



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION, AND ENFORCEMENT

Washington, DC 20240

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE)

2010 Annual Price Threshold Determination

Summary: This documentation provides the official BOEMRE determination of which Gulf of Mexico price thresholds have been exceeded by annual market prices for oil or gas, by lease vintage, for calendar year 2010. The [Technical Documentation](#) link explains in detail how BOEMRE calculates the annual oil and gas prices and applicable price thresholds used to determine whether royalty relief applies in calendar year 2010 for our various deepwater and deep depth royalty relief programs.

Supplementary Information: By various laws (Outer Continental Shelf Lands Act, Deep Water Royalty Relief Act, Energy Policy Act) and regulations (30 CFR 203.48, 203.54, 203.78, 260.110, and 260.122), the BOEMRE has authority to impose price thresholds. Each year at the end of March, the BOEMRE publishes the official price thresholds. The subject of this documentation is the procedure that the BOEMRE followed in determining the final 2010 price thresholds. Notwithstanding royalty relief provisions in lease terms or regulations, companies are required to pay royalties for those calendar years when annual average New York Mercantile Exchange (NYMEX) market prices for oil or gas exceed the initial price thresholds levels adjusted for inflation. Moreover, production that is royalty-bearing because its market price exceeds the applicable threshold level counts against any remaining royalty suspension volume.

The BOEMRE tracks, calculates, and posts on its web site a variety of relevant information about applicable oil and gas prices and the price threshold levels to use in determining whether a particular lease continues to be eligible for deep gas, deep water, or other royalty relief. The following table represents the official BOEMRE price threshold and market price calculation determinations made for calendar year 2010. Any subsequent inflation adjustments or market price adjustments will not affect these official results or their implication for royalty relief on the designated categories of leases. That this would be the case has been announced in the notices of sale preceding each lease sale.

Applicable Price Thresholds and Market Prices for Calendar Year 2010

Product	Lease vintage (sale held in)	Annual average NYMEX price (\$/bbl or \$/MMBtu)	Adjusted price threshold level (\$/bbl or \$/MMBtu)	Royalty relief suspended
Deepwater oil	Before 1996 ¹ ; 2002–3/2004; 2007–2010	\$79.49	\$37.97	Yes
Deepwater oil	2001	\$79.49	\$34.04	Yes
Deepwater oil	8/2004–2006	\$79.49	\$44.20	Yes
Deepwater gas	Before 1996 ¹ ; 2002–3/2004; 2007–2010	\$4.40	\$4.75	No
Deepwater gas	2001	\$4.40	\$4.25	Yes
Deepwater gas	8/2004–2006	\$4.40	\$7.37	No
Deep gas	3/2001 ²	\$4.40	\$4.25	Yes
Deep gas	8/2001–2003 ²	\$4.40	\$6.08	No
Deep gas ³	Before 2001, 2001–2003 ² , 2004–2009	\$4.40	\$10.58	No
Deep gas ⁴	Before 2001, 2001–2003 ² , 2004–2010	\$4.40	\$10.58 And \$4.75	No
Deep gas ⁵	All years	\$4.40	\$4.75	No

bbl = barrel, MMBtu = million British Thermal Units, bcf = billion cubic feet.

¹Pertains only to deepwater leases that have applied and been approved for royalty relief under section 302 of the Deep Water Royalty Relief Act.

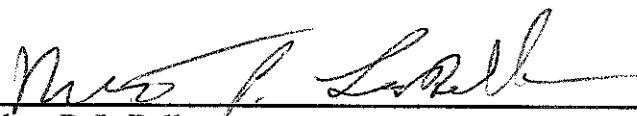
²Leases issued in water 0-200 meters deep during 2001-2003 had the option to convert from lower price thresholds under lease terms to higher price thresholds set forth in the regulations.

³Applies to qualified deep wells on leases in water 0-200 meters deep that spudded on or after 3/26/2003 and produced before 5/3/2009, and to qualified ultra-deep wells on leases in water 0-200 meters deep that spudded between 3/26/2003 and 5/17/2007 and produced before 5/3/2009.

⁴Applies to qualified ultra-deep wells on leases in water 0-200 meters deep that spudded on or after 5/18/2007 and produced before 5/3/2009. The higher price threshold applies to the first 25 bcf of royalty relief; the lower price threshold applies to the next 10 bcf of royalty relief. For qualified ultra-deep wells on leases in water 0-200 meters deep that spudded on or after 5/3/2009, the lower price threshold applies to the entire 35 bcf of royalty relief.

⁵Applies to qualified deep wells on leases in water 200-400 meters deep that spudded on or after 5/18/2007 and produced before 5/3/2013, and to qualified ultra-deep wells on leases in water 200-400 meters deep that spudded on or after 5/18/2007.

For Further Information Contact: Marshall Rose, Chief, Economics Division at (703) 787-1536.



 Robert P. LaBelle

4/1/11
 Date

Acting Associate Director for Offshore Energy and Minerals Management
 Bureau of Ocean Energy Management, Regulation and Enforcement