

**U.S. Department of the Interior
Minerals Management Service
Office of Communications**

NEWS RELEASE

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MMS PROPOSES RULE TO UPDATE PRODUCTION MEASUREMENT REQUIREMENTS

The U.S. Department of the Interior's Minerals Management Service (MMS) is recommending changes to regulations governing oil and natural gas operations on the Outer Continental Shelf (OCS) to update production measurement and surface commingling requirements. The proposed rule appears in the February 26 Federal Register.

"MMS needs this rule to help ensure that natural gas produced on the OCS is accurately measured and reported," declared MMS Director Cynthia Quarterman. "Most of the production in the OCS is natural gas, and even a one percent measurement or reporting uncertainty could result in royalty revenue variations of \$15 million per year."

Agency officials explained that deregulation efforts of the 1980's resulted in a restructuring of OCS pipeline system operations, while under Federal Energy Regulatory Commission Order 636, pipeline companies operate as common carriers involved in transportation services to a broad spectrum of gas producers, end users, and transportation brokers.

"Because of the restructuring and complexity in pipeline operating systems and the increasing use and value of natural gas," said Quarterman, "the accuracy and reliability of meters become even more important to ensuring product accountability and fiscal responsibility. Thanks to industry research, we now have more precise metering and data collection equipment which helps us in meeting our responsibility to provide accurate production measurement and reporting."

MMS wants to implement a gas verification program. The program will be an integrated system of manual and automated processes for verifying gas sales volumes, qualities, and royalty payments. To implement such a program, however, MMS must change its regulations since there currently is no requirement for companies to submit the data needed to ensure accurate measurement and reporting of OCS natural gas production.

The agency will consider all comments received by May 27, 1997. Comments also may be sent to the Minerals Management Service, Mail Stop 4700, 381 Elden Street, Herndon, VA 20170-4817.

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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