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111TH CONGRESS
2D 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.

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,*

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Deficit Reduction Through Fair Oil Royalties Act''.

SEC. 2. ELIGIBILITY FOR NEW LEASES AND THE TRANSFER OF LEASES.

(a) ISSUANCE OF NEW LEASES.—

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

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

(A) is a lessee that—

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

(ii) was issued a covered lease before the date of enactment of this Act, but transferred the covered lease to another person or entity (including a subsidiary or affiliate of the lessee) after the date of enactment of this Act; or

(B) any other person that has any direct or indirect interest in, or that derives any benefit from, a covered lease.

(3) MULTIPLE LESSEES.—

(A) IN GENERAL.—For purposes of paragraph (1), if there are multiple lessees that own a share of a covered lease, the Secretary may implement separate agreements with any lessee with a share of the covered lease that modifies the payment responsibilities with respect to the share of the lessee to include price thresholds that are equal to or less than the price thresholds described in clauses (v) through (vii) of section 8(a)(3)(C) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)).

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

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

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

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

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

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

(c) USE OF AMOUNTS FOR DEFICIT REDUCTION.—Notwithstanding any other provision of law, any amounts received by the United States as rentals or royalties under covered leases shall be deposited in the Treasury and used for Federal budget deficit reduction or, if there is no Federal budget deficit, for reducing the Federal debt in such manner as the Secretary of the Treasury considers appropriate.

(d) DEFINITIONS.—In this section—

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

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

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

(C) not subject to limitations on royalty relief based on market price that are equal to or less than the price thresholds described in clauses (v) through (vii) of section 8(a)(3)(C) of

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

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

(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

SEC. 3. PRICE THRESHOLDS FOR ROYALTY SUSPENSION PROVISIONS.

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

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