

106TH CONGRESS  
1ST SESSION

# S. 1049

To improve the administration of oil and gas leases on Federal land, and  
for other purposes.

---

IN THE SENATE OF THE UNITED STATES

MAY 13, 1999

Mr. MURKOWSKI introduced the following bill; which was read twice and  
referred to the Committee on Energy and Natural Resources

---

## A BILL

To improve the administration of oil and gas leases on  
Federal land, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Federal Oil and Gas Lease Management Improvement  
6 Act of 1999”.

7 (b) **TABLE OF CONTENTS.**—The table of contents of  
8 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Definitions.
- Sec. 4. No property right.

TITLE I—STATE OPTION TO REGULATE OIL AND GAS LEASE  
OPERATIONS ON FEDERAL LAND

- Sec. 101. Transfer of authority.  
Sec. 102. Activity following transfer of authority.

TITLE II—USE OF COST SAVINGS FROM STATE REGULATION

- Sec. 201. Compensation for costs.  
Sec. 202. Exclusion of costs of preparing planning documents and analyses.  
Sec. 203. Receipt sharing.

TITLE III—STREAMLINING AND COST REDUCTION

- Sec. 301. Applications.  
Sec. 302. Timely issuance of decisions.  
Sec. 303. Elimination of unwarranted denials and stays.  
Sec. 304. Reports.  
Sec. 305. Scientific inventory of oil and gas reserves.

TITLE IV—FEDERAL ROYALTY CERTAINTY

- Sec. 401. Definitions.  
Sec. 402. Amendment of Outer Continental Shelf Lands Act.  
Sec. 403. Amendment of Mineral Leasing Act.  
Sec. 404. Indian land.

TITLE V—ROYALTY REINVESTMENT IN AMERICA

- Sec. 501. Royalty incentive program.  
Sec. 502. Marginal well production incentives.  
Sec. 503. Suspension of production on oil and gas operations.

**1 SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—Congress finds that—

3 (1) State governments have a long and success-  
4 ful history of regulation of operations to explore for  
5 and produce oil and gas; the special role of the  
6 States was recognized by Congress in 1935 through  
7 its ratification under the Constitution of the Inter-  
8 state Compact to Conserve Oil and Gas;

9 (2) under the guidance of the Interstate Oil and  
10 Gas Compact Commission, States have established  
11 effective regulation of the oil and natural gas indus-

1 try and subject their programs to periodic peer re-  
2 view through the Commission;

3 (3) it is significantly less expensive for State  
4 governments than for the Federal Government to  
5 regulate oil and gas lease operations on Federal  
6 land;

7 (4) significant cost savings could be achieved,  
8 with no reduction in environmental protection or in  
9 the conservation of oil and gas resources, by having  
10 the Federal Government defer to State regulation of  
11 oil and gas lease operations on Federal land;

12 (5) State governments carry out regulatory  
13 oversight on Federal, State, and private land; oil  
14 and gas companies operating on Federal land are  
15 burdened with the additional cost and time of dupli-  
16 cative oversight by both Federal and State conserva-  
17 tion authorities; additional cost savings could be  
18 achieved within the private sector by having the Sec-  
19 retary defer to State regulation;

20 (6) the Federal Government is presently cast in  
21 opposing roles as a mineral owner and regulator;  
22 State regulation of oil and gas operations on Federal  
23 land would eliminate this conflict of interest;

24 (7) it remains the responsibility of the Sec-  
25 retary of the Interior to carry out the Federal policy

1 set forth in the Mining and Minerals Policy Act of  
2 1970 (30 U.S.C. 21a) to foster and encourage pri-  
3 vate sector enterprise in the development of eco-  
4 nomically sound and stable domestic mineral indus-  
5 tries, and the orderly and economic development of  
6 domestic mineral resources and reserves, including  
7 oil and gas resources; and

8 (8) resource management analyses and surveys  
9 conducted under the conservation laws of the United  
10 States benefit the public at large and are an expense  
11 properly borne by the Federal Government.

12 (b) PURPOSES.—The purposes of this Act are—

13 (1) to transfer from the Secretary to each State  
14 in which Federal land is present authority to regu-  
15 late oil and gas operations on leased tracts and re-  
16 lated operations as fully as if the operations were oc-  
17 ccurring on privately owned land;

18 (2) to share the costs saved through more effi-  
19 cient State enforcement among State governments  
20 and the Federal treasury;

21 (3) to prevent the imposition of unwarranted  
22 delays and recouplements of Federal administrative  
23 costs on Federal oil and gas lessees;

24 (4) to effect no change in the administration of  
25 Indian land; and

1           (5) to ensure that funds deducted from the  
2 States' net receipt share are directly tied to adminis-  
3 trative costs related to mineral leasing on Federal  
4 land.

5 **SEC. 3. DEFINITIONS.**

6 In this Act:

7           (1) APPLICATION FOR A PERMIT TO DRILL.—  
8 The term “application for a permit to drill” means  
9 a drilling plan including design, mechanical, and en-  
10 gineering aspects for drilling a well.

11           (2) FEDERAL LAND.—

12           (A) IN GENERAL.—The term “Federal  
13 land” means all land and interests in land  
14 owned by the United States that are subject to  
15 the mineral leasing laws, including mineral re-  
16 sources or mineral estates reserved to the  
17 United States in the conveyance of a surface or  
18 nonmineral estate.

19           (B) EXCLUSION.—The term “Federal  
20 land” does not include—

21           (i) Indian land (as defined in section  
22 3 of the Federal Oil and Gas Royalty Man-  
23 agement Act of 1982 (30 U.S.C. 1702));  
24 or

1 (ii) submerged land on the outer Con-  
2 tinenta Shelf (as defined in section 2 of  
3 the Outer Continenta Shelf Lands Act (43  
4 U.S.C. 1331)).

5 (3) OIL AND GAS CONSERVATION AUTHORITY.—  
6 The term “oil and gas conservation authority”  
7 means the agency or agencies in each State respon-  
8 sible for regulating for conservation purposes oper-  
9 ations to explore for and produce oil and natural  
10 gas.

11 (4) PROJECT.—The term “project” means an  
12 activity by a lessee, an operator, or an operating  
13 rights owner to explore for, develop, produce, or  
14 transport oil or gas resources.

15 (5) SECRETARY.—The term “Secretary”  
16 means—

17 (A) the Secretary of the Interior, with re-  
18 spect to land under the administrative jurisdic-  
19 tion of the Department of the Interior; and

20 (B) the Secretary of Agriculture, with re-  
21 spect to land under the administrative jurisdic-  
22 tion of the Department of Agriculture.

23 (6) SURFACE USE PLAN OF OPERATIONS.—The  
24 term “surface use plan of operations” means a plan  
25 for surface use, disturbance, and reclamation.

1 **SEC. 4. NO PROPERTY RIGHT.**

2 Nothing in this Act gives a State a property right  
3 or interest in any Federal lease or land.

4 **TITLE I—STATE OPTION TO REG-**  
5 **ULATE OIL AND GAS LEASE**  
6 **OPERATIONS ON FEDERAL**  
7 **LAND**

8 **SEC. 101. TRANSFER OF AUTHORITY.**

9 (a) NOTIFICATION.—Not before the date that is 180  
10 days after the date of enactment of this Act, a State may  
11 notify the Secretary of its intent to accept authority for  
12 regulation of operations, as described in subparagraphs  
13 (A) through (K) of subsection (b)(2), under oil and gas  
14 leases on Federal land within the State.

15 (b) TRANSFER OF AUTHORITY.—

16 (1) IN GENERAL.—Effective 180 days after the  
17 Secretary receives the State's notice, authority for  
18 the regulation of oil and gas leasing operations is  
19 transferred from the Secretary to the State.

20 (2) AUTHORITY INCLUDED.—The authority  
21 transferred under paragraph (1) includes—

22 (A) processing and approving applications  
23 for permits to drill, subject to surface use  
24 agreements and other terms and conditions de-  
25 termined by the Secretary;

26 (B) production operations;

- 1 (C) well testing;
- 2 (D) well completion;
- 3 (E) well spacing;
- 4 (F) communization;
- 5 (G) conversion of a producing well to a
- 6 water well;
- 7 (H) well abandonment procedures;
- 8 (I) inspections;
- 9 (J) enforcement activities; and
- 10 (K) site security.

11 (c) RETAINED AUTHORITY.—The Secretary shall—

12 (1) retain authority over the issuance of leases  
13 and the approval of surface use plans of operations  
14 and project-level environmental analyses; and

15 (2) spend appropriated funds to ensure that  
16 timely decisions are made respecting oil and gas  
17 leasing, taking into consideration multiple uses of  
18 Federal land, socioeconomic and environmental im-  
19 pacts, and the results of consultations with State  
20 and local government officials.

21 **SEC. 102. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.**

22 (a) FEDERAL AGENCIES.—Following the transfer of  
23 authority, no Federal agency shall exercise the authority  
24 formerly held by the Secretary as to oil and gas lease oper-  
25 ations and related operations on Federal land.



1 (b) STATE AUTHORITY.—

2 (1) IN GENERAL.—Following the transfer of au-  
3 thority, each State shall enforce its own oil and gas  
4 conservation laws and requirements pertaining to  
5 transferred oil and gas lease operations and related  
6 operations with due regard to the national interest  
7 in the expedited, environmentally sound development  
8 of oil and gas resources in a manner consistent with  
9 oil and gas conservation principles.

10 (2) APPEALS.—Following a transfer of author-  
11 ity under section 101, an appeal of any decision  
12 made by a State oil and gas conservation authority  
13 shall be made in accordance with State administra-  
14 tive procedures.

15 (c) PENDING ENFORCEMENT ACTIONS.—The Sec-  
16 retary may continue to enforce any pending actions re-  
17 specting acts committed before the date on which author-  
18 ity is transferred to a State under section 101 until those  
19 proceedings are concluded.

20 (d) PENDING APPLICATIONS.—

21 (1) TRANSFER TO STATE.—All applications re-  
22 specting oil and gas lease operations and related op-  
23 erations on Federal land pending before the Sec-  
24 retary on the date on which authority is transferred  
25 under section 101 shall be immediately transferred

1 to the oil and gas conservation authority of the  
2 State in which the lease is located.

3 (2) ACTION BY THE STATE.—The oil and gas  
4 conservation authority shall act on the application in  
5 accordance with State laws (including regulations)  
6 and requirements.

## 7 **TITLE II—USE OF COST SAVINGS** 8 **FROM STATE REGULATION**

### 9 **SEC. 201. COMPENSATION FOR COSTS.**

10 (a) IN GENERAL.—Subject to the availability of ap-  
11 propriations, the Secretary shall compensate any State for  
12 costs incurred to carry out the authorities transferred  
13 under section 101.

14 (b) PAYMENT SCHEDULE.—Payments shall be made  
15 not less frequently than every quarter.

16 (c) COST BREAKDOWN REPORT.—Each State seek-  
17 ing compensation shall report to the Secretary a cost  
18 breakdown for the authorities transferred.

19 (d) LIMITATION ON AMOUNT.—

20 (1) IN GENERAL.—Compensation to a State  
21 may not exceed 50 percent of the Secretary’s allo-  
22 cated cost for oil and gas leasing activities under  
23 section 35(b) of the Act of February 25, 1920 (com-  
24 monly known as the “Mineral Leasing Act”) (30  
25 U.S.C. 191(b)) for the State for fiscal year 1997.

1           (2) ADJUSTMENT.—The Secretary shall adjust  
2           the maximum level of cost compensation at least  
3           once every 2 years to reflect any increases in the  
4           Consumer Price Index (all items, United States city  
5           average) as prepared by the Department of Labor,  
6           using 1997 as the baseline year.

7   **SEC. 202. EXCLUSION OF COSTS OF PREPARING PLANNING**  
8                                   **DOCUMENTS AND ANALYSES.**

9           Section 35 of the Act of February 25, 1920 (30  
10   U.S.C. 191(b)) is amended by adding at the end the fol-  
11   lowing:

12                   “(6) The Secretary shall not include, for the  
13           purpose of calculating the deduction under para-  
14           graph (1), costs of preparing resource management  
15           planning documents and analyses for areas in which  
16           mineral leasing is excluded or areas in which the pri-  
17           mary activity under review is not mineral leasing  
18           and development.”.

19   **SEC. 203. RECEIPT SHARING.**

20           Section 35(b) of the Act of February 25, 1920 (30  
21   U.S.C. 191(b)) is amended by striking “paid to States”  
22   and inserting “paid to States (other than States that ac-  
23   cept a transfer of authority under section 101 of the Fed-  
24   eral Oil and Gas Lease Management Act of 1999)”.

1     **TITLE III—STREAMLINING AND**  
2                     **COST REDUCTION**

3     **SEC. 301. APPLICATIONS.**

4             (a) **LIMITATION ON COST RECOVERY.**—Notwith-  
5 standing sections 304 and 504 of the Federal Land Policy  
6 and Management Act of 1976 (43 U.S.C. 1734, 1764) and  
7 section 9701 of title 31, United States Code, the Secretary  
8 shall not recover the Secretary's costs with respect to ap-  
9 plications and other documents relating to oil and gas  
10 leases.

11            (b) **COMPLETION OF PLANNING DOCUMENTS AND**  
12 **ANALYSES.**—

13                 (1) **IN GENERAL.**—The Secretary shall complete  
14 any resource management planning documents and  
15 analyses not later than 90 days after receiving any  
16 offer, application, or request for which a planning  
17 document or analysis is required to be prepared.

18                 (2) **PREPARATION BY APPLICANT OR LESSEE.**—  
19 If the Secretary is unable to complete the document  
20 or analysis within the time prescribed by paragraph  
21 (1), the Secretary shall notify the applicant or lessee  
22 of the opportunity to prepare the required document  
23 or analysis for the agency's review and use in deci-  
24 sionmaking.

1 (c) REIMBURSEMENT FOR COSTS OF NEPA ANAL-  
2 YSES, DOCUMENTATION, AND STUDIES.—If—

3 (1) adequate funding to enable the Secretary to  
4 timely prepare a project-level analysis required  
5 under the National Environmental Policy Act of  
6 1969 (42 U.S.C. 4321 et seq.) with respect to an oil  
7 or gas lease is not appropriated; and

8 (2) the lessee, operator, or operating rights  
9 owner voluntarily pays for the cost of the required  
10 analysis, documentation, or related study;

11 the Secretary shall reimburse the lessee, operator, or oper-  
12 ating rights owner for its costs through royalty credits at-  
13 tributable to the lease, unit agreement, or project area.

14 **SEC. 302. TIMELY ISSUANCE OF DECISIONS.**

15 (a) IN GENERAL.—The Secretary shall ensure the  
16 timely issuance of Federal agency decisions respecting oil  
17 and gas leasing and operations on Federal land.

18 (b) OFFER TO LEASE.—

19 (1) DEADLINE.—The Secretary shall accept or  
20 reject an offer to lease not later than 90 days after  
21 the filing of the offer.

22 (2) FAILURE TO MEET DEADLINE.—If an offer  
23 is not acted upon within that time, the offer shall be  
24 deemed to have been accepted.

25 (c) APPLICATION FOR PERMIT TO DRILL.—

1           (1) DEADLINE.—The Secretary and a State  
2 that has accepted a transfer of authority under sec-  
3 tion 101 shall approve or disapprove an application  
4 for permit to drill not later than 30 days after re-  
5 ceiving a complete application.

6           (2) FAILURE TO MEET DEADLINE.—If the ap-  
7 plication is not acted on within the time prescribed  
8 by paragraph (1), the application shall be deemed to  
9 have been approved.

10          (d) SURFACE USE PLAN OF OPERATIONS.—The Sec-  
11 retary shall approve or disapprove a surface use plan of  
12 operations not later than 30 days after receipt of a com-  
13 plete plan.

14          (e) ADMINISTRATIVE APPEALS.—

15           (1) DEADLINE.—From the time that a Federal  
16 oil and gas lessee or operator files a notice of admin-  
17 istrative appeal of a decision or order of an officer  
18 or employee of the Department of the Interior or the  
19 Forest Service respecting a Federal oil and gas Fed-  
20 eral lease, the Secretary shall have 2 years in which  
21 to issue a final decision in the appeal.

22           (2) FAILURE TO MEET DEADLINE.—If no final  
23 decision has been issued within the time prescribed  
24 by paragraph (1), the appeal shall be deemed to  
25 have been granted.

1 **SEC. 303. ELIMINATION OF UNWARRANTED DENIALS AND**  
2 **STAYS.**

3 (a) IN GENERAL.—The Secretary shall ensure that  
4 unwarranted denials and stays of lease issuance and un-  
5 warranted restrictions on lease operations are eliminated  
6 from the administration of oil and gas leasing on Federal  
7 land.

8 (b) LAND DESIGNATED FOR MULTIPLE USE.—

9 (1) IN GENERAL.—Land designated as available  
10 for multiple use under Bureau of Land Management  
11 resource management plans and Forest Service leas-  
12 ing analyses shall be available for oil and gas leasing  
13 without lease stipulations more stringent than re-  
14 strictions on surface use and operations imposed  
15 under the laws (including regulations) of the State  
16 oil and gas conservation authority unless the Sec-  
17 retary includes in the decision approving the man-  
18 agement plan or leasing analysis a written expla-  
19 nation why more stringent stipulations are war-  
20 ranted.

21 (2) APPEAL.—Any decision to require a more  
22 stringent stipulation shall be administratively ap-  
23 pealable and, following a final agency decision, shall  
24 be subject to judicial review.

25 (c) REJECTION OF OFFER TO LEASE.—

1           (1) IN GENERAL.—If the Secretary rejects an  
2 offer to lease on the ground that the land is unavail-  
3 able for leasing, the Secretary shall provide a writ-  
4 ten, detailed explanation of the reasons the land is  
5 unavailable for leasing.

6           (2) PREVIOUS RESOURCE MANAGEMENT DECI-  
7 SION.—If the determination of unavailability is  
8 based on a previous resource management decision,  
9 the explanation shall include a careful assessment of  
10 whether the reasons underlying the previous decision  
11 are still persuasive.

12           (3) SEGREGATION OF AVAILABLE LAND FROM  
13 UNAVAILABLE LAND.—The Secretary may not reject  
14 an offer to lease land available for leasing on the  
15 ground that the offer includes land unavailable for  
16 leasing, and the Secretary shall segregate available  
17 land from unavailable land, on the offeror's request  
18 following notice by the Secretary, before acting on  
19 the offer to lease.

20           (d) DISAPPROVAL OR REQUIRED MODIFICATION OF  
21 SURFACE USE PLANS OF OPERATIONS AND APPLICATION  
22 FOR PERMIT TO DRILL.—The Secretary shall provide a  
23 written, detailed explanation of the reasons for dis-  
24 approving or requiring modifications of any surface use  
25 plan of operations or application for permit to drill.



1 (e) EFFECTIVENESS OF DECISION.—A decision of the  
2 Secretary respecting an oil and gas lease shall be effective  
3 pending administrative appeal to the appropriate office  
4 within the Department of the Interior or the Department  
5 of Agriculture unless that office grants a stay in response  
6 to a petition satisfying the criteria for a stay established  
7 by section 4.21(b) of title 43, Code of Federal Regulations  
8 (or any successor regulation).

9 **SEC. 304. REPORTS.**

10 (a) IN GENERAL.—Not later than March 31, 2000,  
11 the Secretaries shall jointly submit to the President of the  
12 Senate and the Speaker of the House of Representatives  
13 a report explaining the most efficient means of eliminating  
14 overlapping jurisdiction, duplication of effort, and incon-  
15 sistent policymaking and policy implementation as be-  
16 tween the Bureau of Land Management and the Forest  
17 Service.

18 (b) RECOMMENDATIONS.—The report shall include  
19 recommendations on statutory changes needed to imple-  
20 ment the report's conclusions.

21 **SEC. 305. SCIENTIFIC INVENTORY OF OIL AND GAS RE-**  
22 **SERVES.**

23 (a) IN GENERAL.—Not later than March 31, 2000,  
24 the Secretary of the Interior, in consultation with the Di-  
25 rector of the United States Geological Survey, shall pub-

1 lish, through notice in the Federal Register, a science-  
2 based national inventory of the oil and gas reserves and  
3 potential resources underlying Federal land and the outer  
4 Continental Shelf.

5 (b) CONTENTS.—The inventory shall—

6 (1) indicate what percentage of the oil and gas  
7 reserves and resources is currently available for leas-  
8 ing and development; and

9 (2) specify the percentages of the reserves and  
10 resources that are on—

11 (A) land that is open for leasing as of the  
12 date of enactment of this Act that has never  
13 been leased;

14 (B) land that is open for leasing or devel-  
15 opment subject to no surface occupancy stipula-  
16 tions; and

17 (C) land that is open for leasing or devel-  
18 opment subject to other lease stipulations that  
19 have significantly impeded or prevented, or are  
20 likely to significantly impede or prevent, devel-  
21 opment; and

22 (3) indicate the percentage of oil and gas re-  
23 sources that are not available for leasing or are  
24 withdrawn from leasing.

25 (c) PUBLIC COMMENT.—

1           (1) IN GENERAL.—The Secretary of the Inte-  
 2           rior shall invite public comment on the inventory to  
 3           be filed not later than September 30, 2000.

4           (2) RESOURCE MANAGEMENT DECISIONS.—Spe-  
 5           cifically, the Secretary of the Interior shall invite  
 6           public comment on the effect of Federal resource  
 7           management decisions on past and future oil and  
 8           gas development.

9           (d) REPORT.—

10           (1) IN GENERAL.—Not later than March 31,  
 11           2001, the Secretary of the Interior shall submit to  
 12           the President of the Senate and the Speaker of the  
 13           House of Representatives a report comprised of the  
 14           revised inventory and responses to the public com-  
 15           ments.

16           (2) CONTENTS.—The report shall specifically  
 17           indicate what steps the Secretaries believe are nec-  
 18           essary to increase the percentage of land open for  
 19           development of oil and gas resources.

20           **TITLE IV—FEDERAL ROYALTY**  
 21           **CERTAINTY**

22           **SEC. 401. DEFINITIONS.**

23           In this title:

24           (1) MARKETABLE CONDITION.—The term  
 25           “marketable condition” means lease production that

1 is sufficiently free from impurities and otherwise in  
2 a condition that the production will be accepted by  
3 a purchaser under a sales contract typical for the  
4 field or area.

5 (2) REASONABLE COMMERCIAL RATE.—

6 (A) IN GENERAL.—The term “reasonable  
7 commercial rate” means—

8 (i) in the case of an arm’s-length con-  
9 tract, the actual cost incurred by the les-  
10 see; or

11 (ii) in the case of a non-arm’s-length  
12 contract—

13 (I) the rate charged in a contract  
14 for similar services in the same area  
15 between parties with opposing eco-  
16 nomic interests; or

17 (II) if there are no arm’s-length  
18 contracts for similar services in the  
19 same area, the just and reasonable  
20 rate for the transportation service  
21 rendered by the lessee or lessee’s affil-  
22 iate.

23 (B) DISPUTES.—Disputes between the  
24 Secretary and a lessee over what constitutes a  
25 just and reasonable rate for such service shall

1           be resolved by the Federal Energy Regulatory  
2           Commission.

3 **SEC. 402. AMENDMENT OF OUTER CONTINENTAL SHELF**  
4           **LANDS ACT.**

5           Section 8(b)(3) of the Outer Continental Shelf Lands  
6 Act (43 U.S.C. 1337(b)(3)) is amended by striking the  
7 semicolon at the end and adding the following:

8           “*Provided:* That if the payment is in value or amount,  
9 the royalty due in value shall be based on the value of  
10 oil or gas production at the lease in marketable condition,  
11 and the royalty due in amount shall be based on the roy-  
12 alty share of production at the lease; if the payment in  
13 value or amount is calculated from a point away from the  
14 lease, the payment shall be adjusted for quality and loca-  
15 tion differentials, and the lessee shall be allowed reim-  
16 bursements at a reasonable commercial rate for transpor-  
17 tation (including transportation to the point where the  
18 production is put in marketable condition), marketing,  
19 processing, and other services beyond the lease through  
20 the point of sale, other disposition, or delivery;”.

21 **SEC. 403. AMENDMENT OF MINERAL LEASING ACT.**

22           Section 17(c) of the Act of February 25, 1920 (30  
23 U.S.C. 226(c)) (commonly known as the “Mineral Leasing  
24 Act”), is amended by adding at the end the following:

25           “(3) ROYALTY DUE IN VALUE.—

1           “(A) IN GENERAL.—Royalty due in value  
2 shall be based on the value of oil or gas produc-  
3 tion at the lease in marketable condition, and  
4 the royalty due in amount shall be based on the  
5 royalty share of production at the lease.

6           “(B) CALCULATION OF VALUE OR AMOUNT  
7 FROM A POINT AWAY FROM A LEASE.—If the  
8 payment in value or amount is calculated from  
9 a point away from the lease—

10                   “(i) the payment shall be adjusted for  
11 quality and location differentials; and

12                   “(ii) the lessee shall be allowed reim-  
13 bursements at a reasonable commercial  
14 rate for transportation (including transpor-  
15 tation to the point where the production is  
16 put in marketable condition), marketing,  
17 processing, and other services beyond the  
18 lease through the point of sale, other dis-  
19 position, or delivery;”.

20 **SEC. 404. INDIAN LAND.**

21           This title shall not apply with respect to Indian land.

1                   **TITLE V—ROYALTY**  
2                   **REINVESTMENT IN AMERICA**

3 **SEC. 501. ROYALTY INCENTIVE PROGRAM.**

4           (a) IN GENERAL.—To encourage exploration and de-  
5 velopment expenditures on Federal land and the outer  
6 Continental Shelf for the development of oil and gas re-  
7 sources when the cash price of West Texas Intermediate  
8 crude oil, as posted on the Dow Jones Commodities Index  
9 chart is less than \$18 per barrel for 90 consecutive pricing  
10 days or when natural gas prices as delivered at Henry  
11 Hub, Louisiana, are less than \$2.30 per million British  
12 thermal units for 90 consecutive days, the Secretary shall  
13 allow a credit against the payment of royalties on Federal  
14 oil production and gas production, respectively, in an  
15 amount equal to 20 percent of the capital expenditures  
16 made on exploration and development activities on Federal  
17 oil and gas leases.

18           (b) NO CREDITING AGAINST ONSHORE FEDERAL  
19 ROYALTY OBLIGATIONS.—In no case shall such capital ex-  
20 penditures made on Outer Continental Shelf leases be  
21 credited against onshore Federal royalty obligations.

22 **SEC. 502. MARGINAL WELL PRODUCTION INCENTIVES.**

23           To enhance the economics of marginal oil and gas  
24 production by increasing the ultimate recovery from mar-  
25 ginal wells when the cash price of West Texas Inter-

1 mediate crude oil, as posted on the Dow Jones Commod-  
2 ities Index chart is less than \$18 per barrel for 90 con-  
3 secutive pricing days or when natural gas prices are deliv-  
4 ered at Henry Hub, Louisiana, are less than \$2.30 per  
5 million British thermal units for 90 consecutive days, the  
6 Secretary shall reduce the royalty rate as production de-  
7 clines for—

8 (1) onshore oil wells producing less than 30  
9 barrels per day;

10 (2) onshore gas wells producing less than 120  
11 million British thermal units per day;

12 (3) offshore oil well producing less than 300  
13 barrels of oil per day; and

14 (4) offshore gas wells producing less than 1,200  
15 million British thermal units per day.

16 **SEC. 503. SUSPENSION OF PRODUCTION ON OIL AND GAS**  
17 **OPERATIONS.**

18 (a) IN GENERAL.—Any person operating an oil well  
19 under a lease issued under the Act of February 25, 1920  
20 (commonly known as the “Mineral Leasing Act”) (30  
21 U.S.C. 181 et seq.) or the Mineral Leasing Act for Ac-  
22 quired Lands (30 U.S.C. 351 et seq.) may submit a notice  
23 to the Secretary of the Interior of suspension of operation  
24 and production at the well.



1           (b) PRODUCTION QUANTITIES NOT A FACTOR.—A  
2 notice under subsection (a) may be submitted without re-  
3 gard to per day production quantities at the well and with-  
4 out regard to the requirements of subsection (a) of section  
5 3103.4–4 of title 43 of the Code of Federal Regulations  
6 (or any successor regulation) respecting the granting of  
7 such relief, except that the notice shall be submitted to  
8 an office in the Department of the Interior designated by  
9 the Secretary of the Interior.

10           (c) PERIOD OF RELIEF.—On submission of a notice  
11 under subsection (a) for an oil well, the operator of the  
12 well may suspend operation and production at the well for  
13 a period beginning on the date of submission of the notice  
14 and ending on the later of—

15                 (1) the date that is 2 years after the date on  
16 which the suspension of operation and production  
17 commences; or

18                 (2) the date on which the cash price of West  
19 Texas Intermediate crude oil, as posted on the Dow  
20 Jones Commodities Index chart is greater than \$15  
21 per barrel for 90 consecutive pricing days.

○