

November 6, 1997

From: Roy Willis

To: David S. Guzy

Number of pages following cover sheet: 2

Comments:

Attached are the IPAA's comments on designation of payor liability. If you have any questions, please feel free to call me at 800/433-2851. A copy will follow today by mail.



November 6, 1997

BY FACSIMILE (303) 231-3194 AND FIRST-CLASS MAIL

Mr. David S. Guzy
Chief, Rules and Publications Staff
Minerals Management Service
Royalty Management Program
Post Office Box 25165
MS 3101
Denver, CO 80225-0165

Re: Response to Notice, 62 Fed. Reg. 52016 (Oct. 6, 1997)

Dear Mr. Guzy:


The Independent Petroleum Association of America (IPAA) appreciates the opportunity to provide comments to the Minerals Management Service (MMS) on designation of payor recordkeeping. IPAA is a national trade association representing the nation's oil and gas producers. Collectively, IPAA's 5,500 members produce a significant portion of all oil and gas from federal lands.

As MMS proceeds with implementation of the designee provisions of the Royalty Fairness and Simplification Act (Act), the simplification goal of the Act is key. Discussions with independent producers, especially those producing onshore, have indicated a desire for a designee process that is efficient. At a minimum, it is suggested that MMS only look to the working interest owners when a royalty payment cannot be collected; which we believe to be the exception. When an exception is identified, we would then ask that the MMS notify the relative working interest owners. Otherwise, the MMS or Bureau of Land Management (BLM) will have to maintain a working interest database. We are sure that the MMS is fully aware of the administrative challenges of tracking working interest owners, especially for the onshore.

To this end, we refer you to the comments submitted by Gardere & Wynne on behalf of several onshore producers. We understand that most royalties are paid right the first time. This approach prevents the need to create and maintain an expensive database. The exception shouldn't result in an administrative burden for federal and state governments, as well as working interest owners.

The IPAA is available to work with MMS to create an administratively efficient system for paying royalties. Given our involvement in the oil royalty rulemaking process, we have not been able to attend workshops regarding this issue. Please do not assume that our lack of involvement equates to a lack of interest on behalf of the independents. Creation of a working interest database and a paper trail to and from the government for all working interest owners has a direct impact on the membership. We suggest a more efficient "payor system" be developed which satisfies the needs of industry and the government, and then determine what must be done to implement the system.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy Willis". The signature is written in a cursive style with a large, sweeping initial "R".

Roy Willis
Acting President