

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

NTL No. 2004-G13

Effective Date: June 22, 2004

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

**Replacing Deep Gas Royalty Relief Provisions in Lease Instrument
With Regulatory Deep Gas Royalty Relief Provisions**

This Notice to Lessees and Operators is a reminder that, pursuant to 30 CFR 203.48, lessees of shallow-water leases issued with deep gas royalty relief provisions may exercise an option to replace these provisions with the deep gas royalty relief provisions in 30 CFR 203.0 and 30 CFR 203.40 through 203.47. Pursuant to 30 CFR 203.48(b), a written notification of your decision must be sent to the Regional Supervisor for Production and Development **before September 1, 2004**, or 180 days after your lease is issued, whichever is later.

In making your decision, you may want to consider specific features in both the regulation and the lease instrument. The following table provides a comparison of some important features:

Feature	Under 30 CFR 203.40-47	For Leases issued 2001-03
Price Threshold	NYMEX annual price above \$9.34/MMBtu , escalated after 2004 , rescinds RSV and RSS for that year.	NYMEX annual price above \$5.00/MMBtu (\$3.50/MMBtu for Sale 178 leases), escalated after 2000 , rescinds RSV for that year.
	For 1st qualified original well completed	For 1st original well or

RSV	on lease; at 15,000 – 17,999 ft, RSV = 15 BCF at 18,000 ft or deeper, RSV = 25 BCF or if sidetrack, 4 BCF + 600 MCF/foot drilled	For 1st original well or sidetrack completed on lease at 15,000 ft or deeper, RSV = 20 BCF
Additional RSV, RSS	Drilling to deeper depth category may earn additional RSV or RSS.	Drilling subsequent wells deeper does not earn additional RSV.
Requisite	Deep well can qualify for RSV, RSS.	Deep well to new gas reservoir can qualify for RSV.
RSS	Dry well 18,000 ft or deeper before deep success: RSS = 5 BCFE or if sidetrack, 0.8 BCFE + 120 MCFE/ foot drilled	No RSS
Start	Deep well spud on or after 3/26/2003 and deep production starts no later than 5/3/2009	Deep production starts within 5 years after lease issuance
End	Royalty relief stops when RSV and RSS reached.	Royalty relief stops at end of month during which RSV reached.

Please contact Mr. B. J. Kruse at (504) 736-2634 with questions about deep gas royalty relief.

Paperwork Reduction Act of 1995 Statement: The information collection referred to in this NTL is intended to provide clarification, description, or interpretation of requirements contained in 30 CFR 203, Relief or Reduction in Royalty Rates. The Office of Management and Budget (OMB) has approved the information collection requirements in these regulations under OMB control number 1010-0071. This NTL does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.

Chris Oynes
Regional Director