



OFFICE OF THE SECRETARY
**U.S. Department
of the Interior**

www.doi.gov

News Release

Date: June 30, 2016

Contact: Interior_Press@ios.doi.gov

Interior Department Announces Final Regulations To Ensure American Public Receives Every Dollar Due for Production of Oil, Gas & Coal on Public Lands

*Updated regulations offer simplicity, certainty & strengthen ability to ensure
companies pay full royalties for production of public resources*

WASHINGTON, DC – As part of the overall effort to modernize the Nation’s energy regulations, the U.S. Department of the Interior today released final regulations that will improve valuation and revenue collection for the country’s mineral resources, ensuring Americans receive every dollar due for production of those resources on public lands and waters. Developed by Interior’s Office of Natural Resources Revenue (ONRR), the rule also provides the clarity and certainty for industry in determining the market value, for royalty purposes, of Federal oil and gas, and Federal and American Indian coal.

“These improvements were long overdue and urgently needed to better align our regulatory framework with a 21st century energy marketplace, offering a simpler, smarter, market-oriented process,” said U.S. Interior Secretary Sally Jewell. “As the steward of America’s oil, natural gas and coal production on public lands, Interior has an obligation – and is fully committed – to ensuring that the American taxpayer receives every dollar due for the production of these domestic energy resources.”

Jewell further noted that the ONRR oil, gas and coal valuation rule is an important part of the ongoing reform agenda for the federal coal program as it relates to improving transparency and accountability.

“This valuation rule is important because it ensures, in part, that our federal coal program is properly structured to obtain all revenue due to taxpayers,” Jewell said. “The updated rule will increase the effectiveness and efficiency of the valuation process, and provide greater clarity and consistency for lessees and revenue recipients.”

The current oil, gas and coal valuation regulations – originally put in place in the late 1980s – have not kept pace with the significant market changes that have occurred in the domestic energy markets since that time. The final rule updates the regulations to help keep pace with modern technology and practices.

Specifically, the rule reaffirms that valuation, for royalty purposes, is best determined at or near the lease and that gross proceeds from arm's-length contracts are the best indication of market value. Eliminating the difficult-to-use benchmarks for non-arm's-length sales (between affiliated companies), the rule replaces them with a simplified method of valuating production by using gross proceeds from the first arm's-length-sale with applicable allowances. By replacing them with a market-driven mechanism, the rule provides greater efficiency for payors, reducing industry's cost of compliance as well as ONRR's cost to ensure industry's compliance.

The final rule extends the same valuation changes to both Federal and American Indian coal, with some minor exceptions, but the two programs will continue to be regulated under separate regimes. In addition to ensuring that American Indian mineral owners continue to receive the maximum revenues from coal resources on their land, the updated rule will add certainty and consistency for companies producing on Tribal and allotted lands.

As the Federal agency responsible for collecting and disbursing revenues from energy production on Federal onshore and offshore lands, as well as American Indian lands, ONRR conducted a transparent, five-year rulemaking process that solicited input and carefully considered comments and suggestions from all interested parties, including the public, states, industry, American Indian Tribes and individual Indian mineral owners.

Public engagement began on May 27, 2011, when ONRR announced its intent to update and simplify valuation regulations for Federal and American Indian coal, and Federal oil and gas through separate *Advance Notices of Proposed Rulemaking*, requesting comments from affected parties and the interested public before proposing changes to the existing regulations. Six public workshops in September and October 2011 gained feedback on specific aspects of regulatory reform, and ONRR conducted outreach with affected Tribes. After deliberate and careful consideration of the information gained from these outreach initiatives, Interior published the Proposed Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Rule in the *Federal Register* on January 6, 2015.

Due to a number of requests from stakeholders, the initial 60-day public comment period was extended another 60 days (for a total of 120 days), closing on May 8, 2015. ONRR conducted an intensive process of categorizing, reviewing and analyzing the input contained in more than 1,000 pages of comments from over 300 commenters and 190,000 petition signatories. Coupled with the early stakeholder engagement, the extended comment period allowed for a careful review of the many complexities contained in the proposed rule.

The final Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule will be published in the *Federal Register* on July 1, and becomes effective on January 1, 2017. The final rule can be viewed [here](#).

While this rule takes steps toward ensuring that the royalty valuation process for Federal and Indian coal resources better reflects the changing energy industry, while protecting taxpayers and Indian assets, its scope is not broad enough to address the many concerns the commenters have raised about the Federal coal program more broadly. For that and other reasons, Interior recently launched a comprehensive review to identify and evaluate potential reforms to the Federal coal

program in order to ensure that it is properly structured to provide a fair return to taxpayers and reflect its impacts on the environment, while continuing to help meet our energy needs.

###