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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

Dear Mr. Southall:

I am commenting to oppose the proposed rule "Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform." This rule in its proposed form is deeply flawed in a number of areas.

The proposed rule purports to simplify the current regulation while effectively doing the exact opposite. For a producer selling a significant portion of its production (>50%) directly to a third party, those sales would seem to demonstrate fair market value more appropriately, and simply, than a convoluted netback equation where some costs and deductible and others are not. On top of that, the rule as proposed gives the Secretary the unfathomable power to change the valuation method whenever he deems appropriate. I think it is a farce to imply that this either simplifies or adds certainty to the valuation calculations.

The rule as proposed unfairly penalizes producers who provide value beyond the simple extraction and sale of the resource. Transportation and logistics services are valuable services to some end users who either do not have the resources or do not wish to expend the effort to arrange such services themselves. Royalties are intended to be collected on the value of the mined resource, not on the value of resource plus the value adding services up until the point of use.

This rule as proposed does not align with the Office of Natural Resource Revenue's mission to optimize revenues from federal resources. Instead it appears best suited to eliminate these revenues and cause the federal coal to remain in the ground. As an employee at an operation likely to be significantly affected by this rule change, I am concerned and offended. I am proud of the funding

my company provides to schools and governments at the local, state, and even the federal level through coal royalties and production taxes (more than \$75 million last year); and of the resources we provide to schools, youth sports and activities, senior citizens services, and other community activities through donations, contributions and countless volunteer hours. I am offended at suggestions that producers, my company in particular, are not pulling their weight; that the company has somehow through creative accounting tricks devalued the coal sales to avoid royalties. This is, as supported by court rulings, simply not true. This proposal appears to be an attempt to change the rule to make that belief true after the fact. I am concerned that in its proposed form this rule will significantly affect our ability to continue to provide funding and human resources to contribute to our communities in meaningful ways.

The Office of Natural Resources Revenue has an important charge, the responsible and appropriate development of America's natural resources for the benefit of economic growth, prosperity, and funding of important governmental services throughout the United States of America. As proposed, his rule goes substantially awry of this mission threatening to significantly curtail responsible production of natural resources from federal lands.

It is for these important reasons listed above that I respectfully request you withdraw this rule and allow producers to continue to contribute their fair share to the prosperity of America under the current valuation rules.

I thank you for your attention to this crucial matter.

Respectfully submitted,

Keith Walters