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Kempthorne May Offer Areas in North Aleutian Basin, Central Gulf of Mexico for Leasing; Increases Royalty Rate for Offshore Oil and Gas Leases

WASHINGTON -- Interior Secretary Dirk Kempthorne today announced that President George W. Bush has modified the leasing status of two areas in the Outer Continental Shelf in response to Congressional action and the requests of state leaders. In addition, Kempthorne announced that he has increased the royalty rate for most new offshore deepwater federal oil and gas leases to 16.7 percent (1/6th).

"Together, these actions will enhance America's energy security by improving opportunities for domestic energy production, and will also increase the revenues that the federal government collects from oil and gas companies on behalf of American taxpayers," Kempthorne said.

New Areas

The areas were withdrawn from consideration for leasing through 2012 by President Bill Clinton in 1998. By modifying that Presidential withdrawal to remove these two areas, President Bush's action allows the Secretary of the Interior the option of offering these areas during the Minerals Management Service's next five-year OCS oil and gas leasing program (2007-2012).

"Both OCS areas – one in the North Aleutian Basin of Alaska, known as Bristol Bay, and the other in the Central Gulf of Mexico – would receive thorough environmental reviews," Kempthorne said. "There will be significant opportunities for study and public comment before any oil and gas development could take place in these areas."

Congress had imposed moratoria on oil and gas activities in the North Aleutian Basin from FY 1990 through FY 2003, but discontinued the yearly moratorium in FY 2004. In 2006, then-Alaska Governor Frank H. Murkowski and other local government and Native Alaskan leaders expressed support for modifying the Presidential withdrawal in the North Aleutian Basin.

Accordingly, the 2007-2012 OCS Oil and Gas Proposed Program, developed by Interior's Minerals Management Service (MMS), includes options for one or two lease sales in a small portion of the North Aleutian Basin – an area of about 5.6 million acres that was previously offered during Lease Sale 92 in 1988. The area would be subject to environmental reviews, including public comment, before any lease sale proceeds. There are no existing leases in the North Aleutian Basin.

The area in the Central Gulf of Mexico, referred to as the 181 South Area, comprises about 5.8 million acres in the Central Gulf of Mexico Planning Area, south of the181 Area and west of the Military Mission Line and more than 125 miles from the coast of Florida.

The 181 South Area was included in the 2007-2012 OCS Oil and Gas Proposed Program. In December 2006, Congress passed and President Bush signed the Gulf of Mexico Energy Security Act, which requires leasing in that area. MMS must conduct a detailed environmental review of the area before any leasing can occur there.

The 2007-2012 OCS Oil and Gas Proposed Final Program and Final Environmental Impact Statement are scheduled to be released in spring 2007.

Royalty Rate Increase

The royalty rate increase to 16.7 ($1/6^{th}$ from the present $1/8^{th}$) percent for new offshore (excluding Alaska) deepwater federal oil and gas leases will take effect with the first 2007 Gulf of Mexico lease sale scheduled for late August.

Most federal oil and gas is leased at a 12.5 percent royalty rate both onshore and offshore. The Outer Continental Shelf Lands Act (OCSLA) grants the Secretary of the Interior discretion to establish a higher royalty rate.

MMS estimates that the increased royalty rate of 16.7 percent for new deepwater offshore Gulf of Mexico leases will increase revenue from royalty payments by $4.5 billion over 20 years. MMS estimates that, by 2017, this increased revenue would offset any decline in bonus and rental revenues and any revenue losses from a decline in production. MMS estimates a decline of bonus and rental revenues at $820 million over 20 years and decline in production at 5 percent, or 110 million barrels of oil equivalent, over 20 years.

More information, including a fact sheet, maps of the areas and the President's memorandum is at **the website**.

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