



U.S. Department of the Interior
Minerals Management Service
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MMS Proposes Accounting and Auditing Relief for Marginal Properties

The U.S. Department of the Interior's Minerals Management Service is proposing new regulations which would explain how lease holders may obtain accounting and auditing relief for federal oil and gas leases that qualify as marginal properties. Marginal properties are identified as properties whose wells produce, on average, less than 15 barrels of oil equivalent per day.

"The goal of the new regulations is to promote continued production of otherwise uneconomic properties through reduction of administrative costs," said MMS Director Johnnie Burton.

The new regulations implement provisions of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, and were developed by MMS based on input from the Royalty Policy Committee – an advisory committee chartered by the department to advise the secretary on royalty policy matters.

The proposed rule would provide two types of accounting and auditing relief for qualifying properties: (1) cumulative reports and payments, and (2) other accounting and auditing relief appropriate for the specific property.

The cumulative reports and payments option would permit lessees to submit royalty reports and payments annually rather than monthly for qualifying marginal properties. Lessees would have to notify MMS in writing before applying this option.

The "other" option would permit requests for any type of accounting and auditing relief appropriate for a property, subject to certain limitations. Lessees would need MMS approval before applying this option. MMS would approve, deny or modify the request only after consulting with the affected state. However, by written notification to MMS, a state could decide in advance whether it would allow either of the relief options. Generally, the relief could continue as long as the property qualifies as

marginal.

The proposed regulations were published in the *Federal Register* on March 31, 2003, and can be viewed online at:

http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRProRu.htm.

Comments on these regulations are invited and should be forwarded to MMS by May 30, 2003, for consideration in the final rulemaking. Comments may be mailed to:

Minerals Management Service
Mineral Revenue Management
Regulations and FOIA Team
P.O. Box 25165, MS 320B2
Denver, Colorado 80225-0165

For more information on this regulation or to learn how to submit comments electronically, contact Paul Knueven by phone at (303) 231-3316, by fax at (303) 231-3385 or by email at Paul.Knueven@mms.gov.

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 more than \$6 billion in 2002 and more than \$127 billion since the agency was created in 1982.

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