From: Robert O Wilkinson [mailto:robert.o.wilkinson@us.ibm.com]
Sent: Wednesday, January 25, 2006 12:30 PM
To: Gebhardt, Sharron; Williams, Mary; MRM Comments
Subject: COPAS Comments on Entitlements vs Takes

Here are the comments for the advance notice of proposed rulemaking on Entitlements vs. Takes reporting.

Please give me a call if you have any questions.

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January 26,2006

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ATTN: RIN 1010-AC29 – Entitlements Vs. Takes

We completed our conference call this morning, and COPAS would like to make the following comments concerning the MMS's advance notice of proposed rulemaking on "Takes vs. Entitlements" reporting. As usual, the COPAS membership did a great job of identifying any issues, and we appreciate the MMS seeking industry input on this issue.

Situations Involving Commingling Upstream of the Royalty Measurement Point

We have read your Federal Register notice dated November 29, 2005 and reviewed the 3 options presented associated with the above situation. COPAS agrees that there needs to be direction given on how to handle the surface commingling situations occurring in the offshore area. With this said, COPAS offers the following comments:

1. COPAS supports Option 2 "Pure Entitlements" for offshore situations where surface commingling is occurring upstream of the RMP. We feel this option is the most consistent with our current handling, and with the MMS's current entitlements versus takes regulations. We feel the other options would result in additional inequities between owners, and drive more work into our current processes.
2. Additionally, COPAS would like to comment that this regulation would NOT apply to current down-hole commingling situations both onshore and offshore. COPAS does not support a change to "Pure Entitlements" for down-hole commingling. We believe the regulations currently in place are working fine in these situations, and to make a change now would be both costly and unnecessary, as this would impact thousands of onshore wells.

Valuation of Entitlement Volumes

COPAS would also like to comment on how entitlement volumes should be valued. In those situations where a producer/payor is paying royalties on entitlements, those volumes should be based upon the weighted average value of the volumes the producer/payor actually took. Thus, in situations where a payor is paying royalties on 10,000 mmbtus but only took 8,000 mmbtus, the 10,000 mmbtus should be valued on the weighted average price of the 8,000 mmbtus that were actually sold by that producer/payor.

In situations where the producer/payor did not take any volumes, they should use other information relevant in valuing like-quality gas in determining how to value their entitlement volumes. This could be done by using the value of other like-quality gas sold in the same field or area, or applicable index prices.

Once again we appreciate the opportunity to provide input on this issue. Please let me know if you have any questions on the above (918) 925-7055.

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