

The NewsRoom

Release: #3551

Date: May 18, 2007

MMS Releases Draft Extended OCS Deep and Ultra Deep Gas Royalty Relief Provisions*Includes Provisions for Royalty Relief Offshore of Alaska*

WASHINGTON – In accordance with the requirements of the Energy Policy Act of 2005 (EPACT), the U.S. Department of the Interior's Minerals Management Service (MMS) announced the availability of proposed amendments to its deep gas royalty relief regulations. The proposed rule, "Royalty Relief – Ultra-Deep Gas Wells on Outer Continental Shelf (OCS) Oil and Gas Leases; Extension of Royalty Relief Provisions to OCS Leases Offshore of Alaska, 1010-AD33" is published in today's [Federal Register](#). It would extend existing deep gas royalty relief provisions to more OCS leases, provide additional royalty relief for certain wells on OCS leases in the Gulf of Mexico, and expand authority to grant royalty relief to leases offshore of Alaska. MMS is accepting comments on the proposed rule for 60 days.

On January 26, 2004, MMS issued regulations to provide royalty relief incentives for deep gas production from certain Gulf of Mexico leases in less than 200 meters of water. This rule, subject to certain limitations, provides a royalty suspension volume (RSV) for two basic categories of deep gas production. An RSV of 15 billion cubic feet (BCF) is provided for qualifying wells between 15,000 and 18,000 feet true vertical depth subsea (TVD SS). An RSV of 25 BCF is provided for qualifying wells at least 18,000 feet TVD SS. This rule also provides lesser amounts of royalty relief for drilling certain unsuccessful deep wells and subsequent successful deep wells or sidetrack wells.

The EPACT mandates further incentives to producers by extending the deep gas program to additional water depths and by adding more relief for ultra deep gas production. Accordingly, this proposed rule extends deep gas royalty relief provisions from its current limit on leases in up to 200 meters of water depth to leases in water depths up to 400 meters in the Gulf of Mexico. The proposed rule would also raise the RSV to 35 BCF for qualifying ultra-deep wells at least 20,000 feet TVD SS in less than 400 meters of water. This additional relief will apply only in years when the annual NYMEX gas price is at or below \$4.47 per million British Thermal Units expressed in 2006 dollars.

The EPACT also amended the Outer Continental Shelf Lands Act (OCSLA) to extend the Secretary of the Interior's discretionary authority to grant royalty relief to leases offshore of Alaska prior to the commencement of production. This proposed rule implements that provision.

Contracts for eligible leases issued after enactment of the EPACT subjects those leases to the provisions of this rulemaking implementing Section 344 of the EPACT. Even if repeal of Section 344 of the EPACT were to occur as requested by the Administration in the 2008 budget, this rulemaking must be completed to impose the appropriate terms, conditions and restrictions on the mandated deep gas relief for these recently issued leases.

MMS will accept comments on the proposed rule through July 17, 2007. Comments on the proposed rulemaking may be submitted using any of the following methods:

- [Public Connect](#) on-line commenting system. Follow the instructions on the website for submitting comments.
- [Federal eRulemaking Portal](#). Follow the instructions on the website for submitting comments.
- [Email BOEM](#). Use the RIN 1010-AD33 in the subject line.
- Fax: 703-787-1546. Identify with the RIN, 1010-AD33.
- Mail or hand-carry comments to:

Department of the Interior
Minerals Management Service
Attention: Rules Processing Team (RPT)
381 Elden Street, MS-4024
Herndon, Virginia 20170-4817

Please reference "Royalty Relief – Ultra-Deep Gas Wells on Outer Continental Shelf (OCS) Oil and Gas Leases; Extension of Royalty Relief Provisions to OCS Leases Offshore of Alaska, 1010-AD33" in your comments.

Relevant Web Site:

[BOEM Main Website](#)

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