

**UNITED STATES DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE**

NTL No. 99-N04

Effective Date: March 5, 1999

NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS LEASES  
IN THE OUTER CONTINENTAL SHELF

**Revised Guidelines for Royalty Relief Under 30 CFR Part 203**

This NTL supersedes NTL 98-17N and amends the guidelines for applying for royalty relief. As we stated in earlier NTLs on royalty relief, we expect to periodically update these guidelines to reflect our experience in processing applications.

Under 30 CFR Part 203, certain lessees may apply to MMS for a suspension of royalty payments or a reduced royalty rate by submitting a complete application. We describe the specific data elements, parameters, reports and computer model or spreadsheets in a complete application in two separate Appendices to this NTL. These guidelines are Appendix I: GUIDELINES FOR THE APPLICATION, REVIEW, APPROVAL, AND ADMINISTRATION OF THE DEEP WATER ROYALTY RELIEF PROGRAM and Appendix II: GUIDELINES FOR THE APPLICATION, REVIEW, APPROVAL, AND ADMINISTRATION OF ROYALTY RELIEF FOR END-OF-LIFE LEASES. They also explain the procedures we will follow for evaluating applications and implementing royalty relief.

We make seven changes in the Appendices from the previous versions of these guidelines.

- (1) We may grant a departure from a specific provision in the guidelines when an applicant makes an explicit and compelling request prior to or at time of application. See Section A. in both Appendix I and Appendix II.
- (2) We may interrupt our evaluation if an applicant drills additional wells after filing an application but before we have made a determination. See Sections F. and G. in Appendix I.
- (3) We accept RSVP results that contain up to 20 percent loss-limited trials, instead of up to 10 percent as specified previously. See Section H. in Appendix I.
- (4) We update the price assumptions used to evaluate future applications. See paragraph b. in the Economic Viability and Relief Justification Report of Appendix I.
- (5) We now require that applicants submit the expected maximum shut-in pressure at the wellhead. See paragraph g in the Geological and Geophysical Report of Appendix I.
- (6) We clarify the definition of production. See Section C. in Appendix II.
- (7) We add an example of how to calculate the weighted average price increase that would cause us to suspend royalty relief. See Section E. in Appendix II.

We advise that you carefully review a copy of the appropriate guidelines if you intend to request royalty relief. They will help you structure your application to expedite our evaluation. The most current version of the guidelines display a date of March 1999.

You may request a copy of the guidelines from your regional office. They, along with the computer model or spreadsheet that you will need to prepare an application, are also available on the MMS website at <http://www.mms.gov>.

We believe our deep water and end-of-life programs cover the large majority of cases where royalty relief appropriately balances lessee and public interest. However, we recognize that royalty relief may serve the statutory purposes in exceptional situations that do not conform to our formal programs. As summarized in 30 CFR 203.1 (1998), these statutory purposes include promoting increased production in any lease areas, or promoting development and production of marginal resources in the Central and Western Gulf of Mexico. Characteristics we look for in these exceptional situations include, but are not necessarily limited to, two or more of the following.

- (1) The lease has produced for a substantial period and lessee can recover significant additional resources.
- (2) Valuable facilities exist on the lease that are unlikely to be used by a successor lessee (e.g., a platform or pipeline that would be removed upon lease relinquishment).
- (3) There is a substantial risk that the resources would never be recovered otherwise (e.g., re-leasing by MMS in future lease sales is unlikely).
- (4) The lessee made major efforts to reduce lease operating costs too recently to utilize the formal program for royalty relief (e.g., recent significant change in operations).
- (5) Circumstances beyond lessee control preclude reliance on one of the existing royalty relief programs.
- (6) Formal relief programs provide inadequate encouragement to increase production or development but other workable forms that provide the public with a fair market value do so (e.g., variable rather than fixed reductions in royalty rates).

If you believe your situation is exceptional as discussed above, you should present the data and arguments for allowing you to seek royalty relief outside our formal programs to the MMS Associate Director for Offshore Minerals Management. Particularly in this period of record low oil prices, we want to assure that any situation that may merit royalty relief be given consideration to apply.

If you have any questions on this NTL, you may contact Marshall Rose (703) 787-1538.

**Paperwork Reduction Act of 1995 Statement:** Any collection of information that we mention in this NTL and its guidelines provides clarification, description, or interpretation of requirements contained in 30 CFR Part 203. The Office of Management and Budget has

approved our collection of information required by these regulations and assigned OMB Control Number 1010-0071. These guidelines do not impose additional information collection requirements that would be subject to the Paperwork Reduction Act of 1995.

Dated: March 5, 1999

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Carolita U.Kallaur  
Associate Director for  
Offshore Minerals Management