Hunt

July 23, 1998

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The Minerals Management Service
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Re: Comments of Hunt Oil Company
to Additional Changes to Second Supplementary Proposed Rulemaking
Establishing Oil Value for Royalty Due on Federal Leases
30 CFR Part 206

Gentlemen:

Hunt Oil Company ("Hunt") is an independent producer and markets its entire crude oil production under arm's-length sales contracts. Hunt renews and reurges its earlier comments filed in this rulemaking recommending return to the gross proceeds valuation rule. Hunt is filing these additional comments in connection with the changes in the July 16, 1998, notice in the *Federal Register.*

Hunt is particularly concerned with the section in the additional changes dealing with the breach of the duty to market as set forth in the July 16, 1998 notice. The purported clarification does not accomplish what the MMS says it intends. While MMS indicates in its background information that it clarifies that the lessee's duty to market does not mean the MMS will second guess a company's marketing decisions, it goes on to say that it will continue to look to the ultimate arm's-length disposition in the open market as the best measure of value. Hunt is concerned that the MMS may choose to use a higher price available at a remote location far removed from the point of sale not available to the producer under arm's-length sales at the lease. The producer would be left to wonder if any price it receives can ever satisfy the MMS.

If the MMS is going to continue to oversee the marketing decisions made by individual producers, which Hunt does not advocate, it urges the MMS to clarify that the open market it will use to value is the true market value at the lease or in the field where the crude oil is produced. As is, the regulations, as revised in its notice of July 16, 1998, would to give the MMS unfettered authority to question every decision on the basis of prices received by other parties at great distances from the actual point of sale. These same prices would not be available to the producer at the lease or in the field where the oil is produced as the downstream prices often include compensation for additional services. The producer would continually be questioned and subjected to audits, where any price at a remote location downstream from the point of sale at the lease may be used to compare with the price the producer actually received.

Hunt urges at a minimum that the MMS clarify that the "open market" value that it will use is the price obtained at the field in arm's-length transactions.

We appreciate the opportunity to comment on the MMS notice proposing additional changes.

Respectfully submitted,

**HUNT OIL COMPANY**

Arie C. Britt
Vice President - Oil & Gas Marketing

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