

## DEPARTMENT OF THE INTERIOR

### Bureau of Ocean Energy Management (BOEM)

#### 2021 Annual Price Threshold Determination

**Summary:** In order to comply with its obligations under the terms of certain leases, BOEM prepared this document to provide the official BOEM determination of whether the annual average market prices are greater than the Gulf of Mexico price thresholds for oil or gas leases, by lease vintage, for calendar year 2021. For additional information, see BOEM's [Technical Documentation](#) webpage. That documentation outlines the methodology for calculating BOEM's annual oil and gas prices and applicable price thresholds used to determine the application of royalty relief for the various deepwater and deep depth royalty relief programs.

**Supplementary Information:** The Outer Continental Shelf Lands Act (as amended), the Deep Water Royalty Relief Act, the Energy Policy Act of 2005, and implementing regulations (30 CFR 203.48, 203.54, 203.78, 560.210, and 560.222), provide BOEM the authority to, and in some cases require BOEM to issue leases with royalty relief, and provide authority to the Bureau of Safety and Environmental Enforcement to grant royalty relief on existing leases. Under these authorities, the bureaus may impose price thresholds that limit the royalty relief. Every year, BOEM publishes the official price thresholds applicable under the CFR sections to comply with relevant statutes, regulations, and lease terms. Notwithstanding royalty relief provisions in lease terms or regulations, companies are required to pay royalties for the calendar year when annual average New York Mercantile Exchange (NYMEX) market prices for oil or gas exceed the initial price threshold levels adjusted for inflation. Moreover, all production volumes count against any remaining royalty suspension volume irrespective of the price thresholds being met.

BOEM tracks, calculates, and posts on its website a variety of relevant information regarding applicable oil and gas prices and the price threshold levels used to determine if deep gas, deep water, or other royalty relief eligibility has been suspended for a particular lease vintage. **Table 1** represents the official BOEM price thresholds and market price calculations for calendar year 2021. Any subsequent inflation or market price adjustments will not affect these official results or have implications for royalty relief on the designated lease categories.

**Table 1: Applicable Price Thresholds and Market Prices for Calendar Year 2021**

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 <sup>1</sup> ; 2002-3/2004; 2007-2010	\$67.95	\$46.44	Yes
Deepwater Oil	2001	\$67.95	\$41.64	Yes
Deepwater Oil	8/2004 - 2006	\$67.95	\$54.07	Yes
Deepwater Gas	Before 1996 <sup>1</sup> ; 2002-3/2004; 2007-2010	\$3.71	\$5.81	No
Deepwater Gas	2001	\$3.71	\$5.20	No
Deepwater Gas	8/2004 - 2006	\$3.71	\$9.01	No
Deep Gas	3/2001 <sup>2</sup>	\$3.71	\$5.20	No
Deep Gas	8/2001- 2003 <sup>2</sup>	\$3.71	\$7.44	No
Deep Gas <sup>3</sup>	Before 2001; 2001-2003 <sup>2</sup> ; 2004-2009	\$3.71	\$12.95	No
Deep Gas <sup>4</sup>	Before 2001; 2001-2003 <sup>2</sup> ; 2004-2010	\$3.71	\$12.95 and \$5.81	No
Deep Gas <sup>5</sup>	All Years	\$3.71	\$5.81	No

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

\*Price thresholds do not apply to leases issued under the Deep Water Royalty Relief Act (DWRRA) between 1996 and 2000.

\*\*A 'Yes' value means that royalty relief is **not** available to qualifying leases of that vintage. A 'No' value means that royalty relief **is** available to qualifying leases of that vintage.

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

<sup>2</sup>Leases 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.

<sup>3</sup>Applies 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.

<sup>4</sup>Applies 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.

<sup>5</sup>Applies 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:** Sarah Coffman, Chief, Economics Division at (703) 787-1557.

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Walter D. Cruickshank  
Deputy Director  
Bureau of Ocean Energy Management

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Date