
NEWS RELEASE

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MMS Proposes Changes to Regulations for Valuing Federal Oil

Today, the U.S. Department of the Interior's Minerals Management Service announced they will publish a further supplementary proposed rulemaking for valuing oil produced on Federal lands in the December 30, 1999 *Federal Register*.

MMS Director Walt Rosenbusch commented, "Several changes have been made in this [proposed rule](#) which respond to comments we received during the workshops held in March and April 1999. I believe this proposal demonstrates we have listened closely and we carefully considered all of the comments which were received."

The changes to the supplementary proposed rule include:

- Adding specific regulatory language regarding the issue of "second-guessing" a sale under an arm's-length contract;

- Ability to issue binding value determinations;

- Changing the definition of affiliate because of a judicial decision in a case decided after the close of the most recent comment period;

- Changing the way that actual costs of transportation are calculated;

- Eliminating MMS-published differentials and the associated proposed Form MMS-4415.

MMS has updated the economic analysis associated with the supplementary proposed rule. This analysis uses 1998 royalty data and arrives at a net royalty impact of \$67.3 million. Our previous analysis used 1996 royalty data and resulted in an estimated \$66 million in additional royalties.

Last week, MMS announced they would hold three public workshops to discuss the proposed rule. "I look forward to continuing a productive dialogue with the States, industry, and public interest groups at the upcoming workshops. I am pleased we were able to publish this rule sooner than we had expected so people will have the opportunity to review the proposal prior to the workshops," said Director Rosenbusch.

The comment period will be open for 30 days, closing on January 31, 2000. Comments should be submitted to the Minerals Management Service, Royalty Management Program, Rules and Procedures Staff, Denver Federal Center, Building 85, Box 25165, Mail Stop 3021, Denver, Colorado, 80225-0165. Questions can be directed to David Guzy, Chief of Rules and Publications, at (303) 231-3432 or e-mail David_Guzy@mms.gov.

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 last year disbursed about \$6 billion in revenues from federal offshore mineral leases and from onshore mineral leases on federal and Indian lands.