

# BP Amoco



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Minerals Management Service  
Royalty Management Program  
Rules and Publications Staff  
P.O. Box 25165, MS 3021  
Denver, Colorado 80225-0165

RE: Request For Comment  
Federal Register: February 23, 1999  
Volume 64, Number 35  
MMS Form 2014

We appreciate the opportunity to offer comments concerning proposed reporting changes to the MMS Form 2014 as reported in the Federal Register on February 23, 1999. Generally speaking, we find the proposed changes to be very favorable. If not covered in these comments, BP Amoco considers the change to be either positive (e.g. elimination of the PIF, addition of separate columns for processing/transportation cost and reporting of adjustments on a net basis) or not a significant change to current requirements. As identified below, we have a few concerns and recommendations that we would appreciate be addressed before any final reporting changes are adopted:

1. **Data Element 4 - Payor Assigned Document Number** - This number could be used more by the MMS in communicating with industry concerning the correction of errors. This will facilitate the correction process.
2. **Data Element 6 - Reserved for Payor's Use** - This needs to be used by the MMS in communicating with industry concerning the correction of errors. This will significantly reduce the time needed to identify which analyst the error belongs to, thus, facilitating the correction process.

3. **Data Element 8 - API Well Number** - Although this is listed as optional, there is **great** concern that this change will be made mandatory for the Indian Tribes and possibly later for the Federal properties. Several States/Agencies have looked into this previously, and when thoroughly reviewed it was agreed to not require well level reporting. Because recordings are done at a lease and unit level, to require well level reporting will be very costly if not impossible (especially on non-operated and non-interest properties) for both industry and the MMS. It could very likely cause companies that are buying oil and paying the royalties to stop paying the royalties.

If well level reporting was ever required, it is doubtful the OMB would approve due to the increased **system costs and efforts**, which would double or triple the amount of time needed to prepare each 2014 line.

4. **Data Element 12 - Valuation Code - Opposed** - It would be impossible for any company to program this into their system as it is being suggested today. Additionally, due to pool pricing, **most sales include a combination of several codes (armslength, non-armslength, spot short-term, spot long term)**, and it would be impossible to split out. Thus, the accuracy of this code could never be guaranteed. Because this data is not split out in this manner in our system, OMB would not approve this change due to the significant effort and system costs associated with this additional reporting requirement. We recommend this code be eliminated, but if the MMS still institutes this code, it should minimize the number of codes, and allow for a code that reflects pool pricing.
5. **Data Element 18 - Royalty Rate - Opposed - We recommend this be eliminated** - It may be difficult for industry to program for Sliding Scale Royalties. Requesting industry to report this will force a lot of processing/system calculation costs on industry, which seems unnecessary since the MMS already has this data in their system.
6. **Data Element 19 - Unit Price - Opposed - We recommend this be eliminated** - This will be a theoretical calculation based upon the MMBTUs and Royalty Value reported. This price may not tie to anything that we have in our system but would simply be the Gross Royalty Value divided by the MMBTUs reported. We recommend the MMS calculate this themselves because system modifications across industry would be costly. It should be pointed out that you will still have differences between companies. A company selling at the wellhead to a third party may report Gross Royalty Value as \$1.40/MMBTU, while another company with an interest in the same well may report \$1.80/MMBTU because they then pay \$.30-\$.50 per MMBTU for transportation.
7. **Sales Value** - We recommend the MMS require the sales value. This can then be used to ensure the correct royalty rate is being used.

8. **Agreement Versus Lease Level Reporting** - BP Amoco supports the reporting at a Lease level. While Agreement level reporting is commendable, it should not be implemented because the costs of dealing with the exceptions and problems (AFS/PAAS, audits, Indian Recoupments) outweighs any benefit of reporting at this higher level. Industry will still have to do their accounting and processing at a lease level, thus there are little or no cost savings associated with summing them up and reporting at an agreement level.
9. **Report Format** - BP Amoco supports reporting in a landscape form.
10. **Reporting Burden** - BP Amoco does not believe the time identified of 2 minutes for electronic report lines to be accurate due to the Valuation Code. This requirement would increase the number of lines reported by 30-50%, and the time spent to report a line would double or triple, and/or the additional system programming to allocate the volume/value would cost \$200M-\$500M or more. Even with this done, it is doubtful the numbers would be accurate.

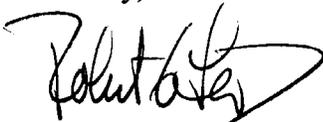
Should well level reporting ever be required, it would have a similar impact to our reporting effort and burden.

The additional and unnecessary costs of having to program, calculate and report the Royalty Rate and Unit Price is also not properly addressed in the reporting burden information.

Finally, care should also be given in determining how to handle adjustments for time periods prior to this new reporting. This is because we will not have all the data for the historical time periods that is being requested to be reported in the new format. Being allowed to report on a net basis and having additional flexibility in edit checks of reporting will be necessary. A separate dialogue should take place between the MMS and industry in determining how to handle this issue.

Should you have any questions, please feel free to call Bob Wilkinson at (918) 581-1127.

Sincerely,



Bob Wilkinson  
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BP Amoco

cc: John L. Sager  
William Colbert