

**GARDERS & WYNNE, L.L.P.**  
 Attorneys and Counselors  
 100 West Fifth Street, Suite 200  
 Tulsa, Oklahoma 74103-4240  
 918-699-2900

**TELECOPY COVER LETTER**

July 30, 1998

Please deliver the following pages to:

**ATTN:** Vernon Ingraham  
**COMPANY/FIRM:** Minerals Management Service  
**CITY & STATE:** Denver  
**Client/Matter No:** 117656.1  
**Telecopier No:** (303) 231-3216

**FROM:** Patricia Dummire Bragg  
**MY DIRECT DIAL NUMBER:** (918) 699-2920

NUMBER OF PAGES (including this cover sheet): 4

TULSA G&W TELECOPIER NO. (918) 699-2929

ADDITIONAL MESSAGE:

Is this for service of Documents?  
 Please indicate local time deadline:

Confirmation Requested:

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**GARDNER & WYNNE, L.L.P.**

ATTORNEYS AND COUNSELORS

200 ONZOK PLAZA  
100 WEST FIFTH STREET  
TULSA, OKLAHOMA 74103-4240  
918-699-2900  
TELECOPIER 918-699-2920

WRITER'S DIRECT DIAL NUMBER  
918-699-2920

DALLAS  
5000 TRANSLOVING TOWER  
1601 ELM STREET  
DALLAS, TEXAS 75201-4761  
214-999-3600

HOUSTON  
THREE ALLEN CENTER  
335 CLAY AVENUE, SUITE 600  
HOUSTON, TEXAS 77002-0006  
713-969-3500

MEXICO CITY  
510 PANCHO No. 7  
COL. GUADALUPE  
06100 MEXICO, D.F.  
011 (525) 946-8823

July 30, 1998

*via facsimile*

Minerals Management Service  
Royalty Management Program  
Attn: ARD/FB/RIK, Mail Stop 3131  
P.O. Box 5760  
Denver, Colorado 80217-5760

Re: June 29, 1998 Notice to Royalty-In-Kind Lease Operators

Dear Sir:

Texaco Exploration and Production Inc. requests written clarification of that certain Notice to Royalty-In-Kind Lease Operators dated June 29, 1998 ("Notice"). The notice purports to direct Texaco to deliver RIK oil at various delivery points, some of which are different from existing delivery points. The extent that the delivery points are being changed, Texaco will be adversely impacted financially. We therefore request clarification of the Notice in order to determine whether said Notice constitutes an appealable order or decision of MMS.

To the extent that the Notice constitutes an appealable order or decision of MMS, this letter constitutes Texaco's appeal, pursuant to 30 C.F.R. 290, of said Notice. Inasmuch as MMS has failed to notify Texaco of its appeal rights, and whether compliance with the order will be stayed pending appeal, Texaco reserves the right to judicially challenge the Notice and this appeal should be considered a protective administrative appeal only.

Sincerely,



Patricia Danmire Bragg  
on behalf of  
Texaco Exploration and Production, Inc.



# United States Department of the Interior

MINERALS MANAGEMENT SERVICE  
Royalty Management Program  
P.O. Box 5768  
Denver, Colorado 80217-0768

BY REGISTERED MAIL

ARD-FB-RIK  
Mail Stop 3131

JUN 29 1998

OVERNIGHT COURIER  
FEDERAL EXPRESS

## NOTICE TO ROYALTY-IN-KIND LEASE OPERATORS

Dear Operator:

As part of an ongoing pilot to improve the existing small oil Royalty-in-Kind (RIK) program, the Minerals Management Service (MMS) has negotiated amendments to the existing contract terms with the participating RIK refiners. The revised contract terms now require that most RIK oil be delivered to particular trading centers, except where such delivery is not feasible. In accordance with 30 CFR 208.8(b) (1997), Minerals Management Service (MMS) is notifying you of a change in the designated delivery point for RIK oil effective August 1, 1998. Generally, RIK oil must now be delivered to trading centers shown below, based on oil type.

Light Louisiana Sweet (LLS) - St. James, LA or South Bend, LA  
Heavy Louisiana Sweet (HLS) - Empire, LA  
Eugens Island (EI) - St. James, LA  
Bonita Sour (BS) - St. James, LA  
Texas Gulf Coast (TGC) - Texas City, TX  
Mars Blend (Mars) - Clovally, LA

The enclosed schedule lists all of your RIK leases, whether or not the designated delivery point has changed. It lists:

- Refiner name
- RIK contract numbers
- Federal lease numbers
- Lease locations
- Refiner royalty allocation percentages
- Current delivery point
- Oil type based on MMS information
- New delivery point.

You may be able to take an oil transportation allowance in accordance with 30 CFR 206.104 (1997). If you are eligible to claim a transportation allowance on your "Report of Sales and Royalty Remittance," Form MMS-2014, please refer to 30 CFR 206.105 (1997) for further information on determining an allowance rate and reporting requirements. Also, report any quality bank adjustments separately, whether positive or negative, using Transaction Code 13, Adjustment

Reason Code 04, and Payment Method 01 or 03. The Selling Arrangement must be 444 for these amounts, rather than the RIK selling arrangement.

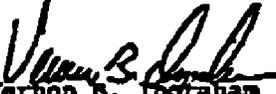
Please notify all affected lessors, payors and working interest owners of this change of the delivery point.

If our information does not show the correct oil type, or if your company is not currently operating any of the leases indicated, or if your status as operator changes during the period of the contract(s), please notify us in writing and by facsimile transmission at the following address:

Minerals Management Service  
Royalty Management Program  
Attention: ARD/FB/RIK, Mail Stop 3131  
P.O. Box 5760  
Denver, CO 80217-5760  
FAX: (303) 231-3216

If you have any questions, please call Ms. Mary Turton at (303) 231-3665 or Mr. Dave Domagala at (303) 275-7255. Thank you for your cooperation.

Sincerely,

  
Vernon B. Ingraham  
Chief, Accounting and Reports Division

Enclosure(s)



July 30, 1998

Chevron U.S.A. Production Company  
1301 McKinney Street  
Houston, Texas 77010-3029  
Mail Address: P. O. Box 3725  
Houston, Texas 77253-3725

George W. Butler III  
Senior Counsel  
Law Department  
(713) 754-7800  
Fax (713) 754-3366

**VIA FACSIMILE - (303) 231-3216**  
**ORIGINAL TO FOLLOW BY REGULAR MAIL**

Vernon B. Ingraham  
Chief, Accounting and Reports Division  
Minerals Management Service  
Royalty Management Program  
Attention: ARD/FB/RIK, Mail Stop 3131  
P.O. Box 5760  
Denver, CO 80217-5760

**June 29, 1998, Notice to Royalty-In-Kind Lease Operators**

Dear Sir:

Chevron requests written clarification of that certain Notice to Royalty-In-Kind Lease Operators dated June 29, 1998 ("Notice"). The Notice purports to direct Chevron to deliver RIK oil at various delivery points, some of which are different from existing delivery points. To the extent that the delivery points are being changed, Chevron will be adversely impacted financially. We therefore request clarification of the Notice in order to determine whether said Notice constitutes an appealable order or decision of MMS.

To the extent that the Notice constitutes an appealable order or decision of MMS, this letter constitutes Chevron's appeal, pursuant to 30 C.F.R. 290, of said Notice. Inasmuch as MMS has failed to notify Chevron of its appeal rights, and whether compliance with the order will be stayed pending appeal, Chevron reserves the right to judicially challenge the Notice, and this appeal should be considered a protective administrative appeal only.

Respectfully submitted,

George W. Butler, III

# CHEVRON FACSIMILE MESSAGE

CHEVRON LAW DEPARTMENT  
1301 MCKINNEY STREET  
HOUSTON, TEXAS 77010

FACSIMILE NO. (713) 754-3366

## FAX COVER SHEET

### NOTICE OF CONFIDENTIALITY

The information contained in this Fax is confidential and/or privileged. This Fax is intended to be reviewed by only the individual(s) to whom it is addressed or courtesy copied. If the reader of this transmittal page is not the intended recipient named herein or a representative of the intended recipient, you are hereby notified that any review, use, dissemination or copying of this Fax or the information contained herein is unauthorized and strictly prohibited. If you have received this Fax in error, please immediately notify the sender by telephone and return this Fax to the sender at the above address by regular U.S. mail. Thank you.

DATE: July 30, 1998

TIME: 4:27 PM

#### TO

Facsimile No.: (303) 231-3216

Name: VERNON B. INGRAHAM  
CHIEF, ACCOUNTING AND REPORTS DIVISION

Company: MINERALS MANAGEMENT SERVICE  
ROYALTY MANAGEMENT PROGRAM

Address:

#### FROM

George W. Butler, III  
Chevron Law Department  
P.O. Box 3725  
Houston, TX 77253-3451  
Telephone (713) 754-7809

Number of Pages (Including Cover) 2

Instruction/Comments:

*If you do not receive all pages, please phone: Carol Hicks, (713) 754-3408.*

# FACSIMILE COVER SHEET

Exxon Company, U. S. A.

800 Bell, P.O. Box 2180  
Houston, Texas 77002

**DATE:** 30 July 1998

**TO:** Minerals Management Services, RMP  
Attn: Mr. Vernon Ingraham

**PHONE:** (303) 231-3162

**FAX:** (303) 231-3216

**FROM:** Jason E. Doughty

**PHONE:** (713) 656-6395

**FAX:** (713) 656-6123

**PAGES FOLLOW:** 8

**COMMENTS:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This communication may contain information that is confidential and/or protected by the attorney-client or other applicable privilege. It is intended for receipt and use solely by the individual(s) named above. If you are not the intended recipient, or the employee or agent responsible for delivering this communication to the intended recipient, you are hereby notified that any disclosure, distribution, or copying of this document is strictly prohibited. If you have received this communication in error, please immediately notify Exxon by telephone. Thank you.

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 2180 • HOUSTON, TEXAS 77252-2180

JASON E. DOUGHTY  
ATTORNEY

July 29, 1998

Notice of Appeal and Preliminary Statement of  
Reasons, Motion for Extension of Time  
MMS-ARD-FB-RIK

**VIA FACSIMILE (303-231-3216) AND AIRBORNE EXPRESS MAIL**

Minerals Management Service  
Royalty Management Program  
ATTN: Mr. Vernon B. Ingraham  
Chief, Accounting and Reports Division  
Denver Federal Center  
Building 85  
Denver, Colorado 80225

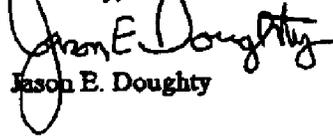
Dear Mr. Ingraham:

Enclosed please find two original copies of Exxon Company, U.S.A.'s Notice of Appeal and Preliminary Statement of Reasons in the referenced matter. Please date stamp one copy and return to me in the enclosed addressed, postage paid envelope. I would also appreciate your advising me of any decisions in this matter as soon as possible.

Pursuant to 30 CFR §290.5(a), we request that the MMS extend us the courtesy of an extension of time in which to file a supplement to the preliminary statement of reasons filed herewith. To that end I enclose our Motion for Extension of Time and two original copies of an Extension Agreement for MMS Appeal. Please return one fully executed copy of the Agreement to me or otherwise indicate your decision on this extension request.

Should you have any questions or comments concerning the foregoing, please give me a call at (713) 656-6395.

Sincerely,

  
Jason E. Doughty

Enclosures



UNITED STATES DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

Exxon Company, U.S.A.  
(a division of Exxon Corporation)

§  
§

Docket No. \_\_\_\_\_  
Reference No. MMS-ARD-FB-RIK

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NOTICE OF APPEAL  
AND  
PRELIMINARY STATEMENT OF REASONS

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Pursuant to the provisions of 30 CFR Part 290, Exxon Company, U.S.A., a division of Exxon Corporation ("Exxon"), appeals the Notice to Royalty-In-Kind Lease Operators, received by Exxon on June 30, 1998 ("Notice"), issued by Vernon B. Ingraham, Chief, Accounting and Reports Division, Minerals Management Service ("MMS"). A copy of the Notice is attached as Exhibit "A."

Pursuant to the Notice, the MMS informs Exxon of a change in the designated delivery points for royalty oil taken in kind by the government to various market trading centers effective August 1, 1998. Exxon appeals the requirements of the Notice for reasons that include, but are not limited to, the following:

- (1) the MMS' unilateral change in delivery points for RIK oil to distant market trading centers is contrary to the MMS' contractual authority under the terms of the lease contracts at issue, as well as the MMS' regulatory authority under 30 CFR § 208.8 (1997);
- (2) the MMS' unilateral change in delivery points for RIK oil to distant market trading centers is arbitrary, capricious, an abuse of discretion, and otherwise not in accordance with law, and is thus a violation of 5 U.S.C. § 705 (2)(A); and
- (3) the MMS' unilateral change in delivery points for RIK oil to distant market trading centers lacks a reasoned basis.

Exxon intends to file an additional Statement of Reasons in support of this appeal.

Respectfully submitted this 29th day of July, 1998.



Jason E. Doughty, Attorney  
Exxon Company, U.S.A.  
P.O. Box 2180, Suite 1748  
Houston, Texas 77252-2180  
Telephone: (713) 656-6395  
Facsimile: (713) 656-6123



# United States Department of the Interior

## MINERALS MANAGEMENT SERVICE

Royalty Management Program  
P.O. Box 5760  
Denver, Colorado 80217-5760

IN REPLY REFER TO:

ARD-FB-RIK  
Mail Stop 3131

JUN 29 1998

OVERNIGHT COURIER  
FEDERAL EXPRESS

### NOTICE TO ROYALTY-IN-KIND LEASE OPERATORS

Dear Operator:

As part of an ongoing pilot to improve the existing small oil Royalty-in-Kind (RIK) program, the Minerals Management Service (MMS) has negotiated amendments to the existing contract terms with the participating RIK refiners. The revised contract terms now require that most RIK oil be delivered to particular trading centers, except where such delivery is not feasible. In accordance with 30 CFR 208.8(b) (1997), Minerals Management Service (MMS) is notifying you of a change in the designated delivery point for RIK oil effective August 1, 1998. Generally, RIK oil must now be delivered to trading centers shown below, based on oil type.

Light Louisiana Sweet (LLS) - St. James, LA or South Bend, LA  
Heavy Louisiana Sweet (HLS) - Empire, LA  
Eugene Island (EI) - St. James, LA  
Bonita Sour (BS) - St. James, LA  
Texas Gulf Coast (TGC) - Texas City, TX  
Mars Blend (Mars) - Clovelly, LA

The enclosed schedule lists all of your RIK leases, whether or not the designated delivery point has changed. It lists:

- Refiner name
- RIK contract numbers
- Federal lease numbers
- Lease locations
- Refiner royalty allocation percentages
- Current delivery point
- Oil type based on MMS information
- New delivery point.

You may be able to take an oil transportation allowance in accordance with 30 CFR 206.104 (1997). If you are eligible to claim a transportation allowance on your "Report of Sales and Royalty Remittance," Form MMS-2014, please refer to 30 CFR 206.105 (1997) for further information on determining an allowance rate and reporting requirements. Also, report any quality bank adjustments separately, whether positive or negative, using Transaction Code 13, Adjustment

EXHIBIT

A

Reason Code 04, and Payment Method 01 or 03. The Selling Arrangement must be 444 for these amounts, rather than the RIK selling arrangement.

Please notify all affected lessees, payors and working interest owners of this change of the delivery point.

If our information does not show the correct oil type, or if your company is not currently operating any of the leases indicated, or if your status as operator changes during the period of the contract(s), please notify us in writing and by facsimile transmission at the following address:

Minerals Management Service  
Royalty Management Program  
Attention: ARD/FB/RIK, Mail Stop 3131  
P.O. Box 5760  
Denver, CO 80217-5760  
FAX: (303) 231-3216

If you have any questions, please call Ms. Mary Turton at (303) 231-3665 or Mr. Dave Demagala at (303) 275-7255. Thank you for your cooperation.

Sincerely,



Vernon B. Ingraham  
Chief, Accounting and Reports Division

Enclosure(s)

**UNITED STATES DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE**

Exxon Company, U.S.A.  
(a division of Exxon Corporation)

§  
§

Docket No. \_\_\_\_\_  
Reference No. MMS-ARD-FB-RIK

**MOTION FOR EXTENSION OF TIME**

Exxon Company, U.S.A., a division of Exxon Corporation ("Exxon"), hereby requests an extension of time to file its Supplemental Statement of Reasons in support of its appeal of the Notice to Royalty-In-Kind Lease Operators ("Notice"), issued by Vernon B. Ingraham, Chief, Accounting and Reports Division, Minerals Management Service on June 29, 1998, received by Exxon on June 30, 1998.

Exxon is appealing the Notice under 30 CFR § 290 *et seq.* and is filing its Notice of Appeal and Preliminary Statement of Reasons simultaneously herewith. In order to fully prepare the requisite facts and legal arguments supporting its appeal, Exxon requires additional time within which to file its Supplemental Statement of Reasons.

Pursuant to 30 CFR § 290.5(a), Exxon requests an extension of sixty (60) days for filing a supplement to its Preliminary Statement of Reasons. With such an extension being granted, Exxon's Supplemental Statement of Reasons is due on or before September 28, 1998. Enclosed herewith is an executed Extension Agreement for MMS Appeal providing for such extension.

Respectfully submitted this 29th day of July 1998.



Jason E. Doughty, Attorney  
Exxon Company, U.S.A.  
P. O. Box 2180, Suite 1748  
Houston, Texas 77252-2180  
Telephone: (713) 656-6395  
Facsimile: (713) 656-6123

**Extension Agreement for MMS Appeal**

Appellant: Exxon Company, U.S.A.

Docket No. MMS - \_\_\_\_\_  
Reference No. ARD-FB-RIK (June 29, 1998 Notice to Royalty-In-Kind Lease Operators)

I hereby request a 60-day extension of time to file a:

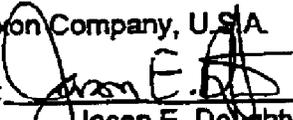
- Statement of Reasons
- Response to the Field Report
- Supplemental Statement of Reasons

for the appeal listed above filed under 30 CFR 290. The extension will be measured from the date the document was due.

I also agree to extend for the same number of days the 33-month timeframe for processing appeals as set out in 30 U.S.C. 1724(h)(i) and any timeframe that MMS may provide for by regulation.

The Appellant's representative and the Secretary's Designee executing this agreement, warrant that they are duly authorized to represent and bind the parties hereto. The MMS Appeals Division concurrence is required to validate this agreement.

Appellant: Exxon Company, U.S.A.

By:   
Jason E. Doughty

Title: Attorney

Date Executed: July 29, 1998 Fax Number: (713)656-6123

Approved by: \_\_\_\_\_

Secretary's Designee: \_\_\_\_\_  
Authorized Royalty Management Program Official  
(prior to issuance of the field report),  
Fax Number: \_\_\_\_\_, or  
Chief, MMS Appeals Division (after issuance of field report).

Concurrence: \_\_\_\_\_  
Chief, MMS Appeals Division

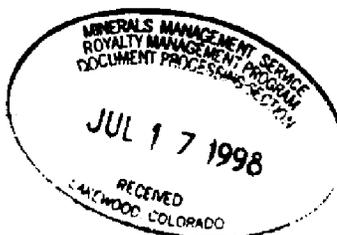
Forms may be filed by fax with the appropriate Royalty Management Program office (pre-field report) or with the MMS Appeals Division (post-field report, Fax Number 202-219-5565). After concurring, the Appeals Division will fax copies to be returned to the appellant and the appropriate Royalty Management Program official.

**NORMAN D. EWART**  
*Attorney at Law*  
*Nine Greenway Plaza, Suite 884*  
*Houston, Texas 77046-0995*  
*Telephone: 713-877-7157*  
*Fax: 713-877-3869*  
*E-mail Address: Norman.Ewart@coastalcorp.com*

July 15, 1998

JUL 1998  
Received  
Reference Data  
Branch

Mr. Vernon B. Ingraham  
Chief, Accounting and Reports Division  
Minerals Management Service  
Royalty Management Program  
P. O. Box 5760  
Denver, Colorado 80217-5760



Amended Letter

ATTN: ARD/FB/RIK  
Mail Stop 3131

RE: *Notice of Delivery of Oil - Eugene Island Block 327*

Dear Mr. Ingraham:

On behalf of Coastal Oil & Gas Corporation, please take notice that Coastal will continue to make delivery of MMS oil at the platform as Coastal has done since delivering MMS oil under the 1995 notice to take RIK oil.

In the more recent "notice" from MMS to attempt to change the delivery point of oil, MMS acknowledges that the RIK contract has not terminated and the MMS is trying to change the delivery of oil under existing contracts. The current contracts were extended from November 1, 1997 through May 1, 1999. I find nothing in the regulations that authorizes the MMS to change designation of delivery at any time. The regulations do not authorize MMS to change delivery under existing contracts. The regulations do not authorize MMS to change delivery to a market center. The regulations do not authorize MMS to simply change the delivery point whenever MMS deems it desirable. The attempt to change delivery is not in accordance with 30 C.F.R. 208.8(b) (1997). If MMS has authority in support of its position or any analysis in support of its position, please forward such to me. At this point in time, it does not appear that MMS has a well-grounded basis for its attempt to change delivery under an existing contract. If MMS has changed its delivery points of RIK oil in the past, please provide me with information on when, with whom, and the documents evidencing and relating to such a change in delivery.

Mr. Vernon B. Ingraham  
Chief, Accounting and Reports Division  
July 15, 1998  
Page 2

Coastal is not a party to your "re-negotiated" contracts with RIK refiners, and is not subject to the terms and conditions of those contracts. The MMS's attempt to re-designate delivery under contracts to which Coastal is not a party does not require Coastal to transport MMS oil. I do not believe you have furnished Coastal with copies of those contracts. Please provide me with copies of the applicable contracts for refining of MMS oil, both before and after the recent re-negotiations. Notwithstanding that the contracts have no binding effect on Coastal, delivery of RIK oil to St. James is not feasible and is unwarranted. I look forward to receiving the contracts and to a prompt resolution of this matter. Should you have any questions, do not hesitate to call me.

Very truly yours,



Norman D. Ewart

TBL\_REFINER\_ADDRESS\_INFO

REFINER NAME	CONTACT NAME	PHONE	ADDRESS	ADDRESS
AGE REFINING INC.	Frank DeAngel	210-532-5300	7811 S. Presa	San Antonio, Tx 78223
BIG WEST OIL COMPANY	Rob Gamer	801-296-7739	333 West Center	North Salt Lake, Utah 84054
CALCASIEU REFINING COMPANY	Murray Hethenwick	713-652-0022	910 Travis Street	Suite 920
CANAL REFINING COMPANY	Michael E. Mockley	918-584-5291	114 East Fifth Street	Tulsa, Oklahoma 74103
GARY-WILLIAMS	Don Hamilton	303-628-3800	370 17th Street	Suite 5300
GARY-WILLIAMS ENERGY CORP.	Don Hamilton	303-628-3800	370 17th Street	Suite 5300
GARY/BARRETT	JOSHUA A. BARRETT	405-275-3051	23 E. 9TH STREET	SUITE 329
GIANT INDUSTRIES ARIZONA INC.	Luke K. Welthers	602-585-8829	23733 N. Scottsdale Road	Scottsdale, AZ 85255
GOLD LINE REFINING LTD.	Earl Thomas	713-271-3550	7324 SW Freeway	Suite 600
LL&E PETROLEUM MARKETING, INC.	Teresa Morel	504-566-6873	909 Poydras Avenue	Suite 2900
PLACID REFINING COMPANY	Dennis Cernosek	504-346-7499	1940 LA Hwy 1 North	Port Allen, Louisiana 70767
SINCLAIR OIL CORPORATION	Robert C. John	801-524-2855	P. O. Box 30825	Salt Lake City, Utah 84130
U.S. OIL & REFINING COMPANY	Lisa Curran	310-726-2200	2121 Rosecrans Ave. Suite 2360	EL Segundo, CA 90245-4709
WYOMING REFINING COMPANY	Dave Miller	303-894-9966	1600 Broadway, Suite 2300	Denver, CO 80202

*Index*

ADDRESS	CONTRACTNO	CONTRACTTERMINATIONDATE
	6300-94101	8/1/97
	6300-87301	
Houston, TX 77002	6300-94104	
	6300-94105	6/1/97
Denver, CO 80202	6300-87303	
Denver, CO 80202	6300-94106	
SHAWNEE, OK 74801	6300-94102	
	6300-94107	
Houston, TX 77074	6300-94108	7/1/97
New Orleans, LA 70112	6300-94110	
	6300-94112	
	6300-87304	
	6300-94114	
	6300-87306	