



NEWS RELEASE

U.S. Department of the Interior
Minerals Management Service
Office of Public Affairs

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MMS Proposes Amendments to OCS Oil and Gas Royalty Relief Regulations

Amendments Would Conform Regulations to 2004 U.S. Court of Appeals Fifth Circuit Decision

WASHINGTON – The U.S. Department of the Interior’s Minerals Management Service (MMS) is proposing changes to its regulations for deepwater royalty relief on the Outer Continental Shelf (OCS) to conform to the 2004 decision of the U.S. Court of Appeals for the Fifth Circuit in Santa Fe Snyder Corp., et al. v. Norton. That court decision found that certain provisions of the MMS regulations interpreting section 304 of the Deep Water Royalty Relief Act (DWRRA) of 1995 are contrary to the requirements of the statute.

The court found that MMS could not exclude a lease issued under section 304 from receiving royalty relief if it was part of a field that was already producing before the DWRRA became law; the court also found the Royalty Suspension Volumes (RSVs) prescribed in section 304 apply to each lease, not jointly to all leases in a particular field. MMS issued an Information to Lessees (ITL) on August 8, 2005, alerting affected lessees that MMS would respect the court decision and would revise its regulations accordingly.

This [proposed rule](#) would revise 30 CFR part 260, and 30 CFR part 203, to treat eligible leases issued under section 304 of the DWRRA in a manner consistent with the Santa Fe Snyder ruling.

The DWRRA was designed to encourage development of new supplies of energy. It included incentives to promote investment in oil and gas production in high-cost, high-risk deep waters of the Gulf of Mexico. Under the DWRRA, the Secretary of the Interior was required to suspend royalties for certain volumes of production on all leases in more than 656 feet (200 meters) of water in the Central and Western Gulf of Mexico issued in the first 5 years following enactment of the Act. These royalty suspension volumes (RSVs) (i.e., specified volumes of royalty-free production) ranged from 17.5 million to 87.5 million barrels of oil equivalent, depending on water depth.

Detailed and specific revisions are contained in the proposed rule. MMS will accept comments on the proposed rule for 60 days through one of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions on the website for submitting comments.
- Email MMS at rules.comments@mms.gov. Use RIN 1010–AD29 in the subject line.
- Fax: 703-787-1546. Identify with the RIN, 1010–AD29.
- Mail or hand-carry comments to:
The Minerals Management Service
Attention: Regulations and Standards Branch (RSB)
381 Elden Street, MS-4024
Herndon, Virginia 20170-4817

Please reference “Royalty Relief for Deepwater OCS Oil and Gas Leases–Conforming Regulations to Court Decision, 1010–AD29” in your comments.

Comments will be accepted through February 19, 2008.

-- MMS --

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