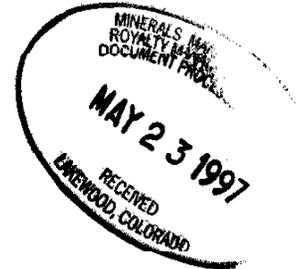


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May 22, 1997

Minerals Management Service
Royalty Management Program
Rules and Procedures Staff
Building 85
Denver Federal Center
Denver, Colorado 80225
Attn: David S. Guzy, Chief, Rules and Procedures Staff



Re: Proposed Rulemaking on Delegation of Royalty Management Functions to States (62 F.R. 19967) Published April 24, 1997

Dear Sir:

Conoco Inc. ("Conoco") hereby files these comments with the Minerals Management Service on its **Proposed Rulemaking on Delegation of Royalty Management Functions to States (62 F.R. 19967)**, published April 24, 1997. Conoco further adopts by reference and hereby incorporates the comments filed on behalf of the American Petroleum Institute.

Conoco recommends that MMS retain separate Indian delegation regulations for audits, inspections and investigations on Indian lands in part 229. These regulations should not be merged with the regulations on audits, inspections and investigations on federal lands in part 227. The type of leases and authority are distinct and should not be confused by attempting to merge them into one part.

Conoco urges that MMS strictly enforce confidentiality obligations applicable to audits, inspections and investigations on federal lands by state auditors pursuant to the delegation provisions of the regulations. There have been several instances in our experience where the same state auditors are conducting federal and state royalty audits simultaneously, along with state tax audits. In accordance with professional auditing standards, these audits should

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be conducted individually without a sharing of data between state leases and federal leases and royalty and tax matters.

Thank you for the opportunity to comment on this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. L. Smith", with a long, sweeping underline.