

111TH CONGRESS
2D SESSION

H. R. 4521

To direct the Secretary of the Interior to agree to requests by lessees to amend certain oil and gas leases issued for Central and Western Gulf of Mexico tracts, to incorporate price thresholds applicable to royalty suspension provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2010

Mr. MARKEY of Massachusetts (for himself and Mr. VAN HOLLEN) introduced the following bill; which was referred to the Committee on Natural Resources

A BILL

To direct the Secretary of the Interior to agree to requests by lessees to amend certain oil and gas leases issued for Central and Western Gulf of Mexico tracts, to incorporate price thresholds applicable to royalty suspension provisions, 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.**

4 This Act may be cited as the “Royalty Relief for
5 American Consumers Act of 2010”.

1 **SEC. 2. PRICE THRESHOLDS FOR ROYALTY SUSPENSION**
2 **PROVISIONS.**

3 The Secretary of the Interior shall agree to a request
4 by any lessee to amend any lease issued for any Central
5 and Western Gulf of Mexico tract during the period of
6 January 1, 1998, through December 31, 1999, to incor-
7 porate price thresholds applicable to royalty suspension
8 provisions, that are equal to or less than the price thresh-
9 olds described in clauses (v) through (vii) of section
10 8(a)(3)(C) of the Outer Continental Shelf Lands Act (43
11 U.S.C. 1337(a)(3)(C)). Any amended lease shall impose
12 the new or revised price thresholds effective October 1,
13 2010. Existing lease provisions shall prevail through Sep-
14 tember 30, 2010.

15 **SEC. 3. ELIGIBILITY FOR NEW LEASES AND THE TRANSFER**
16 **OF LEASES; CONSERVATION OF RESOURCES**
17 **FEES.**

18 (a) ISSUANCE OF NEW LEASES.—

19 (1) IN GENERAL.—The Secretary shall not
20 issue any new lease that authorizes the production
21 of oil or natural gas in the Gulf of Mexico under the
22 Outer Continental Shelf Lands Act (43 U.S.C. 1331
23 et seq.) to a person described in paragraph (2) un-
24 less—

25 (A) the person has renegotiated each cov-
26 ered lease with respect to which the person is

1 a lessee, to modify the payment responsibilities
2 of the person to include price thresholds that
3 are equal to or less than the price thresholds
4 described in clauses (v) through (vii) of section
5 8(a)(3)(C) of the Outer Continental Shelf
6 Lands Act (43 U.S.C. 1337(a)(3)(C)); or

7 (B) the person has—

8 (i) paid all fees established by the
9 Secretary under subsection (b) that are
10 due with respect to each covered lease for
11 which the person is a lessee; or

12 (ii) entered into an agreement with
13 the Secretary under which the person is
14 obligated to pay such fees.

15 (2) PERSONS DESCRIBED.—A person referred
16 to in paragraph (1) is a person that—

17 (A) is a lessee that—

18 (i) holds a covered lease on the date
19 on which the Secretary considers the
20 issuance of the new lease; or

21 (ii) was issued a covered lease before
22 the date of enactment of this Act, but
23 transferred the covered lease to another
24 person or entity (including a subsidiary or

1 affiliate of the lessee) after the date of en-
2 actment of this Act; or

3 (B) any other person or entity who has
4 any direct or indirect interest in, or who derives
5 any benefit from, a covered lease.

6 (3) MULTIPLE LESSEES.—

7 (A) IN GENERAL.—For purposes of para-
8 graph (1), if there are multiple lessees that own
9 a share of a covered lease, the Secretary may
10 implement separate agreements with any lessee
11 with a share of the covered lease that modifies
12 the payment responsibilities with respect to the
13 share of the lessee to include price thresholds
14 that are equal to or less than the price thresh-
15 olds described in clauses (v) through (vii) of
16 section 8(a)(3)(C) of the Outer Continental
17 Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)).

18 (B) TREATMENT OF SHARE AS COVERED
19 LEASE.—Beginning on the effective date of an
20 agreement under subparagraph (A), any share
21 subject to the agreement shall not constitute a
22 covered lease with respect to any lessees that
23 entered into the agreement.

24 (b) CONSERVATION OF RESOURCES FEES.—

1 (1) IN GENERAL.—Not later than 60 days after
2 the date of enactment of this Act, the Secretary of
3 the Interior by regulation shall establish—

4 (A) a conservation of resources fee for pro-
5 ducing Federal oil and gas leases in the Gulf of
6 Mexico; and

7 (B) a conservation of resources fee for
8 nonproducing Federal oil and gas leases in the
9 Gulf of Mexico.

10 (2) PRODUCING LEASE FEE TERMS.—The fee
11 under paragraph (1)(A)—

12 (A) subject to subparagraph (C), shall
13 apply to covered leases that are producing
14 leases;

15 (B) shall be set at \$9 per barrel for oil and
16 \$1.25 per million Btu for gas, respectively, in
17 2005 dollars; and

18 (C) shall apply only to production of oil or
19 gas occurring—

20 (i) in any calendar year in which the
21 arithmetic average of the daily closing
22 prices for light sweet crude oil on the New
23 York Mercantile Exchange (NYMEX) ex-
24 ceeds \$34.73 per barrel for oil and \$4.34

1 per million Btu for gas in 2005 dollars;

2 and

3 (ii) on or after October 1, 2010.

4 (3) NONPRODUCING LEASE FEE TERMS.—The
5 fee under paragraph (1)(B)—

6 (A) subject to subparagraph (C), shall
7 apply to leases that are nonproducing leases;

8 (B) shall be set at \$3.75 per acre per year
9 in 2005 dollars; and

10 (C) shall apply on and after October 1,
11 2010.

12 (4) TREATMENT OF RECEIPTS.—Amounts re-
13 ceived by the United States as fees under this sub-
14 section shall be treated as offsetting receipts.

15 (c) TRANSFERS.—A lessee or any other person who
16 has any direct or indirect interest in, or who derives a
17 benefit from, a lease shall not be eligible to obtain by sale
18 or other transfer (including through a swap, spinoff, serv-
19 icing, or other agreement) any covered lease, the economic
20 benefit of any covered lease, or any other lease for the
21 production of oil or natural gas in the Gulf of Mexico
22 under the Outer Continental Shelf Lands Act (43 U.S.C.
23 1331 et seq.), unless—

24 (1) the lessee or other person has—

1 (A) renegotiated all covered leases of the
2 lessee or other person; and

3 (B) entered into an agreement with the
4 Secretary to modify the terms of all covered
5 leases of the lessee or other person to include
6 limitations on royalty relief based on market
7 prices that are equal to or less than the price
8 thresholds described in clauses (v) through (vii)
9 of section 8(a)(3)(C) of the Outer Continental
10 Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)); or
11 (2) the lessee or other person has—

12 (A) paid all fees established by the Sec-
13 retary under subsection (b) that are due with
14 respect to each covered lease for which the per-
15 son is a lessee; or

16 (B) entered into an agreement with the
17 Secretary under which the person is obligated
18 to pay such fees.

19 (d) DEFINITIONS.—In this section—

20 (1) COVERED LEASE.—The term “covered
21 lease” means a lease for oil or gas production in the
22 Gulf of Mexico that is—

23 (A) in existence on the date of enactment
24 of this Act;

1 (B) issued by the Department of the Inte-
2 rior under section 304 of the Outer Continental
3 Shelf Deep Water Royalty Relief Act (43
4 U.S.C. 1337 note; Public Law 104–58); and

5 (C) not subject to limitations on royalty re-
6 lief based on market price that are equal to or
7 less than the price thresholds described in
8 clauses (v) through (vii) of section 8(a)(3)(C) of
9 the Outer Continental Shelf Lands Act (43
10 U.S.C. 1337(a)(3)(C)).

11 (2) LESSEE.—The term “lessee” includes any
12 person or other entity that controls, is controlled by,
13 or is in or under common control with, a lessee.

14 (3) SECRETARY.—The term “Secretary” means
15 the Secretary of the Interior.

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