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Subject: Docket Number ONRR-2-11-0005
RIN 1012-AA01
Advance Notice of Proposed Rulemaking
Federal Oil and Gas Valuation

These comments are submitted on behalf of Noble Energy, Inc. ("Noble Energy") with regard to the U.S. Department of Interior, Office of Natural Resources Revenue ("ONRR") Advanced Notice of Proposed Rulemaking ("ANOPR") for existing regulations governing the valuation oil and gas from Federal onshore and offshore leases, for royalty purposes that was published in the Federal Register on May 27, 2011.

Noble Energy (NYSE: NBL) is a leading independent energy company engaged in worldwide oil and gas exploration and production. Key operating areas are the onshore U.S., primarily in the Central Denver-Julesburg ("DJ") Basin, deepwater Gulf of Mexico, offshore West Africa and the Eastern Mediterranean.

Noble Energy believes the best valuation of oil, natural gas, and natural gas liquids for royalty purposes is the actual value received. Noble Energy negotiates its sales agreements based on the quality and quantity of oil and gas it has available to sell from a certain field or area. Royalties should be paid based on the value Noble Energy receives, except where the sale is not an arm's length contract. This eliminates confusion and speeds up the process for determining the amount of Federal royalty due. The use of index prices may reflect the average value of oil and gas in the area represented by that index; however, it may not reflect the actual price Noble Energy may be receiving for its produced oil and gas.

Transportation allowances should be based on the actual unit price charged by an arm's length agreement with a pipeline or common carrier to Noble Energy. These actual unit prices may either be negotiated, published (FERC tariff rates) or fixed price and reflect the actual costs to Noble Energy to transport our oil and gas to market. Similar to the use of index prices to value oil and gas above, the adoption of index-based transportation is not reality for oil and gas transportation costs. Noble Energy spends enormous amounts of time calculating allowable transportation charges currently in effect per Federal regulations. Applying a fixed differential amount per unit volume to all production will not simplify the federal royalty reporting process.

In summary, Noble should pay Federal royalties based on the actual value received, less actual allowable transportation costs actually paid by Noble Energy, except in the case of non-arm's length transactions.

The proposed procedure for processed gas and processing allowances is more complicated and inefficient in Noble Energy's view. The proposed adjustment or "bump" has a high probability of not being reflective of the actual product value depending on the location. Noble Energy contracts with many processing plants and each has different terms and conditions depending on the quality and quantity of gas Noble Energy provides to that plant. Therefore, the value of the product the ONRR describes will not be reflective of the actual value received by Noble Energy. In addition, the decision to process or not process bears certain commercial risk such that processing margins may swing positively or negatively. Depending on the structure of Noble Energy's arrangement with the plant, the decision to process or not to process may be held by a third-party other than Noble Energy. The posting by ONRR of an adjustment on a monthly basis for allowable costs for processed gas is not reflective of actual market conditions.

Noble Energy understands the intent of the ONRR is to create regulations that offer greater simplicity, certainty, clarity, and consistency in royalty valuation. Noble Energy supports the use of actual price received and actual cost to transport its production for royalty valuation purposes. In addition, Noble Energy believes the use of actual price and cost valuation will deliver the regulatory intent to the benefit of U.S. taxpayers.

Respectfully submitted,

Kenneth M. Fisher
Senior Vice President and
Chief Financial Officer