

114TH CONGRESS  
1ST SESSION

# S. 1310

To prohibit the Secretary of the Interior from issuing new oil or natural gas production leases in the Gulf of Mexico under the Outer Continental Shelf Lands Act to a person that does not renegotiate its existing leases in order to require royalty payments if oil and natural gas prices are greater than or equal to specified price thresholds, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 12, 2015

Mr. MARKEY introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

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## A BILL

To prohibit the Secretary of the Interior from issuing new oil or natural gas production leases in the Gulf of Mexico under the Outer Continental Shelf Lands Act to a person that does not renegotiate its existing leases in order to require royalty payments if oil and natural gas prices are greater than or equal to specified price thresholds, 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) DEFINITIONS.—In this section:

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

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

12 (B) issued by the Secretary under section  
13 304 of the Outer Continental Shelf Deep Water  
14 Royalty Relief Act (43 U.S.C. 1337 note; Pub-  
15 lic Law 104–58); and

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

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

25 (3) SECRETARY.—The term “Secretary” means  
26 the Secretary of the Interior.

1 (b) ISSUANCE OF NEW LEASES.—

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

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

17 (A) 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 that has any direct  
4           or indirect interest in, or that derives any ben-  
5           efit 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          (c) TRANSFERS.—A lessee or any other person who  
25          has any direct or indirect interest in, or who derives a

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

8           (1) has renegotiated each covered lease with re-  
9 spect to which the lessee or person is a lessee, to  
10 modify the payment responsibilities of the lessee or  
11 person to include price thresholds that are equal to  
12 or less than the price thresholds described in clauses  
13 (v) through (vii) of section 8(a)(3)(C) of the Outer  
14 Continental Shelf Lands Act (43 U.S.C.  
15 1337(a)(3)(C)); or

16           (2) has entered into an agreement with the Sec-  
17 retary to modify the terms of all covered leases of  
18 the lessee or other person to include limitations on  
19 royalty relief based on market prices that are equal  
20 to or less than the price thresholds described in  
21 clauses (v) through (vii) of section 8(a)(3)(C) of the  
22 Outer Continental Shelf Lands Act (43 U.S.C.  
23 1337(a)(3)(C)).

24           (d) USE OF AMOUNTS FOR DEFICIT REDUCTION.—  
25 Notwithstanding any other provision of law, any amounts

1 received by the United States as rentals or royalties under  
2 covered leases shall be deposited in the Treasury and used  
3 for—

4 (1) Federal budget deficit reduction; or

5 (2) if there is no Federal budget deficit, reduc-  
6 ing the Federal debt in such manner as the Sec-  
7 retary of the Treasury considers appropriate.

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

10 (a) **IN GENERAL.**—The Secretary of the Interior shall  
11 agree to a request by any lessee to amend any lease issued  
12 for any Central and Western Gulf of Mexico tract during  
13 the period of January 1, 1996, through November 28,  
14 2000, to incorporate price thresholds applicable to royalty  
15 suspension provisions, that are equal to or less than the  
16 price thresholds described in clauses (v) through (vii) of  
17 section 8(a)(3)(C) of the Outer Continental Shelf Lands  
18 Act (43 U.S.C. 1337(a)(3)(C)).

19 (b) **NEW OR REVISED PRICE THRESHOLDS.**—An  
20 amended lease under subsection (a) shall impose the new  
21 or revised price thresholds effective on October 1, 2015.

22 (c) **EXISTING LEASE PROVISIONS.**—Lease provisions  
23 in effect on the date of enactment of this Act shall prevail  
24 through September 30, 2015.

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