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MMS PROPOSES CHANGES TO NATURAL GAS VALUATION REGS

A proposed rule published in the July 31, 1996, Federal Register, by the U.S. Department of the Interior's Minerals Management Service (MMS) provides specific guidance to lessees and royalty payors on which transportation service components are deductible transportation costs as a result of Federal Energy Regulatory Commission (FERC) Order 636, which required the separation of sales and transportation services of natural gas.

With the April 8, 1992, issuance of FERC Order 636, pipelines were restricted to providing just transportation services, and the costs charged for transporting natural gas, which were previously bundled together, were required to be separated. These components may include transmission, storage, gathering, surcharges for FERC Order 636 transition costs, and administrative charges.

"This rule is being proposed by MMS to provide payors and auditors guidance on which of these components are allowable for transportation allowance calculation purposes," said MMS Director Cynthia Quarterman. "This rule helps to achieve MMS's goal of providing certainty, clarity and consistency on royalty issues to our customers so that royalties are reported right the first time."

MMS is the federal agency that manages and regulates the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf, and collects, accounts for, and disburses about $4 billion in revenues each year from offshore mineral leases and from onshore mineral leases on federal and Indian lands.

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MMS Internet website address: **http://www.mms.gov**
24 hour Fax-on- Demand Service: (202) 219-1703

EDITOR'S NOTE: A copy of the July 31, 1996 Federal Register notice and an MMS analysis of the proposed rule on FERC Order 636 is available on the MMS worldwide website at the above address.