



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, DC 20240

IN REPLY REFER TO:
7202.4-OS-2016-00042

January 20, 2016

To Whom It May Concern:

This letter is to inform you that the Department of the Interior (the “Department”) has been asked to release certain information submitted by companies with Deepwater Royalty Relief Act Leases. It also provides you with the opportunity to object to the release of these documents if they are exempt from disclosure under the Freedom of Information Act (“FOIA”), 5 U.S.C. § 552(b).

On November 3, 2015, Lukas Ross requested the following from the Office of the Secretary:

Records pertaining to offshore leases issued under the Deepwater Royalty Relief Act (DWRRA) of 1995:

- A full list of all active leases issued between 1996 and 2000 subject to royalty relief under Section 304 of the DWRRA, including current operator, current lessee(s), lease number, sale number, lease effective date, lease status, area code, block number, and depth. Please also include any previous changes to operator and lessee ownership.
- A tally of the total leases issued between 1996 and 2000 eligible for royalty relief under Section 304 of the DWRRA, broken down by their current status (i .e. total numbers for terminated, expired, non-producing, producing or producible, and relinquished leases).
- The most current estimates for revenue lost from royalty-free oil and gas leases issued between 1996 and 2000 under Section 304 of the DWRRA, presented both as per year company totals and lifetime company totals for all years from 1996 through 2014. Please ensure that this lost revenue includes refunds returned to companies based on the final decision in Kerr-McGee Oil and Gas Corp. vs. Allred.
- The most current volumetric totals for royalty-free oil and gas from leases issued between 1996 and 2000 under Section 304 of the DWRRA, presented both as per year company totals and lifetime company totals, from 1996 through 2014. Please ensure that these volumes reflect the total amount of royalty-free oil and gas based on the final ruling in Kerr-McGee.
- Yearly totals for all oil and gas produced under eligible Section 304 DWRRA act leases as a percentage of the total oil and gas produced in the Gulf of Mexico for all years from 1996 through 2014.
- Yearly totals for all non-royalty bearing oil and gas produced in the Gulf of Mexico (including but not limited to DWRRA) as a percentage of the total oil and gas produced in the Gulf of Mexico for all years from 1996 through 2014.

- A full list of all eligible DWRRA leases that crossed the volumetric royalty threshold under Section 304 and became subject to royalties, as well as their depth. Please distinguish between leases that are no longer producing that crossed the volumetric threshold and leases that continue to produce.
- Following the ruling of Kerr-McGee, the price thresholds for royalties under DWRRA leases from 1996, 1997, and 2000 were overturned, requiring the Department of the Interior to provide to refund the royalty payments of many producers. Please provide the amount of the refunds provided and to which companies.
- The most recent projections held by the Department of the Interior for the total future revenue lost from the remaining production under eligible DWRRA leases issued between 1996 and 2000.
- Although nullified by the final ruling in Kerr-McGee, a number of companies had agreed independently to accept price thresholds on eligible DWRRA leases. Please provide a list of which companies entered into these agreements.

The Office of Natural Resources Revenue (ONRR) has records on the amount of the refunds provided under the Deepwater Royalty Relief Act and to which companies the refunds were paid. Also, ONRR has a list of companies that agreed independently to accept price thresholds on eligible DWRRA lease. For the remaining items listed in this request, ONRR has no records.

This FOIA request was assigned control number **OS-2016-00042**. Please cite this number in any future communications with the Office of the Secretary regarding this matter. A copy of the request has been posted on <http://onrr.gov/FOIA/default.htm>. Upon request, the Office of the Secretary will provide the information we found to be responsive to this request to you.

If you wish to object to the disclosure these records, the Department's FOIA regulations ("regulations") require you to submit a "detailed written statement" setting forth the justification for withholding any portion of the information under any exemption of the FOIA. *See* 43 C.F.R. § 2.30.

Under FOIA's Exemption 45 U.S.C. § 552(b)(4), "trade secrets and commercial or financial information obtained from a person and privileged or confidential" are exempt from disclosure under the FOIA. When the Department has reason to believe that information that is responsive to a FOIA request may be exempt from disclosure under FOIA's Exemption 4, the regulations require it to provide notice to you of the responsive material and advise you of the procedures for objecting to the release of the requested material. This letter serves as notice.

Further, if you object to disclosure of the documents (or any portions of documents) on the basis that the documents you submitted are protected by FOIA Exemption 4, the regulations require the "detailed written statement" referenced above to include a "specific and detailed discussion" of the following:

- (i) Whether the Government required the information to be submitted and, if so, how substantial competitive or other business harm would likely result from release; or

- (ii) Whether you provided the information voluntarily and, if so, how the information in question fits into a category of information that you customarily do not release to the public.
- (iii) Certification that the information is confidential, that you have not disclosed the information to the public, and that the information is not routinely available to the public from other sources.

In order for information to qualify for protection under Exemption 4 as a “trade secret,” the information must be “a secret, commercially valuable plan, formula, process, or device that is used for the making, preparing, compounding, or processing of trade commodities and that can be said to be the end product of either innovation or substantial effort.” *See Public Citizen Health Research Group v. FDA*, 704 F.2d 1280, 1288 (D.C. Cir. 1983). This definition requires there be a direct relationship between the information at issue and the productive process. *Id.* Should you wish to object to the disclosure of any of the information in the documents on the basis that such information is a trade secret, the specific and detailed discussion must explain how each category of information the objections are related to qualify for protection under Exemption 4 as a “trade secret.” The explanation must also identify a direct relationship between the information and the productive process.

In order for information to qualify for protection under the aspect of Exemption 4 that protects privileged or confidential commercial or financial information, the first requirement is that the information must be either “commercial or financial.” In determining whether documents are “commercial or financial,” the D.C. Circuit has firmly held that these terms should be given their “ordinary meanings” and that records are commercial so long as you have “commercial interest” in them. *See Public Citizen*, 704 F.2d at 1290 (citing *Washington Post Co. v. HHS*, 690 F.2d 252, 266 (D.C. Cir. 1982), and *Board of Trade v. Commodity Futures Trading Comm’n*, 627 F.2d 392, 403 (D.C. Cir. 1980)); *see also Nat’l Ass’n of Home Builders v. Norton*, 309 F.3d 26, 38 (D.C. Cir. 2002) (stating “information is ‘commercial’ under [Exemption 4] if, ‘in and of itself,’ it serves a ‘commercial function’ or is of a ‘commercial nature.’”).

The specific and detailed discussion that you provide must explain how the documents relate to your commercial interest and the commercial function the information serves or the commercial nature of the information.

The test to determine if information is “privileged” or “confidential” under Exemption 4 depends on whether the you were required to provide the information to the government or whether the you voluntarily disclosed the information to the government. *Bartholdi Cable. Co. v. FCC*, 114 F.3d 274, 281 (D.C. Cir. 1997). Where you voluntarily provide information to the government, the information will be considered confidential for the purposes of Exemption 4 “if it is of a kind that would customarily not be released to the public by the person from whom it was obtained.” *Id.* (citing *Critical Mass Energy Project v. Nuclear Regulatory Commission*, 975 F.2d 871, 879 (D.C. Cir. 1992) (*en banc*)). Alternatively, where the government requires you to provide information, commercial or financial information generally is “confidential” under Exemption 4 “if disclosure . . . is likely to have either of the following effects: (1) impair the government’s ability to obtain necessary information in the future; or (2) cause substantial harm to the

competitive position of the person from whom it was obtained . . .” *National Parks and Conservative Assoc. v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974). A showing of substantial competitive harm is necessary only where the information in question is required to be submitted to the government.

You must explain whether you voluntarily provided the information in question or whether the government required the information to be submitted. Should you assert that you voluntarily submitted the information, you must also explain how the information in question fits into a category of information that you customarily do not release to the public. If you assert that the government required you to submit the information in question, you must explain how substantial competitive or other business harm would likely result from release.

To demonstrate that disclosure is likely to cause substantial competitive harm, there must be evidence that: 1) you face actual competition; and 2) substantial competitive injury would likely result from disclosure. *See Lions Raions v. USDA*, 354 F.3d 1072, 1079 (9th Cir. 2004); *Inner City Press/Community on the Move v. Federal Reserve System*, 380 F. Supp. 2d 211, 220 (S.D.N.Y. 2005); *People for the Ethical Treatment of Animals v. USDA*, 2005 U.S. Dist. LEXIS 10586, at 15 (D.D.C. May 24, 2005); *National Parks & Conservation Association v. Kleppe*, 547 F.2d 673, 679 (D.C. Cir. 1976) (“*National Parks II*”).

In order for the Department to fully evaluate whether you are likely to suffer substantial competitive injury from disclosure of the withheld information, any objections on this basis must include a detailed explanation of who your competitors are and the nature of the competition. You must also explain with specificity how disclosure of each category of information that you object to disclosing on this basis would provide its competitors with valuable insights into your operation, give competitors pricing advantages over you, unfairly advantage competitors in future business negotiations, or any other information that sufficiently explains the substantial competitive injury that would likely result from disclosure. *National Parks II*, 547 F.2d at 684; *Center for Public Integrity v. Dep’t of Energy*, 191 F. Supp. 2d 187, 194 (D.D.C. 2002); *Judicial Watch, Inc.* 108 F. Supp. 2d at 29.

Additionally, as noted above, you must also certify that any information you object to disclosing is confidential, you have not disclosed the information to the public, and the information is not routinely available to the public from other sources. *See* 43 C.F.R. §§ 2.30 to 2.31.

As a final matter, please be aware that the FOIA requires that “any reasonably segregable portion of a record” must be released after appropriate application of the FOIA’s nine exemptions. *See* 5 U.S.C. § 552(b) (discussion after exemptions). In addition, please note that where a document contains both exempt and nonexempt material, the bureau will generally separate and release the nonexempt information when responding to a FOIA request. 43 C.F.R. § 2.25. You should be mindful of this segregability requirement in formulating any objections you may have to the disclosure of the documents enclosed above.

Should you wish to object to disclosure of any of the documents (or portions thereof), the Department must receive from you all of the information requested above **by no later than February 29, 2016**.

In the event that you do not submit any objections to the disclosure of the documents or portions of the documents enclosed with this letter on or before **March 4, 2016** after receipt of this letter, the Department will presume that you do not object to their disclosure and it may release the materials without redaction. Please note that the Department, not you, are responsible for deciding whether the information should be released or withheld. If we decide to release records over your objections, we will inform you at least 10 business days in advance of the intended release.

Please note that any comments you submit to the Department objecting to the disclosure of the documents may be subject to disclosure under the FOIA if the Department receives a FOIA request for them. In the event your comments contain commercial or financial information and a requester asks for the comments under the FOIA, the Department will notify you and give you an opportunity to comment on the disclosure of such information.

If you have any questions regarding this correspondence, you may contact Ryan McQuighan by phone at 202-513-0765, by fax at 202-219-2374, by email at os_foia@ios.doi.gov, or by mail at U.S. Department of the Interior, 1849 C Street, NW, MS-7328, Washington, D.C. 20240.