

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

NTL No. 2002-G02

Effective Date: March 1, 2002

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

Notification and Confirmation of Deepwater Royalty Relief for Eligible Leases

This Notice to Lessees and Operators (NTL) supersedes NTL 98-05, dated July 1, 1998, on this subject. It reminds operators of the new notification and confirmation requirement for "eligible" leases, which was established in the final rulemaking revising the 30 CFR part 260 regulations (66 FR11512, published February 23, 2001). It also makes other minor changes and updates regulatory citations. We previously issued NTL 98-05 in response to questions concerning deepwater royalty relief for eligible leases. An eligible lease, as defined in 30 CFR 260.102, is a lease that:

- results from a sale held after November 28, 1995, and before November 28, 2000;
- is located in the Gulf of Mexico in water depths 200 meters or deeper;
- lies wholly west of 87 degrees, 30 minutes West longitude; and
- is offered subject to a royalty suspension volume.

Under 30 CFR 260.113(a), an eligible lease may receive a royalty suspension volume only if the lease is in a field where no current lease produced oil or gas (other than test production) before November 28, 1995. In order to make such a determination, the Minerals Management Service Field Determination Committee will need to have completed the process of placing the lease in a field. This process begins when a well on the lease is qualified as capable of producing in paying quantities under 30 CFR 250.115 or 30 CFR 250.116. Therefore, we encourage operators of eligible leases to submit the information needed to qualify a well as capable of producing in paying quantities to the Office of Resource Evaluation in a timely manner prior to production.

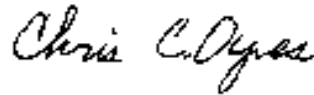
In accordance with 30 CFR 260.114(c), before commencing production (excluding test production) from an eligible lease you must:

1. Notify the MMS Regional Supervisor for Production and Development of your intention to start production, and
2. Request confirmation of the size of the royalty suspension volume that applies to your eligible lease.

This information should be submitted as close to first production from your lease as possible, since we cannot determine the royalty suspension volume until production actually commences. When production first occurs from any of the eligible leases in the field, we will determine and notify you of the size of the royalty suspension volume that applies to the eligible lease(s) in that field under 30 CFR 260.114(d). Also, you are reminded of the requirement to submit a report to the District Supervisor within 5 days of initial production pursuant to 30 CFR 250.180(i)(1).

Please direct any questions concerning this matter to Mr. Jim Swaney at (504) 736-2677 or Mr. Gilbert Shank at (504) 736-2902.

Paperwork Reduction Act of 1995 Statement: The collection of information referred to in this notice provides clarification, description, or interpretation of requirements contained in 30 CFR 250, Subpart A, and 30 CFR 260, Subpart B. The Office of Management and Budget (OMB) has approved the collection of information required by these regulations and assigned OMB control numbers 1010-0030 and 1010-0143. This NTL does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.



2-4-02
Date

Chris C. Oynes, Regional Director