



**U.S. Department of the Interior
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MMS Issues Guidelines and Fee Requirements for Royalty Relief Applications

The U.S. Department of the Interior's Minerals Management Service (MMS) today is issuing two sets of guidelines on application requirements and evaluation procedures relating to requests for royalty rate relief on Outer Continental Shelf (OCS) leases, and the fees that will be applicable for processing such applications. The guidelines take effect July 1, 1996.

The guidelines supplement a May 31 interim rule, which set conditions for granting suspension of royalty payments for volumes of natural gas and oil produced in certain deepwater leases in the Central and Western Gulf of Mexico considered uneconomic to develop without royalty relief.

"These guidelines reflect comments of our constituents and discussions held during workshops last spring," said MMS Director Cynthia Quarterman, "as well as information provided during the rulemaking process. Naturally, they also reflect our responsibility to assure fair market value for the leases.

"One set of guidelines describes the form, content, and analyses needed from lessees for a complete application for royalty relief on deep water leases," said Quarterman. "They also explain the procedures MMS will follow in determining whether an applicant qualifies for relief and the amount of relief that could be provided. They culminate an intensive seven-month effort following enactment of the Deep Water Royalty Relief Act on Nov. 28, 1995.

"The second set of guidelines updates interim guidelines issued December 15, 1995 and also supplement the May 31 interim rule," Quarterman said. "They outline the conditions for granting royalty relief on producing leases in all OCS areas through their conversion to net revenue share leases. The net revenue share relief guidelines achieve three main objectives: they simplify the treatment of costs in computing net revenues; they extend eligibility for relief to capital projects that expand production; and they provide more flexibility through a broader range of available net revenue share parameters."

Through a Notice to Lessees, operators were given a detailed explanation of the fees to be initially applied to six different types of applications, as well as information on how, when and where application fees are to be paid. The fees, which range from \$1,000 to \$34,000, are intended to cover the cost to MMS of processing these applications.

Quarterman noted that authority to collect fees for processing applications is contained in the Omnibus Appropriations Bill enacted in April 1996. "We will review the fee structure periodically to ensure that it continues to reflect costs to MMS," she declared.

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 distributes 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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MMS Internet website address: <http://www.boem.gov>
24 hour Fax-on- Demand Service: (202) 219-1703

Note to Editors: A copy of the Notice to Lessees describing the types of applications, fees, and a few typical questions and answers about this initiative is attached for your information, or it may be acquired on the MMS worldwide website at

<http://www.mms.gov>.

The two sets of guidelines: Guidelines for the Application, Review, Approval and Administration of The Deepwater Royalty Relief Program ... and ... Guidelines for the Application, Review, Approval, and Administration of Net Revenue Share Royalty Relief are also available on the MMS worldwide website.