Mobil Business Resources Corporation

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VIA TELECOPY (303) 231-3194
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Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
P.O. Box 25165, Mail Stop 3101
Denver, Colorado 80225-0165

Re: Comments on Proposed Regulations -- Amendments to Regulations Governing Valuation of Natural Gas Produced From Indian Leases

Dear Mr. Guzy:

Mobil Business Resources Corporation, on behalf of Mobil Exploration & Producing U.S. Inc. ("Mobil"), appreciates the opportunity to comment on the Minerals Management Service ("MMS") proposed Amendments to Gas Valuation Regulations for Indian Leases (30 CFR Parts 202 and 206), published in the Federal Register on Monday, September 23, 1996.

Mobil was not a direct participant on the negotiated rulemaking committee; however, it is a member of the Council of Petroleum Accountant's Societies ("COPAS") and the Rocky Mountain Oil & Gas Association ("RMOGA"), both of which were represented on the committee. Mobil concurs entirely with the written comments submitted by COPAS (comments dated November 14, 1996) and RMOGA (comments dated November 22, 1996), and it hereby adopts and incorporates them by reference as Mobil's own comments. While Mobil agrees with all of the comments, of particular importance to Mobil are the following:

1. The procedural objections noted by both COPAS and RMOGA to the manner in which this negotiated rulemaking was accomplished are of grave concern. The composition of the committee, combined with the two-third "consensus" rule which deprived industry of a meaningful vote; the last minute additions to the "consensus" over industry's objections; and the agency's own unilateral, post-hoc revisions of the "consensus" rule all serve to make the results of the process suspect. Moreover, the process itself is of questionable utility if it can be so easily manipulated to the clear disadvantage of one of the interested constituents. As noted by COPAS and RMOGA, these types of procedural problems with the process will undermine the willingness of industry to participate in negotiated rulemakings in the future.

2. The provisions objected to by COPAS and RMOGA on the ground that MMS is attempting to move the point of royalty valuation downstream of the field or area where the production occurs are also of particular concern to Mobil. These provisions are not only unwise, they are unlawful. The agency has no statutory or contractual authority to require royalties to be paid on downstream values.

3. The requirements regarding contract settlements and tracing affiliate proceeds (unless the affiliate is a "marketing affiliate" as defined in existing regulations) also are unlawful. The courts have recognized that royalties are not owed on contract settlements because they are not part of the value of the lease production; and the "gross proceeds" accruing to the lessee cannot be expanded to include the "gross proceeds" accruing to separate, albeit affiliated, entities.

4. The proposed minimum value requirements for liquids are not authorized, either by statute or by contract. They also are inappropriate and unnecessarily burdensome.

5. The tracing required for the proposed safety net is impossible to do with any certainty. For this reason, as well as for the other reasons articulated by COPAS and RMOGA, the inclusion of the safety net requirement for non-dedicated sales undermines two of the most important goals of the negotiated rulemaking, simplicity and certainty.

Like COPAS and RMOGA, Mobil has many concerns about the proposed rule. While Mobil continues to support the original concept of using independent published index prices for the valuation of natural gas produced from Indian lands, and while it also continues to support the concept of allowing the use of the alternative "percentage bump" method to satisfy the dual accounting requirement of certain Indian leases (provided its use is optional), Mobil cannot support the adoption of the proposed rule in its present form because of the concerns discussed above, as well as those discussed more fully in the COPAS and RMOGA comments.

We appreciate your consideration of our comments. If you have any questions regarding the comments, please call the either myself at 214-951-4504 or Deborah Bahn Haglund at 214-951-3349.

Very Truly Yours,

Ron G. Kissick

dbh/

Ron G. Kissick, FOC-O&G
Regulatory Compliance