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March 17, 1999



Mr. David S. Guzy  
Chief, Rules and Publications Staff  
Minerals Management Service  
Royalty Management Program  
P.O. Box 25165 MS 3021  
Denver, CO 80225

Dear Mr. Guzy:

MMS Proposed Rule for Accounting Relief  
for Marginal Properties, 30 C.F.R. Part 204,  
64 Fed. Reg. 3360 (January 21, 1999)

Conoco Inc. ("Conoco") welcomes this opportunity to submit comments to the Minerals Management Service ("MMS") with respect to the above referenced Proposed Rule.

In 1998 Conoco's worldwide production of crude oil, condensate, and natural gas liquids averaged 415,000 barrels per day and its worldwide natural gas production averaged 1,411 million cubic feet per day. During the five-year period ending December 31, 1998, Conoco remitted royalty payments to the MMS in excess of 390 million.

#### General Comment

Conoco commends MMS for their effort to provide accounting and auditing relief to producers of marginal properties. In this time of low prices, personnel reductions, and company mergers, any form of relief that reduces cost for MMS and industry is welcomed. Unfortunately, this proposed rule provides very little, if any, relief to producers. For the larger producers, the cost that would be required to modify computer systems far exceeds any benefit this rule would provide. In our opinion, smaller producers will not benefit or utilize this rule because of its complexity and it is administratively burdensome due to the multiple calculations and qualifying factors. In fact for operators of properties containing federal leases, this rule will increase costs because operators are the only ones with much of the data needed to perform the calculations.

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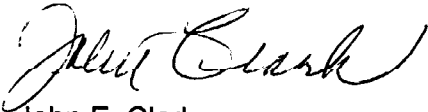
Specific Comments

§204.2

Base Period – We recommend that the qualifying period in this definition be changed from October 1 through September 30 to September 1 through August 31. Under MMS' proposed time period production data is not available until November and this does not allow sufficient time to producers with numerous federal properties. Also, MMS needs to clarify what impact adjustments have on the calculation. Is this a one-time calculation or must the marginal property calculation be reworked each time a volume adjustment occurs affecting the base period.

Conoco appreciates the opportunity to comment on this proposed rule. If you have any questions, please contact me at the above address or at (580) 767-5044.

Sincerely,

A handwritten signature in cursive script, appearing to read "John E. Clark".

John E. Clark

mdb

cc:

Ms. R. Carol Harvey, Houston, TX