



February 13, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
U.S. Capitol, Room H-232
Washington, DC 20515

The Honorable Kevin McCarthy
Majority Leader
United State House of Representatives
U.S. Capitol, Room H-107
Washington, DC 20515

The Honorable Steve Scalise
Majority Whip
United States House of Representatives
U.S. Capitol, Room H-329
Washington, DC 20515

The Honorable Rob Bishop
Chairman
House Committee on Natural Resources
1324 Longworth House Office Building
Washington, DC 20510

Dear Speaker Ryan, Majority Leader McCarthy, Majority Whip Scalise and Chairman Bishop:

The American Exploration & Production Council ("AXPC") strongly supports the repeal of the Office of Natural Resource Revenue's ("ONRR") Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule (the Rule") using the Congressional Review Act ("CRA") and is most grateful for your efforts in respect of this important objective by seeking a vote in the US House of Representative on a joint resolution of disapproval of the Rule.

AXPC is a national trade association representing 32 of America's largest and most active independent natural gas and crude oil exploration and production companies, each with considerable experience drilling, operating, and producing oil and natural gas on federal lands. AXPC members are "independent" in that their operations are limited to exploration for and production of oil and natural gas. Moreover, its members operate autonomously, unlike their fully integrated counterparts, which operate in additional segments of the energy business, such as downstream refining and marketing. AXPC members are leaders in developing and applying innovative and advanced technologies necessary to explore for and produce oil and natural gas, both offshore and onshore, from non-conventional sources.

While the stated goal of the Rule is to simplify royalty valuation and reporting and to provide certainty to federal lessees, the effect of the Rule has, unfortunately, been exactly the opposite. The Rule imposes new and considerably more complicated reporting burdens and valuation criteria without any material improvement in the efficiency or accuracy of the federal royalty collection process. If left in place, the Rule

would, over time, result in the significant reduction in activity on and development of federal lands and resources, both onshore and offshore, and an equivalent reduction in royalty revenues to the US Treasury. .

The calculation of royalty amounts is complex and while AXPC members always endeavor to fully comply with all applicable reporting rules, there can be inadvertent mistakes as well as reasonable differences in opinions as to the correct reporting methodology. Moreover, the Rule forces lessees to pay royalties on production that does not reach the market as well as based on prices that are not those realized on production that is actually marketed. These are not results that work to the long term benefit of either the US Treasury or the lessee.

AXPC urges swift action via the passage of a joint resolution repealing the Rule under the CRA. We are appreciative of your leadership on this matter and stand ready to assist in any way you feel we might add value to the process.

Very truly yours,

A handwritten signature in blue ink, appearing to read "V. Bruce Thompson". The signature is fluid and cursive, with the first name "V." and last name "Thompson" clearly distinguishable.

V. Bruce Thompson
President

cc: The Honorable Scott Tipton