

affixed to the product itself.<sup>6</sup> Under the Care Labeling Rule, items of textile wearing apparel must be labeled with appropriate care instructions. For most such items, the care instructions must appear on a label permanently attached to the product. However, hosiery products have been granted an exemption from the labeling requirement if care instructions accompany the product on a tag or on packaging.<sup>7</sup>

In addition, the Commission notes that industry self-regulation efforts, led by the NAHM, already exist in certain technical areas. For example, the industry currently conforms sizing of all hosiery products to a set of voluntary standards.<sup>8</sup>

For these reasons, the Commission concludes that it is unnecessary to retain guides specific to the hosiery industry and therefore is rescinding the Guides. If, in the future, practices in the sale of hosiery are determined to be materially misleading and to cause consumer harm, the Commission can address such practices under Section 5 of the Federal Trade Commission Act.<sup>9</sup>

The Commission appreciates the concerns raised by the commenters. It declines, however, to expand the coverage of the guides as recommended. First, some of the areas suggested for inclusion in the guides are beyond the Commission's authority under the FTC Act, which is the basis for the content of the guides. Second, the Commission believes that existing rules governing care labeling and labeling of textile products are adequate to protect consumers from deceptive claims concerning the attributes and care of hosiery products.

#### List of Subjects in 16 CFR Part 22

Advertising, Hosiery, Labeling, Trade practices.

By direction of the Commission.  
Donald S. Clark,  
*Secretary.*

#### **PART 22—[REMOVED]**

The Commission, under authority of section 18 of the Federal Trade Commission Act, 15 U.S.C. 57a, amends chapter I of title 16 of the Code of

<sup>6</sup> 16 CFR 303.15(c).

<sup>7</sup> In addition, certain hosiery products which can be machine washed and dried at hot settings without damage and without transferring their dye to other fabrics, and which sell at retail for less than \$3.00, need not provide any form of care instructions.

<sup>8</sup> Commercial Standard CS 46-49 (last revised in 1990).

<sup>9</sup> Section 5 of the FTC Act, 15 U.S.C. 45(a)(1), prohibits unfair or deceptive acts or practices in or affecting commerce.

Federal Regulations by removing Part 22.

[FR Doc. 96-2261 Filed 2-1-96; 8:45 am]

BILLING CODE 6750-01-M

## DEPARTMENT OF STATE

### 22 CFR Part 9b

[Public Notice 2273]

#### Bureau of Public Affairs; Press Building Passes

**AGENCY:** Bureau of Public Affairs, State.

**ACTION:** Direct final rule.

**SUMMARY:** This rule eliminates the requirement for annual submission of a letter from press pass holders attesting that they continue to cover the Department of State on a regular and substantial basis to maintain their press passes. Instead, press building passes will automatically lose their validity if not used in a 12-month period without further notification to the pass holder. This rule also changes the period of validity for press building passes and allows issuance of press passes pending positive completion of international background investigation. The changes will reduce the administrative burden on press pass holders, as well as on the Department.

**DATES:** *Effective Date:* April 2, 1996. The rule will become final on April 2, 1996 unless this agency publishes a document withdrawing the rule based on receipt of adverse comments which are due on or before March 4, 1996.

**ADDRESSES:** Interested persons are invited to submit comments to: Director, Office of Press Relations, Department of State, Washington, DC 20520.

**FOR FURTHER INFORMATION CONTACT:** Julie M. Reside, Office of Press Relations (202) 647-2492.

**SUPPLEMENTARY INFORMATION:** The implementation of this rule as a direct final rule is based upon the "good cause" exception found at 5 U.S.C. 553(d)(3). Promulgation notice and comment is "unnecessary" because the rule is noncontroversial and not likely to engender public comment. This rule is not expected to have a significant impact on small business entities. This final rule does not impose information collection requirements under the Paperwork Reduction Act of 1980. The rule has been reviewed as required under Executive Order 12778 and certified to be in compliance therewith. The rule is exempt from review under Executive Order 12866, but has been reviewed internally by the Department

to ensure consistency with the objectives thereof.

#### List of Subjects in 22 CFR Part 9b

Administrative practice and procedure, Federal buildings and facilities, News media, Security measures.

For the reasons set forth in the preamble, the Department of State amends 22 CFR part 9b as follows:

#### **PART 9b—[AMENDED]**

1. The authority citation for 22 CFR part 9b continues to read as follows:

Authority: 22 U.S.C. 2658.

2. Section 9b.8 is revised to read as follows:

#### **§ 9b.8 Term and renewal of Department of State press building passes.**

(a) Department of State press building passes for U.S. citizens are issued with three years' validity. Subject to positive completion of an international background check, passes for non-U.S. citizens are issued with one year's validity and may be renewed for three years. Notwithstanding its initial validity, any press building pass that has not been used for a twelve-month period, as recorded by the Bureau of Diplomatic Security's turnstyle entry devices, will become invalid at the end of that twelve-month period.

(b) For any valid passes issued before October 1, 1995, notification shall be sent by the Department of State to the holder of the pass that the pass has become invalid by reason of lack of use for 12-month period. However, failure of the holder for any reason to receive such a notification shall not affect the invalidity of the pass. Anyone whose pass has become invalid may apply for a new pass in accordance with §§ 9b.2 through 9b.5.

Richard M. Moose,

*Under Secretary of State for Management.*

[FR Doc. 96-1258 Filed 2-1-96; 8:45 am]

BILLING CODE 4710-11-M

## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Parts 206 and 260

RIN 1010-AB93

#### Bidding Systems for Leases in the Outer Continental Shelf

**AGENCY:** Minerals Management Service, Interior.

**ACTION:** Final rule.

**SUMMARY:** This rule amends the regulations of the Minerals Management Service (MMS) to modify the bidding systems available for use on tracts offered for lease under the Outer Continental Shelf Lands Act (OCSLA). The change gives the Secretary of the Interior more flexibility in setting the terms of a lease sale. This rule provides four methods of modifying the existing alternative bidding systems: (1) setting the minimum prescribed royalty rate charged on Federal offshore leases below 12½ per centum but greater than zero per centum; (2) permitting operating allowances when computing payment obligations under the lease; (3) suspending or deferring royalty for a specific time period, volume, or value of production; and (4) expanding the methods for calculating royalty rates under variable royalty systems to include product prices, as well as value and amount of production, with the ability to use different formulas across time periods. The rule does not affect existing leases.

**EFFECTIVE DATE:** This rule is effective March 4, 1996.

**FOR FURTHER INFORMATION CONTACT:** Dr. Marshall Rose, Chief, Economic Evaluation Branch, telephone (703) 787-1536.

**SUPPLEMENTARY INFORMATION:** The OCSLA provides authority to modify any bidding system currently authorized by the Act if the Secretary determines the modification to be useful to accomplish the purposes and policies of the Act (section 8(a)(1)).

This final rule is the result of a review of alternative leasing policies conducted within MMS with input from constituents. The final rule, like the proposed rule, enables MMS to set royalty terms at the time of sale for new offshore leases that will adjust automatically to changing market conditions in the oil and gas industry as lease exploration, development, and production proceed. Implementation is expected to increase competition for new Federal offshore leases, ensure receipt of fair market value, and increase the likelihood that new leases will be explored and developed.

The new royalty terms will be considered for use in the leasing of specific types of tracts, such as tracts that can be identified before a sale containing potential oil and gas resources in reservoirs located below tabular salt formations. Other categories of tracts that we might choose to offer under the new terms include tracts with qualifying wells which have uneconomic reserves or tracts which

previously received high bonus bids but were not explored.

When we choose to use the new bidding terms, MMS may set the minimum royalty rate at less than 12½ per centum for all or a part of the lease's productive life as described in the lease terms portion of a final notice of sale. The MMS may designate a royalty rate that is either a fixed constant or varied over the life of the lease or a royalty rate that emerges or fluctuates as specified conditions are met (e.g., royalties would not accrue until a designated time period expires or a specified production level or value is reached, or a predetermined capital cost allowance is recovered, or royalties would be reduced during periods of declining average product prices).

Concurrently, with MMS development of this rule, Congress enacted the Outer Continental Shelf Deep Water Royalty Relief Act (Pub. L. 104-58, November 28, 1995) which amended the OCSLA to add a new section 8(a)(1)(H) which defines a new bidding system. The new bidding system prescribes a cash bonus bid with a royalty of no less than 12½ per centum and provides for a suspension of royalties for a period, volume, or value of production determined by the Secretary. Such suspensions may vary based on the price of production from the lease. Any lease sale held before November 28, 2000, must use the new bidding system for all tracts located in water depths of 200 meters or more in the Western and Central Gulf of Mexico Planning Areas, including that portion of the Eastern Gulf of Mexico Planning Area west of 87 degrees, 30 minutes west longitude.

This rule allows MMS to implement this new bidding system. The proposed rule had included the substance of the required provisions. Thus, MMS is able to include implementing provisions in this final rule. We are preparing another rule to implement further details of the Outer Continental Shelf Deep Water Royalty Relief Act.

Twelve respondents submitted comments during the public comment period and MMS reviewed and analyzed the comments. The following is a discussion of the comments received and our response. Each time MMS announces use of this new bidding rule in a preliminary lease sale notice, interested parties may submit comments.

#### Narrative Response to Comments

*Comment:* Several commenters had specific questions regarding uncertainty over aspects or terms used in the proposed rule.

*Question 1:* What would a "simple price-royalty rate formula" look like?

*Response:* One example of such a formula is a royalty rate of one-sixth applies if the average oil price is above \$18 (per barrel) and one-eighth if the average price is below \$18. Or, the royalty rate could vary in several discrete increments, or even continuously, as a function of oil (and perhaps gas) prices prevailing during the life of the lease.

*Question 2a:* What does the MMS mean when it suggests it would be able to "set royalty terms at time of sale for new leases that will adjust dynamically to changing market conditions?"

*Response:* An example of a royalty term that responds automatically to market conditions would be a royalty rate that depended on gross lease revenues. As prices declined or production from the lease decreased, the royalty rate would decline according to conditions specified in the sale notice, reflecting a lower profit potential on the lease. Such a system could include a predetermined cost allowance that would be deducted from gross revenues for the purpose of computing the net revenue amount, to which the royalty rate would be applied.

*Question 2b:* How frequently would royalty terms change?

*Response:* The frequency of change will be specified in the sale notice and lease. It will depend on both the form of the system and the variables defined in the sale notice and lease. For example, if MMS uses an inflation adjustment, the terms could change annually or monthly according to the specified adjustment factor. If MMS uses a fixed volume suspension, the change would occur only at the time the prescribed production volume is achieved. Once the lease is executed, any change in royalty will be triggered solely by satisfying the objectively determined economic and geologic factors specified in the lease.

*Question 2c:* Are there limits on the changes?

*Response:* Yes. The MMS will specify the range of values over which the royalty rate will change in the final notice of sale and the lease.

*Question 2d:* Is the 12½ per centum royalty the ceiling?

*Response:* No. When there is a ceiling we will specify it in the notice of sale.

*Question 2e:* How will MMS and industry administer these leases (e.g., audits)?

*Response:* We will continue to administer leases in the same manner. However, estimates of future prices could, under some systems, necessitate a recalculation not only in the receipts

subject to royalty, but also in the size of the royalty rate as well.

*Question 2f:* How would MMS administer these new leases when unitized with leases with different or fixed royalties?

*Response:* The MMS will be careful to ensure that lessees properly allocate production to each unitized lease. Normally unitized production from a common reservoir is based on the proportion of recoverable resources present on each lease.

*Question 3a:* How does the "operating allowances" concept relate to the amendments to the bidding systems regulations?

*Response:* Under existing royalty regulations, transportation costs and gas processing costs are permissible deductions in computing royalty due. The notion of a predetermined operating allowance is proposed partly to expand the set of tract-specific costs that MMS may consider in calculating payment obligations, without complicating the accounting. Or alternatively, MMS may simply offer some tracts under a bidding system with a specified transportation and processing allowance instead of actual costs incurred.

*Question 3b:* How do operating allowances relate to existing transportation and processing allowances in terms of substance and reporting requirements?

*Response:* Because the allowance concept is based on the specified standard, there will be some difference between actual costs incurred and those used to compute payment obligations. However, if set properly, we expect that the allowance will be about right on average. Moreover, this could alleviate some of the administrative and auditing burdens, since actual costs may not affect the amount of payments owed under some of these systems.

*Question 3c:* What is the effect of the introduction of the new concept of "operating allowances" into the valuation regulations?

*Response:* Operating allowances could be used in conjunction with valuation regulations in one of two ways. First, predetermined operating allowances, defined at the time of sale, could replace valuation regulations for the purpose of calculating net receipts subject to payment obligations.

Second, a predetermined operating allowance could be subtracted from net receipts after the valuation regulations are applied, to determine the final amount of receipts subject to payment obligations. In either case, the approach used would be designated in the proposed and final sale notices.

*Question 4:* Can phrases such as "any amounts creditable against future royalties" and "inflation factor" for purposes of determining value "or amount" of production be explained?

*Response:* Should the governing statutes change, MMS might consider allowing the lessee to credit other payments made to the Government (e.g., rentals) against future payments due the Government (e.g., royalties). Existing statutes do not allow MMS to encourage lessee behavior (e.g., starting exploration or production earlier in the primary term) by reimbursing the lessee in cash. In developing the original sliding-scale bidding system, MMS made the royalty rate dependent upon the gross value of production generated during a period. The MMS used an index or "inflation factor" to make adjustments in production value in future production periods to reflect the prevailing level of aggregate prices in the economy.

For simplicity, MMS will provide the details of any required modifications of this type in the official sale and lease documents, rather than in the regulations.

*Question 5:* Why would industry have to wait for publication of lease sale packages to examine royalty rate formulas?

*Response:* In the April 20, 1995, Federal Register Notice asking for comments on the proposal (60 FR 19767), MMS described the general nature of the equations and formulas, along with the applicable variables, and this notice continues the discussion. In many instances, the specific parameters that we will use in specific lease sales may depend on the characteristics of the tracts to which they apply as well as prevailing price and cost conditions at time of sale. The rule itself does not include values for the parameters. Whenever possible we will announce the formulas to be used, along with proposed values for the parameters, in the preliminary notice of sale. This will permit industry to comment on the details of the bidding system before MMS publishes the final notice of sale.

*Question 6:* What does "suspension or deferral magnitudes or formulas" mean?

*Response:* During the productive life of a lease, the existing royalty could be suspended (i.e., reduced or eliminated) or deferred (i.e., paid at a later time under some circumstances). Typically, such provisions will apply at the start of production. We may express the suspension or deferral variable as a specified number of barrels of oil equivalent produced, gross revenues collected from oil and gas sales, or

length of time over which royalties would be collected at a reduced rate.

*Question 7:* What index will MMS use for pricing?

*Response:* We will specify the index to be used in the final sale notice. We expect that such indices will reflect the rate of inflation in either the energy sector or the economy as a whole. Indices of this nature typically appear in a variety of Federal documents published among others by the Department of Commerce and the Department of Energy.

*Question 8:* For a particular lease sale, can a bidder choose between a reduced (variable) rate or fixed rate? If so, how would the MMS award competitive bids?

*Response:* No. The MMS did not envision allowing the bidders to choose between different leasing systems on the same tract. The concept does have some appeal, however, since it would allow bidders with different capacities to bear risk to choose the system that best suits them. With this added flexibility, the ceiling royalty rate associated with the variable royalty rate option will have to be above the fixed rate. Otherwise, bidders presumably would be better off always choosing the reduced (variable) royalty rate. However, unless MMS develops a way to show that the anticipated value of the tract was the same under either system, there will be no simple way to choose among competitive cash bonus bids submitted under each of the systems. Thus, MMS has not chosen to pursue this option.

*Question 9:* How much lead time can companies expect to have between promulgation of final regulations and the first lease sale where they would apply?

*Response:* Before using some of the innovative new concepts covered by this rule, MMS will both take time to determine how the new system will be used in the specific lease sale and will solicit industry comments in a preliminary notice of sale. This will provide industry with an opportunity to understand the new system.

*Question 10:* Would a potential bidder have any flexibility in the bidding process with regard to the royalty rate? For example, could a potential bidder offer a traditional one-eighth royalty?

*Response:* These changes in bidding systems relate to the manner in which MMS will determine the applicable royalty rate during a give production period. We are not introducing these changes to facilitate various forms of actual bidding on the royalty rate to be paid by the lessee. Thus, we intend to set the form of the royalty rate, and the lessee will bid a cash bonus. Under this

format, the lessee cannot affect the royalty rate during the bidding process. Only if the royalty is the bid variable, would a potential bidder be free to offer a traditional one-eighth royalty.

*Question 11:* Would there be any changes to the basis upon which the MMS awards competitive bids?

*Response:* No. Under the proposed systems, the high cash bonus bidder will be awarded the lease subject to satisfying the MMS bid adequacy criteria.

*Comment:* One commenter mentioned that although the proposed rule does not specifically indicate MMS is contemplating such a system, they are against one which might call for bidding of both a royalty variable and bonus.

*Response:* The term "variable royalty rate" is meant to convey the notion that the royalty rate, as described in the sale notice, may vary over the life of the lease. This does not mean that MMS is making the royalty rate a bidding variable. This rule does not affect the MMS authority to use the royalty rate as a bidding term, either in place of or in conjunction with a cash bonus. While the OCSLA does not authorize MMS to use more than one bidding variable simultaneously, we may be able to design some systems that operate sequentially.

For example, in the unlikely event that bidding for some tracts involved both the cash bonus and the royalty rate, MMS needs a means to objectively determine the winning bidder. One way to do that would be to require bidding on the two terms in sequence rather than in parallel. Subject to a fixed minimum required cash bonus, bidding could be allowed on the royalty rate up to a predetermined and known maximum. If a bidder chooses to bid above the maximum royalty rate, it would do so by offering to add to the minimum required bonus bid.

*Comment:* One commenter stated that it would be unjust for a lessee to relinquish a lease after conducting exploratory drilling, with the possible public release of data, and then for the Government to reoffer the tract under more favorable terms to competitors.

*Response:* The original lessee purchased the contract for a cash bonus bid. If it then voluntarily relinquishes the lease after conducting exploratory drilling, the Government is free to reoffer the tract in the market at any terms it deems appropriate. The original lessee can compete on equal terms with others through the auction process used to reoffer the tract.

*Comment:* Two commenters suggested that royalty relief and flexible royalty terms would benefit production if MMS

applies them to existing OCS leases that are approaching the economic limits of production.

*Response:* This rule does not affect the authority of MMS, under § 8(a)(3)(A) of OCSLA, to reduce or eliminate any royalty or net profit share on an active tract.

*Response:* One commenter strongly recommended that MMS consider providing an appropriate allowance for poor quality and/or low gravity crude in order to foster development of such resources.

*Response:* Lower quality crude sells for less. Since royalty paid is directly propositional to price, the current fixed royalty arrangement reflects differences in product quality. To the extent that an additional adjustment is needed for low quality crude, to account for higher costs of extraction, then a properly set cost allowance under the new bidding rule would be one way to handle the situation for tracts being offered for lease.

*Comment:* One commenter stated that it does not believe that royalty relief by itself, in the absence of other financial incentives such as a production tax credit, is sufficient to generate additional substantial deepwater activity.

*Response:* The MMS does not have taxing authority, so production tax credits are not part of the policies affected by this rule. The final rule differs from the proposed rule in that portions have been reworded for clarity. The final rule also contains a new system, § 260.110(a)(7), designed specifically to address the Outer Continental Shelf Deep Water Royalty Relief Act. This new system includes a cash bonus bid, a fixed royalty rate of not less than 12½ per centum, and an option for MMS to defer or suspend royalties. Although a lease sale of this type would have been possible under paragraph § 260.110(a)(5), MMS added the new paragraph specifically addressing the provisions in the statute. This will clearly indicate when MMS is conducting a lease sale under the provisions of the Outer Continental Shelf Deep Water Royalty Relief Act.

Author

This document was prepared by Marshall Rose, Mary Vavrina, and Keith Meekins, Offshore Resource Evaluation Division, MMS.

Executive Order (E.O.) 12866

MMS reviewed this rule and determined that the rule is not significant.

Regulatory Flexibility Act

The Department of the Interior (DOI) has determined that this rule will not have a significant economic effect on a substantial number of small entities. Any direct effects of this rulemaking will primarily affect lessees and operators/entities that are not, in general, small due to the technical complexities and financial resources necessary to conduct OCS activities. MMS also determined that the indirect effect of this rulemaking on small entities that provide support for offshore activities is small.

Paperwork Reduction Act

The information collection requirements contained in those parts of MMS's regulatory program affected by this rule have been approved by OMB under (44 U.S.C. 3501 *et seq.*). The forms, filing date, and approved OMB clearance numbers are identified in 30 CFR 210.10 and 30 CFR 216.10.

Takings Implication Assessment

The DOI certifies that this rule does not represent a governmental action capable of interference with constitutionally protected property rights. A Takings Implication Assessment prepared pursuant to E.O. 12630, Government Action and Interference with Constitutionally Protected Property Rights, is not required.

E.O. 12778

The DOI has certified to OMB that this rule meets the applicable civil justice reform standards provided in Sections 2(a) and 2(b)(2) of E.O. 12778.

National Environmental Policy Act

The National Environmental Policy Act (NEPA) compliance for the rule is covered by DOI procedures for implementing NEPA (516 DM2, Appendix 1.10). In accordance with those procedures, MMS will examine the potential environmental effects of the rule during NEPA review for each lease sale. This is appropriate because the potential environmental effects of the rule depend largely on how it is applied, and decisions on application will be made on a sale-by-sale basis.

List of Subjects

30 CFR Part 206

Coal, Continental shelf, Geothermal energy, Government contracts, Indian lands, Mineral royalties, Natural gas, Petroleum, Public lands—mineral resources, Reporting and recordkeeping requirements.

**30 CFR Part 260**

Continental shelf, Government contracts, Mineral royalties, Oil and gas exploration, Public lands—mineral resources.

Dated: January 26, 1996.

Bob Armstrong,  
Assistant Secretary, Land and Minerals Management.

For the reasons set forth in the preamble, the Minerals Management Service amends 30 CFR parts 206 and 260 as follows:

**PART 206—PRODUCT VALUATION**

1. The authority citation for part 206 is revised to read as follows:

Authority: 5 U.S.C. 301 *et seq.*; 25 U.S.C. 396 *et seq.*, 396a *et seq.*, 2101 *et seq.*; 30 U.S.C. 181 *et seq.*, 351 *et seq.*, 1001 *et seq.*, 1701 *et seq.*; 31 U.S.C. 9701; 43 U.S.C. 1301 *et seq.*, 1331 *et seq.*, and 1801 *et seq.*

2. Section 206.106 of subpart C is added to read as follows:

**§ 206.106 Operating allowances.**

Notwithstanding any other provisions in these regulations, an operating allowance may be used for the purpose of computing payment obligations when specified in the notice of sale and the lease. The allowance amount or formula shall be specified in the notice of sale and in the lease agreement.

3. Section 206.160 of subpart D is added to read as follows:

**§ 206.160 Operating allowances.**

Notwithstanding any other provisions in these regulations, an operating allowance may be used for the purpose of computing payment obligations when specified in the notice of sale and the lease. The allowance amount or formula shall be specified in the notice of sale and in the lease agreement.

**PART 260—OUTER CONTINENTAL SHELF OIL AND GAS LEASING**

1. The authority citation for part 260 is revised to read as follows:

Authority: 43 U.S.C. 1331 and 1337.

2. Section 260.001 of subpart A is revised to read as follows:

**§ 260.001 Purpose and scope.**

The purpose of this part 260 is to implement OCSLA, 43 U.S.C. 1331 *et seq.*, as amended, by providing regulations to foster competition including, but not limited to, regulations to prohibit joint bidding for development rights by certain types of joint ventures; the implementation of alternative bidding systems (including suspension of royalties for a period,

volume, or value of production); and the establishment of diligence requirements for Federal OCS leases issued under the OCSLA.

3. Section 260.002 of subpart A is amended by revising the definition of "OCSLA" to read as follows:

**§ 260.002 Definitions.**

\* \* \* \* \*  
OCSLA means the Outer Continental Shelf Lands Act, (43 U.S.C. 1331 *et seq.*), as amended.  
\* \* \* \* \*

2. Section 260.110 of subpart B is amended by revising paragraphs (a)(1)(iii), (a)(2)(iii), (a)(3)(i)(C)(4) and (a)(3)(iii) and by adding new paragraphs (a)(5), (a)(6), and (a)(7) to read as follows:

**§ 260.110 Bidding systems.**

(a) \* \* \*  
(1) \* \* \*  
(iii) The annual rental to be paid by the highest responsible qualified bidder and any amounts creditable against future royalties shall be specified in the notice of sale published in the Federal Register.

\* \* \* \* \*  
(2) \* \* \*  
(iii) Rental payment amounts must be as specified in paragraph (a)(1)(iii) of this section.

\* \* \* \* \*  
(3) \* \* \*  
(i) \* \* \*  
(C) \* \* \*  
(4) The production period, inflation factor and procedures for making the inflation adjustment and for determining the value or amount of production shall be stated in the notice of sale published in the Federal Register.

\* \* \* \* \*  
(iii) Rental payment amounts must be as specified in paragraph (a)(1)(iii) of this section.

\* \* \* \* \*  
(5) *Cash bonus bid with a variable royalty rate or rates during one or more production periods in amount or value of the production saved, removed or sold, and an annual rental.* MMS may suspend or defer the royalty due for a period, volume, or value of production. Such suspensions or deferrals may vary based on changes in the prices of oil and/or gas as specified in the notice of sale published in the Federal Register.

(i) The royalty rate due on production may be less than 12½ per centum, but greater than zero per centum, at any designated time during the lease period based on the amount or value of production saved, removed, or sold.

Royalty may be suspended or deferred for a period, volume, or value of production. The applicable royalty rate(s) and suspension or deferral magnitudes or formulas shall be specified in the notice of sale published in the Federal Register.

(ii) The amount and the procedure for payment of a cash bonus must be as specified in paragraph (a)(1)(ii) of this section.

(iii) Rental payment amounts must be as specified in paragraph (a)(1)(iii) of this section.

(6) *Cash bonus bid with a royalty rate or rates based on formula(s) or schedule(s) during one or more production periods in amount or value of the production saved, removed or sold, and an annual rental.* Royalty may be suspended or deferred for a period, volume, or value of production. Such a suspension or deferral may vary based on changes in the prices of oil and/or gas as specified in the notice of sale published in the Federal Register.

(i) The royalty due on production shall be specified as a percentage of the amount or value of the production saved, removed, or sold. When the value of production is used, by unit or in aggregate, the royalty rate will be determined based on prices for oil and/or gas as specified in the notice of sale published in the Federal Register.

(A) The lessee must calculate the royalty due using the formula or schedule specified in the lease based on the adjusted amount or indexed value of the oil and gas produced. The formula or schedule will describe the relationship between the adjusted or actual amount of production, indexed value, or indexed price, and the royalty rate. It will stipulate the lowest and highest royalty rates.

(B) The royalty rate formula or schedule and the suspension or deferral magnitudes or formulas shall be specified in the notice of sale published in the Federal Register.

(C) Royalty payment calculation.  
(1) The royalty rate used to calculate the royalty due on production is based on an adjusted or actual amount of production, indexed value, or indexed price and is set through application of the specified formula or schedule to the designated production period.

(2) The lessee will determine the adjusted amount or indexed value, or indexed price by applying an index or inflation factor specified in the lease to the actual amount or value of production, or to the adjusted price.

(3) The lessee must apply the royalty rate to the actual value of production. The result is the amount in dollars that the lessee must pay to the United States,

or the amount of royalty oil and/or gas that the United States will take in kind.

(4) The production period, inflation factor and procedures for making the inflation adjustment and for determining the value or amount of production shall be stated in the notice of sale published in the Federal Register.

(ii) The amount and the procedure for payment of a cash bonus must be as specified in paragraph (a)(1)(ii) of this section.

(iii) Rental payment amounts must be as specified in paragraph (a)(1)(iii) of this section.

(7) *Cash bonus bid with a royalty rate of not less than 12½ per centum fixed in amount or value of the production saved, removed or sold, and with suspension of royalties for a period, volume, or value of production, and an annual rental.* Royalty may be suspended for a period, volume, or value of production. Such a suspension may vary based on changes in the prices of oil and/or gas as specified in the notice of sale published in the Federal Register.

(i) Except for a period of suspension, the royalty rate due on production will be specified as a percentage of the amount or value of the production saved, removed, or sold. The applicable royalty rate shall be specified in the notice of the lease sale published in the Federal Register. When the royalty rate is applied to the value of production, by unit or in aggregate, the royalty rate will be determined based on the prices for oil and/or gas as specified in the notice of sale published in the Federal Register.

(A) The lessee must calculate the royalty due using the formula or schedule specified in the lease agreement based on the adjusted amount or indexed value of the oil and gas produced. The formula or schedule will describe the relationship between adjusted or actual amount of production, indexed value, or indexed price, and the royalty rate. It will stipulate the lowest and highest royalty rates that may apply.

(B) The formula or schedule for royalty due on production and the suspension magnitudes or formulas shall be specified in the notice of sale published in the Federal Register.

(ii) The amount and the procedure for payment of a cash bonus must be as specified in paragraph (a)(1)(ii) of this section.

(iii) Rental payment amounts must be as specified in paragraph (a)(1)(iii) of this section.

[FR Doc. 96-2200 Filed 2-1-96; 8:45 am]

BILLING CODE 4310-MR-M

## DEPARTMENT OF THE TREASURY

### Office of Foreign Assets Control

#### 31 CFR Part 595

#### Terrorism Sanctions Regulations

**AGENCY:** Office of Foreign Assets Control, Department of the Treasury.

**ACTION:** Final rule.

**SUMMARY:** The Office of Foreign Assets Control of the U.S. Department of the Treasury is issuing the Terrorism Sanctions Regulations to implement the President's declaration of a national emergency and imposition of sanctions against certain persons whose acts of violence have the purpose or effect of disrupting the Middle East peace process.

**EFFECTIVE DATE:** February 2, 1996.

**FOR FURTHER INFORMATION:** Contact the Office of Foreign Assets Control, Department of the Treasury, Washington, DC 22201, Tel.: 202/622-2520.

#### SUPPLEMENTARY INFORMATION:

##### Electronic Availability

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##### Background

On January 24, 1995, the President issued Executive Order 12947, declaring a national emergency with respect to "grave acts of violence committed by foreign terrorists that disrupt the Middle East peace process," and invoking the authority, *inter alia*, of the International Emergency Economic Powers Act (50 U.S.C. 1701-1706). The order blocks all property and interests in property of 12 terrorist organizations designated in the order, as well as the property and interests in property of other persons

who are designated by the Secretary of State or the Secretary of the Treasury. The order also authorizes the Secretary of the Treasury, in consultation with the Secretary of State and, as appropriate, the Attorney General, to take such actions, including the promulgation of rules and regulations, as may be necessary to carry out the purposes of the order. In implementation of the order, the Treasury Department is issuing the Terrorism Sanctions Regulations (the "Regulations").

The Regulations block all property and interests in property of (1) persons designated in Executive Order 12947; (2) persons designated by the Secretary of State, in coordination with the Secretary of the Treasury and the Attorney General, because they are found (a) to have committed, or to pose a significant risk of committing, acts of violence that have the purpose or effect of disrupting the Middle East peace process, or (b) to assist in, sponsor, or provide financial, material, or technological support for, or services in support of, such acts of violence.

The Regulations also block all property and interests in property of persons determined by the Secretary of the Treasury, in coordination with the Secretary of State and the Attorney General, to be owned or controlled by, or to act for or on behalf of, any other designated person. Persons coming within any of these categories are called specially designated terrorists ("SDTs"). Executive Order 12947 blocks all property or interests in property of SDTs that are in the United States, that hereinafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches. Section 1(b) of Executive Order 12947 also prohibits any transaction or dealing by U.S. persons or in the United States in property or interests in property of SDTs, including the making or receiving of any contribution of funds, goods, or services for the benefit of an SDT.

Transactions otherwise prohibited under this part but found to be consistent with U.S. policy may be authorized by a general license contained in subpart E or by a specific license issued pursuant to the procedures described in § 595.801 of subpart H. Civil and criminal penalties for violations of the Regulations are described in subpart G.

Since the Regulations involve a foreign affairs function, the provisions of Executive Order 12866 and the Administrative Procedure Act (5 U.S.C. 553), requiring notice of proposed rulemaking, opportunity for public