

## ***NEWS RELEASE***

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### **MMS TO PUBLISH RULE CHANGES TO EXTEND OFFSHORE LEASE TERM**

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#### Retains 5-Year Drilling Requirement

The Minerals Management Service (MMS) Director, Cynthia Quarterman announced today the agency's plans to publish a final rule allowing holders of offshore natural gas and oil leases 180 days between operations for a lease continued beyond its primary term; previously, 90 days were allowed. The MMS is an agency within the U.S. Department of the Interior. The agency issues offshore leases for terms running five, eight or ten years, depending on water depth. The rule will be published in the *Federal Register* on October 30, 1996.

At the same time, the agency is also publishing a rule continuing a requirement to begin exploratory drilling within five years on eight-year term leases, but pledged to study related data from eight-year leases issued for several years subsequent to 1990.

Speaking at a public lands and royalty workshop hosted by the Independent Petroleum Association of American (IPAA), Cynthia Quarterman said, "When industry and government work cooperatively, we can cope with problems, both from an operational and regulatory standpoint. The rule change increasing time between operations recognizes a need of industry. Since most of the easily found offshore resources have been produced, industry is focusing its efforts in deeper waters, on subsalt projects, and other areas of complex geology. The additional time provided in this rule allows for better analysis of 3-D seismic, geological, geophysical and engineering data. By striking a balance between encouraging diligent operations and allowing proper time for lessees to evaluate their exploratory and development options, MMS believes that more efficient and expedient production, drilling, and well-reworking operations will result."

**(more)**

Quarterman noted that the rule will clearly state that any drilling or well-reworking program must be part

of a plan that has as its objective continuous production on the lease. "We intend to closely monitor the actions of lessees to ensure that this objective is met," she declared.

In a related action, MMS will issue another final rule that retains the requirement to begin exploratory drilling within five years on leases with an eight-year term. "Under a proposed rule we issued in June of this year," said Quarterman, "we had considered removing that requirement. Independent oil companies and drilling contractors opposed that proposal maintaining that the drilling requirement is necessary to ensure diligence. Therefore, we believe it's prudent to analyze data from eight-year leases issued for several years subsequent to 1990, a period of both declining and increasing exploratory drilling."

The rule will also change the 400 to 900-meter water depth margin for eight-year leases to 400 to 800 meters. "The Deep Water Royalty Relief Act delineated deep water relief categories of 200, 400 and 800 meters. Now the lease terms and royalty relief water depths are consistent with each other," said Quarterman.

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 yearly in revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

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