


Apache

CORPORATION

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February 5, 1996

Mr. David S. Guzy
Chief, Rules & Procedures Staff
Minerals Management Service
Royalty Management Program
Post Office Box 25165, MS 3101
Denver, Colorado 80225-0165

VIA FACSIMILE
303-231-3194

Dear Mr. Guzy:

Apache Corporation appreciates the opportunity to comment on the Amendments to Gas Valuation Regulations for Federal Leases published in the *Federal Register* on November 6, 1995. Apache, with operations in North America and abroad, is one of the nation's larger gas and oil independents.

Apache appreciates the MMS appointing positions on the rule making committee to address the needs of large independents. MMS is to be commended for encouraging all affected parties to participate in the rule making process. Although the proposed rule has its complexities, we feel that, overall, it provides regulatory relief for some of the complicated gas royalty valuation issues we face today.

Those areas which Apache believes will provide simplicity are:

- Elimination of transportation and allowance forms. (The final rule should make it clear that the elimination of forms applies to both index and gross proceeds payors.)
- Clear definition of compression, transportation, and gathering.
- Elimination of dual accounting requirement.
- An option to pay on a wellhead volume and eliminate royalty accounting on Natural Gas Liquids.

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- Paying royalty on an entitled or takes volume, whichever is appropriate, at a posted index price should reduce prior period adjustments.

Those areas which give rise to concern are:

- Mapping of individual wells to the appropriate index pricing points, and
- The safety net calculation and true-up process.

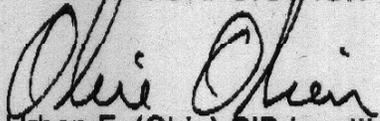
Retention of gross proceeds as an acceptable value for royalty is a key ingredient for Apache's endorsement of the proposed rule. The rule should clearly state that a lessee's gross proceeds will not be compared to an alternative valuation methodology in the establishment of royalty value.

After evaluating the comments received, if the MMS intends to publish a final gas valuation rule that is significantly different from the proposed rule or if conflicting comments make it difficult for MMS to determine a final position on certain issues, Apache recommends that the negotiated rule-making committee be reconvened to resolve these differences.

Although Apache is a member of the Independent Petroleum Association of Mountain States (IPAMS) and the Independent Petroleum Association of America (IPAA), Apache does not endorse comments submitted by either trade association. Neither association circulated comments in a timely manner to allow for member responses prior to submission to the MMS. Apache endorses by reference all comments submitted by the Council of Petroleum Accountants (COPAS) and Rocky Mountain Oil and Gas Association (RMOGA).

Sincerely,

APACHE CORPORATION



Urban F. (Obie) O'Brien, III
Director, Governmental Affairs
UFO:mh