

The NewsRoom

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DOI Signs Agreement with Oil and Gas Companies on 1998/1999 Leases

WASHINGTON - Assistant Secretary of Land and Minerals Management, C. Stephen Allred today signed agreements with BP, ConocoPhillips, Marathon Oil Company, Shell, and Walter Oil and Gas Corporation, addressing deepwater Gulf of Mexico offshore oil and gas leases issued in 1998 and 1999. Under the agreements these companies will pay royalties on oil and gas produced under leases issued in 1998-1999. Revenue will be received for products starting from October 1, 2006 onward.

"I am pleased at the progress we are making on resolving this issue. While the omitted price thresholds did not occur during this Administration, we are continuing to work to resolve this difficult problem in a manner that ensures the American taxpayer receives a fair rate of return," said Allred.

"While these agreements we signed today are a step in the right direction, we look forward to continuing to work with Congress on this issue," Allred said. "We appreciate and commend these companies for voluntarily signing these lease amendments. We encourage the remaining companies that have not yet agreed to sign to join us in resolving this issue.

Deepwater leases issued during this time included a royalty incentive to encourage companies to explore for oil and gas in areas where the costs to explore and produce were high. The incentive allowed companies to produce a set volume of oil and gas before they would begin paying royalties. The incentive would not apply if market prices exceeded a certain threshold. However, for leases issued during the Clinton administration in 1998 and 1999, a price threshold was omitted and, as a result, companies have not been required to pay royalties until all of the incentive volume was produced, even when prices are high. Today's agreement will remedy this omission for production that occurs on or after October 1, 2006. Few leases produced oil and gas before that date.

Since the first lease offering of federal offshore tracts in 1954, MMS has entered into 25,532 leases with oil and gas companies. These leases, which cover more than 133 million acres, have netted a total of \$65.5 billion in bonus bids. In 2005 alone, MMS entered into 872 leases resulting in bonus bids totaling \$678,637,123. MMS collects \$10 billion each year in revenues for the federal treasury.

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