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**OFFICE OF GENERAL COUNSEL**

**DATE:** November 6, 1997

**TO:** Mr. David S. Guzy, Chief, Rules and Publication Staff

~~Royalty Management Program, Minerals Management Service~~

**FROM:** David T. Deal by L. Schillinger **PHONE:** 202/682-8261

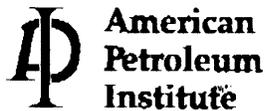
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November 6, 1997

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**American Petroleum Institute Comments on Interim Final Rule on Designation of Payor Recordkeeping, 62FR 42062 (August 5, 1997) and 62 FR 52016 (October 6, 1997)**

Dear Mr. Guzy:

API welcomes this opportunity to submit preliminary comments on the Interim Final Rule on Designation of Payor Recordkeeping published at 62 FR 42062 (August 5, 1997). A notice extending the comment period on the Interim Final Rule to November 6, 1997 was published at 62 FR 52016 (October 6, 1997).

The Interim Final Rule is intended to implement the lessee designation provisions of the Federal Oil and Gas Royalty Simplification and Fairness Act ("Act"). The Minerals Management Service ("MMS") must promulgate regulations that comport with the intent of the Act and should strive to find the most cost-effective manner to do so. However, API believes the Interim Final Rule fails to meet these standards.

At the Royalty Policy Committee's September 25, 1997, meeting, MMS requested assistance in studying these issues. At the meeting, MMS assured industry that it would consider other alternatives to the data base contemplated by the final interim rule. Consequently, with API's support, a Subcommittee on Lessee Designation was created. We hope that the Subcommittee, which has just begun its deliberations, will be provided sufficient time to examine thoroughly the legal and practical implications of all alternatives. **The Interim Final Rule should be withdrawn, or at a minimum, suspended, until the MMS has fully considered any report or recommendations issued by the Subcommittee.**

API intends to fully participate in the deliberations of the Subcommittee. We will also file supplemental comments on the Interim Final Rule and any other alternatives at a future date. Recognizing the difficulties associated with this issue, we are optimistic that the joint problem-solving efforts of the Subcommittee will be rewarding.

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