GulfMark
Energy, Inc.

January 28, 2000

Minerals Management Service
Royalty Management Program
Attn: David S. Guzy

Fax No 303/231-3385

Re: Response to your proposal in the Federal Register dated December 30,1999 on establishing oil value for royalty due on Federal leases.

Dear Sir:

I'd like to debate several points made by your staff and commissioned advisors, that I believe you might benefit from.

1. On page 73821 of the above-mentioned Federal Register, you state that "This rule making proposes to amend the current regulations by eliminating posted prices as a measure of value and relying instead on spot market prices as market value indicators.

   I'd ask that you review both the posted price plus "P+" value at Cushing, versus your proposed spot market pricing (which I assume is the NYMEX Settlement Average) for January of 2000 to date. If you had sold on NYMEX Settlement Average for January 2000, you would have given up $0.51 per barrel versus the old method of "Posted price plus P+". Both of the above mechanisms are for W.T.I. type crude at Cushing, and any location differential would affect both mechanisms equally. In January 2000, you would have given up substantial money by adopting your new proposal.

2. In your background comments you state that the overall lack of a truly competitive market at the lease has been compounded by significant changes and other factors.

   I've been buying oil at the lease since 1980, and I will state under oath that buying oil at the lease remains extremely competitive, and has been since 1980. If you don't believe this, come join any oil-buying program and witness same firsthand. I submit that if you bid out your oil at the lease periodically, you'll find competition is alive and well. You could save millions of dollars by eliminating your consultant groups, and let the free market dictate your oil prices. I repeat "competition is alive and well" at the lease.

3. When you allow pricing to be based on whatever mechanism you decide on, minus transportation cost, I think you are telling me that I must let you ship your oil on my pipeline for out-of-pocket cost. If this is correct, I suggest you build your own pipeline to handle your own oil. After massive capital outlays, and the inherent risks such as environmental, profit and loss, etc. associated with building and maintaining pipelines, the idea of letting <u>anyone</u> use space at cost is a slap in the face.

In summary, I'd recommend you lose all of your high priced consulting firms, and bid out your oil periodically to all interested parties. Don't let your people convince you that bidding out your oil will not bring you the highest price achievable, unless, of course, you are a governmental agency and favor enacting laws that price your oil above the market

Sincerely,

George Wright
Principal