

FAX MESSAGE

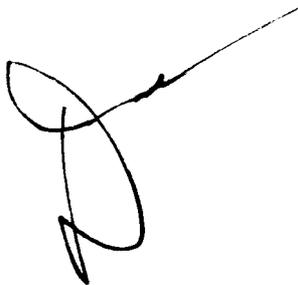
Date: October 25, 2000

From: David T. Deal

To: David Guzy
Minerals Management Service
303-231-3385 FAX
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Subject: MMS Indian Crude Oil Proposal, 65 FR 58237 (September 28, 2000)

Attached is a copy of API's comments on the MMS' September 28, 2000 Indian oil valuation proposal.





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October 25, 2000

David S. Guzy
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**Comments of the American Petroleum Institute on
Minerals Management Service Proposal on Valuation of
Crude Oil Produced on Indian Leases
30 CFR 206, 65 FR 58237 (September 28, 2000)**

Dear Mr. Guzy:

The American Petroleum Institute welcomes this opportunity to file comments on the MMS' September 28, 2000 proposal. Our members are engaged in all aspects of the petroleum industry: exploration, production, transportation, refining and marketing. Many of our members are actively engaged in activities involving crude oil produced on Indian lands and together they account for the vast majority of crude oil royalties paid every year. We therefore have a substantial interest in the Minerals Management Service's ("MMS") Indian crude oil valuation rulemaking.

In many respects, the MMS' Indian crude oil valuation rulemaking parallels the MMS' Federal crude oil rulemaking. These comments, therefore, incorporate by reference the January 30, 2000 joint association comments on the last Federal oil proposal, as well as the API May 11, 1998 and joint association March 6, 2000 comments on the MMS' prior Indian proposals.¹

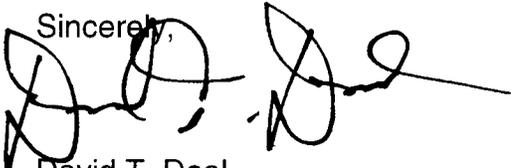
Insofar as the MMS' September 28 proposal has a Regulatory Flexibility Act character and leaves the substantive core of its earlier proposal virtually unchanged,

¹ See e.g., API May 27, 1997 comments on the MMS' initial proposal at 62 FR 3742 (January 24, 1997); API August 1, 1997 comments on the MMS' supplementary proposal at 62 FR 16116 (April 4, 1997); API November 4, 1997 comments on the MMS' alternatives for rulemaking and related workshops at 62 FR 49460 (September 22, 1997); Joint Association December 5, 1997 comments on the rulemaking issues in general; Joint Association April 3, 1998 comments on the MMS' supplementary proposed rule at 63 FR 6113 (February 6, 1998); API July 31, 1998 comments on the MMS' further supplementary proposed rule at 63 FR 38355 (July 16, 1998); Joint Association April 27, 1999 comments to augment March-April 1999 MMS workshops; API November 4, 1999 comments on City of Long Beach decision.

API has no additional comments. We do suggest, however, that in proceeding with this rulemaking, the MMS should take into account that judicial challenges of the recently promulgated Federal oil valuation rule have already been filed. See IPAA v. Baca, No. 00-761 and API v. Baca, No. 00-887. Moreover, separate litigation challenging the MMS imposition of the duty to market free of charge issue has already resulted in a court decision denying the existence of such an implied duty, an issue central to Federal and Indian valuation rulemaking. See IPAA v. Armstrong, Nos. 98-531 and 98-631(D.D.C., March 28, 2000)(granting industry motions for summary judgment).

If I can provide you with additional information on this important rulemaking, please contact me.

Sincerely,



David T. Deal

c: L. Querques-Denett