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MMS ISSUES IMPROVED GUIDELINES ON ROYALTY PAYMENTS

The Interior Department's Minerals Management Service (MMS) today published in the Federal Register a notice of availability of MMS's recently issued guidelines regarding the extent of time periods to be covered during reviews and audits of royalty payments.

"MMS developed these guidelines in consultation with affected states, Indian tribes, and the minerals industry to be more responsive to the public we serve," said MMS Director Cynthia Quarterman.

Controversy arose during the 1980's, when MMS increased audit activities in compliance with the Federal Oil and Gas Royalty Management Act. The resulting orders issued to companies for royalty underpayments often covered periods more than six years old. In response to those orders, many companies have challenged MMS on statute of limitations grounds, which have been asserted in federal court cases and a large number of administrative appeals.

"MMS has been working to conduct all audits on a contemporaneous basis consistent with the most effective and efficient use of audit resources, to provide industry with earlier closure, and to streamline the royalty collection process," said Quarterman.

"The improved guidelines state that it is MMS's policy to complete audits of royalty payments within 6 years of the date of payment and to issue audit reports and closure letters within 6 months of completion of audits. Additionally, the MMS Associate Director for Royalty Management has been asked to establish within the next 12 months necessary processes to shorten the time required to verify adjustments to royalty payments."

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MMS is the federal agency that manages the nation's natural gas, oil and other mineral resources on the OCS, and collects, accounts for and disburses about \$4 billion yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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