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## *Innovative Achievements*

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CONTACT: Tom DeRocco  
(202) 208-3985  
Michael L. Baugher  
(303) 231-3162

### MMS DEVELOPS GUIDELINES FOR EXTRAORDINARY PROCESSING COST APPLICATIONS

The U.S. Department of the Interior's Minerals Management Service (MMS) today announced publication of guidelines for applying for extraordinary processing cost allowances.

"MMS designed the guidelines to assist industry in preparing extraordinary processing cost allowance applications," said MMS Director Cynthia Quarterman. "These same guidelines will aid MMS in reviewing those applications, allowing us to streamline and provide certainty in the application process for federal and Indian leases."

Quarterman noted that members of the MMS Royalty Policy Committee reviewed the draft guidelines, with one member characterizing them as "a positive step [which] should be helpful to lessees in preparing applications."

Current gas valuation regulations allow a lessee to apply for an extraordinary processing cost allowance if the lessee can demonstrate that the costs are, by reference to standard industry conditions and practice, extraordinary, unusual or unconventional.

According to Quarterman, MMS considers the following factors in evaluating an extraordinary processing cost allowance application:

- the composition of the gas stream being processed;
- the complexity of the gas plant design compared to conventional or typical gas processing plants; and
- the unit costs incurred to recover the principal product, usually methane.

MMS evaluates the data submitted with each application to determine if the composition of the gas stream, plant design, and costs are clearly extraordinary in relation to other gas plants.

Using the new guidelines, MMS recently approved an extraordinary processing cost allowance request by The Louisiana Land & Exploration Company for the Lost Cabin Gas Plant, Wyoming.

A copy of the guidelines may be obtained on the Internet at <http://www.mrm.mms.gov>, or by calling the Valuation and Standards Division of MMS at (303) 275-7200.

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.