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NEWS RELEASE

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**MMS PROPOSED RULE EXTENDS DISCRETIONARY ROYALTY
RELIEF TO NEW DEEPWATER LEASE ON THE OCS**

Today, the Department of the Interior's Minerals Management Service (MMS) published a proposed rule in the *Federal Register* that would amend MMS regulations governing discretionary royalty relief for leases in the Outer Continental Shelf (OCS). The discretionary relief rule applies specifically to those marginal oil and gas properties that might otherwise be considered uneconomic to develop.

MMS published a companion proposed rule on September 14, 2000, dealing with the framework for implementing incentives in the form of royalty suspensions for new deepwater leases issued on the OCS after 2000.

The proposed rule makes deepwater leases (200 meters and greater) sold after 2000 in authorized parts of the Gulf of Mexico eligible to apply for discretionary royalty suspensions. The proposal also modifies and improves procedures for OCS lessees to apply for suspensions of royalty. It explains who is eligible for relief, how they apply for relief, and the criteria they must meet to receive relief.

The discretionary royalty suspensions serve several public purposes:

1. In marginal circumstances it encourages development of resources that industry might otherwise bypass.
2. It can lead to new production that uses existing infrastructure.
3. For new leases demonstrating the need, discretionary "case-specific" relief can supplement the royalty suspension incentives provided at the time of sale. Having this feature makes available sufficient royalty relief for marginal properties, while avoiding the need to offer blanket relief at these same levels to whole categories of leases at the time of sale, many of which may not need the same level of royalty incentive to explore and develop the leases.

According to MMS Director Walt Rosenbusch, "Today's proposed royalty relief rule supplements the new leasing incentives proposed in our September 14 notice by allowing unusually risky prospects to obtain more royalty relief than provided by any new lease incentives offered at the time of sale.

Rosenbusch added, "The new lease incentives will help sustain the increase in deepwater exploration and development activity 'sparked in part' by the Deep Water Royalty Relief Act of 1995. Sustained deepwater activity helps realize important national objectives such as promoting increased domestic investment, encouraging continued increases in offshore oil and gas exploration and production, extending deepwater infrastructure, enhancing deepwater technologies, and expanding our understanding of deepwater geology and engineering."

The royalty relief application regulations are found in Title 30, Code of Federal Regulations, Part 203. The comment period on the proposed rule closes December 18, 2000.

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf. The agency also collects, accounts for, and disburses over \$5 billion per year in revenues from federal offshore mineral leases and from onshore mineral leases on federal and Indian lands.

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