



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P.O. BOX 25165
DENVER, COLORADO 80225

IN REPLY
REFER TO:

DAD-C/VSD/EVB
Mail Stop 3921

JUN 28 1993

Dear Payor:

The Minerals Management Service (MMS) has selected the gross domestic product implicit price deflator (GDP-IPD) to replace the gross national product fixed-weighted price index (GNP-FWP) as the inflation adjustment index for Federal Outer Continental Shelf sliding scale royalty leases (SSRL's). This change became necessary when the Bureau of Economic Analysis (BEA) discontinued compiling the GNP-FWP index for the period affecting the SSRL's. As a result, the GNP-FWP index can no longer be used as the inflation adjustment factor in determining whether the royalty rate exceeds the base rate of 16-2/3 percent specified in each lease.

The GDP-IPD is to be used in calculations for SSRL production commencing with the third quarter of 1991. All adjustments to production values should be made using the inflation index applicable to the quarter preceding the production period. Thus, for adjustments to quarterly production values prior to the third quarter of 1991, the GNP-FWP index should be used. Beginning with the third quarter of 1991 you should incorporate the GDP-IPD when adjustments are made which affect production values. As before with the GNP-FWP index, the GDP-IPD is published by BEA in the *Survey of Current Business*. Values for this index can also be obtained through a tape-recorded telephone message by calling (202) 898-2451. If you have any further questions concerning this matter, please contact Mr. Peter Christnacht, Economic Valuation Branch, at (303) 275-7252.

Sincerely,

Donald T. Sant
Deputy Associate Director
for Compliance