



John Shepherd

Partner
303.295.8309
Denver
jshepherd@hollandhart.com



Tina Van Bockern

Partner
303.295.8107
Denver
trvanbockern@hollandhart.com

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

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

Insight — 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.

This publication is designed to provide general information on pertinent legal topics. The statements made are provided for educational purposes only. They do not constitute legal or financial advice nor do they necessarily reflect the views of Holland & Hart LLP or any of its attorneys other than the author. This publication is not intended to create an attorney-client relationship between you and Holland & Hart LLP. Substantive changes in the law subsequent to the date of this publication might affect the analysis or commentary. Similarly, the analysis may differ depending on the jurisdiction or circumstances. If you have specific questions as to the application of the law to your activities, you should seek the advice of your legal counsel.