

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

NTL No. 2004-G12

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NOTICE TO LESSEES AND OPERATORS
OF FEDERAL OIL AND GAS LEASES
ON THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION

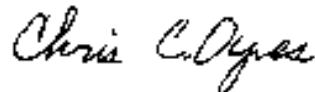
**Clarification of Deep Gas Royalty Suspension Provision in Lease Instrument
Relating to Sidetrack Completions**

For shallow-water leases issued from 2001 through 2003, the royalty suspension provisions in the lease instrument define deep gas as any gas production from a completion in a new gas reservoir (one not previously produced on any current lease) with the top of the perforated interval 15,000 feet or greater subsea. The reference to "completion" in this definition includes completions in both new and sidetrack wells. Accordingly, the lease instrument grants a 20 BCF royalty suspension volume (RSV) not only to new wells, but also to sidetrack wells.

In contrast, the RSV for a qualified sidetrack under the royalty relief regulation, (30 CFR 203.0 and 30 CFR 203.40 through 203.48) is determined based on the formula in 30 CFR 203.41 and does not require that the completion be in a new gas reservoir. In addition, an unsuccessful sidetrack can not earn a royalty suspension supplement (RSS) under the lease instrument, but may earn an RSS under 30 CFR 203.44.

Please contact Mr. B. J. Kruse at (504) 736-2634 with any questions about deep gas royalty relief.

Paperwork Reduction Act of 1995 Statement: The information collection referred to in this NTL is intended to provide clarification, description, or interpretation of requirements contained in 30 CFR 203, Relief or Reduction in Royalty Rates. The Office of Management and Budget (OMB) has approved the information collection requirements in these regulations under OMB control number 1010-0071. This NTL does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.



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