



## NEWS RELEASE

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Minerals Management Service  
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### **MMS Publishes Federal Register Notice to Consider Base and Sliding Scale Rentals in Future GOM Lease Sale**

WASHINGTON -The Minerals Management Service is proposing an increase to base level rentals and considering the use of sliding scale rentals in future Gulf of Mexico lease sales. MMS has published a [Federal Register notice](#) requesting comments on the proposed increases.

The President's FY 2006 Budget submission called on MMS to increase the base level for rentals. The current base rental rates are \$5.00 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$7.50 per acre or fraction thereof for blocks in water depths of 200 meters or greater. These rates were last adjusted in 1993 for the shallow water depth and in 1996 for the deeper water depth.

For future lease sales for the GOM, MMS is proposing to raise these base levels to approximately \$6.25 per acre or fraction thereof for blocks in water depths of less than 200 meters and \$9.50 per acre or fraction thereof for blocks in water depths of 200 meters or greater. These increased rental rates mostly reflect inflationary adjustments from the last time rentals were revised. MMS is also considering using a sliding scale structure for blocks in water depths of 400 meters or greater, where royalty relief is typically offered.

Since implementation of the Deep Water Royalty Relief Act in 1996, the increase in the pace of leasing has been about twice as high as the increase in the pace of exploration. Use of a sliding scale rental system is designed to encourage exploration in deepwater areas earlier in the lease term.

The table below lists the possible annual rental rates being considered, both base levels and escalated levels.

<b>Year</b>	<b>Rental Rate (per acre per year or fraction thereof)</b>
1	\$9.50
2	\$9.50
3	\$9.50
4	\$9.50

5	\$9.50
6	\$10.50
7	\$12.00
8	\$13.75
9	\$15.50
10	\$17.50

If a lease is drilled within the first 5 years of its initial period, escalating rentals can be avoided through either a discovery or through relinquishment. In the case of a discovery during the first 5 years, the rental rate would remain at \$9.50 until the start of royalty-bearing production. If exploration is unsuccessful, or no discovery is made, the lease may be relinquished.

For discoveries made after the first 5 years of the primary term of the lease, the escalating rental rates would return to the level that prevailed during the first 5-year period.

MMS requests comments on both the increase to a new base level of rentals for all water depths, and the structure of the escalating rental rates that MMS is considering for water depths 400 meters or greater and their possible effects on acquisition and exploration decisions.

The comment period closes on April 1, 2005. Comments may be submitted to MMS in the following ways:

Public Connect online commenting system at: <https://occonnect.mms.gov/pcs-public/>

Email: [rules.comments@mms.gov](mailto:rules.comments@mms.gov)

Postal mail: Department of the Interior  
Minerals Management Service  
Attention: Rules Processing Team (RPT)  
381 Elden St.  
Herndon, VA 20170-4817

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments through advanced science and technology research. The OCS provides 30 percent of oil and 23 percent of natural gas produced domestically, and sand used for coastal restoration. MMS's collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982. The Land and Water Conservation Fund, which pays for acquisition of state and federal park and recreation land, gets nearly \$1 billion a year.

**MMS Main Website:** [www.mms.gov](http://www.mms.gov)  
**Gulf of Mexico Website:** [www.gomr.mms.gov](http://www.gomr.mms.gov)

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