

Comments on Allocation and Disbursement of Royalties, Rentals, and Bonuses-Oil and Gas, Offshore, RIN 1010-AD46

I have two sets of comments. The first concerns, the timely accounting. The second concerns, if this is a major rule.

Timely Accounting

Reference third paragraph first column on page 30333 of the Federal Register Notice which begins with: The value of these adjustments for leases ...

This paragraph is in direct contradiction with the historical record of MMS royalty collections. For example, the MRM Strategic Plan (<http://www.mrm.mms.gov/StudyRepts/PDFDocs/MRMSP0712.pdf>) on page 10 states:

The MRM's compliance activities have yielded over \$2.5 billion in additional mineral revenues since program inception in 1982.

Conducting timely and aggressive audit and compliance program is a core function of MMS. That is why MRM has a Program Director for Compliance and Asset Management. MRM has a contract with Accenture (<http://www.mms.gov/ooc/press/2007/press1102.htm>) which approaches 10 million dollars a year to have a state of the art information technology supporting to this core function. When I worked on establishing the RIK program, the audit staff expected a 3% gain from compliance activities. Disbursements are to be based on accrual accounting performed MRM, not initial cash receipts. The US Taxpayers are already paying for this function. It is not an incremental cost to MMS.

This paragraph in the Federal Register could be considered as affirmation of the plaintiffs position in the Cobell Case, that MMS is not capable doing of a full accounting of royalties. I suggest MMS reverse its position on accounting.

Major Rule

The major rule threshold is at 100 million dollars. The proposed rule indicates an internal estimate made in June 2007 that the threshold will not be breached. In the year since then the projections of future oil and gas prices have changed dramatically. This topic needs to be re-examined with current price projections.

Sale 181 in 2001 sold 95 leases for about 340 million dollars in high bids. Of those 93 Leases are still in Primary Term status. These leases had high bids in excess of 321 million dollars. It is reasonable to expect that most of these leases will expire and be resold upon re-offering. Given the dramatic increase in oil and gas prices since 2001, the bids should be much higher.

Ted D. Tupper
PO Box 504
Pine Beach, NJ 08741

The future belongs to the those who are passionate and work hard - Paul Wellstone