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MMS PUBLISHES NOTICE OF PROPOSED RULEMAKING FOR FEDERAL GAS VALUATION

The U.S. Department of the Interior's Minerals Management Service (MMS) has proposed amendments to regulations governing the valuation for royalty purposes of natural gas produced from federal leases. A Notice of Proposed Rulemaking was published in the November 6, 1995 Federal Register.

"Secretary of the Interior Bruce Babbitt chartered last year the MMS Federal Gas Valuation Negotiated Rulemaking Committee to address the valuation of gas produced from federal leases," said MMS Director Cynthia Quarterman.

"The Committee was faced with a new gas marketing environment which resulted from deregulation of natural gas production and open access, particularly with the issuance of the federal Energy Regulatory Commission (FERC) Order No. 636 directing the unbundling of natural gas and the transportation system that moves it.

"The Committee proposed an unprecedented move towards using a market based index price in valuing production for royalty purposes. The proposal also creates simplified reporting requirements and the elimination of several federal forms.

"The MMS commends the Committee's ability to develop a proposal that would simplify royalty payments on natural gas produced from federal leases, while reducing administrative costs, decreasing litigation costs and maintaining revenue neutrality. This is the first time in the history of the Department of the Interior that we have had a negotiated rulemaking committee reach consensus," she said.

The proposals do not apply to Indian leases.

The MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the OCS, and collects, accounts for and disburses about \$4 billion yearly in

revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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