Kevin Vann
Controller
WILLIAMS PRODUCTION COMPANY,LLC
One Williams Center, 37th Floor
Tulsa, OK 74172
(918) 573-8572
kevin.vann@williams.com

Williams.

VIA FEDERAL EXPRESS

July 25, 2011

Hyla Hurst
MS61013C
Office of Natural Resources Revenue
U.S. Department of the Interior
P.O. Box 25165
Denver, Colorado 80225

Office of Natural Resources Revenue
Document Processing Section
JUL 26 2011
Received
Lakewood, Colorado

SUBJECT: Docket Number ONRR-2-11-0005
RIN 1012-AA01
Advance Notice of Proposed Rulemaking
Federal Oil and Gas Valuation
WILLIAMS COMMENTS

WILLIAMS PRODUCTION COMPANY, LLC and its affiliated production companies operating in various on-shore basins ("Williams") offer the following comments on the Office of Natural Resources Revenue's (ONRR) advance notice of proposed rulemaking on federal oil and gas valuation.

Williams has production on Federal Leases in the San Juan, the Powder River and the Piceance basin areas. Williams exploration and production operations include natural gas and oil development, production and gas marketing activities primarily located in the Rocky Mountain (primarily Colorado, North Dakota, New Mexico, and Wyoming), Northeast (Pennsylvania), and Mid-Continent (Oklahoma and Texas) regions of the United States. We specialize in production from tight-sands and shale formations and coal bed methane (CBM) reserves in the Piceance, Appalachian, Williston, San Juan, Powder River, Fort Worth, Green River and Arkoma basins. Williams has 4.5 trillion cubic feet equivalent in natural gas and oil domestic reserves. Almost 97 percent of our domestic proved reserves are natural gas.

Williams offers the following comments to address the specific questions raised in your May 27 advance notice of proposed rulemaking.

1. GENERAL COMMENTS ON THE NEED FOR CLARITY & REVENUE NEUTRALITY:

Williams agrees there is a need for clarity in valuation and appreciates the ONRR effort to create regulations that offer greater simplicity, certainty, clarity and consistency in royalty valuation. All new regulations, however, should be revenue neutral. We also believe Producer should have the option whether to apply the indexes or rely on the current methodologies.

Williams also generally supports the API Comments. Williams also supports the comments filed by COPAS.

2. INDEX PRICING:

Williams generally supports the greater use of index pricing as long as the use of expanded index pricing is revenue neutral. In some areas sales which are tied to index prices are sold at a discount off the index to account for a location differential. In many cases gas and other hydrocarbons are sold using **both** an index price and a location differential. If a company decides to use indexes the company should also have the option to include a location differential as well for these reasons. Companies should still have the option to request a value determination for any federal lease oil production as found in the current regulation at 30 C.F.R. § 1206.107. These comments apply to all hydrocarbon valuations (e.g. oil, gas and NGLs etc.).

3. TRANPORTATION ALLOWANCES & LOCATION DIFFERENTIONALS:

Williams recommends the use of an appropriate location differential such as typically used in the energy market place for the purchase and sale of natural gas. However, any differential must be reviewed and kept current just as the location differentials are kept current in the market place. Provisions for extraordinary transportation allowances also need to continue, as found in the current regulation at 30 C.F.R. § 1206.156(c)(3) in the event the location differential does not cover extraordinary costs of production.

Sincerely,

Kevin Vann
Controller

cc API, Attention: Erik Milito
COPAS, Attention: Robert Wilkinson