

FOR RELEASE: August 17, 1994 CONTACT: John Barclay
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MMS' GAS MARKETING PILOT PROJECT GOES FORWARD (#40059)

The Interior Department's Minerals Management Service (MMS) will move forward with an innovative Royalty Gas Marketing Pilot Project, according to Acting Director Cynthia Quarterman. The pilot will run for a year beginning Jan. 1, 1995.

MMS recently solicited firms to volunteer for the program, and the agency has received favorable responses from industry. As of August 5, the equivalent of more than 220,000 million British Thermal Units per day had been volunteered by 20 gas producers. This response will give MMS adequate quantities to measure the administrative burdens and economic impacts of directly marketing royalty gas versus collecting royalties on it under existing reporting and valuation procedures.

The pilot program is the result of discussions between MMS officials and some of the agency's customers in the natural gas industry. Its intent is to reduce paperwork and simplify the process of royalty collection for both MMS and industry.

The project will test, for the first time, the concept of MMS taking the Federal Government's royalty share of gas production in kind, at or near the lease, and immediately selling it to competitively chosen gas marketer(s). MMS expects to select the pilot leases from those volunteered by early next month. Later in September, the agency will issue a public Invitation for Bids to gas marketers. MMS will enter into a contract with the successful company, or companies, in November.

"This project represents the true spirit of MMS's answer to the President's call for reinventing government," Quarterman said. "We are encouraged by industry's willingness to work with us in this endeavor. We'll be working with industry to design an efficient program that honors market accounting and serves both their needs and ours. We are open to suggestions and we'll be flexible as we go forward with this project."

MMS plans a question-and-answer forum on the project for interested gas producers later this month in Houston, TX., she said. The meeting will be from 10 a.m. - noon in the agency's Houston Area Audit Office, 4141 N. Sam Houston Parkway E., Suite 104, Houston, 77032-3843. Industry representatives will be allowed

to add or withdraw nominated leases for the project until September 9; producers in the Gulf of Mexico can still volunteer to be in the pilot program.

Marketers with questions about the program may call Jim Mackay, (703) 787-1354. Producers and other interested parties can call John Bratland at (202) 208-3979, or Jim McNamee at (303) 275-7126.

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