

Annual Prices Above Which Full Royalties Are Due
Not Withstanding Any Remaining Royalty Suspension Volumes

Deep Water Oil

Calendar Year	Applicable Annual Inflation Rate	Oil Price Threshold (\$/bbl)		Actual Prices (\$/bbl) Average NYMEX Nearby Delivery
		For leases issued in Sales held in:		
		1996, 1997, 2000 and 2002-2003*	2001	
1994		\$28.00		
1995	2.2%	\$28.61		
1996	1.9%	\$29.16		\$21.99
1997	2.0%	\$29.73		\$20.63
1998	1.2%	\$30.10		\$14.43
1999	1.4%	\$30.52		\$19.26
2000	2.3%	\$31.22	\$28.00	\$30.25
2001	2.2%	\$31.90	\$28.61	\$25.99
2002	1.2%	\$32.27	\$28.95	\$26.10
2003	1.7%	\$32.81	\$29.43	\$31.08
2004e	1.5%	\$33.29	\$29.86	

NYMEX Year-to-Date 2004 Average				\$36.69
July - Dec Average Needed to Suspend Relief		\$29.89	\$23.03	
Estimated (e) Threshold Target Price Level		\$33.29	\$29.86	
Gap Between Threshold and Current Average		-\$3.40	-\$6.83	

*These thresholds also apply to Pre-Act leases with discretionary deepwater royalty relief. However, these thresholds do not apply to Eligible leases issued in Sales held in 1998 and 1999.

Deep Water Natural Gas

Calendar Year	Applicable Annual Inflation Rate	Gas Price Threshold (\$/MMBTU)		Actual Prices (\$/MMBTU) Average NYMEX Nearby Delivery
		For leases issued in Sales held in:		
		1996, 1997, 2000 and 2002-2003*	2001	
1994		\$3.50		
1995	2.2%	\$3.58		
1996	1.9%	\$3.65		\$2.50
1997	2.0%	\$3.72		\$2.42
1998	1.2%	\$3.76		\$2.16
1999	1.4%	\$3.81		\$2.31
2000	2.3%	\$3.90	\$3.50	\$4.33
2001	2.2%	\$3.99	\$3.58	\$4.06
2002	1.2%	\$4.03	\$3.62	\$3.36
2003	1.7%	\$4.10	\$3.68	\$5.49
2004e	1.5%	\$4.16	\$3.73	

NYMEX Year-to-Date 2004 Average				\$5.93
July - Dec Average Needed to Suspend Relief		\$2.39	\$1.52	
Estimated (e) Threshold Target Price Level		\$4.16	\$3.73	
Gap Between Threshold and Current Average		-\$1.77	-\$2.21	

*These thresholds also apply to Pre-Act leases with discretionary deepwater royalty relief. However, these thresholds do not apply to Eligible leases issued in Sales held in 1998 and 1999.

Shallow Water, Deep Natural Gas (well depths >15,000 ft)

Applicable		Gas Price Threshold (\$/MMBTU)			Actual Prices (\$/MMBTU) Average NYMEX Nearby Delivery
Calendar Year	Annual Inflation Rate	For Sale 178	From Sales held in 2001-2003**	For deep gas rule 30 CFR 203	
2000		\$3.50	\$5.00		\$4.33
2001	2.2%	\$3.58	\$5.11		\$4.06
2002	1.2%	\$3.62	\$5.17		\$3.36
2003	1.7%	\$3.68	\$5.25		\$5.49
2004e	1.5%	\$3.73	\$5.33	\$9.34	
NYMEX Year-to-Date 2004 Average					\$5.93
July - Dec Average Needed to Suspend Relief		\$1.52	\$4.72	\$12.75	
Estimated (e) Threshold Target Price Level		\$3.73	\$5.33	\$9.34	
Gap Between Threshold and Current Average		-\$2.21	-\$0.61	\$3.41	

**Except Sale 178.

Sources: NYMEX - OIL WORLD
www.oilnergy.com/1onymex.htm
www.oilnergy.com/1gnymex.htm
www.bea.doc.gov

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- notes:
1. The price threshold is an estimate (e).
 2. MMS provides notice when price thresholds are exceeded. Once a price threshold violation determination is made, based on the most recent inflation data at the time, any subsequent inflationary adjustments will not affect the violation determination previously made for that year regarding qualification for royalty relief.
 3. The calculation for the year-to-date average consists of the 12 monthly averages, which each month averages the NYMEX daily closing price. This average includes holidays and weekends using the previous day closing average.

