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Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform RIN 1012-AA13

Comment On: ONRR-2012-0004-0024

Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform

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Submitter Information

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General Comment

To Whom it May Concern:

The new rule Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13)) makes substantial changes to royalty valuation principles without any evidence having been presented that the existing rules don't work. Neither the Government Accounting Office (GAO) report nor the Department of Interiors Inspector General (IG) reports cited by Secretary of Interior Jewell in testimony before Congress as the basis for the rule changes found any evidence of royalty underpayments or undervaluation, nor did they make any recommendations for changes in the royalty rules. In fact, there have been no findings by any government agency that existing royalty valuation rules don't work. I believe that ONRRs claim that the rule will be revenue neutral is misleading and that no evidence to support this claim has been presented. The rule was adopted with almost no consultation from interested parties, a fact evident in the numerous flaws it contains. I am deeply concerned about the gross uncertainty, increased administrative burdens, and certain confusion the new rule will create. It seems almost certain that the many flaws in the new rule will ensure bitter contention and a long process of litigation to resolve issues that should have been resolved through consultation and negotiation. These flaws include:

- (1) providing no reasonable justification for abandoning current, longstanding benchmark system, which has worked well, creating significant value for taxpayers;
- (2) singling out coal for discriminatory measures by denying it the same valuation tools used for natural gas and oil, namely use of published index prices;
- (3) attempting to apply a royalty to transportation costs and business services;
- (4) imposing unnecessary uncertainty through the default provision that allows the Secretary to set a value for coal without recourse to objective criteria; and

(5) failing to provide any rationale for a revenue-neutrality claim when the Secretary of the Interior suggested royalty underpayments were the motive behind the rule.

Thank you for your consideration.