



NEWS

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CONTACT: Dian Lawhon
(202) 208-3985

Interior Department to Issue Final Rule on Applying for Deepwater Royalty Relief

A final rule on new procedures for obtaining royalty relief for certain offshore federal deepwater leases was announced today by Secretary of the Interior Gale A. Norton. The rule will be published in today's *Federal Register*.

The rule will allow some lease operators to apply for additional discretionary relief where royalty relief in the lease term is insufficient and the marginal nature of the project will preclude its further development. It will shorten the processing time for evaluating future applications and reduce the time needed by operators to prepare applications for new leases.

"This action is consistent with one of the recommendations made to the President under the National Energy Plan Study," said the Secretary. "The NEP study recommends that I consider economic incentives for environmentally sound offshore oil and gas development and explore opportunities for royalty reductions, consistent with ensuring a fair return to the public."

This rule is one in a series of several steps being undertaken by the Department of the Interior to carry out that recommendation. The new rule applies to leases issued before 1996 and after 2000 for all areas in the Gulf lying west of the Florida-Alabama boundary. It is a direct result of MMS' experiences processing previous applications under the Deepwater Royalty Relief Act of 1995.

"The effect of this new rule will be increased natural gas and oil production, which will help the nation to meet our growing demand for these energy resources," added Norton. "It will also provide an incentive for developing marginal properties resulting in additional revenue to the U.S. Treasury."

For leases sold after 2000, MMS will consider applications from lessees that may already have some royalty relief, but need additional amounts to be economical. Also, applications will now focus on development projects on a lease basis rather than on the more difficult to define basis of geologic fields. Upon approval of an application, the amount of relief will be directly related to the economic viability of the project as presented by the operator and evaluated by MMS scientists and economists.

The new rule also makes some changes in the way applications for royalty relief are processed for deepwater leases sold prior to 1996. Under the Deepwater Royalty Relief Act of 1995, the Interior Department had 180 days to make a decision

on a completed application. This will now be reduced to not more than 150 days. Also, consistent with applications for leases issued after 2000, the same categories of historic costs can now be included for expansion projects.

The MMS has granted seven deepwater applications for royalty relief since 1996.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from federal and Indian leases. These revenues totaled nearly \$10 billion last year and more than \$119 billion since the agency was created in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

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MMS Internet website address: <http://www.mms.gov>