

111<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6051

To prohibit the Secretary of the Interior from issuing any new lease that authorizes the production of oil or natural gas under the Outer Continental Shelf Lands Act to a person that does not renegotiate existing leases held by the person to incorporate limitations on royalty relief based on market price that are equal to or less than price thresholds that apply to other leases under that Act, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 30, 2010

Mr. MARKEY of Massachusetts (for himself, Mr. HINCHEY, Mrs. CAPPS, Mr. INSLEE, and Mr. WELCH) introduced the following bill; which was referred to the Committee on Natural Resources

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## A BILL

To prohibit the Secretary of the Interior from issuing any new lease that authorizes the production of oil or natural gas under the Outer Continental Shelf Lands Act to a person that does not renegotiate existing leases held by the person to incorporate limitations on royalty relief based on market price that are equal to or less than price thresholds that apply to other leases under that Act, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Deficit Reduction  
3 Through Fair Oil Royalties Act”.

4 **SEC. 2. ELIGIBILITY FOR NEW LEASES AND THE TRANSFER**  
5 **OF LEASES.**

6 (a) ISSUANCE OF NEW LEASES.—

7 (1) IN GENERAL.—The Secretary shall not  
8 issue any new lease that authorizes the production  
9 of oil or natural gas under the Outer Continental  
10 Shelf Lands Act (43 U.S.C. 1331 et seq.) to a per-  
11 son described in paragraph (2) unless the person has  
12 renegotiated each covered lease with respect to which  
13 the person is a lessee, to modify the payment re-  
14 sponsibilities of the person to require the payment of  
15 royalties if the price of oil and natural gas is greater  
16 than or equal to the price thresholds described in  
17 clauses (v) through (vii) of section 8(a)(3)(C) of the  
18 Outer Continental Shelf Lands Act (43 U.S.C.  
19 1337(a)(3)(C)).

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

22 (A) is a lessee that—

23 (i) holds a covered lease on the date  
24 on which the Secretary considers the  
25 issuance of the new lease; or

1                   (ii) was issued a covered lease before  
2                   the date of enactment of this Act, but  
3                   transferred the covered lease to another  
4                   person or entity (including a subsidiary or  
5                   affiliate of the lessee) after the date of en-  
6                   actment of this Act; or

7                   (B) any other person that has any direct  
8                   or indirect interest in, or that derives any ben-  
9                   efit from, a covered lease.

10                   (3) MULTIPLE LESSEES.—

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

22                   (B) TREATMENT OF SHARE AS COVERED  
23                   LEASE.—Beginning on the effective date of an  
24                   agreement under subparagraph (A), any share  
25                   subject to the agreement shall not constitute a

1 covered lease with respect to any lessees that  
2 entered into the agreement.

3 (b) TRANSFERS.—A lessee or any other person who  
4 has any direct or indirect interest in, or who derives a  
5 benefit from, a lease shall not be eligible to obtain by sale  
6 or other transfer (including through a swap, spinoff, serv-  
7 icing, or other agreement) any covered lease, the economic  
8 benefit of any covered lease, or any other lease for the  
9 production of oil or natural gas in the Gulf of Mexico  
10 under the Outer Continental Shelf Lands Act (43 U.S.C.  
11 1331 et seq.), unless the lessee or other person has—

12 (1) renegotiated each covered lease with respect  
13 to which the lessee or person is a lessee, to modify  
14 the payment responsibilities of the lessee or person  
15 to include price thresholds that are equal to or less  
16 than the price thresholds described in clauses (v)  
17 through (vii) of section 8(a)(3)(C) of the Outer Con-  
18 tinental Shelf Lands Act (43 U.S.C. 1337(a)(3)(C));  
19 or

20 (2) entered into an agreement with the Sec-  
21 retary to modify the terms of all covered leases of  
22 the lessee or other person to include limitations on  
23 royalty relief based on market prices that are equal  
24 to or less than the price thresholds described in  
25 clauses (v) through (vii) of section 8(a)(3)(C) of the

1 Outer Continental Shelf Lands Act (43 U.S.C.  
2 1337(a)(3)(C)).

3 (c) USE OF AMOUNTS FOR DEFICIT REDUCTION.—

4 Notwithstanding any other provision of law, any amounts  
5 received by the United States as rentals or royalties under  
6 covered leases shall be deposited in the Treasury and used  
7 for Federal budget deficit reduction or, if there is no Fed-  
8 eral budget deficit, for reducing the Federal debt in such  
9 manner as the Secretary of the Treasury considers appro-  
10 priate.

11 (d) DEFINITIONS.—In this section—

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

15 (A) in existence on the date of enactment  
16 of this Act;

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

21 (C) not subject to limitations on royalty re-  
22 lief based on market price that are equal to or  
23 less than the price thresholds described in  
24 clauses (v) through (vii) of section 8(a)(3)(C) of

1 the Outer Continental Shelf Lands Act (43  
2 U.S.C. 1337(a)(3)(C)).

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

6 (3) SECRETARY.—The term “Secretary” means  
7 the Secretary of the Interior.

8 **SEC. 3. PRICE THRESHOLDS FOR ROYALTY SUSPENSION**  
9 **PROVISIONS.**

10 The Secretary of the Interior shall agree to a request  
11 by any lessee to amend any lease issued for any Central  
12 and Western Gulf of Mexico tract in the period of January  
13 1, 1996, through November 28, 2000, to incorporate price  
14 thresholds applicable to royalty suspension provisions, that  
15 are equal to or less than the price thresholds described  
16 in clauses (v) through (vii) of section 8(a)(3)(C) of the  
17 Outer Continental Shelf Lands Act (43 U.S.C.  
18 1337(a)(3)(C)). Any amended lease shall impose the new  
19 or revised price thresholds effective October 1, 2010. Ex-  
20 isting lease provisions shall prevail through September 30,  
21 2010.

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