INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

1101 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20036
(202) 857-4722
FAX (202) 857-4799

December 3, 1996

Mr. David S. Guzy
Minerals Management Service
Royalty management Program
Rules and Procedures Staff
P.O. Box 25165, MS 3101
Denver, CO 80255-0165

Re: Amendments to Gas Valuation Regulations for Indian Leases, 61 Federal Register 49894, September 23, 1996

Dear Mr. Guzy:

The Independent Petroleum Association of America (IPAA) is the nationwide trade association of approximately 5500 members that represents the interest of independent domestic natural gas and crude oil producers. Independent producers in the aggregate drill 85 percent of the new domestic wells each year and produce 64 percent of the natural gas produced in the United States. The vast majority of IPAA's members companies (66 percent) have fewer than 20 employees.

The IPAA hereby endorses the comments of the Independent Petroleum Association of Mountains States previously submitted to your department in regard to the MMS' proposed amendments to gas valuation regulations for Indian leases as was published on September 23, 1996 in 61 Federal Register 49894.

The IPAA's concerns center around the meaning of the phrase "highest price paid or offered ... for the major portion [of gas] ... produced and sold from the field." This phrase does not contemplate using the highest price in the field, but rather the price at which the majority of the gas was sold in the field. The unfairness of the proposed formula is evident in its inadequate accounting for small producer's transportation costs. By utilizing an artificially high price and deducting artificially low transportation costs, the cumulative effect of the formula creates undue hardship for the small producer and greatly increase the costs of doing business on Indian lands. Due to the economic disadvantages resulting from rulemakings such as these, independents remain discouraged from

producing from Indian and public lands. This of course means fewer royalty payments and less money for Indian tribes and their recipients.

Thank you for the opportunity to comment on this rulemaking.

Sincerely,

Ben Dillon