

[4310-MR-W]

DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Part 206

1010-AD05

Workshops to Discuss Specific Issues Regarding the Existing Rule--Revision of Gas Royalty Valuation Regulations and Related Topics; Final Rule

AGENCY: Minerals Management Service, Interior.

ACTION: Notice of public workshops.

SUMMARY: The Minerals Management Service (MMS) is giving notice of four public workshops to discuss specific issues regarding the existing Federal gas royalty valuation regulations at 30 CFR Part 206 for natural gas produced from Federal leases.

DATES: The public workshop dates are:

Workshop 1 – Denver, Colorado, on April 23, 2003, beginning at 8:30 a.m. and ending at 2 p.m., Mountain time.

Workshop 2 - Albuquerque, New Mexico, on April 24, 2003, beginning at 8:30 a.m. and ending at 2 p.m., Mountain time.

Workshop 3 - Houston, Texas, on April 29, 2003, beginning at 8:30 a.m. and ending at 11 a.m., and continuing at 2 p.m. and ending at 5:00 p.m. Central time.

Workshop 4 - Washington, D.C., on May 1, 2003, beginning at 8:30 a.m. and ending at 2 p.m. Eastern time.

ADDRESSES: The workshop locations are:

Workshop 1 will be held at the Minerals Management Service, Denver Federal Center, 6th Avenue and Kipling Street, Building 85, Auditoriums A-D, Denver, Colorado, 80226-0165, telephone number (303) 231-3302.

Workshop 2 will be held at the Double Tree Hotel Albuquerque, 201 Marquette NW, Albuquerque, New Mexico 87102, telephone number (505) 247-7000.

Workshop 3 will be held at the Westin Galleria, 5060 West Alabama, Houston, Texas 77056, telephone number (713) 960-8100.

Workshop 4 will be held at the Main Interior Building, 1849 C Street, NW, Washington, D.C. 20240 (South Penthouse Room), telephone number, (202) 208-3512.

FOR FURTHER INFORMATION CONTACT: Paul Knueven, Minerals Management Service, Minerals Revenue Management, P.O. Box 25165, MS 320B2, Denver, Colorado 80225-0165, telephone (303) 231-3316, fax number (303) 231-3781, email Paul.Knueven@mms.gov.

SUPPLEMENTARY INFORMATION: MMS continues to evaluate the effectiveness and efficiency of its regulations. While we believe that the Federal gas valuation rule generally is accomplishing its objective, that rule is now 15 years old. With the changes having taken place in the natural gas market over the past 15 years, our experience with the 2000 Indian gas valuation rule, and 5 years of experience with taking royalties in kind, we have identified possible changes to the existing rule on which we seek public comment.

Accordingly, MMS is seeking public comment and recommendations on the following specific issues:

(1) allowing lessees who sell their production to an affiliate the option (for a 2 year period) of basing the royalty value on either a published index price for gas or their affiliate's arm's-length resale price, (2) using NYMEX prices at the Henry Hub rather than published spot prices for natural gas, (3) adjusting natural gas index prices for location differences between the index pricing point and the lease, (4) revising the specific transportation costs that we identified in MMS's 1998 amendment to the transportation allowance regulations, (5) determining the rate of return allowed for calculating actual costs under non-arm's-length transportation agreements, (6) allowing lessees to apply natural gas index prices to wellhead gas volumes to eliminate the current

requirement of tracing gas that is processed to remove natural gas liquids, and (7) valuing and reporting natural gas disposed of under joint operating agreements.

In addition to the specific issues identified above, we encourage participants to comment on any other significant issues impacting the value of natural gas for royalty purposes.

The workshops will be open to the public without advance registration. Public attendance may be limited to the space available. We encourage a workshop atmosphere; members of the public are encouraged to participate.

For building security measures, each person may be required to present a picture identification to gain entry to the meetings.

Date

Lucy Querques Denett
Associate Director for Minerals
Revenue Management