



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240



INFORMATION TO LESSEES (ITL) AND OPERATORS OF DEEPWATER FEDERAL OIL, GAS, AND SULPHUR LEASES IN THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION

On October 4, 2004, the United States Court of Appeals for the Fifth Circuit issued its decision in *Santa Fe Snyder Corp., et al. v. Norton*, No. 03-30648. (The decision is reported at 385 F.3d 884.) In that case, the court addressed the meaning and application of the mandatory royalty relief terms in section 304 of the Deep Water Royalty Relief Act ("DWRRA"), Pub. L. No. 104-58, 109 Stat. 563, 565, 43 U.S.C. § 1337 note, in the context of (1) leases issued under DWRRA section 304 (*i.e.*, deep water leases issued in lease sales held between November 1995 and November 2000) that are assigned to fields that were producing before the DWRRA's enactment, and (2) situations in which more than one lease issued under section 304 is assigned to the same field no matter when the field began producing.

The United States did not seek Supreme Court review of the *Santa Fe Snyder* decision, and thus the decision is final. In the near future, the Minerals Management Service (MMS) intends to publish a rule that will conform the regulations in applicable sections of 30 C.F.R. Parts 203 and 260 to the *Santa Fe Snyder* decision. In the meantime, MMS will determine lessees' royalty liability under leases subject to DWRRA section 304, for both past and future periods, in a manner consistent with the Fifth Circuit's decision in the *Santa Fe Snyder* case, with respect to both leases assigned to fields that were producing before the DWRRA's enactment and availability of statutory royalty suspension volumes for individual leases rather than for fields.

This ITL does not apply to leases issued in sales held before November 1995 or after November 2000, to which DWRRA section 304 does not apply.

For royalty payment matters, please contact Mr. Roman Geissel, Supervisory Mineral Revenue Specialist, at (303) 231-3226 or roman.geissel@mms.gov. For further information or to address specific questions, please contact Mr. Mike Melancon, Regional Supervisor for Production and Development, Gulf of Mexico Regional Office, at (504) 736-2675 or Mike.Melancon@mms.gov.

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Date

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