

Innovation 1:
FOR RELEASE: September 12, 1995

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MMS REFORMS ASSESSMENT POLICY

The U.S. Department of the Interior's Minerals Management Service (MMS) announced today, at its Royalty Policy Committee Meeting in Denver, the first in a series of innovations designed to streamline the MMS. The agency announced that effective October 1, MMS will change how it assesses charges on late and erroneous royalty and production reports on federal and Indian lands.

Under this new policy, MMS will no longer charge companies for filing royalty and production reports late and will no longer charge them for erroneous reports unless their overall monthly error rate exceeds the average Fiscal Year 1995 level.

"Companies holding mineral leases on federal and Indian lands must submit reports and pay royalties for the minerals and geothermal energy they extract and sell," explained MMS Director Cynthia Quarterman. "In order for MMS to distribute royalties due the states and Indian Tribes and allottees accurately and timely, the information reported to it must also be accurate and timely. Therefore, MMS has historically assessed companies for the costs associated with correcting inaccurate and untimely reporting.

"In 1990, the average error rate for royalty reporting was 5.4 percent with a three percent tolerance before we charged assessments. For the past year, we have lowered our billing tolerance to zero and now the error rate is less than three percent," Quarterman stated. "Assessments were meant to encourage timely and accurate reporting, not to punish or penalize. We recognize that there are diminishing returns at some point. If companies can maintain the accuracy of their reporting at the current level without assessments, we would have achieved our goal of having companies report right the first time. Since companies making late payments are already required to pay interest, further late payment assessments are unnecessary."

The MMS action will benefit industry, and will relieve the federal government of the need to process nearly 1,000 assessment bills annually and eliminate approximately 35 percent of all MMS appeals.

Although assessments on late reporting are being relaxed, Quarterman cautioned that MMS will continue to impose interest charges and civil penalties for payments that are late.

The Royalty Policy Committee is meeting in Denver to discuss streamlining and simplifying processes associated with collecting and disbursing federal and Indian minerals revenues. As representatives of groups most affected by mineral revenue practices, this special caucus of experts will serve an important role in advising on issues related to management of the Nation's multi-billion dollar, federal and Indian minerals revenue program.

MMS is the federal agency that manages the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf, and collects and disburses about \$4 billion yearly in revenues from mineral leases on federal and Indian land.

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