

**U.S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region**

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Barney
Congdon
(504) 736-2595

Caryl Fagot
(504) 736-2590

A.B. Wade
(202) 208-3985

MMS Modifies Royalty Relief Economic Assumptions

MMS has issued new economic assumptions to be used in deepwater royalty relief applications for the Central and Western Gulf of Mexico. Since the publication of lower price assumptions in March 1999, the economics of the market have changed drastically, with the market price for West Texas intermediate rising about \$5 per barrel.

Fields in water deeper than 200 meters in the Central and Western Gulf of Mexico (GOM) that demonstrate economic need at these prices may qualify for suspension of royalty payments. MMS has raised its near-term prices to better reflect prices companies are likely to obtain from sales of their products, according to the Department of Energy.

MMS also is modifying its Notice to Lessees so that the first set of figures shown in the NTL represent price projections for the following calendar year, not the current year. Thus, today's update of price assumptions show the initial prices as representing the year 2000. In addition, MMS announced it would modify oil and gas price assumptions up to 4 times per year, or once per quarter. The first modification of a calendar year, to be published in January, would be the sole long term update for the year. This is consistent with annual publication of long term price forecasts by DOE. For the remaining 3 potential modifications to be made during the calendar year, in April, July and October, only the distribution of short term prices (i.e., typically up to 5 years) would be affected.

MMS is the Federal agency that manages and regulates the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf, and collects, accounts for, and last year disbursed about \$6 billion in revenues from offshore Federal mineral leases and from onshore mineral leases on Federal and Indian lands.

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