



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

FEB - 4 2008

The Honorable Dianne Feinstein  
Chairman, Subcommittee on Interior,  
Environment, and Related Agencies  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Chairman Feinstein:

This letter updates information regarding oil and gas royalty relief under the Deep Water Royalty Relief Act of 1995 (DWRRA) provided to you in a June 15, 2007, letter responding to your letter of April 18, 2007, to Secretary Kempthorne. The information below relates to the three items you requested.

1. The current status of negotiations between the Department and the 45 companies holding 1998 and 1999 offshore oil and gas leases that did not contain price thresholds; a list which shows the companies that have agreed to renegotiate their leases; and the percent of the overall revenue loss that the Department attributes to each company.

While we have had at least preliminary discussions with all companies holding significant interests, most companies currently appear to be waiting to see the outcome of the *Kerr-McGee* litigation. The Administration will continue to work with Congress to reach an appropriate resolution of this issue.

The Department reached agreements with six companies (Enclosure 1) and they have been paying royalties consistent with the terms of the agreements. Enclosure 2 provides an update on the amount and percentage, attributed to each company, of royalties that would have been paid through September 30, 2007, if price thresholds had applied to these leases. You will note some differences between Enclosures 1 and 2 because the 49 companies listed in Enclosure 1 are lessees of record title in the 1998 and 1999 leases, whereas, the companies listed in Enclosure 2 are companies with current operating rights ownership in those 1998 and 1999 leases that have been or are currently in a producing status. Under the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, companies with operating rights ownership are primarily liable for royalty payments once leases are in producing status.

2. The current status of the *Kerr-McGee* legal challenge to the Department's authority to place price thresholds on any deep water leases issued between 1996 and 2000; the anticipated resolution date for the case; and the Department's view on congressional legislation reaffirming the Department's authority to place price thresholds.

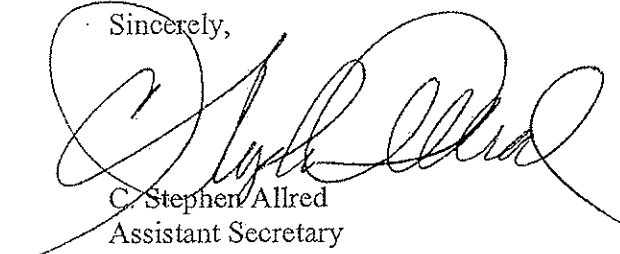
On December 21, 2007, the Department of Justice filed a timely notice of appeal with the Federal District Court to protect the interests of the United States in the *Kerr-McGee* litigation.

3. The current status of the leases and the annual amount of royalties that have been foregone on the 1998 and 1999 DWRRA leases, and estimates of future foregone royalties from 1998 and 1999 DWRRA leases and future royalties that may be at risk from 1996, 1997, and 2000 DWRRA leases until these issues are resolved; and the status of the leases and the annual amount of royalties collected to date from the 1996, 1997, and 2000 DWRRA leases until the *Kerr-McGee* suit is resolved.

As requested, Enclosure 3 provides an update on the status of the leases and the annual amount of royalties that have been forgone on the 1998 and 1999 DWRRA leases as of September 30, 2007. Enclosure 4 outlines the status of the leases and the annual amount of royalties collected to date from the 1996, 1997, and 2000 DWRRA leases. We provided in our June 15, 2007 letter a range of estimates of future royalties from 1998 and 1999 DWRRA leases. We will update these figures annually. Enclosure 5 provides a range of estimates, as of October 1, 2007, for future royalties from 1996, 1997, and 2000 DWRRA leases that may be at risk due to the *Kerr-McGee* litigation. The estimates range from \$15.7 billion to \$21.2 billion in current year dollars.

We will continue to send you updates as new information becomes available. A copy of this letter is being sent to all Interior, Environment, and Related Agencies Subcommittee Members. Should you or your staff have any questions, please do not hesitate to contact me.

Sincerely,



C. Stephen Allred  
Assistant Secretary  
Land and Minerals Management

Enclosures

Copy to: The Honorable Wayne Allard, Ranking Minority Member  
The Honorable Robert C. Byrd, Member  
The Honorable Patrick J. Leahy, Member  
The Honorable Barbara A. Mikulski, Member  
The Honorable Herb Kohl, Member  
The Honorable Ted Stevens, Member  
The Honorable Thad Cochran, Member

The Honorable Pete V. Domenici, Member  
The Honorable Bob Bennett, Member  
The Honorable Judd Gregg, Member  
The Honorable Larry Craig, Member  
The Honorable Lamar Alexander, Member  
The Honorable Byron L. Dorgan, Member  
The Honorable Tim Johnson, Member  
The Honorable Jack Reed, Member  
The Honorable Ben Nelson, Member

## Status of 1998/1999 Royalty Rate Relief Negotiations

### Companies with Signed Agreements 1/

BP Exploration & Production Inc.  
ConocoPhillips & Burlington Resources Offshore, Inc.  
Marathon  
Shell  
Walter Hydrocarbons  
Walter Oil & Gas

### Companies without Signed Agreements 2/

Anadarko - Kerr-McGee Oil & Gas	Red Willow Offshore, LLC
ATP Oil & Gas Corporation	Repsol E&P USA Inc.
BHP Billiton	Samson Offshore Company
Callon Petroleum Operating Company	Statoil/Hydro
Challenger Minerals Inc.	Stephens Production Company, LLC
Chevron U.S.A./Union Oil	Tana Exploration Company LLC
Cobalt International Energy, L.P.	Teikoku Oil (North America) Co., Ltd.
Devon Energy Production Company	TOTAL E&P USA, INC.
El Paso E&P Company, L.P.	W & T Offshore, Inc.
Energy Partners, Ltd	Woodside Energy (USA) Inc.
Energy Resource Technology	
Energy XXI GOM, LLC	
Eni Petroleum	
EOG Resources, Inc.	
Explore Louisiana LLC	
Exxon Mobil Corporation	
HE&D Offshore, L.P.	
Hess Corporation	
LLOG Exploration Offshore	
Maersk Oil Gulf of Mexico Two LLC	
Mariner Energy, Inc.	
Marubeni Oil & Gas (USA) Inc.	
Maxus (U.S.) Exploration	
MitEnergy Upstream LLC	
Murphy Exploration & Production	
Newfield	
Nexen Petroleum Offshore	
Nippon Oil Exploration	
Noble Drilling Exploration	
Noble Energy, Inc.	
OXY USA Inc.	
PALACE EXPLORATION	
Petrobras America Inc.	
Plains Exploration & Production	

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Note:

1/ Agreement signed December 2006

2/ List of companies holding interests in subject leases as of January 2008

## Amount and Percentage of Revenue Loss by Company

Annual Amount of Royalties Foregone on the Eligible Deep Water Royalty Relief Leases Issued in 1998 and 1999 by Company with Percentage Attributed to Each Company (as of September 30, 2007)					
<i>* Note: Companies that have signed agreements appear in this table to reflect royalties foregone prior to the effective date of agreements under which these companies are paying royalties.</i>					
Company (based on Owners Interest)	Calendar Year	Gas	Oil	Estimated Foregone Royalties	Percentage
ATP Oil & Gas	2004	\$ 1,023,606.17	\$ 4,397.08	\$ 1,028,003.25	
	2005	\$ 1,338,158.30	\$ 5.48	\$ 1,338,163.78	
	2006	\$ 2,951,893.08	\$ 1,308.03	\$ 2,953,201.11	
	2007	\$ 1,749,277.30	\$ 12,312.10	\$ 1,761,589.40	
ATP Oil & Gas Total		\$ 7,062,934.85	\$ 18,022.69	\$ 7,080,957.54	0.5%
BHP	2006	\$ 242,250.64	\$ 1,996,885.43	\$ 2,239,136.07	
	2007	\$ 490,400.08	\$ 3,751,143.08	\$ 4,241,543.16	
BHP		\$ 732,650.72	\$ 5,748,028.51	\$ 6,480,679.23	0.5%
BP Expl & Prod	2003	\$ 11,698,622.91		\$ 11,698,622.91	
	2004	\$ 8,880,891.46	\$ 62,357,141.81	\$ 71,238,033.27	
	2005	\$ 6,746,211.92	\$ 38,950,708.32	\$ 45,696,920.24	
	2006	\$ 3,988,945.63	\$ 39,886,110.98	\$ 43,875,056.62	
BP Expl & Prod Total		\$ 31,314,671.92	\$ 141,193,961.12	\$ 172,508,633.04	13.0%
Chevron USA/Texaco/Union Oil	2001	\$ 225,640.36		\$ 225,640.36	
	2003	\$ 2,157,217.31		\$ 2,157,217.31	
	2004	\$ 969,984.50	\$ 261,503.53	\$ 1,231,488.03	
	2005	\$ 351,547.47	\$ 37,602.03	\$ 389,149.50	
Chevron USA/Texaco/Union Oil		\$ 3,704,389.64	\$ 299,105.56	\$ 4,003,495.20	0.3%
Devon/Ocean/Santa Fe	2001	\$ 225,640.36		\$ 225,640.36	
	2003	\$ 17,833,685.48		\$ 17,833,685.48	
	2004	\$ 21,462,249.87	\$ 7,087,185.75	\$ 28,549,435.62	
	2005	\$ 41,593,619.98	\$ 5,644,445.95	\$ 47,238,065.93	
	2006	\$ 34,468,477.54	\$ 2,917,295.73	\$ 37,385,773.27	
	2007	\$ 12,341,013.31	\$ 235,187.05	\$ 12,576,200.36	
Devon/Ocean/Santa Fe Total		\$ 127,924,686.54	\$ 15,884,114.48	\$ 143,808,801.02	10.9%
Domion Exploration	2001	\$ 26,825.66		\$ 26,825.66	
	2003	\$ 6,126,340.12		\$ 6,126,340.12	
	2004	\$ 3,800,453.64	\$ 12,140,150.27	\$ 15,940,603.91	
	2005	\$ 4,428,014.85	\$ 21,063,784.79	\$ 25,491,799.64	
	2006	\$ 20,298,738.60	\$ 35,752,285.93	\$ 56,051,024.53	
	2007	\$ 8,505,570.80	\$ 14,361,890.43	\$ 22,867,461.23	
Domion Exploration Total		\$ 43,185,943.67	\$ 83,318,111.42	\$ 126,504,055.09	9.5%
EnCana Gulf of Mexico	2004		\$ 43,908.29	\$ 43,908.29	
EnCana Gulf of Mexico Total			\$ 43,908.29	\$ 43,908.29	0.0%
ENI Deepwater	2003	\$ 9,134,276.36		\$ 9,134,276.36	
	2004	\$ 7,376,929.46	\$ 74,134.68	\$ 7,451,064.14	
	2005	\$ 6,289,022.25	\$ 67,275.87	\$ 6,356,298.12	
	2006	\$ 2,663,464.13	\$ 45,680.15	\$ 2,709,144.28	
	2007	\$ 1,499,396.59	\$ 26,708.15	\$ 1,526,104.74	
ENI Deepwater Total		\$ 26,963,088.79	\$ 213,798.85	\$ 27,176,887.64	2.1%
Howell Group	2003	\$ 16,811.91		\$ 16,811.91	
	2004	\$ 21,218.58	\$ 467.62	\$ 21,686.20	
	2005	\$ 5,734.78	\$ 67.83	\$ 5,802.61	
	2006	\$ 2,547.64	\$ 18.79	\$ 2,566.43	
Howell Group Total		\$ 46,312.91	\$ 554.23	\$ 46,867.14	0.0%
Anadarko/Kerr McGee/Offshore Shelf/Westport	2003	\$ 16,202,589.95		\$ 16,202,589.95	
	2004	\$ 21,318,201.99	\$ 7,095,632.48	\$ 28,413,834.47	
	2005	\$ 41,943,621.92	\$ 5,657,639.62	\$ 47,601,261.54	
	2006	\$ 34,647,162.35	\$ 2,925,688.01	\$ 37,572,850.36	
	2007	\$ 12,378,924.06	\$ 237,327.46	\$ 12,616,251.52	
Anadarko/Kerr McGee/Offshore Shelf/Westport Total		\$ 126,490,500.27	\$ 15,916,287.56	\$ 142,406,787.83	10.7%
Marathon Oil Company	2003				
	2004				
	2005	\$ 990,796.12	\$ 5,219.74	\$ 996,015.86	
	2006	\$ 394,781.11	\$ 2,788.69	\$ 397,569.80	
Marathon Oil Company Total		\$ 1,385,577.23	\$ 8,008.42	\$ 1,393,585.65	0.1%
Mariner Energy	2000	\$ 7,822,849.70		\$ 7,822,849.70	
	2001	\$ 3,065,805.91		\$ 3,065,805.91	
	2003	\$ 8,535,471.55		\$ 8,535,471.55	
	2004	\$ 6,604,485.57	\$ 76,062.60	\$ 6,680,548.17	
	2005	\$ 5,159,842.36	\$ 55,443.59	\$ 5,215,285.95	
	2006	\$ 8,603,033.01	\$ 64,250.51	\$ 8,667,283.52	

## Amount and Percentage of Revenue Loss by Company

Annual Amount of Royalties Foregone on the Eligible Deep Water Royalty Relief Leases Issued in 1998 and 1999 by Company with Percentage Attributed to Each Company (as of September 30, 2007)					
<i>* Note: Companies that have signed agreements appear in this table to reflect royalties foregone prior to the effective date of agreements under which these companies are paying royalties.</i>					
Company (based on Owners Interest)	Calendar Year	Gas	Oil	Estimated Foregone Royalties	Percentage
	2007	\$ 4,021,885.27	\$ 41,296.92	\$ 4,063,182.19	
Mariner Energy Total		\$ 43,813,373.37	\$ 237,053.62	\$ 44,050,426.99	3.3%
Marubeni	2004	\$ 286,115.25	\$ 180,405.90	\$ 466,521.15	
	2005	\$ 142,306.40	\$ 7,719.12	\$ 150,025.52	
	2006	\$ 7,430,231.30	\$ 11,913,751.74	\$ 19,343,983.04	
	2007	\$ 1,735,853.89	\$ 4,780,863.50	\$ 6,516,717.39	
Marubeni Total		\$ 9,594,506.84	\$ 16,882,740.25	\$ 26,477,247.09	2.0%
Newfield Exploration	2006	\$ 7,125,842.36	\$ 30,714.80	\$ 7,156,557.16	
	2007	\$ 3,159,764.39	\$ 22,568.82	\$ 3,182,333.21	
Newfield Exploration Total		\$ 10,285,606.75	\$ 53,283.62	\$ 10,338,890.37	0.8%
Nexen Petroleum	2003	\$ 9,419,067.25		\$ 9,419,067.25	
	2004	\$ 6,194,524.06	\$ 38,023,616.20	\$ 44,218,140.26	
	2005	\$ 4,971,372.61	\$ 30,999,262.13	\$ 35,970,634.74	
	2006	\$ 2,450,479.82	\$ 20,494,371.34	\$ 22,944,851.16	
	2007	\$ 1,961,600.31	\$ 15,004,572.33	\$ 16,966,172.64	
Nexen Petroleum Total		\$ 24,997,044.05	\$ 104,521,822.01	\$ 129,518,866.06	9.8%
NI Energy Venture	2004	\$ 256,098.87	\$ 1,099.27	\$ 257,198.14	
	2005	\$ 57,690.05	\$ 1.37	\$ 57,691.42	
	2006	\$ 69,730.10		\$ 69,730.10	
	2007	\$ 22,127.20		\$ 22,127.20	
NI Energy Venture Total		\$ 405,646.22	\$ 1,100.64	\$ 406,746.86	0.0%
Nippon Oil Expl	2003	\$ 10,497,734.08		\$ 10,497,734.08	
	2004	\$ 5,882,523.74	\$ 54,233.91	\$ 5,936,757.65	
	2005	\$ 4,121,907.70	\$ 33,289.68	\$ 4,155,197.38	
	2006	\$ 1,885,281.62	\$ 4,594.99	\$ 1,889,876.61	
	2007	\$ 415,192.13	\$ 3,078.03	\$ 418,270.16	
Nippon Oil Expl Total		\$ 22,802,639.27	\$ 95,196.61	\$ 22,897,835.88	1.7%
Noble Drilling	2003	\$ 993,984.89		\$ 993,984.89	
	2004	\$ 101,040.84	\$ 2,226.74	\$ 103,267.58	
	2005	\$ 27,308.47	\$ 323.00	\$ 27,631.47	
	2006	\$ 12,131.63	\$ 89.45	\$ 12,221.08	
Noble Drilling Total		\$ 1,134,465.83	\$ 2,639.19	\$ 1,137,105.02	0.1%
Oxy	2003	\$ 5,848,434.10		\$ 5,848,434.10	
	2004	\$ 4,439,779.70	\$ 31,173,894.35	\$ 35,613,674.05	
	2005	\$ 3,372,600.02	\$ 25,070,565.36	\$ 28,443,165.38	
	2006	\$ 2,586,398.94	\$ 25,887,409.19	\$ 28,473,808.13	
	2007	\$ 967,745.16	\$ 10,306,835.37	\$ 11,274,580.53	
Oxy Total		\$ 17,214,957.92	\$ 92,438,704.27	\$ 109,653,662.19	8.3%
Petrobras America	2004	\$ 630,136.65	\$ 687,872.58	\$ 1,318,009.23	
	2005	\$ 2,636,254.56	\$ 2,791,421.13	\$ 5,427,675.69	
	2006	\$ 952,271.28	\$ 1,485,344.37	\$ 2,437,615.65	
	2007	\$ 1,669,893.45	\$ 2,500,866.57	\$ 4,170,760.02	
Petrobras America Total		\$ 5,888,555.94	\$ 7,465,504.65	\$ 13,354,060.59	1.0%
Pioneer Natural Res.	2003	\$ 31,493,202.25		\$ 31,493,202.25	
	2004	\$ 44,571,067.40	\$ 4,644,542.74	\$ 49,215,610.14	
	2005	\$ 39,914,238.90	\$ 7,444,948.33	\$ 47,359,187.23	
	2006		\$ -	\$ -	
Pioneer Natural Res. Total		\$ 115,978,508.55	\$ 12,089,491.07	\$ 128,067,999.62	9.7%
Pogo Producing	2001	\$ 451,280.72		\$ 451,280.72	
	2003	\$ 4,314,434.63		\$ 4,314,434.63	
	2004	\$ 1,939,969.00	\$ 319,272.58	\$ 2,259,241.58	
	2005	\$ 351,547.47	\$ 37,602.03	\$ 389,149.50	
Pogo Producing Total		\$ 7,057,231.82	\$ 356,874.61	\$ 7,414,106.43	0.6%
Shell	2001	\$ 26,825.66		\$ 26,825.66	
	2003	\$ 6,755,531.21		\$ 6,755,531.21	
	2004	\$ 3,653,670.53	\$ 1,472,195.19	\$ 5,125,865.72	
	2005	\$ 6,708,809.41	\$ 5,608,618.88	\$ 12,317,428.29	
	2006	\$ 1,811,421.59	\$ 1,362,615.16	\$ 3,174,036.75	
Shell Total		\$ 18,956,258.40	\$ 8,443,429.23	\$ 27,399,687.63	2.1%
Total E&P	2003	\$ 42,565,285.13		\$ 42,565,285.13	
	2004	\$ 29,839,441.86	\$ 23,950,389.02	\$ 53,789,830.88	

## Amount and Percentage of Revenue Loss by Company

Annual Amount of Royalties Foregone on the Eligible Deep Water Royalty Relief Leases Issued in 1998 and 1999 by Company with Percentage Attributed to Each Company (as of September 30, 2007)					
<i>* Note: Companies that have signed agreements appear in this table to reflect royalties foregone prior to the effective date of agreements under which these companies are paying royalties.</i>					
<i>Company (based on Owners Interest)</i>	<i>Calendar Year</i>	<i>Gas</i>	<i>Oil</i>	<i>Estimated Foregone Royalties</i>	<i>Percentage</i>
	2005	\$ 20,205,469.68	\$ 13,214,616.62	\$ 33,420,086.30	
	2006	\$ 8,131,196.85	\$ 15,853,431.70	\$ 23,984,628.55	
	2007	\$ 2,770,070.00	\$ 15,118,899.47	\$ 17,888,969.47	
<b>Total E&amp;P Total</b>		<b>\$ 103,511,463.52</b>	<b>\$ 68,137,336.81</b>	<b>\$ 171,648,800.33</b>	<b>13.0%</b>
Walter Oil & Gas/Walter Hydrocarbons	2003	\$ 463,528.36	\$ -	\$ 463,528.36	
	2004	\$ 585,026.45	\$ 12,892.82	\$ 597,919.27	
	2005	\$ 158,116.03	\$ 1,870.16	\$ 159,986.19	
	2006	\$ 64,823.33	\$ 511.10	\$ 65,334.43	
<b>Walter Oil &amp; Gas/Walter Hydrocarbons Total</b>		<b>\$ 1,271,494.17</b>	<b>\$ 15,274.08</b>	<b>\$ 1,286,768.25</b>	<b>0.1%</b>
<b>Grand Total</b>		<b>\$ 751,722,509.19</b>	<b>\$ 573,384,351.80</b>	<b>\$ 1,325,106,860.99</b>	<b>100.0%</b>

## Notes:

Reported Production Volumes Sold used to Calculate Foregone Royalties by Operating Rights Interest Owners.

Royalty calculation based on average reported price and average reported royalty rate in the Gulf of Mexico.

\*Reporter overreported volumes and royalties owed for 2006

## Summary of the Status of Leases and Annual Amount of Foregone Royalties

Status of Eligible Leases Issued in 1998 and 1999	
<i>Minerals Revenue Management Lease Status</i>	<i>Total</i>
Terminated	3
Expired	40
Non-Producing	483
Producing or Producing	25
Relinquished	481
<b>Total</b>	<b>1,032</b>

Annual Amount of Royalties Foregone on the Eligible Deep Water Royalty Relief Leases Issued in 1998 and 1999 (as of 09/30/2007)			
<i>Calendar Year</i>	<i>Gas Royalties</i>	<i>Oil Royalties</i>	<i>Total Royalties</i>
2000	\$ 7,822,849.70		\$ 7,822,849.70
2001	\$ 4,022,018.67		\$ 4,022,018.67
2002			
2003	\$ 184,056,217.49		\$ 184,056,217.49
2004	\$ 169,837,415.59	\$ 189,663,225.41	\$ 359,500,641.00
2005	\$ 191,514,191.25	\$ 156,692,431.02	\$ 348,206,622.27
2006	\$ 143,296,930.65	\$ 174,152,731.28	\$ 317,449,661.93
2007	\$ 59,503,021.68	\$ 92,030,251.67	\$ 151,533,273.35
<b>Grand Total</b>	<b>\$ 760,052,645.03</b>	<b>\$ 612,538,639.38</b>	<b>\$ 1,372,591,284.41</b>

Price thresholds not exceeded -- no royalties due



Status of Leases and Annual Amount Collected

Status of Eligible Leases Issued in 1996, 1997, and 2000 as of 09/30/2007		Total
Minerals Revenue Management Lease Status		
Terminated	39	
Expired	858	
Non-Producing	487	
Producing or Producible	71	
Relinquished	914	
<b>Total</b>	<b>2,369</b>	

Annual Amount of Royalties Collected to Date (as of September 30, 2007) from the 1996, 1997, and 2000 Eligible Deep Water Royalty Relief Leases						
Year	Gas	NGL	Oil	Other Royalties/Revenues (Estimates and Interest)	Total Royalties/Revenues	
*1996	\$ 80,967.96			\$ 85,000.00	\$ 165,967.96	
*1997	\$ 566,025.71		\$ 21,768.38	\$ (47,000.00)	\$ 540,794.09	
*1998	\$ 146,083.13		\$ 5,804.74	\$ 62,000.00	\$ 213,887.87	
* **1999	\$ 14,997.94		\$ -	\$ (59,000.00)	\$ (44,002.06)	
*2000	\$ 7,766,650.81	\$ -	\$ 19,125.95	\$ 563,762.53	\$ 8,349,539.29	
*2001	\$ 10,646,891.57	\$ 25,424.20	\$ 95,379.08	\$ 585,308.91	\$ 11,353,003.76	
*2002	\$ 433,800.87	\$ 90,322.02	\$ 1,007,127.51	\$ 1,002,401.63	\$ 2,533,652.03	
*2003	\$ 72,336,663.06	\$ 3,079,286.80	\$ 2,780,419.59	\$ 1,128,271.74	\$ 79,324,641.19	
2004	\$ 87,124,091.99	\$ 4,828,056.89	\$ 113,139,913.64	\$ 6,701,438.77	\$ 211,793,501.29	
2005	\$ 90,609,977.85	\$ 5,906,866.26	\$ 195,494,989.79	\$ 8,315,931.31	\$ 300,325,765.21	
2006	\$ 87,002,816.59	\$ 5,601,421.55	\$ 268,241,554.76	\$ (6,484,747.52)	\$ 354,361,045.38	
2007	\$ 34,526,591.70	\$ 2,259,322.15	\$ 122,940,595.56	\$ 3,056,844.81	\$ 162,783,354.22	
<b>Grand Total</b>	<b>\$ 391,255,559.18</b>	<b>\$ 21,790,699.87</b>	<b>\$ 703,746,679.00</b>	<b>\$ 14,908,212.18</b>	<b>\$ 1,131,701,150.23</b>	

Notes:

- \*Price Thresholds were not exceeded for both oil and gas in 1996, 1997, 1998, 1999, 2002 and for oil in 2000, 2001, and 2003; however, some companies reported royalties/revenues for those years
- \*\*†Transactions associated with adjustments to estimated payments.
- \*\*\*Rent transaction are excluded since obligation is due.

Data is rolled up by sales month by Calendar Year

Estimates of Future Production and Royalty Value From 1996, 1997, and 2000 Deepwater Royalty Relief Act Leases

Future Production and Royalty Value Estimates Begin On October 1, 2007

Category	Low Case Estimates <sup>2</sup>			High Case Estimates <sup>2</sup>		
	Number of Leases Contributing <sup>3</sup>	Production (MMBOE)	Royalty Value <sup>4,5</sup> (MM\$)	Number of Leases Contributing <sup>3</sup>	Production (MMBOE)	Royalty Value <sup>4,5</sup> (MM\$)
Future Production From Producing Leases <sup>1</sup>	40	3,54.9	\$ 2,732	43	606.0	\$ 4,593
Future Production From Leases With Discovery But Not Yet Producing <sup>1</sup>	31	1,002.8	\$ 8,237	31	1,212.9	\$ 10,220
Future Production From Leases Without a Discovery <sup>1</sup>	12	539.5	\$ 4,706	12	717.0	\$ 6,417
Totals From Future Estimated Production	83	1,897.2	\$ 15,676	86	2,535.8	\$ 21,231

<sup>1</sup> Production and royalty values have been curtailed for each lease at a maximum equal to the lease's DWRRA royalty suspension volume.

<sup>2</sup> Low and High Case production estimates are based on MMS ungrown and grown lease-level estimates of reserves and resources, respectively.

<sup>3</sup> The number of producing leases varies across the low and the high case because three leases that are currently shut-in have exhausted their ungrown resources (low case) yet are still active and may yet produce as they still have grown resources (high case).

<sup>4</sup> Future prices are OMB, "Economic Assumptions for 2009 Budget", Average Refiner's Acquisition Cost for oil and Wellhead Price for natural gas (both are nominal price vectors and are adjusted to GOM market). Average Oil Price for all future estimated oil production = \$80.92 per bbl, average gas price = \$8.70 per mcf. All future prices are estimated to exceed the DWRRA price thresholds.

<sup>5</sup> Transportation allowances of \$3.50 per bbl of oil and \$0.30 per mcf of gas were assumed.