



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

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Deep Water Royalty Relief Regulations Final

The U.S. Department of the Interior's Minerals Management Service will publish in the January 16, 1998, *Federal Register* two final rules implementing provisions of the Deep Water Royalty Relief Act of 1995 (Act). [One rule](#) sets the terms for royalty suspensions on new oil and natural gas leases in the Outer Continental Shelf (OCS); [the other rule](#) applies to existing leases, which have never produced other than test production and would not be economic without royalty relief.

The Act provides incentives for companies to explore for and develop oil and natural gas in certain deep water areas of the Gulf of Mexico. Specifically, it mandates volumes of royalty-free production from fields in water depths exceeding 200 meters, both for new leases (issued after November 28, 1995, the date of enactment of the Act) and for existing leases. In the case of existing leases, the lessee(s) must submit an application and show new production would be economic only with relief.

MMS Acting Director Carolita Kallaur commented, "Deep water royalty relief for new leases has contributed to the record breaking lease sales in the Central and Western Gulf of Mexico over the last two years; a clear signal that the Gulf of Mexico is now one of the world's leading oil and natural gas plays."

The rule for existing leases specifies the conditions for the application and evaluation of royalty relief for those leases issued prior to the date of enactment. "After reviewing all of the comments received from industry, we believe this rule strikes a proper balance between the desire for a simple procedure and protection of the public interest," Kallaur said. The rule also simplifies the existing royalty relief program for producing leases anywhere on the OCS that are nearing the end of their economic life.

In the spring of 1996, MMS published two interim rules that allowed quick implementation of these provisions. With the publishing of today's final regulations, the rulemaking process for the deep water provisions of the Act are complete.

The MMS is the Federal Agency that manages and regulates 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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