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(303) 208-3983

MMS, IPAA REACH AGREEMENT ON CONTRACT SETTLEMENTS  
SUIT(#40010)

The Interior Department's Minerals Management Service (MMS) and associations including the American Petroleum Institute and the Independent Petroleum Association of America, which represent most U.S. oil and gas producers, have reached an agreement on future proceedings in a lawsuit against the agency involving contract settlements, MMS officials have announced.

Industry associations had sued MMS and Interior Department officials to challenge a May 3, 1993 MMS interpretation of how royalty regulations apply to payments received under settlements between producers and purchasers to terminate or revise contracts for the sale of natural gas. The industry had also sought to overturn a June 18, 1993, Department order requiring all Federal and Indian lessees to submit detailed information regarding settlement payments. The suit is in the Federal District Court for the District of Columbia.

Under the agreement, signed on February 4, 1993, the industry associations agreed to withdraw their motion to enjoin the June 18 order while the case is pending. In return, MMS agreed to replace the original order with a second order which requires less detailed information -- specifically, a listing of settlements, settlement proceeds, and receipt dates. The associations will not challenge that order.

In the next few weeks, MMS officials will select some "test cases" for administrative review and probable ultimate court litigation. The intention is to resolve the main legal issues which control whether, and to what extent, producers owe royalty on gas contract settlement payments. After reviewing the test cases, the associations will then decide whether to pursue their case in the District of Columbia court.

"This administration has pledged to listen to and work with all of its constituents," said MMS Director Tom Fry. "That's the spirit behind this agreement."

Under the agreement, the agency also agreed to procedures governing ongoing audits of Federal and Indian royalty payors while the legal issues are being resolved.

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