(conoco)

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June 19, 2000

Office of Informative and Regulatory Affairs
Office of Management and Budget
Desk Officer for the Interior Department
725 17th Street, NW
Washington, D.C. 20503

Dear Sir:

RE: Notice of Information Collection, Report of Sales and Royalty Remittance Form MMS-2014 OMB Control Number 1010-NEW, 65 Fed. Reg. 31598 (May 18, 2000)

Conoco Inc. (herein Conoco) appreciates the opportunity to comment on the aforementioned form. Conoco is an operator and royalty payor on federal and Indian leases and is impacted by this form.

Conoco hereby endorses and incorporates by reference those comments filed by the Council of Petroleum Accountants Societies (COPAS) to the above Notice of Information Collection.

Conoco has no additional comments.

If you would like to discuss this further, please contact me at the above address or at (580) 767-5044.

Sincerely,

John E. Clark

mdb

cc:
Mr. D. E. Gingerich, Ponca City, OK

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Dallas
Fort Worth
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San Juan Basin
Wichita Falls

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Dear Sir:

RE: Notice of Information Collection, Report of Sales and Royalty Remittance Form MMS-2014 OMB Control Number 1010-NEW, 65 Fed. Reg. 31598 (May 18, 2000)

The Council of Petroleum Accountants Societies (COPAS) appreciates the opportunity to comment on MMS' Notice of Information Collection. COPAS members have extensive experience with Form MMS-2014, Report of Sales and Royalty Remittance, and have been working with MMS on their Reengineering Project. Therefore, we believe our comments will be beneficial to OMB as they review MMS' information collection request.

First, COPAS would like to note that industry supports MMS' Reengineering Project. We have believed for a long time that MMS needed to rewrite and integrate their systems. Also, COPAS would like to note that industry is not opposed to change. Industry companies and personnel deal with change on a daily basis, so our comments are not from the standpoint that we have a reluctance to change.

General Comments

In the OMB submission, MMS makes note a number of times of the overall cost savings due to reporting prior period adjustments on a "net" basis. Since the submission was prepared, it has been determined that reporting prior period adjustments on a "net" basis is no longer feasible due to a provision of the Federal Oil and Gas Royalty Management Act of 1982; therefore, there will not be a cost savings due to "net" adjustments.

In the Paperwork Reduction Act Submission MMS estimates in question 14 that the total annualized capital/startup costs to be $4,700MM. This is, at best, a guess. Industry companies are currently unable to estimate the impact of the Reengineering Project because there are still a number of unanswered questions that could have a significant impact upon industry. As an example, industry has not been provided the record layout for the Form MMS-2014, a decision on what history MMS will convert to the new layout has not been made, and final decisions on what product codes will be used

have not been made. We do believe that the Sales Type Code, as currently envisioned by MMS, will cause a significant, adverse impact upon industry, both in our royalty reporting system and our revenue systems. The Sales Type Code requires industry to track data not currently tracked today and, quite frankly, has no meaning to us from an accounting or royalty settlement perceptive. We believe this reprogramming alone will far surpass the cost estimate made by MMS.

Data Elements on Form MMS-2014

COPAS still has concerns with some of the data elements on the proposed Form MMS-2014. While we have voiced these concerns to MMS, we would like to again voice these concerns.

Royalty Rate

Royalty rate is a function of the lease, not of the transaction. MMS states in the OMB submission that the inclusion of this rate will improve royalty reporting. We do not believe this will occur. Most companies will interface some form of a "Division of Interest" system into their royalty reporting system. The rate reported is generally going to be the same month after month and we fail to understand how reporting the same information every month is of benefit to MMS. As an alternative to royalty rate, COPAS would propose that sales value be reported.

Unit Price

A number of industry companies are quite concerned with the reporting of a unit value. MMS states in their submission that this value may not agree with any contract value which is exactly why we are concerned. With the increase in False Claims Act lawsuits against the industry, companies are concerned with reporting a data element that does not agree with any contract value. While MMS and the Justice Department might not intervene in these lawsuits, companies are still left with a lawsuit that they have to deal with. As an alternative to unit price, COPAS would propose that sales value be reported.

Sales Type Code

MMS made the Sales Type Code more acceptable when they added pooled sales as one of the codes, but COPAS would still strongly recommend that this data element be eliminated. Although we recognize that this information would be nice to have, the true usefulness is questionable, and the total cost to industry and the MMS can not justify this code being required. Industry does not track contract types, i.e., spot sales or long term sales, in our accounting systems. Whether a contract is a spot sale or a long term sale is meaningless to us; the only thing that does matter is whether there were sales under the contract. Reporting spot sales and long term sales under different codes would require that all revenue and royalty systems be rewritten and it would also greatly increase system operating costs due to the increased records that would be processed. While we do not have a good cost estimate due to the reasons stated earlier, we believe that the cost of compliance with this data element would greatly surpass MMS' cost estimate for the entire project.

As an alternative, we would be willing to discuss the possibility of reporting arms-length sales separately from non arms-length for everything other than pooled sales.

API Well Number

MMS states, in part, in the OMB submission that "...there is no plan to expand the requirement for this data beyond a selected few situations. Well-level reporting would be implemented only by requirement of a tribe or by MMS in order to properly account for specific royalty rate relief situations." Well-level reporting is simply unacceptable in most situations. Indian Tribes and Allottee groups have raised this issue in the past and industry has explained why it is not an option that we are willing to consider. First of all, sales are made at a meter level for gas and at a platform or battery level for oil. Oil inventories are accounted for at the battery level. Requiring well level royalty reporting would require the programming of allocation systems to get the sales at a well level. Also, many industry systems function most efficiently at "the highest level of common ownership" and requiring sales at the well level would mean we would have to process at the "lowest level of common ownership" which is extremely inefficient and it increases system operating costs. Also, reporting units on a well-level basis is impossible.

At this time, COPAS cannot support OMB's approval of this form. We hope the OMB will recognize the significant increased costs associated with the Sales Type Code; the unnecessary cost associated with the Royalty Rate, Unit Price, and API Well Number; and the elimination of the savings to industry and the MMS due to net reporting no longer being viable.

COPAS appreciates the opportunity to comment on the information collection. If you would like to further discuss these comments, please contact me at (580) 767-5044.

Sincerely,

John Clark

John Clark
Chairperson, COPAS Revenue Standing Committee

mdb
cc:
Mr. David Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
Royalty Management Program
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Denver, CO 80225-0165

Mr. Doyle Wofford, COPAS President
Mr. Darrell Gingerich, COPAS Board Liaison