

Date: January 10, 1989.

W. U. Rennebaum,
District Manager.

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BILLING CODE 4310-66-M

[AA-620-09-4111-01-2410]

Decision of the Secretary of the Interior Implementing Reduction in Rental Rate for Oil and Gas Leases

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice of Decision of the Secretary of the Interior Implementing Reduction in Rental Effective March 1, 1989, Through February 29, 1992, For All Onshore Oil and Gas Leases Except Those Issued Under the Provisions of the Federal Onshore Oil and Gas Leasing Reform Act of 1987 and Those Reinstated Under the Provisions of the Federal Oil and Gas Royalty Management Act of 1982.

SUMMARY: The Secretary of the Interior has reduced to not greater than \$1 per acre or fraction thereof per year the rate of rental beginning with the lease anniversary year commencing March 1, 1989, and for each subsequent year, ending on February 29, 1992, for all onshore oil and gas leases then in force (except those issued under the provisions of the Federal Onshore Oil and Gas Leasing Reform Act of 1987 and those reinstated under the provisions of the Federal Oil and Gas Royalty Management Act of 1982).

EFFECTIVE DATE: March 1, 1989.

ADDRESS: Inquiries or suggestions should be sent to: Director (620), Bureau of Land Management, Room 602, Premier Building, 18th and C Streets, NW., Washington, DC 20240.

FOR FURTHER INFORMATION CONTACT: Jeffrey F. Zabler, (202) 653-2182.

SUPPLEMENTARY INFORMATION: The Secretary of the Interior has announced a decision to expand and continue to grant rental reductions to adjust the rate of rental for all onshore oil and gas leases except those issued under the provisions of the Federal Onshore Oil and Gas Leasing Reform Act of 1987 and those reinstated under the provisions of the Federal Oil and Gas Royalty Management Act of 1982. Reductions were previously granted in 1986 and again in 1987 for certain leases. This action becomes effective March 1, 1989, and will continue through February 29, 1992, unless, after considering factors related to the rental rate such as the level of development of Federal leases, economic conditions in the oil industry, the level of imports, and the like, the

Secretary decides to terminate the rental reduction at an earlier date. In such case, he will do so only after giving lessees three months notice of his intended action. The rental paid in a year a lease is issued is not affected by this policy and will remain the statutorily set \$1.50 per acre or fraction thereof. The reduction applies to all rentals for all leases in effect on March 1, 1989, except those leases issued under the provisions of the Federal Onshore Oil and Gas Leasing Reform Act of 1987 and those leases reinstated under the provisions of the Federal Oil and Gas Royalty Management Act of 1982, regardless of the rate then applicable unless that rate already is less than \$1 per acre per year.

This rental reduction is granted by the Secretary of the Interior under Section 39 of the Mineral Leasing Act of 1920 (30 U.S.C. 209) which states in part: "The Secretary of the Interior, for the purpose of encouraging the greatest ultimate recovery of coal, oil, gas, . . . and in the interest of conservation of natural resources, is authorized to waive, suspend, or reduce the rental . . . on an entire leasehold . . . whenever in his judgment it is necessary to do so in order to promote development . . ."

There are many costs to the developers and producers of oil and gas: The cost of acquiring the lease, the cost of holding the lease, the cost to explore, the cost to develop, and the cost to process the product. This action is being initiated to reduce one of the costs, the costs of holding the lease. If leases are relinquished, the resource cannot be developed until the land is re-leased in the future. It is anticipated that a uniform rental reduction to \$1 an acre will keep more lands under lease and provide additional capital for exploration and development.

The domestic production of oil and gas resources is the cornerstone of our national security. There are several recent and alarming developments which seriously threaten the domestic oil and gas industry. In 1983, there were 146.5 million acres of Federal lands under lease for oil and gas development. Five years later, at the end of Fiscal Year 1988, there are just under 70 million Federally owned acres under lease for this strategic resource, less than 48 percent of the 1983 figure. At the same time, oil prices worldwide have plummeted from over \$30 per barrel to just over \$10 per barrel because of a worldwide glut created by oil rich OPEC nations, and oil and gas imports have rocketed to 43 percent of our nation's consumption, aggravating the nation's balance of trade deficit, weakening a native strategic industry and exposing

the nation to another energy crisis. The drop in oil prices has been paralleled by cost increases in exploration, development and production. Profits have been reduced or eliminated to the point that this strategic industry is being forced to rely more heavily on foreign operations to survive at the expense of domestic energy development. A continuation of this trend will have deleterious and long-term effects.

An adjunct of the decline of this domestic industry has been the economic and social decline of those regions dependent on the industry. Wages and employment opportunities have been hard pressed to the detriment of the local population. This, in turn, has placed downward pressure on demand for goods and services from all parts of the nation and has restrained the forces for overall economic growth.

Industry opportunity to otherwise use these funds while continuing to hold and maintain Federal leases will facilitate the national interest by promoting long-term development of domestic strategic energy resources. It is expected that this, in turn, will decrease energy dependence and exert positive influences on the balance of trade and regional and national economic well being.

Date: January 12, 1989.

Donald Paul Hodel,

Secretary of the Interior.

[FR Doc. 89-1212 Filed 1-18-89; 8:45 am]

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[NM-010-4333-10/GP9-0107]

Intent to Amend The Rio Puerco Resource Management Plan

AGENCY: Bureau of Land Management (BLM), Interior.

ACTION: Rio Puerco Resource Area Plan Amendment.

SUMMARY: The Rio Puerco Resource Area is preparing a General Management Plan (GMP) which will amend the Rio Puerco Resource Management Plan (RMP, finalized November 1986) as it pertains to El Malpais Special Management Area (SMA). The GMP represents a greater level of detail in the planning process which is more site specific than the RMP and could be compared to an activity plan. The Rio Puerco RMP established El Malpais SMA and called for management which emphasized protection of wildlife habitat, visual values, cultural values, scientific/interpretive values and recreational values. Pub. L. 100-225 created El



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240



IN REPLY REFER TO

3103(620)

MEMORANDUM

To: Chief, Fiscal Accounting Division, Minerals Management Service
Attention: Don Gilman

From: Deputy Assistant Director, Energy and Mineral Resources/Fluids

Subject: Reduction in Rental Rate for Certain Oil and Gas Leases

Attached is a copy of Federal Register Notice reducing the rental rate for certain oil and gas leases to \$1 per acre, or fraction thereof.

Please note that this notice extends the policy of rental rate reduction for all simultaneous oil and gas leases with escalating rental rates, whose rental rates would have increased from \$1 to \$2 per acre beginning with the March 1, 1989 rental due date. This reduction also extends to all competitive and noncompetitive oil and gas leases (except those leases issued under the provisions of the Federal Onshore Oil and Gas Leasing Reform Act of 1987 and those leases reinstated under the provisions of the Federal Oil and Gas Royalty Management Act) beginning with the rental due date of March 1, 1989.

Since courtesy rental notices have already been sent for rentals due March 1, 1989, it will be necessary to refund any excess rental paid.

1 - Attachment (Federal Register Notice)