

## Hurst, Hyla (Strickland)

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**From:** Oppido, Anthony (ALOP) [ALOP@chevron.com]  
**Sent:** Thursday, March 30, 2006 9:45 AM  
**To:** MRM Comments  
**Cc:** Donohoe, Philip J; Dunlavy, G Rick; Edwards, Josette P (Josette.Edwards); Thomas, Brenda B (BBThomas); Seletzky, Dimitri L (DSeletzky); Royalty, Dale A  
**Subject:** Indian Oil Valuation Proposed Rule Changes Comments RIN 1010-AD00 (OMB Control Numbers ICR 1010-0140 & ICR 1010-0103)

Ms. Sharron L. Gebhardt  
Minerals Management Service  
Minerals Revenue Management  
P.O. Box 25165, MS 302B2  
Denver, Colorado 80225

Dear Ms. Gebhardt:

I currently represent Chevron Information Technology Company a Division Of Chevron USA Inc. as a member on the SAP User Group committee, which has oversight responsibility for the SAP PRA system software. PROFOG, as this committee is known, is a forum for discussion and agreement of necessary system corrections and development to ensure that SAP PRA remains an Industry standard software solution.

Recently the Minerals Management Service published proposed amendments to Indian oil valuation regulations (RIN 1010-AD00). It's our understanding that the deadline for comments is April 14, 2005.

Based on our review of the proposed changes, PROFOG believes that the proposed regulation change will have a significant impact on our member companies' software development costs. Following is a brief synopsis of the related reporting changes that we believe will have the most impact on system costs:

1. **Reporting of API Gravity on 2014** - This will require a system change to include this on the 2014 transaction as well as changes to the logic for prior period corrections, etc... Also, it appears from other industry commentary that the MMS may be looking for the API gravity associated with the contract rather than the actual weighted average gravity. Crude pricing sometimes utilizes a "deemed" gravity. This "deemed" gravity is never associated with the accounting record and, if required, would require substantial programming to capture this as a new element.
2. **Crude Type** - This element is not currently in the revenue accounting stream at all. In order to capture the information for reporting purposes, there would be substantial changes at multiple levels within the PRA software to capture and store this additional element.
3. **This regulation would require different reporting requirements for Indian oil leases than those required for federal oil leases.** To incorporate this additional logic into the MMS Reporting system of PRA would require additional programming.

In summation, the adoption of the proposed rule as it exists today would require rather extensive programming changes within the SAP PRA software. **While we remain confident that SAP under PROFOG's guidance could code these changes, many of the current proposed changes are significant and could take more than a year to test and implement in our federal royalty accounting system.**

Please understand that it is PROFOG's intent to provide only perspective from a system cost approach. We have neither discussed nor expressed opinions on the merits of the proposed rule as it extends to valuation.

Sincerely,

*Anthony L. Oppido*

Chevron Information Technology Company

A Division Of Chevron USA Inc.

2003 Diamond Blvd.

Concord, CA 94520-5738

Phone (925) 680-3207 FAX (925) 827-6669 E-Mail alop@chevron.com