WPXENERGY

October 7, 2013

Latell Armand
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Office and Natural Resources Revenue
P.O. Box 21516
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Re: Comments on ONRR Proposed Regulation *Reporting and Paying Royalties on Federal Leases*, RIN 1012-AA02

Submitted via: http://www.regulations.gov

Dear M. Armand,

On August 8, 2013, the ONRR issued a proposed regulation entitled Reporting and Paying Royalties on Federal Leases (RIN 1012-AA14). WPX Energy Inc (WPX) specializes in producing natural gas, natural gas liquids and oil from non-conventional resources such as tight-sands and shale formations, as well as from coalbed methane reserves. WPX is based in Tulsa Oklahoma with operation and interests in Colorado, New Mexico, North Dakota, Pennsylvania and Wyoming that includes a significant number of federal and Indian leases.

WPX's memberships in industry organizations include the American Petroleum Institute (API) and the Council of Petroleum Accountants Societies (COPAS). Both the API and COPAS have submitted comments to RIN 1012-AA02. WPX agrees with the comments for both organizations and offers these additional comments.

In the Preamble on page 48348 the proposed rule to § 1205.101 states that in a 100% Federal agreement a company that owns an interest in more than one lease should "... allocate and report for each lease based on its allocated share." WPX believes this statement is contrary to Royalty Fairness and Simplification Act (RFSA) because it implies that WPX should pay royalty to leases that it doesn't own an interest. WPX objects to paying royalty to leases that are the responsibility of other companies. Also, do we assume that this rule would not apply to a company that only has an interest in one lease? A simpler solution would be to require entitlement reporting for all agreements whether mixed or 100% Federal leases.

The Preamble on page 48348 discusses how royalty should be paid where a "... [company] chose not to participate in the drilling of the only well drilled on the agreement..." WPX wishes to add to the comments of API and COPAS by saying that the term "only well" is confusing. Most agreements have multiple wells having non-consent situations. Certainly the operating rights owner is ultimately responsible for royalty payments but in situations where a company chooses not to participate in the drilling they should only be

liable for the unpaid royalty and leave the owner(s) that received the production responsible for reporting and paying royalty on their effected federal leases. Furthermore, RFSA provides that any company may designate another company to pay its royalty burden. As mentioned in the API comments the ONRR currently accepts this practice. The proposed change could be revised to clarify that the non-consenting party be required to designate the owner(s) that will be paying their royalty burden until the well reaches payout.

Thank you for considering these comments. You may contact me (morris.miller@wpxenergy.com or 539-273-1158) if you require additional information.

Sincerely,

Morris Miller
Accounting Supervisor