



# United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

Washington, DC 20240

NOV 20 2019

Dear Reporter:

On June 13, 2019, ONRR issued a Dear Reporter letter setting a January 1, 2020 deadline by which all reporters and payors needed to complete submission of corrected reporting and payment under the federal oil and gas valuation provisions<sup>1</sup> of the Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform rule (2016 Valuation Rule). Subsequently, the Department of Interior received feedback from industry stating that because this reinstatement requires system changes and re-reporting for the period January 1, 2017 through the present, that additional time was necessary for industry to comply. This letter extends the reporting and payment deadline for Federal oil and gas from January 1, 2020, to July 1, 2020. Lessees are responsible for submitting amended reports and additional payments, if applicable, under the 2016 Valuation Rule for production and sales of Federal oil and gas occurring on and after January 1, 2017. Payors will remain liable for late payment interest for any underpayment from the month the royalty payment was due until paid.

## Background

On March 29, 2019, the U.S. District Court for the Northern District of California<sup>2</sup> vacated ONRR's repeal of the 2016 Valuation Rule.<sup>3</sup> By vacating the repeal, the Court reinstated the 2016 Valuation Rule with an effective date of January 1, 2017.<sup>4</sup> On October 8, 2019, the U.S. District Court for the District of Wyoming issued a partial preliminary injunction enjoining application and enforcement of the coal provisions of the 2016 Valuation Rule.<sup>5</sup>

## Resources

### *2016 Valuation Rule Document*

Refer to 81 FR 43338 for the preamble and regulatory text of the 2016 Valuation Rule. The 2016 Valuation Rule is also available on the ONRR website at:

[https://www.onrr.gov/Laws\\_R\\_D/FRNotices/PDFDocs/43338.pdf](https://www.onrr.gov/Laws_R_D/FRNotices/PDFDocs/43338.pdf).

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<sup>1</sup> The June 13, 2019 Dear Reporter letter applied to Federal oil and gas and Federal and Indian coal. However, the decision of *Cloud Peak Energy Inc., et al. v. U.S. Dep't of Interior, et al.*, Case No. 19-cv-120-SWS, Order Granting Partial Preliminary Injunction, Dkt No. 55.(D. Wyo. Oct. 8, 2019) stayed any reporting and payment with respect to Federal and Indian coal.

<sup>2</sup> See *California, et al., v. U.S. Dep't of Interior, et al.*, Case No. C 17-5948 SBA, Order re Cross-Motions for Summary Judgment, Dkt No. 72, (N.D. Cali. March 29, 2019).

<sup>3</sup> See Repeal of 2016 Valuation Rule, 82 FR 36934 (August 7, 2017).

<sup>4</sup> See 2016 Valuation Rule, 81 FR 43338 (July 1, 2016).

<sup>5</sup> See *Cloud Peak, supra* n. 1.

**Please also refer to the 2016 Valuation Rule for the correct regulatory language until such time as ONRR publishes an update to the Code of Federal Regulations.<sup>6</sup>**

*Dear Reporter Letters*

A Dear Reporter Letter explaining the high-level changes to the regulations for oil and gas lessees is available at <https://www.onrr.gov/about/PDFDocs/20160913.pdf>.

*Valuation Guidance*

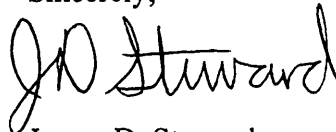
If you have questions regarding the application of the 2016 Valuation Rule for a specific situation, please contact ONRR Royalty Valuation at [royaltyvaluation@onrr.gov](mailto:royaltyvaluation@onrr.gov) for assistance.

**Guidance Information**

This letter is not an appealable decision, order, Notice of Noncompliance, or Civil Penalty Notice under 30 CFR Part 1290 Subpart B (2019) or 30 CFR Part 1241 (2019). If ONRR issues you an order, Notice of Noncompliance, or Civil Penalty Notice at a later date in accordance with the matters addressed in this letter, we will provide your appeal rights at that time.

Please note that this letter and the letters referenced within refer to ONRR regulations that were made applicable by Court order.

Sincerely,



James D. Steward  
Deputy Director

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<sup>6</sup> After ONRR updates the regulations, please use the most recent applicable version of the Code of Federal Regulations, which will be available online by selecting Title 30 – Mineral Resources, Chapter XII (1200) at <http://ecfr.gpoaccess.gov>.