

STATEMENT BY CYNTHIA QUARTERMAN, Director
Minerals Management Service
Department of the Interior
December 15, 1995

MMS CLARIFIES POSITION ON ROYALTY
SIMPLIFICATION AND FAIRNESS ACT

Recent articles in several trade journals imply that MMS does not support the primary concept of establishing a six-year limitation on the collection of royalty payments. This is simply not so. In fact, in July of this year, I signed a policy statement mandating that MMS audits of oil and gas payments be completed within six years of the date the payment was due. While we oppose the Budget Reconciliation bill, which was vetoed by the President, we do support some aspects of the Federal Oil and Gas Royalty Simplification and Fairness Act.

Since the Spring of 1995, the Administration has been reviewing and actively pursuing many issues of concern to the industry that were included in the Federal Oil and Gas Royalty Simplification and Fairness Act section of the Budget Reconciliation that was vetoed by the President. These issues include allowing industry to recoup excess payments on offshore leases beyond the current 2-year limitation and providing for the payment of interest on overpayments.

In September, MMS announced significant changes in its assessments policy, another provision of the legislation. Under this new policy, MMS will no longer charge companies for filing royalty and production reports late, nor will it charge them for erroneous reporting unless their error rates exceed previous levels.

These are only a few examples of MMS's efforts to create equity and simplify its royalty collection processes. During the last few years, MMS has included the industry and states in many of its deliberations dealing with regulatory and policy actions. These include the Federal and Indian Gas Negotiated Rulemakings, the allowance study group, and the Royalty Policy Committee, to name only a few. Including our constituents in the development of policy has become our standard operating procedure.

Early on, MMS worked closely with states and industry to come to agreement on the major issues addressed by the legislation. For example, we support the concept of establishing a six-year

limitation on the collection of royalty payments; allowing industry to recoup excess payments on offshore leases beyond the current two-year limitation; allowing for payment of interest on over-payments; simplifying the royalty collection process; setting timeframes for processing refunds; and the criteria defining marginal properties.

We believe our discussions with the industry and states would have resulted in legislation that would have simplified and improved the royalty process without significant revenue losses. Unfortunately, those consensus-based efforts never surfaced in Congress. The version of the bill vetoed by the President was neither simple nor fair and, as written, did not serve the American public. Nonetheless, MMS remains committed to continue its efforts to simplify and improve its royalty management program in consultation with all stakeholders.

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