



**U.S. Department of the Interior
Minerals Management Service
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NEWS RELEASE

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RELEASE:

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**MMS EXPANDS LIST OF DELEGABLE ROYALTY MANAGEMENT
FUNCTIONS TO STATES**

Today, the U.S. Department of the Interior's Minerals Management Service (MMS) has finalized its rule which authorizes the delegation of federal royalty management functions to state governments. Published in the August 12 edition of the *Federal Register*, the rule implements a provision of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA). Enacted one year ago on August 13, 1996, the RSFA made substantial changes to several areas of the MMS Royalty Management Program.

Prior to today's changes, participating states were eligible under provisions of Section 205 of the Federal Oil and Gas Royalty Management Act to perform only audits, inspections and investigations for the Federal Government. Under the new rule, effective September 11, states will retain the authority to conduct audits and investigations but they can also apply to perform the following additional functions: 1) receiving and processing production and royalty reports; 2) correcting erroneous report data; 3) performing automated verification and; 4) issuing demands, subpoenas, and orders to perform restructured accounting and related tolling agreements and notices to lessees or their designees.

Commenting on today's announcement, MMS Director Cynthia Quarterman stated, "We are particularly pleased to have published this rule within the one year statutory time frame. It was an ambitious undertaking and we are pleased to have received so much cooperation and input from state and industry representatives." In accordance with RSFA, MMS established a 205 Delegation Team of state representatives and MMS staff. This team worked to develop the proposed regulation. In addition, MMS met with industry in four locations in January and again in June 1997. The RSFA required promulgation of these regulations by August 13, 1997.

This expanded list of delegable activities pertains only to federal onshore oil and gas leases, and does not apply to solid mineral leases, geothermal leases and offshore leases subject to section 8(g) of the Outer Continental Shelf Lands Act, as previously published in an April 23, 1997, proposed rule. MMS sought legal advice on whether it has the authority to extend the additional delegable functions to those leases. Based on MMS's legal advice, this rulemaking limits delegation for those types of leases to audit and investigation activities. This rule does not apply to Indian mineral leases.

MMS is the federal agency that manages 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 federal offshore mineral leases and from onshore mineral leases on federal and Indian lands.

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