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September 12, 1996

David S. Guzy, Chief, Rules & Procedures Staff  
Minerals Management Service  
Royalty Management Program  
PO Box 25165, MS 3101  
Denver, CO 80225-0165



Re: Comments on Amendments to Transportation Allowance Regulations

Dear Mr. Guzy,

Thank you for the opportunity to respond to the proposed rulemaking regarding transportation deduction allowable costs.

#### **Pipeline Rate Adjustments**

I appreciate your recognition of the administrative burden regarding prior period adjustments. The directive that causes the most problems for both industry and the MMS is the requirement to exactly reverse the original transaction. This effectively doubles the number of transactions required to make the adjustment. In addition, scores of invoices can be generated because of a few cents difference between the original and reversed transaction. Neither industry nor the MMS should be spending dollars in the pursuit of pennies. In the event of pipeline rate adjustments, I propose reporting one transaction per AID/Selling Arrangement/Product/Sales Month which would represent the additional royalties due. This entry would have a unique MMS assigned transaction code which would identify it as a pipeline rate adjustment.

#### **Retroactive Effective Date**

Due to the lack of guidance in this area, the proposed rulemaking should be prospective rather than retroactive. The appropriate handling of areas such as long/short term storage, intra-hub title transfer fees and excess gas pricing were not clear and distinct. Industry should not be penalized due to a four and one half year lack of instruction on the part of the MMS.

**Other Nonallowable Costs**

Paragraph (g) (5) which states nonallowable costs include "Any cost the lessee incurs for services it is required to provide at no cost to the lessor" appears to be an auditor's catch-all for any charge which may be questionable or not specifically mentioned as allowable under the regulations. This clause has the potential of preventing a fair examination of a particular fee's acceptance as a transportation expense. Paragraph (g) (5) should be deleted.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Tom Kravchak".

Tom Kravchak  
Revenue Manager