Enron Oil & Gas Company
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April 23, 1999

RE: Comments on Revising an Existing Information Collection, Report of Sales and Royalty Remittance (MMS-1014)
64FR 8835 (February 23, 1999) Office of Management and Budget (OMB)
Control Number 1010-0022

Messrs. and Mesdames:

Enron Oil & Gas Company (EOG) welcomes this opportunity to offer comments on the royalty reporting changes proposed by the Minerals Management Services in the United States Department of the Interior.

Reporting Concepts

1. **Elimination of the form MMS-4025**
   EOG agrees with the MMS's proposed elimination of the Form MMS-4025, Payor Information Form (PIF) and replacement of its functionality with revisions and / or additions to the existing form MM-2014.

2. **Product Valuation**
   EOG supports the MMS's efforts to improve the reporting process. The RMP requirement of valuation codes however, appears to be based on the fact that "mixed volumes and values" or "pooled gas sales" can be un-pooled for reporting purposes without increasing the number of lines a payor must report. The valuation code requirements would also require significant compliance costs in terms of both personnel and information systems redesign by EOG. The RMP states,

   "*We do not believe this requirement will increase the number of lines a payor must report. Most payors will not have sales from more than one contract type occurring in the same sales month on a lease.*"

   It is our opinion based on our contract types, that this situation occurs regularly and would dramatically increase the reporting lines for EOG. And currently, EOG does not have a practical method for how compliance with the proposed valuation codes would be achieved given our current accounting system / practices.

3. **Reporting Modifications**

EOG agrees the proposed "Net" basis or incremental positive or negative volume / value change for prior period adjustments is an excellent proposal. EOG strongly agrees that these proposed changes meet the MMS's objective to reduce the volume of reporting lines, associated errors, and overall reporting burdens. The elimination of the revenue source code will also reduce reporting errors as well as prior period adjustments due to incorrect revenue source codes.

To further streamline the reporting process, EOG recommends the elimination of the API data element, as well as the MMBTU volume, royalty rate and unit price.

> The API data element is currently provided to the MMS on production reports and would be unnecessary with agreement level reporting.
>
> The BTU factor should continue to be reported with the gravity as the quality measurement. Therefore, the MMBTU volume could be calculated by the MMS.
>
> The royalty rate and unit price can also be calculated from the data elements reported.

The elimination of these data elements will allow reporting on one line making the 2014 form more readable and user friendly. In conjunction with this proposal, a single line landscape format would be easier to read compared to the portrait format reporting.

4. **Transportation and Processing Allowance Deductions**

EOG shares the appreciation of the industry for these proposed changes in reporting of Transportation and Processing allowance deductions on the same reporting line as volumes and values. This will significantly reduce the number of lines reported on a regular basis. Currently EOG is reporting 1014 lines under transaction code 11 for transportation deductions and 394 lines under transaction code 15 for processing allowance deductions each month. With the new reporting procedures EOG will have a monthly reduction in reporting lines of 45%.

<u>Agreement Level Reporting</u>

EOG recognizes the benefits of agreement level reporting and strongly urges the MMS to implement it as a means of greatly simplifying the reporting process. The agreement level reporting will reduce the overall number of reporting lines from the industry, as well as increase accuracy of royalty reporting by eliminating errors due to incorrect lease numbers, revenue source codes and lease allocation percentages reported by industry.

The agreement number and the lease number for single well leases could be reported in the same field, therefore eliminating a column on the 2014.

Summary / Conclusion

EOG appreciates the overall effort by the MMS and endorses the revising of Form MMS-2014 and the elimination of Form MMS-4025 and several data elements. The two changes that would benefit EOG the most are the implementation of agreement level reporting and the implementation of "net" reporting. These two items would streamline and simplify the MMS reporting process making it more efficient and effective. These two changes would both reduce the number of lines reported and increase the accuracy of the data reported thereby decreasing the cost of reporting for both industry and the MMS.

EOG remains concerned with the introduction of valuation codes and the associated cost and administrative burden that could result. EOG is willing to further discuss this issue and / or explore additional alternatives.

Thank you for the opportunity to offer comments regarding these proposals. Please don't hesitate to call me at (713) 853-5214.

Sincerely,

Donald Manton

Donald Manton
Director of Accounting