

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.

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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.

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