

May 4, 2017

Armand Southall
Regulatory Specialist, ONRR
P.O. Box 25165, MS 61030A
Denver, CO 80225

Re: Comments on the Office of Natural Resources Revenue's proposed rule *Repeal of Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform*, 82 Fed. Reg. 16323 (April 4, 2017), RIN 1012-AA20

Submitted via Regulations.gov

Dear Mr. Southall,

The Independent Petroleum Association of America (IPAA) strongly supports the Office of Natural Resources Revenue (ONRR) proposed rule to repeal the Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule published on July 1, 2016 ("2017 Valuation Rule"). IPAA welcomes the opportunity to comment on the Proposed Rule at this time.

IPAA is a national trade association representing the thousands of independent oil and natural gas explorers and producers in the United States, as well as the service and supply industries that support their efforts, that will most directly be impacted by the 2017 Valuation Rule. Independent producers develop about 95 percent of American oil and natural gas wells, produce 54 percent of American oil, and produce 85 percent of American natural gas. IPAA is dedicated to ensuring a strong, viable domestic oil and natural gas industry, recognizing that an adequate and secure supply of energy is essential to the national economy.

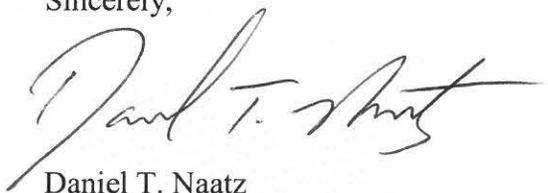
The 2017 Valuation Rule made sweeping changes to the way federal oil and gas royalties are valued for the purpose of royalty collection. As stated, ONRR's original intent with the rule was to offer greater simplicity, certainty, clarity, and consistency for the collection of royalties. Unfortunately, even after substantial input from industry stakeholders, the rule as promulgated still falls far short of the mark. Indeed, it has created greater regulatory uncertainty.

The rule grants the Department of the Interior new authority to unilaterally set prices for royalty purposes without clear or transparent guidelines for regulators and regulated parties. Ultimately, this will lead to unpredictable valuation issues and lengthy legal challenges, which is not in the best interest of either the producer or the federal government. IPAA member companies rely on long-term planning when determining multi-million dollar investments. Without a concrete regulatory structure that is consistent and clearly delineated, our members will be left in the dark when it comes to navigating complicated accounting formulas.

Repeal of the 2017 Valuation Rule is consistent with President Trump's January 30 Executive Order on reducing regulations and controlling regulatory costs. For detailed information on the many flaws of the 2017 Valuation Rule, IPAA wishes to associate itself with the comments of the American Petroleum Institute. On May 8, 2015, IPAA, API, and NOIA submitted joint comments detailing the many technical issues with the proposed regulation and the final rule was published essentially without changes.

Thank you for your time and attention to this matter. IPAA and our member companies stand ready to work with ONRR to improve the royalty valuation process and ensure a fair and equitable return to the American taxpayers.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Naatz", written in a cursive style.

Daniel T. Naatz
Senior Vice President of Government Relations and Political Affairs
Independent Petroleum Association of America