



WEXPRO COMPANY

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May 28, 1997



**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
Royalty Management Program
Building 85, Denver Federal Center
Denver, Colorado 80225

Re: Notice of Proposed Rulemaking, 62 Fed. Reg. 3742 (January 24, 1997)

Dear Mr. Guzy:

Wexpro Company and its affiliates Universal Resources Corporation and Celsius Energy Company support the comments submitted by Rocky Mountain Oil and Gas Association (RMOGA) and the Independent Petroleum Association of America (IPAA) in response to the referenced proposed rulemaking on oil valuation. In particular, the Minerals Management Service (MMS) should accept all arms-length transactions for purposes of valuing oil production on federal leases. The proposed rulemaking fails to justify or explain why the MMS would abandon arms-length transactions under any circumstance. Moreover, in fields where there is evidence of arms-length transactions for oil, such transactions should continue to be used as a benchmark for valuing non-arms-length transactions. NYMEX pricing does not accurately reflect the value at the lease for oil production, even with a quality or location differential.

We hope that MMS will reconsider its proposed rulemaking to fairly reflect the lessee's royalty obligation or the MMS should take its oil in kind and market the same.

Very truly yours,

Thomas C. Jepperson
Managing Attorney

cc: J. R. Livsey
G. L. Nordloh
K. B. Watts