Dated: January 2, 1996.

William J. Muszynski,

Acting Regional Administrator.

40 CFR part 300 is amended as follows:

PART 300—[AMENDED]

1. The authority citation for part 300 continues to read as follows:

Authority: 33 U.S.C. 1321 (c)(2); 42 U.S.C. 9601–9657; E.O. 12777, 56 FR 54757, 3 CFR, 1991 Comp., p. 351; E.O. 12580, 52 FR 2923, 3 CFR, 1987 Comp., p.193.

Appendix B—[Amended]

2. Table 1 of Appendix B to part 300 is amended by removing the Clothier Disposal site, Granby, New York.

[FR Doc. 96–2718 Filed 2–7–96; 8:45 am]

BILLING CODE 6560–50–P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

43 CFR Part 3100

[WO–310–00–1310–2411]

RIN 1004–AC26

Promotion of Development, Reduction of Royalty on Heavy Oil

AGENCY: Bureau of Land Management, Interior.

ACTION: Final rule.

SUMMARY: The Bureau of Land Management is issuing this final rule to amend the regulations relating to the waiver, suspension, or reduction of rental, royalty, or minimum royalty. This action is being taken to promote the production of heavy oil. The amendment establishes the conditions under which the operators of properties that produce ''heavy oil'' (crude oil with a gravity of less than 20 degrees) can obtain a reduction in the royalty rate. The amendment should encourage the operators of Federal heavy oil leases to place marginal or uneconomical shut-in oil wells back in production, provide an economic incentive to implement enhanced oil recovery projects, and delay the plugging of these wells until the maximum amount of economically recoverable oil can be obtained from the reservoir or field.

DATES: This rule will be effective March 11, 1996.

ADDRESSES: Inquiries should be sent to: Director (140), Bureau of Land Management, Room 5558, Main Interior Building, 1849 C Street, N.W., Washington, D.C. 20240.

FOR FURTHER INFORMATION CONTACT: Dr. John W. Bebout, Bureau of Land Management, (202) 452–0340.

SUPPLEMENTARY INFORMATION:

I. Introduction

A proposed rule to provide royalty relief for producers of heavy oil was published in the Federal Register notice of April 10, 1995 (60 FR 18081) with the comment period ending June 9, 1995. The comment period was reopened June 16, 1995 (60 FR 31663) and closed July 17, 1995.

On March 30, 1995, an outdated version of this proposed rule was published in the Federal Register (60 FR 16424) by mistake. That proposed rule publication was withdrawn, and the Federal Register notice of April 10, 1995 (60 FR 18081) was published in its place as the proposed rule.

The following are questions and answers designed to provide an introduction to this rule.

When does the Department of the Interior (Department) consider granting royalty relief?

In order to encourage the greatest ultimate recovery of oil and in the interest of conservation, the Secretary, upon a determination that it is necessary to promote development, may reduce the royalty on an entire leasehold or any portion thereof (Section 39 of the Mineral Leasing Act, 30 U.S.C. 209).

Existing section 3103.4–1 of Title 43, Code of Federal Regulations, provides two forms of Federal oil and gas royalty reduction—on a case-by-case basis upon application and for stripper wells. The provision concerning stripper well properties allows royalty reduction for properties that produce an average of less than 15 barrels of oil per eligible well per well-day.

The Bureau of Land Management (BLM) believes that royalty relief for producers of heavy crude oil is needed to promote the development of heavy oil.

Why is heavy oil royalty relief needed?

Above all, this royalty relief is needed to promote the development of heavy oil. Eliminating all royalties would be the most effective way to promote development, but that would jeopardize the Department's efforts in securing a fair return for public land resources. Royalty relief has to be considered in light of all the Department's responsibilities and objectives. The balance this rule strikes is to have a royalty rate that promotes development while ensuring the public receives reasonable compensation.

Cyclical swings in the price for crude oil are common. BLM believes that future price decreases are possible, or even likely. The effect of this rule will provide a buffer against these decreases for heavy oil produced from Federal land. As many as two-thirds of all marginal properties (including non-heavy oil properties) could be lost during a period of sustained low oil prices (Marginal Wells, A Report of the National Petroleum Council, 1994, p. 3). The danger in losing the marginal wells is that, although production from individual wells may be small, their collective production is significant, accounting for one-third of lower-48 State onshore domestic production. Heavy oil production, from both Federal and non-Federal lands, makes up almost one-half of this third (Marginal Wells, A Report of the National Petroleum Council, 1994, p. 50). Heavy oil wells typically incur higher production costs, thus increasing their vulnerability. Were these heavy oil wells abandoned, the United States would lose this significant portion of domestic production.

What will happen as a result of this rule?

This rule should encourage the operators of Federal heavy oil leases to place marginal or uneconomical shut-in oil wells back in production, provide an economic incentive to implement enhanced oil recovery projects, and delay the plugging of these wells until the maximum amount of economically recoverable oil can be obtained from the reservoir or field.

According to a Department of Energy (DOE) analysis of its TORIS (Tertiary Oil Recovery Information System) data, the size of economically recoverable reserves from Federal lands will be significantly enhanced by this amendment. For instance, at a West Texas Intermediate (WTI) crude oil price of $16 a barrel, DOE projects that this rule will increase recoverable reserves of about 54 million barrels to about 87 million barrels for the State of California. At $18 a barrel, DOE projects that this rule will increase recoverable reserves of about 103 million barrels to about 130 million barrels for the State of California. At $20 a barrel, DOE projects that this rule will increase recoverable reserves of about 133 million barrels to about 229 million barrels for the State of California. A proportionately larger increase in recoverable reserves is anticipated when oil prices range toward $20 a barrel because major recovery projects may become economically feasible. Were this rule not promulgated, DOE projects these increases in recoverable reserves would most likely not occur.

Since the State of California produces almost 91 percent of lower-48 State onshore heavy oil production, the vast majority of recoverable reserve increases stemming from this royalty relief will most likely come from this State. Significant recoverable reserve increases are not anticipated in the other States since fewer properties will qualify for the relief.

When will this rule apply?

The rule will take effect March 11, 1996. However, the BLM may suspend or terminate all royalty reductions granted under this rule and terminate the availability of further relief under this rule—

(1) upon 6 month's notice in the Federal Register when BLM determines that the average WTI oil price has remained above $24 per barrel over a period of 6 consecutive months or

(2) after September 10, 1999, if the royalty rate reductions authorized by this rule have not been effective in reducing the loss of otherwise recoverable reserves.

How will this royalty relief affect royalties and revenues?

According to the DOE TORIS analysis, although oil royalties may decline in some instances, the effects to overall Federal and State revenues should be largely neutral except in the State of California. (Revenues include all forms of income including royalties.) Slight decreases in overall revenue could be possible at some oil prices for States with moderate levels of heavy oil production. In California, the DOE analysis projects small decreases or sizable increases in State revenues depending on the price of oil (Letter Report from Department of Energy dated July 29, 1994).

II. Summary of Rule Adopted

The final rule establishes a sliding scale royalty rate for qualifying heavy-oil-producing properties. The sliding scale is intended to somewhat offset the reduced prices paid for oil as oil gravity decreases. The reduced royalty rate applies to qualifying heavy oil properties rather than individual wells, because production is normally not reported for individual oil wells, and is based on the average gravity of the oil weighted by the production of heavy oil from each well within the property. A weighted average gravity is used to prevent gravity manipulation by selectively producing wells on a property with heavier gravity crude. Using a weighted average of oil gravity encourages maximum recovery from all wells within a property by removing the economic advantage of selective production.

The rule provides that either the operator (as defined at 43 CFR 3100.0–5) or the payor (as defined at 30 CFR 208.2) must calculate the weighted average gravity of the oil—measured on the American Petroleum Institute (API) scale—produced from a property every 12 months to determine the appropriate royalty rate. In no case, however, would the royalty rate exceed the rate established by the terms of the lease.

The section amended by this rule also provides for royalty rate reductions for stripper oil wells. Some provisions of this final rule are similar to the provisions of the existing regulations that pertain to stripper wells.

The final rule was modified in response to comments and for clarification. Section 3103.4 was redesigned to aid the reader in distinguishing the various forms of royalty reduction and accompanying provisions. Separate sections were established for the stripper oil and heavy oil royalty reduction provisions. The discussion of royalty rate determinations in § 3103.4–3(b)(5) was modified by adding two examples and clarifying the text. Section 3103.4–3(b)(6) was modified to extend the review period until 1999. Cross references were modified where appropriate throughout Part 3100 to reflect the redesign of § 3103.4.

III. Responses to Public Comments

A total of 209 comments were received on the proposed rule. An overwhelming majority supported the proposed rule. A few commenters recommended changes.

Comments suggested that the review period be extended for a period of 4 or 5 years rather than the 2 years stated in the proposed rule. It was always the BLM's intention that the rule be in place at least 4 years before it was evaluated. Unanticipated delays in the rulemaking process, however, have rendered the original 1997 deadline unreasonably short. Therefore, the BLM concurs with this suggestion and the rule has been modified to extend the review period until 1999.

A comment stated that the $24 trigger for rule suspension was too high while another comment stated that $24 was too low. Based on data developed from DOE's TORIS database, the BLM believes that $24 is an appropriate trigger to suspend the rule. The data indicate that State and Federal Royalty reductions are offset by increased recoverable reserves up until the point that WTI crude oil prices reach approximately $24/bbl. Past that point, recoverable reserve increases appear to taper off. In addition, the TORIS data show that when WTI prices climb above $24/bbl the royalty reduction is no longer a determining factor for decisions regarding investments in enhanced oil recovery techniques.

Comments suggested that the CFR 3103.4–1 regulations be revised for clarity and simplicity. The BLM agrees and has revised the section for clarity.

A comment suggested that the qualifying period for a heavy oil royalty rate reduction coincide with the one established for a stripper oil property royalty reduction. While the BLM agrees that there is value in making the stripper and heavy oil royalty rate reduction processes as similar as possible, this is not always practicable. The heavy oil rule qualifying period was made flexible in order to acknowledge the fact that many qualifying, low-production properties may not remove or sell oil every month even if their production is continuous. Thus, many properties may require even more than a calendar year (the stripper property qualifying period) to accumulate 3 months of sales or oil removal.

One comment requested that the notification period for requesting a reduced royalty rate be extended beyond the proposed 60 days. The BLM believes that 60 days is sufficient time for an operator to notify the BLM of a new royalty rate. The stripper property royalty reduction program has a similar notification period which appears to be working well.

Some comments stated that a greater royalty rate reduction was necessary. They suggested that this be accomplished by using a power curve rather than a straight line to calculate royalty rates. The BLM considered calculating royalty rates by both power curves and straight-line methods. The DOE's TORIS data, however, indicated that neither method was clearly advantageous over the other in terms of increasing recoverable reserves except within a narrow range of WTI crude oil prices. Because it is not possible to predict future oil prices, the BLM has chosen to remain with a straight-line royalty reduction for purposes of simplicity as well as to parallel the stripper property royalty reduction rule.

Some comments stated that the rule should use 25 degrees as a ''heavy oil'' cutoff (rather than the 20 degrees proposed) in order to maximize the rule's effects and to provide the rule's benefits to as many operators as possible. Although there is no single accepted definition for ''heavy oil,'' standard academic and industry practice is to reserve the term for crude oils of less than 20 degrees API. The U.S. tax code also uses a 20 degree definition.

One comment stated that BLM should evaluate the stripper oil royalty reduction before granting heavy oil royalty relief. The BLM is in the process of evaluating the stripper well provisions. The stripper well provisions have not been in place long enough to make a substantive assessment.

One comment strongly opposed heavy oil royalty relief, stating that the BLM has no data which demonstrate that the leases eligible for the relief cannot be operated successfully under the lease terms or that the continued operation of each heavy crude lease is in serious, unavoidable jeopardy. Although this is an important consideration, this is not the criterion for relief that is serving as the basis of this determination. The Secretary, acting through the Assistant Secretary—Land and Minerals Management, concludes, based on the DOE analysis cited in the introduction, that this rule is necessary to promote the development of heavy oil. Recoverable reserves are projected to be significantly less in the absence of the royalty relief provided by this rule.

One comment stated that this rule will provide insufficient relief on leases in true jeopardy and windfalls for those without need. The BLM believes that there are enough similarities in terms of the economic pressures on producers of heavy oil that any such relative disparities in levels of relief should be inconsequential. Furthermore, the rule is sensitive to the particular gravity of the heavy oil being produced, so that producers of less valuable heavy oil receive a higher proportion of royalty relief.

One comment stated that even if State revenues increase, royalty reductions will hurt State services. (Revenues include all forms of income including royalties.) According to the DOE analysis, the effects to Federal and State revenues should be largely neutral. Slight royalty decreases could be possible at some oil prices for States with moderate levels of heavy oil production.

In California, where almost 91 percent of the heavy oil production takes place, the DOE analysis generally projects small to moderate decreases in royalties. For instance, at $16 a barrel (WTI), DOE projects that this rule will decrease California royalties by about $3.5 million, while increasing California public sector revenue by about $15 million. At $18 a barrel (WTI), DOE projects that this rule will decrease California royalties by about $24 million, while decreasing California public sector revenue by about $1 million. At $20 a barrel (WTI), DOE projects that this rule will increase California royalties by about $1 million, while increasing California public sector revenue by about $104 million. The wide variations in sensitivity to the price of oil are due to numerous variables, including the propensity for oil companies to invest in major recovery projects at certain oil prices. (Letter Report from Department of Energy dated July 29, 1994.)

IV. Procedural Matters

This rule is not a major Federal action significantly affecting the quality of the human environment and that no detailed statement pursuant to Section 102 (2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)) is required.

This rule has been reviewed under Executive Order 12866.

The BLM has determined that this final rule will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The BLM has prepared a regulatory flexibility analysis. It is available upon request from the address listed at the beginning of this rule. Additionally the BLM has determined, under Executive Order 12630, that the rulemaking will not cause a taking of private property.

The BLM has certified that these regulations meet the applicable standards provided in sections 2(a) and 2(b)(2) of Executive Order 12778.

The information collection requirements of this rule have been approved by the Office of Management and Budget under 44 U.S.C. 3501 *et seq.* and assigned clearance numbers 1010–0090 and 1004–0145.

The principal author of this final rule is Dr. John W. Bebout, Senior Technical Specialist, Fluids Group, assisted by Charles Hunt of the Regulatory Management Team, Bureau of Land Management.

List of Subjects for 43 CFR Part 3100

Land Management Bureau, Public Lands—mineral resources, Oil and gas production, Mineral royalties.

For the reasons stated in the preamble, and under the authorities cited below, Part 3100, Group 3100, Subchapter C, Chapter II of Title 43 of the Code of Federal Regulations is amended as set forth below:

V. Regulatory Text

PART 3100—OIL AND GAS LEASING

1. The authority citation for part 3100 continues to read as follows:

Authority: 30 U.S.C. 181, *et seq.*, 30 U.S.C. 351–359.

Subpart 3103—Fees, Rentals and Royalty

§ 3103.2–2 [Amended]

2.–3. Section § 3103.2–2 is amended by removing the cross reference ''§ 3103.4–2(d)'' in the introductory text and adding in its place the cross reference ''§ 3103.4–4(d).''

4. § 3103.4 is amended by revising the heading to read as follows:

§ 3103.4 Production incentives.

§ 3103.4–2 [Redesignated as § 3103.4–4]

5. Section 3103.4–2 is redesignated as § 3103.4–4.

6. Section 3103.4–1 is amended by redesignating paragraphs (c) and (d) as paragraphs (a) and (b) of a new § 3103.4–2, ''Stripper well royalty reductions.'' Section 3103.4–1 is further amended by redesignating paragraph (e) as (c), and revising the section heading and paragraph (b)(1) to read as follows:

§ 3103.4–1 Royalty reductions.

* * * * *

(b)(1) An application for the benefits under paragraph (a) of this section on other than stripper oil well leases or heavy oil properties must be filed by the operator/payor in the proper BLM office. (Royalty reductions specifically for stripper oil well leases or heavy oil properties are discussed in § 3103.4–2 and § 3103.4–3 respectively.) The application must contain the serial number of the leases, the names of the record title holders, operating rights owners (sublessees), and operators for each lease, the description of lands by legal subdivision and a description of the relief requested.

7. Newly designated § 3103.4–2, paragraph (b)(3)(iii)(A) is amended by removing the cross reference ''(d)(3)(ii)'' and adding in its place the cross reference ''(b)(3)(ii).''

8. A new § 3103.4–3 is added to read as follows:

§ 3103.4–3 Heavy oil royalty reductions.

(a)(1) A heavy oil well property is any Federal lease or portion thereof segregated for royalty purposes, a communitization area, or a unit participating area, operated by the same operator, that produces crude oil with a weighted average gravity of less than 20 degrees as measured on the American Petroleum Institute (API) scale.

(2) An oil completion is a completion from which the energy equivalent of the oil produced exceeds the energy equivalent of the gas produced (including the entrained liquefiable hydrocarbons) or any completion producing oil and less than 60 MCF of gas per day.

(b) Heavy oil well property royalty rate reductions will be administered according to the following requirements and procedures:

(1) The Bureau of Land Management requires no specific application form for the benefits under paragraph (a) of this section for heavy oil well properties. However, the operator/payor must notify, in writing, the proper BLM office that it is seeking a heavy oil royalty rate reduction. The letter must contain the serial number of the affected leases (or, as appropriate, the communitization agreement number or the unit agreement name); the names of the operators for each lease; the calculated new royalty rate as determined under paragraph (b)(2) of this section; and copies of the Purchaser's Statements (sales receipts) to document the weighted average API gravity for a property.

(2) The operator must determine the weighted average API gravity for a property by averaging (adjusted to rate of production) the API gravities reported on the operator's Purchaser's Statement for the last 3 calendar months preceding the operator's written notice of intent to seek a royalty rate reduction, during each of which at least one sale was held. This is shown in the following 3 illustrations:

(i) If a property has oil sales every month prior to requesting the royalty rate reduction in October of 1996, the operator must submit Purchaser's Statements for July, August, and September of 1996;

(ii) If a property has sales only every 6 months, during the months of March and September, prior to requesting the rate reduction in October of 1996, the operator must submit Purchaser's Statements for the months of September 1995, and March and September 1996; and

(iii) If a property has multiple sales each month, the operator must submit Purchaser's Statements for every sale for the 3 entire calendar months immediately preceding the request for a rate reduction.

(3) The following equation must be used by the operator/payor for calculating the weighted average API gravity for a heavy oil well property:

$$\frac{(V_1 \times G_1) + (V_2 \times G_2) + (V_n \times G_n)}{V_1 + V_2 + V_n} = \text{Weighted Average API gravity for a property}$$

Where:

V_1=Average Production (bbls) of Well #1 over the last 3 calendar months of sales

V_2=Average Production (bbls) of Well #2 over the last 3 calendar months of sales

V_n=Average Production (bbls) of each additional well (V_3, V_4, etc.) over the last 3 calendar months of sales

G_1=Average Gravity (degrees) of oil produced from Well #1 over the last 3 calendar months of sales

G_2=Average Gravity (degrees) of oil produced from Well #2 over the last 3 calendar months of sales

G_n=Average Gravity (degrees) of each additional well (G_3, G_4, etc.) over the last 3 calendar months of sales

Example: Lease ''A'' has 3 wells producing at the following average rates over 3 sales months with the following associated average gravities: Well #1, 4,000 bbls, 13° API; Well #2, 6000 bbls, 21° API; Well #3, 2,000 bbls, 14° API. Using the equation above—

$$\frac{(4{,}000 \times 13) + (6{,}000 \times 21) + (2{,}000 \times 14)}{(4{,}000 + 6{,}000 + 2{,}000)} = 17.2 \text{ Weighted Average API gravity for property}$$

(4) For those properties subject to a communitization agreement or a unit participating area, the weighted average API oil gravity for the lands dedicated to that specific communitization agreement or unit participating area must be determined in the manner prescribed in paragraph (b)(3) of this section and assigned to all property subject to Federal royalties in the communitization agreement or unit participating area.

(5) The operator/payor must use the following procedures in order to obtain a royalty rate reduction under this section:

(i) *Qualifying royalty rate determination.*

(A) The operator/payor must calculate the weighted average API gravity for the property proposed for the royalty rate reduction in order to verify that the property qualifies as a heavy oil well property.

(B) Properties that have removed or sold oil less than 3 times in their productive life may still qualify for this royalty rate reduction. However, no additional royalty reductions will be granted until the property has a sales history of at least 3 production months (see paragraph (b)(2) of this section).

(ii) *Calculating the qualifying royalty rate.* If the Federal leases or portions thereof (e.g., communitization or unit agreements) qualify as heavy oil property, the operator/payor must use the weighted average API gravity rounded down to the next whole degree (e.g., 11.7 degrees API becomes 11 degrees), and determine the appropriate royalty rate from the following table:

ROYALTY RATE REDUCTION FOR HEAVY OIL

Weighted average API gravity (degrees)	Royalty Rate (percent)
6	0.5
7	1.4
8	2.2
9	3.1
10	3.9
11	4.8
12	5.6
13	6.5
14	7.4
15	8.2
16	9.1
17	9.9
18	10.8
19	11.6
20	12.5

(iii) *New royalty rate effective date.* The new royalty rate will be effective on the first day of production 2 months after BLM receives notification by the operator/payor. The rate will apply to all oil production from the property for the next 12 months (plus the 2 calendar month grace period during which the next 12 months' royalty rate is determined in the next year). If the API oil gravity is 20 degrees or greater, the royalty rate will be the rate in the lease terms.

Example: BLM receives notification from an operator on June 8, 1996. There is a two month period before new royalty rate is effective—July and August. New royalty rate is effective September 1, 1996.

(iv) *Royalty rate determinations in subsequent years.*

(A) At the end of each 12-month period, beginning on the first day of the calendar month the royalty rate reduction went into effect, the operator/payor must determine the weighted average API oil gravity for the property for that period. The operator/payor must then determine the royalty rate for the following year using the table in paragraph (b)(5)(ii) of this section.

(B) The operator/payor must notify BLM of its determinations under this paragraph and paragraph (b)(5)(iv)(A) of this section. The new royalty rate (effective for the next 12 month period) will become effective the first day of the third month after the prior 12 month period comes to a close, and will remain effective for 12 calendar months (plus the 2 calendar month grace period during which the next 12 months' royalty rate is determined in the next year). Notification must include copies of the Purchaser's Statements (sales receipts) and be mailed to the proper BLM office. If the operator does not notify the BLM of the new royalty rate within 60 days after the end of the subject 12-month period, the royalty rate for the heavy oil well property will return to the rate in the lease terms.

Example: On September 30, 1997, at the end of a 12-month royalty reduction period, the operator/payor determines what the weighted average API oil gravity for the property for that period has been. The operator/payor then determines the new royalty rate for the next 12 month using the table in paragraph (b)(5)(ii) of this section. Given that there is a 2-month delay period for the operator/payor to calculate the new royalty rate, the new royalty rate would be effective December 1, 1997 through November 30, 1998 (plus the 2 calendar month grace period during which the next 12 months' royalty rate is determined—December 1, 1998 through January 31, 1999).

(v) *Prohibition.* Any heavy oil property reporting an API average oil gravity determined by BLM to have resulted from any manipulation of normal production or adulteration of oil sold from the property will not receive the benefit of a royalty rate reduction under this paragraph (b).

(vi) *Certification.* The operator/payor must use the applicable royalty rate when submitting the required royalty reports/payments to the Minerals Management Service (MMS). In submitting royalty reports/payments using a royalty rate reduction authorized by this paragraph (b), the operator/payor must certify that the API oil gravity for the initial and subsequent 12-month periods was not subject to manipulation or adulteration and the royalty rate was determined in accordance with the requirements and procedures of this paragraph (b).

(vii) *Agency action.* If an operator/payor incorrectly calculates the royalty rate, the BLM will determine the correct rate and notify the operator/payor in writing. Any additional royalties due are payable to MMS immediately upon receipt of this notice. Late payment or underpayment charges will be assessed in accordance with 30 CFR 218.102. The BLM will terminate a royalty rate reduction for a property if BLM determines that the API oil gravity was manipulated or adulterated by the operator/payor. Terminations of royalty rate reductions for individual properties will be effective on the effective date of the royalty rate reduction resulting from a manipulated or adulterated API oil gravity so that the termination will be retroactive to the effective date of the improper reduction. The operator/payor must pay the difference in royalty resulting from the retroactive application of the non-manipulated rate. The late payment or underpayment charges will assessed in accordance with 30 CFR 218.102.

(6) The BLM may suspend or terminate all royalty reductions granted under this paragraph (b) and terminate the availability of further heavy oil royalty relief under this section—

(i) Upon 6 month's notice in the Federal Register when BLM determines that the average oil price has remained above $24 per barrel over a period of 6 consecutive months (based on the WTI Crude average posted prices and adjusted for inflation using the implicit price deflator for gross national product with 1991 as the base year), or

(ii) After September 10, 1999, if the Secretary determines the royalty rate reductions authorized by this paragraph (b) have not been effective in reducing the loss of otherwise recoverable reserves. This will be determined by evaluating the expected versus the actual abandonment rate, the number of enhanced recovery projects, and the amount of operator reinvestment in heavy oil production that can be attributed to this rule.

(7) The heavy oil well property royalty rate reduction applies to all Federal oil produced from a heavy oil property.

(8) If the lease royalty rate is lower than the benefits provided in this heavy oil well property royalty rate reduction program, the lease rate prevails.

(9) If the property qualifies for a stripper well property royalty rate reduction, as well as a heavy oil well property reduction, the lower of the two rates applies.

(10) The operator/payor must separately calculate the royalty for gas production (including condensate produced in association with gas) from oil completions using the lease royalty rate.

(11) The minimum royalty provisions of § 3103.3–2 will continue to apply.

§ 3140.1–4 [Amended]

9. Section § 3140.1–4(c)(3) is amended by removing the cross reference ''§ 3103.4–1'' and adding in its place the cross reference ''§ 3103.4.''

§ 3165.1 [Amended]

10. Section § 3165.1(b) is amended by removing the cross reference ''§ 3103.4–2'' and adding in its place the cross reference ''§ 3103.4–4.''

Dated: November 8, 1995.

Bob Armstrong,

Assistant Secretary of the Interior.

[FR Doc. 96–2433 Filed 2–7–96; 8:45 am]

BILLING CODE 4310–84–P

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43 CFR Public Land Order 7183

[OR–943–1430–01; GP5–194; OR–22189 (WASH)]

Revocation of Secretarial Order of June 17, 1908; Washington

AGENCY: Bureau of Land Management, Interior.

ACTION: Public Land Order.

SUMMARY: This order revokes in its entirety a Secretarial order which withdrew 50 acres of National Forest System land for use by the Forest Service, Department of Agriculture, for the Laurier Administrative Site. The land is no longer needed for this purpose and the revocation is needed to permit disposal of the land through exchange. This action will open the land to surface entry, subject to Section 24 of the Federal Power Act. The land is temporarily closed to mining by the Forest Service exchange proposal. The land has been and will remain open to mineral leasing.

EFFECTIVE DATE: March 11, 1996.

FOR FURTHER INFORMATION CONTACT: Betty McCarthy, BLM Oregon/Washington State Office, P.O. Box 2965, Portland, Oregon 97208–2965, 503–952–6155.

By virtue of the authority vested in the Secretary of the Interior by Section 204 of the Federal Land Policy and Management Act of 1976, 43 U.S.C. 1714 (1988), it is ordered as follows:

1. Secretarial Order dated June 17, 1908, which withdrew the following