

From: Greg T York [gtyork@ppco.com]
Sent: Tuesday, January 09, 2001 10:40 AM
To: rules.comments@mms.gov
Subject: MMS Proposed Rule, Relief or Reduction in Royalty rates - Deep Water Royalty Relief for OCS Oil and Gas Leases Issued After 2000. Federal Register Vol. 65, No. 222, Pages 69259-69275, November 16, 2000.

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Importance: High

Attention: Rules Processing Team

RULES PROCESSING TEAM

Dear Sir or Madam:

JAN 09 2000

Phillips Petroleum Company appreciates the opportunity to provide comments to the subject proposed regulation. For many years Phillips has been an active participant in the exploration, development and production of hydrocarbons in the Gulf of Mexico. The Outer Continental Shelf, and in particular, the Gulf of Mexico, continues to be a primary focus for finding new reserves within the United States. We have, therefore continued to follow with great interest the constructive dialog between the Minerals Management Service and the National Ocean Industries Association, the American Petroleum Institute, the Domestic Petroleum Council, the Independent Petroleum Producers Association, the US Oil & Gas Association and the International Association of Geophysical Contractors concerning the future of royalty relief.

We have reviewed the joint comments submitted to you by the above mentioned associations and have found that they have accurately addressed Phillips' concerns regarding the proposed rules. We therefore concur with and support their joint comments as covered in Part I "General Concerns"; Part II, "Specific MMS Questions" and Part III, "Suggested Modifications to the Rules".

While we believe that the MMS's proposal to apply discretionary relief to specific projects on a lease basis in lieu of a field basis is a positive improvement, we believe that special attention should be given to the increased administrative burden the proposed rule will create due to the reduction in the level of automatic suspension volumes and the elimination of such automatic suspension volumes in the 200-800 meter water depths. We are particularly puzzled that at a time of growing dependence on foreign supplies, increasing demand (especially on gas) and decreasing domestic supplies, the royalty incentives are being reduced and the uncertainty created by the reduction (and elimination) of royalty suspension volumes and increased reliance on discretionary royalty relief are being advocated by the MMS.

We thank you for your consideration of our views.

Regards,

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