

United States Senate

WASHINGTON, DC 20510

December 21, 1999

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are encouraged by Minerals Management Service's (MMS) decision to repropose the pending oil royalty valuation rule early next year. It is our firm view that the new rule must comply with the existing statutory requirement of valuation at the lease, while providing a fair return to the American taxpayer and providing more simplicity and consistency for the process of royalty assessment and collection.

Specifically, we urge your administration to repropose a rule that meets the following objectives:

First, for true arm's-length transactions, i.e. those in which the buyer does not control the seller, the sale price ("gross proceeds") is and should be considered the price for the purpose of royalty valuation.

Second, for non-arm's-length transactions, comparable arm's-length transactions, including tendering, should be used to determine the value of the oil. If no such comparable transactions are available, then less reliable index prices should be used only if adequate adjustments are made for the reasonable commercial cost of transportation and other post-production costs.

Third, data should only be required to be collected as it relates to valuation at the lease, not downstream.

Fourth, lessees must be able to receive binding valuation determinations from the MMS.

Promulgating a rule consistent with these objectives will help ensure a more cooperative, predictable, and fairer relationship between lessees and the MMS. It will also help to prevent the further erosion of our nation's ability to produce crude oil domestically at a time when we are increasingly dependent on volatile foreign oil and oil markets.

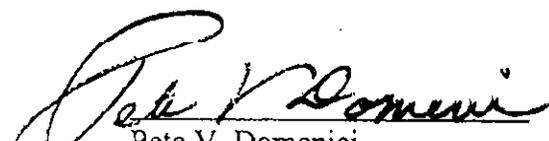
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Thank you for your attention to this important issue. We believe that there can be a mutually agreeable resolution of this rulemaking, and we hope to work with you in the coming months to make that a reality.

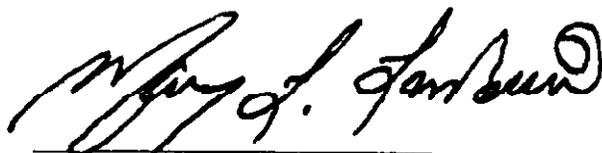
Sincerely,


Kay Bailey Hutchison

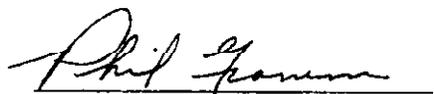

John B. Breaux


Pete V. Domenici

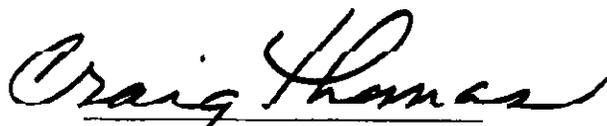

Don Nickles


Mary L. Landrieu

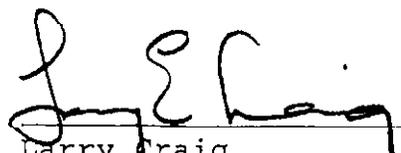

Conrad Burns

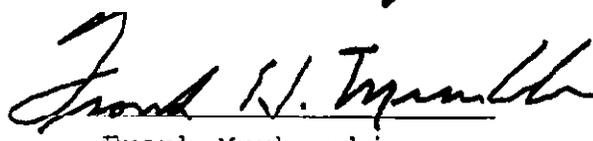

Phil Gramm


Sam Brownback


Craig Thomas


Mike Enzi


Garry Craig


Frank Murkowski

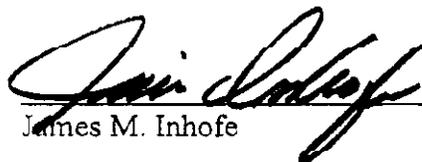
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Robert F. Bennett



Wayne Allard



James M. Inhofe



Pat Roberts

xc: The Honorable Bruce Babbitt