

# Congress of the United States

Washington, DC 20515

August 28, 2003

The Honorable Gale A. Norton  
Secretary  
U.S. Department of Interior  
1849 C Street, NW  
Washington, D.C. 20240

Dear Secretary Norton:

We write to express our grave concerns about a proposed rule the Minerals Management Service (MMS) published on August 20, 2003, which would amend existing regulations for the valuation of crude oil produced from federal leases.

We will be submitting comments on the proposed rule in the near future. However, it is clear from the complexity of the proposed rule – and the inadequacy of the explanatory material accompanying the proposed rule – that a 30-day public comment period is insufficient for proper evaluation and submission of meaningful comments. We demand that the public comment period be extended, at a minimum, to 120 days.

In addition, in order to complete a comprehensive analysis of the proposed rule, certain documents and information are necessary and should be made available. This is just one example of why more time is needed for the public comment period. Attached is a list of materials that we request be sent to us immediately. As you can see from the extensive list of requested documents and information, additional time is needed for fair and adequate review and evaluation.

This is very important to the taxpayers of this country who deserve to be considered when their resources are being used. Thank you in advance for your consideration and cooperation. We look forward to your immediate response to these important requests.

Sincerely,

  
Barbara Boxer  
U.S. Senator

  
Carolyn Maloney  
U.S. Representative

  
Lois Capps  
U.S. Representative

cc: Sharron Gebhardt, Regulatory Specialist, Minerals Management Service

### Attachment

1. All documents that relate to potential changes to the 2000 oil valuation rules dated between January 2001 and February 2003.
2. All audits conducted by the Interior Department involving transportation allowances.
3. All audits conducted by the Interior Department involving royalties owed under the 2000 oil valuation rules.
4. All documents and data supporting MMS's representation on page 50088 that its "[e]xperience thus far with the 2000 rules ... indicate a potential for improving those rules in some respect"
5. All documents and data supporting MMS's representation on page 50088 that its "years of experience in taking and selling royalty-in-kind oil ... indicate a potential for improving those rules in some respect."
6. All documents and data supporting MMS's representation on page 50085 that "information learned during litigation challenging the 2000 rules indicate a potential for improving those rules in some respects." In fulfilling this request, please exclude any information or data that was provided by or on behalf of any industry commenter during the comment period(s) on the 2000 rules, and also provide the legal basis for Interior's position, if any, that material outside of the administrative record underlying the 2000 rules is properly before the court in that litigation.
7. All documents relied upon by MMS in its statement on page 50085 that there is "an issue" arising from "recent publicity and questions about information provided to spot price reporting services and the effect such potentially inaccurate information has on spot prices in general" justifies a change in the 2000 rules. Include within this request all information that relates to the spot prices that are used for valuing production under the 2000 rules.
8. Identify and supply supporting documentation that will explain and demonstrate how MMS determined arm's length transactions for purposes of studying the "correlation" between those transactions and "public indicia of crude oil prices" discussed on p. 50089. In fulfilling this request, separate the arm's length transaction data on an onshore and offshore basis. For onshore, provide a state breakdown.
9. All documents relating to the "requests... for valuation guidance and future valuation agreements" referenced on p. 50091. In fulfilling this request, provide all such requests and agreements, not solely those for the Rocky Mountain region.
10. All documents "examined" by MMS or provided to MMS (see p. 50094) relating to the proposal

to increase the rate of return for calculating transportation allowances.

11. All documents reflecting how MMS made the determination that some costs are associated with transportation of oil and some costs are associated with marketing. Include relevant schematics.
12. Documents describing and recording the "review" of transportation allowances *referenced on p. 50099*
13. All documents supporting the MMS's recognition that oil transferred by parties to a joint operating agreement could be considered arm's length.
14. All documents and data relied upon by MMS in calculating revenue impact.
15. A breakdown of the cost of each cost specified in proposed 206.110 and 206.111 on a per barrel basis, separating offshore and onshore.
16. A breakdown of net revenue impact on a state by state basis.
17. All documents reflecting communications between Interior and industry or its representatives during and after the workshops and prior to publication of the proposed rule.
18. All documents and records reflecting positions, analyses, data, communications or other information provided to Interior from other executive branch entities.