



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Minerals Revenue Management  
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Dear Geothermal Reporter:

The MMS published new geothermal royalty valuation regulations in the Federal Register on May 2, 2007 to implement the provisions of the Energy Policy Act of 2005 (EPAct) governing the payment of royalty on geothermal resources produced from Federal leases and the payment of direct use fees in lieu of royalties. The EPAct provisions amend the Geothermal Steam Act of 1970 (GSA). The new regulations amend the current MMS geothermal royalty valuation regulations and simplify the royalty and direct use fee calculations for geothermal resources for leases issued under the EPAct and leases whose terms are modified under the EPAct. The new regulations can be found at: [http://www.mrm.mms.gov/Laws\\_R\\_D/FRNotices/FRFinRules.htm](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRFinRules.htm). Chapter 7, Reporting Geothermal Royalty and Other Geothermal Lease Payments, of the Minerals Revenue Reporter Handbook has been updated to incorporate the changes resulting from the EPAct. The update includes geothermal lease payments for rents, minimum royalties, production royalties, direct use fees, advanced royalties, near term production incentives, credits for in-kind deliveries of electricity to states and/or counties, and compensatory royalties.

The updated Chapter has been posted to the MMS web site at: <http://www.mrm.mms.gov/ReportingServices/Handbooks/Handbks.htm>. These changes to the payment of royalty on geothermal resources were effective June 1, 2007.

Please note that the Dear Geothermal Reporter Letter from MMS dated May 23, 2006, entitled: "Recouping Rents Against Current Geothermal Royalties", should have stated that this recoupment of rental payments applies only to Class II leases as defined in 30 CFR 206.351, and to Class III leases as defined in that section that elect under 43 CFR 3200.7(a)(2) to be subject to all of the BLM regulations promulgated for leases issued after August 8, 2005.

If you have any questions, please contact, Herb Black at 303-231-3769.

Sincerely,

*Lorraine F. Corona*  
for Lorraine F. Corona  
Reporting Services Manager

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