

## Another Perspective on the Government Take from OCS Leasing

September 2012

In 2008 GAO issued a report: *Oil and Gas Royalties: The Federal System for Collecting Oil and Gas Revenues Needs Comprehensive Reassessment*. Suggesting an assessment of federal government oil and gas leasing terms was needed. The Department of Interior in response obtained a report on the topic from IHS Cambridge Energy Research Associates: *Comparative Assessment of the Federal Oil and Gas Fiscal System*. Both these studies do not address the Government Take from the Alaskan OCS (Outer Continental Shelf). The Alaska OCS is an important part of the story of the Government Take.

In the history of the Alaska OCS 2,353 leases have been issued with total bonus bids of \$9.2 billion. Of all these leases there are 3 leases in production status. There are an additional 2 leases in a suspension of production status. The only production is coming from Northstar (<http://www.hydrocarbons-technology.com/projects/northstar/>). Northstar straddles the boundary of state and federal water near Prudhoe Bay. The federal share of Northstar production is 17.84%. Through August 2011 the federal production is 27 million barrels. Here are the bonus bids for Alaska OCS

Class	Leases	Sum of Bonus (Billions of \$)
Producing	3	0.081
Suspension of Production	2	0.011
All the others	2,348	9.150

There is potential a few more leases will go into production. It is reasonable to suspect that nearly all the other leases will be returned to the government. That is about 9 billion of wealth transferred from the stockholders of the oil companies to the US Treasury. Another way to look at the additional revenues from bids on non-producing leases which is about 9 billion dollars is to allocate it to the 27 million barrels of production. That is \$333 a barrel.

The Government Take in the Alaska OCS is very spectacular. How does the Gulf of Mexico OCS compare? Here are the values for those leases:

Class	Leases	Sum of Bonus (Billions of \$)
Returned without production	18,100	27.8
Returned after production	2,256	13.7
Active with production	1,443	9.3
Active without production yet	4,482	10.9

Leases returned to government have almost 28 billion dollars of bids. Another almost 11 billion of bids for leases have yet to be determined if they will produce. Given the historical record it should be expected that most will not produce.

## **Findings**

When looking at the Government Take on the OCS, the revenue from leases not producing in the Alaska OCS is about 9 billion dollars from bids. For the Gulf of Mexico it is almost 28 billion dollars so far. This is a major source of revenue. It is a key element of the Government Take from the OCS.