

From: Payne, Charles 'Darrin'
Sent: Friday, September 05, 2003 7:04 AM
To: Gebhardt, Sharron
Cc: John Monroe
Subject: Oil Valuation

Follow Up Flag: Follow up
Flag Status: Flagged
Ms. Gebhardt,

I have been asked by the Deputy Commissioner of Energy Resources at the Texas General Land Office to contact MMS to request supporting documents and/or studies that may have been analyzed to support the need for the proposed oil valuation changes. We also request that the record for the proposed rule be kept open until 3 weeks after the supporting information is received in order to evaluate the documents and provide comment. Documents of interest include:

- (1) All documents reflecting MMS's experience (page 50088) under the 2000 oil rules, including but not limited to, its experience with determining actual costs of transportation.
- (2) All documents and information not already contained in the administrative record of the litigation challenging the 2000 oil rules, which indicates a potential for improving those rules in some respect (page 50088), including but not limited to, documents that would detail what in the judicial challenge to the 2000 rule led MMS to reconsider whether BBB is a sufficient rate of return (page 50093).
- (3) All documents relied upon by MMS in support of its statement (page 50088) that there is an issue arising from recent publicity and questions about information provided to spot price reporting services and the effect such potentially inaccurate information has on spot prices in general. Please also provide any data relied upon by MMS that would support its implicit position that data from these reporting services is more accurate for calculating differentials.
- (4) All documentation relating to the correlation between arm's length transactions and public indicia of crude oil prices referenced on page 50089, including information on how MMS identified arm's length transactions for purposes of making the correlation.
- (5) All documentation examined by MMS (pages 50093 - 50094) relating to the proposal for increasing the rate of return, including the API study.
- (6) All documentation related to the review of transportation allowances referenced on pages 50098 50099.
- (7) All documentation related to non-proprietary information on relevant audits.
- (8) All documents for revenue impact analyses that provide a basis for assuming the percentage of non-arm's length transactions by region.
- (9) Any other documentation or studies quantifying the benefit of the proposed changes in oil valuation.

You can mail the documents to my attention at:

Texas General Land Office
PO Box 12873
Austin, TX 78711-2873

Thank you for your assistance.

Regards,

Darrin Payne

MMS Royalty Audit
Texas General Land Office
(512) 936-4132