



**U.S. Department of the Interior  
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***NEWS RELEASE***

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**MMS PROPOSES CHANGES TO REGULATIONS FOR VALUING FEDERAL OIL**

The Minerals Management Service today published in the *Federal Register* a proposed rule for valuing oil produced on federal lands.

“The existing rule was published in 2000, and though it does provide the federal government and lessees with a fair return on federal resources, our three years of experience with the rule prompted us to review some technical issues such as transportation costs and price indices used in valuing oil from federal leases,” said MMS Director Johnnie Burton.

During four public workshops in March 2003, MMS gathered information and comments used to develop the following proposed changes to the rule:

- Changing the valuation basis for transactions not at arm’s-length from spot to NYMEX prices adjusted for locality and quality differentials.
- Changing the rate of return on undepreciated capital investments to 1.5 times the Standard and Poor’s BBB rate.
- Clarifying the treatment of transactions under a joint operating agreement;
- Providing greater specificity regarding the transportation costs companies are allowed to deduct.

The proposed rule will have a 30-day comment period ending on September 19, 2003. MMS hopes to issue the final rule in October 2003.

The proposed rule is available online at: <http://www.onrr.gov>.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas,

and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from federal and American Indian leases. These revenues totaled over \$6 billion in 2002 and nearly \$127 billion since the agency was created in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

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MMS Internet website address: <http://www.boem.gov>