



U.S. Department of the Interior
Minerals Management Service
Office of Communications

NEWS RELEASE

FOR RELEASE:

February 12, 1998

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**MMS PROPOSES CHANGES TO
INDIAN OIL VALUATION REGULATIONS**

The U.S. Department of the Interior's Minerals Management Service is proposing to change the way it establishes the value of oil produced on Indian lands. The proposed changes appear in today's [Federal Register](#).

During the past few years, MMS has attempted to ensure that the American people receive a fair return for oil produced from federal lands. MMS Director Cynthia Quarterman remarked, "We must take our trust responsibility to Indians seriously. This rule, which is a cooperative effort between MMS and Indian representatives, follows the general concepts of the federal oil rule, and goes a step further as required by the specific terms of the Indian leases."

Director Quarterman explained that, "The Indian lease terms require lessees to pay royalties based on the highest price paid or offered for a major portion of like-quality oil in a given area regardless of the lessee's contract price. Therefore, the rule provides for royalty value to be based on the highest of three methods: arm's-length gross proceeds; the average of the five highest NYMEX-based prices for the production month, adjusted for location and quality; or a MMS-calculated major portion value." This rule reduces reliance on posted prices and increases the use of index pricing. Because of the major portion provision, this rule exceeds the valuation standards proposed for federal leases.

Comments on the proposed regulations are invited and will be accepted for 60 days after the *Federal Register* publication date. For additional information and to submit comments on the proposed regulations, contact David Guzy, RMP's Chief of Rules and Publications, at (303) 231-3432 or e-mail to David_Guzy@mms.gov. Written comments regarding the proposed rule should be mailed or delivered to Minerals Management Service, Royalty Management Program, Rules and Procedures Staff, Denver Federal Center, Building 85, Box 25165, Mail Stop 3021, Denver, Colorado, 80225-0165.

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the OCS. It collects, accounts for, and disburses nearly \$6 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands. Indians receive more than \$150 million of this amount.

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