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

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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.

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