

106TH CONGRESS
1ST SESSION

H. R. 1985

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

IN THE HOUSE OF REPRESENTATIVES

MAY 27, 1999

Mrs. CUBIN (for herself and Mr. SKEEN) introduced the following bill; which
was referred to the Committee on 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 recoupments 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 tinental Shelf (as defined in section 2 of
 3 the Outer Continental 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 DECISION.—If the determination of unavailability is
7 based on a previous resource management decision,
8 the explanation shall include a careful assessment of
9 whether the reasons underlying the previous decision
10 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.

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

9 SEC. 304. REPORTS.

(a) IN GENERAL.—Not later than March 31, 2000, the Secretaries shall jointly submit to the President of the Senate and the Speaker of the House of Representatives a report explaining the most efficient means of eliminating overlapping jurisdiction, duplication of effort, and inconsistent policymaking and policy implementation as between the Bureau of Land Management and the Forest Service.

(b) RECOMMENDATIONS.—The report shall include recommendations on statutory changes needed to implement the report’s conclusions.

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

(a) IN GENERAL.—Not later than March 31, 2000, the Secretary of the Interior, in consultation with the Director 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-

mediate crude oil, as posted on the Dow Jones Commodities Index chart is less than \$18 per barrel for 90 consecutive pricing days or when natural gas prices are delivered at Henry Hub, Louisiana, are less than \$2.30 per million British thermal units for 90 consecutive days, the Secretary shall reduce the royalty rate as production declines for—

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

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

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

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

SEC. 503. SUSPENSION OF PRODUCTION ON OIL AND GAS OPERATIONS.

(a) IN GENERAL.—Any person operating an oil well under a lease issued under the Act of February 25, 1920 (commonly known as the “Mineral Leasing Act”) (30 U.S.C. 181 et seq.) or the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351 et seq.) may submit a notice to the Secretary of the Interior of suspension of operation 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.

○