



# United States Department of the Interior

## OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165  
Denver, Colorado 80225-0165

June 30, 2020

Dear Reporter:

This letter extends the reporting and payment deadline for lessees to comply with the federal oil and gas provisions of the Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform rule (2016 Valuation Rule)<sup>1</sup> from July 1, 2020, to October 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.

The Department of the Interior has received feedback from industry stating that because this reinstatement requires system changes and re-reporting for the period January 1, 2017, through the present, additional time is necessary for industry to comply with the requirements of the 2016 Valuation Rule. Since ONRR set the July 1, 2020, deadline, the global crisis arising from the COVID-19 pandemic and resulting National Emergency has impacted many sectors of the economy, including the energy sector.

### **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. 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>4</sup>

ONRR issued Dear Reporter letters on June 13, 2019<sup>5</sup>, and November 20, 2019<sup>6</sup>, ultimately setting a July 1, 2020 deadline by which all reporters and payors needed to complete submission of corrected federal oil and gas reporting and payment under the 2016 Valuation Rule. This letter provides three additional months to comply with the requirements of the 2016 Valuation Rule.<sup>7</sup>

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

<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 *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).

<sup>5</sup> See <https://www.onrr.gov/PDFDocs/Dear-Reporter-Letter-2016-Rule.pdf>

<sup>6</sup> See <https://www.onrr.gov/PDFDocs/dear-reporter-letter-20-Nov-19.pdf>

<sup>7</sup> Neither this letter nor the June 13, 2019, and November 20, 2019 letters excuse any reporter or payor from its reporting obligations. If a reporter or payor is not yet reporting and paying for current months' production under the

## Resources

### *2016 Valuation Rule Document*

Refer to 81 FR 43338 for the preamble and regulatory text of the 2016 Valuation Rule as the 2016 Valuation Rule does not appear in the current version of the Code of Federal Regulations. Instead, the complete text of the 2016 Valuation Rule is 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). **Please refer to the 2016 Valuation Rule for the correct regulatory language until ONRR updates the Code of Federal Regulations.**<sup>8</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 (2020) or 30 CFR Part 1241 (2020). 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.

Sincerely,

Howard Cantor  
Deputy Director

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2016 Valuation Rule, the reporter or payor should be reporting and paying under the prior regulations and, in addition, taking steps to re-report (if necessary) and pay in accordance with the requirements of the 2016 Valuation Rule.

<sup>8</sup> ONRR is in the process of republishing the 2016 Valuation Rule in the Federal Register. After the republication process is complete, you will be able to use the most recent applicable version of the Code of Federal Regulations, which will be found online by selecting Title 30 – Mineral Resources, Chapter XII (1200) at <http://ecfr.gpoaccess.gov>. Publication of the 2016 Valuation Rule in the softbound version of the Code of Federal Regulations will follow sometime after the inclusion in the online resource.