



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

April 12, 1999

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



Transmitted by FAX (303)-231-3385 and mail.

Dear Mr. Guzy:

This letter provides brief, additional comments from the New Mexico State Land Office (NMSLO) in response to the March 12, 1999, Federal Register Notice of Reopening of Public Comment Period and Notice of Workshops in regard to the Supplementary Proposed MMS Rule on Valuation of Federal Royalty Oil.

We understand that new comments can be made through April 12, 1999, and that we are not required to resubmit all our previous comments on prior and current versions of this proposed rule since they are already included in the rulemaking record. In that regard, we note that the NMSLO submitted written comments to you on March 23, 1998 responding to the proposed rule notice published February 6, 1998, and on May 23, 1997 responding to the proposed rule notice published January 24, 1997.

Two staff from the NMSLO attended the recent public workshop held in Albuquerque, New Mexico on March 25, 1999, one of three workshops held over the last three weeks to encourage and discuss new ideas which might help move the rulemaking process forward while ensuring that the public receives fair value for its resources. The NMSLO purposely waited to attend that workshop before deciding whether additional written comments should be prepared in response to the Federal Register Notice of March 12, 1999. While the discussions were interesting, no specific new ideas were proposed which appear to us to significantly improve upon the outline in that notice of the direction in which the Minerals Management Service and the Department of the Interior are headed in developing a final oil valuation rule.

NMSLO Comments on
Proposed MMS Oil Valuation Regulations
April 12, 1999
Page 2 of 2

In light of over three years of the extensive process of draft regulatory proposals, formal comment periods, public hearings and workshops, further draft regulation revisions, further comment periods and workshops, etc., it is our opinion and strong desire that the MMS move to issue final regulations on royalty oil valuation. It is our fervent hope that Congress will act so as not to extend the current moratorium prohibiting the Department of the Interior from issuing a final rulemaking, which ends on June 1, 1999. We believe that any action that further delays implementation of a final rule will contribute to continued loss of potential federal oil royalties. What that means to a state like New Mexico is continued undervaluation of our fifty percent share of those federal royalties, all earmarked to support our public educational institutions.

The SLO again commends the MMS for pursuing its proposed oil valuation regulations through its very thorough public and industry input process. We remain in adamant support of discontinuation of "posted prices" to value federal royalty crude oil. We assure you that the NMSLO continues to be actively involved with the oil industry in pursuing past under reported state crude oil royalties and in looking to future pricing methodologies.

The New Mexico State Land Office works primarily for education through our various educational beneficiaries. Therefore, finalization of the federal oil valuation regulations and any increases in crude oil revenues which would result from revised oil valuation methodologies would directly benefit education funding in this state.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Powell". The signature is fluid and cursive, with a large initial "R" and "P".

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS