



Oryx Energy Company  
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July 22, 1998

Minerals Management Service  
Royalty Management Program  
Rules and Publications Staff  
P. O. Box 25165, MS 3021  
Denver, Colorado 80225-0165



Re: Establishing Oil Value for Royalty Due on Federal Leases -  
Further Supplementary Proposed Rule

Dear Sirs:

Oryx Energy Company (Oryx) appreciates the opportunity to comment on the Minerals Management Service's July 16, 1998 Federal Register notice regarding proposed changes to the second supplementary proposed Federal Oil Valuation Rule. As a lessee, Oryx holds over 150 federal leases and remits over \$3.5 million per month in federal royalties. We are very conscientious about our royalty obligations and wish to offer the following comments.

Definitions - Gathering

Oryx has offshore production from sub-sea completions. Bulk production from sub-sea completions is transported through sub-sea lines to platforms generally on other blocks, often many miles away for treating and measurement. Current oil valuation regulations do not allow for any deductions related to the costs to transport this bulk production from the sub-sea completions to the platform where the bulk production is treated and measured. Current regulations define this as 'gathering'.

Oryx believes that in instances such as these, 'gathering' should be redefined to allow lessees a transportation allowance to move the bulk production from the sub-sea completion to the platform. The fact that the bulk production is unseparated or unmeasured should have no bearing on the deductibility of the transportation incurred to move this production to the platform. Often, the platform where the bulk production is treated and measured is many miles away. A transportation allowance should be allowed for sub-sea lines to transport this bulk production to the platform.

MMS should develop a standard test for determining what is 'transportation' and what is 'gathering'. Oryx believes that any movement of production away from the producing lease, unit, or communitized area constitutes 'transportation'. Gathering should be limited to the movement of production to a central accumulation or treatment point on the lease, unit, or communitized area.

Again, Oryx appreciates the opportunity to comment on the proposed rules. Please feel free to call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Salomon Tristan". The signature is written in a cursive style with a large initial 'S'.

Salomon Tristan  
Manager, Revenue Accounting