

103^D CONGRESS
1ST SESSION

S. 318

To provide for the energy security of the Nation through encouraging the production of domestic oil and gas resources in deep water on the Outer Continental Shelf in the Gulf of Mexico, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4 (legislative day, JANUARY 5), 1993

Mr. JOHNSTON (for himself and Mr. KRUEGER) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

To provide for the energy security of the Nation through encouraging the production of domestic oil and gas resources in deep water on the Outer Continental Shelf in the Gulf of Mexico, 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 That this Act may be referred to as the “Outer Continen-
4 tal Shelf Deep Water Royalty Relief Act”.

5 SEC. 2. AMENDMENTS TO THE OUTER CONTINENTAL
6 SHELF LANDS ACT.—The Outer Continental Shelf Lands
7 Act, as amended, is amended by redesignating section

1 8(a)(3) (43 U.S.C. 1337(a)(3)) as section 8(a)(3)(A) and
2 by adding at the end thereof the following:

3 “(B) The Secretary may, in order to promote
4 development and new production on a producing or
5 non-producing lease, through primary, secondary, or
6 tertiary recovery means, or to encourage production
7 of marginal or uneconomic resources on a producing
8 or non-producing lease, reduce or suspend any roy-
9 alty or net profit share set forth in the lease.

10 “(C)(i) Notwithstanding the provisions of this
11 Act other than this subparagraph, no royalty pay-
12 ment shall be due on new production, as defined in
13 clause (ii) of this subparagraph, from any lease lo-
14 cated in water depths of 200 meters or greater in
15 the Western and Central Planning Areas of the Gulf
16 of Mexico until the capital costs directly related to
17 such new production have been recovered by the les-
18 see out of the proceeds from such new production.

19 “(ii) For purposes of this subparagraph, the
20 term—

21 “(aa) ‘capital costs’ shall be defined by the
22 Secretary and shall include exploration costs in-
23 curred after the acquisition of the lease and de-
24 velopment costs directly related to new produc-
25 tion. The terms ‘exploration’ and ‘development’

1 shall have the same meaning contained in sub-
2 sections (k) and (l) of section 2 of this Act ex-
3 cept the term ‘development’ shall also include
4 any similar additional development activities
5 which take place after production has been ini-
6 tiated from such lease. Such capital costs shall
7 not include any amounts paid as bonus bids but
8 shall be adjusted to reflect changes in the
9 consumer price index, as defined in section
10 (1)(f)(4) of title 26 of the United States Code;
11 and

12 “(bb) ‘new production’ is—

13 “(I) any production from a lease from
14 which no royalties are due on production,
15 other than test production, prior to the
16 date of enactment of the Outer Continental
17 Shelf Deep Water Royalty Relief Act; or

18 “(II) any production resulting from
19 lease development activities pursuant to a
20 Development Operations Coordination Doc-
21 ument approved by the Secretary after the
22 date of enactment of the Outer Continental
23 Shelf Deep Water Royalty Relief Act; and

24 “(iii) In any month during which the arithmetic
25 average of the closing prices for the earliest delivery

1 month on the New York Mercantile Exchange for
2 Light Sweet crude oil exceeds \$28.00 per barrel, any
3 production of oil subject to relief from the require-
4 ment to pay royalties under clause (i) of this sub-
5 paragraph shall be subject to royalties at the lease
6 stipulated rate, and the lessee's gross proceeds from
7 such oil production, less Federal royalties, during
8 such month shall be counted toward the recovery of
9 capital costs under clause (i) of this subparagraph.

10 “(iv) In any month during which the arithmetic
11 average of the closing prices for the earliest delivery
12 month on the New York Mercantile Exchange for
13 natural gas exceeds \$3.50 per million British ther-
14 mal units, any production of natural gas subject to
15 relief from the requirement to pay royalties under
16 clause (i) of this subparagraph shall be subject to
17 royalties at the lease stipulated rate, and the lessee's
18 gross proceeds from such natural gas production,
19 less Federal royalties, during such month shall be
20 counted toward the recovery of capital costs under
21 clause (i) of this subparagraph.

22 “(v) The prices referred to in clauses (iii) and
23 (iv) of this subparagraph shall be changed during
24 any calendar year after 1993 by the percentage if
25 any by which the consumer price index changed dur-

1 ing the preceding calendar year, as defined in sec-
2 tion (1)(f)(4) of title 26 of the United States
3 Code.”.

4 SEC. 3. REGULATIONS.—The Secretary shall promul-
5 gate such rules and regulations as are necessary to imple-
6 ment the provisions of this Act within one hundred and
7 eighty days after the date of enactment of this Act.

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