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ONRR Proposes New Valuation Rules for Affiliate Sales of Gas and Coal

Publication — 1/12/2015

On January 6, 2015, the Office of Natural Resource Revenue (“ONRR”) proposed new rules governing the valuation of Federal oil and gas and Federal and Indian coal. [80 Fed. Reg. 608 \(Jan. 6, 2015\)](#). The most significant changes include the proposals to:

- Eliminate the current valuation benchmarks for non-arm's-length Federal gas sales, and instead, value such gas based on the gross proceeds received from the first arm's-length sale (affiliate resales), optional index prices, or weighted average pool prices;
- Eliminate the current valuation benchmarks for non-arm's-length Federal and Indian coal sales, and instead, value such coal based on the gross proceeds received from the first arm's-length sale (affiliate resales); and
- Adopt a “default rule” for valuing oil, gas, and coal, which gives ONRR discretion, in certain circumstances, to establish a greater royalty value than the gross sales proceeds less allowable costs.

Interested parties may submit comments on or before March 9, 2015.