

MMS Gulf of Mexico Lease Terms & Royalty Relief¹

Timeline	Apr 1996	Mar 2001	Mar 2002	Mar 2003	Aug 2004	Aug 2005	May 2007	Aug 2007	Mar 2008	Mar 2009
Shallow Water										
Lease Terms										
Royalty Rate: 16 ² / ₃ %							18 ³ / ₄ %			
5-year term ⁸ , Minimum Bid: \$25/acre										
Rental Rates: \$5/acre				<200m - \$6.25/acre 200-399m - \$9.50/acre ⁵			<200m - \$7/acre 200 - 399m - \$11/acre ¹⁰			
Royalty Suspension Volumes (RSVs) per Lease: Bcf = billion cubic ft, Bcfe = billion cubic ft of gas equivalent										
Well Depth (TVD subsea)	20 Bcf (or leases can opt for incentives for pre-2001 leases)		15 Bcf ^{2,3,4,5} – Also applies to pre-2001 leases							
15,000 ft			25 Bcf ^{2,3,4,5} (with 5 Bcfe supplement for up to 2 unsuccessful wells) – Also applies to pre-2001 leases							
18,000 ft			35 Bcf ^{3,6,7}							
20,000 ft										
Deep Water										
Lease Terms										
Royalty Rate: 12 ¹ / ₂ %						16 ² / ₃ %		18 ³ / ₄ %		
<400m – 5 year term, 400-799m – 8 year term ⁹ , >=800m – 10 year term										
Minimum Bid: <800m - \$25/acre, >=800m - \$37.50/acre				<400m - \$25/acre, >=400m - \$37.50/acre						
Rental Rates: \$7.50/acre					\$9.50/acre			\$11/acre ¹¹		
Royalty Suspension Volumes (RSVs) per Lease: MMBOE = million barrels of oil equivalent										
Water Depth	17.5 MMBOE									
200 m (656 ft)	52.5 MMBOE		5.0 MMBOE							
400 m (1,312 ft)	87.5 MMBOE		9.0 MMBOE							
800 m (2,624 ft)	12.0 MMBOE				16.0 MMBOE					
1600 m (5,248 ft)										
2000 m (6,560 ft)										

*** Footnotes:**

- For Gulf of Mexico leases wholly west of 87 degrees, 30 minutes West longitude; Royalty Relief suspended in years when NYMEX price exceeds specified price thresholds.
- For wells spud on or after March 26, 2003 and producing before May 3, 2009.
- Sidetrack wells producing by May 2009 in 0-200 water or May 2013 in 200-400m water qualify for RSV based on length of sidetrack. Ultra-deep sidetracks at least 20,000 ft long qualify for full RSV.
- Authorized by Sec. 344 of EPOA05. MMS Rule limits to wells spud on or after May 18, 2007 in 200-400m water and producing before May 3, 2013 on leases with no deepwater royalty relief.
- Leases in 200-400m water became eligible May 2007
- Authorized by Sec. 344 of EPOA05, MMS Rule limits relief to wells spud on or after May 18, 2007 on leases with no deep wells nor deepwater royalty relief in 0-400m water.
- Also applies to pre-2001 leases.
- 5-year term extended for 3 years after 25,000-foot well with escalation of rentals beginning in August 2007.
- For lease with an 8-year term, commencement of an exploratory well is required within the first 5 years of the initial 8-year term.
- For <200m, rental rates escalates in Yr 6 (\$14), Yr7(\$21), Yr8(\$28) if lease extension approved. For 200 -400m, rental rates escalates in Yr6 (\$22), Yr7(\$33), Yr8(\$44) if lease extension approved.
- For 400-800m, rental rates for Yr6 to 8 increase to \$16 if exploratory well drilled per 30 CFR 256.37. For >800m, rental rates for Yr6 to 10 increase to \$16.