of Sale are returned to the bidder.

Qualified Bids are ''Legal Bids'' that are not disqualified by BOEM for violating anti-competitive bidding practices.

Confirmed Tract is a previously leased tract having a well(s) that encountered hydrocarbons and may have produced. It contains some oil and/or gas resources, the volume of which may or may not be known.

Development Tract is a tract that has nearby productive (past or currently capable) wells with indicated hydrocarbons and that 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.

Drainage Tract is a tract that (1) is currently being drained by a producing well on a nearby leased tract, or (2) could be drained by a currently-non-producing well that is capable of producing oil or gas on a nearby leased tract if the well were placed on production. The reservoir from which the nearby well is currently producing or capable of producing is interpreted to extend with producible hydrocarbon resources to the tract that is subject to drainage.

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

Water Depth Category is a classification of sea level depth, currently specified in the Gulf of Mexico for bid adequacy purposes as being either: (1) Less than 400 meters; or (2) 400 meters or more. If different classifications subsequently are used for a Gulf of Mexico sale, they will be described in the Final Notice of Sale. Tracts offered in a sale held outside the Gulf of Mexico will be considered to reside in the same, single water depth category encompassing the entire sale area, unless specified otherwise in the Final Notice of Sale.

Viable Tract is a tract considered by BOEM to have the potential capability of being explored, developed and produced profitably. Viable Tracts are those located on a prospect for which the risk-weighted, most-probable resource size equals or exceeds that of nearby proxies that were deemed economic in the relevant cost regime and at similar anticipated future prices. The probability of success used in determining the risk-weighted, most-probable resource size is at or below the highest level anticipated for any economically positive tract or prospect that received a bid in the current sale, was evaluated by BOEM, and is located in the same cost regime.

Non-viable Tract is a tract considered by BOEM not to have the potential capability of being explored, developed and produced profitably. Non-viable Tracts are: (1) Tracts that received bids but that are not associated with any discernible prospect or geophysical anomaly that might indicate hydrocarbon presence; or (2) tracts located over known prospects that are judged to offer sub-economic quantities of risked resources. The latter include tracts that are located on a prospect for which the most probable risked resource size is less than or equal to that of nearby proxies that were deemed uneconomic for the relevant cost regime and at similar anticipated future prices. Determination by BOEM of whether a tract is non-viable involves a rigorous assessment of whether or not the tract is likely to be profitable, but not a calculation of the tract's precise monetary value.

Phase 1 is the first phase of the two-phased Bid Adequacy Procedures applied in each sale to ensure that the government receives the FMV for the offshore oil and gas lease rights that it sells. In Phase 1, a tract's high bid may be accepted as representative of FMV if the tract passes the Number of Bids Rule or if the tract is classified as Confirmed or Wildcat and judged to be non-viable by BOEM. If application of either of these criteria does not result in the tract's acceptance in Phase 1, the tract is passed to Phase 2 for further evaluation.

Phase 2 is the second phase of the Bid Adequacy Procedures. In Phase 2, Viable Tracts and associated prospects are subjected to a complete geological review and economic evaluation for the purpose of establishing the FMV of received bids. BOEM conducts an individual economic evaluation of each tract that is passed to Phase 2, resulting in the generation of certain measures of tract value represented by the MROV, DMROV and RAM. The high bid typically is considered for acceptance if it exceeds any one of these three measures.

What procedural change is being proposed?

BOEM is proposing that the Number of Bids Rule in Phase 1 would no longer apply under the revised Bid Adequacy Procedures. Instead, the high bid on a Confirmed or Wildcat Tract could be accepted in Phase 1 only if BOEM judges the tract to be non-viable. Tracts not accepted in Phase 1, and hence subject to further evaluation in Phase 2, would include Confirmed and Wildcat Tracts that BOEM judges to be Viable, along with all Drainage and Development Tracts. Consistent with current practice, all tracts included in Phase 2 evaluations will be subject to a full-scale review for the purpose of determining bid adequacy. For a description of the current guidelines, see ''Modifications to the Bid Adequacy Procedures,'' **Federal Register**, Volume 64, No. 132, July 12, 1999, Pps. 37560–37562, at *http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Bid-Adequacy-Procedures.aspx.*

What problem is being addressed by the proposed procedural change?

Periodically, BOEM reviews its Bid Adequacy Procedures in light of its mandate to ensure receipt of FMV for the lease rights it sells. In a recent review of the performance of its Bid Adequacy Procedures, BOEM identified some potential weaknesses in one part of its procedures for determining whether to accept the high bid on certain tracts as being representative of FMV. Under its existing procedures, BOEM accepts the high bids on some Confirmed and Wildcat Tracts following application of the Number of Bids Rule. Consequently, the accepted tracts are not subject to further consideration of bid adequacy based on evaluation of their underlying tract values in comparison to the high bids. In such cases, BOEM does not have the opportunity to evaluate in Phase 1 whether the accepted tracts have the potential to be economically profitable, or to determine based on its own individual tract evaluation in Phase 2 whether the high bids adequately reflect the economic value of these tracts. As a result, the early bid acceptance of certain tracts in Phase 1, based solely on bidding information, precludes BOEM from conducting specific, in-depth evaluations of tracts that might have substantial economic value, potentially in excess of the accepted high bid.

This situation is exacerbated when BOEM has in its possession substantial geologic, engineering and economic information that could facilitate estimation of the underlying economic value of these tracts. In such cases, the resulting economic value determined by BOEM could be sufficient to lead to a decision to reject the high bid. In a subset of these cases, the resulting rejection and subsequent reoffering of the tract in the next sale might produce a considerable increase in lease revenues.

Once a tract is accepted under the Number of Bids Rule, BOEM does not commonly conduct an economic evaluation of that tract, so it cannot know with certainty whether such an evaluation would have led to the rejection of the high bid. Additionally, since the tract is not rejected, BOEM does not have empirical data revealing what a subsequent high bid would have been if the tract's original high bid had been rejected and the tract reoffered in the next sale.

Nevertheless, BOEM identified several recent instances where the Number of Bids Rule fell slightly short of accepting the high bid, and the affected tracts were subsequently rejected after BOEM conducted its economic evaluations and applied its Bid Adequacy Procedures in Phase 2. In a few of these cases, BOEM found that upon reoffering, the high bids on the actual previously rejected tracts rose substantially. But, had the nature of the actual bidding varied only slightly among competing bidders, BOEM might have accepted the original high bids under the Number of Bids Rule, and by doing so would have thereby inadvertently forgone the additional cash bonus bid amounts it received upon the actual reoffering of those tracts with rejected high bids. Ensuring that the American taxpayer receives fair and appropriate value is an important goal of the proposed procedural change.

What concerns may exist about possibly removing the Number of Bids Rule?

The removal of the Number of Bids Rule eliminates reliance by BOEM on certain competitive market forces in the determination of FMV in Phase 1. However, BOEM will continue to consider competitive market forces in making bid adequacy determinations through application of the RAM in Phase 2. Beginning in 2000, BOEM has accepted through application of the RAM criterion, approximately two-thirds of both the number and high bid amounts of Confirmed and Wildcat Tracts with the following characteristics: Received three or more Qualified Bids, were passed to Phase 2, and, had high bids less than the applicable tract's MROV. This finding confirms that even without the Number of Bids Rule, BOEM will continue to capture the effects of competitive market forces in its Bid Adequacy Procedures because the RAM is retained as part of those revised procedures. The RAM is an effective means for incorporating market forces in BOEM's Bid Adequacy Procedures and is unaffected by the proposed change in those procedures.

How would this proposed procedural change affect the content of phase 1 & phase 2 of the Bid Adequacy Procedures?

Under current procedures, certain tracts may have their high bids accepted in Phase 1 if they are (1) subjected to and pass the Number of Bids Rule, or (2) determined to be non-viable by BOEM. All other tracts are sent to Phase 2 for further evaluation. Removing the Number of Bids Rule will eliminate category (1) above. Henceforth, only the high bids on Confirmed and Wildcat Tracts determined by BOEM to be non-viable may be accepted in Phase 1. Moreover, elimination of the Number of Bids Rule will not affect any existing evaluation procedures and criteria employed in Phase 2.

BOEM does not intend to make any other substantive changes to the Bid Adequacy Procedures at this time. If the proposed change in procedures or some variation thereof is adopted, BOEM intends to publish the complete and revised Bid Adequacy Procedures prior to, or in conjunction with, the Central Gulf of Mexico Planning Area Lease Sale 235 Final Notice of Sale in early 2015.

Questions for Respondents

1. Will removing the Number of Bids Rule alter your typical bidding behavior?

2. What adverse effects do you envision from removing the Number of Bids Rule?

3. Can you offer any alternatives or refinements for ensuring receipt of FMV that you deem superior to removing the Number of Bids Rule?

Dated: October 14, 2014.

Walter D. Cruickshank,

Acting Director, Bureau of Ocean Energy Management.

[FR Doc. 2014–24727 Filed 10–16–14; 8:45 am]

BILLING CODE 4310–MR–P

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

[MMAA 104000]

Notice of Availability of the Proposed Notice of Sale (NOS) for Central Gulf of Mexico Planning Area (CPA) Outer Continental Shelf (OCS) Oil and Gas Lease Sale 235 (CPA Sale 235)

AGENCY: Bureau of Ocean Energy Management (BOEM), Interior.

ACTION: Notice of availability of the proposed notice of CPA Sale 235.

SUMMARY: BOEM announces the availability of the Proposed NOS for proposed CPA Sale 235. This Notice is published pursuant to 30 CFR 556.29(c) as a matter of information to the public. With regard to oil and gas leasing on the OCS, the Secretary of the Interior, pursuant to section 19 of the OCS Lands Act, provides affected States the opportunity to review the Proposed NOS. The Proposed NOS sets forth the proposed terms and conditions of the sale, including minimum bids, royalty rates, and rental rates.

DATES: Affected States may comment on the size, timing, and location of proposed CPA Sale 235 within 60 days following their receipt of the Proposed NOS. The Final NOS will be published in the **Federal Register** at least 30 days prior to the date of bid opening. Bid opening currently is scheduled for March 18, 2015.

SUPPLEMENTARY INFORMATION: The Proposed NOS for CPA Sale 235 and a Proposed NOS Package containing information essential to potential bidders may be obtained from the Public Information Unit, Gulf of Mexico Region, Bureau of Ocean Energy Management, 1201 Elmwood Park Boulevard, New Orleans, Louisiana 70123–2394. Telephone: (504) 736–2519. The Proposed NOS and Proposed NOS Package also are available on BOEM's Web site at *http://www.boem.gov/Sale-235/.*

Agency Contact: Robert Samuels, Chief, Leasing Division, *Robert.Samuels@boem.gov.*

Dated: October 14, 2014.

Walter D. Cruickshank,

Acting Director, Bureau of Ocean Energy Management.

[FR Doc. 2014–24729 Filed 10–16–14; 8:45 am]

BILLING CODE 4310–MR–P