

**Alaska Wilderness League ♦ American Federation of Government Employees  
American Federation of State, County & Municipal Employees (AFSCME)  
American Lands Alliance ♦ American Oceans Campaign ♦ American Rivers  
Better Government Association ♦ Common Cause  
Consumer Federation of America ♦ Council of Chief State School Officers  
Friends of the Earth ♦ Government Accountability Project ♦ Greenpeace  
Mineral Policy Center ♦ Native American Rights Fund  
Natural Resources Defense Council ♦ Navajo Nation ♦ Ozone Action  
Project On Government Oversight ♦ Public Citizen Critical Mass Energy Project  
Public Employees for Environmental Responsibility  
Service Employees International Union  
Taxpayers for Common Sense ♦ U.S. PIRG**

January 31, 2000

David S. Guzy, Chief  
Rules & Publications Staff  
Royalty Management Program  
Minerals Management Service  
P.O. Box 25165, MS 3021  
Denver, CO 80225



Attn: Further Supplementary Proposed Rulemaking Establishing Oil Value for Royalty Due on Federal and Indian Leases

Dear Mr. Guzy:

The undersigned organizations urge the Minerals Management Service (MMS) to finalize the Indian and Oil Valuation Rules for implementation as soon as the Congressional moratorium is lifted on March 15, 2000.

In general we believe these proposed rules will better protect the interests of the taxpayers, Indian tribes and the environment than existing royalty collection policies. In particular, we support MMS' use of openly-traded index or spot prices and gross proceeds methodologies rather than industry-created "posted prices" when determining the value of oil. The oil industry has shortchanged the federal government and Indian tribes by as much as \$2 billion under posted pricing methodologies according to conclusions reached by the House Government Reform Committee in 1996.

Whistleblowers joined by the Justice Department in litigation over these issues argue in their complaint that companies have systematically sold oil at below-market value with the intent of shortchanging the federal government and Indian tribes of royalties. Their litigation alleges that since 1988, oil companies have submitted more than 500,000 false or fraudulent oil royalty

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payment claims to the federal government. Since the last public comment period, oil companies have announced nearly \$300 million in settlements or near settlements with the Justice Department over these allegations. Policy reforms are sorely needed to prevent future underpayments and litigation of this kind.

We hope this is the last time the Federal and Indian Oil Valuation Rules are re-opened for comment. As Susan Kladiva of the GAO testified in Congress in May, 1999 regarding their review of MMS' rulemaking process: "...the General Accounting Office is not too prone to be complimentary of agencies when we do work...we [GAO] believe that they've [MMS] been deliberate and that they have taken all due care to include the positions and to respond to the positions that have been put forth by the states, as well as the industry...So it appears to be a long time. But we believe that it has been thoughtfully approached."

We do too. We urge MMS to implement the Indian and Oil Valuation Rules starting in March in order to avoid any further loss of royalty revenue.

Sincerely,

Adam Kolton, Arctic Campaign Director  
Alaska Wilderness League  
202-544-5205

Beth Moten, Legislative Director  
American Federation of Government  
Employees (AFGE)  
202-639-6466

Charles M. Loveless, Legislative Director  
American Federation of State, County and  
Municipal Employees (AFSCME)  
202-429-5006

Steve Holmer, Campaign Coordinator  
American Lands Alliance  
202-547-9105

Ted Morton, Policy Director  
American Oceans Campaign  
202-544-3526

Ann C. Mills, Vice President  
American Rivers  
202-347-7550

J. Terrence Brunner, Executive Director  
Better Government Association  
312-427-8330

Scott Harshbarger, President  
Common Cause  
202-833-1200

Travis Plunkett, Legislative Director  
Consumer Federation of America  
202-387-6121

Gordan M. Ambach, Executive Director  
Council of Chief State School Officers  
202-336-7002

Courtney Cuff, Legislative Director  
Friends of the Earth  
202-783-7400 x207

Louis Clark, Executive Director  
Government Accountability Project  
202-408-0034

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Gary Cook, Director of Climate Campaign  
Greenpeace  
202-319-2419

Alan Septoff, Reform Campaign Director  
Mineral Policy Center  
202-887-1872 x205

John E. Echohawk, Executive Director  
Native American Rights Fund  
303-447-8760

Kathleen E. Scheg, Legislative Director  
Natural Resources Defense Council  
202-689-6868

Perry Shirley, Assistant Director  
Minerals Department  
Navajo Nation  
520-871-6340

John Passacantando, Executive Director  
Ozone Action  
202-265-6738

Danielle Brian, Executive Director  
Project On Government Oversight  
202-466-5539

Wenonah Hauter, Director  
Public Citizen Critical Mass Energy Project  
202-546-4996

Jeff Ruch, Executive Director  
Public Employees for Environmental  
Responsibility  
202-265-7337

Skip Roberts, Legislative Director  
Service Employees International Union  
202-898-3200

Ralph DeGennaro, Executive Director  
Taxpayers for Common Sense  
202-546-8500

Anna Aurilio, Staff Scientist  
U.S. PIRG  
202-546-9707