



Independent Petroleum Association of America

America's Oil & Gas Producers

February 22, 2011

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Comments of the Independent Petroleum Association of America on
End-User Exception to Mandatory Clearing of Swaps,
RIN Number 3038-AD10

Dear Mr. Stawick:

In response to the above-referenced Notice of Proposed Rulemaking (NOPR) published in the December 23, 2010 *Federal Register*, the Independent Petroleum Association of America (IPAA) submits the following brief comments.

IPAA represents the companies that drill 90 percent of the nation's oil and natural gas wells. These companies produce 82 percent of American natural gas and 68 percent of American oil. To manage the risk associated with finding and producing natural gas and oil, IPAA members use derivatives. The vast majority of IPAA members are end users of derivative products to manage their commercial risk. IPAA supports a strong, clear exemption for end users from mandatory clearing and from margin and collateral requirements.

To ensure that the end-user exemption is meaningful, IPAA suggests that the information proposed for collection for submission to the swap data repository (SDR) should be streamlined. Independent oil and gas producers have used the over-the-counter market to manage risk for non-standard contracts, relying on a number of counterparties with whom they conduct business on a regular basis. These relationships have entailed agreements on credit by both parties. It is likely that many of these relationships will continue following implementation of Dodd-Frank.

It is overly burdensome—for end users, for SDRs, and for the CFTC—to collect information for each individual swap. As called for in the legislation, the reporting counterparty must provide notice how the end user “generally” meets its financial obligations for entering into non-cleared swaps. This

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information need not, and should not, be provided on an individual swap basis. Similarly, the CFTC should allow for any necessary board approval for entering into non-cleared swaps to be provided on a blanket basis. To the extent that an end user can provide to a counterparty the information that will govern all the swaps entered into between the entities, that one-time information should suffice for reporting to the SDR.

IPAA will continue to encourage the CFTC to ensure that end users are exempted from margin and collateral requirements. To make the end user exemption, meaningful, IPAA urges the CFTC to amend its proposed rule to allow for more streamlined reporting between an end user and its counterparty. Additionally, any board approval should be permitted on a blanket basis.

Respectfully submitted,

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