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CONTACT: Michael L. Baugher
(303) 231-3162
[Anne-Berry Wade](#)
(202) 208-3985

**MMS PUBLISHES AMENDMENTS TO
GAS TRANSPORTATION REGULATIONS**

The Department of the Interior's Minerals Management Service today announced publication of a final rule that will help clarify the deduction of transportation costs from royalty payments for natural gas derived from federal and Indian lands.

Published in the December 16, 1997, edition of the *Federal Register*, the rule provides specific guidance to lessees and royalty payors on which service component costs are deductible as a result of Federal Energy Regulatory Commission (FERC) Order No. 636. That order, published April 8, 1992, required the separation of natural gas sales and transportation services by pipelines.

Under FERC Order No. 636, pipelines are restricted to providing only transportation services and the costs charged by pipelines for previously bundled services are required to be individually itemized.

Effective February 1, 1998, this rule will provide guidance on which components can be used for transportation allowance calculation purposes. "The rule provides certainty, clarity, and consistency on royalty issues to MMS's customers so that royalties are reported right the first time," said MMS Director Cynthia Quarterman.

The final rule identifies such allowable costs as firm demand charges, commodity charges, gas supply realignment costs, payments for losses, banking/parking services (short-term storage), Gas Research Institute charges, annual charge adjustment fees, and supplemental costs for compression, dehydration, and treatment of gas (those that exceed the cost of services necessary

to place production into marketable condition).

Among the services that the final rule does not allow are some costs associated with long-term storage fees, penalties and intra-hub title transfer fees.

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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