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News Release

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Interior Announces Improved Valuation Method for Oil Produced on American Indian Lands

Comment Sought on Rule that Would Improve Fairness, Clarity for Royalties to Indian Country

WASHINGTON, D.C. – Following President Obama's historic visit to Indian Country last week where he underscored his commitment to work with tribal leaders to build strong, resilient economies, Secretary of the Interior Sally Jewell announced today that the Department is proposing a set of common sense regulations for valuing oil produced on American Indian leases. It is expected that these regulations will offer greater simplicity, certainty and clarity in Indian oil valuation and could boost Indian Country royalties by $20 million annually.

"Ensuring that tribal communities receive their fair share of oil and gas revenues for energy produced on their own lands is consistent with our trust responsibility to tribes," said Secretary Sally Jewell, who chairs the White House Council on Native American Affairs. "Reflecting the President's strong commitment to tribal sovereignty and self-governance, these updated regulations we're announcing today will not only help protect and fairly value Indian energy assets but encourage exploration and development and ensure consistency with current federal oil and gas valuation rules."

In formulating a set of consistent and clear regulations for Indian oil valuation, the Department's Office of Natural Resource Revenue (ONRR) conducted numerous consultation meetings with Tribal representatives and Indian mineral landowners to solicit additional feedback from affected American Indian communities and to meet the Secretary's Indian trust requirements.

The current valuation rule has been in place since 1988, and many changes have occurred in the oil market since then. A Negotiated Rulemaking Committee, authorized and established under the Federal Advisory Committee Act, was formed in late 2011 and charged with bringing clarity and consistency to oil valuation regulations governing production on American Indian lands. The committee included representatives from American Indian Tribes, Individual Indian Mineral Owner Associations, the oil and gas industry, ONRR and the Bureau of Indian Affairs.

The Negotiated Rulemaking Committee met nine times through 2012 and 2013, reaching agreement on a proposal to base royalties on the higher of gross proceeds or an index-based formula that captures a unique provision of Indian lease terms referred to as a 'major portion price.' Major portion refers to the highest price paid for the oil produced from a field or area. ONRR estimates that Indian lessors will benefit by an additional $20 million annually from the new valuation method.

The proposed rule is available for viewing today at www.ofr.gov/OFRUpload/OFRData/2014-13967_PI.pdf.

It will be published in the *Federal Register* on Thursday, June 19 and accessible via www.regulations.gov. Public comments on the new rule will be accepted for 60 days.

All comments will be carefully considered before the final rule is published. Comments may be filed electronically, viawww.regulations.gov, or mailed to: Armand South all, Regulatory Specialist, ONRR, P.O. Box 25165, and MS 61030A, Denver, Colo. 80225-0165.

Comments may also be delivered by hand, or through an overnight courier service, to the Office of Natural Resources Revenue, Building 85, Room A-614, Denver Federal Center, West 6th Avenue and Kipling Street, Denver, Colo. 80225.

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