

# Gulf of Mexico Lease Terms<sup>1</sup> & Royalty Relief<sup>2</sup>

Timeline	Apr 1996	Mar 2001	Mar 2002	Mar 2003	Aug 2005	May 2007	Aug 2007	Mar 2008	Mar 2010	Aug 2010	May 2013	Aug 2017						
<b>Shallow Water (0 – 399m)</b>																		
5 year initial period <sup>3</sup>																		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Royalty Rate: 16<sup>2</sup>/<sub>3</sub> %</td> <td style="width: 30%; text-align: center;">18<sup>3</sup>/<sub>4</sub> %</td> <td style="width: 20%; text-align: center;">0 – 199 m - 12<sup>1</sup>/<sub>2</sub> % 200-399 m - 18<sup>3</sup>/<sub>4</sub> %</td> </tr> </table>													Royalty Rate: 16 <sup>2</sup> / <sub>3</sub> %	18 <sup>3</sup> / <sub>4</sub> %	0 – 199 m - 12 <sup>1</sup> / <sub>2</sub> % 200-399 m - 18 <sup>3</sup> / <sub>4</sub> %			
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<b>Royalty Suspension Volumes (RSVs) per Lease: MMBOE = million barrels oil equiv, Bcf = billion cubic ft, Bcfe = billion cubic ft of gas equiv</b>																		
<b>Water Depth</b>																		
200 m (656 ft)	<b>17.5 MMBOE</b>																	
400 m (1,312 ft)																		
<b>Well Depth (TVD subsea)</b>																		
15,000 ft	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: center;"><b>20 Bcf<sup>4</sup></b></td> <td style="text-align: center;"><b>15 Bcf<sup>5,6,7</sup></b> – Also applies to pre-2001 leases</td> </tr> <tr> <td></td> <td style="text-align: center;"><b>25 Bcf<sup>4,5,6,7</sup></b> (with 2 or 5 Bcfe supplement for up to 2 unsuccessful wells)</td> </tr> </table>												<b>20 Bcf<sup>4</sup></b>	<b>15 Bcf<sup>5,6,7</sup></b> – Also applies to pre-2001 leases		<b>25 Bcf<sup>4,5,6,7</sup></b> (with 2 or 5 Bcfe supplement for up to 2 unsuccessful wells)		
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18,000 ft																		
20,000 ft	<b>35 Bcf<sup>5,8</sup></b> – Also applies to pre-2001 leases																	
<b>Deep Water (&gt;=400m)</b>																		
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<b>Royalty Suspension Volumes (RSVs) per Lease: MMBOE = million barrels of oil equiv</b>																		
<b>Water Depth</b>																		
400 m (1,312 ft)	<b>52.5 MMBOE</b>																	
800 m (2,624 ft)																		
1600 m (5,248 ft)	<b>9.0 MMBOE<sup>5</sup></b>																	
2000 m (6,560 ft)	<b>87.5 MMBOE</b>																	
	<b>12.0 MMBOE<sup>5</sup></b>																	
	<b>16.0 MMBOE<sup>5</sup></b>																	

**\* Footnotes:**

1. For minimum bid and rental rates over time see [http://boem.gov/uploadedFiles/BOEM/Oil\\_and\\_Gas\\_Energy\\_Program/Energy\\_Economics/Fair\\_Market\\_Value/GOMLeaseTermHistory.xls](http://boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Energy_Economics/Fair_Market_Value/GOMLeaseTermHistory.xls)
2. For Gulf of Mexico leases wholly west of 87 degrees, 30 minutes West longitude where royalty relief before production starts is authorized by the DWRRA Sec.302. See regulations 30 CFR260.112-116, 260.120-124, 203.40-49, 203.30-36.
3. 5-year initial period extended for 3 years after 25,000-foot well with escalation of rentals beginning in August 2007.
4. 20 Bcf or leases can opt for incentives for pre-2001 leases.
5. Subject to price thresholds ([http://boem.gov/uploadedFiles/BOEM/Oil\\_and\\_Gas\\_Energy\\_Program/Energy\\_Economics/Price\\_Thresholds/CurrentPT\(12\).pdf](http://boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Energy_Economics/Price_Thresholds/CurrentPT(12).pdf)) specified in lease term or regulations.
6. For wells spud on or after March 26, 2003 and producing before May 3, 2009 on leases in 0-200m water or on or after May 18, 2007 and producing before May 3, 2013 in 200-400 m water on leases with no deepwater royalty relief.
7. 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.
8. Authorized by Sec. 344 of EPAAct05, Final Rule AD33 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.
9. For lease with an 8-year term, spudding a well is required within the first 5 years of the 8-year term initial period to avoid lease cancellation.
10. For lease with a “5+3” year term, spudding a well within the first 5 years prolongs the initial period by 3 years.
11. For lease with a “7+3” year term, spudding a well within the first 7 years prolongs the initial period by 3 years.