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CONTACT: Michael L. Baugher
(303) 231-3162
[A.B. Wade](#)
(202) 208-3985

MMS WITHDRAWS FEDERAL GAS VALUATION REGULATION AMENDMENTS

The Minerals Management Service published today in the Federal Register an announcement withdrawing a previously proposed amendment to regulations for valuing natural gas located on federal public lands. "After consideration of several pertinent factors, including the continuing dramatic changes to the gas market and the results of an internal cost/benefit analysis, which indicated a potential \$20 million or more annual revenue loss from the proposed rule, we have decided it is best not to amend the existing regulations at this time," said MMS Director Cynthia Quarterman. She continued, "We are concerned that published indices for natural gas have not yet developed sufficiently to be representative of the gross proceeds actually received for lease production. We believe that the existing regulations are the best means to contend with continuing changes in the natural gas market. Nonetheless, the negotiated rulemaking process was effective in both surfacing portions of the existing regulations that require clarification and educating MMS and all affected parties about their respective concerns with gas valuation."

On November 6, 1995, MMS proposed amending regulations governing the valuation of natural gas produced on federal leases. The amendments reflected recommendations of the Federal Gas Valuation Negotiated Rulemaking Committee, a team comprising representatives from states, industry and the federal government. The amendments would have allowed lessees to choose from several options for valuing gas, including index prices published in natural gas newsletters, affiliated companies' arm's-length resale prices, and residue gas prices applied to the wellhead.

However, MMS remains interested in pursuing alternatives that will simplify the gas valuation process. The agency is soliciting comments on two options for valuing federal gas: one, index-based and the other, patterned after Norway's royalty collection practice for crude oil. Comments should be submitted to: Rules and Publications Staff, Royalty Management Program, Minerals Management Service, P.O. Box 25165, MS 3101, Building 85, Denver Federal Center, Denver, Colorado 80225-0165.

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf; and collects, accounts for, and disburses about \$4 billion in revenues each year from federal offshore 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