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# Congress of the United States
## House of Representatives
Washington, DC 20515-3214

September 21, 2004

The Honorable Gale Norton
Secretary
U.S. Department of Interior
1849 C Street, NW
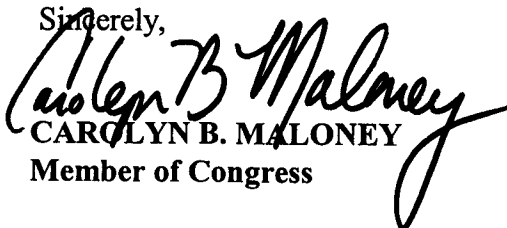Washington, D.C.  20240

Dear Secretary Norton,

I am writing to you to oppose the proposed rule that the Minerals Management Service (MMS) published on July 23, 2004, which would amend the existing regulations governing the valuation of gas for royalty purposes produced from Federal leases.

Specifically, I am opposed to the proposed rule for the following reasons:

- the proposed rule would allow the adoption of the weighted average cost of capital (WACC) as the rate of return for the calculation of gas transportation allowances, which the oil and gas industries have long requested;

- the proposed rule would amend 30 CFR 206.157(b)(5) rather than delete it;

- the proposed rule would allow lessees to deduct transportation payment guarantees, line losses, and unused firm demand charges; and,

- the proposed rule would fail to correct the flaws in its current regulations that served to bar consideration, under the gross proceeds rule, of affiliate resales.

It is my understanding that this proposed rule change would cost the states, tribes, and taxpayers approximately $7 million in royalties.  At a time when this nation is unable to balance its budget, we should not be increasing the profits of the oil and gas companies at the expense of young students who rely on these royalties for their schools.  Therefore, I reiterate my opposition to the proposed rule change.  Please treat the text of this letter as official comments.

Sincerely,

**CAROLYN B. MALONEY**
**Member of Congress**