

UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION

NTL No. 2004-G11

Effective Date: May 3, 2004

NOTICE TO LESSEES AND OPERATORS
OF FEDERAL OIL AND GAS LEASES
ON THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION

**Clarification of Deep Gas Royalty Relief Regulation
Regarding Natural Gas Liquids and Pipeline (Retrograde) Condensate**

The final rule (30 CFR 203.0 and 30 CFR 203.40-47) suspends royalty on deep gas production volumes, including gas associated with oil production, reported on the Oil and Gas Operations Report, Part A (OGOR-A). Section 203.42(f) of the rule indicates that the suspension does not apply to oil and condensate volumes.

While royalty is not suspended for oil and condensate volumes reported on the OGOR-A, the royalty suspension does apply to pipeline (retrograde) condensate and natural gas liquids that are recovered from qualified deep gas production. The hydrocarbons that comprise these liquids are in the gas phase as they depart each platform and are reported as gas on the OGOR-A.

Instructions for reporting royalty-free production volumes to our Minerals Revenue Management office will be attached to the letter from the Regional Supervisor for Production and Development confirming the royalty suspension volume earned by your lease. Please contact Mr. B. J. Kruse at (504) 736-2634 with questions about deep gas royalty relief.

Paperwork Reduction Act of 1995 Statement: This notice does not refer to or impose any new information collection subject to the Paperwork Reduction Act of 1995.

Chris C. Oynes
Regional Director