



Robert G. Leo, Jr.
Attorney

Amoco Corporation

Law Department
Amoco Building
1670 Broadway
Post Office Box 800
Denver, Colorado 80201
303-830-4386
Fax: 303-830-4160

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David S. Guzy, Chief
Rules and Procedures Staff
Royalty Management Program
Minerals Management Service
Denver Federal Center, Building 85
P.O. Box 25165, Mail Stop 3101
Denver, Colorado 80225-0165

VIA: FEDERAL EXPRESS

**Re: Proposal for Valuation of Crude Oil and Sale of Federal Royalty Oil
63 FR 3742 (January 24, 1997), 30 CFR Parts 206 and 208**

Dear Mr. Guzy:

Amoco Production Company welcomes this opportunity to comment on the Notice of Proposed Rulemaking of the Minerals Management Service (MMS) regarding the important issue of valuation of federal oil for royalty purposes as indicated above.

Amoco has been an active participant in the preparation of comments which will be filed on behalf of the American Petroleum Institute (API) as well as COPAS. Amoco agrees with and supports the comments expressed by those two associations. In short, Amoco does not believe the proposed NYMEX based index valuation methodology is fair or appropriate for the purpose of valuation of federal crude oil.

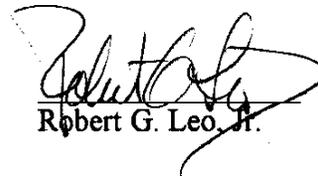
The Proposal has significant defects in many respects which can be outlined as follows:

1. The MMS has not fully disclosed the relevant foundational material which underlay this Proposed Rule. The complete disclosure of supporting information is necessary to make any meaningful review and comment.

2. Amoco's review of the rule indicates that the proposal will not function fairly or as anticipated. The dependence on a NYMEX index price which is far removed from the market at the lease is contrary to law. The proposed NYMEX index methodology is beyond the MMS' required legal authority to collect royalty in an amount or value saved, removed or sold from the lease. In addition, the various adjustments and differentials can not properly determine a value at the lease market.
3. This Proposal itself would violate the Paperwork Reduction Act by imposing a substantial administrative and economic burden which would be out of proportion to its stated benefits. Amoco believes it would be very time consuming and burdensome to collect and submit the amount of requested data.
4. The Proposal gets away from the use of gross proceeds through arms-length contracts which should form the proper basis for valuation methodology.
5. Instead of considering revisions to existing regulations, the MMS should more fully explore a viable royalty in-kind program which would remedy many of the perceived valuation problems.

Hopefully these and the other referenced comments by the Associations will provide guidance for the MMS to make appropriate adjustments to the Proposal's valuation methodology. Thank you.

Very truly yours,



Robert G. Leo, Jr.

RGI /mmm