

Barton, Jayne

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 4:45 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

I have been reviewing the documents, but we also have a major issue with geothermal interest that has taken much time (in addition to my normal work). The documents need a lot of work. Do not use them as they are.

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, February 26, 2004 12:38 PM
To: Vogel, Kenneth
Subject: Fina training documents for your review

Attached are three files: a power point presentation, O & G examples, and coal examples. They will be used to teach auditors and compliance specialists how to value production not sold at arm's length in accordance with the benchmarks.

Debbie has asked that we send these by both you and Geoff for review before we conduct the training. We hope to commence the training in late March.

Please provide me any comments or suggestions you might have on any of the materials.

<< File: 3Coal examples.doc >> << File: 3O&GExamples.doc >> << File: 3Sales to Affiliates - draft.ppt >>

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, February 27, 2004 5:02 PM
To: Vogel, Kenneth
Subject: RE: Fina training documents for your review

"A lot of work"! That's not good news for a Friday afternoon.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 4:45 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

I have been reviewing the documents, but we also have a major issue with geothermal interest that has taken much time (in addition to my normal work). The documents need a lot of work. Do not use them as they are.

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, February 26, 2004 12:38 PM
To: Vogel, Kenneth
Subject: Fina training documents for your review

Attached are three files: a power point presentation, O & G examples, and coal examples. They will be used to teach auditors and compliance specialists how to value production not sold at arm's length in accordance with the benchmarks.

Debbie has asked that we send these by both you and Geoff for review before we conduct the training. We hope to commence the training in late March.

Please provide me any comments or suggestions you might have on any of the materials.

<< File: 3Coal examples.doc >> << File: 3O&GExamples.doc >> << File: 3Sales to Affiliates - draft.ppt >>

Barton, Jayne

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 5:34 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

Well – that's mostly because there is so much in them. Enjoy your weekend.

Ken Vogel
303-231-3749

-----Original Message-----

From: Burhop, Shirley
Sent: Friday, February 27, 2004 5:02 PM
To: Vogel, Kenneth
Subject: RE: Fina training documents for your review

"A lot of work"! That's not good news for a Friday afternoon.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 4:45 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

I have been reviewing the documents, but we also have a major issue with geothermal interest that has taken much time (in addition to my normal work). The documents need a lot of work. Do not use them as they are.

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, February 26, 2004 12:38 PM
To: Vogel, Kenneth
Subject: Fina training documents for your review

Attached are three files: a power point presentation, O & G examples, and coal examples. They will be used to teach auditors and compliance specialists how to value production not sold at arm's length in accordance with the benchmarks.

Debbie has asked that we send these by both you and Geoff for review before we conduct the training. We hope to commence the training in late March.

Please provide me any comments or suggestions you might have on any of the materials.

<< File: 3Coal examples.doc >> << File: 3O&GExamples.doc >> << File: 3Sales to Affiliates - draft.ppt >>

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, February 27, 2004 5:36 PM
To: Vogel, Kenneth
Subject: RE: Fina training documents for your review

Oh, work for you. Not necessarily for us. That's better.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 5:34 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

Well – that's mostly because there is so much in them. Enjoy your weekend.

Ken Vogel
303-231-3749

-----Original Message-----

From: Burhop, Shirley
Sent: Friday, February 27, 2004 5:02 PM
To: Vogel, Kenneth
Subject: RE: Fina training documents for your review

"A lot of work"! That's not good news for a Friday afternoon.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, February 27, 2004 4:45 PM
To: Burhop, Shirley
Subject: RE: Fina training documents for your review

I have been reviewing the documents, but we also have a major issue with geothermal interest that has taken much time (in addition to my normal work). The documents need a lot of work. Do not use them as they are.

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, February 26, 2004 12:38 PM
To: Vogel, Kenneth
Subject: Fina training documents for your review

Attached are three files: a power point presentation, O & G examples, and coal examples. They will be used to teach auditors and compliance specialists how to value production not sold at arm's length in accordance with the benchmarks.

Debbie has asked that we send these by both you and Geoff for review before we conduct the training. We hope to commence the training in late March.

Please provide me any comments or suggestions you might have on any of the materials.

<< File: 3Coal examples.doc >> << File: 3O&GExamples.doc >> << File: 3Sales to Affiliates - draft.ppt >>

Barton, Jayne

From: Burhop, Shirley
Sent: Tuesday, March 02, 2004 8:57 AM
To: Kirumakki, Nagaraja
Subject: 10 principles

Attachments: Scan033, March 02, 2004.max



Scan033, March 02,
2004.max (8...

Ten Principles of Marketable Condition and Transportation

(As suggested in presentation at Rocky Mountain Mineral Law Foundation Institute, 12 Feb 2004)

1. The mere fact that gas is sold untreated does not mean that it is in marketable condition.
2. The fact that a conditioning function makes gas transportable does not mean that the cost is a transportation cost.
3. Simply because gas has been gathered to the approved central accumulation point does not mean that the gas is in marketable condition in all respects or that all costs incurred downstream of that point are deductible. Costs necessary to put production into marketable condition are not deductible as transportation costs, regardless of where the conditioning function is performed.
4. A lessee cannot avoid the marketable condition requirement, or effectively deduct the costs, by transferring a conditioning function to a purchaser, affiliate, etc. (and accepting a lower price). Costs necessary to put production into marketable condition are not deductible as transportation costs, regardless of who performs the conditioning function.
5. Lessee does not have to put production into marketable condition more than once or condition production beyond pipeline requirements at its own expense.
6. Performing conditioning functions in multiple steps or phases does not make costs deductible as transportation costs.
7. Generally, the processes that are necessary to put gas into marketable condition are those that allow the gas to be marketed through a standard high-pressure pipeline. If a lessee is going to claim that a particular treatment function is not necessary to put production into marketable condition, the lessee must show that there is a real and active commercial market for the gas in that condition without that treatment function.
8. There may be multiple markets for gas produced from a particular area that may call for different degrees of conditioning. If one market requires a lower pressure or other quality requirements than another, that does not mean that meeting the requirements for the market that requires the lowest quality (the "lowest common denominator" market) makes all the gas marketable. Gas may be in marketable condition for one market but not for another. Condition it to the quality required for the market it serves.
9. It is not necessary for the sales contract to state all the specifications and limits for pressure, water content, and acid gases — the quality required for the pipeline that transmits the gas to the market is the required quality.
10. The reference in the definition of "marketable condition" in 30 C.F.R. §§ 206.151 and 206.171 to a "sales contract typical for the field or area" is not limited to contracts for sales that occur in the field or area. It includes contracts for sales in *downstream markets*.

Barton, Jayne

From: Burhop, Shirley
Sent: Tuesday, March 02, 2004 3:15 PM
To: Kirumakki, Nagaraja
Subject: RE: 10 principles

I don't know if we need examples -- maybe we can save them for the "advanced" course?

-----Original Message-----

From: Kirumakki, Nagaraja
Sent: Tuesday, March 02, 2004 2:50 PM
To: Burhop, Shirley
Subject: RE: 10 principles

Thanks Shirley on the 10 principles.

What is absent in the 10 principles is an example for each principle elucidating and clarifying the meaning of the principle. For example. Principle 2: the fact that a conditioning function makes gas transportable does not mean that the cost is a transportation cost. An example of a conditioning function would have been great.

That means the burden is on us to come up with examples.
Raj

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 02, 2004 8:57 AM
To: Kirumakki, Nagaraja
Subject: 10 principles

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, March 05, 2004 10:17 AM
To: Ellis, Scott
Subject: Fina documents - FYI

Attachments: 3Coal examples.doc; 3O&GExamples.doc; 3Sales to Affiliates - draft.ppt

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, February 26, 2004 12:38 PM
To: Vogel, Kenneth
Subject: Fina training documents for your review

Attached are three files: a power point presentation, O & G examples, and coal examples. They will be used to teach auditors and compliance specialists how to value production not sold at arm's length in accordance with the benchmarks.

Debbie has asked that we send these by both you and Geoff for review before we conduct the training. We hope to commence the training in late March.

Please provide me any comments or suggestions you might have on any of the materials.



3Coal examples.doc
(50 KB)



3O&GExamples.doc
(63 KB)



3Sales to Affiliates -
draft.p...

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, March 05, 2004 10:26 AM
To: Ellis, Scott
Subject: Peter's/Geoff's summary - to be distributed at benchmark training

Attachments: Scan034, March 05, 2004.max



Scan034, March 05,
2004.max (8...

Barton, Jayne

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Kirumakki, Raj

From: Kirumakki, Nagaraja
Sent: Friday, March 19, 2004 1:52 PM
To: Burhop, Shirley
Subject: Definition of "spot contract" and "long term contract"

Shirley,

Under the "Federal Register/Vol. 64, No. 35, p. 8837, February 23, 1999/Notices" proposed definition of "Spot" vs. "Long Term" contract is as follows.

Spot contract - a contract where the price under the contract is tied to a 30 day spot market price such as a bid-week index price, bid-week spot price or an after bid-week (after market) spot price. Normally, a spot contract is for a period of 30 days or less.

Long term contract - a contract where the price under the contract is tied to something other than a 30-day spot market price or a negotiated fixed price such as a NYMEX futures forward month price. Normally, a long term contract is for a period greater than 30 days.

I do not know if this is the same in the final rule making.

*Raj Kirumakki
Center for Excellence
(303) 231-3466*

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, March 19, 2004 1:55 PM
To: Kirumakki, Nagaraja
Subject: RE: Definition of "spot contract" and "long term contract"

-----Original Message-----

From: Kirumakki, Nagaraja
Sent: Friday, March 19, 2004 1:52 PM
To: Burhop, Shirley
Subject: Definition of "spot contract" and "long term contract"

Shirley,

Under the "Federal Register/Vol. 64, No. 35, p. 8837, February 23, 1999/Notices" proposed definition of "Spot" vs. "Long Term" contract is as follows.

Spot contract - a contract where the price under the contract is tied to a 30 day spot market price such as a bid-week index price, bid-week spot price or an after bid-week (after market) spot price. Normally, a spot contract is for a period of 30 days or less.

Long term contract - a contract where the price under the contract is tied to something other than a 30-day spot market price or a negotiated fixed price such as a NYMEX futures forward month price. Normally, a long term contract is for a period greater than 30 days.

I do not know if this is the same in the final rule making.

*Raj Kirumakki
Center for Excellence
(303) 231-3466*

Barton, Jayne

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party**

with lease, and not its affiliates

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Burhop, Shirley
Sent: Friday, March 19, 2004 4:29 PM
To: Vogel, Kenneth; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

Boy, you really know how to set someone up for a good weekend...

I think your outline is generally right, except we're starting the training at the point where the auditor/analyst has already decided the NAL regs apply.

I'm not sure I agree that covering gas, oil, and coal all in one session is overwhelming. While we give a great deal of coverage to gas (because it's so complicated), we sort of blast through the oil segment because the basic principles have already been covered. Similarly with coal: the concepts are the same, it's mostly the terminology that changes. And we do propose to drop the coal segment where the audience doesn't need it.

Yeah, 89 slides is a lot. But there is a lot of material. We do have supplemental papers summarizing the applicable regs, policy guidance, and cases. We'd started with detailed papers quoting all this; now they've been reduced to a list of sources. Pretty non-controversial, I think, though we do need to assure we've got the correct cases listed.

Raj and I would be happy to meet with you to discuss your concerns.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party with lease, and not its affiliates**

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Gibbs Tschudy, Deborah
Sent: Saturday, March 20, 2004 9:15 PM
To: Vogel, Kenneth; Burhop, Shirley; Williams, Mary; Fields, Gary
Cc: Kirumakki, Nagaraja
Subject: RE: training

Ken - thank you for your thorough review of the valuation benchmark training slides. While I agree that the presentation would benefit from an outline upfront making it clear the purpose (principal) of the training, I do not think that 89 slides is too much for a 1 and 1/2 day training (oil and gas) and an additional 1/2 day training for those involved in coal audits. We do not have the luxury of time or travel dollars for the trainers or the trainees to have several sessions.

Shirley - please an outline upfront and possibly a statement of purpose or objective. Also, add a slide indicating that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language). Have you heard from Geoff on his comments? Please let him know that we are planning to schedule this training in April and May. Thanks.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party with lease, and not its affiliates**

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: . Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Burhop, Shirley
Sent: Monday, March 22, 2004 8:58 AM
To: Gibbs Tschudy, Deborah
Subject: RE: training

No I have not yet heard from Geoff. I called and reminded him last Monday or Tuesday.

-----Original Message-----

From: Gibbs Tschudy, Deborah
Sent: Saturday, March 20, 2004 9:15 PM
To: Vogel, Kenneth; Burhop, Shirley; Williams, Mary; Fields, Gary
Cc: Kirumakki, Nagaraja
Subject: RE: training

Ken - thank you for your thorough review of the valuation benchmark training slides. While I agree that the presentation would benefit from an outline upfront making it clear the purpose (principal) of the training, I do not think that 89 slides is too much for a 1 and 1/2 day training (oil and gas) and an additional 1/2 day training for those involved in coal audits. We do not have the luxury of time or travel dollars for the trainers or the trainees to have several sessions.

Shirley - please an outline upfront and possibly a statement of purpose or objective. Also, add a slide indicating that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language). Have you heard from Geoff on his comments? Please let him know that we are planning to schedule this training in April and May. Thanks.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party with lease, and not its affiliates**

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Burhop, Shirley
Sent: Monday, March 22, 2004 10:02 AM
To: Kirumakki, Nagaraja
Subject: FW: training

Raj, we started with an outline, right? Have you still got it? I think it should suffice.

-----Original Message-----

From: Gibbs Tschudy, Deborah
Sent: Saturday, March 20, 2004 9:15 PM
To: Vogel, Kenneth; Burhop, Shirley; Williams, Mary; Fields, Gary
Cc: Kirumakki, Nagaraja
Subject: RE: training

Ken - thank you for your thorough review of the valuation benchmark training slides. While I agree that the presentation would benefit from an outline upfront making it clear the purpose (principal) of the training, I do not think that 89 slides is too much for a 1 and 1/2 day training (oil and gas) and an additional 1/2 day training for those involved in coal audits. We do not have the luxury of time or travel dollars for the trainers or the trainees to have several sessions.

Shirley - please an outline upfront and possibly a statement of purpose or objective. Also, add a slide indicating that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language). Have you heard from Geoff on his comments? Please let him know that we are planning to schedule this training in April and May. Thanks.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party with lease, and not its affiliates**

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Kirumakki, Nagaraja
Sent: Monday, March 22, 2004 10:07 AM
To: Burhop, Shirley
Subject: RE: training

I will update the outline and send it to you.

Raj

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, March 22, 2004 10:02 AM
To: Kirumakki, Nagaraja
Subject: FW: training

Raj, we started with an outline, right? Have you still got it? I think it should suffice.

-----Original Message-----

From: Gibbs Tschudy, Deborah
Sent: Saturday, March 20, 2004 9:15 PM
To: Vogel, Kenneth; Burhop, Shirley; Williams, Mary; Fields, Gary
Cc: Kirumakki, Nagaraja
Subject: RE: training

Ken - thank you for your thorough review of the valuation benchmark training slides. While I agree that the presentation would benefit from an outline upfront making it clear the purpose (principal) of the training, I do not think that 89 slides is too much for a 1 and 1/2 day training (oil and gas) and an additional 1/2 day training for those involved in coal audits. We do not have the luxury of time or travel dollars for the trainers or the trainees to have several sessions.

Shirley - please an outline upfront and possibly a statement of purpose or objective. Also, add a slide indicating that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language). Have you heard from Geoff on his comments? Please let him know that we are planning to schedule this training in April and May. Thanks.

-----Original Message-----

From: Vogel, Kenneth
Sent: Friday, March 19, 2004 3:59 PM
To: Burhop, Shirley; Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: training

I have read through much of the training three times. Before I continue trying to make specific comments, I need to make a general one: an 89 slide presentation is simply overwhelming. There is much too much information in here, evidencing much excellent work. However, it is not clear at all what the point is. Before setting out to develop slides, a presenter needs to decide what needs to be explained -- then how to explain it. It needs an organizing principal and every slide needs to build towards explaining that principal. I cannot discern what the outline was from which this was constructed and therefore I cannot tell what needs to be here. I therefore tried to see if an outline like the following was what you were trying to do. I also think that trying to do oil, gas and coal in one training is way too much. If I am on the right track regarding what this presentation was to accomplish, let me know and I will gladly work with whomever you wish to put together several sessions. I believe that in addition to the presentation, a handout with regs, cases, examples, etc. would be useful. Importantly everyone (both trainee and trainer) needs to understand that none of this can be cited as authority (unless it is authority, e.g. cases and regulatory language).

Sales to Affiliates Training Outline

Gas-Basic Value

1988 Regulations use two tests:

Benchmarks

First: NAL GP if equivalent to comparable

Second: Consider other information relevant, including:

GP under AL contracts for like-quality

Posted prices or prices received in spot sales

Reliable public sources of price or market information

Other information about the lease operation or salability of production

Third: Netback or other reasonable method

Gross Proceeds Accruing to Lessee

1988 Regulations have been interpreted

***Chevron* (DOI Decision) interpreted gross proceeds accruing to lessee to include sales by wholly-owned affiliate that purchased production and resold it.**

***Fina* (Ct. of Appeals Decision) overturned *Chevron* and decided lessee only meant party with lease, and not its affiliates**

How should the benchmarks be applied?

First determine which rule to apply

Is it unprocessed gas?

Is it processed gas and products?

Is it something else?

Second determine whether there was an arm's-length sale or not

Then gather data

Non-arm's-length gross proceeds (note whether gas was in marketable condition or not)

Contract terms and other conditions

Physical Characteristics

Length, markets served etc.

Arm's-length contracts

Prices, length of K, markets served, etc

Physical characteristics

Examples

Problems gathering evidence

Gas-

Duty to Market

Duty to place in Marketable Condition

What happens to gas that is sold or disposed while not in marketable condition?

(I am not sure whether the orange should not be separate, so I did not go into any detail)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Williams, Mary
Sent: Monday, March 22, 2004 12:58 PM
To: Burhop, Shirley; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: RE: training

I believe that it needs to be joint - including STRAC. We need to take the lead on presentation and getting STRAC to present as well. Since we have talked about doing the proprietary data with the Fina training then the lead should be ours. I know Raj will probably be a presenter for the Fina training and I am sure Gary's folks might help with STRAC coordination. As soon as both are ready we can meet and decide who does what.

Mary Williams
Manager, Federal Onshore Oil and Gas
Compliance and Asset Management
(303) 231-3403
(303) 231-3744 (fax)

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, March 16, 2004 3:42 PM
To: Williams, Mary; Fields, Gary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja; Vogel, Kenneth
Subject: training

I'm confused about how to proceed with the Fina training and whether I am supposed to be doing something or whether Gary Fields and his staff are doing the planning and scheduling and organizing.

I have not yet received comments on the presentation from either Ken or Geoff, though I did call Geoff yesterday to remind him I'm waiting. (I realize this isn't a top priority in view of other events that occurred yesterday, but don't want this to get lost either.) But, once those are received, we are very close to being ready to go with it.

Barton, Jayne

From: Burhop, Shirley
Sent: Wednesday, March 24, 2004 5:02 PM
To: Ellis, Scott
Subject: RE: Revised Amoco Decision -- MMS-99-0096-OCS

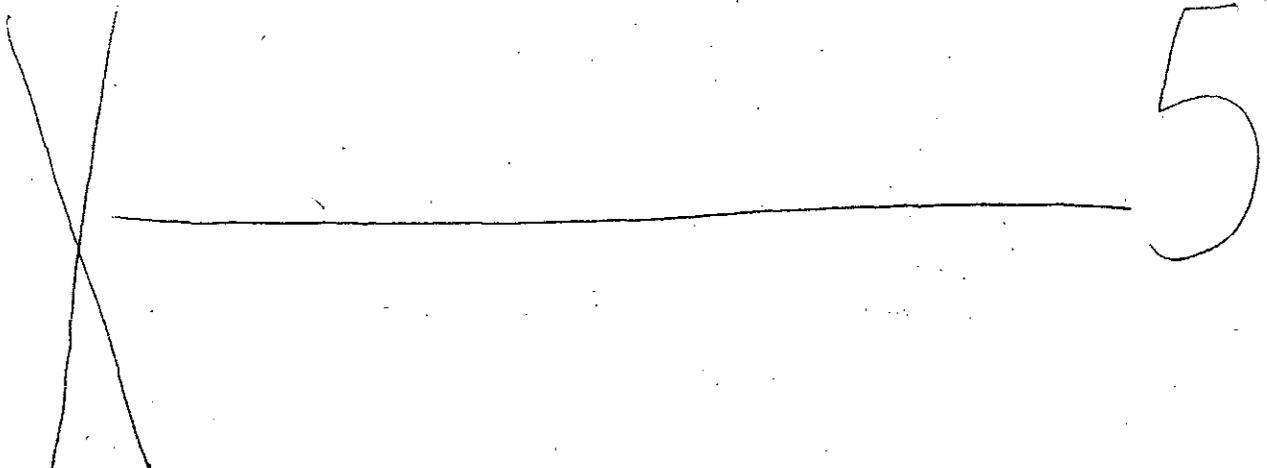
Sensitivity: Confidential

Very clever. Looks good to me. One typo, I think: top of page 23 should probably be "reported on Form MMS-2014" rather than "reported of Form MMS-2014".

The stuff in the preamble to the regs regarding post-Jan 1998 transportation will be relevant to our Fina training and is news to me. So thanks.

-----Original Message-----

From: Ellis, Scott
Sent: Wednesday, March 17, 2004 2:30 PM
To: Clark, Platte; Russo, John; Gibbs Tschudy, Deborah; Burhop, Shirley; Williams, Mary; Vogel, Kenneth
Subject: Revised Amoco Decision -- MMS-99-0096-OCS
Importance: High
Sensitivity: Confidential

A large handwritten 'X' on the left side of the page, connected by a horizontal line to a large handwritten number '5' on the right side.

Barton, Jayne

From: Burhop, Shirley
Sent: Wednesday, March 24, 2004 5:07 PM
To: Conway, Karen; Kirumakki, Nagaraja
Subject: New stuff for Fina training

In a draft appeal decision, Scott Ellis just notified me of some new (to me) stuff that might be relevant to our training.

The preamble to the regs on post-1998 transportation includes a statement that "We recognize that valuation implications result from a lessee's choice of securing firm versus interruptible services. If the gas sales transaction is not arm's-length, the lessee would apply the comparability criteria in Sec. 206.152, 206.153, 206.172, and 206.173 and compare values of gas transported under the same transportation arrangement -- firm to firm and interruptible to interruptible."

It also defines "scheduling, imbalance, and operational penalties" as marketing expenses.

Barton, Jayne

From: Conway, Karen
Sent: Thursday, March 25, 2004 9:18 AM
To: Burhop, Shirley
Subject: RE: New stuff for Fina training

Thanks Shirley, the fact that the preamble mentions the firm vs. interruptible probably places more emphasis on this issue.

-----Original Message-----

From: Burhop, Shirley
Sent: Wednesday, March 24, 2004 5:07 PM
To: Conway, Karen; Kirumakki, Nagaraja
Subject: New stuff for Fina training

In a draft appeal decision, Scott Ellis just notified me of some new (to me) stuff that might be relevant to our training.

The preamble to the regs on post-1998 transportation includes a statement that "We recognize that valuation implications result from a lessee's choice of securing firm versus interruptible services. If the gas sales transaction is not arm's-length, the lessee would apply the comparability criteria in Sec. 206.152, 206.153, 206.172, and 206.173 and compare values of gas transported under the same transportation arrangement -- firm to firm and interruptible to interruptible."

It also defines "scheduling, imbalance, and operational penalties" as marketing expenses.

Gibbs Tschudy, Deborah

From: Gibbs Tschudy, Deborah
Sent: Tuesday, March 30, 2004 9:27 AM
To: Burhop, Shirley
Subject: RE: Outline for "sales to affiliates" training

Hi Shirley - this looks good. A couple of questions:

What is test in bold after Case Study? Do you plan to give them a test?

I didn't see Federal Gas listed in your outline after the Case Study? You have Indian Gas, Oil and Federal Coal. What about Federal Gas and Indian Coal?

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, March 22, 2004 11:10 AM
To: Vogel, Kenneth; Gibbs Tschudy, Deborah
Subject: FW: Outline for "sales to affiliates" training

FYI

-----Original Message-----

From: Kirumakki, Nagaraja
Sent: Monday, March 22, 2004 11:00 AM
To: Burhop, Shirley
Subject: Outline for "sales to affiliates" training

The two page outline is based on 86 slides that I had.

Along with the training class schedule announcement, there should be a brief statement about the course. This and the class outline should take care of Ken Vogel's concerns. And our introductory remarks and discussions should put the training class in best perspective.

<< File: sales to affiliateExamples.doc >>

Raj Kirumakki
Center for Excellence
(303) 231-3466

Barton, Jayne

From: Williams, Mary
Sent: Monday, April 19, 2004 4:20 PM
To: Burhop, Shirley
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Shirley - go ahead and plan a session in Cheyenne - maybe contact Steve or Ellwood (with a courtesy e-mail to Terry F.). Then let Terry know so he can maybe coordinate another session in Alb.

Mary Williams
Manager, Federal Onshore Oil and Gas
Compliance and Asset Management
(303) 231-3403
(303) 231-3744 (fax)

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, April 19, 2004 3:29 PM
To: Gibbs Tschudy, Deborah; Fields, Gary; Williams, Mary
Cc: Kirumakki, Nagaraja
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Good points. Thank you.

We were discussing having 3 sessions in Denver because we have all of ONCAM and OFFCAM to train. But we could perhaps cover that with two sessions.

-----Original Message-----

From: Gibbs Tschudy, Deborah
Sent: Monday, April 19, 2004 10:29 AM
To: Burhop, Shirley; Fields, Gary; Williams, Mary
Cc: Kirumakki, Nagaraja
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Thank you for moving forward in setting dates for this training. Some feedback for you to consider:

- We shouldn't exclude STRAC from any of the sessions anywhere.
- I think you'll get complaints from STRAC about having the first three sessions in Denver and waiting until July to hold a session outside of Denver.
- Based on our experience with prior training sessions, it seems that the greatest demand is in the following locations:

Denver
Cheyenne
Albuquerque
Oklahoma City
Houston
Dallas

I think you should go ahead and schedule dates for these 6 locations (and not the first three sessions in Denver - in fact, I'm not sure why we're holding three sessions in Denver)

- I appreciate your desire to keep costs down by having presenters from the locations in which the training is given, but I think that these topics are complex enough that just those individuals involved in developing the training should actually present the training. (Floyd for the proprietary data training and either Shirley, Raj, or Karen for the affiliate sales training)
- You will probably need to plan to have the coal segment offered at each of the locations unless you have advance registration in which you ask the registrant to indicate whether they do coal audits.

Deborah Gibbs Tschudy
Assistant Program Director for Onshore Compliance
Tele: (303) 231-3301
Fax: (303) 231-3722

Warning: This message is intended only for use of the individual or entity to which it is addressed, and may contain information that is privileged or confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email.

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, April 19, 2004 10:14 AM
To: Fields, Gary; Williams, Mary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: Sales to Affiliates Training and Proprietary Data Training

Subject to everyone's approval, here's what Raj and I have been discussing?

1st session: Denver - May 18, 19, 20

2nd session: Denver - June 1, 2, 3

This first will be offered to ONCAM and OFFCAM. The second may be opened up to STRAC.

Either or both of those sessions may or may not include the coal segment, depending on the audience.

Michelle Sawicki is planning the Intro to Royalty Compliance training on June 7, 8, 9, 10 in Denver. This will be open to ONCAM, OFFCAM, and STRAC. Michelle and I thought it might be useful to conduct that training in a week adjoining the Sales to Affiliates Training so STRAC attendees could make one trip to Denver. Raj is adamant that all that training would be overload for the attendees, so opposes that idea. This proposed schedule is not very conducive to combining the training, as any attendees from out of town would need to have something else to do on Friday, June 4.

[Note that June 8, 9, 10 is also the MRM Managers' meeting.]

3rd session: Denver - June 22, 23, 24.

Open to ONCAM, OFFCAM, and STRAC. Coal will or will not be covered, depending on the audience.

We believe additional sessions should be conducted in the following field locations, during July and August:

Albuquerque or Santa Fe

Houston

Dallas

Tulsa/Oklahoma City

Salt Lake City and/or Sacramento

We would like to have these presented by people already at those locations, who previously attended one of the sessions in Denver. We will need to coordinate with the STRAC and MRM managers to decide who those presenters might be.

Barton, Jayne

From: Fields, Gary
Sent: Tuesday, April 20, 2004 9:56 AM
To: Burhop, Shirley; Williams, Mary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Shirley: In the event the travel budget is cut is their a plan B. Please advise.

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, April 19, 2004 10:14 AM
To: Fields, Gary; Williams, Mary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: Sales to Affiliates Training and Proprietary Data Training

Subject to everyone's approval, here's what Raj and I have been discussing?

1st session: Denver - May 18, 19, 20

2nd session: Denver - June 1, 2, 3

This first will be offered to ONCAM and OFFCAM. The second may be opened up to STRAC.

Either or both of those sessions may or may not include the coal segment, depending on the audience.

Michelle Sawicki is planning the Intro to Royalty Compliance training on June 7, 8, 9, 10 in Denver. This will be open to ONCAM, OFFCAM, and STRAC. Michelle and I thought it might be useful to conduct that training in a week adjoining the Sales to Affiliates Training so STRAC attendees could make one trip to Denver. Raj is adamant that all that training would be overload for the attendees, so opposes that idea. This proposed schedule is not very conducive to combining the training, as any attendees from out of town would need to have something else to do on Friday, June 4.

[Note that June 8, 9 10 is also the MRM Managers' meeting.]

3rd session: Denver - June 22, 23, 24.

Open to ONCAM, OFFCAM, and STRAC. Coal will or will not be covered, depending on the audience.

We believe additional sessions should be conducted in the following field locations, during July and August:

Albuquerque or Santa Fe

Houston

Dallas

Tulsa/Oklahoma City

Salt Lake City and/or Sacramento

We would like to have these presented by people already at those locations, who previously attended one of the sessions in Denver. We will need to coordinate with the STRAC and MRM managers to decide who those presenters might be.

Barton, Jayne

From: Gibbs Tschudy, Deborah
Sent: Friday, April 23, 2004 11:31 AM
To: Burhop, Shirley
Subject: RE: Sales to affiliates training

Okay - but to avoid concern on the part of STRAC, could we please go ahead and schedule tentative dates for the training in the other locations? Do you know how long Todd's new Yellow Book training will take?

Deborah Gibbs Tschudy
Assistant Program Director for Onshore Compliance
Tele: (303) 231-3301
Fax: (303) 231-3722

Warning: This message is intended only for use of the individual or entity to which it is addressed, and may contain information that is privileged or confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email.

-----Original Message-----

From: Burhop, Shirley
Sent: Thursday, April 22, 2004 4:51 PM
To: Gibbs Tschudy, Deborah
Subject: Sales to affiliates training

I would like to delay a bit in scheduling this.

I would like to schedule a demo of the training with my team for Friday, April 30 to test the timing and the adequacy of the materials. I will be the trainer. After that, we should have a much better idea of how long it will take and how many CPEs to give. This will qualify for CPE for those attending.

If we are then going to conduct it in conjunction with the proprietary data training and Todd's updated yellow book training, we need them to be ready before we can start scheduling.

I think it is still realistic to plan the first "real" class here in Denver the week of May 17.

Barton, Jayne

From: Conway, Karen
Sent: Wednesday, April 28, 2004 2:14 PM
To: Burhop, Shirley
Subject: RE: Sales to Affiliate Training

I am sure that deleting these slides would prevent confusion.

-----Original Message-----

From: Burhop, Shirley
Sent: Wednesday, April 28, 2004 2:07 PM
To: Kirumakki, Nagaraja; Conway, Karen; Gibbs Tschudy, Deborah; Loomis, F. David
Subject: Sales to Affiliate Training

<< OLE Object: Microsoft PowerPoint Slide >>

<< OLE Object: Microsoft PowerPoint Slide >>

I propose to delete the above two slides from the training. Now that I've researched what these cases are all about, Xeno, Shell, and Santa Fe all talk about valuation based on affiliate resales, which is what Fina has now done away with.

While these cases might have some merit for other reasons (access to records, for instance), I think that mentioning them in the context of this training would be confusing at best.

The Conoco/Arco case still has some value for requiring that, if we are willing to accept a low value within a range to value some production, we cannot require that other production be valued at an average or high price within the range, unless the higher price represents gross proceeds. But that would probably be better mentioned later on, when we get to an example of that situation.

What I would like to discuss in greater detail is the cases that led up to Fina (Seagull and then Texaco), but others think this will be too confusing for beginners, so I guess I'll leave that alone for now.

Barton, Jayne

From: Kirumakki, Nagaraja
Sent: Wednesday, April 28, 2004 3:19 PM
To: Burhop, Shirley
Subject: RE: Sales to Affiliate Training

Sounds good.
Raj

-----Original Message-----

From: Burhop, Shirley
Sent: Wednesday, April 28, 2004 2:07 PM
To: Kirumakki, Nagaraja; Conway, Karen; Gibbs Tschudy, Deborah; Loomis, F. David
Subject: Sales to Affiliate Training

<< OLE Object: Microsoft PowerPoint Slide >>

<< OLE Object: Microsoft PowerPoint Slide >>

I propose to delete the above two slides from the training. Now that I've researched what these cases are all about, Xeno, Shell, and Santa Fe all talk about valuation based on affiliate resales, which is what Fina has now done away with.

While these cases might have some merit for other reasons (access to records, for instance), I think that mentioning them in the context of this training would be confusing at best.

The Conoco/Arco case still has some value for requiring that, if we are willing to accept a low value within a range to value some production, we cannot require that other production be valued at an average or high price within the range, unless the higher price represents gross proceeds. But that would probably be better mentioned later on, when we get to an example of that situation.

What I would like to discuss in greater detail is the cases that led up to Fina (Seagull and then Texaco), but others think this will be too confusing for beginners, so I guess I'll leave that alone for now.

Barton, Jayne

From: Gibbs Tschudy, Deborah
Sent: Thursday, April 29, 2004 8:48 AM
To: Burhop, Shirley; Kirumakki, Nagaraja; Conway, Karen; Loomis, F. David
Subject: RE: Sales to Affiliate Training

Shirley - at a minimum I think you should discuss the Shell case re: access to records. We want to be sure to let the auditors know that although they can't just jump to the affiliate's resale value to determine the value of a sale to an affiliate, they do have the right to and should request the affiliate's records to determine whether the affiliate performed services that are the responsibility of the lessee or to use as a benchmark value. They should cite the Shell case in their request for such records.

Deborah Gibbs Tschudy
Assistant Program Director for Onshore Compliance
Tele: (303) 231-3301
Fax: (303) 231-3722

Warning: This message is intended only for use of the individual or entity to which it is addressed, and may contain information that is privileged or confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email.

-----Original Message-----

From: Burhop, Shirley
Sent: Wednesday, April 28, 2004 2:07 PM
To: Kirumakki, Nagaraja; Conway, Karen; Gibbs Tschudy, Deborah; Loomis, F. David
Subject: Sales to Affiliate Training

<< OLE Object: Microsoft PowerPoint Slide >>
<< OLE Object: Microsoft PowerPoint Slide >>

I propose to delete the above two slides from the training. Now that I've researched what these cases are all about, Xeno, Shell, and Santa Fe all talk about valuation based on affiliate resales, which is what Fina has now done away with.

While these cases might have some merit for other reasons (access to records for instance), I think that mentioning them in the context of this training would be confusing at best.

The Conoco/Arco case still has some value for requiring that, if we are willing to accept a low value within a range to value some production, we cannot require that other production be valued at an average or high price within the range, unless the higher price represents gross proceeds. But that would probably be better mentioned later on, when we get to an example of that situation.

What I would like to discuss in greater detail is the cases that led up to Fina (Seagull and then Texaco), but others think this will be too confusing for beginners, so I guess I'll leave that alone for now.

Barton, Jayne

From: Gibbs Tschudy, Deborah
Sent: Tuesday, May 04, 2004 3:21 PM
To: Burhop, Shirley
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Yes, sorry, forgot about Oklahoma City.

Deborah Gibbs Tschudy
Assistant Program Director for Onshore Compliance
Tele: (303) 231-3301
Fax: (303) 231-3722

Warning: This message is intended only for use of the individual or entity to which it is addressed, and may contain information that is privileged or confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email.

-----Original Message-----

From: Burhop, Shirley
Sent: Tuesday, May 04, 2004 3:20 PM
To: Gibbs Tschudy, Deborah
Subject: FW: Sales to Affiliates Training and Proprietary Data Training

6 locations, according to this. Correct?

-----Original Message-----

From: Williams, Mary
Sent: Monday, April 19, 2004 4:20 PM
To: Burhop, Shirley
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Shirley - go ahead and plan a session in Cheyenne - maybe contact Steve or Ellwood (with a courtesy e-mail to Terry F.). Then let Terry know so he can maybe coordinate another session in Alb.

Mary Williams
Manager, Federal Onshore Oil and Gas
Compliance and Asset Management
(303) 231-3403
(303) 231-3744 (fax)

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, April 19, 2004 3:29 PM
To: Gibbs Tschudy, Deborah; Fields, Gary; Williams, Mary
Cc: Kirumakki, Nagaraja
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Good points. Thank you.

We were discussing having 3 sessions in Denver because we have all of ONCAM and OFFCAM to train. But we could perhaps cover that with two sessions.

-----Original Message-----

From: Gibbs Tschudy, Deborah
Sent: Monday, April 19, 2004 10:29 AM
To: Burhop, Shirley; Fields, Gary; Williams, Mary
Cc: Kirumakki, Nagaraja
Subject: RE: Sales to Affiliates Training and Proprietary Data Training

Thank you for moving forward in setting dates for this training. Some feedback for you to consider:

- We shouldn't exclude STRAC from any of the sessions anywhere.
- I think you'll get complaints from STRAC about having the first three sessions in Denver and waiting until July to hold a session outside of Denver.
- Based on our experience with prior training sessions, it seems that the greatest demand is in the following locations:

Denver
Cheyenne
Albuquerque
Oklahoma City
Houston
Dallas

I think you should go ahead and schedule dates for these 6 locations (and not the first three sessions in Denver - in fact, I'm not sure why we're holding three sessions in Denver)

- I appreciate your desire to keep costs down by having presenters from the locations in which the training is given, but I think that these topics are complex enough that just those individuals involved in developing the training should actually present the training. (Floyd for the proprietary data training and either Shirley, Raj, or Karen for the affiliate sales training)
- You will probably need to plan to have the coal segment offered at each of the locations unless you have advance registration in which you ask the registrant to indicate whether they do coal audits.

Deborah Gibbs Tschudy
Assistant Program Director for Onshore Compliance
Tele: (303) 231-3301
Fax: (303) 231-3722

Warning: This message is intended only for use of the individual or entity to which it is addressed, and may contain information that is privileged or confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email.

-----Original Message-----

From: Burhop, Shirley
Sent: Monday, April 19, 2004 10:14 AM
To: Fields, Gary; Williams, Mary; Gibbs Tschudy, Deborah
Cc: Kirumakki, Nagaraja
Subject: Sales to Affiliates Training and Proprietary Data Training

Subject to everyone's approval, here's what Raj and I have been discussing?

1st session: Denver - May 18, 19, 20

2nd session: Denver - June 1, 2, 3

This first will be offered to ONCAM and OFFCAM. The second may be opened up to STRAC.

Either or both of those sessions may or may not include the coal segment, depending on the audience.

Michelle Sawicki is planning the Intro to Royalty Compliance training on June 7, 8, 9, 10 in Denver. This will be open to ONCAM, OFFCAM, and STRAC. Michelle and I thought it might be useful to conduct that training in a week adjoining the Sales to Affiliates Training so STRAC attendees could make one trip to Denver. Raj is adamant that all that training would be overload for the attendees, so opposes that idea.

This proposed schedule is not very conducive to combining the training, as any attendees from out of town would need to have something else to do on Friday, June 4.

[Note that June 8, 9 10 is also the MRM Managers' meeting.]

3rd session: Denver - June 22, 23, 24.

Open to ONCAM, OFFCAM, and STRAC. Coal will or will not be covered, depending on the audience.

We believe additional sessions should be conducted in the following field locations, during July and August:

Albuquerque or Santa Fe

Houston

Dallas

Tulsa/Oklahoma City

Salt Lake City and/or Sacramento

We would like to have these presented by people already at those locations, who previously attended one of the sessions in Denver. We will need to coordinate with the STRAC and MRM managers to decide who those presenters might be.