

## DEPARTMENT OF THE INTERIOR

### Bureau of Ocean Energy Management (BOEM)

#### 2016 Annual Price Threshold Determination

**Summary:** This document provides the official BOEM 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 2016. The [Technical Documentation](#) link explains in detail how BOEM calculates the annual oil and gas prices and applicable price thresholds used to determine whether royalty relief applies in calendar year 2016 for our various deepwater and deep depth royalty relief programs.

**Supplementary Information:** By various laws (Outer Continental Shelf Lands Act as amended, Deep Water Royalty Relief Act) and regulations (30 CFR 203.48, 203.54, 203.78, 560.210, and 560.222), BOEM and the Bureau of Safety and Environmental Enforcement have authority to impose price thresholds. Each year at the end of March, BOEM publishes the official price thresholds applicable under all five of these CFR sections. 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, all production counts against any remaining royalty suspension volume.

BOEM tracks, calculates, and posts on its website 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 BOEM price threshold and market price calculation determinations made for calendar year 2016. 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.

## Applicable Price Thresholds and Market Prices for Calendar Year 2016

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	\$43.38	\$41.60	Yes
Deepwater oil	2001	\$43.38	\$37.29	Yes
Deepwater oil	8/2004–2006	\$43.38	\$48.43	No
Deepwater gas	Before 1996 <sup>1</sup> ; 2002–3/2004; 2007–2010	\$2.55	\$5.20	No
Deepwater gas	2001	\$2.55	\$4.66	No
Deepwater gas	8/2004–2006	\$2.55	\$8.07	No
Deep gas	3/2001 <sup>2</sup>	\$2.55	\$4.66	No
Deep gas	8/2001–2003 <sup>2</sup>	\$2.55	\$6.66	No
Deep gas <sup>3</sup>	Before 2001, 2001–2003 <sup>2</sup> , 2004–2009	\$2.55	\$11.60	No
Deep gas <sup>4</sup>	Before 2001, 2001–2003 <sup>2</sup> , 2004–2010	\$2.55	\$11.60 and \$5.20	No
Deep gas <sup>5</sup>	All years	\$2.55	\$5.20	No

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

<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.

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