



## Minerals Revenue Management Transmittal Sheet



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**Explanation of material transmitted:**

Release 2.0 of the *Minerals Revenue Reporter Handbook—Oil, Gas, and Geothermal Resources* provides instructions and examples for completing the Report of Sales and Royalty Remittance (Form MMS-2014). This handbook supersedes Release 1.0, dated May 11, 2001.

**Manager, Records and Information Management Team**

**Filing instructions:**

The Minerals Management Service (MMS) recommends that reporters and payors retain superseded releases of MMS handbooks for future reviews of transactions that were reported while the previous release was in effect.

# Minerals Revenue Reporter Handbook



# Minerals Revenue Reporter Handbook

## Oil, Gas, and Geothermal Resources

Report of Sales and Royalty Remittance (Form MMS-2014)

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Minerals Revenue Management

**MMS/MRM Release 2.0**

July 01, 2003

Written and prepared by:

**Financial Management  
Reporting Services**

Any use of trade, product, or firm names is for descriptive purposes only and does not imply endorsement by the U.S. Department of the Interior. Names of persons and companies used in examples are fabricated and intended for illustration purposes only.

# Abbreviations

ABA	American Banking Association
ACH	Automated Clearing House
ANSI	American National Standards Institute
AOC	allotment for operation costs
APC	allotment for project costs
API	American Petroleum Institute
ASC	Accredited Standards Committee
ASCII	American Standard Code for Information Interchange
bbl	barrel, barrels
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
Btu	British thermal unit
CA	communitization agreement
CCD+	Cash Concentration and Disbursement Plus Addenda
CD	compact disc
CFR	<i>Code of Federal Regulations</i>
CIRI	Cook Inlet Region, Incorporated
CSV	Comma Separated Value
CTX	Corporate Trade Exchange
DOE	Department of Energy
DOI	Department of the Interior
DOP	division order percent

*Abbreviations*

EC	electronic commerce
EDI	electronic data interchange
EFT	electronic funds transfer
FDS	FedWire Deposit System
FMP	facility/measurement point
FOGRMA	Federal Oil and Gas Royalty Management Act of 1982
FR	<i>Federal Register</i>
gal	gallon, gallons
GVP	gross value of products
INT	Federal/Indian interest bill
ISP	Internet service provider
kWh	kilowatthour, kilowatthours
MB	megabyte, megabytes
Mcf	thousand cubic feet
MHz	megahertz
MMBtu	million Btu
MMCCYY	month, century, and year format; for example, 102001 for October 2001
MRM	Minerals Revenue Management
MMS	Minerals Management Service
NA	not applicable
NACHA	National Automated Clearing House Association
NPS	net profit share
NRR	net revenue rate
NRS	net revenue share
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OGOR	Oil and Gas Operations Report, Form MMS-4054-A,-B, -C
OMM	Offshore Minerals Management
PA	participating area
PAD [number]	payor-assigned document [number]

PIDX	Petroleum Industry Data Exchange
PM	payment method [code]
POP	percentage of proceeds
psia	pounds per square inch, absolute
RAM	random access memory
RIK	royalty in kind
RM	report month
RSFA	Federal Oil and Gas Royalty Simplification and Fairness Act of 1996
SPR	Strategic Petroleum Reserve
SSN	Social Security Number
TIN	taxpayer identification number
TPA	transportation and processing allowances
UDC	Ute Distribution Corporation
U.S.C.	<i>United States Code</i> [of law]
USGS	U.S. Geological Survey
VAN	value added network

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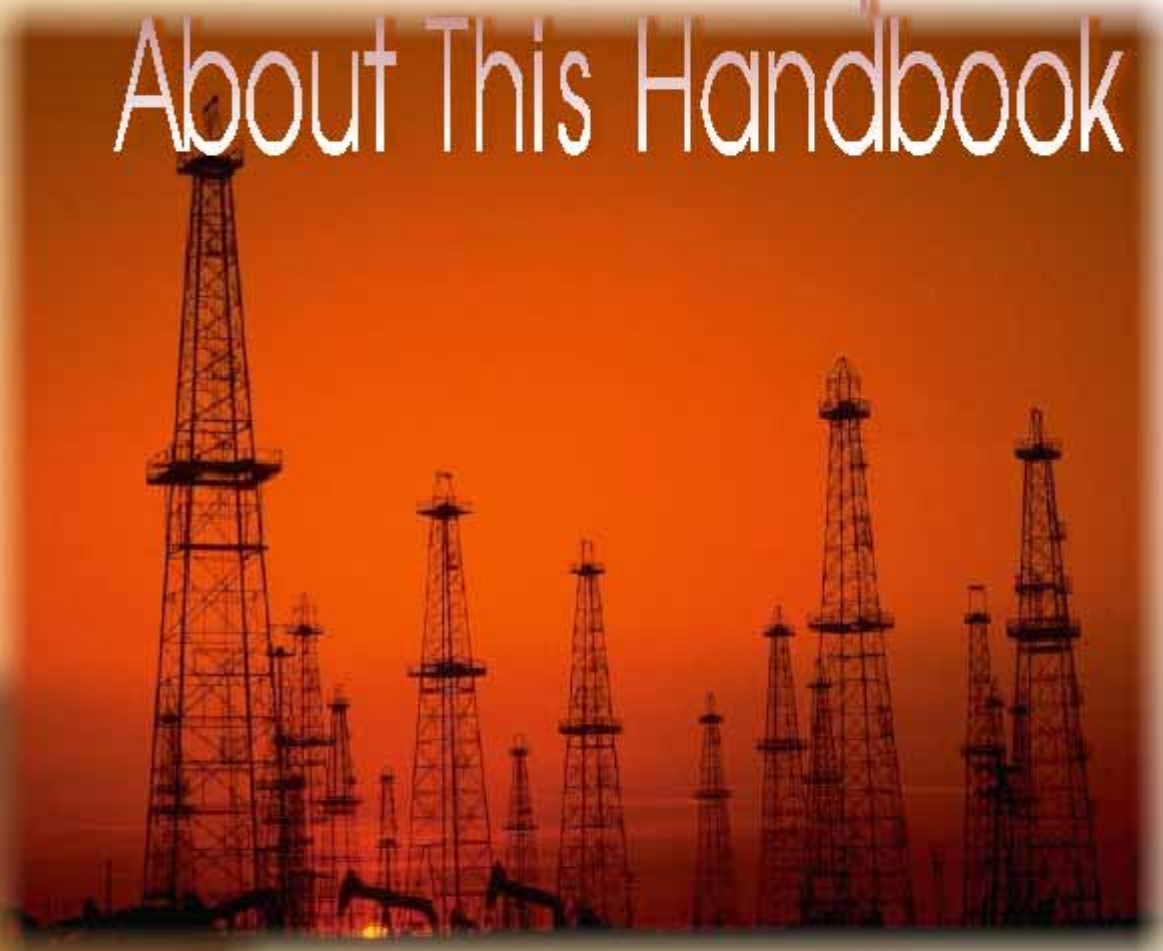
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# Chapter 1

## About This Handbook



# Chapter 1

## About This Handbook

This handbook provides instructions and examples to assist reporters in preparing the Report of Sales and Royalty Remittance (Form MMS-2014), which is required by the Minerals Management Service (MMS) for reporting and paying revenues due on Federal and Indian oil, gas, and geothermal leases. MMS, a bureau within the Department of the Interior (DOI), is responsible for collecting, accounting for, and disbursing revenues on minerals produced from Federal and Indian lands. The Minerals Revenue Management (MRM), a program within MMS, receives and processes these payments through our financial accounting system, using the information reported on the Form MMS-2014.

Proper reporting enables MMS to disburse revenues timely and allows industry to reduce costly follow-up efforts and the possibility of assessment actions. This handbook is provided to help you prepare the Form MMS-2014 accurately and completely.

1.1

### **Naming Conventions**

We use the following naming conventions in this handbook:

- “Reporter” is a generic term for all entities that report information to MMS. When we say reporter, we also include payor and operator. We use “you” and “reporter” interchangeably. In limited situations, a

“reporter” may include a “purchaser” of Royalty in Kind production from MMS. See [Chapter 8](#) for details.

- We use the terms “MMS” and “we” interchangeably.

## 1.2 Distribution

MMS is responsible for distribution of reporter handbooks.

**Compact disc (CD) copies.** One CD will be distributed to each reporting entity. Upon request, additional copies will be distributed free of charge. Contact Financial Management at the phone number listed in [Appendix A](#) to request additional copies.

MMS periodically revises information contained in the handbook. As revisions are made, MMS publishes the changes on its website (see [Appendix A](#)). Occasionally, MMS issues new handbooks on CDs in Adobe System’s Portable Document Format (PDF).

### NOTE

*When you request additional copies, remember to include the number of copies needed.*

**Web copies.** To view and print electronic copies of the handbook (in Adobe’s PDF) free of charge, go to our website, which is listed in [Appendix A](#).

To download the handbook if you are using Internet Explorer, right-click the link to the handbook and use the Save Target As option to save the file to your system. After downloading the file, you can print as many handbooks as needed.

**Paper copies.** Effective October 1, 1992, the Associate Director for Minerals Revenue Management instituted the policy that MMS will charge a fee for all copies of instructional handbooks in excess of one copy for each valid and active payor code. Companies with multiple payor codes



that have the same name and address will receive only one copy free of charge. Copies requested by other interested parties or additional copies requested by reporting entities will be provided for a fee to recover the administrative costs associated with printing and mailing.

Each additional copy includes the version of the handbook as originally published and all revised or added pages distributed after the original publication date. You are responsible for assembling these packets into up-to-date volumes.

To request additional copies contact Financial Management. For contact information, see [Appendix A](#).

**NOTE**

*When you request additional copies, remember to include the number of copies needed.*

1.3

## Maintenance

Periodically, we issue revisions to the handbook and include a release history. You are responsible for adding or replacing the revised pages as they are issued.

Electronic copies of the handbooks (available on the Internet or on CD) are distributed with revised pages already included.

We recommend keeping superseded releases of MMS handbooks for use in future reviews of transactions that occurred and were reported while those releases were in effect.

1.4

## Related Handbooks and Regulations

The following handbooks and regulations contain related topics of interest.

- The *Minerals Production Reporter Handbook* provides detailed instructions on completing an Oil and Gas Operations Report (OGOR).
- The *Oil and Gas Payor Handbook, Volume III—Product Valuation* provides detailed royalty valuation procedures for Federal and Indian oil and gas leases and information on reporting processing and transportation allowances.
- The *Geothermal Payor Handbook—Product Valuation* provides detailed instructions for valuing geothermal resources.

To view and print electronic copies of these handbooks free of charge (using Adobe Acrobat Reader), go to our website listed in [Appendix A](#).

*The Code of Federal Regulations* (CFR) provides a codification of the general and permanent rules published in the *Federal Register* (FR) by the executive agencies of the Government. The CFR is available for purchase from the Government Printing Offices, located in most large metropolitan areas. Copies are also available in your local public library or on our website. For contact information on purchasing CFRs, obtaining order forms, or our website, see [Appendix A](#).

Regulations affecting MMS:

- 25 CFR—Indians  
Part 200–250: Energy and Minerals
- 30 CFR—Mineral Resources  
Part 201–243: Royalty Management  
Part 250–282: Offshore
- 43 CFR—Public Lands: Interior  
Part 3100–3190: Oil and Gas Leasing

# Chapter 2

## Basic Reporting Principles



# Chapter 2

## Basic Reporting Principles

This chapter covers basic reporting information and instructions for MMS royalty reporters. You should carefully follow these reporting instructions to avoid delays in acceptance of reports and payments. Additional instructions for reporting geothermal royalties are in [Chapter 7](#).

If you have questions about these instructions, please contact Reporting Services. (For contact information, see [Appendix A](#).)

2.1

### Sources of Production From Which MMS Expects to Receive Royalties

**Lease production.** You must report all production produced, removed from, or allocated to the lease premises. We expect royalties on 100 percent of the lease production. If the Federal/Indian mineral ownership percentage is less than 100 percent, we expect royalties on that percentage. Report royalties using the MMS-converted lease number.

**Unitized participating area (PA) production.** You must report any production allocated among leases within an established unit PA. We expect to receive royalties for each Federal and Indian lease participating in the PA based on the PA allocation schedule. Report a separate line on Form MMS-2014 for each lease-agreement combination in the PA.

**Communitized production.** A communitization agreement (CA) allows companies to develop and operate separate tracts of land that could not independently operate in conformity with an established State well-spacing program. We expect to receive royalties based on the CA allocation schedule. Report a separate line on Form MMS-2014 for each lease-agreement combination in the CA.

**Compensatory royalty.** You must report compensatory royalty from any Federal or Indian lease when directed by the Bureau of Land Management (BLM) or Offshore Minerals Management (OMM).

- Unleased Federal or Indian land (**agreements**)—BLM or OMM requires a compensatory royalty **agreement** for unleased Federal or Indian land when a well located on adjacent land drains the Federal or Indian land. If BLM or OMM determines that the parcel of land cannot be leased, a compensatory royalty agreement is established. **We account for the compensatory royalty by assigning it an agreement number that is reported on Form MMS-2014 using the lease number field.**
- Leased Federal or Indian land (**assessments**)—BLM or OMM assesses compensatory royalties when adjacent land drains a Federal or Indian lease. If the lessee elects not to drill a protective well or enter into a CA with the owner of the lands containing the offending well, BLM or OMM assesses the royalty on the product drained from the Federal or Indian leases. **You must report this assessment on Form MMS-2014 using the assessed lease number and transaction code 10.**

**Reporting MMS lease and agreement numbers.** Every line that you report on the Form MMS-2014 must include the MMS-converted lease number.

You must report:

- The agreement number and the lease number when you report sales related to a lease's allocated production from an agreement, and
- Each lease and agreement number combination on a separate report line if the lease participates in more than one agreement.

For MMS-converted lease and agreement numbers, see [Appendix B](#). We also post the MMS-converted agreement numbers and corresponding lease numbers on our website listed in [Appendix A](#).

## 2.2 When Form MMS-2014 is Required

Submit a Form MMS-2014 if you assume responsibility for reporting and paying the following:

- Royalties on production from Federal or Indian leases and agreements
- Rent or minimum royalty
- Royalties on the sale of test production from the initial lease well before the lease is classified as capable of producing
- Fees on a gas storage agreement
- Royalties on compensatory royalty agreements or assessments against Federal or Indian lands
- Well fees if stated in the lease terms

## 2.3 Leases Reported to MMS

**NOTE**

***Do not** combine Federal and Indian leases on the same report. A separate report is required for each.*

**Federal leases.** Report Federal production to MMS in the following situations:

- Producing mineral leases on public domain, acquired, and military lands, regardless of the Federal agency administering the surface activities
- All Outer Continental Shelf (OCS) leases (after the first year's advance rental and bonus payment are paid to MMS' OMM)
- Leases receiving an allocation from producing units or CAs
- Leases subject to subsurface storage agreements
- Easements for directional drilling agreements
- Lands subject to compensatory royalty agreements or assessments

**Indian leases.** Indian leases are those leases owned by any individual Indian or Alaska Native, Indian tribe, band, nation, pueblo, community, rancheria, colony, or other tribal group. These persons or individuals own lands or interest in the minerals, and title to these rights is either held in trust or subject to restriction against alienation by the United States.

You must report to MMS in the following situations:

- All producing leases, permits, or contracts on Indian tribal and allotted lands
- Leases receiving an allocation from producing units or CAs
- Lands subject to compensatory royalty agreements or assessments

**Cook Inlet Region, Incorporated (CIRI).** CIRI leases are jointly owned by CIRI and the Federal Government. Report CIRI and Federal portions of the lease to MMS on separate Forms MMS-2014. Use payment method (PM) code 2 (PM2) to report the CIRI portion, and enter **I** in field 3. Use PM1 or PM3 to report the Federal share, and enter **F** in field 3.

2.4

## Indian Leases Not Reported to MMS

The following Indian leases are not reported to MMS:

- Rentals on nonproducing Indian leases not committed to producing units
- The 27.16186 percent Ute Distribution Corporation (UDC) portion of any lease held jointly by UDC and the Northern Ute Tribe
- Leases located on the Osage Indian Reservation, Osage County, Oklahoma
- Leases, or portions of leases, in which the Bureau of Indian Affairs (BIA) has relinquished supervision

2.5

## Authorized Reporting Formats

We now require most reporters to submit data electronically. (See Electronic Reporting, Final Rule, 64 FR 38116, July 15, 1999, at our website listed in [Appendix A](#).)

For instructions on electronic reporting, see [Chapter 9](#).

If you are not required to report electronically, you can print copies of Form MMS-2014 from our website listed in [Appendix A](#). Photocopies must be 8 1/2 inches long by 14 inches wide.



## 2.6 Record Retention Requirement

You are required to report to MMS electronically. This does not change the requirements under 30 CFR, Part 212.50, which states that all Federal and Indian Records must be retained for a period of 6 years after the records are generated, unless the record holder is notified in writing that records must be maintained for a longer period.

## 2.7 Payment Requirements

Payments are authorized by 30 CFR 218.50.

We do not accept cash payments.

### NOTE

*Include your five-digit, MMS-assigned payor code and an eight-digit, PAD number on all payments and reports. Assign a unique PAD number to each separate Form MMS-2014. Your payor code and PAD number must match on your report and corresponding payment.*

**Electronic payments.** Our regulations require the use of electronic funds transfer (EFT), such as Automated Clearing House (ACH) or FEDWIRE, to the extent it is cost-effective and practical for payment of **any** royalty liability. For information or assistance with electronic payments, see [Appendix A](#) for contact information.

If you are not required to use EFT, use one of the payment documents outlined in 30 CFR 218.51.

2.8

## Due Dates for Reports and Payments

**Royalties.** Forms MMS-2014 and related payments are due to MMS by 4 p.m. mountain time on or before the last day of the month following the month the product was sold or removed from the lease unless lease terms state that royalties are due otherwise. For example, the report(s) and payment(s) for products sold or removed during November 2002 are due by 4 p.m. on December 31, 2002. If you receive your royalty information late, you can set up an estimate. Royalties will then be due the last day of the second month following the month you sold or removed the product from the lease. For more information on estimates, see [page 4-24](#).

**Rentals.** Reports and payments for rents are due to MMS by 4 p.m. mountain time on or before the lease anniversary date.

**Minimum royalties.** Reports and payments for minimum royalties are due to MMS by 4:00 p.m. mountain time on or before the last day of the month and year of the lease year, regardless of whether or not there is an estimate established on the lease.

**NOTE**

*If the last day of the month falls on a weekend or Federal holiday, send us the report and payment by 4 p.m. mountain time the next business day.*

**NOTE**

*We credit Form MMS-2014 reports and payments when we actually receive them at one of the appropriate addresses listed in [Appendix A](#). The receipt date is the date we receive the document; the postmark does not apply.*

2.9

## Report Acceptance

MMS accepts the financial information contained on reports and payments as correct, subject to a compliance review. Do not send supporting documentation with your reports and payments unless we specifically request it. If requested, indicate the contact person who asked for the information on all supporting documentation.

## 2.10 Reporting Royalties on Leases Within the State of Oklahoma

If you report Federal and Indian oil and gas leases committed to units or CAs within the State of Oklahoma, you do not use special procedures in reporting and paying royalties. Follow the standard procedures as outlined in this handbook to report royalties due on production allocated to each lease under a pooling agreement.

## 2.11 Reporting Royalties on Leases with a Sliding Scale Royalty Rate

Individual leases with sliding scale royalty rates exist for both offshore and onshore properties.

**Offshore.** The lease royalty rate is based on the inflation-adjusted quarterly aggregate value of all products. This rate may range from 16 2/3 percent to 65 percent.

For offshore sliding scale leases, you must report and pay royalties for the first 2 months of each calendar quarter based on the royalty rate (as stated in the lease). Before reporting and paying royalties for the 3rd month of the calendar quarter, you must make the following calculation to determine the quarterly value of production.

- If the quarterly value of production, adjusted for inflation, exceeds the ceiling defined in the lease agreement, you must pay additional royalties. When this condition occurs, you must recalculate royalties due for the previous 2 months in the calendar quarter based on the revised royalty rate. Submit any additional payments with an adjusted Form MMS-2014 for these months.

- If the quarterly value of production does **not** exceed the ceiling, report and pay royalties at the royalty rate stated in the lease terms for the 3rd month. No adjustments are necessary for the first 2 months of the quarter.

**Onshore.** The **oil** royalty rate may range from 12 1/2 percent to 33 1/3 percent monthly based on quality and volume produced. The **gas** royalty rate may be either 12 1/2 percent or 16 2/3 percent based on volume produced. Refer to your individual lease terms for specific royalty rates on oil and gas production.

2.12

## Takes or Entitlements Definitions and Examples

Two methods exist to report sales for Federal and Indian leases and agreements: Takes or Entitlements.

- **Takes.** Report and pay royalties based on the portion of the total production that you sold or removed from the lease or from the lease-agreement combination.

### Lease-basis production

To calculate the takes sales volume, multiply the total production sold or removed from the lease by the Federal and/or Indian mineral ownership interest in the lease.

$$\begin{array}{rcccl} \text{total} & & & & \\ \text{takes} & & & & \\ \text{volume} & \times & \text{Federal} & = & \text{takes} \\ & & \text{and/or} & & \text{sales} \\ & & \text{Indian} & & \text{volume} \\ & & \text{mineral} & & \\ & & \text{ownership} & & \\ & & \text{interest} & & \end{array}$$

**Agreement-basis production** (See 100-percent Federal Agreements under “Federal leases and agreements.”)

Report your takes volume in the sales volume field.

$$\begin{array}{c} \text{Total} \\ \text{Agreement} \\ \text{takes} \\ \text{volume} \end{array} = \begin{array}{c} \text{takes} \\ \text{sales} \\ \text{volume} \end{array}$$

- **Entitlements.** Report and pay royalties based on your ownership share of the volume of production sold or removed from the agreement allocated to your lease under the approved allocation schedule.

**Agreement-basis production**

To calculate the entitled sales volume, multiply the total agreement production sold or removed from the agreement by:

- The tract allocation of the lease,
- The Federal and/or Indian mineral ownership interest in the lease, and
- Your company’s working interest in the lease.

$$\begin{array}{c} \text{total} \\ \text{agreement} \\ \text{production} \\ \text{volume} \end{array} \times \begin{array}{c} \text{tract} \\ \text{allocation} \end{array} \times \begin{array}{c} \text{Federal} \\ \text{and/or} \\ \text{Indian} \\ \text{mineral} \\ \text{ownership} \\ \text{interest} \end{array} \times \begin{array}{c} \text{company} \\ \text{working} \\ \text{interest} \end{array} = \begin{array}{c} \text{entitled} \\ \text{sales} \\ \text{volume} \end{array}$$

**Federal leases and agreements.** The Federal Oil and Gas Royalty Simplification and Fairness Act (RSFA) of 1996 clarified and standardized volume reporting requirements on Federal leases and agreements as explained below. The following volume reporting requirements are effective as of sales month September 1996.

- Report **Takes** for:
  - Lease basis production—production occurring on the lease that is not allocated to an agreement.
  - 100-percent Federal agreements—contain only Federal leases having the same royalty rate and royalty distribution; that is, all revenue is distributed to the same State or surface management agency.
- Report **Entitlements** for a mixed agreement; that is, any agreement that does not qualify as a 100-percent Federal agreement as defined above.

For Federal agreements, you may obtain permission to report and pay using an alternative method of reporting and payment if:

- All lessees contractually agree to an alternative method of royalty reporting and payment,
- The lessees submit such alternative method to the Secretary or the delegated State for approval, and
- The lessees make payments in accordance with such approved alternative method so long as such method does not reduce the amount of the royalty obligation.

### **Indian leases and agreements**

- **Takes:** All lease basis production is reported as takes.

- **Entitlements:** All agreement production is reported as entitlements. This is true for agreements having allotted, tribal, or a mixture of Federal and Indian leases.

For Indian Leases and agreements, you may obtain permission to report and pay by using other methods if:

- You submit your request to us in writing,
- The method is acceptable to us and all parties involved in reporting and paying royalties on a particular lease or on a lease-agreement combination, and
- We receive 100 percent of the royalties due, properly reported each month.

We reserve the right to review all arrangements and to require retroactive adjustments and reporting based on Entitlements, if appropriate.

**Examples.** The following examples show how to allocate sales for these situations:

- One lease with multiple payors (Takes)
- One 100-percent Federal agreement with multiple leases and multiple payors (Takes)
- One mixed agreement (not 100-percent Federal agreement) with multiple leases and multiple payors (Entitlements)

**EXAMPLE**

**One lease with multiple payors (Takes).** This example shows how to report sales based on the actual volume of production sold or removed from a Federal onshore lease with multiple payors.

**Assumptions:**

Lease 048-111111-0 is a Federal onshore lease. During the month, 80 barrels (bbl) of oil were sold or removed from the lease. The following companies have assumed reporting and payment responsibilities.

Payor	Lease number	Lease type	Volume removed or sold bbl	Tract allocation percentage	Federal and/or Indian mineral ownership interest percentage	Company working interest percentage	Price \$/bbl	Royalty rate percentage
Able Oil Co.	048-111111-0	Federal	50	NA	100	50	18.00	12 1/2
David Oil Co.	048-111111-0	Federal	30	NA	100	25	18.00	12 1/2
Zebra Oil Co.	048-111111-0	Federal	0	NA	100	25	NA	12 1/2
Total volume produced			80					

Because this is lease basis production, each company reports and pays royalties based on the actual volume of production sold or removed from the lease. Because Zebra Oil Company took no production, a Form MMS-2014 is not required.



2. Basic Reporting Principles

**Royalty value calculation:**

$$\text{sales volume} \times \text{price} \times \text{royalty rate} = \text{royalty value}$$

**Able Oil Company**

$$50 \text{ bbl} \times \$18.00/\text{bbl} \times 0.125 = \$112.50$$

**David Oil Company**

$$30 \text{ bbl} \times \$18.00/\text{bbl} \times 0.125 = \$67.50$$

The information reported on Form MMS-2014 is shown on the following fact sheets.

**Form MMS-2014 Fact Sheet****Identification/Authorization Information**

Payor Name           Able Oil Co.

**Detail Line**

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0481111110
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	50.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	900.00
<b>Royalty Value Prior to Allowances</b>	112.50
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	112.50
<b>Payment Method Code</b>	3

**Form MMS-2014 Fact Sheet**

**Identification/Authorization Information**

Payor Name                 David Oil Co.

**Detail Line**

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0481111110
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	30.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	540.00
<b>Royalty Value Prior to Allowances</b>	67.50
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	67.50
<b>Payment Method Code</b>	3

**EXAMPLE**

**100-percent Federal agreement with multiple leases and multiple payors (Takes).** This example shows how to report sales based on the actual volume of production sold or removed from an agreement with multiple Federal onshore leases and multiple payors.

**Assumptions:**

Leases 049-111111-0, 049-222222-0, and 049-333333-0 are Federal onshore leases within a 100-percent Federal unit, agreement number 892-111111-0; and each lease shares in the unitized production. During the month, 375 bbl of oil were sold or removed from the unit. The following companies have assumed reporting and payment responsibilities.

Payor	Lease number	Lease type	Volume removed or sold bbl	Tract allocation percentage	Federal and/or Indian mineral ownership interest percentage	Company working interest percentage	Price \$/bbl	Royalty rate percentage
Able Oil Co.	049-333333-0	Federal	0	10	100	25	NA	12 1/2
David Oil Co.	049-111111-0	Federal	250	60	100	25	22.00	12 1/2
Zebra Oil Co.	049-222222-0	Federal	125	30	100	50	22.00	12 1/2
Total volume produced			375					

Because the production is attributable to a 100-percent Federal agreement, each company reports and pays royalties based on what they took of the production sold or removed from the lease. Lease 049-333333-0 did not take any production, therefore they will not report on the Form MMS-2014.

2. Basic Reporting Principles

**Royalty value calculation:**

$$\text{sales volume} \times \text{price} \times \text{royalty rate} = \text{royalty value}$$

**David Oil Company**

$$250 \text{ bbl} \times \$22.00/\text{bbl} \times 0.125 = \$687.50$$

**Zebra Oil Company**

$$125 \text{ bbl} \times \$22.00/\text{bbl} \times 0.125 = \$343.75$$

The information reported on Form MMS-2014 is shown on the following fact sheets.

## Form MMS-2014 Fact Sheet

### Identification/Authorization Information

Payor Name                      David Oil Co.

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0491111110
<b>MMS Agreement Number</b>	8921111110
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	250.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	5500.00
<b>Royalty Value Prior to</b>	
<b>Allowances</b>	687.50
<b>Transportation</b>	
<b>Allowance Deduction</b>	
<b>Processing Allowance</b>	
<b>Deduction</b>	
<b>Royalty Value Less</b>	
<b>Allowances</b>	687.50
<b>Payment Method Code</b>	3

**Form MMS-2014 Fact Sheet**

**Identification/Authorization Information**

Payor Name                      Zebra Oil Co.

**Detail Line**

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0492222220
<b>MMS Agreement Number</b>	8921111110
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	125.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	2750.00
<b>Royalty Value Prior to Allowances</b>	343.75
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	343.75
<b>Payment Method Code</b>	3

**EXAMPLE**

**Mixed agreement (not a 100-percent Federal agreement) with multiple leases and multiple payors (Entitlements).** This example shows how to report sales based on the percentage of working interest or operating rights ownership with an approved agreement allocation schedule for a mixed agreement with multiple leases and multiple payors.

**Assumptions:**

Leases 048-000123-0, 607-012900-0, and 048-000178-0 are within the Dover CA, agreement number 894-000001-0. During the month, 200 bbl of oil were sold or removed from the CA. The following companies have assumed reporting and payment responsibilities.

Payor	Lease number	Lease type	Volume removed or sold bbl	Tract allocation percentage	Federal and/or Indian mineral ownership interest percentage	Company working interest percentage	Price \$/bbl	Royalty rate percentage
Baker Oil Co.	048-000123-0	Federal	60	50	100	100	22.00	12 1/2
Charlie, Inc.	607-012900-0	Indian	30	40	100	100	22.00	20
Delta Ltd.	048-000178-0	Federal	110	10	100	100	22.00	16 2/3
Total volume produced			200					

Because the CA is a mixed agreement with Federal and Indian leases, each company will report and pay royalties based on the volume of production sold or removed from the agreement allocated to the company's lease under the approved allocation schedule, no matter who takes the production.



2. Basic Reporting Principles

**Royalty value calculation:**

$$\begin{array}{ccccccc} \text{sales} & & & & & & \\ \text{volume} & \times & \text{tract} & \times & \text{price} & \times & \text{royalty} & = & \text{royalty} \\ & & \text{allocation} & & & & \text{rate} & & \text{value} \end{array}$$

**Baker Oil Company**

$$200 \text{ bbl} \times 0.50 \times \$22.00/\text{bbl} \times 0.125 = \$275.00$$

**Charlie, Inc.**

$$200 \text{ bbl} \times 0.40 \times \$22.00/\text{bbl} \times 0.20 = \$352.00$$

**Delta, Ltd.**

$$200 \text{ bbl} \times 0.10 \times \$22.00/\text{bbl} \times 0.166667 = \$73.33$$

The information reported on Form MMS-2014 is shown on the following fact sheets.

## Form MMS-2014 Fact Sheet

### Identification/Authorization Information

Payor Name                      Baker Oil Co.

#### Detail Line

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0480001230
<b>MMS Agreement Number</b>	8940000010
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	100.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	2200.00
<b>Royalty Value Prior to Allowances</b>	275.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	275.00
<b>Payment Method Code</b>	3

**Form MMS-2014 Fact Sheet**

**Identification/Authorization Information**

Payor Name Charlie, Inc.

**Detail Line**

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	6070129000
<b>MMS Agreement Number</b>	8940000010
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	80.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1760.00
<b>Royalty Value Prior to Allowances</b>	352.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	352.00
<b>Payment Method Code</b>	5

## Form MMS-2014 Fact Sheet

### Identification/Authorization Information

Payor Name                      Delta, Ltd.

#### Detail Line

<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0480001780
<b>MMS Agreement Number</b>	8940000010
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	20.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	440.00
<b>Royalty Value Prior to Allowances</b>	73.33
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	73.33
<b>Payment Method Code</b>	3

REPORT OF SALES AND ROYALTY REMITTANCE  
FORM MMS-2014

1 PAYOR NAME: \_\_\_\_\_

2 PAYOR CODE: \_\_\_\_\_

3 FEDERAL INDIAN REPORT INDICATOR  (FIR)

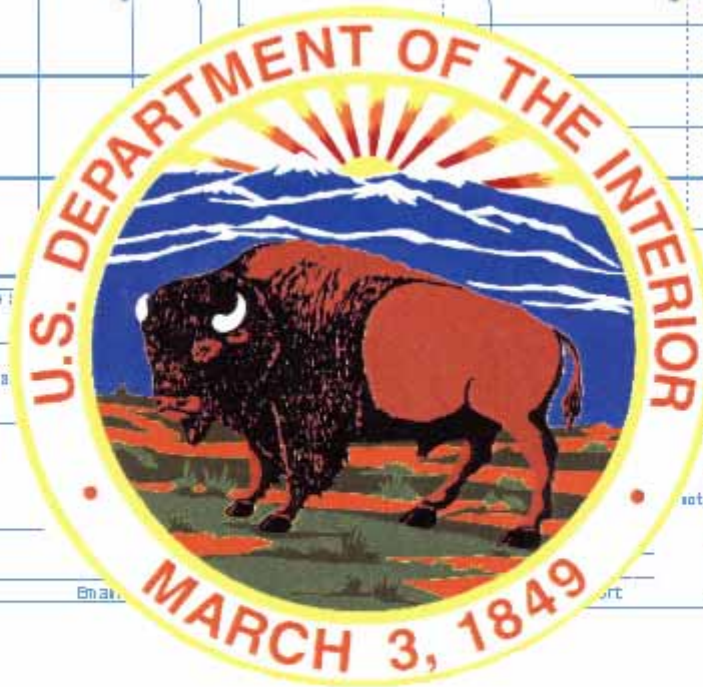
4 PAYOR DOCUMENT NUMBER: \_\_\_\_\_

For MMS Use Only

PAGE \_\_\_\_ OF \_\_\_\_

5 LINE NUMBER	6 RESERVED FOR PREPARER'S USE	7 MMS LEASE NUMBER	8 API/WELL NUMBER	9 MMS AGREEMENT NUMBER	10 PRODUCT CODE	11 SALES TYPE CODE	12 SALES VALUE \$	13 INTENTIONALLY LEFT BLANK	14 PROCESSING ALLOWANCE DEDUCTION \$	15 ROYALTY VALUE LESS ALLOWANCES \$	16 PAYMENT METHOD CODE
1											
2											
3											
4											

# Chapter 3 Form MMS-2014 Field Descriptions and Explanations



I have read and examined the statements in this report and agree they are true and correct.

Authorized Name, Title and Signature:

If the company or contact information has changed, please indicate below: (Required)

Contact Name

Street

P.O. Box

City

State

Fax Number

Email

Indicate the type of payment method applied for (FMS, FMA, FMC)

PAGE TOTAL  
REPORT TOTAL

# Chapter 3

## Form MMS-2014 Field Descriptions and Explanations

Form MMS-2014 is designed for you to report royalties, certain rents, and other lease-related transactions. Our financial accounting system relies on the data you report on this form for most of its processing functions. These processing functions include the following:

- Accounting for royalties
- Distributing mineral revenues to State, Indian, and General Treasury accounts
- Providing royalty accounting and statistical information to States, Indians, and others who need the information
- Identifying underreporting and nonreporting (aids us in promptly collecting revenues)

3.1

### Example Form MMS-2014

**NOTE**

*Do not combine information for Federal and Indian leases or multiple payor codes. Each of these require a separate Form MMS-2014.*

3. *Form MMS-2014 Field Descriptions and Explanations*

With few exceptions, you must report electronically (see 30 CFR 210). If you report by paper Form MMS-2014, the data you enter on the printed form must be either typed or printed legibly in black ink.

Following is an example of Form MMS-2014.

REPORT OF SALES AND ROYALTY REMITTANCE  
 FORM MMS-2014

1 PAYOR NAME: Any Oil Company

3 FEDERAL/INDIAN REPORT INDICATOR  F (F or I)

2 PAYOR CODE: 12678

4 PAYOR-ASSIGNED DOCUMENT NUMBER 02012003



For MMS Use Only

Minerals Revenue Reporter Handbook  
 MMS/MRM Release 2.0 ♦ 07/01/03

5 LINE NUMBER	6 RESERVED FOR PREPARER'S USE API WELL NUMBER	7 MMS LEASE NUMBER			10 PRODUCT CODE	11 SALES TYPE CODE	12 SALES MO/YR (MMCCYY)	13 TRANSACTION CODE	14 ADJUSTMENT REASON CODE	15 SALES VOLUME (mcf/bbls/gal/long tons)		16 GAS MMBtu		17 SALES VALUE \$		18 INTENTIONALLY LEFT BLANK		23 PAYMENT METHOD CODE
		8	9 MMS AGREEMENT NUMBER							19 ROYALTY VALUE PRIOR TO ALLOWANCES \$	20 TRANSPORTATION ALLOWANCE DEDUCTION \$	21 PROCESSING ALLOWANCE DEDUCTION \$	22 ROYALTY VALUE LESS ALLOWANCES \$					
1		082	064862	0	01	ARMS	022001	01		4610	00			82980	00			3
		891	003261	A						13830	00							
2		082	064862	0	03	ARMS	022001	01		263	00	292	46	726	00			3
		891	003261	A						121	00	-14	00					
3		082	064862	0	07	ARMS	022001	01		4575	00			2928	00			3
		891	003261	A						488	00	-61	00	-106	75			
4		048	000001	0			022001	02										3
										496	00							

I have read and examined the statements in this report and agree they are accurate and complete.

John Adams [signature] \_\_\_\_\_ 03-01-2003  
 Authorized Name (print) and Signature Date

If company contact information has changed, please indicate below: (please print)

Jane Doe \_\_\_\_\_ 303-231-1234  
 Contact Name Phone Number

123 Nowhere \_\_\_\_\_ P.O. Box 987 Ste 45  
 Street P.O. Box Suite or Other Identifier

Middletown \_\_\_\_\_ TN 00001-2000  
 City State Zip Code

303-231-4321 \_\_\_\_\_ ANYOIL@AOL.COM  
 FAX Number E-mail Address

**PAYMENT INFORMATION**

Checks to MMS (PM1) \_\_\_\_\_

\*Indian Direct Pay (PM2) \_\_\_\_\_

EFT Payments (PM3) 14754.25

\*Royalty In Kind (PM4) \_\_\_\_\_

Checks To MMS For BIA (PM5) \_\_\_\_\_

Other (For Future Use) (PM6) \_\_\_\_\_

\*Indian Lockbox (PM7) \_\_\_\_\_

Total All Payments: = 14754.25

Less Available Credits: (\*Credits may not be applied to PM2, PM4, PM7)

Doc. ID: INT 12345 - 1000.00

Doc. ID: \_\_\_\_\_ - \_\_\_\_\_

Doc. ID: \_\_\_\_\_ - \_\_\_\_\_

Net Payment for this Report: = 13754.25

PAGE TOTAL		
REPORT TOTAL	14754	25
TOTAL	14754	25

FIGURE 3-1. Example of Report of Sales and Royalty Remittance (Form MMS-2014)



3.2 **Field Information**

The following information explains the header, line item, and trailer fields of Form MMS-2014.

3.2.1 ***Header Fields***

For electronic reporting, see [Chapter 9](#).

If you report on the paper Form MMS-2014, complete all header fields on the first page only. On subsequent pages, fill in only the Payor Name, Payor Code, and Page \_\_\_\_\_ of \_\_\_\_\_ fields.

Instructions for completing header fields are the same regardless of the transactions you are reporting.

Field number	Field name	Field entry information
1	Payor Name	Your company name.
2	Payor Code	<p>A five-digit payor code that MMS assigned to you.</p> <p>MMS uses this code in numerous business processes and associates it with the company/individual name and address information maintained in the MRM system. The payor code must match the payor code on your payment document. Form MMS-2014 is attributed to the payor code stored in the MRM database regardless of the payor name entered in field 1.</p> <p><b>Who is a payor?</b> A payor may be any entity that is assigned or assumes an obligation to report data and/or make payment to MMS on Form MMS-2014. RSFA defines who is responsible for making royalty and related payments on Federal leases. Payors may include lessees, designees, operators, purchasers, and working interest owners, but are not restricted to these parties.</p> <p><b>How do I obtain a payor code?</b> Contact us to request a payor code. (For contact information, see <a href="#">Appendix A.</a>)</p>

Field number	Field name	Field entry information
2	Payor Code (continued)	<p><b>Can I combine multiple payor codes on my report?</b> MMS encourages companies to consolidate payor codes whenever possible. You may establish multiple codes if you wish. However, if you maintain multiple codes, do <b>not</b> combine payor codes on a single report or payment document. For example, Able Oil Company has offices in Dallas and Houston. The company established a separate payor code for each location and submits report information for each location on a separate Form MMS-2014.</p> <p><b>What if I report a lease-level payment?</b> We require that only one payor be designated as the responsible party for lease-level payments; such as, rent and minimum royalty. For example, we will send a courtesy rent notice only to the single payor established in our database.</p> <p><b>How do I change payor information?</b> Provide written notice to us to change the company name associated with your payor code. (For contact information, see <a href="#">Appendix A.</a>) Change all other address and company contact information directly on your Form MMS-2014 (complete all sections).</p>

Field number	Field name	Field entry information
3	Federal/Indian Report Indicator	<p><b>F</b> identifies the Federal lease report indicator; <b>I</b> identifies the Indian lease report indicator.</p> <p>Submit separate Form MMS-2014 reports for Federal and Indian leases.</p>
4	Payor-Assigned Document Number	<p>An eight-number identifier chosen by the payor. For example, if you submit two Forms MMS-2014 for the October 2002 report month, the PAD numbers for the two reports could be 20021001 and 20021002 (year, month, and document number). This number must be unique, and you must use it for only one report and payment document match unless you combine multiple reports.</p> <p>The same PAD number must be included on the accompanying payment document, including payments made to lockboxes.</p>
Page ___ of ___		<p>For paper Form MMS-2014, use this field to sequentially number report pages and provide the total number of pages in the report. Complete both parts of this field so we can verify that all report pages are received and processed.</p>

3.2.2 **Line Item Reporting Fields**

The following table contains information to assist you in filling out line item field information on Form MMS-2014.

<b>Field number</b>	<b>Field name</b>	<b>Field entry information</b>
5	Line Number	<p>A line number corresponds to both upper and lower fields. For example, Line Number 1 contains (upper) field 6, Reserved for Preparer’s Use, and (lower) field 8, API (American Petroleum Institute) Well Number.</p> <p><b>For electronic reporting:</b> Refer to <a href="#">Electronic Reporting on page 9-1</a></p> <p><b>For paper reporting:</b> Lines are preprinted in field 5.</p>
6	Reserved for Preparer’s Use	An optional field that can contain up to 20 characters.
7	MMS Lease Number	<p>The MMS lease number must be a valid MMS-converted lease number.</p> <p>In most cases, the lease number consists of 10 digits (a 3-digit prefix, 6-digit body and 1-digit suffix). However, the field, can accommodate an 11-digit number with up to a 2-digit suffix. An 11-digit number may be used at some time in the future. If your lease number has a single-digit suffix, left justify it.</p>

Field number	Field name	Field entry information
8	API Well Number	<p>Report this number only if required by MMS on certain Indian properties and offshore deepwater wells under royalty relief.</p> <p>If you are required to report this number, enter a 15-character set that consists of the 12-digit API-assigned well number and the 3-character producing interval indicator; for example, 490051234500S01.</p>
9	MMS Agreement Number	<p>The MMS agreement number must be a valid MMS-converted agreement number.</p> <p>Enter the agreement number for those leases that have royalty-bearing production allocated from an agreement. Leave the field blank if sales are reported for lease-basis production.</p> <p>The MMS agreement number is a 10-digit number that we convert from a BLM- or OMM-assigned agreement number or the BIA contract number. The MMS agreement number consists of a 3-character prefix, 6-character body, and 1-character suffix.</p>

3. Form MMS-2014 Field Descriptions and Explanations

Field number	Field name	Field entry information																			
9	MMS Agreement Number <i>(continued)</i>	<p>Although agreement numbers are usually 10 digits long, the agreement number field on Form MMS-2014 can accommodate an 11-digit number with up to a 2-digit suffix. An 11-digit number may be used at some time in the future. If your agreement number has a single character suffix, left justify it.</p> <p>Below are examples of converted BLM agreement numbers:</p> <table border="1"> <thead> <tr> <th rowspan="2">BLM agreement number</th> <th colspan="3">MMS agreement number</th> </tr> <tr> <th>Prefix</th> <th>Body</th> <th>Suffix</th> </tr> </thead> <tbody> <tr> <td>WYW192003B</td> <td>W(sp)(sp)</td> <td>192003</td> <td>B(sp)</td> </tr> <tr> <td>NMNM34567A</td> <td>NM(sp)</td> <td>(sp)34567</td> <td>A(sp)</td> </tr> <tr> <td>14-08-0001-30506-A</td> <td>891</td> <td>030506</td> <td>A(sp)</td> </tr> </tbody> </table> <p>For MMS lease or agreement number conversions, see <a href="#">Appendix B</a>.</p>	BLM agreement number	MMS agreement number			Prefix	Body	Suffix	WYW192003B	W(sp)(sp)	192003	B(sp)	NMNM34567A	NM(sp)	(sp)34567	A(sp)	14-08-0001-30506-A	891	030506	A(sp)
BLM agreement number	MMS agreement number																				
	Prefix	Body	Suffix																		
WYW192003B	W(sp)(sp)	192003	B(sp)																		
NMNM34567A	NM(sp)	(sp)34567	A(sp)																		
14-08-0001-30506-A	891	030506	A(sp)																		
10	Product Code	A 2-digit code established by MMS to identify the product sold or removed from the lease or from the lease-agreement combination. For a list of product codes, see <a href="#">Appendix C</a> .																			

Field number	Field name	Field entry information
10	Product Code (continued)	<p>Leave the field blank for lease-level transactions, such as rental, minimum royalty, rent recoupment, or estimated royalty payments. See individual transaction code explanations in <a href="#">Chapter 4, Reporting Instructions by Transaction Code</a>.</p>
11	Sales Type Code	<p>We require separate lines of royalty detail based on the nature of the sale. Report the disposition of production by the contract type. The sales type code for pooled sales allows reporting of both arm's-length and non-arm's-length sales under a single code.</p> <p>The sales type code applies only to sales contracts and not to the transportation or processing agreements.</p>
		<p>Leave the field blank for lease-level transactions, such as rental, minimum royalty, rent recoupment, or estimated royalty payments. See individual transaction code explanations in <a href="#">Chapter 4, Reporting Instructions by Transaction Code</a>.</p>



3. Form MMS-2014 Field Descriptions and Explanations

Field number	Field name	Field entry information
11	Sales Type Code (continued)	For a list of sales type codes and help in determining which sales type code you should use (for example, arm's-length [ARMS] or percentage-of-proceeds [POP] contracts), see <a href="#">Appendix D</a> . For additional guidance, see <a href="#">Appendix A</a> for contact information.
12	Sales MO/YR (MMCCYY)	The six-digit number corresponding to the month, century, and year in MMCCYY format; for example, enter 102002 for October 2002. Use the following definitions of sales month/year when you report on Form MMS-2014.  <b>Royalties:</b> The month/year the product was sold or removed from the lease or used for geothermal resources.  <b>Rentals:</b> The month/year the rental is due; for example, a rental due date of December 1, 2002, corresponding to a lease year that runs from December 1, 2002, through November 30, 2003, is reported as 122002. A rental due date of March 15, 2003, corresponding to a lease year running from March 15, 2003, through March 14, 2004, is reported with a sales month/year of 032003.

Field number	Field name	Field entry information
12	Sales MO/YR (MMCCYY) (continued)	<b>Minimum royalties:</b> The last month/year of the lease year that your minimum royalty obligation is due. A lease year running from December 1, 2002, through November 30, 2003, has a minimum royalty due date of November 30, 2003, and is reported with a sales month year of 112003.
13	Transaction Code	<p>The two-digit code that describes the reported transaction.</p> <p>The transaction code is required on all lines and determines which fields on the line must be completed.</p> <p>For detailed instructions on reporting transaction codes, see <a href="#">Chapter 4</a>. For a list of transaction codes, see <a href="#">Appendix E</a>.</p>
14	Adjustment Reason Code	<p>A two-digit code that identifies the reason for the adjustment.</p> <p>For further information about adjustments, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>

Field number	Field name	Field entry information
15	Sales Volume	<p>The volume of product that is sold or removed from the lease and is attributable to the lease or to the lease-agreement combination, sales type code, product code, and sales month you report. The sales volume (or quantity, if geothermal) you report corresponds to the portion of the total production from your lease or from your lease-agreement combination.</p> <p>For information on Takes or Entitlements, see <a href="#">Chapter 2</a>.</p> <p>The sales volume for natural gas is measured in thousand cubic feet (Mcf), for oil in barrels (bbl), for plant products in gallons (gal), and for sulfur in long tons. Report gas volumes at a standard pressure base of 14.73 pounds per square inch absolute (psia), a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR). (See the pressure base conversion table on the following page.)</p> <p><b>Geothermal reporters:</b> Enter your geothermal sales volume in thousands of pounds, kilowatthours (kWh), million British thermal units (MMBtu), hundreds of gallons, or other measurement units approved by MMS, as determined by your valuation method.</p>



You may receive sales information that is at the standard temperature but not at the standard pressure. In this case, you must **convert the volume** to the standard pressure of 14.73. The following table provides the conversion factors used to perform the conversions for the most commonly given pressure bases. This table assumes the gas is measured under standard temperature conditions of 60 degrees F.

#### Pressure Base Conversion Table

Given Pressure Base	Conversion Factor to 14.73
14.65	.9946
15.025	1.0200

Follow these steps to convert your volume to MMS standard pressure:

- Step 1.** Find the given pressure base in the left column.
- Step 2.** Find the corresponding conversion factor for 14.73 psia.
- Step 3. Multiply** your given volume by the conversion factor.

Example: Convert 3500 Mcf at 14.65 psia to 14.73 psia  
 3500 Mcf **Multiplied by** .9946 = 3481.10 Mcf at 14.73 psia

Field number	Field name	Field entry information
16	Gas MMBtu	<p>The MMBtu contained in the gas stream when sold or removed from the lease or from the lease-agreement combination. If you report product codes 03, 04, 12, 15, 16, or 39 you must report both sales volume and gas MMBtu.</p> <p>Adjust the gas volumes and British thermal unit (Btu) heating value to:</p> <ul style="list-style-type: none"> <li>• A standard pressure base of 14.73psia,</li> <li>• A standard temperature base of 60 °F, and</li> <li>• The same degree of water saturation as used to report the Btu on the Oil and Gas Operations report (OGOR).</li> </ul> <p>(See the pressure base conversion table on the following page.)</p> <p>Then calculate MMBtu by multiplying:</p> $\text{Mcf} \times \text{MMBtu/Mcf} = \text{MMBtu}$

You may receive sales information that is at the standard temperature but not at the standard pressure. In this case, you must **convert the Btu/cu.ft.** quality measurement for gas to the standard pressure of 14.73. The following table provides the conversion factors used to perform the conversions for the most commonly given pressure bases. This table assumes the gas is measured under standard temperature conditions of 60 degrees F.

#### Pressure Base Conversion Table

Given Pressure Base	Conversion Factor to 14.73
14.65	.9946
15.25	1.0200

Follow these steps to convert your Btu/cu.ft. to MMS standard pressure:

- Step 1.** Find the given pressure base in the left column.
- Step 2.** Find the corresponding conversion factor for 14.73 psia.
- Step 3. Divide** your given Btu/cu.ft. quality measurement by the conversion factor.

Example: Convert 983 Btu/cu.ft. at 14.65 psia to 14.73 psia  
 983 Btu/cu.ft. **DIVIDED BY** .9946=988 Btu/cu.ft.  
 at 14.73 psia

3. Form MMS-2014 Field Descriptions and Explanations

Field number	Field name	Field entry information
17	Sales Value	<p><b>If you report product codes 03, 04, 12, 15, 16, or 39</b> use the MMBtu price. Sales value equals gas MMBtu multiplied by price.</p> <p><b>If you report any other oil or gas product codes</b>, use the bbl, Mcf, gal, and long ton price. Sales value equals sales volume multiplied by price.</p> <p>See 30 CFR 206 and the <i>Oil and Gas Payor Handbook, Volume III—Product Valuation</i> for specific guidance on valuation.</p> <p><b>If you report Indian leases:</b> For gas prices in an index zone, see <a href="#">Appendix A</a>. For monthly major portion prices and due dates, see <a href="#">Appendix A</a>.</p> <p><b>If you report geothermal production</b>, see <a href="#">Chapter 7</a> of this handbook or the <i>Geothermal Payor Handbook—Product Valuation</i> for specific reporting guidance.</p>
18	Intentionally Left Blank	Do not use this field.

Field number	Field name	Field entry information
19	Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>The result of the sales value multiplied by the royalty rate.</p> <p><b>Geothermal reporters:</b> This field applies only to geothermal byproduct royalties.</p>

<b>NOTE</b>
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*It is critical that you use the correct royalty rate when calculating your payment to MMS. The lease royalty rate is specified in your lease terms. However, your royalty rate may be modified by various royalty relief programs. Do not confuse royalty rate with your division order percent (DOP). The royalty rate is a component of DOP. If you are uncertain of your royalty rate, contact Reporting Services. (For contact information, see [Appendix A.](#))*



3. Form MMS-2014 Field Descriptions and Explanations

Field number	Field name	Field entry information
20	Transportation Allowance Deduction	<p>A deduction from royalty due for the reasonable, actual costs of transporting production from the lease to a sales point or point of value determination off the lease.</p> <p>For specific guidelines, see 30 CFR 206 and the <i>Oil and Gas Payor Handbook, Volume III—Product Valuation</i>.</p> <p>MMS encourages you to report your transportation allowance deduction as part of your royalty transaction. If you are reporting a transportation allowance deduction associated with a royalty-in-kind (RIK) lease, see <a href="#">Chapter 8</a>.</p> <p><b>Geothermal reporters:</b> This field applies only to geothermal byproduct royalties.</p>

Field number	Field name	Field entry information
21	Processing Allowance Deduction	<p>A deduction from royalty due for the reasonable, actual costs of extracting and recovering gas plant products from a gas stream.</p> <p>For specific guidelines, see 30 CFR 206 and the <i>Oil and Gas Payor Handbook, Volume III—Product Valuation</i>.</p> <p>MMS encourages you to report your processing allowance deduction as part of your royalty transaction.</p> <p><b>Geothermal reporters:</b> This field does not apply to geothermal resources.</p>
22	Royalty Value Less Allowances	Royalty value after you deduct transportation and/or processing allowances.
23	Payment Method Code	<p>A one-digit code identifying how and to whom you make the payment. This is the amount of payment due MMS.</p> <p>For a list of payment method codes, see <a href="#">Appendix G</a>.</p>

3.2.3

**Trailer Fields**

For electronic reporting, see [Chapter 9](#).

For paper reporting, complete the Payment Information fields of the trailer section on only the first page of a multipage report.

PAYMENT INFORMATION	Checks to MMS (PM1)		14754.25
	*Indian Direct Pay (PM2)		
	EFT Payments (PM3)		
	*Royalty In Kind (PM4)		
	Checks To MMS For BIA (PM5)		
	Other (For Future Use) (PM6)		
	*Indian Lockbox (PM7)		
	Total All Payments:	=	14754.25
	Less Available Credits: (*Credits may not be applied to PM2, PM4, PM7)		
	Doc. ID: INT 12345	-	1000.00
Doc. ID:			
Doc. ID:			
Net Payment for this Report:	=	13754.25	

**NOTE**

*We do not accept cash payments under any circumstances.*

Field name	Field entry information
Page Total	If you report on paper Form MMS-2014, enter the dollar amount reported on each page.
Report Total	If you report on paper Form MMS-2014, enter the dollar amount of the total for all page totals included in a single report. Enter this amount on the first page only of a multipage report.  For both electronic and paper reporting, the report total must agree with the amount entered on the Total All Payments line in the Payment Information field.
Payment Information: Checks to MMS (PM1)	Use PM1 when you pay by check on a Federal lease. Include the following information on your check: <ul style="list-style-type: none"> <li>• DOI—MMS</li> <li>• Your five-digit payor code</li> <li>• Your eight-digit PAD number</li> </ul> Send your payment to the appropriate address listed in <a href="#">Appendix A</a> .

3. Form MMS-2014 Field Descriptions and Explanations

Field name	Field entry information
Payment Information: Indian Direct Pay (PM2)	Use PM2 for payments mailed directly to an individual Indian allottee or to CIRI. Also, use PM2 when authorized by BIA or the tribe and MMS.
Payment Information: EFT Payments (PM3)	Use PM3 if you report Federal and/or Indian leases that are paid by EFT to MMS.
Payment Information: Royalty In Kind (PM4)	<p>Use PM4 to report the total value of royalty oil taken (small refiner navajo nation leases only).</p> <p>For all other leases, beginning December 1998 production month for natural gas and October 2001 production month for crude oil, MMS will prepare the required royalty report (Form MMS-2014) for all RIK purchasers.</p>

Field name	Field entry information
Payment Information: Checks to MMS for BIA (PM5)	<p data-bbox="915 352 1409 428">Use PM5 when paying by check on an Indian lease.</p> <ul style="list-style-type: none"> <li data-bbox="915 474 1458 592">• A separate check must be sent for the total due to each tribe or BIA agency/area office.</li> <li data-bbox="915 638 1464 751">• Allotted lease payments to MMS must specify “allotted” and the administrating BIA agency/area office.</li> <li data-bbox="915 798 1442 873">• Include the following information on your check: <ul style="list-style-type: none"> <li data-bbox="964 919 1286 953">– DOI—MMS for BIA</li> <li data-bbox="964 957 1464 1096">– Specific name of the tribe that owns the lease or specific BIA agency/area office responsible for the lease</li> <li data-bbox="964 1100 1357 1134">– Your five-digit payor code</li> <li data-bbox="964 1138 1399 1171">– Your eight-digit PAD number</li> </ul> </li> </ul>
Payment Information: Other (For Future Use) (PM6)	Do not use PM6; it is held in reserve for future use.

Field name	Field entry information
Payment Information: Indian Lockbox (PM7)	<p>Use PM7 for payments made to Indian tribes that have active lockbox lease payment agreements. The following tribes currently have these arrangements:</p> <ul style="list-style-type: none"> <li>• Blackfeet Nation</li> <li>• Jicarilla Apache Tribe</li> <li>• Navajo Nation</li> <li>• Southern Ute Tribe</li> </ul> <p>For tribal lockbox addresses, see <a href="#">Appendix A</a>.</p>

**NOTE**

*For additional information on payment options see 30 CFR 218.*

Payment Information: Total All Payments	The total dollar value of all payments must match the amount in the Report Total field.
Payment Information: Less Available Credits (credits may not be applied to PM2, PM4, PM7): Doc. ID	<p>Identifies a credit you have with MMS to reduce the amount paid on Form MMS-2014. A credit can result from an overpaid Form MMS-2014, credit from a bill, overpaid interest, etc. (For contact information, see <a href="#">Appendix A</a>.)</p> <p>You may report credits only if you report one or more of these payment method codes: PM1, 3, or 5. You can take up to three credits on each report.</p>

<b>Field name</b>	<b>Field entry information</b>
Payment Information: Net Payment for this Report	From the Total All Payments field, subtract available credits and payment methods 2, 4, and 7 to obtain the amount of the Net Payment for this Report. Enter the amount of your actual cash payment due to MMS.
Authorized Name, Signature, and Date	For paper reporting, an original signature of the company official authorizing the report and the date.

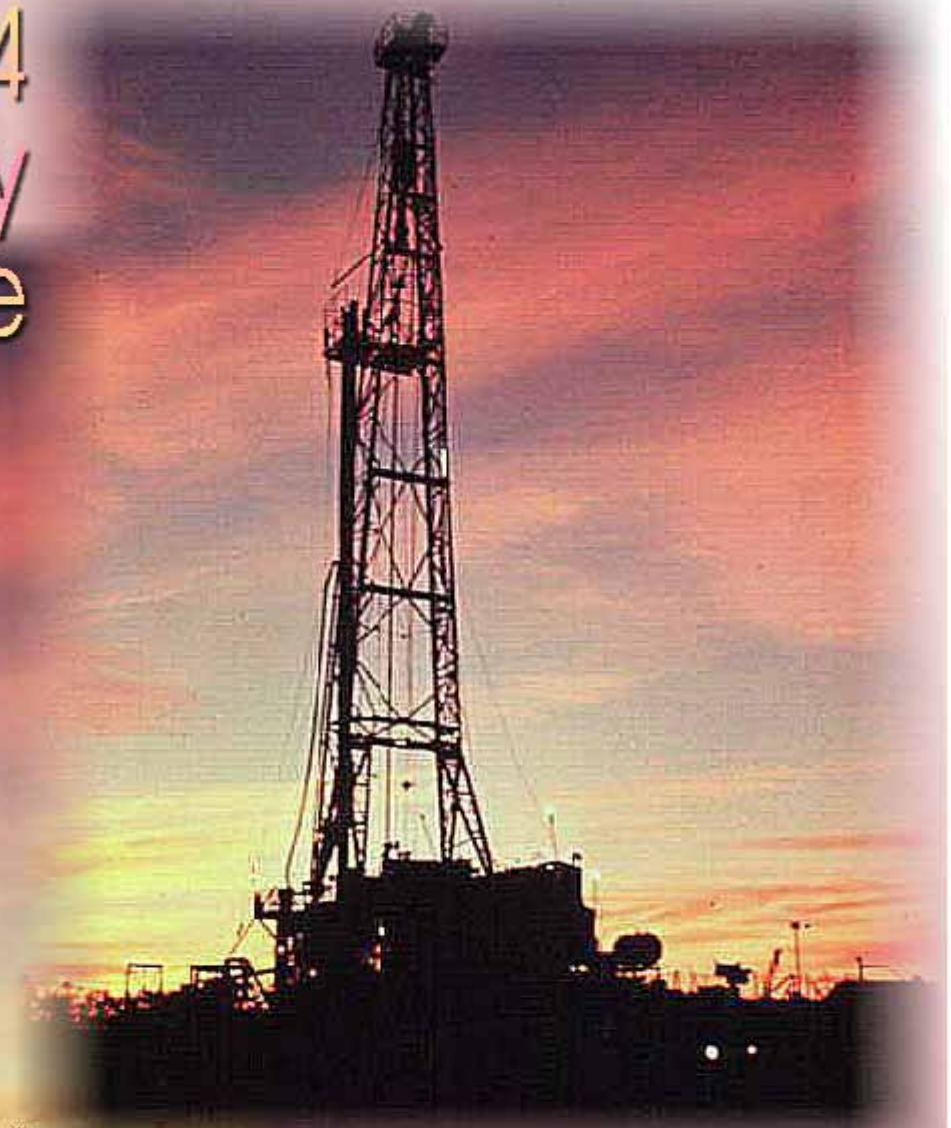
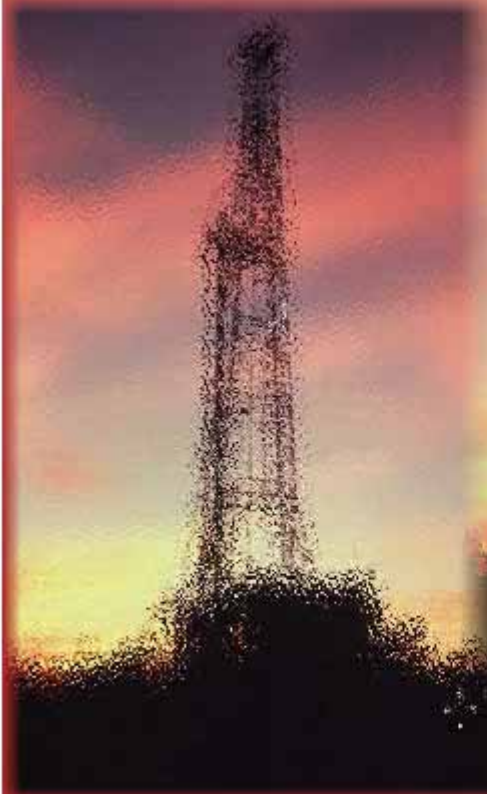
MMS requires the following contact information if you are reporting on Form MMS-2014 for the first time or if you have a change in the information. Otherwise, enter only the authorized name, signature, and date.

Contact Name/Phone Number	The name and office telephone number of the person who is designated as the company contact.
Street/P.O. Box/Suite or Other Identifier	Address information (street, P.O. box, suite, or other identifier).
City, State, Zip Code	The city, State, and zip code for the company contact.
Fax Number, E-mail Address	The fax number and e-mail address for the company contact.



# Chapter 4

## Reporting Instructions by Transaction Code



# Chapter 4

## Reporting Instructions by Transaction Code

This chapter contains detailed reporting instructions and examples of how to report by transaction code on Form MMS-2014. The transaction codes are organized by function.

### NOTE

All transaction codes are identified in [Appendix E](#).

Transaction code	Description	Page
<b>Royalty Due</b>		4-3
01	Royalty due	4-3
10	Compensatory royalty payment	4-15
<b>Estimated Royalty Payment</b>		4-24
03	Estimated royalty payment	4-24
<b>Minimum Royalty</b>		4-30
02	Minimum royalty payment	4-30
52	Recoup minimum royalty paid in advance	4-34
<b>Rentals</b>		4-39
04	Rental payment	4-39

4. Reporting Instructions by Transaction Code

<b>Transaction code</b>	<b>Description</b>	<b>Page</b>
05	Advance rental credit	4-43
25	Recoup advance rental credit	4-47
<b>Recoupment of Indian Overpayments</b>		4-52
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40	Net profit share—profitable	4-78
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<b>Tax Credit</b>		4-104
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<b>Transaction code</b>	<b>Description</b>	<b>Page</b>
54	Geothermal field operations reimbursement	4-119
<b>Fees</b>		4-123
16	Well fees	4-123
17	Gas storage agreement—flat fee	4-127
18	Gas storage agreement—injection fee	4-131
19	Gas storage agreement—withdrawal fee	4-135
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<b>Reporting Interest (Federal Oil and Gas Only)</b>		4-144
21	Interest amount due MMS	4-144
22	Interest amount owed to payor	4-146

## 4.1 **Royalty Due**

This section provides instructions and examples for transaction codes 01 and 10.

### 4.1.1 **Transaction Code 01, Royalty Due**

Lease terms and Federal regulations require lessees to pay royalties on producing Federal and Indian leases. The lessee must pay its royalty obligation either in value or in kind, as specified by the lease or designated by MMS.

**Description of fields you use on Form MMS-2014 for transaction code 01:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Enter the appropriate four-character code. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>01</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes:                      oil and gas leases: 10, 15, 16, 17, 35, and 49,                      geothermal leases: 25, 26, 31.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>

**Field (continued)****Description (continued)**

Sales Volume

Enter the volume of the product sold or removed from the lease or from the lease-agreement combination that you are reporting and paying royalties.

Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:

- Barrels for oil, condensate, and scrubber condensate
- Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).
- Gallons (231 cubic inches) for gas plant products
- Long tons (2,240 lbs) for sulfur
- Thousands of pounds for geothermal
- kWh for geothermal
- MMBtu for geothermal
- Hundreds of gallons for geothermal

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$
Sales Value	<p>If production from various wells or formations are reported as one line on Form MMS-2014, then report as a volume weighted average.</p> <p>For gas products 03, 04, 12, 15, 16, and 39, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p> <p>For geothermal resources, refer to <a href="#">Chapter 7</a>.</p>
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the sales value multiplied by the royalty rate.</p>

Field (continued)	Description (continued)
Transportation Allowance Deduction	<p>Enter the appropriate allowance amount.</p> <p>MMS encourages you to report your transportation allowance deduction as part of your royalty transaction. If you are reporting a transportation allowance deduction associated with an RIK lease, see <a href="#">Chapter 8</a>.</p>
Processing Allowance Deduction	<p>Enter the appropriate allowance amount.</p> <p>MMS encourages you to report your processing allowance deduction as part of your royalty transaction.</p>
Royalty Value Less Allowances	<p>Subtract allowance deductions from the royalty value prior to allowances and enter the result.</p>
Payment Method Code	<p>Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a>.</p>



**EXAMPLE**

**Transaction code 01.** This example shows how to report and pay royalties for oil and unprocessed gas.

**Assumptions:**

- The MMS-converted lease number is 054-007777-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 999 bbl of oil at \$22.00/bbl.
- The product is unprocessed gas, product code 04. You produced and sold 14,000 Mcf. The gas heating value is 1,110 Btu/cu.ft. You sold 15,540 MMBtu. The contract price is \$2.75/MMBtu.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

**Oil** sales volume × price × royalty rate = royalty value  
999 bbl × \$22.00/bbl × 0.125 = \$2747.25

**Gas** sales volume × Btu factor × price × royalty rate = royalty value  
14,000 Mcf × 1.110 MMBtu/Mcf × \$2.75/MMBtu × 0.125 = \$5341.88

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0540077770	0540077770
<b>MMS Agreement Number</b>		
<b>Product Code</b>	01	04
<b>Sales Type Code</b>	NARM	NARM
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	999.00	14000.00
<b>Gas MMBtu</b>		15540.00
<b>Sales Value</b>	21978.00	42735.00
<b>Royalty Value Prior to Allowances</b>	2747.25	5341.88
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	2747.25	5341.88
<b>Payment Method Code</b>	3	3

**EXAMPLE**

**Transaction code 01.** This example shows how to report and pay royalties for oil, unprocessed gas, processed gas, gas plant products, and drip.

**Assumptions:**

- The MMS-converted lease number is 054-008888-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 9,621 bbl of oil at \$22.00/bbl.
- You produced 321,495 Mcf and transferred it to a gas plant to be processed; however, you recovered drip condensate from a separation facility located prior to the gas plant. You figured the sales volume by using a theoretical calculation for the drip condensate, processed gas, and gas plant products.
- The product is processed gas, product code 03. You produced and sold 275,206.50 Mcf. The gas heating value is 1,050 Btu/cu.ft. You sold 288,966.82 MMBtu. The contract price is \$3.00/MMBtu. The cost incurred to transport the product is \$0.58/Mcf.
- The product is gas plant products, product code 07. You sold 458,677.50 gal of gas plant products at \$0.70/gal. The cost incurred to transport the product is \$0.07/gal. The cost incurred to process the product is \$0.16/gal.
- The product is drip condensate, product code 05. You sold 3,142 bbl of drip condensate at \$22.00/bbl.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

**Oil** sales volume  $\times$  price  $\times$  royalty rate = royalty value  
 $9621 \text{ bbl} \times \$22.00/\text{bbl} \times 0.125 = \$26,457.75$

**Gas** sales volume  $\times$  Btu factor  $\times$  price  $\times$  royalty rate = royalty value prior to allowances - transportation allowance deduction = royalty value less allowances  
 $275,206.50 \text{ Mcf} \times 1.050 \text{ MMBtu/Mcf} \times \$3.00/\text{MMBtu} \times 0.125 =$   
 $\$108,362.55 - (275,206.50 \text{ Mcf} \times 0.125 \times \$0.58/\text{Mcf}) = 88,410.08$

**Gas Plant Products**

sales volume  $\times$  price  $\times$  royalty rate = royalty value prior to allowances - transportation allowance deduction - processing allowance deduction = royalty value less allowances  
 $458,677.50 \text{ gal} \times \$0.70/\text{gal} \times 0.125 = 40,134.28 - (458,677.50 \text{ gal} \times 0.125 \times \$0.07) - (458,677.50 \text{ gal} \times 0.125 \times \$0.16) = \$26,947.30$

**Drip** sales volume  $\times$  price  $\times$  royalty rate = royalty value  
 $3142 \text{ bbl} \times \$22.00/\text{bbl} \times 0.125 = \$8640.50$

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Line Number</b>	<b>Detail Line</b>			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>API Well Number</b>				
<b>MMS Lease Number</b>	0540088880	0540088880	0540088880	0540088880
<b>MMS Agreement Number</b>				
<b>Product Code</b>	01	03	07	05
<b>Sales Type Code</b>	ARMS	ARMS	POOL	ARMS
<b>Sales MO/YR</b>	102002	102002	102002	102002
<b>Transaction Code</b>	01	01	01	01
<b>Adjustment Reason Code</b>				
<b>Sales Volume</b>	9621.00	275206.50	458677.50	3142.00
<b>Gas MMBtu</b>		288966.82		
<b>Sales Value</b>	211662.00	866900.46	321074.25	69124.00
<b>Royalty Value Prior to Allowances</b>	26457.75	108362.55	40134.28	8640.50
<b>Transportation Allowance Deduction</b>		-19952.47	-4013.43	
<b>Processing Allowance Deduction</b>			-9173.55	
<b>Royalty Value Less Allowances</b>	26457.75	88410.08	26947.30	8640.50
<b>Payment Method Code</b>	3	3	3	3

4.1.1.1

**Reporting Drip (Pipeline Condensate, Retrograde Condensate, Drip Condensate, Drip Liquid, Scrubber/Pipeline Drip)**

The following guidance is provided for all reporters participating in an OMM-approved retrograde system. MMS defines drip as the portion of a natural gas stream that liquefies downstream of the approved royalty measurement device (that is, facility measurement point [FMP]) and is extracted at an onshore separation facility. At the onshore separation facility, liquids, including the drip volume, are separated from the gas stream prior to the inlet of the gas plant. Therefore, the volume of oil/condensate measured at the outlet of the onshore separation facility usually is greater than the oil/condensate volume measured at the offshore FMPs, and the volume of gas is less, by the equivalent barrels of recovered drip.

Refer to the following figure for specific reporting instructions.

**How to Report Royalty (Transaction Code 01) on Form MMS-2014**

The products reported on the Form MMS-2014 depend on where the gas is sold and whether or not you retain title to your drip. How you value the products reported depends on: (1) where the gas is sold, (2) whether or not you retain title to your drip, (3) whether you retain title to your drip and receive actual volumes of liquid barrels or an MMBtu equivalent of gas, and (4) the terms of your transportation contract with the pipeline company (i.e., the nature of the sale, arm's length or non-arm's length conditions).

If a portion of your gas is sold as unprocessed gas and the other portion is transferred to a gas plant, you must apply the correct reporting procedure to each volume that is sold or transferred. The table below illustrates how to report royalties correctly on the Form MMS-2014.

Title of Drip →	Relinquish title	Retain title as liquid barrels or an equivalent volume of gas
Sales Point		
Sale at Offshore Platform (lease) or any point prior to the Separation Facility, i.e., Direct Sale	<p align="center"><b>(Example 1)</b></p> <p>Since the gas was sold prior to the drip falling out of the gas stream, report the entire gas sales volume as PC 04 using the volume and quality measured at the approved offshore sales FMP.</p>	<p align="center"><b>(Example 2)</b></p> <p>The payor retains the rights to the drip as either the actual barrels of drip or an equivalent volume of gas. In both cases, the payor receives an allocated volume of drip on their statement.</p> <ul style="list-style-type: none"> <li>• Report the allocated barrels of drip as PC 05. (Whether your drip was converted to MMBtu's or you received barrels, report the drip allocation on your Form MMS-2014 as royalty due in barrels using PC 05.)</li> <li>• If your gas statement reflects an allocation based on the original platform-measured volume, then convert the allocated barrels of drip to an equivalent Mcf volume and subtract that volume from the gas volume on your allocation statement. Report the reduced gas volume using PC 04*.</li> <li>• If your gas allocation statement reflects the onshore-metered volume (volume after the extraction of the drip), report the allocated volume on your gas statement using PC 04*.</li> </ul>
Sale after Separation Facility (but prior to Gas Plant)		<p align="center"><b>(Example 3)</b></p> <p>Once the drip is extracted, the producer receives the actual barrels of drip or the producer's gas volume is made whole with an equivalent volume of gas. In both cases, the producer receives a statement showing an allocated volume of drip.</p> <ul style="list-style-type: none"> <li>• Report the allocated barrels of drip as PC 05. (Whether your drip was converted to MMBtu's or you received barrels, report the drip on your Form MMS-2014 as royalty due in barrels using PC 05.)</li> <li>• Report the volume of gas from your Gas Allocation statement as PC 04. (The volume shown on the allocation statement should be a reduced volume that reflects the offshore-metered volume minus the extracted drip.)*</li> </ul>
Gas transfer	NA	<p align="center"><b>(Example 4)</b></p> <ul style="list-style-type: none"> <li>• Report the allocated barrels of drip as PC 05.</li> <li>• Report the residue gas as PC 03 and gas plant products as PC 07.</li> </ul>

Product Code = PC **PC 03** = Residue Gas (Processed Gas) **PC 04** = Unprocessed (Wet) Gas **PC 05** = Drip Condensate **PC 07** = NGLs (Processed Gas)

\* You are allowed to reduce your gas volume only once. If your allocation statement shows the platform-metered volume as the sales volume, you will need to calculate the gas reduction yourself. To reduce your gas volume by the equivalent barrels, call the system allocator for the gas-to-condensate conversion factor to apply. (Gas is reported as a Mcf volume on the MMS-2014. Reduce the offshore measured volume as Mcfs.) If your statement shows the onshore-metered volume as the sales volume, the allocated drip barrels have already been subtracted out for you. DO NOT reduce your gas volume a second time.

## 4.1.2

**Transaction Code 10, Compensatory Royalty Payment**

Compensatory royalty is based on a compensatory royalty agreement or on a compensatory royalty assessment.

BLM or OMM requires a compensatory royalty **agreement** for unleased Federal or Indian land when a well located on adjacent land drains the Federal or Indian land. If BLM or OMM determines that the parcel of land cannot be leased, a compensatory royalty agreement is established. **We account for the compensatory royalty by assigning it an agreement number that is reported on Form MMS-2014 using the Lease Number field.**

BLM or OMM **assesses** compensatory royalties when adjacent land drains a Federal or Indian lease. If the lessee elects not to drill a protective well or enter into a CA with the owner of the lands containing the offending well, BLM or OMM assesses the royalty on the product drained from the Federal or Indian leases. **You must report this assessment on Form MMS-2014 using the assessed lease number and transaction code 10.**

**Description of fields you use on Form MMS-2014 for transaction code 10:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Not used
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.



#### 4. Reporting Instructions by Transaction Code

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Month/Year	Enter the month/year the product was drained from the lease. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>10</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  Applicable adjustment reason codes: oil and gas leases: 10, 15, 16, 17, 35, and 49, geothermal leases: 25, 26, and 31.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .

**Field (continued)****Description (continued)**

Sales Volume

Enter the volume of the product sold or removed from the lease or from the lease-agreement combination that you are reporting and paying royalties.

The sales volume equals the volume produced multiplied by the drainage factor.

Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:

- Barrels for oil, condensate, and scrubber condensate
- Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).
- Gallons (231 cubic inches) for gas plant products
- Long tons (2,240 lbs) for sulfur
- Thousands of pounds for geothermal
- kWh for geothermal
- MMBtu for geothermal
- Hundreds of gallons for geothermal

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$
Sales Value	<p>If production from various wells or formations are reported as one line on Form MMS-2014, then report as a volume weighted average.</p> <p>For gas products 03, 04, 12, 15, 16, and 39, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p> <p>For geothermal resources, refer to <a href="#">Chapter 7</a>.</p>
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the sales value multiplied by the royalty rate.</p>
Transportation Allowance Deduction	<p>Enter the appropriate allowance amount.</p> <p>MMS encourages you to report your transportation allowance deduction as part of your royalty transaction.</p> <p>If you are reporting a transportation allowance deduction associated with an RIK lease, see <a href="#">Chapter 8</a>.</p>

Field (continued)	Description (continued)
Processing Allowance Deduction	Enter the appropriate allowance amount.  MMS encourages you to report your processing allowance deduction as part of your royalty transaction.
Royalty Value Less Allowances	Subtract allowance deductions from the royalty value prior to allowances and enter the result.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 10.** This example shows how to report and pay a compensatory royalty **agreement**. A well located on fee land is draining unleased Indian land. The payor of the compensatory royalty agreement reports and pays royalties based on 100 percent of the value of the product multiplied by the drainage factor multiplied by the royalty rate. The fee land lessee has no obligation to MMS.

**Assumptions:**

- The MMS-converted lease number is 889-000355-0.
- Your sale occurred in October 2002.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 3,000 Mcf. The gas heating value is 1,200 Btu/cu.ft. You sold 3,600 MMBtu. The contract price is \$3.00/MMBtu.
- The drainage factor is 15 percent.
- The royalty rate is 20 percent.
- You pay by EFT to MMS.

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

$$\begin{aligned} & \text{sales volume} \times \text{drainage factor} \times \text{Btu factor} \times \text{price} \times \text{royalty rate} = \\ & \text{royalty value} \\ & 3000 \text{ Mcf} \times 0.15 \times 1.200 \text{ MMBtu/Mcf} \times \$3.00/\text{MMBtu} \times 0.20 = \\ & \$324.00 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	8890003550
<b>MMS Agreement Number</b>	
<b>Product Code</b>	04
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	10
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	450.00
<b>Gas MMBtu</b>	540.00
<b>Sales Value</b>	1620.00
<b>Royalty Value Prior to Allowances</b>	324.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	324.00
<b>Payment Method Code</b>	3

**EXAMPLE**

**Transaction code 10.** This example shows how to report and pay a compensatory royalty **assessment**. The payor on lease 071-004009-0 reports and pays royalties based on the entire production (175 bbl valued at \$4,593.75) at a 12 1/2 percent royalty rate. For the payor on lease 071-083838-0, compensatory royalty is based on the difference between the two lease's royalty rates (that is, 12 1/2 percent subtracted from 16 2/3 percent, which equals 0.041667).

**Assumptions:**

- There are two Federal leases: 071-083838-0 and 071-004009-0.
- A well on lease 071-004009-0 is draining lease 071-083838-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 175 bbl of oil at \$26.25/bbl by the offending well.
- The drainage factor is 35 percent.
- Lease 071-004009-0 has a 12 1/2 percent royalty rate.
- Lease 071-083838-0 has a 16 2/3 percent royalty rate.
- You pay by EFT to MMS.

**Royalty value calculation:**

sales volume × drainage factor × price × royalty rate (difference between the two lease royalty rates) = royalty value  
 $175 \text{ bbl} \times 0.35 \times \$26.25 \times 0.041667 = \$66.99$

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0710838380
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	10
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	61.25
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1607.81
<b>Royalty Value Prior to Allowances</b>	66.99
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	66.99
<b>Payment Method Code</b>	3



## 4.2 **Estimated Royalty Payment**

This section provides instructions and examples for transaction code 03.

### 4.2.1 ***Transaction Code 03, Estimated Royalty Payment***

Royalty payments are normally required by the end of the month following the month you sold or removed the product from the lease; however, if you cannot meet this deadline, you may establish an estimated royalty payment (estimate) to give you an additional month to report and pay actual royalties and possibly avoid late payment interest charges. An estimate is a one-time payment in lieu of an actual royalty payment for that month; then in subsequent months you report and pay the actual royalties. Royalties are then due the last day of the second month following the month you sold or removed the product from the lease. If that day falls on a weekend or holiday, the due date is extended to the next business day.

When you establish a new estimate for the first time, use transaction code 03 and no adjustment reason code. Thereafter, use transaction code 03 and adjustment reason code 32 to adjust your estimate balance (even if your estimate is reduced to zero and then you increase the balance at a later date). Use a single line entry on the Form MMS-2014 to increase or decrease the amount of an estimate. The estimate payments are disbursed to the entitled recipient; therefore, you must follow the proper procedures in accordance with Federal and Indian recoupments and refunds. (For information on adjustments, recoupments, and refunds, see [Chapter 6](#).)

To determine the amount of an initial estimate payment, establish the estimate in an amount equal to or exceeding the average monthly royalty liability for the lease and product. Adjust the estimate balance up or down as the lease royalty liability changes. This is critical for the reason that interest may be due if estimates are too low, however, if an estimate is too high for an extended period of time, MRM will not pay interest. For a given lease and sales month, MMS compares the lease estimate balance to the actual royalty paid. Interest is due on the amount that the royalty payment exceeds the estimate balance. Interest is also due on amounts paid after the

due date for estimate reporting. Therefore, it is to your benefit to maintain a record of all estimate payments and adjustments for each lease to possibly prevent an overrecoupment of an estimate balance.

You report an estimated payment at the lease level. The sales month must be 1 month prior to the report month shown on the Form MMS-2014. Establishing retroactive estimate balances is not permitted. The Form MMS-2014 reflects the estimate sales month for all products on the lease; therefore, you must change the sales month for any product not requiring an estimate.

**Description of fields you use on Form MMS-2014 for transaction code 03:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter 1 month prior to the month/year the report is submitted. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>03</b> .
Adjustment Reason Code	Leave this field blank to establish a new estimated royalty payment. Enter adjustment reason code 32 to increase or decrease the amount of an existing estimated royalty payment.
Sales Volume	Not used

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the estimated royalty payment amount.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the estimated royalty payment amount.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 03.** The following example shows how to establish an estimated payment.

**Assumptions:**

- The MMS-converted lease number is 048-888888-0.
- Your sales month is **always** 1 month prior to your report month. Your report month is October 2002; therefore, your sales month is September 2002.
- You determined an estimate of \$1,000.00.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0488888880
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	092002
<b>Transaction Code</b>	03
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	1000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	1000.00
<b>Payment Method Code</b>	3

**EXAMPLE**

**Transaction code 03.** The following example shows how to adjust estimated royalty payments. (For recoupment guidance, see [Chapter 6](#).)

**Assumptions:**

- The MMS-converted lease number is 048-888888-0.
- Your sales month is always 1 month prior to your report month. Your report month/year is December 2002; therefore, your sales month/year is November 2002.
- Your adjustment decreases your previously estimated royalty payment of \$1,000.00 by \$500.00.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0488888880
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	112002
<b>Transaction Code</b>	03
<b>Adjustment Reason Code</b>	32
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	-500.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	-500.00
<b>Payment Method Code</b>	3

## 4.3 Minimum Royalty

This section provides instructions and examples for transaction codes 02 and 52.

### 4.3.1 ***Transaction Code 02, Minimum Royalty Payment***

Some producing Federal and Indian leases require you to pay a minimum amount of royalty each lease year. The amount of minimum royalty is usually determined by the producing acreage in the lease multiplied by a fee per acre (for example, \$2 per acre) and is in addition to any other fees required under regulation or lease terms. You can satisfy the minimum royalty obligation in three ways:

- Royalties paid on production throughout the lease year are equal to or exceed the minimum royalty amount;
- Royalties paid on production throughout the lease year are less than the minimum royalty obligation, and you pay and report the difference as a separate minimum royalty transaction; or
- There are no royalties paid on production throughout the lease year, so you report and pay the full amount of the minimum royalty obligation.

You must submit minimum royalty payments for Federal or Indian leases on Form MMS-2014 on or before the last day of the month of the lease year regardless of whether you established an estimated payment on the lease. If minimum royalty is not met, we will issue an invoice for the amount due. Interest will be assessed for the late payment.

All the acres in a Federal lease are in a minimum royalty status if any one of the following applies:

- All the acres are within PAs
- The lease is committed to a secondary recovery unit
- The lease is committed to a CA
- The lease contains a producing well or a well capable of production

**Description of fields you use on Form MMS-2014 for transaction code 02:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the minimum royalty payment is due. Use the MMCCYY format; for example, enter September 2003 as 092003.
Transaction Code	Enter <b>02</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  Applicable adjustment reason codes are 10, 17, and 35.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used



4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the amount of minimum royalty due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of minimum royalty due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 02.** The following example shows how to report and pay minimum royalties.

**Assumptions:**

- The annual minimum royalty requirement is \$1,000.00/year based on lease acreage of 500 acres at \$2.00/acre.
- The MMS-converted lease number is 030-010100-0.
- The lease year is from October 1, 2002, through September 30, 2003.
- You paid \$600.00 in royalties for this lease year; therefore, an additional \$400.00 is due in minimum royalties ( $\$1,000.00 - \$600.00 = \$400.00$ ).
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0300101000
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	092003
<b>Transaction Code</b>	02
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	400.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	400.00
<b>Payment Method Code</b>	3

4.3.2

### ***Transaction Code 52, Recoup Minimum Royalty Paid in Advance***

Use this transaction code to report a recoupment of a previously paid minimum royalty payable in advance for certain Indian leases. Review the lease terms to determine if your lease is subject to advance minimum royalty. If lease terms permit, you can recoup against net royalties reported and paid, by lease, within the same lease year and by the same royalty payor. One hundred percent of the current month's net royalties that you report may be used to offset the advance minimum royalty payment, subject to no more than the minimum royalty payment.

If you fail to recoup prior year minimum royalty payable in advance on Indian leases, the minimum royalty payable in advance is considered an overpayment requiring the use of transaction codes 52, 50, and 51. For reporting instructions, see [Chapter 6, Adjustments, Recoupments, and Refunds](#).

Report the annual advance minimum royalty to MMS by using transaction code 02. Frequently, payors make their minimum royalty payable in advance several months prior to the actual due date. If you do this, you must remember that the you cannot recoup the advance minimum royalty until you report and pay royalties within the lease year that the royalty payable in advance applies.

If, at the end of the lease year, the royalty amount you paid is less than the minimum royalty payable in advance amount, you cannot recoup the remaining balance against royalties in future lease years.

**NOTE**

*If a tribe designates production as RIK, recoupment procedures may vary. We will provide specific reporting requirements if this occurs.*

**Description of fields you use on Form MMS-2014 for transaction code 52:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>52</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  Applicable adjustment reason codes are 10, 17, and 35.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used

Field (continued)	Description (continued)
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the appropriate minimum royalty payable in advance recoupment amount as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the appropriate minimum royalty payable in advance recoupment amount as a negative value.
Payment Method Code	Enter the same payment method reported on the corresponding royalty transaction line that you are recouping against. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 52.** The following example shows how to recoup advance minimum royalty on an Indian lease.

**Assumptions:**

- You paid advance minimum royalties of \$400.00 in May 2001 for the current lease year (transaction code 02).
- A recoupable balance of \$200.00 remains on the lease.
- The MMS-converted lease number is 525-007170-0.
- You sold the product during October 2002.
- The product is unprocessed gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,100 Btu/cu.ft. You sold 2,200 MMBtu. The contract price is \$2.00/MMBtu.

- The royalty rate is 12 1/2 percent.
- You pay by check to MMS for BIA (include the specific name of the tribe that owns the lease or specific BIA agency/area office responsible for the lease).

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	5250071700	5250071700
<b>MMS Agreement Number</b>		
<b>Product Code</b>	04	
<b>Sales Type Code</b>	ARMS	
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	52
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	2000.00	
<b>Gas MMBtu</b>	2200.00	
<b>Sales Value</b>	4400.00	
<b>Royalty Value Prior to Allowances</b>	550.00	-200.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	550.00	-200.00
<b>Payment Method Code</b>	5	5

4.4

## Rentals

This section provides instructions and examples for transaction codes 04, 05, and 25.

4.4.1

### ***Transaction Code 04, Rental Payment***

Use this transaction code to report and pay rent payments that are not recoupable against production. The amount of rent due is stipulated in your lease terms and is, except in some circumstances, due on or before the lease anniversary date.

Approximately 75 days before the lease anniversary date, we usually send a Notice of Rent Due on Your Lease (courtesy notice) to the payor established in our database. Courtesy notices are sent for Federal leases and geothermal site licenses only. If you do not receive a courtesy notice, do not delay payment, as some leases automatically terminate for nonpayment. For those leases that do not terminate and payment is not received by the due date, we will issue an invoice for the amount due. Interest will be assessed for late payment.

You may report the rent for Federal leases and geothermal site licenses by submitting Form MMS-2014 with the payment or by returning the bottom portion of the courtesy notice with the payment.

For producing Indian leases, the rent is reported on Form MMS-2014. Producing Indian leases are defined as those leases receiving actual or allocated production. For nonproducing Indian leases, the rents are paid to BIA or to the entity stipulated in the lease document.

**NOTE**

*Also use transaction code 04, Rental Payment, to report rent on geothermal site licenses. Rent is due on geothermal site licenses only when the site licensee (license holder) is not the lessee. Geothermal site licenses are coded as leases in our system. They are nonterminable.*



**Description of fields you use on Form MMS-2014 for transaction code 04:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the rent is due. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>04</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the rent amount due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the rent amount due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 04.** The following example shows how to report and pay a rent payment.

**Assumptions:**

- The annual rent payment is \$1,800.
- The MMS-converted lease number is 071-007170-0.
- The lease has an anniversary date of October 01, 2002.
- You pay by check to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0710071700
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	04
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	1800.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	1800.00
<b>Payment Method Code</b>	1

## 4.4.2

**Transaction Code 05, Advance Rental Credit**

Use this transaction code to report and pay rent payments that are recoupable against production on Federal and Indian leases. If the lease is designated as RIK by the tribe, submit your rent payment to the applicable tribe unless otherwise instructed by MMS. Recoupable Indian rent payments made directly to the allottee must still be reported to MMS on Form MMS-2014.

Submit recoupable rent payments for producing Federal or Indian leases. A producing lease is defined as:

- A lease containing a well on which a first production notice is issued or the well is deemed capable of producing in paying quantities.
- A lease that has acreage committed to a producing unit or communitization agreement; this includes wells that are not currently producing but at some time in the past had production associated with the lease.

You must report and pay the rent even if you anticipate that the rent will be recouped during the first month of the lease year.

For more information on recoupment procedures, see [Transaction Code 25, Recoup Advance Rental Credit on page 4-47](#).

**Description of fields you use on Form MMS-2014 for transaction code 05:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used

4. Reporting Instructions by Transaction Code

<b>Field (continued)</b>	<b>Description (continued)</b>
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the rent is due. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>05</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  Applicable adjustment reason codes are 10, 17, and 35.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the rent amount due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the rent amount due.

Field (continued)	Description (continued)
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 05.** The following example shows how to report and pay an advance rental credit.

**Assumptions:**

- The annual rent payment is \$1,800.
- The MMS-converted lease number is 518-008180-0.
- The lease has an anniversary date of October 31, 2002.
- You pay by check to MMS for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	5180081800
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	05
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	1800.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	1800.00
<b>Payment Method Code</b>	5

4.4.3

**Transaction Code 25, Recoup Advance Rental Credit**

Most Indian lease terms and some Federal lease terms require a rent payment on producing leases at the beginning of the lease year. When you report and pay monthly royalties, you can recoup these rent payments against net royalties reported and paid for the lease in the same year. One hundred percent of the current month's net royalties reported may be offset against the rent payment within the same lease year, subject to no more than the rent payment.

If you fail to recoup prior year rents on Indian leases, these rents are considered an overpayment requiring the use of transaction codes 25, 50, and 51. For reporting instructions, see [Chapter 6, Adjustments, Recoupments, and Refunds](#).

Do not recoup on an Indian lease when any portion of the royalties are taken in kind by the tribe. For this situation you can only recoup previous rent payments by requesting a refund directly from the tribe. This requirement also applies to any prior unrecouped rents from a period when royalties were taken in value.

Report the advance rental credit to MMS by using transaction code 05. Frequently, payors make their rent payments several months in advance of the actual due date. If you do this, you must remember that you cannot recoup rent payments until you report and pay royalties within the lease year that the rent applies.

If, at the end of the lease year, the royalty amount you paid is less than the initial rent payment amount, you cannot recoup the remaining rent balance against royalties in future lease years.

**NOTE**

*If a tribe designates production as RIK, recoupment procedures may vary. We will provide specific reporting requirements if this occurs.*



4. Reporting Instructions by Transaction Code

**Description of fields you use on Form MMS-2014 for transaction code 25:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>25</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data or when recouping prior lease year rents. For recoupment guidance, see <a href="#">Chapter 6</a> .  Applicable adjustment reason codes are 10, 17, and 35.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Not used
Gas MMBtu	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the appropriate rent recoupment amount as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the appropriate rent recoupment amount as a negative value.
Payment Method Code	Enter the same payment method reported on the corresponding royalty transaction line that you are recouping against. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 25.** The following example shows how to report a typical rental recoupment on an Indian lease.

**Assumptions:**

- You paid the rent amount of \$600.00 in May 2002 for the current lease year (transaction code 05).
- A recoupable balance of \$480.00 remains on the lease.
- The MMS-converted lease number is 518-008180-0.
- You sold the product during October 2002.
- The product is unprocessed gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,100 Btu/cu.ft. You sold 2,200 MMBtu. The contract price is \$2.00/MMBtu.

#### 4. Reporting Instructions by Transaction Code

- The royalty rate is 12 1/2 percent.
- You pay by check to MMS for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	5180081800	5180081800
<b>MMS Agreement Number</b>		
<b>Product Code</b>	04	
<b>Sales Type Code</b>	ARMS	
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	25
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	2000.00	
<b>Gas MMBtu</b>	2200.00	
<b>Sales Value</b>	4400.00	
<b>Royalty Value Prior to Allowances</b>	550.00	-480.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	550.00	-480.00
<b>Payment Method Code</b>	5	5

4.5 **Recoupment of Indian Overpayments**

This section provides instructions and examples for reporting transaction codes 50 and 51.

4.5.1 **Transaction Code 50, Indian Recoupable Balance**

Use this transaction code to establish a recoupable balance on an Indian lease for an overpayment. This balance can be recouped against royalties. For further details on recouping overpayments on Indian leases, see [Chapter 6, Adjustments, Recoupments, and Refunds](#). A transaction code 50 must be established even if the total amount of the overpayment can be completely recovered in one subsequent month.

**Description of fields you use on Form MMS-2014 for transaction code 50:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that was overpaid. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>50</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.
	Enter the amount of the overpayment. This value must be positive because the sum of the reversing line, the re-entry line, and the recoupable balance must equal zero.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of the overpayment. This value must be positive because the sum of the reversing line, the re-entry line, and the recoupable balance must equal zero.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 50.** For an example of establishing a recoupable balance on an Indian lease for an overpayment, refer to [Recoupment on Indian leases \(transaction codes 50 and 51\) on page 6-11](#).

4.5.2

**Transaction Code 51, Indian Recoupment Taken**

Use this transaction code to recoup an overpayment on an Indian lease. Recoupments may not exceed 50 percent of the net monthly revenues reported if the lease is allotted or 100 percent of the net monthly revenues reported if the lease is tribal. Do not use transaction code 51 unless transaction code 50, Indian Recoupable Balance, was previously reported. For further details on recouping overpayments on Indian leases, see [Chapter 6, Adjustments, Recoupments, and Refunds](#).

**Description of fields you use on Form MMS-2014 for transaction code 51:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>51</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the appropriate recoupment amount as a negative value.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the appropriate recoupment amount as a negative value.
Payment Method Code	<p>Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a>.</p>

**EXAMPLE**

**Transaction code 51.** For an example of recouping an overpayment on an Indian lease, refer to [Recoupment on Indian leases \(transaction codes 50 and 51\)](#) on page 6-11.



## 4.6 Other Royalty Transactions

This section provides instructions and examples for transaction codes 31, 37, 38, 39, 40, and 41.

### 4.6.1 **Transaction Code 31, Contract Settlement Payment**

Use transaction code 31, Contract Settlement Payment, to report royalty due on contract settlement payments between you and the third party. Normally, the settlements reported under this transaction are between lessees and purchasers. Do not report settlements between payors and MMS with this transaction code.

Two types of settlements are reported with transaction code 31:

**Past pricing disputes.** Royalty is due on settlement payments made to resolve disputes regarding the correct price owed for minerals produced and sold from the lease for periods before the settlement agreement (including, but not limited to, reimbursements for production-related costs, tax reimbursements, or nonpayment of contract purchase price by the purchaser, etc.). Payment is due at the end of the month following the month the lessee receives the payment.

**Contract buydowns.** Royalty is due on payments made to reduce the price the original purchaser pays when they take future production under an amended or successor contract. This “buydown” amount of the total settlement must be allocated to ongoing production taken during the remaining term of the original contract.

If you determine royalties are due because settlement payments are allocable to ongoing production, and production has already occurred since the date of settlement, you should report and pay royalties on that production as shown in the second example on [page 4-62](#). You should continue to report royalties on future production in the same manner; or alternatively, you may elect to make a lump sum payment.

See MMS Dear Payor Letter dated May 3, 1993, for additional information.

**Description of fields you use on Form MMS-2014 for transaction code 31:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if the production reported is the portion attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.
Sales Month/Year	For <b>past pricing disputes</b> , enter the month/year the settlement payment was received.  For <b>buydowns</b> when the payment is allocated to specific production, enter the month/year the product is sold or removed from the lease.  For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter the current sales month reported. For example, if you pay royalties in December 2002 for production sold or removed in November 2002, you will report November 2002 as the sales month/year for your lump sum royalty payment.  Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>31</b> .

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>For <b>past pricing disputes</b>, enter the total volume related to the payment.</p> <p>For <b>buydowns</b> when the payment is allocated to specific production, enter the actual monthly volume.</p> <p>For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter 1.00.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR). For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form MMS-2014, then report as a volume weighted average.</p>
Sales Value	<p>For <b>past pricing disputes</b>, enter the settlement payment amount.</p> <p>For <b>buydowns</b> when the payment is allocated to specific production, enter the incremental value allocated to each unit of volume multiplied by the actual monthly volume.</p> <p>For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter the settlement payment amount.</p>
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the sales value multiplied by the royalty rate.</p>
Transportation Allowance Deduction	Not used

Field (continued)	Description (continued)
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the sales value multiplied by the royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 31.** The following example shows how to report a settlement of a **past pricing dispute**.

**Assumptions:**

- You received \$100,000 in October 2002 to resolve a past pricing dispute.
- The settlement relates to 90,000 bbl of oil that were previously sold under the contract.
- The MMS-converted lease number is 071-004009-0.
- The product is oil, product code 01.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned}
 &90,000 \text{ bbl} = \text{sales volume} \\
 &\text{sales value} \times \text{royalty rate} = \text{royalty value} \\
 &\$100,00 \times 0.125 = \$12,500.00
 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0710040090
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	31
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	90000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	100000.00
<b>Royalty Value Prior to Allowances</b>	12500.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12500.00
<b>Payment Method Code</b>	3

**EXAMPLE**

**Transaction code 31.** The following example shows how to report a **contract buydown** when a portion of the settlement payment is allocated to production taken during the remaining term of the original contract.

**Assumptions:**

- The MMS-converted lease number is 071-004009-0.
- Your sale occurred in October 2002.
- The product is unprocessed gas, product code 04. You produced and sold 900 Mcf. The gas heating value is 1,111 Btu/cu.ft. You sold 1,000 MMBtu. The contract price is \$3.00/MMBtu.
- You paid \$1,000,000 to reduce the contract price from \$3.50/MMBtu to \$3.00/MMBtu.
- The total MMBtu you must take under the amended contract during the remaining term of the original contract is 5,000,000 MMBtu. Therefore, you must value MMBtu sold under the amended contract at \$0.20 per MMBtu (\$1,000,000 divided by 5,000,000 MMBtu).
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} & \text{sales volume} \times \text{Btu factor} \times \text{contract buydown amount} \div \text{remaining} \\ & \text{MMBtu to be taken under the amended contract} \times \text{royalty rate} = \\ & \text{royalty value} \\ & 900 \text{ Mcf} \times 1.111 \text{ MMBtu/Mcf} \times 1,000,000 \text{ MMBtu} \div 5,000,000 \\ & \text{MMBtu} \times 0.125 = 25.00 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0710040090	0710040090
<b>MMS Agreement Number</b>		
<b>Product Code</b>	04	04
<b>Sales Type Code</b>	ARMS	
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	31
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	900.00	900.00
<b>Gas MMBtu</b>	1000.00	1000.00
<b>Sales Value</b>	3000.00	200.00
<b>Royalty Value Prior to Allowances</b>	375.00	25.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	375.00	25.00
<b>Payment Method Code</b>	3	3



4.6.2

**Transaction Code 37, Royalties Due in Lieu of Severance Tax**

Use this transaction code to report the royalties due the Federal Government in lieu of the State severance tax for offshore leases subject to Section 6(a)(9) of the Outer Continental Shelf Lands Act of 1953. Originally, these were State leases subject to a State-assessed severance tax.

**Description of fields you use on Form MMS-2014 for transaction code 37:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>37</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Enter the same sales volume reported on the corresponding royalty transaction line.
Gas MMBtu	Enter the same gas MMBtu reported on the corresponding royalty transaction line.
Sales Value	Enter the same sales value reported on the corresponding royalty transaction line.
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the excess royalty in lieu of State severance tax specified in the lease.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the excess royalty in lieu of State severance tax specified in the lease.
Payment Method Code	<p>Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a>.</p>

**EXAMPLE**

**Transaction code 37.** The following example shows how to report and pay royalties due in lieu of State severance tax.

**Assumptions:**

- The MMS-converted lease number is 054-001231-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 50,000 bbl of oil at \$30.00/bbl.
- The State severance tax assessment is \$0.25/bbl.
- The royalty rate is 16 2/3.
- There is an additional royalty of 1/48 percent due (based on production charges).
- You pay by EFT to MMS.

**Royalty value calculation:**

sales volume × severance tax rate per unit = taxable value

$$50,000 \text{ bbl} \times \$0.25/\text{bbl} = \$12,500$$

1 – (lease royalty rate + any additional royalty rate due in lieu of other State-assessed charges) = taxable rate

$$1 - (0.166667 + 0.020833) = 0.8125$$

taxable value × taxable rate = royalty value

$$\$12,500 \times 0.8125 = \$10,156.25$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0540012310	0540012310
<b>MMS Agreement Number</b>		
<b>Product Code</b>	01	01
<b>Sales Type Code</b>	ARMS	
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	37
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	50000.00	50000.00
<b>Gas MMBtu</b>		
<b>Sales Value</b>	1500000.00	1500000.00
<b>Royalty Value Prior to Allowances</b>	250000.50	10156.25
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	250000.50	10156.25
<b>Payment Method Code</b>	3	3

4.6.3

**Transaction Code 38, Additional Royalties Due for 6A9 Leases**

Use this transaction code to report offshore leases subject to Section 6(a)(9) of the Outer Continental Shelf Lands Act of 1953. Originally, these were State leases subject to State-assessed charges, such as production charges, occupation fees, and so on. Use to report royalties due the Federal Government in lieu of these State-assessed charges.

**Description of fields you use on Form MMS-2014 for transaction code 38:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>38</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Enter the same sales volume reported on the corresponding royalty transaction line.
Gas MMBtu	Enter the same gas MMBtu reported on the corresponding royalty transaction line.
Sales Value	Enter the same sales value reported on the corresponding royalty transaction line.
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the excess royalty due in lieu of State-assessed charges as specified in the lease.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the excess royalty due in lieu of State-assessed charges as specified in the lease.

Field (continued)	Description (continued)
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 38.** The following example shows how to report and pay additional royalties due in lieu of other State-assessed charges.

**Assumptions:**

- The MMS-converted lease number is 054-001231-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 50,000 bbl of oil at \$30.00/bbl.
- The State severance tax assessment is \$0.25/bbl.
- The royalty rate is 16 2/3 percent.
- There is an additional royalty of 1/48 percent due (based on production charges).
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} \text{sales value} \times \text{additional royalties due} &= \text{royalty value} \\ \$1,500,000.00 \times 0.020833 &= \$31,249.50 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

	Detail Line		
Line Number	1	2	3
API Well Number			
MMS Lease Number	0540012310	0540012310	0540012310
MMS Agreement Number			
Product Code	01	01	01
Sales Type Code	ARMS		
Sales MO/YR	102002	102002	102002
Transaction Code	01	37	38
Adjustment Reason Code			
Sales Volume	50000.00	50000.00	50000.00
Gas MMBtu			
Sales Value	1,500,000.00	1,500,000.00	1,500,000.00
Royalty Value Prior to Allowances	250,000.50	10,156.25	31,249.50
Transportation Allowance Deduction			
Processing Allowance Deduction			
Royalty Value Less Allowances	250000.50	10156.25	31,249.50
Payment Method Code	3	3	3



4.6.4

**Transaction Code 39, Net Profit Share—Unprofitable**

Use this transaction code to report sales from a net profit share (NPS) lease for the months the lease does not show a profit. As an NPS lessee, you must file Form MMS-2014 monthly beginning the first month you credit production revenues to the NPS lease account. Form MMS-2014 must include all production and revenues attributable to the lease. The lessee must also file other reports as required by 30 CFR 220.031, Reporting and Payment Requirements.

**Description of fields you use on Form MMS-2014 for transaction code 39:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>39</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17 and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Each NPS lessee is responsible for reporting their volume sold or removed from the lease.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$
Sales Value	<p>If production from various wells or formations is reported as one line on Form MMS-2014, then report as a volume weighted average.</p> <p>For gas products 03, 04, 12, 15, 16, and 39, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p> <p>The sales value reported on Form MMS-2014 should match the revenue reported on the corresponding NPSL monthly report required by 30 CFR 220.031.</p>
Royalty Value Prior to Allowances	Not used

Field (continued)	Description (continued)
Transportation Allowance Deduction	Enter the appropriate allowance amount.  MMS encourages you to report your transportation allowance deduction as part of your royalty transaction. If you are reporting a transportation allowance deduction associated with an RIK lease, see <a href="#">Chapter 8</a> .
Processing Allowance Deduction	Enter the appropriate allowance amount.  MMS encourages you to report your processing allowance deduction as part of your royalty transaction.
Royalty Value Less Allowances	Enter the appropriate amount if allowances are taken. If no allowance is taken, leave blank.
Payment Method Code	Enter an appropriate payment method code, even though a payment is not required. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 39.** The following example shows how to report unprofitable NPS sales.

**Assumptions:**

- The MMS-converted lease number is 054-000140-0.
- You removed and sold the product during October 2002.
- The product is oil, product code 01. You produced and sold 1,000 bbl of oil at \$26.25/bbl.
- The NPS royalty rate is 35 percent.

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{price} &= \text{sales value} \\ 1,000 \text{ bbl} \times \$26.25/\text{bbl} &= \$26,250.00 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0540001400
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	39
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	26250.00
<b>Royalty Value Prior to Allowances</b>	
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	
<b>Payment Method Code</b>	<b>3</b>

4.6.5 **Transaction Code 40, Net Profit Share—Profitable**

Use this transaction code to report sales and royalties from an NPS lease after the lease is profitable. As an NPS lessee, you must file Form MMS-2014 monthly beginning the first month you credit production revenues to the NPS lease account. Form MMS-2014 must include all production and revenues attributable to the lease. The lessee must also file other reports as required by 30 CFR 220.031, Reporting and Payment Requirements. You must file Form MMS-2014 and corresponding NPS payments, as well as the monthly reports required by 30 CFR 220.031, within 60 days of the end of the month when the lease becomes profitable.

**Description of fields you use on Form MMS-2014 for transaction code 40:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Not Used.
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>40</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Each NPS lessee is responsible for reporting their volume sold or removed from the lease.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>



4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$
Sales Value	<p>If production from various wells or formations is reported as one line on Form MMS-2014, then report as a volume weighted average.</p> <p>Enter the NPS base (as defined by 30 CFR 220.002) at the end of the sales month. The NPS base reported should match the NPS base reported on the corresponding NPS lease monthly report required by 3 OCF R220.031.</p>
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p>
Transportation Allowance Deduction	<p>Enter the result of the sales value multiplied by the NPS rate specified in the lease. This is the NPS payment for the month.</p> <p>Enter the appropriate allowance amount.</p> <p>MMS encourages you to report your transportation allowance deduction as part of your royalty transaction. If you are reporting a transportation allowance deduction associated with an RIK lease, see <a href="#">Chapter 8</a>.</p>

Field (continued)	Description (continued)
Processing Allowance Deduction	Enter the appropriate allowance amount.  MMS encourages you to report your processing allowance deduction as part of your royalty transaction.
Royalty Value Less Allowances	Enter the result of the sales value multiplied by the NPS rate specified in the lease. This is the NPS payment for the month. The royalty value less allowances reported on Form MMS-2014 should match the NPS payment reported on the corresponding NPS lease monthly report required by 30 CFR 220.031.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 40.** The following example shows how to report profitable NPS sales and royalties.

**Assumptions:**

- The MMS-converted lease number is 054-000140-0. The lease is in its profitable stage.
- You removed and sold the product during October 2002.
- The product is oil, product code 01. You produced and sold 1,000 bbl of oil at \$26.25/bbl.
- There is a \$10,000 NPS base at the end of 10/2002 (sales value).
- The NPS royalty rate is 35 percent.
- You pay by EFT to MMS.

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

1,000 bbl = sales volume  
sales value × NPS royalty rate = royalty value  
 $\$10,000 \times 0.35 = \$3,500.00$

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0540001400
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	40
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	10000.00
<b>Royalty Value Prior to Allowances</b>	3500.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	3500.00
<b>Payment Method Code</b>	3

4.6.6

**Transaction Code 41, Offshore Deep Water Royalty Relief**

Use this transaction code to report royalty-free volumes of production sold from leases qualifying for royalty relief under the Outer Continental Shelf Deep Water Royalty Relief Act.

**Description of fields you use on Form MMS-2014 for transaction code 41:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Enter the appropriate four-character code. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>41</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Enter the volume of the product sold or removed from the lease or from the lease-agreement combination.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR)).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 16, or 39. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form MMS-2014, then report as a volume weighted average.</p>
Sales Value	<p>For gas products 03, 04, 12, 15, 16, and 39, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p>
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Not used
Payment Method Code	<p>Enter an appropriate payment method code, even though a payment is not required. For a list of payment methods, see <a href="#">Appendix G</a>.</p>

**EXAMPLE**

**Transaction code 41.** The following example shows how to report offshore deep water royalty relief.

**Assumptions:**

- The MMS-converted lease number is 054-999999-0.
- You removed and sold the product in October 2002.
- The product is oil, product code 01. You produced and sold 10,000 bbl of oil at \$30/bbl.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{price} &= \text{sales value} \\ 10,000 \text{ bbl} \times \$30.00/\text{bbl} &= \$300,000.00 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.



4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0549999990
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	41
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	10000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	300000.00
<b>Royalty Value Prior to Allowances</b>	
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	
<b>Payment Method Code</b>	<b>3</b>

4.7

## Allowances

This section provides instructions and examples for transaction codes 11, 15, and 42.

For Federal leases, allowance forms are not required.

For Indian leases you must continue to submit the appropriate allowance forms. (For contact information regarding allowance forms, see [Appendix A.](#))

4.7.1

### **Transaction Code 11, Transportation Allowance**

MMS allows a deduction on Form MMS-2014 for the reasonable, actual costs of transporting production from the lease site to a sales point or processing point off of the lease site.

MMS strongly prefers you to report your transportation allowance as part of your royalty transaction line using the transportation allowance field. However, companies that choose to report a separate transportation allowance line should follow the guidance below.

If you have an arm's-length sales contract that reduces the sales price by a transportation factor, the MMS does not consider the transportation factor to be an allowance. If your situation matches this, you need to report the transportation-reduced price as a component of the Sales Value. If you have a non-arm's length sales contract, you cannot report transportation-reduced sales values; you must report an applicable transportation charge as an allowance.

You will report a separate transportation code 11 entry if you are the producer who incurred costs of transporting the product from an RIK lease to the point of delivery. (See [Reporting Transportation Allowances for RIK Transactions on page 8-3.](#))

Transportation allowances for oil and gas may not exceed 50 percent of the royalty value of the product without prior MMS approval. (For contact information, see [Appendix A](#).) Transportation allowances for geothermal by-products may not exceed 99 percent of the by-product value.

**Description of fields you use on Form MMS-2014 for transaction code 11:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. If RIK, enter product code 01, 02, 03, 04, 05, 06, or 07.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. If RIK, enter sales type code RIKD.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>11</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 16, 17, 35, and 49.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Enter the result of the sales volume reported on the corresponding royalty transaction line multiplied by the royalty rate and multiplied again by the transportation allowance per unit of measure as stated in your contract, as a negative value.
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the transportation allowance deduction.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 11.** The following example shows how to report a transportation allowance.

**Assumptions:**

- The MMS-converted lease number is 047-044440-0.
- Your sale occurred in October 2002.
- The product is oil, product code 01. You produced and sold 5,000 bbl of oil at \$28.75/bbl.
- The cost incurred to transport the product is \$0.75/bbl.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

sales volume × royalty rate × transportation allowance deduction =  
royalty value

$5,000 \text{ bbl} \times 0.125 \times \$0.75/\text{bbl} = \$468.75$

(report as a negative value)

The information reported on Form MMS-2014 is shown on the following fact sheet.

## 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0470444400	0470444400
<b>MMS Agreement Number</b>		
<b>Product Code</b>	01	01
<b>Sales Type Code</b>	ARMS	ARMS
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	11
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	5000.00	
<b>Gas MMBtu</b>		
<b>Sales Value</b>	143750.00	
<b>Royalty Value Prior to Allowances</b>	17968.75	
<b>Transportation Allowance Deduction</b>		-468.75
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	17968.75	-468.75
<b>Payment Method Code</b>	3	3

4.7.2

**Transaction Code 15, Processing Allowance**

MMS allows a deduction from the value of gas plant products on Form MMS-2014 for the reasonable, actual costs of extracting and recovering gas plant products at a gas processing facility.

MMS strongly prefers you to report your processing allowance as part of your royalty transaction line using the processing allowance field. However, companies that choose to report a separate processing allowance line should follow the guidance below.

Processing allowances may not exceed 66 2/3 percent of the royalty value of individual gas plant products without prior MMS approval. (For contact information, see [Appendix A.](#))

**Description of fields you use on Form MMS-2014 for transaction code 15:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. If RIK, enter product code 03.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. If RIK, enter sales type code RIKD.

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>15</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 16, 17, 35, and 49.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Not used



Field (continued)	Description (continued)
Processing Allowance Deduction	If the processing allowance is claimed as a percentage, enter the result of the royalty value reported on the corresponding royalty transaction line multiplied by the processing allowance percentage.  If the processing allowance is claimed as cents-per-gallon, enter the result of the sales volume multiplied by the royalty rate and multiplied again by the cents-per-gallon processing allowance, as a negative value.
Royalty Value Less Allowances	Enter the processing allowance deduction.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 15.** The following example shows how to report the processing allowance claimed as a percentage.

**Assumptions:**

- The MMS-converted lease number is 030-030030-0.
- You sold the product during October 2002.
- The product is gas plant products, product code 07. You sold 50,000 gal of gas plant product at \$0.50/gal.
- You are claiming an allowance of 58.35percent, which converts to a \$.25175/gal processing cost (\$0.50 x 58.35%).
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

royalty value (reported on corresponding royalty transaction line) ×  
processing allowance percentage = royalty value  
 $\$3,125.00 \times 0.5835 = \$1,823.44$  (report as a negative value)

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0300300300	0300300300
<b>MMS Agreement Number</b>		
<b>Product Code</b>	07	07
<b>Sales Type Code</b>	POOL	POOL
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	15
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	50000.00	
<b>Gas MMBtu</b>		
<b>Sales Value</b>	25000.00	
<b>Royalty Value Prior to Allowances</b>	3125.00	
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		-1823.44
<b>Royalty Value Less Allowances</b>	3125.00	-1823.44
<b>Payment Method Code</b>	3	3

4.7.3

### **Transaction Code 42, Net Revenue Share Lease, Allotment for Operating Costs**

Use this transaction code to report the operating allowance on MMS-approved net revenue share (NRS) agreements.

#### **Description of fields you use on Form MMS-2014 for transaction code 42:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line.
Sales Type Code	Not Used.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>42</b> .

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Enter the total allotment for operating costs for each lease as a negative value.
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.
	Enter the portion of the allotment for operating costs that are deductible (allowable cost multiplied by the net revenue rate [NRR] for the lease) as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the portion of the allotment for operating costs that are deductible (allowable cost multiplied by the NRR for the lease) as a negative value.

**EXAMPLE**

<b>Field (continued)</b>	<b>Description (continued)</b>
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**Transaction code 42.** The following example shows how to report the operating allowance of MMS-approved net revenue share agreements.

Royalty due for net revenue share leases is determined by the following formula:

NRS = net revenues  $\times$  NRR, where  
 net revenues = (GVP – TPA) – AOC for marginal leases and  
 net revenues = (GVP – TPA) – (AOC + APC) for capital project leases

NRS = net revenue share is the monthly dollar amount due the Government

NRR = net revenue rate is the fraction of the net revenues due the Government

GVP = gross value of products

TPA = transportation and processing allowances

AOC = allotment for operating costs

APC = allotment for project costs

**Assumptions:**

- The MMS-converted lease number is 088-999999-0, a marginal lease.
- Your sale occurred in October 2002.
- The product is oil, product code 01.
- You removed and sold 4,500 bbl of oil at \$20.00/bbl.
- You incurred \$5,000.00 in transportation costs (TPA).
- The AOC is \$50,000.00.
- The NRR is 50 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\text{NRS} = [(\$90,000.00 - \$5,000.00) - \$50,000.00] \times 0.5 = \\ \$35,000.00 \times 0.5 = \$17,500.00$$

Total royalties due are \$17,500.00. However, each component (GVP, deductible portion of AOC, and deductible portion of TPA) is reported separately on Form MMS-2014.

**Transaction code 01**

$\text{GVP} = 4,500 \text{ bbls} \times \$20.00/\text{bbl} = \$90,000.00$  (reported on the transaction code 01 line in the Sales Value field)

$\text{GVP} \times \text{NRR} = \$90,000.00 \times 0.5 = \$45,000.00$  (reported on the transaction code 01 line in the Royalty Value Prior to Allowances field)

Deductible portion of transportation and processing costs =  $\text{TPA} \times \text{NRR} = \$5,000.00 \times 0.5 = \$2,500.00$  (reported on the transaction code 01 line in the Transportation Allowance Deduction and/or Processing Allowance Deduction fields)

In this case, only transportation costs were incurred, therefore, the amount is reported in the Transportation Allowance Deduction field.

**Transaction code 42**

Deductible portion of the allotment for operating costs =  $\text{AOC} \times \text{NRR} = \$50,000.00 \times 0.5 = \$25,000.00$  (report transaction code 42 as a negative value as shown on the following fact sheet).

**NOTE**

*Many unique provisions apply to net revenue share leases. For contact information on net revenue share leases, see [Appendix A](#).*

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0889999990	0889999990
<b>MMS Agreement Number</b>		
<b>Product Code</b>	01	01
<b>Sales Type Code</b>	ARMS	
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	42
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	4500.00	
<b>Gas MMBtu</b>		
<b>Sales Value</b>	90000.00	-50000.00
<b>Royalty Value Prior to Allowances</b>	45000.00	-25000.00
<b>Transportation Allowance Deduction</b>	-2500.00	
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	42500.00	-25000.00
<b>Payment Method Code</b>	3	3



4.8 **Tax Credit**

This section provides instructions and examples for transaction code 12.

4.8.1 **Transaction Code 12, Tax Credit**

Indian leases, with very few exceptions, are exempt from State or local taxes. Consequently, you cannot withhold tax credits against royalties for those leases. If imposed, the taxes are typically severance taxes that are collected on gross sales from an Indian lease and remitted by you to the taxing authority on a lessor's behalf. Although tax credits on Indian leases do not require prior approval from MMS, pursuant to the U.S. Supreme Court's Opinion in *Montana v. Blackfeet Tribe*, 471 U.S. 759 (1985), we presume all Indian leases are exempt from taxes.

If you withhold taxes for Indian royalties, you can overcome this presumption only if you can establish that a particular Indian lease was issued under Federal statutory authority that expressly and unambiguously subjects the Indians to State taxes for the lease revenues. Unless you can present such proof, we will treat such withholdings as deficiencies in royalty payment. Address any questions regarding the applicability of State and local taxes on Indian leases to the local BIA area office that has responsibility for the leases in question. Such action may prevent possible late payment interest charges on underpayments for these leases.

Tax credits on Federal leases are not allowed.

Report transactions that include tax credits as a two-line entry on Form MMS-2014. Use the first line to report the sale at the stated price for the product. Use the second line to report the tax credit as a negative value.

**Description of fields you use on Form MMS-2014 for transaction code 12:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are claiming a tax credit against. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>12</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>

4. Reporting Instructions by Transaction Code

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>If the tax credit is based on the value of the product (that is, 20-percent tax rate) then tax credit equals the tax rate multiplied by the royalty value reported on the corresponding royalty transaction line. Enter as a negative value.</p> <p>If the tax credit is based on the volume of product (for example, \$0.05 per Mcf), then the tax credit equals the sales volume multiplied by the royalty rate and multiplied again by the tax rate per unit. Enter as a negative value.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Royalty Value Less Allowances	<p>If the tax credit is based on the value of the product (that is, 20-percent tax rate) then tax credit equals the tax rate multiplied by the royalty value reported on the corresponding royalty transaction line. Enter as a negative value.</p> <p>If the tax credit is based on the volume of product (for example, \$0.05 per Mcf) then the tax credit equals the sales volume multiplied by the royalty rate and multiplied again by the tax rate per unit. Enter as a negative value.</p>
Payment Method Code	<p>Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a>.</p>

**EXAMPLE**

**Transaction code 12.** The following example shows how to report a tax credit based on **volume**.

**Assumptions:**

- The MMS-converted lease number is 607-895376-0.
- Your sale occurred in October 2002.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,110 Btu/cu.ft. You sold 2,220 MMBtu. The contract price is \$2.50/MMBtu.
- The tax credit is \$0.07/Mcf.
- The royalty rate is 12 1/2 percent.
- You pay by check to MMS for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

sales volume (reported on the corresponding royalty transaction line)  $\times$  tax credit  $\times$  royaltyrate = royalty value  
 $2,000 \text{ Mcf} \times \$0.07 \times 0.125 = \$17.50$  (report as a negative value)

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	6078953760	6078953760
<b>MMS Agreement Number</b>		
<b>Product Code</b>	04	04
<b>Sales Type Code</b>	ARMS	ARMS
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	12
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	2000.00	
<b>Gas MMBtu</b>	2220.00	
<b>Sales Value</b>	5550.00	
<b>Royalty Value Prior to Allowances</b>	693.75	-17.50
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	693.75	-17.50
<b>Payment Method Code</b>	5	5

**EXAMPLE**

**Transaction code 12.** The following example shows how to report a tax credit based on **value**.

**Assumptions:**

- The MMS-converted lease number is 607-895376-0.
- Your sale occurred in October 2002.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,110 Btu/cu.ft. You sold 2,220 MMBtu. The contract price is \$2.50/MMBtu.
- The tax credit is 6 1/2 percent.
- The royalty rate is 12 1/2.
- You pay by check to MMS for BIA.

**Royalty value calculation:**

$$\begin{aligned} \text{sales value} \times \text{tax credit} \times \text{royalty rate} &= \text{royalty value} \\ \$5550.00 \times 0.125 \times 0.065 &= 45.09 \text{ (report as a negative value)} \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS 2014 Fact Sheet

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	6078953760	6078953760
<b>MMS Agreement Number</b>		
<b>Product Code</b>	04	04
<b>Sales Type Code</b>	ARMS	ARMS
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	12
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	2000.00	
<b>Gas MMBtu</b>	2220.00	
<b>Sales Value</b>	5550.00	
<b>Royalty Value Prior to Allowances</b>	693.75	-45.09
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	693.75	-45.09
<b>Payment Method Code</b>	5	5



4.9 **Reimbursements**

This section provides instructions and examples for transaction codes 14, 53, and 54.

4.9.1 **Transaction Code 14, Tax Reimbursement Payment**

Use this transaction code when sales of production from Federal or Indian leases, communitization agreements, or units are subject to State and/or local severance or ad valorem taxes. A seller receives a tax reimbursement whenever the sales contract requires the purchaser to reimburse the seller for taxes paid or when the sales contract requires the purchaser to pay the taxes directly **for the benefit of the lessee**. MMS considers tax reimbursements as part of gross proceeds accruing to the lessee. Even though the Federal or Indian interest is exempt from taxation, tax reimbursements are royalty bearing. Report the corresponding royalty transaction line, net of the tax reimbursement. Royalty payments on tax reimbursements are due no later than the end of the month following the month when the reimbursements are received or when the reimbursements are due and payable in accordance with contract terms, whichever is earlier. Report a separate line for tax reimbursement (transaction code 14).

Report transactions that include reimbursements as a two-line entry on Form MMS-2014. Use the first line to report the sale at the stated price for the product. Use the second line to report the reimbursement, as a positive value.

**Description of fields you use on Form MMS-2014 for transaction code 14:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.

Field (continued)	Description (continued)
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the month/year in which the tax reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>14</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes: oil and gas leases: 10, 15, 17, and 35, geothermal leases: 26 and 31.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  If the tax reimbursement is based on volume, then this field equals the sales volume multiplied by the tax rate and multiplied again by the royalty rate.  If the tax reimbursement is based on value, then this field equals the royalty value reported on the corresponding royalty transaction line multiplied by the tax rate percentage.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	If the tax reimbursement is based on volume, then this field equals the sales volume multiplied by the tax rate and multiplied again by the royalty rate.  If the tax reimbursement is based on value, then this field equals the royalty value reported on the corresponding royalty transaction line multiplied by the tax rate percentage.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 14.** The following example shows how to report a tax reimbursement.

**Assumptions:**

- You owe a State severance tax on production from a communitized area that contains Federal lease 143-987654-0.
- Lease 143-987654-0 receives a 25 percent allocation under the communitization agreement.
- The product is unprocessed gas, product code 04. You produced and sold 20,000 Mcf. The gas heating value is 1,200 Btu/cu.ft. You sold 24,000 MMBtu. The contract price is \$2.50/MMBtu.
- The tax is based on a charge of \$0.02/Mcf.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} &\text{sales volume} \times \text{agreement allocation} \times \text{tax charge} \times \text{royalty rate} = \\ &\text{royalty value} \\ &20,000 \times 0.25 \times 0.02 \times 0.125 = \$12.50 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	1439876540	1439876540
<b>MMS Agreement Number</b>	8780123400	8780123400
<b>Product Code</b>	04	04
<b>Sales Type Code</b>	ARMS	ARMS
<b>Sales MO/YR</b>	102002	102002
<b>Transaction Code</b>	01	14
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	5000.00	
<b>Gas MMBtu</b>	6000.00	
<b>Sales Value</b>	15000.00	
<b>Royalty Value Prior to Allowances</b>	1875.00	12.50
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	1875.00	12.50
<b>Payment Method Code</b>	3	3

4.9.2

### **Transaction Code 53, Effluent Injection Reimbursement**

Transaction code 53 applies only to geothermal reporting. Use this transaction code to report royalties due on any payments (or reimbursements) you receive, or are legally entitled to receive, for injection into the subsurface of power plant effluent (such as steam condensate), unused geothermal fluids, or other fluids. Effluent and other fluid injection is usually done to maintain reservoir pressure but may also be done for disposal purposes. Payments for effluent and other fluid injection are part of your gross proceeds and therefore are royalty bearing.

Report the corresponding royalty transaction line, net of the payment or reimbursement. Report a separate line for transaction code 53.

Royalties on payments for effluent and other fluid injection are due no later than the end of the month following the month when the payments are received or when the payments are due and payable in accordance with contract terms, whichever is earlier.

#### **Description of fields you use on Form MMS-2014 for transaction code 53:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the month/year in which the payment or reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>53</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.
	Applicable adjustment reason codes: geothermal leases: 26 and 31.
	For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Enter the volume of the geothermal resource you report and pay royalties on; for example, kWh, thousands of pounds, MMBtu, or hundreds of gallons. The reported sales volume depends on your valuation method; see the <i>Geothermal Payor Handbook—Product Valuation</i> for instruction and examples of reporting sales volume.
Gas MMBtu	Not used
Sales Value	Enter the payment or reimbursement amount.

<b>Field (continued)</b>	<b>Description (continued)</b>
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the sales value multiplied by the lease royalty rate.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the sales value multiplied by the lease royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 53.** For an example of how to report royalties due on payments or reimbursements you receive for injection of power plant effluent or other fluids, see [page 7-20](#).

4.9.3

### ***Transaction Code 54, Geothermal Field Operations Reimbursement***

Transaction code 54 applies only to geothermal reporting. Use this transaction code to report royalties due on any payments (or reimbursements) you receive, or are legally entitled to receive, for field operations and maintenance, exclusive of effluent and other fluid injection. Field operations and maintenance include, but are not limited to, drilling or workover of wells, production activities, gathering, measurement, separation, road maintenance, and security. Payments for field operations and maintenance are part of your gross proceeds and therefore are royalty bearing.



4. Reporting Instructions by Transaction Code

Report the corresponding royalty transaction line net of the payment or reimbursement. Report a separate line for transaction code 54.

Royalties on payments for geothermal field operations are due no later than the end of the month following the month when your payments are received or when your payments are due and payable in accordance with contract terms, whichever is earlier.

**Description of fields you use on Form MMS-2014 for transaction code 54:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see <a href="#">Appendix C</a> .
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see <a href="#">Appendix D</a> .
Sales Month/Year	Enter the month/year in which the payment or reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>54</b> .

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes: geothermal leases: 26 and 31.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Enter the volume of the geothermal resource you report and pay royalties on; for example, kWh, thousands of pounds, MMBtu, or hundreds of gallons. The reported sales volume depends on your valuation method; see the <i>Geothermal Payor Handbook—Product Valuation</i> for instruction and examples of reporting sales volume.</p>
Gas MMBtu	Not used
Sales Value	<p>Enter the payment or reimbursement amount.</p>
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the sales value multiplied by the lease royalty rate.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

4. Reporting Instructions by Transaction Code

<b>Field (continued)</b>	<b>Description (continued)</b>
Royalty Value Less Allowances	Enter the sales value multiplied by the lease royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 54.** For an example of how to report royalties due on any payments or reimbursements you receive for field operations, see [page 7-13](#).

4.10 **Fees**

This section provides instructions and examples for transaction codes 16, 17, 18, and 19.

4.10.1 **Transaction Code 16, Well Fees**

Use this transaction code to report and pay well fees. Lease and contract terms may require you to report and pay fees on wells located on certain Federal and Indian leases.

**Description of fields you use on Form MMS-2014 for transaction code 16:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year of the lease anniversary date. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>16</b> .

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the amount of the well fee.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of the well fee.
Payment Method Code	<p>Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a>.</p>

**EXAMPLE**

**Transaction code 16.** The following example shows how to report and pay well fees.

**Assumptions:**

- The well fee is \$5,000.00/year.
- The MMS-converted lease number is 054-000999-0.
- The anniversary date of the lease is October 2002.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0540009990
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	16
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	5000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	5000.00
<b>Payment Method Code</b>	3

4.10.2

**Transaction Code 17, Gas Storage Agreement—Flat Fee**

Use this transaction code to report the flat fee due on Federal and Indian storage agreements.

The Federal Government may charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form MMS-2014.

**Description of fields you use on Form MMS-2014 for transaction code 17:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year that the storage fee is due. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>17</b> .



4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the flat fee amount due.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the flat fee amount due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 17.** The following example shows how to report and pay a storage agreement fee—flat fee.

**Assumptions:**

- The agreement specifies a \$10,000 yearly flat fee.
- The MMS-converted lease number is 890-001333-0.
- The due date is October 2002.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	8900013330
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	17
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	10000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	10000.00
<b>Payment Method Code</b>	3

4.10.3

### **Transaction Code 18, Gas Storage Agreement—Injection Fee**

Use this transaction code to report the injection fee due on Federal and Indian storage agreements.

The Federal Government may also charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form MMS-2014.

#### **Description of fields you use on Form MMS-2014 for transaction code 18:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product is injected. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>18</b> .

4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Enter the total volume of gas injected.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• MMBtu (1 MMBtu = 1 decatherm)</li> </ul>
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the result of the sales volume, multiplied by the Federal or Indian mineral ownership interest, and multiplied again by the injection fee per MMBtu.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field (continued)	Description (continued)
Royalty Value Less Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest and multiplied again by the injection fee per MMBtu.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 18.** The following example shows how to report and pay an injection fee.

**Assumptions:**

- The MMS-converted lease number is 187-001333-0.
- You inject in October 2002.
- You inject 10,000 MMBtu.
- The Federal interest is 50 percent.
- The injection fee is \$0.0025/MMBtu.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{Federal interest} \times \text{injection fee} &= \text{royalty value} \\ 10,000 \text{ MMBtu} \times 0.50 \times \$0.0025/\text{MMBtu} &= \$12.50 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	1870013330
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	18
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	10000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	12.50
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12.50
<b>Payment Method Code</b>	3

4.10.4

### **Transaction Code 19, Gas Storage Agreement—Withdrawal Fee**

Use this transaction code to report the withdrawal fee due on Federal and Indian storage agreements.

The Federal Government may charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form MMS-2014.

#### **Description of fields you use on Form MMS-2014 for transaction code 19:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product was withdrawn. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>19</b> .



4. Reporting Instructions by Transaction Code

Field (continued)	Description (continued)
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see <a href="#">Chapter 6</a>. For a list of adjustment reason codes, see <a href="#">Appendix F</a>.</p>
Sales Volume	<p>Enter the total volume of gas withdrawn.</p> <p>Units of measurement are not reported on Form MMS-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• MMBtu (1 MMBtu = 1 decatherm)</li> </ul>
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>This is an optional field that may be completed or left blank.</p> <p>Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest and multiplied again by the withdrawal fee per MMBtu.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field (continued)	Description (continued)
Royalty Value Less Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest and multiplied again by the withdrawal fee per MMBtu.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 19.** The following example shows how to report and pay a withdrawal fee.

**Assumptions:**

- The MMS-converted lease number is 890-001333-0.
- You withdraw production in October 2002.
- You withdraw 2,000 MMBtu.
- Withdrawal fee is 0.01/MMBtu.
- The Federal interest is 50 percent.
- You pay by EFT to MMS.

**Royalty value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{Federal interest} \times \text{withdrawal fee} &= \text{royalty value} \\ 2,000 \text{ MMBtu} \times 0.50 \times \$0.01/\text{MMBtu} &= \$10.00 \end{aligned}$$

The information reported on Form MMS-2014 is shown on the following fact sheet.

4. Reporting Instructions by Transaction Code

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	8900013330
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102002
<b>Transaction Code</b>	19
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	2000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	10.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	10.00
<b>Payment Method Code</b>	3

## 4.11 Quality and/or Gravity Bank Adjustment

This section provides instructions and examples for transaction code 13.

### 4.11.1 **Transaction Code 13, Quality and Gravity Adjustments**

Use this transaction code to report adjustments that reflect the difference in quality (gravity and/or sulfur) between the oil measured at the approved point of royalty settlement and the common stream quality of the pipeline. Quality adjustments may include payments made from or to a gravity and/or sulfur bank.

If you receive payments from the pipeline, you must send the payment to MMS and report it as a positive value on Form MMS-2014. If you incur charges, you should report the payments made to the pipeline as a negative value in order to receive credit.

You must report quality bank adjustments as a separate entry (TC 13) for each applicable lease or agreement on Form MMS-2014. You must base quality bank adjustments on actual adjustments incurred between the approved point of royalty settlement for the lease or agreement and the designated delivery point. If the designated delivery point and the approved point of royalty settlement are at the same point, a quality bank adjustment is allowed.

If operators are directed by MMS to transport and deliver royalty production to a purchaser downstream of the OMM/BLM approved royalty measurement point, the operator or its designee may report a transportation allowance (TC 11) on Form MMS-2014 to compensate for the actual, reasonable costs of shipment and are required to report quality bank adjustments (TC 13) paid for or compensated for because of quality differences between the lease production and the delivered production.

For Royalty In Kind properties, if operators are directed by MMS to transport and deliver royalty production to a purchaser downstream of the OMM/BLM approved royalty measurement point, the operator or its designee may report quality bank adjustments for (TC 13) on Form MMS-2014 to compensate for the actual quality bank adjustments for

production taken in kind by MMS paid for or compensated for because of quality differences between the lease production and the delivered production.

**Description of fields you use on Form MMS-2014 for transaction code 13:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Enter if required.
MMS Agreement Number	Enter the MMS-converted agreement number if you are reporting quality (gravity and/or sulfur) banks attributable to an agreement.
Product Code	Enter product code 01 <b>or</b> 02.
Sales Type Code	Not Used.
Sales Month/Year	Enter the applicable month/year for the quality (gravity and/or sulfur) adjustment. Use the MMCCYY format; for example, enter October 2003 as 102003.
Transaction Code	Enter <b>13</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  Applicable adjustment reason codes are 10 and 17.  For instructions on how to make an adjustment, see <a href="#">Chapter 6</a> . For a list of adjustment reason codes, see <a href="#">Appendix F</a> .
Sales Volume	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.
	Enter the quality (gravity and/or sulfur) bank adjustment.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the quality (gravity and/or sulfur) bank adjustment.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 13.** The following example shows how to report and make payments or credits.

**Assumptions:**

- The MMS-converted lease number is 054-002988-0.
- The operator shipped the oil in October 2003 to a designated RIK delivery point downstream of the approved OMM/BLM royalty measurement point.
- The product is crude oil, product code 01. You produced 200 bbl of royalty oil with an API gravity of 30.5.
- The common stream API gravity at the receipt point is 31 degrees.
- Since your gravity is not as high as the common stream gravity, you must pay into the quality bank using the formula defined by the pipeline. You are invoiced by the pipeline for \$0.20/bbl.

4. Reporting Instructions by Transaction Code

**Royalty value calculation:**

sales volume × pipeline charge per barrel = royalty value  
200 bbl × \$0.20/bbl = \$40.00

**Form MMS 2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0540029880
<b>MMS Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales MO/YR</b>	102003
<b>Transaction Code</b>	13
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	40.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	40.00
<b>Payment Method Code</b>	3



4.12 **Reporting Interest (Federal Oil and Gas Only)**

This section provides instructions and examples for transaction codes 21 and 22.

4.12.1 **Transaction Code 21, Interest Amount Due MMS**

Use this transaction code to report interest that you owe to MMS. This amount will always be positive, and the sales month must be January 1997 or later. If the interest is related to an insufficient estimate, use adjustment reason code 71. If the interest is related to an audit (compliance review), use adjustment reason code 72. For all other interest report lines, use either zeros or spaces for the adjustment reason code.

For detailed instructions for calculating the amount of interest to report, see [Chapter 5](#).

**Description of fields you use on Form MMS-2014 for transaction code 21:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>21</b> .
Adjustment Reason Code	Leave this field blank for reporting interest on royalty adjustments, late royalties, late rents, late minimum royalties, and late advance royalties.  Enter <b>71</b> for reporting interest on insufficient estimate balances.  Enter <b>72</b> for reporting interest on audit (compliance review) related adjustments.
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the amount of interest due MMS. (For instructions on calculating the correct amount of interest, see <a href="#">Chapter 5</a> .)
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of interest due MMS. (For instructions on calculating the correct amount of interest, see <a href="#">Chapter 5</a> .)

**EXAMPLE**

4.12.2

<b>Field (continued)</b>	<b>Description (continued)</b>
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**Transaction code 21.** For an example of how to report interest that you owe to MMS, see [Reporter owes interest to MMS on page 5-20](#).

**Transaction Code 22, Interest Amount Owed to Payor**

Use this transaction code to report interest that MMS owes you. This amount will always be negative, and the sales month must be January 1997 or later. If the interest is related to an oversufficient estimate, use adjustment reason code 71. If the interest is related to an audit (compliance review), use adjustment reason code 72. For all other interest report lines, use either zeros or spaces for the adjustment reason code.

For detailed instructions for calculating the amount of interest to report, see [Chapter 5](#).

**Description of fields you use on Form MMS-2014 for transaction code 22:**

<b>Field</b>	<b>Description</b>
MMS Lease Number	Enter the MMS-converted 10-digit lease number.
API Well Number	Not used
MMS Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used

<b>Field (continued)</b>	<b>Description (continued)</b>
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2002 as 102002.
Transaction Code	Enter <b>22</b> .
Adjustment Reason Code	Leave this field blank for reporting interest on downward adjustments of royalty, rent, minimum royalties, and advance royalties.  Enter <b>71</b> for reporting interest on oversufficient estimate balances.  Enter <b>72</b> for reporting interest on downward audit (compliance review) related adjustments.
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	This is an optional field that may be completed or left blank.  Enter the amount of interest that MMS owes you as a negative value. (For instructions on calculating the correct amount of interest, see <a href="#">Chapter 5</a> .)
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

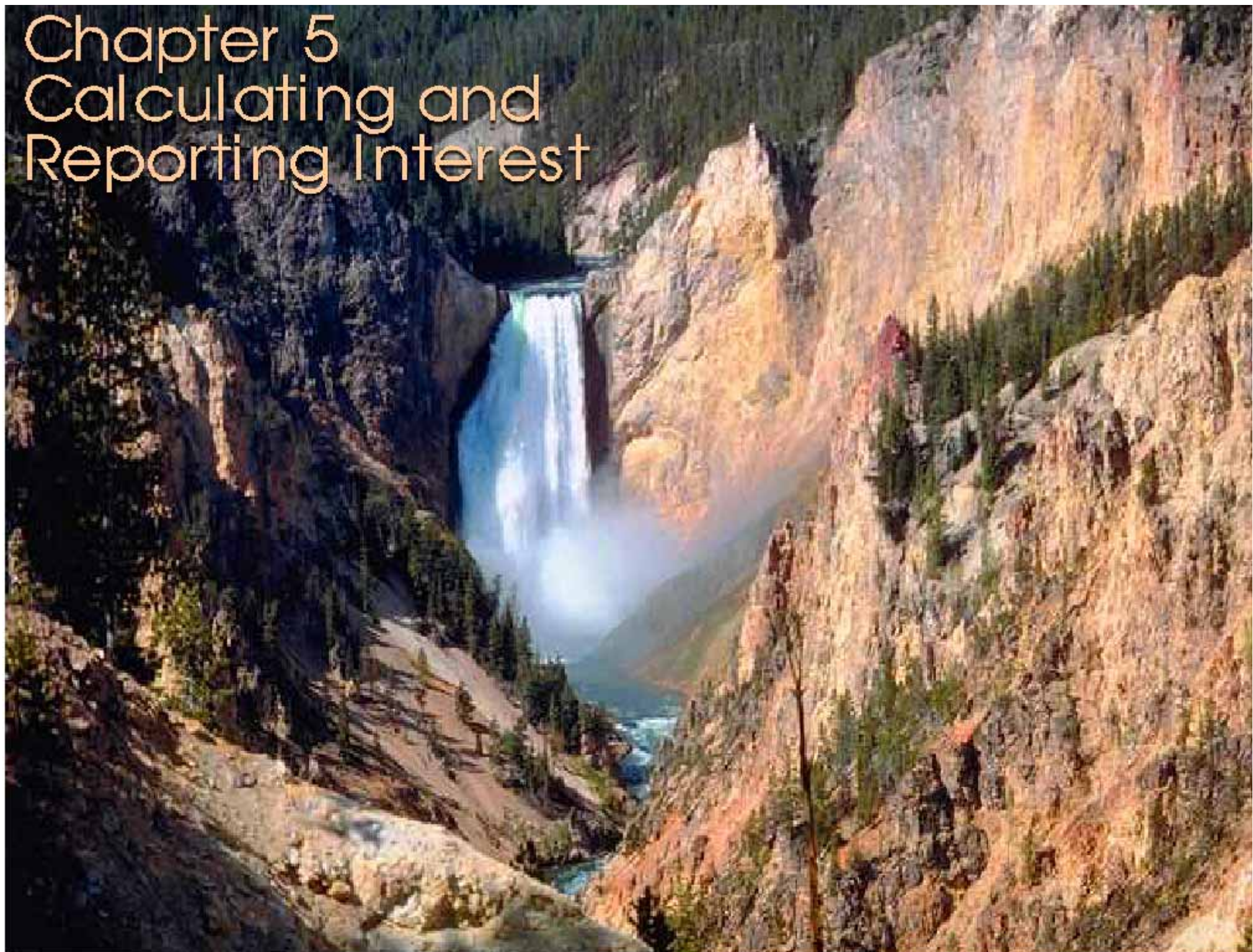
4. Reporting Instructions by Transaction Code

<b>Field (continued)</b>	<b>Description (continued)</b>
Royalty Value Less Allowances	Enter the amount of interest that MMS owes you as a negative value. (For instructions on calculating the correct amount of interest, see <a href="#">Chapter 5</a> .)
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see <a href="#">Appendix G</a> .

**EXAMPLE**

**Transaction code 22.** For an example of how to report interest that MMS owes you, see [MMS owes interest to the Reporter on page 5-18](#).

# Chapter 5 Calculating and Reporting Interest



# Chapter 5

## Calculating and Reporting Interest For Federal Oil and Gas Leases

This chapter addresses how to report interest under RSFA, and identifies how RSFA changes may affect the way you calculate and report on Form MMS-2014.

### NOTE

*These instructions apply only to Federal oil and gas leases; it does not apply to solid mineral, geothermal, or Indian leases.*

5.1

### Effects of RSFA Changes on Interest Reporting

RSFA requires MMS to pay interest on Federal oil and gas royalty overpayments made on or after February 13, 1997, for production months September 1996 and later. RSFA does not apply to production months before September 1996.

RSFA also allows you to report interest on royalty overpayments and underpayments at the same time you report royalty adjustments on Form MMS-2014.

The option to report interest applies solely to Federal oil and gas leases for sales months January 1997 and later. You cannot report interest for Indian leases on Form MMS-2014.

## 5.2 Interest Liability

We will assess interest for late payments or insufficient estimate payments received after the payment due date for Federal and Indian leases.

Effective January 2, 2000, for Indian leases located in non-index zones, late payment interest on any major portion true up reporting will not begin to accrue until the published major portion true up date.

## 5.3 Avoiding Late Payment Interest

To avoid late payment interest on royalties, rents, minimum royalty, advance royalty, and deferred bonus transactions, you must submit and pay timely royalty documents and/or courtesy notices.

### NOTE

*Current late payment interest rates are posted at the MMS website. See [Appendix A](#) for the address.*

## 5.4 Overpayment Interest

If you submit an overpayment or an estimate payment that exceeds actual royalties paid, you may receive interest. RSFA requires MMS to pay interest on overpayments for Federal oil and gas leases for sales months January 1997 and later. MMS does not pay interest on Indian leases; interest due the reporter is found only on Federal interest invoices (INTs).

For the purpose of calculating interest owed to you, overpayments are the result of net negative adjustment totals on previously reported sales months on Form MMS-2014. We consider reporting the downward adjustment on the Form MMS-2014 notice that an overpayment was made, and the financial accounting system calculates interest from the sales month due date to the receipt date of the Form MMS-2014 with the adjusting entry. For example, if you originally reported \$1000 in royalties for a given lease and



sales month and subsequently adjust the royalties down to \$900, you may receive interest on the \$100 overpayment. RSFA also establishes that the interest rate at which we pay interest is 1 percent less than the interest rate at which MMS charges interest.

**NOTE**

*Current overpayment interest rates are posted at the MMS website. See [Appendix A](#) for the address.*

5.5

## Interest Reporting Requirement

RSFA encourages you to report your own interest. However, if you do not report interest on your Form MMS-2014, we assume you have determined that interest reporting is a hardship for your company.

5.6

## Interest Statements from MMS

If you do not report interest, we compute interest and notify you of any interest owed to you or to MMS on an interest statement (see [Figure 5-1 on page 5-4](#) for an example of an interest statement and its accompanying reports). The statement shows the interest for each lease and sales month adjusted and/or paid late on your Form MMS-2014. The statement contains totals for interest that MMS owes you and for interest you owe MMS. It also includes a total showing the net difference between interest owed and owing. A letter accompanying the statement explains the options available to you.

If you have questions concerning your interest statement or what the current rates are, we encourage you to call us. (For contact information, see [Appendix A](#).)

**Assessment codes on the interest statement.** [Figure 5-1](#) shows a typical interest statement with assessment codes and back up pages which include the remittance, invoice, interest schedule, estimate exception bill detail, and late payment allocation.

<b>U. S. Department of the Interior Minerals Management Service</b>	
<b>Please Remit To:</b>	FED0A
Minerals Management Service	Page: 1
Minerals Revenue Management	Invoice No.: INT100000100
P. O. Box 5810	Invoice Date: 05/14/2003
Denver, CO 80217-5810	Customer Number: 44444
<b>REMITTANCE</b>	
	<b>TOTAL AMOUNT DUE: 2,509.33</b>
<b>Customer:</b>	
XYZ Oil & Gas	
Attn: Dave David	
P. O. Box 34560	
Denver, CO 80202-4560	
For billing questions, please call	1-800-433-9801 EXT 1111

**FIGURE 5-1. Example of Interest Statement (INT)**

<b>Please Remit To:</b> Minerals Management Service Minerals Revenue Management P. O. Box 5810	<b>U. S. Department of the Interior</b> <b>Minerals Management Service</b>	Page: FED01 1 Invoice No.: INT100000100 Invoice Date: 05/14/2003 Customer No: 44444 Due Date: 06/30/2003				
<b>Customer:</b> XYZ Oil & Gas Company Attn: Dave David P. O. Box 34560 Denver, CO 80202-4560	<b>INVOICE</b>	<b>TOTAL AMOUNT DUE: 2,509.33</b>				
For billing questions, please call 1-800-433-9801 EXT 3613						
Description	MMS Lease No.	Line Agency Lease	Document ID PAD Number	Sales Date Lease Name	Receipt Date	Amount Due
PLEASE READ THE LETTER ENCLOSED WITH THIS INTEREST STATEMENT. IT EXPLAINS HOW YOU CAN APPLY THE AMOUNT OF INTEREST MMS OWES YOU TO ANOTHER ROYALTY OBLIGATION, OR REQUEST A REFUND.						
Interest on Estimates	0540106550	2 OCS-G 10655	ESTIMATE	01/2003	03/28/2003	9.03
Interest on Estimates	0540106050	1 OCS-G 10605	ESTIMATE	01/2003	03/28/2003	(9.31)
Interest on Royalty	0540012550	3 OCS-G 1255	ROY100000123	11/2002	04/15/2003	1,505.18
Interest on Royalty	0540012550	4 OCS-G 1255	ROY100000123	12/2002	04/15/2003	862.87
Interest on Royalty	0540012550	5 OCS-G 1255	ROY100000123	11/2002	04/15/2003	479.44
Interest on Royalty	0540012550	6 OCS-G 1255	ROY100000123	12/2002	04/15/2003	280.73
Interest on Royalty	0540001250	7 OCS-G 0125	ROY100000155	09/2001	12/31/2002	(618.61)
<b>SUBTOTAL</b>						<b>2,509.33</b>
<b>TOTAL AMOUNT DUE:</b>						<b>2,509.33</b>

INT

Original

**FIGURE 5-1. Example of Interest Statement (INT) (continued)**

U. S. Department of the Interior  
 Minerals Management Service  
 Minerals Revenue Management

Report ID: ZEPRPT01

Page No. 1  
 Run Date 05/03/2003  
 Run Time 15:26:45

Business Unit : FED01 Invoice : INT100000100  
 Dist Code : 0 Customer: 44444 XYZ Oil & Gas

Interest Schedule

Line Nbr	Reference Doc ID	Lease No.	Pre Sale Dt. Pttm	Roy/Bill Amount	Receipt Date	Ass Cd	Est Ind	Due Date	Payment Date	Assessment Base	Accumulated Assessment	From Dt.	To Dt.	Days	Int. Rate	Amount Due
1		0540106050	01/2003	763.19	03/28/03	INTES	Y	02/28/03		-2,736.81	-2,736.81	02/28/03	03/31/03	31	0.0400	-9.31
																9.31
																-9.03
2		0540106550	01/2003	2,850.30	03/28/03	INTES	Y	02/28/03		2,350.30	2,350.30	02/28/03	03/28/03	28	0.0500	9.03
																-9.03
3	ROY100000123	0540012550	11/2002	142,230.68	04/15/03	LPROY	Y	12/31/02	04/10/03	109,135.09	109,135.09	12/31/02	04/10/03	100	0.0500	1,505.18
																862.87
4	ROY100000123	0540012550	12/2002	118,420.00	04/15/03	LPROY	Y	01/31/03	04/10/03	90,864.91	90,864.91	01/31/03	04/10/03	69	0.0500	862.87
																479.44
5	ROY100000123	0540012550	11/2002	142,230.68	04/15/03	LPROY	Y	12/31/02	04/15/03	33,095.59	33,095.59	12/31/02	04/15/03	105	0.0500	479.44
																280.73
6	ROY100000123	0540012550	12/2002	118,420.00	04/15/03	LPROY	Y	01/31/03	04/15/03	27,555.09	27,555.09	01/31/03	04/15/03	74	0.0500	280.73
																-100.77
7	ROY100000155	0540001250	09/2001	-10,000.00	12/31/02	LPROY	Y	10/31/01		-10,000.00	-10,000.00	10/31/01	12/31/01	61	0.0600	-100.77
																-517.84
																-618.61
												Total interest for Invoice		INT100000100	2,509.33	

FIGURE 5-1. Example of Interest Statement (INT) (continued)

U. S. Department of the Interior  
 Minerals Management Service  
 Minerals Revenue Management  
 Estimate Exception Bill Details

Report ID: ZEPRT06

Unit : FED01 Invoice : INT100000100  
 Customer: 44444 XYZ Oil & Gas

Contract	Sale Dt	Document	Line	Receipt dt	Prod Cd	Trans Cd	Royalty Amt	Estimate Amt	Variance
Line No. : 1		Lease No. : 0540106050							
<b>Beginning Balance</b>								3,000.00	
0540106050	01/31/2003	ROY100000123	00000001	02/28/2003		03		500.00	
<b>Ending Balance</b>								3,500.00	
0540106050	01/31/2003	ROY100000123	00000001	03/28/2003	04	01	763.19		
<b>Line Total</b>								763.19	
								3,500.00	-2,736.81
Line No. : 2		Lease No. : 0540106550							
<b>Beginning Balance</b>								500.00	
*** No Activity ***									
<b>Ending Balance</b>								500.00	
	31-Jan-2003								
0540106550	01/31/2003	ROY10001233	00000006	03/28/2003	04	01	872.50		
0540106550	01/31/2003	ROY10001233	00000007	03/28/2003	01	01	1,977.80		
<b>Line Total</b>								2,850.30	
								500.00	2,350.30

FIGURE 5-1. Example of Interest Statement (INT) (continued)

U. S. Department of the Interior  
 Minerals Management Service  
 Minerals Revenue Management

Report ID: ZEP RPT03

Late Payment Allocation

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 Run Date 05/03/2003  
 Run Time 15:26:45

Business Unit : FED01 Invoice : INT100000100  
 Dist Code: Customer: 44444 XYZ Oil & Gas  
 Document: ROY100000123 Receipt Date: 04/15/2003

Total Amount: 260,650.68

BUSINESS UNIT	CUSTOMER	DISTRIBUTE	ITEM	ITEM -LINE	
FED01	12345		DB83HH13	1	
PAYMENT ID: 887755	RECEIPT DATE:	04/10/2003			APPLIED AMOUNT: \$ 200,000.00

LEASE NUMBER	GEO	SALES	TRAN		EST	INT	ACCEPTED AMOUNT	ALLOCATED AMOUNT
	IND	MONTH	CODE	ARC	DUE DATE	IND	IND	
054-001255-0	N	11/2002	01		12/31/2002	Y	Y	\$ 142,230.68
054-001255-0	N	12/2002	01		01/31/2003	Y	Y	\$ 118,420.00
								\$ 260,650.68
								\$ 200,000.00
								\$ 200,000.00

PAYMENT ID: 886644 RECEIPT DATE: 04/15/2003 APPLIED AMOUNT: \$ 60,650.68

LEASE NUMBER	GEO	SALES	TRAN		EST	INT	ACCEPTED AMOUNT	ALLOCATED AMOUNT
	IND	MONTH	CODE	ARC	DUE DATE	IND	IND	
054-001255-0	N	11/2002	01		12/31/2002	Y	Y	\$ 142,230.68
054-001255-0	N	12/2002	01		01/31/2003	Y	Y	\$ 118,420.00
								\$ 260,650.68
								\$ 60,650.68
								\$ 60,650.68
								\$ 260,650.68
								\$ 260,650.68

FIGURE 5-1. Example of Interest Statement (INT) (continued)

U. S. Department of the Interior  
 Minerals Management Service  
 Minerals Revenue Management

Late Payment Allocation

Report ID: ZEPRT03

Page No. 2  
 Run Date 05/03/2003  
 Run Time 15:26:45

Business Unit : FED01 Invoice : INT100000100  
 Dist Code: Customer: 44444 XYZ Oil & Gas  
 Document: ROY100000155 Receipt Date: 04/15/2003

Total Amount: -10,000.00

BUSINESS UNIT	CUSTOMER	DISTRIBUTE	ITEM	ITEM -LINE			
FEDD01	44444		CR07HH14	1			
PAYMENT ID:	RECEIPT DATE:		12/31/2002			APPLIED AMOUNT:	\$ -10,000.00

LEASE NUMBER	GEO IND	SALES MONTH	TRAN CODE	ARC	DUE DATE	EST IND	INT IND	ACCEPTED AMOUNT	ALLOCATED AMOUNT
054001250	N	09/2001	01		1010/31/2001	Y	Y	\$ -10,000.00	\$ -10,000.00
								SUBTOTAL:	\$ -10,000.00
								TOTAL:	\$ -10,000.00
								ITEM TOTAL:	\$ -10,000.00
								DOCUMENT TOTAL:	\$ -10,000.00

FIGURE 5-1. Example of Interest Statement (INT) (continued)

5.7

## Basic Requirements for Reporting Interest

Report interest on the same Form MMS-2014 that you use to report the related late or adjusting royalty report lines. Reporting interest on the same Form MMS-2014 as the late or adjusting entry allows us to match up the principal for which the interest is due with the associated interest line so we can verify the calculation. If your reported calculations are correct, the lines simply pass through the financial accounting system processing. If we find a discrepancy between the amount you calculated and the amount we calculated, we will send you an INT statement. (This statement shows you the differences between each of your reported interest calculations and each of our interest calculations. We assess or pay the sum of the differences).

Report the MMS lease number, sales month, transaction code, adjustment reason code when applicable, royalty value less allowances, and payment method.

To report an interest line:

- **If you owe MMS interest**, use transaction code 21 and report a positive amount in the royalty value less allowances field.
- **If MMS owes you interest**, use transaction code 22 and report a negative amount in the royalty value less allowances field. The sales month must be January 1997 or later.
- **If the interest is related to an estimate**, report adjustment reason code 71.
- **If the interest is related to a compliance review**, report adjustment reason code 72. Use this adjustment reason code when interest applies to overpayments or underpayments discovered during a compliance review and you choose to report interest payments or recoupments on Form MMS-2014.
- **If the interest is related to a marginal property true-up adjustment**, report adjustment reason code 15.
- **For all other interest report lines** use either zeros or spaces for the adjustment reason code.



**NOTE**

*Adjustment reason codes 71 and 72 can be reported only with transaction codes 21 or 22.*

After you have reported your own interest on a Form MMS-2014, you will never make a correcting entry because any discrepancies between what you report and what we calculate will be billed on an interest invoice. This means that adjustment reason codes 71 and 72 are not used to make adjusting entries but are used only to tell what kind of interest is being reported.

For a summary of interest calculation and reporting information for Form MMS-2014, see [Table 5-1 on page 5-22](#) .

## 5.7.1

***Limitations on Overpayment Interest***

We will not pay interest on excessive overpayments (including estimate balances) made for the purpose of receiving interest. The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 defines excessive overpayment as that amount by which the total overpayments for a given report month exceed 10 percent of the royalties paid that month, excluding payments for obligations determined to be due as a result of judicial or administrative proceedings or agreed to be paid for settlement agreements.

If you have an excessive estimate balance, you need to adjust those balances to reflect current production. If you are no longer paying on a lease that has an estimate balance, you must either move the estimate balance to another lease, or reduce the estimate balance to take a credit. If you have questions about your estimate balances, contact us at the telephone number listed in [Appendix A](#).

5.8

## Calculating Interest

**For interest you owe MMS**, calculate that interest from the due date of the sales month you are adjusting to the date we receive your payment.

**For interest MMS owes you**, calculate that interest from the due date of the sales month you are adjusting (without regard to an extended due date because of an estimate) to the date we receive your Form MMS-2014 recouping the overpayment.

Use the rates established by the Internal Revenue Code, 26 United States Code (U.S.C.) 6621(a)(1) and (2) (Supp. 1987). The overpayment interest rate is currently 1 percentage point less than the underpayment interest rate.

Both rates are compounded daily. The interest rate table is updated quarterly on our website. You may also call to obtain a copy. (For the website address and telephone number, see [Appendix A.](#))

We use the following formula to calculate interest:

$$I = A \left[ \left( 1 + \frac{R}{N} \right)^n - 1 \right]$$

I = Interest amount

A = Assessment amount

R = Interest rate in decimal format

N = Number of days in the year (365 or 366)

n = Number of days in the period

(n is an exponent)

You can use this formula in a spreadsheet program, such as Excel or Lotus, to calculate the interest you owe us or the interest we owe you.

**NOTE**

*If you report the interest MMS owes you, you must also report the interest you owe MMS and vice versa. You cannot choose one without the other.*

Instructions on rounding and how to account for a time period containing changes in the interest rate are located on our website. (For the website address, see [Appendix A.](#))

5.8.1

***Insufficient Estimate Interest (Federal and Indian INT)***

We calculate insufficient estimates at the lease level. We show interest calculated on the insufficiency on an INT when Federal or Indian leases are involved. We include a report, the Estimate Exception Bill Details report ([Figure 5-1 on page 5-7](#)) with the invoice we mail to you showing how we determined the insufficiency.

You owe interest for insufficient estimates if actual royalties reported during the extended estimate period exceed the estimate you previously submitted for the lease. We define the extended estimate period as the time period the sales month's due date is extended because of an estimate. For example, for the sales month of January 2003, royalties were due on February 28, 2003. If you previously had reported an estimate, the extended due date is March 31, 2003. The extended estimate period is one calendar month, in this case the month of March 2003.

We calculate insufficient estimate interest only on the insufficient portion for the number of days you actually use in the extended estimate period (the number of days in the extended estimate period or fewer if you submit the payment before the end of the extended estimate period). For example, suppose you have an estimate of \$100 on a lease for January 2003. On March 20, 2003 you report royalties of \$300. You would owe insufficient estimate interest on \$200 (\$300 reported less \$100 estimate) for 20 days (March 1, 2003 through March 20, 2003).

**EXAMPLE**

**Indian insufficient estimate interest, Indian INT; Federal geothermal and pre-RSFA insufficient estimate interest, Federal INT.** This example shows how to calculate insufficient estimate interest before RSFA.

**Assumptions:**

You established an estimate for a lease for the January 2003 sales month.

Sales month	01/2003
Due date without an estimate	02/28/2003
Due date with an estimate	03/31/2003
Extended estimate period	03/01/2003 – 03/31/2003 (31 days)
Estimate amount filed	\$ 100
Royalty amount reported and paid	<u>\$ 300</u>
Estimate insufficiency	<\$ 200>
If royalties are reported and paid on 03/20/2003	You pay 20 days' insufficient estimate interest on \$200
If royalties are reported and paid on 03/31/2003	You pay 31 days' insufficient estimate interest on \$200
If royalties are reported and paid on 04/14/2003	You pay 31 days' insufficient estimate interest on \$200 and You pay 14 days' late payment interest on \$300

To avoid or minimize insufficient interest assessments:

- Establish an estimate equal to the highest historical sales for the lease, or
- Establish a lesser estimate that can be timely adjusted when you anticipate sales might exceed the estimate.

5.8.2

### ***Federal Insufficient/Oversufficient Estimate Interest (INT)***

Like overpayment interest, oversufficient estimate interest applies only to Federal oil and gas (not geothermal or solid minerals) leases for sales months January 1997 and later. MMS does not pay oversufficient estimate interest on Indian leases, so oversufficient estimate interest is found only on Federal INTs. MMS pays interest at the overpayment interest rate on the amount the estimate exceeds actual royalties.

The determining factor in the post-RSFA insufficient/oversufficient estimate interest calculation is the date the report was received, not payment receipt date. If we receive the report within the 2nd month after the sales month, we use the reported royalties to determine the insufficient or oversufficient estimate amount on which to calculate interest. If we receive the report after the 2-month window, we consider the entire estimate balance oversufficient, and we calculate and pay interest to the reporter on the estimate balance. We then calculate late payment interest for the time the royalties are late (from the original due date of the sales month to the date the report is paid).

Following are examples of Federal insufficient and oversufficient estimate interest, after RSFA.

**EXAMPLE**

**Federal post-RSFA insufficient estimate interest.** This example shows how to calculate Federal insufficient estimate interest after RSFA.

**Assumptions:**

You established an estimate for a lease for the January 2003 sales month.

Sales month	01/2003
Due date without an estimate	02/28/2003
Due date with an estimate	03/31/2003
Extended estimate period	03/01/2003 – 03/31/2003 (31 days)
Estimate filed	\$100
Royalty reported and paid	300
Estimate insufficiency	<\$200>
If royalties are reported and paid on 03/20/2003 (report month [RM] 03/2003)	You pay 20 days' insufficient estimate interest on \$200
If royalties are reported and paid on 03/31/2003 (RM 03/2003)	You pay 31 days' insufficient estimate interest on \$200
If royalties are reported and paid on 04/14/2003 (RM 04/2003)	We pay 31 days' <u>oversufficient</u> estimate interest on \$100
	and
	You pay 45 days' late payment interest on \$300

**EXAMPLE**

**Federal post-RSFA oversufficient estimate interest.** This example shows how to calculate Federal oversufficient estimate interest after RSFA.

**Assumptions:**

You established an estimate for a lease for the January 2003 sales month.

Sales month	01/2003
Due date without an estimate	02/28/2003
Due date with an estimate	03/31/2003
Extended estimate period	03/01/2003 – 03/31/2003 (31 days)
Estimate filed	\$300
Royalty reported and paid	<u>\$100</u>
Estimate oversufficiency	\$200 or \$300 (depending on when the reporter reports the royalty amount)
If royalties are reported and paid on 03/20/2003 (report month [RM] 03/2003)	We pay 31 days' oversufficient estimate interest on \$200
If royalties are reported and paid on 03/31/2003 (RM 03/2003)	We pay 31 days' oversufficient estimate interest on \$200
If royalties are reported and paid on 04/14/2003 (RM 04/2003)	We pay 31 days' oversufficient estimate interest on \$300
	and
	You pay 45 days' late payment interest on \$100

5.9

## Examples of Reporting Interest Owed to You or to Us

The following examples show how to report an overpayment and an underpayment with related interest.

### EXAMPLE

**MMS owes interest to the reporter.** This example shows how to report when we owe you interest.

#### Assumptions:

- On September 30, 2002, you report and pay \$100,000 on gas for sales month August 2002.
- In December 2002, you determine the line was overpaid by \$20,000.
- On December 31, 2002, you reverse and correct the original \$100,000 line to reflect the correct royalty due, \$80,000.
- On the same Form MMS-2014, you report overpayment interest on \$20,000 from October 1, 2002, to December 31, 2002 (92 days at 5 percent compounded daily). This creates a credit of \$253.63 for the interest amount.
- The overpayment interest rate is 5% for the whole period.

The information reported on Form MMS-2014 is shown on the following fact sheet.

*It should be noted that these entries would not necessarily trigger the 10% excessive overpayment rule. This rule is applied to a payor's total royalty payment to MMS for the month and not to individual leases.*



**Form MMS-2014 Fact Sheet**

Report Date 12/31/2002

**Detail Line**

	<b>Adjustment Line 1</b>	<b>Correcting Line 2</b>	<b>Interest Amount Owed to Payor 3</b>	
<b>Line Number</b>				
<b>API Well Number</b>				
<b>MMS Lease Number</b>	0540088880	0540088880	0540088880	
<b>MMS Agreement Number</b>				
<b>Product Code</b>	04	04		
<b>Sales Type Code</b>	ARMS	ARMS		
<b>Sales MO/YR</b>	082002	082002	082002	
<b>Transaction Code</b>	01	01	22	
<b>Adjustment Reason Code</b>	10	10		
<b>Sales Volume</b>	-400000.00	320000.00		
<b>Gas MMBtu</b>	-410000.00	328000.00		
<b>Sales Value</b>	-800000.00	640000.00		
<b>Royalty Value Prior to Allowances</b>	-100000.00	80000.00	-253.63	
<b>Transportation Allowance Deduction</b>				
<b>Processing Allowance Deduction</b>				
<b>Royalty Value Less Allowances</b>	-100000.00	80000.00	-253.63	
<b>Payment Method Code</b>	3	3	3	Page Total -20253.63
				Report Total -20253.63

**EXAMPLE**

**Reporter owes interest to MMS.** This example shows how to report when you owe us interest.

**Assumptions:**

- In May 2003 and after the adjustment made in the previous example, you determine the correct royalty amount for sales month August 2002 was \$120,000.
- On May 31, 2003, you reverse and correct the December 31, 2002, report line.
- Your December 31, 2002, Form MMS-2014 correction reduced the royalty value to \$80,000 and reported an interest credit on the \$20,000 overpayment from October 1, 2002, to December 31, 2002 of \$253.63. Effectively, this reduced your original royalty payment to \$80,000. Therefore, you now owe interest on \$40,000 from November 1, 2002, to May 31, 2003 (61 days at 6% compounded daily and 151 days at 5% compounded daily).
- Report this interest line on the same Form MMS-2014 used to correct the royalty value to \$120,000.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

Report Date 02/28/2003

**Detail Line**

	<b>Adjustment Line</b>	<b>Correcting Line</b>	<b>Interest Amount Due MMS</b>
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0540088880	0540088880	0540088880
<b>MMS Agreement Number</b>			
<b>Product Code</b>	04	04	
<b>Sales Type Code</b>	ARMS	ARMS	
<b>Sales MO/YR</b>	082002	082002	082002
<b>Transaction Code</b>	01	01	21
<b>Adjustment Reason Code</b>	10	10	
<b>Sales Volume</b>	-320000.00	480000.00	
<b>Gas MMBtu</b>			
<b>Sales Value</b>	-640000.00	960000.00	
<b>Royalty Value Prior to Allowances</b>	-80000.00	120000.00	1,247.46
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	-80000.00	120000.00	1,247.46
<b>Payment Method Code</b>	3	3	3

Page  
Total 41,247.46  
Report  
Total 41,247.46

5.10

## Summary of Interest Calculation and Reporting Information

Table 5-1 provides a quick reference for the basics of calculating and reporting interest on Form MMS-2014.

TABLE 5-1. Summary of interest calculation and reporting information

Reason For Calculating Interest	Interest Calculation Period	Transaction Code	Adjustment Reason Code	Interest Amount
Royalty adjustments, late royalties, late rents, late minimum royalties, late advance royalties	For interest you owe MMS: from the due date of the royalty line to the date MMS receives the <b>payment</b> .	21	00 or blank	Always positive
	For interest MMS owes you: from the due date of the royalty line to the date MMS receives the Form MMS-2014.	22		Always negative
Insufficient estimate balances  See the example on page 5-16.	For interest you owe MMS: from the due date of the 1st month after production to the document receipt date or the due date of the 2nd month after production, whichever comes first.	21	71	Always positive
		22		Always negative
Oversufficient estimate balances  See the example on page 5-17.	For interest MMS owes you: from the due date of the 1st month after production to the due date of the 2nd month after production.	22		Always negative
Compliance review related adjustments	For interest you owe MMS: from the due date of the royalty line to the date MMS receives the <b>payment</b> .	21	72	Always positive
	For interest MMS owes you: from the due date of the royalty line to the date MMS receives the Form MMS-2014.	22		Always negative
Marginal property True-up adjustments	For interest you owe MMS: from the due date of the royalty line to the date MMS receives the <b>payment</b> .	21	15	Always positive
	For interest MMS owes you: from the due date of the royalty line to the date MMS receives the Form MMS-2014.	22		Always negative



# Chapter 6 Adjustments, Recoupments, and Refunds

# Chapter 6

## Adjustments, Recoupments, and Refunds

6.1

### Adjustments

Whenever you submit incorrect data on Form MMS-2014, you must make subsequent adjustments to correct the information. **An adjustment is any correction made on Form MMS-2014 to a previously reported line.** You make adjustments to:

- Pay additional monies,
- Recoup overpaid and overreported amounts, or
- Change information that has no effect on payments.

Adjustments, and the way they are reported, are affected by the lease type (Federal or Indian) and the time period involved.

#### NOTE

*Because of the complexity involved in making adjustments, we encourage you to contact us if you have questions. (For contact information, see [Appendix A.](#))*

You must make adjustments within 6 years from the obligation due date. For example, you must make any adjustments to the September 1996 sales period before the last day of October 2002.

You can adjust overpayments and underpayments discovered during an audit if they exceed the 6-year adjustment period only after a written notice is approved by the Secretary or the applicable delegated State.

**Indian requirements.**

You can make adjustments to a specific Indian lease for any sales month at any time on Form MMS-2014 as long as the **net** effect is an increase or no change in the royalty value amount for that lease. If an adjustment results in a net negative, refer to the recoupment guidance on [page 6-8](#).

**NOTE**

*Effective for production months January 2000 through November 2000, you have time limits to make adjustments to your reported royalty value for Indian leases in Montana and North Dakota. If your royalty valuation does **not include** a non-arm's-length allowance, you have until the last day of the 13th month following the production month to report any adjustments on Form MMS-2014. If your royalty valuation **includes** a non-arm's-length allowance, you have until the last day of the 9th month following the month you submit to MMS your actual transportation allowance report, or your actual processing allowance report, to report any adjustments on Form MMS-2014. For exceptions to this time limit, see 30 CFR 206.174(l)(2)(i-v) (2000).*

6.1.1

## **General Reporting Principles for Adjustments**

Adjustments generally require **two** entries on Form MMS-2014:

1. The first entry reverses the incorrect line as accepted into the MRM financial accounting system.
2. The second entry reports the corrected data.

Both entries must include the appropriate adjustment reason code. You should select adjustment reason codes based on the reason for the adjustment or as otherwise instructed by MMS. For a complete listing of adjustment reason codes, see [Appendix F](#). To identify an acceptable adjustment reason code to use with each transaction code, see [Chapter 4](#). You cannot use an adjustment reason code that is not listed for a specific transaction code without prior MMS approval.

We do not allow single-line adjustments (net adjustments) unless we authorize them in advance. One exception is Estimated Royalty Payment, transaction code 03, which you adjust with a one-line net entry to increase or decrease the estimated balance using adjustment reason code 32.

**NOTE**

*MMS has eliminated many previously valid adjustment reason codes. After October 1, 2001, you can report adjustment reason codes for oil and gas leases 10, 15, 16, 17, 25, 32, 35, 49, (71, 72 for interest); for geothermal leases 25, 26 and 31.*

6.1.2

## **Reporting Examples**

The following are examples of adjustments.



**EXAMPLE**

**Price change.** This example shows how to make an adjustment due to a price change.

**Assumptions:**

- In December 2002, you determine that you incorrectly reported the royalty value on Form MMS-2014 for lease number 049-001234-0 for the sales month of January 2002.
- You used an incorrect price to calculate the sales value and understated the royalty value. You initially reported 100 bbl of oil at \$25.00 per bbl. The actual price is \$30.00 per bbl.
- The royalty rate is 12 1/2 percent.
- You make the two-line adjustment on your December 2002 report.
- Use adjustment reason code 10 for the pricing adjustment. Include the \$62.50 royalty increase with the remittance for this report.

The information reported on Form MMS-2014 is shown on the following fact sheet.

## Form MMS-2014 Fact Sheet

## Detail Line

	<b>Original Line</b>	<b>Adjustment Line</b>	<b>Correcting Line</b>
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0490012340	0490012340	0490012340
<b>MMS Agreement Number</b>			
<b>Product Code</b>	01	01	01
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	122002	122002	122002
<b>Transaction Code</b>	01	01	01
<b>Adjustment Reason Code</b>		10	10
<b>Sales Volume</b>	100.00	-100.00	100.00
<b>Gas MMBtu</b>			
<b>Sales Value</b>	2500.00	-2500.00	3000.00
<b>Royalty Value Prior to Allowances</b>	312.50	-312.50	375.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	312.50	-312.50	375.00
<b>Payment Method Code</b>	3	3	3

## Payment Information

<b>EFT Payments (PM3)</b>	62.50
<b>Total All Payments</b>	62.50

## Less Available Credits:

## Doc. ID

<b>Net Payment</b>	62.50
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**EXAMPLE**

**Revised production allocation.** This example shows how to make an adjustment for revised production allocation.

**Assumptions:**

- You received notification in January 2003 that BLM expanded the unit PA to include 100-percent of the acreage for lease number 049-001234-0 (the previously reported lease).
- The unit allocation increased from 12,000 Mcf to 18,000 Mcf.
- The gas heating value is 1075 Btu/cu. ft.
- The expansion was retroactive to October 2002.
- Enter the following two-line adjustment on your January 2003 report to reflect the revised production allocation for October 2002.
- Use adjustment reason code 35 to indicate the expansion of the unit PA. Include the \$2,250.00 royalty increase with the report.
- You must also adjust any other affected sales months (not shown here).
- If other Federal and/or Indian leases are affected by the expansion of the PA, those leases will need to be adjusted as well (not shown here).

The information reported on the Form MMS-2014 is shown on the following fact sheet.

## Form MMS-2014 Fact Sheet

## Detail Line

	Original Line	Adjustment Line	Correcting Line
Line Number	1	2	3
API Well Number			
MMS Lease Number	0490012340	0490012340	0490012340
MMS Agreement Number	891008899A	891008899A	891008899A
Product Code	04	04	04
Sales Type Code	ARMS	ARMS	ARMS
Sales MO/YR	102002	102002	102002
Transaction Code	01	01	01
Adjustment Reason Code		35	35
Sales Volume	12000.00	-12000.00	18000.00
Gas MMBtu	12900.00	-12900.00	19350.00
Sales Value	36000.00	-36000.00	54000.00
Royalty Value Prior to Allowances	4500.00	-4500.00	6750.00
Transportation Allowance Deduction			
Processing Allowance Deduction			
Royalty Value Less Allowances	4500.00	-4500.00	6750.00
Payment Method Code	3	3	3

## Payment Information

Checks to MMS (PM1)	2250.00
Total All Payments	2250.00

## Less Available Credits:

## Doc. ID

Net Payment	2250.00
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## 6.2 Recoupments and Refunds

### 6.2.1 *Recouping Overpayments*

A recoupment occurs whenever a payor reports an adjustment on Form MMS-2014 that results in a net negative for the transaction.

#### 6.2.1.1 Recoupment Situations

- You overpaid on a Federal lease but did **not** overreport on Form MMS-2014.

You may use this credit toward the payment of the next amount due to the Federal lease. No reporting adjustments are necessary, but we encourage you to contact us for specific instructions. (For contact information, see [Appendix A](#).)

- You overpaid on an Indian lease but did **not** overreport on Form MMS-2014. Contact your accounts receivable representative for instructions (see [Appendix A](#), Overpayments, Federal and Indian).

You may use the credit **only** to reduce future payments to that specific tribal lockbox.

- You overreported **and** overpaid royalties on an Indian lease.

You **must** submit an adjusting Form MMS-2014 to generate a recoupable balance for the specific Indian lease(s) in which the error occurred. As future production takes place, you may recoup the overpayment against the royalties reported on the current Form MMS-2014 for the specific lease(s).

6.2.1.2

## How to Recoup Overpayments

**Indian Leases.** You do not have to obtain permission from MMS to recoup overpayments on Indian leases.

You must make the following entries on Form MMS-2014:

1. On the first line, reverse the original overpayment entry using the appropriate adjustment reason code.
2. On the second line, enter the correct volumes and/or values for the month the overpayment was made using the appropriate adjustment reason code.
3. On the third line, enter transaction code 50 for the recoupable balance. Enter the royalty value as a positive amount; that is, the difference between line 1 and line 2. Lines 1, 2, and 3 added together must equal zero. Enter line 3 with the same lease number, and either zero fill or leave blank the product code and sales type code.

**Tribal leases.** After you establish a recoupable balance (transaction code 50), you may recoup the overpayment on an Indian tribal lease as a credit against the current month's net revenues due on the same lease or, with written tribal approval, on rents or royalties due on other leases owned by the same tribe. Provide a copy of the written tribal approval to us. (For contact information, see [Appendix A](#).) Follow these procedures each report month until the overpayment is recouped in full.

First, set up your recoupable balance by using transaction code 50. Then use transaction code 51 to recoup your overpayment. For Indian tribal leases, this line may not exceed **100 percent** of current revenue due for the lease.

We define current revenue as:

- Royalty owed for the current report month, **as well as**
- All other lease revenue reported in the same month, such as annual rent and positive adjustments to previously reported sales months, **less**
- Recoupment (transaction code 25) of the current lease year's advance rental payment.

**Allotted leases.** After you establish a recoupable balance (transaction code 50), you may recoup the overpayment on an Indian allotted lease as a credit against the current month's net revenues due **only** on the lease on which you made the overpayment. Follow these procedures each report month until the overpayment is recouped in full.

First, set up your recoupable balance by using transaction code 50. Then, use transaction code 51 to recoup your overpayment. For Indian allotted leases, this line may not exceed **50 percent** of current revenue due for the lease. We define current revenue as:

- Royalty owed for the current report month, **as well as**
- All other lease revenue reported in the same month, such as annual rent and positive adjustments to previously reported sales months, **less**
- Recoupment (transaction code 25) of the current lease year's advance rental payment.

**Federal oil and gas leases.**

For Federal sales periods **after** August 1996, you can recoup net negative adjustments provided the adjustment is reported within 6 years from the obligation due date.

**EXAMPLE**

**Recoupment on Indian leases (transaction codes 50 and 51).** This example shows how to establish a recoupable balance and take the recoupment against the current month's royalties.

**Assumptions:**

- You reported and paid royalties of \$1,000.00 on Indian allotted lease number 518-000995-0 for September 2002.
- When examining your records, you realized that the correct royalties were \$100.00. The net result is a \$900.00 overpayment on the lease.
- The current royalties you must report and pay for November 2002 sales for this lease are \$150.00.
- The **first fact sheet** shows the proper reporting procedures to use to establish the recoupable balance and take the recoupment against the current month's royalties.
- Calculate your recoupment by adding lines 1–4 and multiplying the sum by 50 percent.  
 $(-\$1000.00 + \$100.00 + \$900.00 + \$150.00 = \$150.00 \times 50\% = \$75.00)$
- You established a \$900.00 recoupable balance and recouped \$75.00 against the November 2002 royalties. Your recoupable balance is now \$825.00.
- The **second fact sheet** shows how you should report the current month's rent and royalty and the procedure for recouping the remaining \$825.00 from future reporting periods.
- Calculate your recoupment by adding lines 1–3 and multiplying the sum by 50 percent.  
 $(\$100.00 + \$160.00 + \$900.00 = \$1160 \times 50\% = \$580.00)$
- You now have a remaining recoupable balance of \$245.00 ( $\$825.00 - \$580.00 = \$245.00$ ). Continue recouping this balance against future net revenues reported until the entire recoupable balance is depleted.

The information reported on Form MMS-2014 is shown on the following fact sheets.



**Form MMS-2014 Fact Sheet**

	<b>Detail Line</b>				
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>API Well Number</b>					
<b>MMS Lease Number</b>	5180009950	5180009950	5180009950	5180009950	5180009950
<b>MMS Agreement Number</b>					
<b>Product Code</b>	01	01		01	
<b>Sales Type Code</b>	ARMS	ARMS		ARMS	
<b>Sales MO/YR</b>	092002	092002	092002	112002	112002
<b>Transaction Code</b>	01	01	50	01	51
<b>Adjustment Reason Code</b>	10	10			
<b>Sales Volume</b>	- 266.75	26.75	00	40.00	00
<b>Gas MMBtu</b>					
<b>Sales Value</b>	-8000.00	800.00	00	1200.00	00
<b>Royalty Value</b>					
<b>Prior to Allowances</b>	-1000.00	100.00	900.00	150.00	-75.00
<b>Transportation Allowance Deduction</b>					
<b>Processing Allowance Deduction</b>					
<b>Royalty Value Less Allowances</b>	-1000.00	100.00	900.00	150.00	-75.00
<b>Payment Method Code</b>	5	5	5	5	5

<b>Payment Information</b>	
<b>Checks to MMS for BIA (PM5)</b>	75.00
<b>Total All Payments</b>	75.00

**Less Available Credits:**

<b>Doc. ID</b>	
	<b>Net Payment</b> 75.00

## Form MMS-2014 Fact Sheet

Line Number	Detail Line			
	1	2	3	4
API Well Number				
MMS Lease Number	5180009950	5180009950	5180009950	5180009950
MMS Agreement Number				
Product Code		01	04	
Sales Type Code		ARMS	ARMS	
Sales MO/YR	122002	122002	122002	122002
Transaction Code	05	01	01	51
Adjustment Reason Code				
Sales Volume		42.67	2400.00	
Gas MMBtu			2640.00	
Sales Value		1280.00	7200.00	
Royalty Value Prior to Allowances	100.00	160.00	900.00	-580.00
Transportation Allowance Deduction				
Processing Allowance Deduction				
Royalty Value Less Allowances	100.00	160.00	900.00	-580.00
Payment Method Code	5	5	5	5

## Payment Information

Checks to MMS for	
BIA (PM5)	580.00
<b>Total All Payments</b>	<b>580.00</b>

## Less Available Credits:

## Doc. ID

Net Payment	580.00
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6.2.2 **Requesting a Refund on Federal Oil and Gas Leases**

A refund occurs whenever MMS directs the U.S. Treasury to issue funds to a payor for an overpayment in accordance with the Debt Collection Improvement Act of 1996.

The following guidelines apply if you overpaid a Federal lease and cannot recoup the overpayment.

You must request a refund within 6 years of the due date of the lease obligation. If you request a refund after this period, the reason must be based on the audit extension reason stipulated by RSFA.

Notify us by telephone, fax, or in writing of your refund request. (For contact information, see [Appendix A.](#))

Include the following:

- A brief explanation of how the overpayment occurred.
- A request for a specific amount.
- Your taxpayer identification number (TIN) or Social Security Number (SSN) if you are an individual. MMS must include this number on all check or wire payments made by the U. S. Treasury.
- A properly completed Form MMS-2014 that reverses the originally reported overpayment and then reports the correct data. The net difference represents the amount of your refund request.

If you did not report the overpayment on Form MMS-2014, provide a copy of the check or wire transfer information to help us identify your overpayment.

The Debt Collection Improvement Act of 1996 also requires recipients of Federal payments to receive all payments electronically unless the recipient certifies that they do not have an account at a financial institution. In order to process your refund electronically, we need:

- Payor name
- Your bank name, city, and State;
- Your 9-digit American Banking Association (ABA) number;
- Your bank account number and account type (c-checking or s-savings); and
- Your TIN or SSN.

If you do not have an account at a financial institution that can receive electronic payments, state this in your written refund request.

We will notify you in writing when your request is approved or denied.

6.2.3

### ***Recovering Overpayments on Indian Leases***

**Indian leases.** MMS cannot refund payments that are distributed to an Indian allottee or tribe.

**Tribal.** If the lease still produces and you are the current payor, you can recoup the overpayment by following the recoupment guidelines on [page 6-8](#). If you are not the current payor, you can ask the current royalty payor to recoup the overpayment on your behalf. Contact us for specific instructions to recover your overpayment this way. (For contact information, see [Appendix A](#).) If the current payor refuses, you can request a refund directly from the tribe. If the lease expired or terminated, you can request a refund from the tribe.

**Allotted.** If the lease still produces and you are the current payor, you can recoup the overpayment by following the recoupment guidelines on [page 6-8](#). If you are not the current payor, you can ask the current royalty payor to recoup the overpayment on your behalf. Contact us for specific instructions to recover your overpayment this way. (For contact information, see [Appendix A](#).) If the current payor refuses to recoup the overpayment, you will not be refunded the overpayment. If the lease expired or terminated, you cannot recover the overpayment.

# Chapter 7

## Reporting Geothermal Royalty and Other Geothermal Lease Payments



## CHAPTER 7

### REPORTING GEOTHERMAL ROYALTY AND OTHER GEOTHERMAL LEASE PAYMENTS

#### INTRODUCTION

The MMS published new regulations on April 30, 2007, to implement the provisions of the Energy Policy Act of 2005 (EPAct) governing the payment of royalty on geothermal resources produced from Federal leases and the payment of direct use fees in lieu of royalties. The EPAct provisions amend the Geothermal Steam Act of 1970 (GSA). The new regulations amend the current MMS geothermal royalty valuation regulations and simplify the royalty and direct use fee calculations for geothermal resources for leases issued under the EPAct and leases whose terms are modified under the EPAct. This chapter is a revision of the original chapter and includes changes made necessary by passage of the act.

#### HOW TO USE THIS CHAPTER

This chapter is divided into three sections which correspond to the three classes of geothermal leases designated in the new MMS regulations at 30 CFR 206.351.

##### **Class I**

Explains how to report lease financial obligations for Class I leases.

*Class I lease* means: (1) A lease that BLM issued before August 8, 2005, for which the lessee has not converted the royalty rate terms under 43 CFR 3212.25; or (2) A lease that BLM issued in response to an application that was pending on August 8, 2005, for which the lessee has not made an election under 43 CFR 3200.8(b).

##### **Class II**

Explains how to report lease financial obligations for Class II leases.

*Class II lease* means: A lease that BLM issued after August 8, 2005, but also includes leases issued in response to an application that was pending on August 8, 2005, and for which the lessee does not make an election under 43 CFR 3200.8(b).

##### **Class III**

Part III is broken into **Parts A and B**. These parts are based on definitions found in MMS regulations at 30 CFR 206.351 and two options provided for in the BLM regulations at 43 CFR 3212.25, 3200.7 and 3200.8(b).

The MMS regulations at 30 CFR 206.351 define *Class III lease* as: A lease that BLM issued before August 8, 2005 for which the lessee has converted to the royalty rate or direct use fee terms under 43 CFR 3212.25.

Under Class III as defined by MMS, BLM allows for lessees to convert lease terms using either of two options.

**Part A** provides for the first option: Class I leases may be converted to modify lease terms to accept only the royalty rate or direct use fee terms provided for by EAct under 43 CFR 3212.25.

**Part B** provides for the second option: Class I leases may be converted to modify lease terms by electing to accept all terms provided for at 43 CFR 3200.7 and 3200.8.

## **Class I Geothermal Lease Financial Obligations Reported on Form MMS-2014 (Report of Sales and Royalty Remittance)**

Geothermal lease payments reported on Form MMS-2014 include:

- **Rents** for leases that are not producing and do not have a well capable of producing geothermal resources in commercial quantities (as determined by BLM); or for geothermal facility site licenses;
- **Minimum royalties** for producing leases that do not meet their minimum royalty obligation from actual production royalties, or for nonproducing leases that have a well capable of producing geothermal resources in commercial quantities (as determined by BLM);
- **Production royalties** for producing leases;
- **Near term production incentives;**
- **Credits for in-kind deliveries of electricity to states and/or counties; and**
- **Compensatory royalties** for geothermal resources that are avoidably lost, wasted, or drained (as determined by BLM). *See Transaction Code 10, Compensatory Royalty Payment on page 4-15.*

## **Important Terms to Know**

You should be familiar with terms specific to the valuation and reporting of geothermal resources. Several of these terms are defined in the regulations and the *Geothermal Payor Handbook—Product Valuation*. The following terms defined in the regulation have specific meanings for geothermal resources:

- Alternative fuel method
- Delivered electricity

- Direct utilization resources
- Displaced thermal energy
- Electrical generation resources
- Geothermal byproducts
- Geothermal resources
- Netback procedure

**You** refers to the geothermal lessee, operator, reporter, or royalty payor. Although a royalty payor may not be the lessee for a particular lease, a royalty payor has the same reporting and valuation obligations as the lessee. (See definition of *lessee* at 30 CFR 206.351.) However, the lessee of record is ultimately responsible for properly reporting and paying royalties and other geothermal lease payments.

## Rents

Use transaction code 04 to report rents on nonproducing geothermal leases and site licenses.

If MMS does not receive your second and subsequent year's rental payment in full by the lease anniversary date, MMS will notify you that the rent payment is overdue. You have 45 days after the anniversary date to pay the rent plus a 10 percent late fee. If MMS does not receive your rental plus the late fee by the end of the 45-day period, BLM will terminate your leases. If you receive notification from MMS more than 15 days after the lease anniversary date, BLM will reinstate a lease that was terminated if MMS receives the rent plus a 10 percent late fee within 30 days after you receive the notification (see 43 CFR 3213.14).

To report the 10 percent late payment fee, write a letter to MMS listing the lease number and reason for the late payment fee, enclose the payment, and send to MMS at:

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Financial Services  
P.O. Box 173702, Mail Stop 355B1  
Denver, CO 80217-3702  
1-800-433-9801  
303-231-3121



*See Transaction Code 04, Rental Payment on page 4-39 for additional information on reporting rents.*

**Nonproducing leases** are those leases that:

- Have never produced;
- Do not have a well capable of producing geothermal resources in commercial quantities (as determined by BLM);
- Are not included in a producing (or formerly producing) cooperative or unit agreement; or
- Were segregated when a unit formed.

You are required to pay lease rent until your lease achieves production or you complete a well capable of producing geothermal resources in commercial quantities. Rental rates are given in your lease document. You may have additional rent in lieu of performing diligent exploration during the 6th through 10th years of the lease's primary term or in lieu of commercial production during lease extensions. See 43 CFR subparts 3208, 3210, and 3211 for more information on lease rents.

**Site licenses** are issued by BLM for the siting of geothermal utilization facilities on geothermal leases. Rent is due on a site license only if the facility operator is different from the lessee or unit operator. Rental rates are given in the site license approval. See 43 CFR subpart 3273 for more information on site licenses.

*See Transaction Code 04, Rental Payment on page 4-39 for information pertaining to courtesy notices and site licenses.*

## **EXAMPLE**

**Rent on nonproducing leases.** This example shows how to report geothermal rents on Form MMS-2014.

### **Assumptions:**

- The MMS-converted lease number is 006-098765-0.
  - The anniversary date of the lease is October 1, 2007.
  - This lease is in its second year and is non-producing.
  - The lease acreage is 2,560 acres, and the lease rent is \$2.00 per acre.
  - You pay by Electronic Fund Transfer (EFT) to MMS.
- Submit the Form MMS-2014 and the rental payment by the lease's anniversary date. Report the payment due month in the Sales Month/Year field.

The information reported on the Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Comment [A1]:** A completed 2014 sample would have been more effective.

**Detail Line**

<b>Line Number</b>	1	
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0060987650	
<b>MMS Agreement Number</b>		
<b>Product Code</b>		
<b>Sales Type Code</b>		
<b>Sales MO/YR</b>	102007	
<b>Transaction Code</b>	04	
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>		
<b>Gas MMBtu</b>		
<b>Sales Value</b>		
<b>Royalty Value Prior to Allowances</b>	5120.00	
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	5120.00	
<b>Payment Method Code</b>	3	
<b>Payment Information</b>		
<b>EFT Payments</b>		5120.00
<b>Total All Payments</b>		5120.00
<b>Less Available Credits:</b>		
<b>Doc. ID</b>		
<b>Net Payment</b>		5120.00

**Rent on site licenses.** Follow the same procedure to report rent on site licenses as you do for nonproducing leases. Report the site license number in the MMS Lease Number field.

## Minimum Royalty

Use transaction code 02 to report minimum royalties on leases that:

- Produce commercially but do not satisfy their minimum royalty requirement through payment of production royalties, or
- Do not produce but have a well capable of producing geothermal resources in commercial quantities (as determined by BLM).

Your minimum royalty payment is due on or before the end of the lease year. For example, if the lease year runs from December 1 through November 30, your minimum royalty payment is due no later than November 30.

Minimum royalties for geothermal leases are \$2.00 per acre per year. For leases in commercial production that do not meet their minimum royalty requirement through production royalties, the minimum royalty due is the difference between the minimum royalty amount and the actual royalties paid.

### EXAMPLE

**Minimum royalty due:** This example shows how to report minimum royalties on Form MMS-2014.

#### Assumptions:

- The MMS-converted lease number is 027-023456-0.
- The lease year is May 1, 2007, through April 30, 2008.
- The lease produced for part of the year.
- The lease acreage is 2,240 acres; minimum royalty is \$2.00/acre. Accordingly, your minimum royalty obligation is \$4,480.
- The production royalty payments, both actual and estimated, for the lease year total is \$3,750. Therefore, you owe additional royalty of \$730.
- You pay by EFT to MMS.

Information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0270234560
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	042008
<b>Transaction Code</b>	02
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	730.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	730.00
<b>Payment Method Code</b>	3
<b>Payment Information</b>	
<b>EFT Payments</b>	730.00
<b>Total All Payments</b>	730.00
<b>Less Available Credits:</b>	
<b>Doc. ID</b>	
<b>Net Payment</b>	730.00

## Production Royalty

You must pay royalties on all geothermal resources, including geothermal byproducts and commercially demineralized water that are:

- Produced from the lease and are sold or utilized; or
- Reasonably predisposed to sale or utilization.

See 30 CFR 202.351 and Chapter 2 of the *Geothermal Payor Handbook—Product Valuation* for additional information on geothermal resources requiring royalty and exceptions.

Royalties on geothermal production are due by the end of the month following the month of production. Do not submit a Form MMS-2014 for those months you do not produce.

You must pay all geothermal royalties in value.

The following Form MMS-2014 fields do not apply to geothermal royalty reporting therefore these fields should be left blank:

- API Well Number
- Gas MMBtu
- Processing Allowance Deduction

Unless you report geothermal byproducts, leave the Transportation Allowance Deduction field blank.

### ***Product Codes***

Geothermal product codes are divided into two groups—fluid geothermal resources and geothermal byproducts. Fluid geothermal resources are further subdivided based on their usage (electrical generation or direct use) and unit of measure. These geothermal product codes collectively replace the pre-October 2001 product codes 25 (hot water), 26 (effluent disposal, now completely abandoned), and 27 (steam).

You can use geothermal product codes singularly or in combination, depending on the production's disposition. For example, you might use your production to generate electricity, recover and sell a byproduct, and sell the power plant condenser fluids to a direct-use facility. This situation would require you to report three product codes; specific product codes would depend on the production's usage (electrical generation or direct use), the unit of measure used in its valuation (kWh, MMBtu, hundreds of gallons, etc.), and the byproduct type (sulfur, silica, etc.). You should report different product codes on separate Form MMS-2014 lines.

**Fluid geothermal resources:** For reporting purposes, fluid geothermal resources (or fluid geothermal production) include steam, hot water, hot brines, and related heat and other associated energy. Product codes for fluid geothermal resources relate first to the production’s usage—electrical generation or direct use—and then to its unit of measure. The unit of measure may be in terms of mass, such as pounds; volume, such as gallons; electricity, such as kilowatt hours (kWh); thermal energy, such as British thermal units (Btu); or other measurement units approved by MMS. The unit of measure is usually either specified in your sales contract or dictated by the method used to value the production. Measurement standards for reporting and paying royalties on geothermal fluids are given in 30 CFR 202.353, with examples given in MMS’s *Geothermal Payor Handbook—Product Valuation*. For example, if valuation is in terms of electrical energy, you must report your production in terms of kilowatt hours to the nearest whole kWh. If valuation is in terms of thermal energy, you must report your production in terms of millions of Btu (MMBtu) to the nearest whole million Btu.

Use the following product codes to report geothermal fluids used to generate electricity (electrical generation resources).

Product code	Description
31	Electrical generation, kWh
32	Electrical generation, thousands of pounds (generally applicable only to dry steam resources)
33	Electrical generation, MMBtu
34	Electrical generation, other measurement unit approved by MMS

Use the following product codes to report geothermal fluids used in direct-use processes (direct use resources):

Product code	Description
35	Direct use, MMBtu
36	Direct use, hundreds of gallons
37	Direct use, other measurement unit approved by MMS

In some cases, the method of valuing the resource dictates the reported unit of measure. See the *Geothermal Payor Handbook – Product Valuation* for additional valuation instructions.

**Geothermal byproducts:** Geothermal byproducts are any mineral or minerals—other than oil, hydrocarbon gas, and helium—that are commercially recovered from produced geothermal fluids. (See 30 CFR 206.351 for complete definition of geothermal byproducts.) Use the following product codes to report geothermal byproducts; note the associated units of measure.

Product code	Description
38	Commercially demineralized water, reported in hundreds of gallons
41	Sulfur, reported in long tons (replaces product code 19 for geothermal sulfur)
42	Carbon dioxide, reported in thousands of cubic feet (Mcf)
43	Silica, reported in pounds
44	Other geothermal byproduct not listed above; contact MMS for unit of measure

### *Sales Type Codes*

Use the following sales type codes to report royalties on geothermal production

Sales type code	Description
ARMS	Geothermal resources sold under an arm's-length sales contract
GNST	Geothermal resources that are not subject to sales transaction, otherwise known as "no sales" resources
NARM	Geothermal resources sold under a non-arm's-length contract

You can use sales type codes singularly or in combination, depending on the resource's disposition. Report different sales type codes on separate lines.

**Transaction Codes**

Use the following transaction codes to report geothermal royalties on the value of production or on proceeds associated with production:

Transaction code	Description
01	Royalty on value of production
10	Compensatory royalty on value of drained, avoidably lost, or wasted production
11	Byproduct transportation allowances
14	Royalty on severance tax and other production tax reimbursements
53	Royalty on payments or reimbursements for effluent and other fluid injection
54	Royalty on payments or reimbursements for geothermal field operations, other than effluent and other fluid injection

You can use these transaction codes singularly or in combination, depending on the resource's disposition and, or selling arrangements. Report different transaction codes on separate lines.

**Royalty Examples**

The following examples cover reporting royalties under many combinations of uses, sales types, product codes, and transaction codes applicable to geothermal production. Although the examples may not specifically fit your particular reporting situation, the elements presented here should guide you in completing your Form MMS-2014. You can find more examples in the *Geothermal Payor Handbook—Product Valuation*. For transaction codes not covered by these examples, such as compensatory royalty (Transaction code 10), see Chapter 4.

For answers to questions not covered in this handbook or the *Geothermal Payor Handbook—Product Valuation*, contact us at the address or telephone numbers listed in Appendix A.



## EXAMPLE

**Arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under an arm's-length sales contract.

### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 1/2 percent.
- The production/sales month is October 2007.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity, plus \$0.0003 per net kWh of generated electricity for effluent injection. The purchaser also pays \$10,000 per month for production operations and field maintenance.
- The pay statement for the month shows 26,140,500 kWh of net electricity generated, with payments of \$392,107.50 for the steam, \$7,842.15 for effluent injection, and \$10,000.00 for production operations and field maintenance.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	1710350410	1710350410	1710350410
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	31	31
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	53	54
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	26140500	26140500	26140500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	392107.50	7842.15	10000.00
<b>Royalty Value Prior to Allowances</b>	49013.44	980.27	1250.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	49013.44	980.27	1250.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	51243.71
<b>Total All Payments</b>	51243.71

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	51243.71
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## **EXAMPLE**

**No sales, direct use:** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the alternative fuel method.

### **Assumptions:**

- The MMS-converted lease number is 030-044368-0.
- The royalty rate is 10 percent.
- The production/sales month is December 2007.
- You use the geothermal production as process heat in a vegetable dehydration plant and value the production by the alternative fuel method.
- During the month you displaced 23,875 MMBtu of thermal energy. The displaced thermal energy value is \$99,081.25.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0300443680
<b>MMS Agreement Number</b>	
<b>Product Code</b>	35
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	122007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	23875
<b>Gas MMBtu</b>	
<b>Sales Value</b>	99081.25
<b>Royalty Value Prior to Allowances</b>	9908.13
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	9908.13
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	9908.13
<b>Total All Payments</b>	9908.13

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	9908.13
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## EXAMPLE

**No sales, electrical generation.** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the netback procedure and you also have byproduct sales.

### Assumptions:

- The MMS-converted lease number is 027-025280-0.
- The BLM-assigned lease royalty rate is 12 ½ percent for geothermal fluids and 5 percent for byproducts.
- The lease is in a unit and has an allocation factor of 43 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. You use the netback procedure to value the production. You also recover sulfur and sell it under an arm's-length sales contract.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00. The netback value of the geothermal production is \$788,294.40.
- You received \$12,500 for the sale of 500 long tons of sulfur. You incurred trucking charges of \$1,750.00 to transport the sulfur from the power plant to the point of sale.
- Lease allocations are:

Delivered electricity	14,123,608 kWh (32,845,600 kWh × 0.43)
Netback value	\$338,966.59 (\$788,294.40 × 0.43)
Sulfur sales	215 tons (500 tons × 0.43)
Sulfur value	\$5,375.00 (\$12,500.00 × 0.43)
Trucking charges	\$752.50 (\$1,750.00 × 0.43)
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0270252800	0270252800
<b>MMS Agreement Number</b>		
<b>Product Code</b>	31	41
<b>Sales Type Code</b>	GNST	ARMS
<b>Sales MO/YR</b>	102007	102007
<b>Transaction Code</b>	01	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	14123608	215
<b>Gas MMBtu</b>		
<b>Sales Value</b>	338966.59	5375
<b>Royalty Value Prior to Allowances</b>	42370.82	268.75
<b>Transportation Allowance Deduction</b>		-37.63
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	42370.82	231.12
<b>Payment Method Code</b>	3	3

**Payment Information**

<b>EFT Payments</b>	42601.94
<b>Total All Payments</b>	42601.94

**Less Available Credits:  
Doc. ID**

<b>Net Payment</b>	42601.94
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## EXAMPLE

**No sales, electrical generation with effluent sold to a direct use facility.** This example shows how to report geothermal royalties on Form MMS-2014.

### Assumptions:

- The MMS-converted lease number is 027-020825-0.
- The royalty rate is 10 percent.
- The lease is in a unit and has an allocation factor of 21 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. You use the netback procedure to value production.
- You sell the hot effluent from the power plant to an adjoining greenhouse under an arm's-length agreement. The greenhouse operator pays \$0.60 per hundred gallons, plus \$0.02 per hundred gallons to re-inject the spent geothermal fluids.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00. The netback value of the geothermal production was \$788,294.40.
- You also delivered 50,000 gallons of power plant effluent to the greenhouse operator and received \$30,000 for the fluid delivery and \$1,000 for re-injection
- Lease allocations are:

Delivered electricity	6,897,576 kWh (32,845,600 kWh x 0.21)
Netback value	\$165,541.82 (\$788,294.40 × 0.21)
Effluent delivery	10,500 gallons (50,000 gallons X 0.21)
Effluent value	\$6,300.00 (\$30,000.00 x 0.21)
Re-injection payment	\$210.00 (\$1,000.00 x 0.21)
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0270208250	0270208250	0270208250
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	36	36
<b>Sales Type Code</b>	GNST	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	01	53
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	6897576	10500	10500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	165541.82	6300.00	210.00
<b>Royalty Value Prior to Allowances</b>	16554.18	630.00	21.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	16554.18	630.00	21.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	17205.18
<b>Total All Payments</b>	17205.18

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	17205.18
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## EXAMPLE

**Non-arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under a non-arm's-length contract.

### Assumptions:

- The MMS-converted lease number is 006-006649-0.
- The royalty rate is 12 ½ percent.
- The production/sales month is October 2007.
- You sell steam to an affiliated power plant owner. The sales value is \$0.95 per thousand pounds of steam delivered.
- During the month you delivered 1,402,764 thousand pounds of steam and received \$1,332,625.80.
- There are no other sales to the same power plant. Valuation, therefore, requires comparison of the gross proceeds under your non-arm's-length sales contract with the value determined by the netback procedure; royalty is due on the greater of two amounts. The netback yields a value of \$930,522. Therefore, you pay royalty for this month on the non-arm's-length gross proceeds.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060066490
<b>MMS Agreement Number</b>	
<b>Product Code</b>	32
<b>Sales Type Code</b>	NARM
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1402764
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1332625.80
<b>Royalty Value Prior to Allowances</b>	166578.23
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	166578.23
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	166578.23
<b>Total All Payments</b>	166578.23

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	166578.23
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## Near Term Production Incentives

Use transaction code 01 to report new or qualified expansion production.

- If you qualify for a production incentive under BLM regulations at 43 CFR subpart 3212, your royalty due on the production BLM determines to be qualified for a production incentive under 43 CFR 3212.21 and 3212.22 is 50 percent of the amount of the total royalty that would otherwise be due under 30 CFR part 206, subpart H.

### EXAMPLE

**Arm's-length sales for new production or qualified expansion projects.** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under an arm's-length contract.

#### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 ½ percent with a reduction to 6 ¼ percent for 4 years for new production.
- The production/sales month is October 2007.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity, plus \$0.0003 per net kWh of generated electricity for effluent injection. The purchaser also pays \$10,000 per month for production operations and field maintenance.
- The pay statement for the month shows 26,140,500 kWh of net electricity generated, with payments of \$392,107.50 for the steam of which \$78,421.50 is allocated to new production, \$7,842.15 for effluent injection of which \$1,568.43 is allocated to new production, and \$10,000.00 for production operations and field maintenance of which \$2,000.00 is allocated to new production.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	1710350410	1710350410	1710350410
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	31	31
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	53	54
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	26140500	26140500	26140500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	392107.50	7842.15	10000.00
<b>Royalty Value Prior to Allowances</b>	44112.09	882.25	1125.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	44112.09	882.25	1125.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	46119.34
<b>Total All Payments</b>	46119.34

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	46119.34
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## **EXAMPLE**

**No sales, electrical generation for qualified expansion projects:** This example shows how to report geothermal royalties on Form MMS-2014.

### **Assumptions:**

- The MMS-converted lease number is 027-025280-0.
- The lease is a qualified expansion project with a 5% (reduced from 10%) royalty rate for 4 years.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

	<b>Detail Line</b>	
<b>Line Number</b>		1
<b>API Well Number</b>		
<b>MMS Lease Number</b>		0270252800
<b>MMS Agreement Number</b>		
<b>Product Code</b>		31
<b>Sales Type Code</b>		GNST
<b>Sales MO/YR</b>		102007
<b>Transaction Code</b>		01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>		32845600
<b>Gas MMBtu</b>		
<b>Sales Value</b>		1642280.00
<b>Royalty Value Prior to Allowances</b>		82114.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>		82114.00
<b>Payment Method Code</b>		3
<b>Payment Information</b>		
<b>EFT Payments</b>		82114.00
<b>Total All Payments</b>		82114.00
<b>Less Available Credits:</b>		
<b>Doc. ID</b>		
<b>Net Payment</b>		82114.00

## **Credit for In-Kind Deliveries of Electricity to States or Counties**

Upon approval from the Bureau of Land Management (BLM), MMS will provide written instructions to the royalty payor for taking credit for In-Kind deliveries of electricity to States or Counties.

### ***Additional Information on Reporting Geothermal Royalties***

You can find additional information regarding geothermal royalty reporting in the following handbooks:

- The *Geothermal Payor Handbook—Product Valuation* contains information on geothermal resources valuation and royalty reporting requirements.

## Class II Leases

Explains how to report lease financial obligations for Class II leases.

*Class II lease* means: A lease that BLM issued after August 8, 2005, but also includes leases issued in response to an application that was pending on August 8, 2005, and for which the lessee does not make an election under 43 C.F.R. 3200.8(b).

## Geothermal Lease Term Financial Obligations Reported on Form MMS-2014 (Report of Sales and Royalty Remittance)

Geothermal lease payments reported on Form MMS-2014 include:

- **Rents**-all Class II geothermal leases require rentals regardless of producing status
- **Production royalties** - for producing leases.
- **Credits for in kind electricity delivery to states and/or counties** - may be taken against production royalties.
- **Direct use fee schedule.**
- **Advanced royalties** - for cessation of production.
- **Compensatory royalties** for geothermal resources that are avoidably lost, wasted, or drained (as determined by BLM). (See *Transaction code 10, Compensatory Royalty Payment on page 4-15.*)

## Important Terms to Know

You should be familiar with terms specific to the valuation and reporting of geothermal resources. Several of these terms are defined in the regulations and the *Geothermal Payor Handbook—Product Valuation*. The following terms defined in the regulations have specific meanings for geothermal resources:

- Delivered electricity
- Direct use resources
- Electrical generation resources
- Geothermal byproducts
- Geothermal resources



## Rents

Rental rates and rental due dates are given in your lease document. Use transaction code 04 to report rents on all geothermal leases.

*See Transaction Code 04, Rental Payment on page 4-39 for additional information on reporting rents. See 43 CFR Subpart 3211 for more information on rents.*

If MMS does not receive your second and subsequent year's rental payment in full by the lease anniversary date, MMS will notify you that the rent payment is overdue. You have 45 days after the anniversary date to pay the rent plus a 10 percent late fee. If MMS does not receive your rental plus the late fee by the end of the 45-day period, BLM will terminate your leases. If you receive notification from MMS more than 15 days after the lease anniversary date, BLM will reinstate a lease that was terminated if MMS receives the rent plus a 10 percent late fee within 30 days after you receive the notification (see 43 CFR 3213.14).

To report the 10 percent late payment fee, write a letter to MMS listing the lease number and reason for the late payment fee, enclose the payment, and send to MMS at:

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Financial Services  
P.O. Box 173702, Mail Stop 355B1  
Denver, CO 80217-3702  
1-800-433-9801  
303-231-3121

## **EXAMPLE**

**Rent:** This example shows how to report geothermal rents on Form MMS-2014.

**Assumptions:**

- The MMS-converted lease number is 006-098765-0.
- The anniversary date of the lease is October 1, 2007.
- This lease is a competitive lease in its second year.
- The lease acreage is 2,560 acres, and the lease rent is \$3.00 per acre.
- You pay by EFT to MMS.

Submit Form MMS-2014 and the rental payment by the lease's anniversary date. Report the month in which the payment is due in the Sales Month/Year field.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

	<b>Detail Line</b>
<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060987650
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	04
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	7680.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	7680.00
<b>Payment Method Code</b>	3
	<b>Payment Information</b>
<b>EFT Payments</b>	7680.00
<b>Total All Payments</b>	7680.00
	<b>Less Available Credits:</b>
	<b>Doc. ID</b>
<b>Net Payment</b>	7680.00

## Rental Credits

The regulations at 30 CFR 218.303 allow you to credit annual rental against royalty due for the same year.

### EXAMPLE

**Rental Credits:** This example shows how to report rental credits on Form MMS-2014.

#### Assumptions:

- The MMS-converted lease number is 006-098765-0.
- The royalty rate is 12 ½ percent.
- The anniversary date of the lease is October 1, 2005.
- The lease acreage is 2,500 acres; rent is \$3.00/acre. Accordingly, your total rental payment on October 1, 2005 was \$7,500.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity.
- The pay statement for the month shows 346,667 kWh of net electricity generated, with payments of \$5,200.00 for the steam.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	1	2
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0060987650	0060987650
<b>MMS Agreement Number</b>		
<b>Product Code</b>		31
<b>Sales Type Code</b>		ARMS
<b>Sales MO/YR</b>	102005	102005
<b>Transaction Code</b>	04	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>		346,667
<b>Gas MMBtu</b>		
<b>Sales Value</b>		5,200.00
<b>Royalty Value Prior to Allowances</b>	-650.00	650.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	-650.00	650.00
<b>Payment Method Code</b>	3	3

**Payment Information**

<b>EFT Payments</b>	0.00
<b>Total All Payments</b>	0.00

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	0.00
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**NOTE:** Credit for any month cannot exceed the royalty owed.

## **Site licenses**

Site licenses are issued by BLM for the siting of geothermal utilization facilities on geothermal leases. Rental rates are given in the site license approval. Rent is due on a site license only if the facility operator is different from the lessee or unit operator. (See 43 CFR Subpart 3273 for more information on site licenses.)

We must receive your site license rent payment on or before the anniversary date of the lease or site license. For example: For a lease or site license effective June 1, 1994, your rental payment must reach us no later than June 1 of each succeeding year.

*See Transaction Code 04, Rental Payment on page 4-39, for information pertaining to courtesy notices and site licenses.*

## ***Production royalties***

You must pay royalties on all geothermal resources, including geothermal byproducts that are:

- Produced from the lease and are sold or utilized, or
- Reasonably susceptible to sale or utilization.

See 30 CFR 202.351 and Chapter 2 of the *Geothermal Payor Handbook—Product Valuation* for additional information on geothermal resources requiring royalty and exceptions.

Royalties on geothermal production are due by the end of the month following the month of production. Do not submit a Form MMS-2014 for months you do not produce.

You pay all geothermal royalties in value.

The following fields on Form MMS-2014 do not apply to geothermal royalty reporting; leave these fields blank:

- API Well Number
- Gas MMBtu
- Processing Allowance Deduction

Unless you report geothermal byproducts, leave the Transportation Allowance Deduction field blank.

## ***Product Codes***

Geothermal product codes are divided into two groups—fluid geothermal resources and geothermal byproducts. Fluid geothermal resources are further

subdivided based on their usage (electrical generation or direct use) and unit of measure.

You can use geothermal product codes singularly or in combination, depending on the production's disposition. For example, you might use your production to generate electricity, recover and sell a byproduct, and sell the power plant condenser fluids to a direct-use facility. This situation would require you to report three product codes; specific product codes would depend on the production's usage (electrical generation or direct use), the unit of measure used in its valuation (kWh, MMBtu, hundreds of gallons, etc.), and the byproduct type. Report different product codes on separate lines.

**Fluid geothermal resources.** For reporting purposes, fluid geothermal resources (or fluid geothermal production) include steam, hot water, hot brines, and related heat and other associated energy. Product codes for fluid geothermal resources relate first to the production's usage—electrical generation or direct use—and then to its unit of measure. The unit of measure may be in terms of mass, such as pounds; volume, such as gallons; electricity, such as kilowatt hours (kWh); thermal energy, such as British thermal units (Btu); or other measurement units approved by MMS. The unit of measure is usually either specified in your sales contract or dictated by the method used to value the production. Measurement standards for reporting and paying royalties on geothermal fluids are given in 30 CFR 202.353, with examples given in MMS' *Geothermal Payor Handbook—Product Valuation*. For example, if valuation is in terms of electrical energy, you must report your production in terms of kilowatt hours to the nearest whole kWh. If valuation is in terms of thermal energy, you must report your production in terms of millions of Btu (MMBtu) to the nearest whole million Btu.

Use the following product codes to report geothermal fluids used to generate electricity (electrical generation resources):

Product code	Description
31	Electrical generation, kWh
32	Electrical generation, thousands of pounds (generally applicable only to dry steam resources)
33	Electrical generation, MMBtu
34	Electrical generation, other measurement unit approved by MMS

Use the following product codes to report geothermal fluids used in direct-use processes (direct use resources):

Product code	Description
35	Direct use, MMBtu
36	Direct use, hundreds of gallons
37	Direct use, other measurement unit approved by MMS
45	Direct use, millions of gallons
46	Direct use, millions of pounds

In some cases, the method of valuing the resource dictates the reported unit of measure. See the *Geothermal Payor Handbook – Product Valuation* for additional valuation instructions.

**Geothermal byproducts.** Geothermal byproducts are any mineral or minerals—other than oil, hydrocarbon gas, and helium—that are commercially recovered from produced geothermal fluids. (See 30 CFR 206.351 for complete definition of geothermal byproducts.) Use the following product codes to report geothermal byproducts; note the associated units of measure.

Product code	Description
38	Commercially demineralized water, reported in hundreds of gallons
44	Other geothermal byproduct not listed above; contact MMS for unit of measure

### ***Sales Type Codes***

Use the following sales type codes to report royalties on geothermal production.

Sales type code	Description
ARMS	Geothermal resources sold under an arm's-length sales contract
GNST	Geothermal resources that are not subject to sales transaction, otherwise known as "no sales" resources
NARM	Geothermal resources sold under a non-arm's-length contract

You can use sales type codes singularly or in combination, depending on the resource's disposition. Report different sales type codes on separate lines.



### **Transaction Codes**

Use the following transaction codes to report geothermal royalties or fees on the value of production or on proceeds associated with production:

<b>Transaction code</b>	<b>Description</b>
01	Royalty on value of production
10	Compensatory royalty on value of drained, avoidably lost, or wasted production
11	Byproduct transportation allowances
14	Royalty on severance tax and other production tax reimbursements
16	Well fee (use for Direct Use Fee Schedule)
32	Advanced Royalty
33	Advanced Royalty Recoupment
53	Royalty on payments or reimbursements for effluent and other fluid injection
54	Royalty on payments or reimbursements for geothermal field operations, other than effluent and other fluid injection

You can use these transaction codes singularly or in combination, depending on the resource's disposition and/or selling arrangements. You must report different transaction codes on separate lines.

### **Royalty Examples**

The following examples cover reporting royalties under many combinations of uses, sales types, product codes, and transaction codes applicable to geothermal production. Although the examples may not specifically fit your particular reporting situation, the elements presented here should guide you in completing your Form MMS-2014. You can find more examples in the *Geothermal Payor Handbook—Product Valuation*. For transaction codes not covered by these examples, such as compensatory royalty (transaction code 10), see Chapter 4.

For answers to questions not covered in this handbook or the *Geothermal Payor Handbook—Product Valuation*, contact us at the address or telephone numbers listed in Appendix A.

### **EXAMPLE**

**Arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014, when you sell the resource under an arm's-length sales contract.

**Assumptions:**

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 ½ percent.
- The production/sales month is October 2007.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity, plus \$0.0003 per net kWh of generated electricity for effluent injection. The purchaser also pays \$10,000 per month for production operations and field maintenance.
- The pay statement for the month shows 26,140,500 kWh of net electricity generated, with payments of \$392,107.50 for the steam, \$7,842.15 for effluent injection, and \$10,000.00 for production operations and field maintenance.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	1	2	3
<b>API Well Number</b>			
<b>MMS Lease Number</b>	1710350410	1710350410	1710350410
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	31	31
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	53	54
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	26140500	26140500	26140500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	392107.50	7842.15	10000.00
<b>Royalty Value Prior to Allowances</b>	49013.44	980.27	1250.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	49013.44	980.27	1250.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	51243.71
<b>Total All Payments</b>	51243.71

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	51243.71
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## EXAMPLE

**Non-arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under a non-arm's-length contract.

### Assumptions:

- The MMS-converted lease number is 006-006649-0.
- The production/sales month is October 2006.
- You sell steam to an affiliated power plant owner. The sales value is \$0.95 per thousand pounds of steam delivered.
- During the month you delivered 1,402,764 thousand pounds of steam and received \$1,332,625.80.
- There are no other sales to the same power plant. Royalties are based on a percentage of the gross proceeds from electricity sales with a royalty rate of 1.75% for 10 years.
- **For all Class II leases, report the gross proceeds from the sale of electricity as the "Sales Value" on the Form MMS-2014.**
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060066490
<b>MMS Agreement Number</b>	
<b>Product Code</b>	32
<b>Sales Type Code</b>	NARM
<b>Sales MO/YR</b>	102006
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1402764
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1332625.80
<b>Royalty Value Prior to Allowances</b>	23320.95
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	23320.95
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	23320.95
<b>Total All Payments</b>	23320.95

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	23320.95
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## EXAMPLE

**No sales, electrical generation.** This example shows how to report geothermal royalties on Form MMS-2014.

### Assumptions:

- The MMS-converted lease number is 027-025280-0.
- The lease is in a unit and has an allocation factor of 43 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. Royalties are based on a percentage of the gross proceeds from electricity sales with a 1.75% royalty rate for the first 10 years.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00.
- Lease allocations are:

Delivered electricity	14,123,608 kWh (32,845,600 kWh x 0.43)
Gross proceeds	\$706,180.40 (\$1,642,280 x 0.43)
Royalty value	\$12,358.16 (\$706,180.40 x 1.75%)
- **For all Class II leases, report the gross proceeds from the sale of electricity as the “Sales Value” on the Form MMS-2014.**
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0270252800
<b>MMS Agreement Number</b>	
<b>Product Code</b>	31
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	14123608
<b>Gas MMBtu</b>	
<b>Sales Value</b>	706180.40
<b>Royalty Value Prior to Allowances</b>	12358.16
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12358.16
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	12358.16
<b>Total All Payments</b>	12358.16

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	12358.16
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## Credit for In-Kind Deliveries of Electricity to States or Counties

Upon approval from the Bureau of Land Management (BLM), MMS will provide written instructions to the royalty payor for taking credit for In-Kind deliveries of electricity to States or Counties.

## Direct Use Fee Schedule

Use transaction code 16 to report direct use fees on leases that use geothermal resources in direct use applications and are not sold.

Use the direct use fee schedule, inputting the temperature and quantity of geothermal resources to calculate your fee.

Do not multiply the fee times the lease royalty rate.

Direct use fees are due 30 days after the end of the month in which production was used.

### EXAMPLE

**No sales, direct use:** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the Direct Use Fee Schedule.

Assumptions:

- The MMS-converted lease number is 030-044368-0.
- The royalty rate is 10 percent

NOTE: The lease royalty rate is already included in the fee schedule so you do not need to use it in your fee calculation.

- The production/sales month is December 2007.
- You use the geothermal production as process heat in a vegetable dehydration plant and value the production by the Direct Use Fee Schedule.
- During the month you produced 39,255,645,800 gallons of hot water for the month with an average monthly inlet temperature (° F) of 135°.



- You multiply the appropriate fee (\$/million gallons) from the schedule below by the number of gallons you produced from the direct use lease for this month.

(1) You must use the following fee schedule to calculate fees due under this section:

**Direct Use Fee Schedule  
(Hot Water)**

If your average monthly inlet temperature (°F) is		Your fees are...	
At least...	But less than...	(\$/million gallons)	(\$/million pounds)
130	140	2.524	0.307
140	150	7.549	0.921
150	160	12.543	1.536
160	170	17.503	2.150
170	180	22.426	2.764
180	190	27.310	3.379
190	200	32.153	3.993
200	210	36.955	4.607
210	220	41.710	5.221
220	230	46.417	5.836
230	240	51.075	6.450
240	250	55.682	7.064
250	260	60.236	7.679
260	270	64.736	8.293
270	280	69.176	8.907
280	290	73.558	9.521
290	300	77.876	10.136
300	310	82.133	10.750
310	320	86.328	11.364
320	330	90.445	11.979
330	340	94.501	12.593
340	350	98.481	13.207
350	360	102.387	13.821

(i) For direct use geothermal resources with an average monthly inlet temperature of 130° F or less, you must pay only the lease rental.

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0300443680
<b>MMS Agreement Number</b>	
<b>Product Code</b>	45
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	122007
<b>Transaction Code</b>	16
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	39255.65
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	99081.25
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	99081.25
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	99081.25
<b>Total All Payments</b>	99081.25

**Less Available Credits:**

**Doc ID**

<b>Net Payment</b>	99081.25
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**EXAMPLE**

**No sales, electrical generation with effluent sold to a direct use facility.** This example shows how to report geothermal royalties on Form MMS-2014.

**Assumptions:**

- The MMS-converted lease number is 027-020825-0.
- The lease royalty rate is 10 percent.
- The lease is in a unit and has an allocation factor of 21 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. Royalties are based on gross proceeds times the lease royalty rate.
- You sell the hot effluent from the power plant to an adjoining greenhouse under an arm’s-length agreement. The greenhouse operator pays \$0.60 per hundred gallons, plus \$0.02 per hundred gallons to re-inject the spent geothermal fluids.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00. Royalties are based on a percentage of the gross proceeds from electricity sales with a 1.75% royalty rate for the first 10 years.
- You also delivered 50,000 gallons of power plant effluent to the greenhouse operator and received \$30,000 for the fluid delivery and \$1,000 for re-injection.
- Lease allocations are:

Delivered electricity	6,897,576 kWh (32,845,600 kWh x 0.21)
Gross proceeds	\$344,878.80 (\$1,642,280.00 x 0.21)
Royalty value	\$6,035.38 (\$344,878.80 x 1.75%)
Effluent delivery	10,500 hundred gallons (50,000 hundred gallons X 0.21)
Effluent value	\$6,300.00 (\$30,000.00 x 0.21)
Re-injection payment	\$210.00 (\$1,000.00 x 0.21)

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0270208250	0270208250	0270208250
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	36	36
<b>Sales Type Code</b>	GNST	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	01	53
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	6897576	10500	10500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	344878.80	6300.00	210.00
<b>Royalty Value Prior to Allowances</b>	6035.38	630.00	21.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	6035.38	630.00	21.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	6686.38
<b>Total All Payments</b>	6686.38

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	6686.38
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## Advanced Royalties for Cessation of Production

Use transaction code 32 to report advanced royalties.

You must pay an advanced royalty monthly equal to the average monthly royalty you paid under 30 CFR part 206, subpart H (including the amount against which you applied the annual rental as a credit) for the last 3 years the lease was producing. If your lease has been producing for less than 3 years, then use the average monthly royalty payment for the entire period your lease has been producing continuously;

(a) The MMS must receive your advanced royalty payment before the end of each full calendar month in which no production occurs; and

(b) You may credit any advanced royalty you pay against production royalties you owe after your lease resumes production. You may not reduce the amount of any production royalty paid for any year below zero.

### EXAMPLE

**Advanced royalties for cessation of production:** This example shows how to report advanced geothermal royalties on Form MMS-2014.

#### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 ½ percent.
- The production/sales month is October 2007 and production has ceased.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity.
- The average pay statement from the month of first production (October, 2006) is 26,140,500 kWh of net electricity generated. You received an average payment of \$392,107.50 for the steam.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	1710350410
<b>MMS Agreement Number</b>	
<b>Product Code</b>	31
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	32
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	49013.44
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	49013.44
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	49013.44
<b>Total All Payments</b>	49013.44

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	49013.44
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### ***Additional Information on Reporting Geothermal Royalties***

You can find additional information regarding geothermal royalty reporting in the following handbooks:

- The *Geothermal Payor Handbook—Product Valuation* contains information on geothermal resources valuation and royalty reporting requirements.

## Class III Leases

### *Class III Part A leases:*

Existing leases that convert only under section 43 CFR 3212.25 (royalty conversion only). These leases have identical lease financial obligations as Class I leases with the following exceptions: they do not have the near-term production incentives; they calculate royalties for electrical generation by the percent of gross proceeds method and utilize the direct use fee schedule for direct use facilities. Lease royalty rates are assigned individually by the BLM; and they can receive credits for in-kind delivery of electricity to states or counties.

### *Class III Part B leases:*

Existing leases that convert under section 43 CFR 3200.7(a)(2) (electing to be subject to all new regulations, which must include a conversion under section 43 CFR 3212.25). These leases have identical lease financial obligations as Class II leases EXCEPT they have different lease royalty rates from Class II leases, assigned by BLM, unless they are not producing as of August 8, 2005, in which case they will have a 1.75% royalty rate for 10 years.

## Class III Part A

### Geothermal Lease Financial Obligations Reported on Form MMS-2014 (Report of Sales and Royalty Remittance)

Geothermal lease payments reported on Form MMS-2014 include:

- **Rents** for leases that are not producing and do not have a well capable of producing geothermal resources in commercial quantities (as determined by BLM); or for geothermal facility site licenses;
- **Minimum royalties** for producing leases that do not meet their minimum royalty obligation from actual production royalties, or for nonproducing leases that have a well capable of producing geothermal resources in commercial quantities (as determined by BLM);
- **Production royalties** for producing leases calculated by the percent of gross proceeds method;
- **Credits for in-kind deliveries of electricity to states and/or counties;**



- **Direct use fees;** and
- **Compensatory royalties** for geothermal resources that are avoidably lost, wasted, or drained (as determined by BLM). See *Transaction Code 10, Compensatory Royalty Payment on page 4-15*.

## Important Terms to Know

You should be familiar with terms specific to the valuation and reporting of geothermal resources. Several of these terms are defined in the regulations and the *Geothermal Payor Handbook—Product Valuation*. The following terms defined specific meanings for geothermal resources:

- Delivered electricity
- Direct utilization resources
- Electrical generation resources
- Geothermal byproducts
- Geothermal resources
- Percent of gross proceeds
- Direct use fee schedule

**You** refers to the geothermal lessee, operator, reporter, or royalty payor. Although a royalty payor may not be the lessee for a particular lease, a royalty payor has the same reporting and valuation obligations as the lessee. (See definition of *lessee* at 30 CFR 206.351.) However, the lessee of record is ultimately responsible for properly reporting and paying royalties and other geothermal lease payments.

## Rents

Use transaction code 04 to report rents on nonproducing geothermal leases and site licenses.

*See Transaction Code 04, Rental Payment on page 4-39 for additional information on reporting rents.*

**Nonproducing leases** are leases that:

- Have never produced;
- Do not have a well capable of producing geothermal resources in commercial quantities (as determined by BLM);
- Are not included in a producing (or formerly producing) cooperative or unit agreement; or
- Were segregated when a unit formed.

You are required to pay lease rent until your lease achieves production or you complete a well capable of producing geothermal resources in commercial quantities. Rental rates are given in your lease document. You may have additional rent in lieu of performing diligent exploration during the 6th through 10th years of the lease's primary term or in lieu of commercial production during lease extensions. See 43 CFR subparts 3208, 3210, and 3211 for more information on lease rents.

**Site licenses** are issued by BLM for the siting of geothermal utilization facilities on geothermal leases. Rent is due on a site license only if the facility operator is different from the lessee or unit operator. Rent is not due on a site license if the lessee or unit operator is also the owner of the utilization facility. Rental rates are given in the site license approval. See 43 CFR Subpart 3273 for more information on site licenses.

We must receive your rental payment on or before the anniversary date of the lease or site license. For example, for a lease or site license effective June 1, 1994 your rental payment must reach us no later than June 1 of each succeeding year.

*See Transaction Code 04, Rental Payment on page 4-39 for information pertaining to courtesy notices and site licenses.*

**Rent on site licenses:** Follow the same procedure to report rent on site licenses as you do for nonproducing leases. Report the site license number in the MMS Lease Number field.

## Minimum Royalty

Use transaction code 02 to report minimum royalties on leases that:

- Produce commercially but do not satisfy their minimum royalty requirement through payment of production royalties, or
- Do not produce but have a well capable of producing geothermal resources in commercial quantities (as determined by BLM).

Your minimum royalty payment is due on or before the end of the lease year. For example, if the lease year runs from December 1 through November 30, your minimum royalty payment is due no later than November 30.

Minimum royalties for geothermal leases are \$2.00 per acre per year. For leases in commercial production that do not meet their minimum royalty requirement through production royalties, the minimum royalty due is the difference between the minimum royalty amount and the actual royalties paid.

### EXAMPLE

**Minimum royalty due:** This example shows how to report minimum royalties on Form MMS-2014.

#### Assumptions:

- The MMS-converted lease number is 027-023456-0.
- The lease year is May 1, 2007, through April 30, 2008.
- The lease produced for part of the year.
- The lease acreage is 2,240 acres; minimum royalty is \$2.00/acre. Accordingly, your minimum royalty obligation is \$4,480.
- The production royalty payments, both actual and estimated, for the lease year total \$3,750. Therefore, you owe additional royalty of \$730.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0270234560
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	042008
<b>Transaction Code</b>	02
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	730.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	730.00
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	730.00
<b>Total All Payments</b>	730.00

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	730.00
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## Production Royalty

You must pay royalties on all geothermal resources, including geothermal byproducts and commercially demineralized water that are:

- Produced from the lease and are sold or utilized; or
- Reasonably susceptible to sale or utilization.

See 30 CFR 202.351 and Chapter 2 of the *Geothermal Payor Handbook—Product Valuation* for additional information on geothermal resources requiring royalty and exceptions.

Note that royalties on byproducts are treated the same for Class III, Subpart A leases as in Class I leases.

Royalties on geothermal production are due by the end of the month following the month of production. Do not submit a Form MMS-2014 for those months you do not produce.

*You pay all geothermal royalties in value EXCEPT for credits for in-kind deliveries of electricity to states or counties.*

The following fields on Form MMS-2014 do not apply to geothermal royalty reporting; leave these fields blank:

- API Well Number
- Gas MMBtu
- Processing Allowance Deduction

Unless you report geothermal byproducts, leave the Transportation Allowance Deduction field blank.

### ***Product Codes***

Geothermal product codes are divided into two groups—fluid geothermal resources and geothermal byproducts. Fluid geothermal resources are further subdivided based on their usage (electrical generation or direct use) and unit of measure. These geothermal product codes collectively replace the pre-October 2001 product codes 25 (hot water), 26 (effluent disposal, now completely abandoned), and 27 (steam).

You can use geothermal product codes singularly or in combination, depending on the production's disposition. For example, you might use your production to generate electricity, recover and sell a byproduct, and sell the power plant condenser fluids to a direct-use facility. This situation would require you to report three product codes; specific product codes would depend on the production's usage (electrical generation or direct use), the unit of measure used

in its valuation (kWh, MMBtu, hundreds of gallons, etc.), and the byproduct type (sulfur, silica, etc.). You must report different product codes on separate lines.

**Fluid geothermal resources.** For reporting purposes, fluid geothermal resources (or fluid geothermal production) include steam, hot water, hot brines, and related heat and other associated energy. Product codes for fluid geothermal resources relate first to the production's usage—electrical generation or direct use—and then to its unit of measure. The unit of measure may be in terms of mass, such as pounds; volume, such as gallons; electricity, such as kilowatt hours (kWh); thermal energy, such as British thermal units (Btu); or other measurement units approved by MMS. The unit of measure is usually either specified in your sales contract or dictated by the method used to value the production. Measurement standards for reporting and paying royalties on geothermal fluids are given in 30 CFR 202.353, with examples given in MMS' *Geothermal Payor Handbook—Product Valuation*. For example, if valuation is in terms of electrical energy, you must report your production in terms of kilowatt hours to the nearest whole kWh. If valuation is in terms of thermal energy, you must report your production in terms of millions of Btu (MMBtu) to the nearest whole million Btu.

Use the following product codes to report geothermal fluids used to generate electricity (electrical generation resources).

Product code	Description
31	Electrical generation, kWh
32	Electrical generation, thousands of pounds (generally applicable only to dry steam resources)
33	Electrical generation, MMBtu
34	Electrical generation, other measurement unit approved by MMS

Use the following product codes to report geothermal fluids used in direct-use processes (direct use resources):

Product code	Description
35	Direct use, MMBtu
36	Direct use, hundreds of gallons
37	Direct use, other measurement units as approved by MMS
45	Direct use, millions of gallons
46	Direct use, millions of pounds

In some cases, the method of valuing the resource dictates the reported unit of measure. See the *Geothermal Payor Handbook – Product Valuation* for additional valuation instructions.

**Geothermal byproducts.** Geothermal byproducts are any mineral or minerals—other than oil, hydrocarbon gas, and helium—that are commercially recovered from produced geothermal fluids. (See 30 CFR 206.351 for complete definition of geothermal byproducts.) Use the following product codes to report geothermal byproducts; note the associated units of measure.

Product code	Description
38	Commercially demineralized water, reported in hundreds of gallons
41	Sulfur, reported in long tons (replaces product code 19 for geothermal sulfur)
42	Carbon dioxide, reported in thousands of cubic feet (Mcf)
43	Silica, reported in pounds
44	Other geothermal byproduct not listed above; contact MMS for unit of measure

### **Sales Type Codes**

Use the following sales type codes to report royalties on geothermal production

Sales type code	Description
ARMS	Geothermal resources sold under an arm's-length sales contract
GNST	Geothermal resources that are not subject to sales transaction, otherwise known as "no sales" resources
NARM	Geothermal resources sold under a non-arm's-length contract

You can use sales type codes singularly or in combination, depending on the resource's disposition. Report different sales type codes on separate lines.

**Transaction Codes**

Use the following transaction codes to report geothermal royalties on the value of production or on proceeds associated with production:

Transaction code	Description
01	Royalty on value of production
10	Compensatory royalty on value of drained, avoidably lost, or wasted production
11	Byproduct transportation allowances
14	Royalty on severance tax and other production tax reimbursements
16	Well fee (use for Direct Use Fee Schedule)
53	Royalty on payments or reimbursements for effluent and other fluid injection
54	Royalty on payments or reimbursements for geothermal field operations, other than effluent and other fluid injection

You can use these transaction codes singularly or in combination, depending on the resource’s disposition and/or selling arrangements. Report different transaction codes on separate lines.

**Royalty Examples**

Following are examples of reporting royalties under the many combinations of uses, sales types, product codes, and transaction codes applicable to geothermal production. Although the examples may not specifically fit your particular reporting situation, the elements presented here should guide you in completing your Form MMS-2014. You can find more examples in the *Geothermal Payor Handbook—Product Valuation*. For transaction codes not covered by these examples, such as compensatory royalty (transaction code 10), see Chapter 4.

For answers to questions not covered in this handbook or the *Geothermal Payor Handbook—Product Valuation*, contact us at the address or telephone numbers listed in Appendix A.



## EXAMPLE

**Arm's-length sales .** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under an arm's-length sales contract.

### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 1/2 percent.
- The production/sales month is October 2007.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity, plus \$0.0003 per net kWh of generated electricity for effluent injection. The purchaser also pays \$10,000 per month for production operations and field maintenance.
- The pay statement for the month shows 26,140,500 kWh of net electricity generated, with payments of \$392,107.50 for the steam, \$7,842.15 for effluent injection, and \$10,000.00 for production operations and field maintenance.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	1710350410	1710350410	1710350410
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	31	31
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	53	54
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	26140500	26140500	26140500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	392107.50	7842.15	10000.00
<b>Royalty Value Prior to Allowances</b>	49013.44	980.27	1250.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	49013.44	980.27	1250.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	51243.71
<b>Total All Payments</b>	51243.71

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	51243.71
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## EXAMPLE

**Non-arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under a non-arm's-length contract.

### Assumptions:

- The MMS-converted lease number is 006-006649-0.
- The converted BLM-assigned royalty rate is 3 percent.
- The production/sales month is October 2007.
- You sell steam to an affiliated power plant owner. The sales value is \$0.95 per thousand pounds of steam delivered.
- During the month you delivered 1,402,764 thousand pounds of steam and received \$1,332,625.80.
- To calculate the royalty due, multiply the gross proceeds, \$1,332,625.80, times the 3% lease royalty rate assigned by BLM, equaling \$39,978.77.
- **For all Class III leases, report the gross proceeds from the sale of electricity as "Sales Value" on the Form MMS-2014.**
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060066490
<b>MMS Agreement Number</b>	
<b>Product Code</b>	32
<b>Sales Type Code</b>	NARM
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1402764
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1332625.80
<b>Royalty Value Prior to Allowances</b>	39978.77
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	39978.77
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	39978.77
<b>Total All Payments</b>	39978.77

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	39978.77
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## EXAMPLE

**No sales, electrical generation.** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the percent of gross proceeds from electricity sales procedure and you also have byproduct sales.

### Assumptions:

- The MMS-converted lease number is 027-025280-0.
- The royalty rate is 3 percent for geothermal fluids and 5 percent for byproducts.
- The lease is in a unit and has an allocation factor of 43 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. You use the percent of gross proceeds procedure to value the production. You also recover sulfur and sell it under an arm's-length sales contract.
- During the month you delivered 32,845,600 kWh of electricity and received gross proceeds of \$1,642,280.00.
- You received \$12,500 for the sale of 500 long tons of sulfur. You incurred trucking charges of \$1,750.00 to transport the sulfur from the power plant to the point of sale.
- Lease allocations are:

Delivered electricity	14,123,608 kWh (32,845,600 kWh × 0.43)
Gross proceeds value	\$706,180.40 (\$1,642,280.00 × 0.43)
Sulfur sales	215 tons (500 tons × 0.43)
Sulfur value	\$5,375.00 (\$12,500.00 × 0.43)
Trucking charges	\$752.50 (\$1,750.00 × 0.43)
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	1	2
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0270252800	0270252800
<b>MMS Agreement Number</b>		
<b>Product Code</b>	31	41
<b>Sales Type Code</b>	GNST	ARMS
<b>Sales MO/YR</b>	102007	102007
<b>Transaction Code</b>	01	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	14123608	215
<b>Gas MMBtu</b>		
<b>Sales Value</b>	706180.40	5375.00
<b>Royalty Value Prior to Allowances</b>	21185.41	268.75
<b>Transportation Allowance Deduction</b>		-37.63
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	21185.41	231.12
<b>Payment Method Code</b>	3	3

**Payment Information**

<b>EFT Payments</b>	
<b>Total All Payments</b>	21416.53

**Less Available Credits:  
Doc. ID**

<b>Net Payment</b>	21416.53
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## EXAMPLE

**No sales, electricity generation.** This example shows how to report geothermal royalties on Form MMS-2014 when you use the resource to generate electricity in your own power plant.

### Assumptions:

- The MMS-converted lease number is 006-006649-0.
- The converted BLM-assigned royalty rate is 3 percent.
- The production/sales month is October 2007.
- During the month you received \$1,332,625.80 in gross proceeds from the sale of electricity (kWh).
- To calculate the royalty due, simply multiply the gross proceeds, \$1,332,625.80, times the 3% lease royalty rate assigned by BLM, equaling \$39,978.77.
- **For all Class III leases, report the gross proceeds from the sale of electricity as “Sales Value” on the Form MMS-2014.**
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060066490
<b>MMS Agreement Number</b>	
<b>Product Code</b>	31
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1332625.80
<b>Royalty Value Prior to Allowances</b>	39978.77
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	39978.77
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	39978.77
<b>Total All Payments</b>	39978.77

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	39978.77
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## Credit for In-Kind Deliveries of Electricity to States or Counties

Upon approval from the Bureau of Land Management (BLM), MMS will provide written instructions to the royalty payor for taking credit for In-Kind deliveries of electricity to States or Counties.

## Direct Use Fee Schedule

Use transaction code 16 to report direct use fees on leases that use geothermal resources in direct use applications and are not sold.

Use the direct use fee schedule, inputting the temperature and quantity of geothermal resources to calculate your fee.

Do not multiply the fee times the lease royalty rate.

Direct use fees are due 30 days after the end of the month in which production was used.

### EXAMPLE

**No sales, direct use.** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the Direct Use Fee Schedule.

Assumptions:

- The MMS-converted lease number is 030-044368-0.
- The royalty rate is 10 percent

NOTE: The lease royalty rate is already included in the fee schedule so you do not need to use it in your fee calculation.

- The production/sales month is December 2007.
- You use the geothermal production as process heat in a vegetable dehydration plant and value the production by the Direct Use Fee Schedule.
- During the month you produced 39,255,645,800 gallons of hot water for the month with an average monthly inlet temperature (° F) of 135°.

7. Reporting Geothermal Royalty and Other Geothermal Lease Payments

- You multiply the appropriate fee (\$/million gallons) from the schedule below by the number of gallons you produced from the direct use lease for this month.

(1) You must use the following fee schedule to calculate fees due under this section:

**Direct Use Fee Schedule  
(Hot Water)**

If your average monthly inlet temperature (°F) is		Your fees are...	
At least...	But less than...	(\$/million gallons)	(\$/million pounds)
130	140	2.524	0.307
140	150	7.549	0.921
150	160	12.543	1.536
160	170	17.503	2.150
170	180	22.426	2.764
180	190	27.310	3.379
190	200	32.153	3.993
200	210	36.955	4.607
210	220	41.710	5.221
220	230	46.417	5.836
230	240	51.075	6.450
240	250	55.682	7.064
250	260	60.236	7.679
260	270	64.736	8.293
270	280	69.176	8.907
280	290	73.558	9.521
290	300	77.876	10.136
300	310	82.133	10.750
310	320	86.328	11.364
320	330	90.445	11.979
330	340	94.501	12.593
340	350	98.481	13.207
350	360	102.387	13.821

(i) For direct use geothermal resources with an average monthly inlet temperature of 130° F or less, you must pay only the lease rental.

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0300443680
<b>MMS Agreement Number</b>	
<b>Product Code</b>	45
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	122007
<b>Transaction Code</b>	16
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	39255.65
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	99081.25
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	99081.25
<b>Payment Method Code</b>	3

**Payment information**

<b>EFT Payments</b>	99081.25
<b>Total All Payments</b>	99081.25

**Less Available Credits:**

**Doc ID**

<b>Net Payment</b>	99081.25
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## EXAMPLE

**No sales, electrical generation with effluent sold to a direct use facility.** This example shows how to report geothermal royalties on Form MMS-2014.

### Assumptions:

- The MMS-converted lease number is 027-020825-0.
- The lease royalty rate is 10 percent.
- The lease is in a unit and has an allocation factor of 21 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. Royalties are based on gross proceeds times the lease royalty rate.
- You sell the hot effluent from the power plant to an adjoining greenhouse under an arm's-length agreement. The greenhouse operator pays \$0.60 per hundred gallons, plus \$0.02 per hundred gallons to re-inject the spent geothermal fluids.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00. Royalties are based on a percentage of the gross proceeds from electricity sales with a 1.75% royalty rate for the first 10 years.
- You also delivered 50,000 gallons of power plant effluent to the greenhouse operator and received \$30,000 for the fluid delivery and \$1,000 for re-injection
- Lease allocations are:

Delivered electricity	6,897,576 kWh (32,845,600 kWh x 0.21)
Gross proceeds	\$344,878.80 (\$1,642,280.00 x 0.21)
Royalty value	\$6,035.38 (\$344,878.80 x 1.75%)
Effluent delivery	10,500 hundred gallons (50,000 hundred gallons X 0.21)
Effluent value	\$6,300.00 (\$30,000.00 x 0.21)
Re-injection payment	\$210.00 (\$1,000.00 x 0.21)

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0270208250	0270208250	0270208250
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	36	36
<b>Sales Type Code</b>	GNST	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	01	53
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	6897576	10500	10500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	344878.80	6300.00	210.00
<b>Royalty Value Prior to Allowances</b>	6035.38	630.00	21.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	6035.38	630.00	21.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	6686.38
<b>Total All Payments</b>	6686.38

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	6686.38
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### ***Additional Information on Reporting Geothermal Royalties***

You can find additional information regarding geothermal royalty reporting in the following handbooks:

- The *Geothermal Payor Handbook—Product Valuation* contains information on geothermal resources valuation and royalty reporting requirements.

## **Class III Part B Geothermal Lease Financial Obligations Reported on Form MMS-2014 (Report of Sales and Royalty Remittance)**

Geothermal lease payments reported on Form MMS-2014 include:

- **Rents** - all geothermal Class III Part B leases require rentals regardless of producing status.
- **Production royalties** - for producing leases.
- **Credits for in kind electricity delivery to states and/or counties** - may be taken against production royalties.
- **Direct use fee schedule.**
- **Advanced royalties** - for cessation of production.
- **Compensatory royalties** for geothermal resources that are avoidably lost, wasted, or drained (as determined by BLM).

*See Transaction Code 10, Compensatory Royalty Payment on page 4-15.*

### **Important Terms to Know**

You should be familiar with terms specific to the valuation and reporting of geothermal resources. Several of these terms are defined in the regulations and the *Geothermal Payor Handbook—Product Valuation*. The following terms defined specific meanings for geothermal resources:

- Delivered electricity
- Direct use resources
- Electrical generation resources
- Geothermal byproducts
- Geothermal resources

## Rents

Rental rates and rental due dates are given in your lease document. Use transaction code 04 to report rents on all geothermal leases.

*See Transaction Code 04, Rental Payment on page 4-39 for additional information on reporting rents. See 43 CFR Subpart 3211 for more information on rents.*

If MMS does not receive your second and subsequent year's rental payment in full by the lease anniversary date, MMS will notify you that the rent payment is overdue. You have 45 days after the anniversary date to pay the rent plus a 10 percent late fee. If MMS does not receive your rental plus the late fee by the end of the 45-day period, BLM will terminate your leases. If you receive notification from MMS more than 15 days after the lease anniversary date, BLM will reinstate a lease that was terminated if MMS receives the rent plus a 10 percent late fee within 30 days after you receive the notification (see 43 CFR 3213.14).

To report the 10 percent late payment fee, write a letter to MMS listing the lease number and reason for the late payment fee, enclose the payment, and send to MMS at:

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Financial Services  
P.O. Box 173702, Mail Stop 355B1  
Denver, CO 80217-3702  
1-800-433-9801  
303-231-3121



## **EXAMPLE**

**Rent:** This example shows how to report geothermal rents on Form MMS-2014.

**Assumptions:**

- The MMS-converted lease number is 006-098765-0.
- The anniversary date of the lease is October 1, 2007.
- This lease is a competitive lease in its second year.
- The lease acreage is 2,560 acres, and the lease rent is \$3.00 per acre.
- You pay by EFT to MMS.

Submit Form MMS-2014 and the rental payment by the lease's anniversary date. Report the month in which the payment is due in the Sales Month/Year field.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060987650
<b>MMS Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	04
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	7680.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	7680.00
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	7680.00
<b>Total All Payments</b>	7680.00

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	7680.00
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## **Rental Credits**

The regulations at 30 CFR 218.303 allow you to credit annual rental against royalty due for the same year.

### **EXAMPLE**

**Rental Credits.** This example shows how to report rental credits on Form MMS-2014.

#### **Assumptions:**

- The MMS-converted lease number is 006-098765-0.
- The royalty rate is 12 ½ percent.
- The anniversary date of the lease is October 1, 2005.
- The lease acreage is 2,500 acres; rent is \$3.00/acre.
- Accordingly, your total rental payment on October 1, 2005 was \$7,500
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity.
- The pay statement for the month shows 346,667 kWh of net electricity generated, with payments of \$5,200.00 for the steam.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	1	2
<b>API Well Number</b>		
<b>MMS Lease Number</b>	0060987650	0060987650
<b>MMS Agreement Number</b>		
<b>Product Code</b>		31
<b>Sales Type Code</b>		ARMS
<b>Sales MO/YR</b>	102005	102005
<b>Transaction Code</b>	04	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>		346667
<b>Gas MMBtu</b>		
<b>Sales Value</b>		5200.00
<b>Royalty Value Prior to Allowances</b>	-650.00	650.00
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	-650.00	650.00
<b>Payment Method Code</b>	3	3

**Payment Information**

<b>EFT Payments</b>	0.00
<b>Total All Payments</b>	0.00

**Less Available Credits:  
Doc. ID**

<b>Net Payment</b>	0.00
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**NOTE:** Credit for any month cannot exceed the royalty owed.

## Site licenses

Site licenses are issued by BLM for the siting of geothermal utilization facilities on geothermal leases. Rental rates are given in the site license approval. Rent is due on a site license only if the facility operator is different from the lessee or unit operator. (See 43 CFR Subpart 3273 for more information on site licenses.)

We must receive your site license rent payment on or before the anniversary date of the lease or site license. For example, for a lease or site license effective June 1, 1994, your rental payment must reach us no later than June 1 of each succeeding year.

*See Transaction Code 04, Rental Payment on page 4-39, for information pertaining to courtesy notices and site licenses.*

## Production royalties

You must pay royalties on all geothermal resources, including geothermal byproducts that are:

- Produced from the lease and are sold or utilized, or
- Reasonably susceptible to sale or utilization.

See 30 CFR 202.351 and Chapter 2 of the *Geothermal Payor Handbook—Product Valuation* for additional information on geothermal resources requiring royalty and exceptions.

Royalties on geothermal production are due by the end of the month following the month of production. Do not submit a Form MMS-2014 for those months you do not produce.

*You pay all geothermal royalties in value except for in-kind deliveries of electricity to states or counties.*

The following fields on Form MMS-2014 do not apply to geothermal royalty reporting; leave these fields blank:

- API Well Number
- Gas MMBtu
- Processing Allowance Deduction

Unless you report geothermal byproducts, leave the Transportation Allowance Deduction field blank.

**Product Codes**

Geothermal product codes are divided into two groups—fluid geothermal resources and geothermal byproducts. Fluid geothermal resources are further subdivided based on their usage (electrical generation or direct use) and unit of measure.

You can use geothermal product codes singularly or in combination, depending on the production’s disposition. For example, you might use your production to generate electricity, recover and sell a byproduct, and sell the power plant condenser fluids to a direct-use facility. This situation would require you to report three product codes; specific product codes would depend on the production’s usage (electrical generation or direct use), the unit of measure used in its valuation (kWh, MMBtu, hundreds of gallons, etc.), and the byproduct type. Report different product codes on separate lines.

**Fluid geothermal resources:** For reporting purposes, fluid geothermal resources (or fluid geothermal production) include steam, hot water, hot brines, and related heat and other associated energy. Product codes for fluid geothermal resources relate first to the production’s usage—electrical generation or direct use—and then to its unit of measure. The unit of measure may be in terms of mass, such as pounds; volume, such as gallons; electricity, such as kilowatt hours (kWh); thermal energy, such as British thermal units (Btu); or other measurement units approved by MMS. The unit of measure is usually either specified in your sales contract or dictated by the method used to value the production. Measurement standards for reporting and paying royalties on geothermal fluids are given in 30 CFR 202.353, with examples given in MMS’ *Geothermal Payor Handbook—Product Valuation*. For example, if valuation is in terms of electrical energy, you must report your production in terms of kilowatt hours to the nearest whole kWh. If valuation is in terms of thermal energy, you must report your production in terms of millions of Btu (MMBtu) to the nearest whole million Btu.

Use the following product codes to report geothermal fluids used to generate electricity (electrical generation resources):

Product code	Description
31	Electrical generation, kWh
32	Electrical generation, thousands of pounds (generally applicable only to dry steam resources)
33	Electrical generation, MMBtu
34	Electrical generation, other measurement unit approved by MMS

Use the following product codes to report geothermal fluids used in direct-use processes (direct use resources):

Product code	Description
35	Direct use, MMBtu
36	Direct use, hundreds of gallons
37	Direct use, other measurement units approved by MMS
45	Direct use, millions of gallons
46	Direct use, millions of pounds

In some cases, the method of valuing the resource dictates the reported unit of measure. See the *Geothermal Payor Handbook – Product Valuation* for additional valuation instructions.

**Geothermal byproducts:** Geothermal byproducts are any mineral or minerals—other than oil, hydrocarbon gas, and helium—that are commercially recovered from produced geothermal fluids. (See 30 CFR 206.351 for complete definition of geothermal byproducts.) Use the following product codes to report geothermal byproducts; note the associated units of measure.

Product code	Description
38	Commercially demineralized water, reported in hundreds of gallons
44	Other geothermal byproduct not listed above; contact MMS for unit of measure

### **Sales Type Codes**

Use the following sales type codes to report royalties on geothermal production:

Sales type code	Description
ARMS	Geothermal resources sold under an arm’s-length sales contract
GNST	Geothermal resources that are not subject to sales transaction, otherwise known as “no sales” resources
NARM	Geothermal resources sold under a non-arm’s-length contract

You can use sales type codes singularly or in combination, depending on the resource’s disposition. Report different sales type codes on separate lines.

**Transaction Codes**

Use the following transaction codes to report geothermal royalties or fees on the value of production or on proceeds associated with production:

<b>Transaction code</b>	<b>Description</b>
01	Royalty on value of production
10	Compensatory royalty on value of drained, avoidably lost, or wasted production
11	Byproduct transportation allowances
14	Royalty on severance tax and other production tax reimbursements
16	Well fee (Use for Direct Use Fee Schedule)
32	Advanced Royalty
33	Advanced Royalty Recoupment
53	Royalty on payments or reimbursements for effluent and other fluid injection
54	Royalty on payments or reimbursements for geothermal field operations, other than effluent and other fluid injection

You can use these transaction codes singularly or in combination, depending on the resource's disposition and/or selling arrangements. Report different transaction codes on separate lines.

**Royalty Examples**

Following are examples of reporting royalties under the many combinations of uses, sales types, product codes, and transaction codes applicable to geothermal production. Although the examples may not specifically fit your particular reporting situation, the elements presented here should guide you in completing your Form MMS-2014. You can find more examples in the *Geothermal Payor Handbook—Product Valuation*. For transaction codes not covered by these examples, such as compensatory royalty (transaction code 10), see Chapter 4.

For answers to questions not covered in this handbook or the *Geothermal Payor Handbook—Product Valuation*, contact us at the address or telephone numbers listed in Appendix A.



## EXAMPLE

**Arm's-length sales:** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under an arm's-length sales contract.

### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 ½ percent.
- The production/sales month is October 2007.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity, plus \$0.0003 per net kWh of generated electricity for effluent injection. The purchaser also pays \$10,000 per month for production operations and field maintenance.
- The pay statement for the month shows 26,140,500 kWh of net electricity generated, with payments of \$392,107.50 for the steam, \$7,842.15 for effluent injection, and \$10,000.00 for production operations and field maintenance.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Lines**

<b>Line Number</b>	1	2	3
<b>API Well Number</b>			
<b>MMS Lease Number</b>	1710350410	1710350410	1710350410
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	31	31
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	53	54
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	26140500	26140500	26140500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	392107.50	7842.15	10000.00
<b>Royalty Value Prior to Allowances</b>	49013.44	980.27	1250.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	49013.44	980.27	1250.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	51243.71
<b>Total All Payments</b>	51243.71

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	51243.71
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## **EXAMPLE**

**Non-arm's-length sales.** This example shows how to report geothermal royalties on Form MMS-2014 when you sell the resource under a non-arm's-length contract.

### **Assumptions:**

- The MMS-converted lease number is 006-006649-0.
- The production/sales month is October 2006.
- You sell steam to an affiliated power plant owner. The sales value is \$0.95 per thousand pounds of steam delivered.
- During the month you delivered 1,402,764 thousand pounds of steam and received \$1,332,625.80.
- There are no other sales to the same power plant. Royalties are based on a percentage of the gross proceeds from electricity sales with a royalty rate of 1.75% for 10 years.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0060066490
<b>MMS Agreement Number</b>	
<b>Product Code</b>	32
<b>Sales Type Code</b>	NARM
<b>Sales MO/YR</b>	102006
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1402764
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1332625.80
<b>Royalty Value Prior to Allowances</b>	23320.95
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	23320.95
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	23320.95
<b>Total All Payments</b>	23320.95

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	23320.95
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**EXAMPLE**

**No sales, electrical generation.** This example shows how to report geothermal royalties on Form MMS-2014.

**Assumptions:**

- The MMS-converted lease number is 027-025280-0.
- The lease is in a unit and has an allocation factor of 43 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. Royalties are based on a percentage of the gross proceeds from electricity sales with a 1.75% royalty rate for the first 10 years.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00.
- Lease allocations are:

Delivered electricity	14,123,608 kWh (32,845,600 kWh x 0.43)
Gross proceeds	\$706,180.40 (\$1,642,280.00 x 0.43)
Royalty value	\$12,358.16 (\$706,180.40 x 1.75%)
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0270252800
<b>MMS Agreement Number</b>	
<b>Product Code</b>	31
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	01
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	14123608
<b>Gas MMBtu</b>	
<b>Sales Value</b>	706180.40
<b>Royalty Value Prior to Allowances</b>	12358.16
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12358.16
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	12358.16
<b>Total All Payments</b>	12358.16

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	12358.16
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## Credit for In-Kind Deliveries of Electricity to States or Counties

Upon approval from the Bureau of Land Management (BLM), MMS will provide written instructions to the royalty payor for taking credit for In-Kind deliveries of electricity to States or Counties.

## Direct Use Fee Schedule

Use transaction code 16 to report direct use fees on leases that use geothermal resources in direct use applications and are not sold.

Use the direct use fee schedule, inputting the temperature and quantity of geothermal resources to calculate your fee.

Do not multiply the fee times the lease royalty rate.

Direct use fees are due 30 days after the end of the month in which production was used.

### EXAMPLE

**No sales, direct use.** This example shows how to report geothermal royalties on Form MMS-2014 when you value the resource by the Direct Use Fee Schedule.

Assumptions:

- The MMS-converted lease number is 030-044368-0.
- The royalty rate is 10 percent.

**NOTE:** The lease royalty rate is already included in the fee schedule so you do not need to use it in your fee calculation.

- The production/sales month is December 2007.
- You use the geothermal production as process heat in a vegetable dehydration plant and value the production by the Direct Use Fee Schedule.
- During the month you produced 39,255,645,800 gallons of hot water for the month with an average monthly inlet temperature (° F) of 135°.

7. Reporting Geothermal Royalty and Other Geothermal Lease Payments

- You multiply the appropriate fee (\$/million gallons) from the schedule below by the number of gallons you produced from the direct use lease for this month

(1) You must use the following fee schedule to calculate fees due under this section:

**Direct Use Fee Schedule  
(Hot Water)**

<i>If your average monthly inlet temperature (°F) is</i>		<i>Your fees are...</i>	
<i>At least...</i>	<i>But less than...</i>	<i>(\$/million gallons)</i>	<i>(\$/million pounds)</i>
130	140	2.524	0.307
140	150	7.549	0.921
150	160	12.543	1.536
160	170	17.503	2.150
170	180	22.426	2.764
180	190	27.310	3.379
190	200	32.153	3.993
200	210	36.955	4.607
210	220	41.710	5.221
220	230	46.417	5.836
230	240	51.075	6.450
240	250	55.682	7.064
250	260	60.236	7.679
260	270	64.736	8.293
270	280	69.176	8.907
280	290	73.558	9.521
290	300	77.876	10.136
300	310	82.133	10.750
310	320	86.328	11.364
320	330	90.445	11.979
330	340	94.501	12.593
340	350	98.481	13.207
350	360	102.387	13.821

(i) For direct use geothermal resources with an average monthly inlet temperature of 130° F or less, you must pay only the lease rental.

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.



**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	0300443680
<b>MMS Agreement Number</b>	
<b>Product Code</b>	45
<b>Sales Type Code</b>	GNST
<b>Sales MO/YR</b>	122007
<b>Transaction Code</b>	16
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	39255.65
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	99081.25
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	99081.25
<b>Payment Method Code</b>	3

**Payment information**

<b>EFT Payments</b>	99081.25
<b>Total All Payments</b>	99081.25

**Less Available Credits:**

**Doc ID**

<b>Net Payment</b>	99081.25
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## EXAMPLE

**No sales, electrical generation with effluent sold to a direct use facility.** This example shows how to report geothermal royalties on Form MMS-2014.

### Assumptions:

- The MMS-converted lease number is 027-020825-0.
- The royalty rate is 10 per cent%.
- The lease is in a unit and has an allocation factor of 21 percent.
- The production/sales month is October 2007.
- You use the geothermal production in your own power plant and sell the generated electricity to a local utility. Royalties are based on gross proceeds times the lease royalty rate.
- You sell the hot effluent from the power plant to an adjoining greenhouse under an arm's-length agreement. The greenhouse operator pays \$0.60 per hundred gallons, plus \$0.02 per hundred gallons to re-inject the spent geothermal fluids.
- During the month you delivered 32,845,600 kWh of electricity and received \$1,642,280.00. Royalties are based on a percentage of the gross proceeds from electricity sales with a 1.75% royalty rate for the first 10 years.
- You also delivered 50,000 gallons of power plant effluent to the greenhouse operator and received \$30,000 for the fluid delivery and \$1,000 for re-injection.

- Lease allocations are:

Delivered electricity	6,897,576 kWh (32,845,600 kWh x 0.21)
Gross proceeds	\$344,878.80 (\$1,642,280.00 x 0.21)
Royalty value	\$6,035.38 (\$344,878.80 x 1.75%)
Effluent delivery	10,500 hundred gallons (50,000 hundred gallons X 0.21)
Effluent value	\$6,300.00 (\$30,000.00 x 0.21)
Re-injection payment	\$210.00 (\$1,000.00 x 0.21)

- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet  
Detail Lines**

<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>MMS Lease Number</b>	0270208250	0270208250	0270208250
<b>MMS Agreement Number</b>			
<b>Product Code</b>	31	36	36
<b>Sales Type Code</b>	GNST	ARMS	ARMS
<b>Sales MO/YR</b>	102007	102007	102007
<b>Transaction Code</b>	01	01	53
<b>Adjustment Reason Code</b>			
<b>Sales Volume</b>	6897576	10500	10500
<b>Gas MMBtu</b>			
<b>Sales Value</b>	344878.80	6300.00	210.00
<b>Royalty Value Prior to Allowances</b>	6035.38	630.00	21.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	6035.38	630.00	21.00
<b>Payment Method Code</b>	3	3	3

**Payment Information**

<b>EFT Payments</b>	6686.38
<b>Total All Payments</b>	6686.38

**Less Available Credits:  
Doc. ID**

<b>Net Payment</b>	6686.38
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## Advanced Royalties for Cessation of Production

- Use transaction code 32 to report advanced royalties.
- You must pay an advanced royalty monthly equal to the average monthly royalty you paid under 30 CFR part 206, subpart H (including the amount against which you applied the annual rental as a credit) for the last 3 years the lease was producing. If your lease has been producing for less than 3 years, then use the average monthly royalty payment for the entire period your lease has been producing continuously;
- The MMS must receive your advanced royalty payment before the end of each full calendar month in which no production occurs;
- You may credit any advanced royalty you pay against production royalties you owe after your lease resumes production. You may not reduce the amount of any production royalty paid for any year below zero.

### EXAMPLE

**Advanced royalties for cessation of production:** This example shows how to report advanced geothermal royalties on Form MMS-2014.

#### Assumptions:

- The MMS-converted lease number is 171-035041-0.
- The royalty rate is 12 ½ percent.
- The production/sales month is October 2007 and production has ceased.
- You sell steam to a nonaffiliated owner of a geothermal power plant. The sales contract establishes a geothermal value of \$0.015 per net kWh of generated electricity.
- The average pay statement since the month of first production (October, 2006) is 26,140,500 kWh of net electricity generated. You received an average payment of \$392,107.50 for the steam.
- You pay by EFT to MMS.

The information reported on Form MMS-2014 is shown on the following fact sheet.

**Form MMS-2014 Fact Sheet**

**Detail Line**

<b>Line Number</b>	1
<b>API Well Number</b>	
<b>MMS Lease Number</b>	1710350410
<b>MMS Agreement Number</b>	
<b>Product Code</b>	31
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102007
<b>Transaction Code</b>	32
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	49013.44
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	49013.44
<b>Payment Method Code</b>	3

**Payment Information**

<b>EFT Payments</b>	49013.44
<b>Total All Payments</b>	49013.44

**Less Available Credits:**

**Doc. ID**

<b>Net Payment</b>	49013.44
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### ***Additional Information on Reporting Geothermal Royalties***

You can find additional information regarding geothermal royalty reporting in the following handbooks:

- The *Geothermal Payor Handbook—Product Valuation* contains information regarding geothermal resources valuation and royalty reporting requirements.



# Chapter 8

## Reporting Royalty in Kind

# Chapter 8

## Reporting Royalty in Kind

Mineral royalties derived from Federal oil and gas leases may be paid to MMS either in cash as a percentage of revenues realized by the lessee (royalty in value) or in kind as a percentage of the actual production from the lease. The decision as to whether royalties will be paid in kind or in value is reserved to the lessor. For many years, MMS, and before it the U.S. Geological Survey (USGS), has operated a Small Refiner Program whereby oil royalties are taken in kind from Federal leases and sold to qualified small refiners. The objective of the program is to help ensure adequate supplies of crude oil are available at equitable prices to eligible refiners.

Since 1998, MMS has also engaged in several oil and gas pilot programs to assess the feasibility of taking royalties in kind and selling the production under a competitive bid process in the open marketplace. MMS has pilots in place for oil in Wyoming and the Pacific, and natural gas and oil in the Gulf of Mexico. The pilots are currently in testing, development, and evaluation stages.

In addition to the above pilots, on November 6, 2001, President Bush announced an initiative to fill the Strategic Petroleum Reserve (SPR). MMS, in coordination with the Department of Energy (DOE), entered into a joint, 3-year initiative to fill the remaining capacity of the SPR. Operators of Federal leases in the Gulf of Mexico will deliver MMS's royalty oil to MMS' exchange partner at or near the lease. MMS' exchange partner will then deliver similar quantities of crude oil to MMS or its designated agent at Gulf Coast market centers. MMS' designated agent will be either DOE or



its exchange contractor. DOE will then contract for the exchange or direct movement of exchange oil to the SPR.

When MMS elects the RIK option under the terms of the lease, it notifies the affected operators, between 30 and 45 days in advance, of their obligation to deliver the royalty share of production in kind at designated delivery points. This practice applies to the Small Refiner Program, the Strategic Petroleum Reserve, and the pilot programs.

MRM RIK processes and procedures have undergone extensive restructuring and these processes and procedures continue to be refined. MRM prepared and published a *Road Map to the Future* that provides a blueprint for developing and implementing the business activities required for a fully operational RIK program.

## 8.1 Reporting of In-Kind Payments

Purchasers are not generally required to submit the Form MMS-2014 to report payments for crude oil or natural gas purchased from MMS under the RIK programs. Beginning with the December 1998 production month for natural gas and October 2001 production month for crude oil, MMS began preparing the required royalty report (Form MMS-2014) for all RIK purchasers for the term during which the property is taken in kind.

However, adjustments to the Form MMS-2014 for sales months prior to December 1998 production month for natural gas, and October 2001 production month for crude oil must be prepared and submitted by the RIK purchaser making the adjustment (For further information on adjustments, see [Chapter 6, Adjustments, Recoupments, and Refunds](#)). If you, the RIK purchaser, discover an RIK adjustment for periods prior to either of these dates, changes will require contact with MMS staff. For guidance on offshore properties and onshore properties, see [Appendix A, Contact Information](#).

8.2

## Reporting Transportation Allowances for RIK Transactions

If MMS directs an operator to transport the MMS' royalty share of production downstream of the OMM/BLM approved royalty measurement point, the operator or its designee should use transaction code 11 (For further information on [Transaction Code 11, Transportation Allowance on page 4-89](#)) to report a transportation allowance for the actual, reasonable costs to transport RIK production to the designated RIK delivery point.

If the designated RIK delivery point is the OMM/BLM approved royalty measurement point, the operator or its designee will not report any royalty activity related to that product on that RIK lease.

In either case, the operator is still required to submit an Oil and Gas Operations Report, OGOR (For further information on the OGOR, see the *Minerals Production Reporter Handbook*).

The operator or its designee is allowed to report a separate transportation allowance line (using transaction code 11) without an associated transaction code 01 line. This occurs when MMS designates a lease as RIK and MMS is receiving payment from another source, but the producer is incurring the costs of transporting the product from the OMM/BLM approved royalty measurement point to the designated RIK delivery point.

8.3

## Reporting Quality Bank (Gravity and/or Sulfur) for RIK Transactions

If MMS directs an operator to transport the MMS' royalty share of production downstream of the OMM/BLM approved royalty measurement point, the operator or its designee should use transaction code 13 (For further information on Transaction Code 13, Quality Bank and Gravity Bank Adjustments, see [Chapter 4, Reporting Instructions by Transaction](#))

**Code**) to report the actual quality bank debit or credit incurred when transporting RIK production to the designated RIK delivery point.

If the designated RIK delivery point is the OMM/BLM approved royalty measurement point, the operator or its designee will not report any royalty activity related to that product on the RIK lease.

In either case, the operator is still required to submit an Oil and Gas Operations Report, OGOR (For further information on the OGOR, see the Minerals Production and Reporter Handbook).

The operator or its designee is allowed to report a separate quality bank line (using transaction code 13) without an associated transaction code 01 line. This occurs when MMS designates a lease as RIK and MMS is receiving payment from another source, but the operator receives a debit or credit from a pipeline for transporting the product from the OMM/BLM approved royalty measurement point to the designated RIK delivery point.

## 8.4 Reporting RIK Imbalance Cash-Outs

When a gas RIK lease is no longer taken in kind or after production has ceased from the lease, the cumulative imbalance will be cashed out. The cash out value will be based on instructions in the current Dear Operator letter.

When an oil RIK lease is no longer taken in kind or after production has ceased from the lease, the cumulative imbalance will be cashed out based on the MMS contract price (at the delivery point) for the last month the lease is taken in kind.

- The Form MMS-2014 will be used to capture the final imbalance report information.

Interest will accrue from 60 days after the final month of delivery.

# Chapter 9

## Electronic Reporting



# Chapter 9

## Electronic Reporting

This chapter provides information on the various electronic methods available to you for reporting. To implement electronic reporting, we contracted with an electronic commerce (EC) service provider. Our EC service provider forwards reporting data to us using the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 Electronic Data Interchange (EDI) format. Your working relationship with us will not change as a result of the contract between us and our EC service provider.

### NOTE

*You **must** contact our EC service provider whenever you are considering an upgrade to your computer's operating system. You may be unable to send your monthly royalty reports to us if you upgrade operating systems without verifying that the EC service provider options work with that particular operating system. Please contact our EC service provider at the number listed in [Appendix A](#) to verify that the operating system you are considering is compatible.*

### NOTE

*Electronic Reporting Guidelines are updated frequently. Go to the EDI Reporter Handbook and the Electronic Reporting section on our website listed in [Appendix A](#).*

## Electronic Reporting Requirements

Mandatory electronic reporting became effective November 1, 1999, with the issuance of the Electronic Reporting, Final Rule, 64 FR 38116, July 15, 1999. The rule also includes several exceptions that minimize the impact that electronic reporting might have on small businesses. You must use the options listed in [Electronic Reporting Options on page 9-7](#), unless you are a small business as defined by the U.S. Small Business Administration, and you have no computer, no resources to purchase a computer or contract with an electronic reporting service, nor access to a computer at a local library or other public facility. You can find the final rule, including these exceptions, on our website listed in [Appendix A](#).

Electronic reporting options offer these benefits:

- Fewer reporting errors
- Secure data transmissions
- Last minute reporting capabilities
- An acknowledgement feature
- Reduced costs for you and for us

The Electronic Reporting Guidelines replace the traditional trading partner agreement. This document provides information you should read before reporting electronically. We have included a sample of these guidelines in [Figure 9-1](#). For the most current version of the Electronic Reporting Guidelines, see our website listed in [Appendix A](#).

# **E**lectronic Reporting Policies

These Electronic Reporting Policies replace the traditional Trading Partner Agreement and provide the framework for electronic commerce relationships between trading partners. The Code of Federal Regulations, specifically 30 CFR Parts 210.52, 216.50 and 216.53, requires reporters to submit selected royalty and production reports electronically. These Policies provide information on the rules and procedures necessary to send and receive payments and report data electronically.

## **PAYMENTS:**

Electronic Funds Transfer (EFT) - any paperless transfer of funds initiated through a computer for the purpose of instructing or authorizing financial institutions to transfer funds from a sender's account to a recipient's account. For Minerals Revenue Management (MRM) purposes, either the Automated Clearing House (ACH) network or the U.S. Treasury Fedwire Deposit System (FDS) is used as the means for transferring funds. The FDS allows you to submit electronic payments to MRM through the Federal Reserve Bank wire network for same-day settlement. The ACH is a banking industry network for the exchange and settlement of electronic transactions among financial institutions. Funds will transfer via one of the following two methods when the ACH network is used:

(1) The Corporate Trade Exchange (CTX) format of the National Automated Clearing House Association (NACHA), and the Payment Remittance Advice format as specified by the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 Transaction Set Number 820, or;

(2) The Cash Concentration and Disbursement Plus Addenda (CCD+) option using a MRM supplied addenda format.

The format and transmittal of all EFT must comply with the ANSI ASC X12 standards, the NACHA standards, and published industry and Government guidelines.

Receipt - funds transferred by EFT will be considered received when the depository financial institutional has received or has control of the payment and has received the required information to accurately credit the payment to the MRM account.

## **REPORT DATA:**

The format and transmittal of all report data must comply with the standards identified for the electronic transmission options selected, as well as with published industry and Government guidelines. The following electronic reporting options are available to MRM reporters:

**FIGURE 9-1. Sample Electronic Reporting Guidelines**

(1) Electronic Data Interchange (EDI) - the direct computer to computer interchange of data using standards set forth by the ANSI ASC X12. The interchange utilizes the services of a third party service provider with which either party may contract.

(2) ASCII and CSV Formats - external files created by the sender must be in the proprietary ASCII and CSV File Layout formats defined by MRM. These external files can be generated from a reporter's system application. They are subsequently imported into Web based electronic forms for transmission to MRM.

(3) Web Based Reporting - reporters may enter report data on an electronic Web form for transmission to MRM.

### **Third Party Service Providers**

All ANSI ASC X12 data interchanges to MRM will be conducted through a commercial value added network (VAN) service provider compatible with MRM's VAN service provider specified in the Appendix. Each party is responsible for the costs of any service provider with whom it contracts. Option (2) and (3) report data are transmitted to MRM through the electronic commerce vendor specified in the Appendix. The EFT to MRM will be through the Department of the Treasury's designated service provider.

### **Equipment**

Each party, at its own expense, provides and maintains all of the equipment, communication linkages, commercial Internet Service Provider or other EC Service Provider, and testing necessary to effectively and reliably transmit and receive data.

### **Security Procedures**

Each party uses security procedures that are reasonably sufficient for effecting the authorized transmission of data and for protecting business records and data from improper access.

### **Receipt**

Data are not considered received until such data are accessible at the receiving party's receipt computer, or accessible at the receiving party's service provider. The receipt date and time for data transmitted are the date and time the data are accessible by the receiving party's service provider.

### **Transmission**

The sender is responsible for ensuring that on-time receipt requirements, established by MRM, are met for all report data and EFT.

**FIGURE 9-1. Sample Electronic Reporting Guidelines (continued)**



### **Verification**

Upon receipt of data, the receiving party will immediately transmit an acknowledgement or notification to communicate to the sender that a successful transmission occurred. A return receipt constitutes conclusive evidence that data were received. Failure to receive a return receipt requires the sender to contact the receiving party for resolution.

### **Unintelligible Transmissions**

The receiving party will promptly notify the sender if any transmitted data are unintelligible or garbled (if the sender can be identified from the transmitted data).

### **Enforceability**

Electronic data transmitted and received will be considered to be a “writing” or “in writing” and will be considered “signed” and will constitute an “original” when printed from electronic files or records established and maintained in the normal course of business. The parties agree not to contest the validity or enforceability of electronically submitted reports and to accept liability for all data contained in such reports. Electronic data, if printed and introduced as evidence in any judicial, arbitration, mediation or administrative proceedings, will be admissible to the same extent and under the same conditions as other business records originated and maintained in paper form.

### **Record Retention**

Record retention is the individual reporter’s responsibility. Electronic reporting does not change the requirements under 30 CFR, Part 212.50, Subpart B, which states, in part, that all records must be retained “...for 6 years after the records are generated, unless the record holder is notified, in writing, that records must be maintained for a longer period.”

### **User ID’s and Passwords**

Reporters must have a proper user ID and password to access the Web-based reporting site. Use generic user ID’s and passwords that are not tied to individual user(s) and therefore not adversely affected by personnel changes. Strong passwords (nondescript collection of letters and numbers) are required as is the practice of changing passwords every 90 days. User ID’s and passwords must be protected from hackers and others who could corrupt and possibly destroy payment and report data.

### **Standards**

- a. American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 (EDI).
- b. American Petroleum Institute (API) Petroleum Industry DATA Exchange (PIDX) Implementation Guides. (EDI)

**FIGURE 9-1. Sample Electronic Reporting Guidelines (continued)**

c. National Automated Clearing House Association standards. (EFT)

D. MRM-defined proprietary CSV and ASCII file layouts.

**MRM's Third Party Service Providers**

<b><u>PROVIDER NAME</u></b>	<b><u>ADDRESS</u></b>	<b><u>PHONE NUMBER</u></b>
Get2Connect	1277 Lenox Park Blvd NE.	1-404-467-3000
Inovis Managed Services Suite	Atlanta, GA 30319	

**VAN Information**

Minerals Management Service	ISA 07 Qualifier Code: ZZ
Minerals Revenue Management	ISA 08 Receiver ID: 1435-MRM-PROD

**Terms and Conditions**

These guidelines are subject to the terms and conditions of all existing agreements or Government regulations, which may include:

- a. Minerals Management Service/Minerals Revenue Management
  - (1) Minerals Revenue Reporter Handbook - Form MMS-2014
  - (2) Oil and Gas Payor Handbook, Volume III Product Valuation
  - (3) Minerals Production Reporter Handbook - Forms MMS-4054 and 4058
  - (4) EDI Reporter Handbook, Version 2.1 dated 10/15/01
- b. Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)
- c. Computer Security Act of 1987
- d. 30 CFR Parts 201-290 (July 1, 2002), 25 CFR (April 1, 2003), 43 CFR (October 1, 2002)
- e. Minerals Leasing Acts for Federal and Indian Leases
- f. Electronic Reporting Rule (64 FR 38116-July 15, 1999)

**Contact Point**

Technical issue resolution related to Electronic Data Interchange should be directed to the attention of the following:

MMS/MRM EDI Coordinator 800-619-4593

**FIGURE 9-1. Sample Electronic Reporting Guidelines (continued)**

9.2

## Electronic Reporting Options

You may use the following electronic reporting options.

**NOTE**

*Please contact us at the number provided in [Appendix A](#) if you have questions regarding electronic reporting.*

**Option 1: Complete forms on the website.** You may use our secure website (see [Appendix A](#) for the address) to complete Forms MMS-2014 at no cost. If you have report data residing in an electronic format; for example, Microsoft Excel or other spreadsheets, legacy systems, etc., this option enables you to upload Comma Separated Value (CSV) or American Standard Code for Information Interchange (ASCII) report files. See “[Form MMS-2014 CSV Format](#)” on page 9-9 and “[Form MMS-2014 ASCII Format](#)” on page 9-16. Once the data is uploaded or entered online into the electronic reporting form, validation is run on the data. This validation assures the report meets specific criteria for correct reporting. A list of the validation edits can be found on our website listed in [Appendix A](#).

To use this option, your computer must meet the following minimum requirements.

**System Requirements:**

Hardware	Computer	Minimum	Recommended
		Pentium II 400MHz processor 64 MB of RAM	Pentium II 800+ MHz processor 128+ MB of RAM
	Internet Connection	56,000 Baud Modem	DSL or Cable modem
Operating System Software	Browser	Windows 98, NT, Win2000, ME, Microsoft Internet Explorer 5.5 or greater Netscape Navigator 7.0 or greater If using a Macintosh, use the Mac Version of IE 5.0	
Internet access		Internet access can be obtained from an Internet service provider (ISP) or DSL/Cable company.	
Firewall		If you have an Internet firewall at your site, you must configure your firewall appropriately. Please contact Inovis Customer Support at 800-406-6056.	
Shareware		Your Internet connection can be dropped when using an ISP. The link below is one of a few companies to offer shareware to reduce the chance of your ISP connection from being dropped.  <a href="http://download.com.com/3000-2155-10120767.html">http://download.com.com/3000-2155-10120767.html</a>	

This secure website includes all the data fields needed to transmit monthly reports electronically. When you transmit the electronic reports to our EC service provider over secure lines, they are converted into an ANSI ASC X12 EDI format and immediately forwarded to us for processing.

**Option 2: Send X12 EDI files.** You may elect to send ANSI ASC X12 EDI files directly to us if you have the necessary translation software and communication capabilities with value added networks(VAN). Translation software is available from various EC service providers. You can send ANSI ASC X12 EDI files directly to us through various value added network systems widely available for receiving and forwarding X12 data. We provide detailed information on the ANSI ASC X12 EDI reporting option in the *EDI Reporter Handbook* on our website listed in [Appendix A](#).

9.3

## Form MMS-2014 CSV Format

These formats are effective as of October 1, 2001. You may submit reports in CSV format using electronic reporting option 1 (see [p. 9-7](#)).

First, you create the report in a spreadsheet, and then save it as a CSV file type. Spreadsheets that place quotes around data are not acceptable; for example, “012001.” Enter all data in the spreadsheet. After saving a CSV file, you have two files—one with an extension unique to the spreadsheet software, the other with the extension .csv.

**NOTE**

*Never re-open or double-click the CSV file in the spreadsheet software. Always make your corrections in your original spreadsheet file, and then resave it to a CSV file. If you need to view the CSV file, view it in a text editor, such as WordPad, NotePad, etc. If you open the CSV file in the spreadsheet software, you will lose all of the formatting from the spreadsheet file. We can mail you sample files upon request.*

9.3.1

### **Format Requirements**

All record fields must comply with the following requirements:

- Volume/value fields must contain an explicit decimal and be carried to two places; for example, 1299.00 or 0.00, not 1299 or 0.
- Use an explicit negative sign to indicate negative values. Put this sign in the leading position with no intervening spaces; for example, -1299.00.
- Do not use commas when formatting numeric fields; for example, 1299.00, not 1,299.00.
- Do not use dollar signs for value fields.
- Use MMCCYY formatted as text for dates.
- Do not use quotation marks (“”) or apostrophes (’) or special characters.
- Right justify numeric fields. Do **not** add leading zeros. Leading zeros will be added during the conversion process if necessary.
- Left justify text fields. Text fields must be correctly formatted to account for legitimate leading zeros; for example, the product code for condensate must be 02, not 2.
- In the Maximum Width column, X equates to alphanumeric characters, and 9 equates to numeric digits. The number enclosed in parentheses ( ) is the number of characters/digits allowed for that specific field.
- Submit Federal and Indian data as separate reports.
- Headers and trailers are required to separate multiple reports in a single file. Do not use blank lines between reports.

The following example shows multiple reports in a single file.

---

**First payor code**

---

Payor code 12345	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

Payor code 12345	Header record
Indian data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

---

**Second payor code**

---

Payor code 23456	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

Payor code 23456	Header record
Indian data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

---

**Third payor code**

---

Payor code 34567	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

---

9.3.2

**CSV Record Layout**

For more information on CSV layout, see the electronic commerce information on our website listed in [Appendix A](#).

The following record layout shows entry information for Form MMS-2014 in CSV format. In the example layout, “X” represents text and “9” represents numbers. The number enclosed in parentheses ( ) translates to the number of characters required for that field. For example, X(5) means the field requires 5 text characters; 9(9).99 means the field requires 11 numbers: 9 numbers to the left of the decimal and 2 numbers to the right of the decimal.

<b>Column</b>	<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
<b>Header</b>			
A	Record Type	X(1)	Must be completed with a literal ‘1’.
B	Payor Code	X(5)	Must be completed.
C	Form Type	X(3)	Must be completed with a literal ‘(ROY)’.
D	Payor-Assigned Document Number	X(8)	Must be completed.
E	Combine Indicator	X(2)	Leave blank.
<b>Detail</b>			
A	Record Type	X(1)	Must be completed with a literal ‘2’.
B	Lessor Code	X(1)	Must be completed with a literal ‘1’ for Federal, or a literal ‘2’ for Indian.
C	Payor Line Num	9(6)	Must be completed.
D	Reserved For Preparer’s Use	X(20)	May be left blank.



<b>Column</b>	<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
E	MMS Lease Number	X(11)	Must be completed with a valid MMS-converted lease number consisting of 10 digits (a 3-digit prefix, 6-digit body, and 1-digit suffix). The field can accommodate 11 digits (a 2-digit suffix for future needs). If the lease number has a single-digit suffix, left justify it.
F	MMS Agreement Number	X(11)	Complete or leave blank. The agreement number consists of three parts: the prefix equals X(3), left justify; the serial number equals X(6), right justify; the suffix equals X(2), left justify.
G	API Well No.	X(15)	Complete or leave blank. Report this number only if required by MMS on certain Indian properties and offshore deep water wells under royalty relief. If you are required to report this number, enter a 15-character set that consists of the 12-digit API-assigned well number and the 3-character producing interval indicator; for example, 490051234500S01.

<b>Column</b>	<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
H	Product Code	X(2)	Must be completed or zero filled.
I	Sales Type Code	X(4)	May be left blank.
J	Sales MO/YR	X(6)	Must be completed using MMCCYY.
K	Transaction Code	X(2)	Must be completed.
L	Adjustment Reason Code	X(2)	May be left blank.
M	Sales Volume (Mcf/bbls/gal/long tons)	-9(9).99	May be left blank.
N	Gas MMBtu	-9(9).99	Must be completed for selected product codes.
O	Sales Value	-9(9).99	May be left blank.
P	Royalty Value Prior To Allowances	-9(9).99	May be left blank.
Q	Transportation Allowance Deduction	-9(9).99	May be left blank.
R	Processing Allowance Deduction	-9(9).99	May be left blank.
S	Royalty Value Less Allowances	-9(9).99	Must be completed.
T	Payment Method	X(1)	Must be completed.

<b>Column</b>	<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
<b>Report trailer</b>			
A	Record Type	X(1)	Must be completed with a literal '3'.
B	Report Line Count	9(7)	Must be completed.
C	Report Total	-9(11).99	May be left blank.
D	Checks To MMS (PM1) Amount	-9(11).99	May be left blank.
E	Indian Direct Pay (PM2)	-9(11).99	May be left blank.
F	EFT Payments (PM3)	-9(11).99	May be left blank.
G	Royalty In Kind (PM4)	-9(11).99	May be left blank.
H	Checks To MMS For BIA (PM5)	-9(11).99	May be left blank.
I	Other (For Future Use) (PM6)	-9(11).99	May be left blank.
J	Indian Lockbox (PM7)	-9(11).99	May be left blank.
K	Total Payments Reported	-9(11).99	Must be completed.
<b>Payment trailer</b>			
A	Record Type	X(1)	Must be completed with a literal '4'.
B	Doc ID 1	X(22)	Fill with valid data, or may be left blank.

Column	Field name	Maximum width	Description
C	Doc ID Amount 1	-9(11).99	Must be a negative value, or may be left blank.
D	Doc ID 2	X(22)	Fill with valid data, or may be left blank.
E	Doc ID Amount 2	-9(11).99	Must be a negative value, or may be left blank.
F	Doc ID 3	X(22)	Fill with valid data, or may be left blank.
G	Doc ID Amount 3	-9(11).99	Must be a negative value, or may be left blank.
H	Net Payment For This Report	-9(11).99	Must be completed.
I	Authorized Name	X(30)	Must be completed.
J	Date	X(8)	Must be completed.

9.4 **Form MMS-2014 ASCII Format**

These reporting instructions are effective as of October 1, 2001. Submit reports in ASCII format using electronic reporting option 2 (see [p. 9-8](#)).

ASCII files are created from mainframe systems and are unique to the specific company. MMS is responsible for only the format of the ASCII file, not how the ASCII file is created.

9.4.1

**Format Requirements**

All record fields must comply with the following requirements:

- All numeric data are unpacked.\* (Unpacked means that only ASCII symbols are allowed. No negative signs, dollar signs, or decimals may be used.)
- Do not use special characters.
- Use 170-character fixed length plus a carriage return and a line feed for each line.
- Federal and Indian data must be submitted as separate reports.
- MMS uses headers and trailers to separate reports in a single file. Do not use blank lines between reports.

The following example shows multiple reports in a single file.

---

**First payor code**


---

Payor code 12345	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment
Payor code 12345	Header record
Indian data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

<b>Second payor code</b>	
Payor code 23456	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment
Payor code 23456	Header record
Indian data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment
<b>Third payor code</b>	
Payor code 34567	Header record
Federal data	Detail line item record(s)
	Trailer record—report
	Trailer record—payment

9.4.2 **ASCII Record Layout**

For more information on ASCII layout, see the electronic commerce information on our website listed in [Appendix A](#).

The following record layout shows entry information for Form MMS-2014 in ASCII format. In the example layout, “X” represents text and “9” represents numbers. The number enclosed in parentheses ( ) translates to the number of characters required for that field. For example, X(5) means the field requires 5 text characters; 9(9).99 means the field requires 11 numbers: 9 numbers to the left of the decimal and 2 numbers to the right of the decimal. Unpacked data are indicated by an asterisk.

<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
<b><i>Header record</i></b>		
Record Type	9(1)	Must be completed with a literal '1'.
Payor Code	X(5)	Must be completed.
Form Type	9(3)	Must be completed with a literal '(ROY)'.
Payor Assigned Document Number	9(8)	Must be completed.
Combine Indicator	X(2)	Leave spaces.
Filler	X(151)	Leave blank.
Carriage Control	HEX OD	ASCII 13.
Line Feed	HEX OA	ASCII 10.
<b><i>Detail record</i></b>		
Record Type	9(1)	Must be completed with a literal '2'.
Lessor Code	9(1)	Must be completed with a literal '1' for Federal, or a literal '2' for Indian.
Payor Line Number	9(6)	Fill with valid data and leading zeros or spaces.
Reserved For Preparer's Use	X(20)	May be completed or filled with spaces.

Field name	Maximum width	Description
MMS Lease Number	X(11)	Must be completed with a valid MMS-converted lease number consisting of 10 digits (a 3-digit prefix, 6-digit body, and 1-digit suffix). The field can accommodate 11 digits (a 2-digit suffix for future needs). If the lease number has a single-digit suffix, left justify fill with space.
MMS Agreement Number	X(11)	Complete or fill with spaces. The agreement number consists of three parts. The prefix equals X(3), left justify; the serial number equals 9(6), right justify; the suffix equals X(2), left justify.



<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
API Well No.	X(15)	Complete or fill with spaces. Report this number only if required by MMS on certain Indian properties and offshore deep water wells under royalty relief. If you are required to report this number, enter a 15-character set that consists of the 12-digit API-assigned well number and the 3-character producing interval indicator; for example, 490051234500S01.
Product Code	9(2)	Fill with valid data and leading zeros or all zeros.
Sales Type Code	X(4)	Complete or leave spaces.
Sales MO/YR	9(6)	Must be completed using MMCCYY format.
Transaction Code	9(2)	Must be completed.
Adjustment Reason Code	9(2)	Fill with valid data including leading zeros or all zeros.

<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
Sales Volume (Mcf/bbls/ gal/long tons)	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Gas MMBtu	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Sales Value	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Royalty Value Prior To Allowances	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Transportation Allowance Deduction	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Processing Allowance Deduction	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Royalty Value Less Allowances	S9(9)V99*	Fill with valid data including leading zeros or all zeros.
Payment Method	9(1)	Fill with valid data including leading zeros or all zeros.
Filler	X(11)	Leave blank.
Carriage Control	HEX OD	ASCII 13.
Line Feed	HEX OA	ASCII 10.

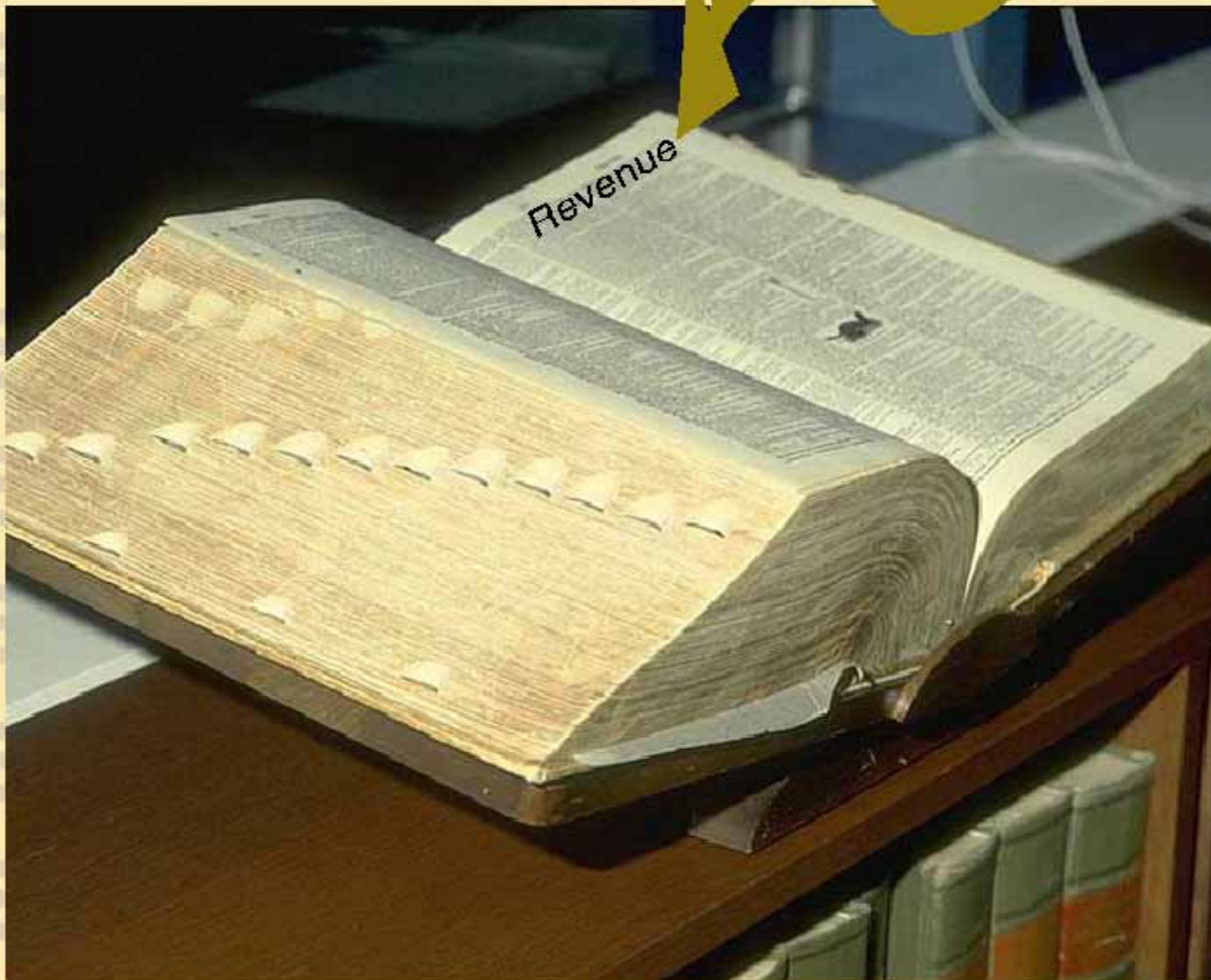
<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
<b><i>Report trailer record</i></b>		
Record Type	9(1)	Must be completed with a literal '3'.
Report Line Count	9(7)	Fill with valid data including leading zeros or all zeros.
Report Total	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Checks To MMS (PM1)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Indian Direct Pay (PM2)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
EFT Payments (PM3)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Royalty In Kind (PM4)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Checks To MMS For BIA (PM5)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Other (For Future Use) (PM6)	S9(11)V99*	Fill with valid data including leading zeros or all zeros.

<b>Field name</b>	<b>Maximum width</b>	<b>Description</b>
Indian Lockbox (PM7) Amount	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Total All Payments	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Filler	X(45)	Leave blank.
Carriage Control	HEX OD	ASCII 13.
Line Feed	HEX OA	ASCII 10.
<b><i>Payment trailer record</i></b>		
Record Type	9(1)	Must be completed with a literal '4'.
Doc ID 1	X(22)	Must be completed or spaces.
Doc ID Total 1	S9(11)V99*	Fill with valid negative data including leading zeros or all zeros.
Doc ID 2	X(22)	Must be completed or spaces.
Doc ID Total 2	S9(11)V99*	Fill with valid negative data including leading zeros or all zeros.
Doc ID 3	X(22)	Must be completed or spaces.
Doc ID Total 3	S9(11)V99*	Fill with valid negative data including leading zeros or all zeros.

Field name	Maximum width	Description
Net Payment For This Report	S9(11)V99*	Fill with valid data including leading zeros or all zeros.
Authorized Name	X(30)	Must be completed.
Date	X(8)	Must be completed.
Filler	X(13)	Leave blank.
Carriage Control	HEX OD	ASCII 13.
Line Feed	HEX OA	ASCII 10.
End Of File Marker	HEX 1A	

**ASCII symbols for negative amounts.** The ASCII symbols are placed in the last position of the negative number; for example, -425.34 should look like 000000004253M.

}	=	-0	N	=	-5
J	=	-1	O	=	-6
K	=	-2	P	=	-7
L	=	-3	Q	=	-8
M	=	-4	R	=	-9



# GLASSARY

# Glossary

adjustment	Correction made on Form MMS-2014 to previously reported lines. An adjustment may be made to pay additional monies, to recoup overpaid amounts, or to change information that has no effect on payments. Lease type (Federal or Indian) affects the way an adjustment is reported. For information on how to make an adjustment to Form MMS-2014, see <a href="#">Chapter 6, Adjustments, Recoupments, and Refunds</a> .
agreement	An approved document grouping leases together for various purposes. Types of agreements include communitization and unitization.
alternative fuel method	<p>A method of valuing direct utilization geothermal resources by which the value, for royalty purposes, of the produced resource is calculated as the product of:</p> <ul style="list-style-type: none"><li>• The value of the least expensive, reasonable, alternative fuel displaced by the geothermal production, and</li><li>• The amount of thermal energy displaced by the geothermal production. See Chapter 6 of the <i>Geothermal Payor Handbook—Product Valuation</i>.</li></ul>

Glossary

arm's-length contract	A contract or agreement between independent persons who are not affiliates and who have opposing economic interests regarding that contract, as defined in 30 CFR, Part 206.
British thermal unit (Btu)	The amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit.
Btu/cu. ft.	The standard unit of measure of the heating or energy value of natural gas.
Code of Federal Regulations (CFR)	A codification of the general and permanent rules of Federal departments and agencies, initially published in the <i>Federal Register</i> .
communitization agreement	An agreement that brings together parcels of land to satisfy drilling limitations imposed by formal State spacing orders or established field spacing rules.
compensatory royalty	A royalty paid in lieu of drilling a well that would otherwise be required under the covenants of a lease, express or implied.
compensatory royalty agreement	An agreement developed for unleased Federal or Indian land being drained by a well located on adjacent land.
condensate	Liquid hydrocarbons (normally exceeding 40degrees of API gravity) recovered at the surface without resorting to processing. Condensate is the mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.



courtesy notice	<i>See</i> Notice of Rent Due on Your Lease.
crude oil	Unrefined liquid petroleum; a mixture of hydrocarbons that is liquid in its natural phase in underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil ranges in API gravity from 9 degrees to 55 degrees and in color from yellow to black. It may have a paraffin, asphalt, or mixed base. If it contains a sizable amount of sulfur or sulfur compounds, it is called sour crude; if it has little or no sulfur, it is called sweet crude. In addition, crude oils may be referred to as heavy or light according to the API gravity with the lighter oils having the higher gravity.
current revenue	For purposes of determining the amount that you are allowed to recoup on an Indian lease using transaction code 51, current revenue is the sum of all rents and royalties paid in a given month, including adjustments that increase the royalties paid for previously reported periods.
decatherm (DTH)	A unit of heat equal to 1 MMBtu.
The Debt Collection Improvement Act of 1996	The act that requires recipients of Federal payments to receive all payments electronically unless the recipients certify that they do not have an account at a financial institution.
delivered electricity	The amount of electricity, in kWh, delivered to the electricity purchaser and reported as sales volume on Form MMS-2014 when using netback valuation. See Chapter 4 of the <i>Geothermal Payor Handbook—Product Valuation</i> .

direct use geothermal resources Fluid geothermal resources (generally hot water) and related energy used in direct utilization processes; that is, processes other than electrical generation. Also called direct utilization resources.

displaced thermal energy The calculated amount of thermal energy, in MMBtu, displaced by the geothermal production and reported as sales volume on Form MMS-2014 when using the alternative fuel valuation method. See Chapter 6 of the *Geothermal Payor Handbook—Product Valuation*.

division order percentage (DOP)

$$\text{DOP} = \frac{\text{Federal and/or Indian mineral ownership interest}}{\text{tract allocation}} \times \frac{\text{company working interest}}{\text{lease royalty rate}}$$

drip (pipeline) Liquid hydrocarbons that condense out of the separated gas stream in a pipeline during transmission of natural gas and are stripped from the gas stream prior to the inlet of a gas plant.

dry gas Produced natural gas that contains no liquids; also a gas that is treated to remove all liquids (residue gas or pipeline gas).

electrical generation geothermal resources Fluid geothermal resources (steam, hot water, and hot brines) and related energy used to generate electricity.

Entitlements	The method of reporting sales where the volume reported is equal to the reporter's percentage of working interest or operating rights ownership in a lease or amount allocated to a lease under an approved agreement allocation schedule. The lease's allocated volume based on the commingling approval.
Federal land	All land and interests in land owned by the United States that are subject to mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate.
fee land	Privately owned land. Wells located on fee land are not reported to MMS unless they are part of an agreement containing Federal and/or Indian leases/agreements.
first production	Initial oil and gas production from a well and initial royalty-bearing geothermal production, as determined by BLM.
flare gas	Gas burned in the field as a means of disposal when there are emergencies, during certain well tests, and in other situations where approval is granted by MMS or the BLM, as appropriate.
flash gas	Gas that is formed from a liquid hydrocarbon usually due to the reduction of pressure.
formation	A bed or deposit composed throughout of substantially the same kind of rock; a lithologic unit. Each different formation is given a name, frequently as a result of the study of the formation outcrop at the surface and sometimes based on fossils found in the formation.

*Glossary*

fuel gas	Gas used by the lessee for operational purposes on the lease.
gas	As reported for all Federal and Indian leases, any fluid, either combustible or noncombustible (except helium), produced from an underground reservoir and having neither independent shape nor volume, but tending to expand indefinitely at the surface. Gas is any substance (except helium) existing in gaseous stage at the surface under normal conditions. It includes, but is not limited to, carbon dioxide, nitrogen, and hydrocarbon gases.
gas plant	An installation that processes natural gas to prepare it for sale to consumers. A gas plant separates desirable hydrocarbon components from the impurities in natural gas.
geothermal	Pertaining to the heat produced by the earth's interior; usually in the form of natural hot water and/or steam.
geothermal byproducts	Geothermal byproducts are: <ul style="list-style-type: none"><li>• Any mineral or minerals (exclusive of oil, hydrocarbon gas, and helium) that are found in solution or developed in association with geothermal fluids and have a value less than 75 percent of the value of the geothermal energy or are not—because of quantity, quality, or technical difficulties in extraction and production—of sufficient value to warrant extraction and production by themselves, and</li><li>• Commercially demineralized water.</li></ul>

geothermal resources	<p>All products of geothermal processes, including:</p> <ul style="list-style-type: none"><li>• Indigenous steam, hot water, and hot brines;</li><li>• Steam and other gases, hot water, and hot brines resulting from water, gas, or other fluids artificially introduced into geothermal formations;</li><li>• Heat or other associated energy found in geothermal formations; and</li><li>• Byproducts.</li></ul>
GPM (gallons per thousand cubic feet)	<p>The amount, in gallons, of an NGL that is entrained in one Mcf of gas.</p>
gross proceeds	<p>The total monies and other consideration accruing for the disposition of the produced oil, gas, or geothermal resources, or products derived therefrom. See the <i>Oil and Gas Payor Handbook—Volume III</i>, the <i>Geothermal Payor Handbook—Product Valuation</i>, and the definitions sections in 30 CFR 206 for additional descriptions of gross proceeds specific to each commodity.</p>
helium	<p>A colorless, odorless, inert, gaseous element. It is reserved to the Federal Government and withheld from leasing. It may not be separated and sold without a special agreement with DOI.</p>

Indian land	Any lands or interests in lands of an Indian tribe or allottee held in trust by the United States, or that is subject to Federal restrictions against alienation. This includes mineral resources and mineral estates reserved to an Indian tribe or allottee in the conveyance of a surface or nonmineral estate, except that such term does not include any lands subject to the provisions of section 3 of the Act of June 28, 1906 (30 CFR 216.6) (34 Stat .539) applicable to the Osage Indian Tribe. BIA monitors Indian leases.
lease	Any contract, profit-sharing arrangement, joint venture, or agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, extraction of, or removal of oil or gas. In this handbook, “agreement” and “lease” are used synonymously with unitization and communitization agreements.
lease production	Oil, gas, and geothermal resources produced from wells on a single lease.
lease-level transaction	An obligation that is reported against the lease rather than a specific product or sales type.
lessee	An entity (company or individual) entitled under an oil, gas, or geothermal lease to explore for and produce specific minerals from a lease. The lessee has the responsibility for payment of royalties but may authorize others to do so on its behalf.
lessor	An owner of mineral rights through execution of a lease. For purposes of the financial accounting system, the lessor is the U.S. Government, an Indian tribe, or an Indian allottee.

load oil	Any oil that has been used with respect to the operation of oil or gas wells for wellbore stimulation, workover, chemical treatment, or production purposes. It does not include oil used at the surface to place lease production in marketable condition.
lockbox payment	A tribal lease payment that is sent directly to a bank of the tribe's choosing.
Minerals Revenue Management (MRM)	A program administered by MMS that monitors, collects, and distributes royalties for energy and mineral resources produced and removed from Federal and Indian lands.
minimum royalty	A minimum amount of annual royalty due on a per-acre basis for producing leases that do not meet their minimum royalty obligation from actual production royalties or for nonproducing leases that have a well capable of production in commercial quantities.
natural gas	A highly compressible and expansible mixture of hydrocarbons having a low specific gravity and occurring naturally in a gaseous form. Natural gas may contain appreciable quantities of nitrogen, helium, carbon dioxide, and contaminants, such as hydrogen sulfide and water vapor. Certain gases may be found as liquids under suitable conditions of temperature and pressure.
natural gas liquid (NGL)	Hydrocarbons liquefied at the surface in field facilities or gas processing plants.
net royalty	Royalty less deductions (such as, allowances).

netback procedure	A method of valuing electrical generation geothermal resources by which the value, for royalty purposes, of the produced resource is derived by subtracting the costs of generating and transmitting electricity from the electricity sales value. See Chapter 4 of the <i>Geothermal Payor Handbook—Product Valuation</i> .
non-arm's-length	Sales occurring between affiliated persons as defined in 30 CFR Part 206.
Notice of Rent Due on Your Lease	A reminder sent by MMS to indicate rent is due.
oil, crude oil	Crude petroleum oil and other hydrocarbons, regardless of gravity, that are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas.
operating rights owner	A person or entity holding operating rights in a lease issued by the United states.
operator	An individual, partnership, firm, or corporation that controls or manages operations on the leased land or a portion thereof. An operator may be the lessee, designated agent of a lessee, or a holder of rights under an approved operating agreement.
Outer Continental Shelf (OCS)	All submerged lands within the jurisdiction and control of the United States Government as defined in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331(a)).



overpayment	<p>For the purpose of calculating interest owed to the payor, an overpayment results in a net negative total for an adjustment to a previously reported sales month on Form MMS-2014.</p> <p>For the purpose of calculating refunds and recoupments owed to the payor, an overpayment is a situation where:</p> <ul style="list-style-type: none"><li>• The payor paid more than the total on Form MMS-2014, or</li><li>• The payor overreported the amount of royalty, minimum royalty, or rent due on Form MMS-2014.</li></ul>
overreported	Amount reported on Form MMS-2014 greater than actually due MMS.
participating area	That part of a unit area proved to be productive of unitized substances in paying quantities and within which production is allocated in the manner described by a unit agreement.
payment document	A payment document can be a commercial check drawn on a solvent bank, a certified check, a cashier's check, a money order, a bank draft drawn on a solvent bank, or a Federal Reserve check.
payor	An entity who reports and pays to MMS.
percentage-of-proceeds (POP) contract	A contract for the purchase of gas providing for a percentage of the proceeds as payment.

pooled production	Aggregate your volumes in pools and then sell or exchange your product under multiple contracts.
pooling agreement	An agreement that brings together separately owned interests for the purpose of obtaining a well permit under applicable spacing rules or to develop a potentially productive area efficiently. A communitization or unitization agreement.
pounds per square inch, absolute (psia)	A measurement of pressure that includes atmospheric pressure.
processing	Any process designed to remove elements or compounds (hydrocarbon and nonhydrocarbon) from gas. Field processes that normally take place on or near the lease, such as natural pressure reduction, mechanical separation, heating, cooling, dehydration, and compression, are not considered processing.
processing allowance	A deduction from royalty value for the leasee's actual, reasonable costs of processing a gas stream.
producing lease	A lease that includes land on which there is a productive well, either active or shut-in, or land determined to be subject to subsurface drainage.
product	Marketable mineral production from a lease.
production activity	Activity performed to extract oil, gas, or geothermal resources from a reservoir or formation. This activity includes field operations, transfer of production off the lease site, operation monitoring, maintenance, and workover drilling.

production month	The calendar month and year in which production and/or disposition occurs.
raw gas	Gas as produced from a well before the extraction of liquefiable hydrocarbons.
recoupment	<p>Adjustment on Form MMS-2014 resulting in net negative totals for transactions, with credit recovered from the balance of the report.</p> <p>A recoupment can occur when a payor recovers an overpaid but not overreported amount from a previous overpayment on a Federal or Indian Form MMS-2014 or MMS-type bill.</p> <p>A recoupment can occur when a payor recovers an overpaid <b>and</b> overreported Indian Form MMS-2014 by making adjusting entries to create a recoupable balance on an Indian Form MMS-2014 for the lease(s) that was previously overreported <b>and</b> overpaid.</p>
refund	<p>A payment made by MMS to payors.</p> <p>MMS makes electronic payments. MMS issues checks only in extreme cases; for example, if the payor does not have an account with a banking institution.</p>
rent	Annual amount due on nonproducing leases as specified in lease terms. Rental payments are usually due on or before the lease anniversary date.
reporter	An entity required to submit a report or form to MMS.

*Glossary*

residue gas	The gas that remains after processing at a gas plant to remove NGLs.
royalty	Any part of oil, gas, and geothermal resources or their cash value paid by a lessee to a lessor and/or parties acquiring possession of royalty rights based on a certain percentage of production from the property.
royalty determination point	The point at which the royalty volume or the royalty value is determined.
royalty in kind	An arrangement in which the lessor receives royalties in the form of production (oil or gas) instead of dollars.
royalty in value	An arrangement in which the lessor receives royalty in dollars instead of production.
royalty rate	The rate used to calculate the royalty due on Federal or Indian production. This rate is always specified in the lease terms but can be reduced under royalty relief initiatives (stripper, heavy oil, etc.).
scrubber condensate	Liquid hydrocarbons that condense out of a gas stream during transmission and are recovered prior to entering the inlet of a gas plant.
secondary recovery	Any method by which an essentially depleted reservoir is restored to producing status by the injection of liquids or gases (from extraneous sources) into the wellbore.

segregation	A division of a lease usually due to the partial assignment of a portion of the lease or due to unitization.
shut-in well	A producing well that is closed down temporarily for repairs, cleaning out, building up pressure, lack of a market, etc.
spacing	Distance between wells producing from the same pool as specified by State regulations (usually expressed in terms of acres, for example, 640-acre spacing). Also, the regulation of the number and location of wells over an oil or gas reservoir, as a conservation measure.
State land	Land and interest in land owned by a State. Wells completed on State lands are reported to MMS only if they are part of an agreement that includes Federal wells.
surface management agency	Agencies within DOI that issue leases on Federal and Indian lands, including the OCS, and oversee the operations and development of same.
suspension	Authorized relief from the producing and/or operating requirements of a lease. Wells are shut in. If both operations and production are suspended, reporting and payment requirements are held in abeyance during this period, and the term of a lease is extended for the period of suspension. If either operations or production is suspended, rent and minimum royalty continue to fall due.

*Glossary*

Takes	The method of reporting sales where the volume reported is the actual volume of production sold or removed from the lease by you or on your behalf.
termination	Lapsing of a nonproducing lease for failure to pay rent timely or for lack of production or lease activity.
transportation allowance	Deduction from royalty payments for reasonable actual costs incurred by the lessee, or a deduction accepted or established by MMS for costs of moving oil, gas, or geothermal byproducts to a point of sale remote from the lease, unit PA, or CA area. Allowances are monitored by MRM Compliance and Asset Management.
tribal land	Land owned by an entire group or tribe of Indians.
unitization agreement (unit)	Agreements among owners and leaseholders of separate oil, gas, or geothermal interests to operate as a unit in developing a potentially productive area most efficiently. Leasehold interest may be separate. Costs and benefits are allocated as defined in the agreement.
waste oil/slop oil	Oil of such poor quality that it cannot be economically placed in marketable condition. This is a determination that must be made by the appropriate region.

weighted average

The following are examples of weighted average calculations:

**API gravity**

OGOR sales volume = 1,500 bbl

1,000 bbl @ 40.2 °API

500 bbl @ 39.8 °API

$$\text{Weighted average} = \frac{(1,000 \times 40.2) + (500 \times 39.8)}{1,500} = 40.06 = 40.1 \text{ °API}^1$$

<sup>a</sup>Round API gravity to the nearest tenth.

**Btu content**

OGOR sales volume = 2,000 Mcf

1,000 Mcf @ 1,010 Btu/cu.ft.

600 Mcf @ 1,000 Btu/cu.ft.

400 Mcf @ 1,015 Btu/cu.ft.

$$\text{Weighted average} = \frac{(1,000 \times 1,010) + (600 \times 1,000) + (400 \times 1,015)}{2,000 \text{ Mcf}} = 1,008 \text{ Btu}^2$$

<sup>b</sup>Round Btu to the nearest whole number.

wet gas

Natural gas containing liquid hydrocarbons in solution; usually unprocessed gas from the wellhead.

# Appendix A Contact Information





# Appendix A

## Contact Information

To obtain information specific to . . .	Use this address/telephone number/ website
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*Form MMS-2014 reporting instructions*

Minerals Management Service  
 Minerals Revenue Management  
 Financial Management  
 Reporting Services  
 P.O. Box 5760, Mail Stop 357B1  
 Denver, CO 80217-5760

1-800-525-0309  
 303-231-3650

Form  
 MMS-2014  
 copies for  
 printing (must  
 be 8 1/2 inches  
 by 14 inches)

- Go to <http://www.mrm.mms.gov/>
- Click Reporting Information
- Click Production & Royalty Forms
- Select the topic

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Form MMS-2014 reporting instructions (continued)</i>	
Form MMS-2014 frequently asked questions	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Click Royalty Reporting Information</li> <li>• Select the topic</li> </ul>
<i>Adjustments, Recoupments, and Refunds</i>	
	Minerals Management Service Minerals Revenue Management Financial Management Reporting Services P.O. Box 5760, Mail Stop 357B1 Denver, CO 80217-5760
	1-800-525-0309 303-231-3650
<i>Allowances</i>	
Federal oil/gas (offshore) requests for exceptions to allowance limits or computation methods	Minerals Management Service Minerals Revenue Management Offshore Compliance and Asset Management P.O. Box 25165, Mail Stop 380B2 Denver, CO 80225-0165
	1-800-851-5782 303-231-3848

To obtain information specific to . . .	Use this address/telephone number/ website
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*Allowances (continued)*

Federal oil/gas (onshore) requests for exceptions to allowance limits or computation methods

Minerals Management Service  
Minerals Revenue Management  
Onshore Compliance and Asset Management (Federal)  
P.O. Box 25165, Mail Stop 392B2  
Denver, CO 80225-0165

303-231-3770  
1-800-634-6423 ext. 3770

Geothermal requests for exceptions to allowance limits or computation methods (byproducts only)

Minerals Management Service  
Minerals Revenue Management  
Solid Minerals and Geothermal Compliance and Asset Management  
P.O. Box 25165, Mail Stop 390B2  
Denver, CO 80225-0165

1-888-201-6416  
303-231-3507

Indian transportation forms submission

Minerals Management Service  
Minerals Revenue Management  
Indian Oil and Gas Compliance and Asset Management (Indian CAM)  
P.O. Box 25165, Mail Stop 396B2  
Denver, CO 80225-0165

303-231-3771

A. Contact Information

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Allowances (continued)</i>	
Indian transportation (Indian oil and gas) requests for exceptions to allowance limits or computation methods	Minerals Management Service Minerals Revenue Management Indian Oil and Gas Compliance and Asset Management (Indian CAM) P.O. Box 25165, Mail Stop 396B2 Denver, CO 80225-0165  303-231-3771
<i>Code of Federal Regulations (CFR)</i>	
Purchase	Government Printing Offices  Denver 303-236-5292  Dallas 214-767-0451
Requests for order forms for copies	Superintendent of Documents Fax: 202-512-2233
CFR website	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>

To obtain information specific to . . .	Use this address/telephone number/ website
<b><i>Dual accounting</i></b>	
<b>Part A:</b> Certification for not Performing Accounting for Comparison (dual accounting)	Minerals Management Service Minerals Revenue Management Indian Oil and Gas Compliance and Asset Management (Indian CAM) P.O. Box 25165, Mail Stop 396B2 Denver, CO 80225-0165
	San Juan Region 1-800-525-0309 ext. 3702 or 303-231-3702
	Northern Region 1-800-525-0309 ext. 3432 or 303-231-3432
	OK/TX Region 405-879-6050
	FIMO 505-599-8961
<b>Part B:</b> Dual Accounting Election (alternative or actual dual accounting)	Minerals Management Service Minerals Revenue Management Indian Oil and Gas Compliance and Asset Management (Indian CAM) P.O. Box 25165, Mail Stop 396B2 Denver, CO 80225-0165
	San Juan Region 1-800-525-0309 ext. 3702 or 303-231-3702
	Northern Region 1-800-525-0309 ext. 3432 or 303-231-3432
	OK/TX Region 405-879-6050
	FIMO 505-599-8961

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Electronic payments</i>	
	Minerals Management Service Minerals Revenue Management Accounting Services General Ledger Team P.O. Box 5860, Mail Stop 353B1 Denver, CO 80217-5860
	1-800-525-2356 303-231-3345
<i>Electronic reporting</i>	
	Minerals Management Service Minerals Revenue Management Financial Management Reporting Services P.O. Box 25165, Mail Stop 357B1 Denver, CO 80225-0165
	1-800-525-0309 303-231-3650
ANSI ASCX12 EDI reporting (from the <i>EDI Reporter Handbook</i> )	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Click Electronic Reporting/Payment Contact Information</li> <li>• Select the topic</li> </ul>
ASCII or CSV layouts	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Click Royalty Reporting Information</li> <li>• Select the topic</li> </ul>

To obtain information specific to . . .	Use this address/telephone number/ website
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*Electronic reporting (continued)*

Completion of Form MMS-2014 at no cost on our electronic reporting contractors secure World Wide website

<http://www.mrmreports.net>

Electronic commerce service provider

1-800-406-6056

Final Rule containing exceptions to electronic reporting (Final Rule, 64 FR 38116— July 15, 1999)

- Go to <http://www.mrm.mms.gov/>
- Click Laws and Regulations
- Select Federal Register Final Rules
- Select MRM FR 1999
- Scroll down to electronic reporting

Verification of operating system compatibility with MRM options

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
P.O. Box 5760, Mail Stop 350B1  
Denver, CO 80217-5760

1-800-525-0309  
303-231-3650

A. Contact Information

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Estimate balances</i>	<p>Minerals Management Service            Minerals Revenue Management            Financial Management            Reporting Services            P.O. Box 5760, Mail Stop 357B1            Denver, CO 80217-5760</p> <p>1-800-525-0309            303-231-3650</p>
Reporting instructions	<p>Minerals Management Service            Minerals Revenue Management            Reporting Services            P.O. Box 5760, Mail Stop 357B1            Denver, CO 80217-5760</p> <p>1-800-525-0309            303-231-3650</p>
<i>Handbooks</i>	<p>Minerals Management Service            Minerals Revenue Management            Financial Management            P.O. Box 25165, Mail Stop 350B1            Denver, CO 80217-0165</p> <p>1-800-525-0309            303-231-3650</p>
Printed copies from the website	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Select the topic</li> </ul>



To obtain information specific to . . .	Use this address/telephone number/ website
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***Index Zone Prices***

- Go to <http://www.mrm.mms.gov/>
- Click Tribal Services
- Click Index Zone Price
- Select the topic

***Indian Gas Valuation Rule***

Dear Payor  
Letter

San Juan Region  
1-800-525-0309 ext. 3702 or  
303-231-3702

Northern Region  
1-800-525-0309 ext. 3432 or  
303-231-3432

OK/TX Region  
405-879-6050

FIMO  
505-599-8961

- Go to <http://www.mrm.mms.gov/>
- Click Reporting Information
- Click Dear Payor/Reporter letters
- Select the topic

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Interest statements, current interest rates, current late payment and overpayment</i>	<p>Minerals Management Service                      Minerals Revenue Management                      Financial Management                      Financial Services                      P.O. Box 173702, Mail Stop 355B1                      Denver, CO 80217-3702</p> <p>1-800-433-9801                      303-231-3121</p>
Rounding and accounting for time periods with changes in interest rates	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Click Royalty Reporting Information</li> <li>• Select the topic</li> </ul>
Online interest tables	<ul style="list-style-type: none"> <li>• Go to <a href="http://www.mrm.mms.gov/">http://www.mrm.mms.gov/</a></li> <li>• Click Reporting Information</li> <li>• Click Royalty Reporting Information</li> <li>• Select the topic</li> </ul>
Printed copies of interest tables	1-800-443-9801
Estimate balances	<p>Minerals Management Service                      Minerals Revenue Management                      Reporting Services                      P.O. Box 5760, Mail Stop 357B1                      Denver, CO 80217-5760</p> <p>1-800-525-0309                      303-231-3650</p>

To obtain information specific to . . .	Use this address/telephone number/ website
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***IRS reporting/payment responsibilities***

Contact the IRS directly.

Tax ID Number for 1099's: 84-0848646

***Lease and agreement number conversion***

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Reporting Services  
P.O. Box 5760, Mail Stop 357B1  
Denver, CO 80217-5760

1-800-525-9167  
303-231-3650

- Go to <http://www.mrm.mms.gov/>
- Click Reporting Information
- Click Royalty Reporting Information
- Select the topic

***Lockbox payments***

Blackfeet  
Nation

Lockbox address:  
Blackfeet Nation  
P.O. Box 730  
Browning, MT 59417

Courier address:  
Blackfeet National Bank  
Lockbox Dept.—Blackfeet Nation  
125 Public Square  
Browning, MT 59417

A. Contact Information

To obtain information specific to . . .	Use this address/telephone number/ website
<i>Lockbox payments (continued)</i>	
Jicarilla Apache Tribe	<p>Lockbox address:            Jicarilla Apache Nation            P.O. Box 2053            Albuquerque, NM 87103-2053</p> <p>Courier address:            Wells Fargo Bank New Mexico            Lockbox Dept.—Jicarilla Apache Nation            200 Lomas, NW            First Floor Mailroom            Albuquerque, NM 87102</p>
Navajo Nation	<p>Lockbox address:            The Navajo Nation            P.O. Box 52543            Phoenix, AZ 85072</p> <p>Courier address:            Wells Fargo—Navajo Lockbox            5029 Sunrise Drive, Suite 101            Lockbox Dept. MAC S4145-012            Phoenix, AZ 85044</p>
Southern Ute Tribe	<p>Lockbox address:            Southern Ute Indian Tribe            P.O. Box 973496            Dallas, TX 75397-3496</p> <p>Courier address:            Bank One            Southern Ute Indian Tribe            1901 Parkwood            Bedford, TX 76021</p>

To obtain information specific to . . .	Use this address/telephone number/ website
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***Major Portion Prices***

San Juan Region  
1-800-525-0309 ext 3702 or  
303-231-3702

Northern Region  
1-800-525-0309 ext 3432 or  
303-231-3432

- Go to <http://www.mrm.mms.gov/>
- Click Tribal Services
- Click Major Portion Prices
- Select the topic

***Net Revenue Share Leases***

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Reporting Services  
P.O. Box 5760, Mail Stop 357B1  
Denver, CO 80217-5760

1-800-525-0309  
303-231-3650

***Overpayments, Federal and Indian***

Minerals Management Service  
Minerals Revenue Management  
Financial Management  
Accounting Services  
Accounts Receivable Team  
P.O. Box 5760, Mail Stop 353B1  
Denver, CO 80217-5760

1-800-525-2356  
303-231-3606

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To obtain information specific to . . .	Use this address/telephone number/ website
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***Payor codes (new) or company name changes***

Minerals Management Service  
Minerals Revenue Management  
Reporting Services  
P.O. Box 5760, Mail Stop 357B 1  
Denver, CO 80217-5760

1-800-525-9167  
303-231-3650

***Refund requests***

Minerals Management Service  
Minerals Revenue Management  
Accounting Services  
Accounts Receivable Team  
P.O. Box 5760, Mail Stop 353B 1  
Denver, CO 80217-5760

1-800-525-2356  
303-231-3606

***Rent and royalty share submission to CIRI***

CIRI  
Attention: Land Department  
P.O. Box Drawer 4-N  
Anchorage, AK 99509

***Rent payment submission—Federal terminable nonproducing leases***

Minerals Management Service  
Minerals Revenue Management  
P.O. Box 5640, Mail Stop 357B 1  
Denver, CO 80217-5640

1-800-525-9167  
303-231-3650

To obtain information specific to . . .	Use this address/telephone number/ website
---	--

***Royalty-in-Kind***

RIK Oil

1-800-525-0309 ext. 3638 or  
303-231-3638Strategic Petroleum Reserve  
1-800-525-0309 ext. 3854 or  
303-231-3854Small Refiner  
281-987-6825Wyoming  
1-800-525-0309 ext. 3157 or  
303-231-3157

RIK Gas

1-800-525-0309 ext. 3020  
303-231-3020Offshore Properties  
Offshore Compliance Group  
1-800-851-5782Onshore Properties  
Onshore Compliance Group  
1-800-634-6423 ext. 3030 or  
303-231-3030

<b>To obtain information specific to . . .</b>	<b>Use this address/telephone number/ website</b>
<b><i>Royalty reports, payments, other items submission by private couriers or overnight mail</i></b>	Minerals Management Service Minerals Revenue Management Revenue and Document Processing Bldg. 85, Denver Federal Center Room A-614, Denver, CO 80225  1-800-525-0309 303-231-3650
<b><i>Royalty reports and payments submission by U.S. Postal Service express overnight delivery and certified mail</i></b>	Minerals Management Service Minerals Revenue Management P.O. Box 5810 Denver, CO 80217-5810  1-800-525-0309 303-231-3650
<b><i>Sales Type Codes</i></b>	1-800-525-0309 ext. 3702 or 303-231-3702
<b><i>Tribal leases—copy of tribal approval submission to recoup against other tribal leases</i></b>	Minerals Management Service Minerals Revenue Management Financial Services P.O. Box 173702, Mail Stop 355B1 Denver, CO 80217-3702  1-800-433-9801 303-231-3121





Appendix B  
MMS Lease, Unit, or  
Communitization Number



# Appendix B

## MMS Lease, Unit, or Communitization Number

MMS assigns a 10- or 11-character lease, unit, or communitization number identifying each Federal or Indian mineral lease.

B.1

### MMS Lease Conversion

The components of the lease number are assigned as follows:

<b>MMS prefix</b>	<b>Lease identifier</b>	<b>Lease segregation code</b>
999	999999	XX
Example: 054	012345	0

#### NOTE

*The number **9** denotes numbers; the letter **X** denotes letters or numbers.*

**Issuing agency lease prefix.** A prefix assigned by BLM, BIA, or an OCS office is converted to an MMS three-digit prefix.

To convert an offshore lease prefix, see [Offshore Lease Prefixes on page B-5](#). To convert an onshore lease prefix, see [Onshore Lease Prefixes on page B-5](#).

Table B-1 is a numerical list of all valid financial accounting system lease prefixes.

TABLE B-1. Valid financial accounting system lease prefixes

Prefix	Region	Prefix	Region
002	Anchorage	043 <sup>a</sup>	Utah
003	New Mexico	044 <sup>a</sup>	BLM All States
004 <sup>a</sup>	Colorado	045	New Mexico
005	Colorado	046 <sup>a</sup>	Utah
006	California	047 <sup>a</sup>	New Mexico
007 <sup>a</sup>	Nevada	048	Wyoming
010	Washington	049	Wyoming
011	Arizona	050 <sup>a</sup>	Wyoming
016	Idaho	053	Montana
024	Montana	054	OCS-Gulf of Mexico
025 <sup>a</sup>	Montana	055	OCS
027	Nevada	056	OCS-Middle Atlantic
029	New Mexico	057	OCS-South Atlantic
030	New Mexico	058	OCS-North Atlantic
033	North Dakota	059	Montana
039	New Mexico	060	North Dakota
040	New Mexico	062	Wyoming
041	Louisiana	064	Wyoming
042	Utah	065	Colorado
066	Wyoming	171	Utah
068	Montana	181	California
069	Colorado	188	Wyoming
070 <sup>a</sup>	Colorado	251	Nebraska
071	New Mexico	252 <sup>a</sup>	Nebraska

TABLE B- 1 Valid financial accounting system lease prefixes (continued)

Prefix	Region	Prefix	Region
072	California	255	North Dakota
076 <sup>a</sup>	Texas	256 <sup>a</sup>	North Dakota
077	Colorado	271	California
079	California	273	North Dakota
080	California	274 <sup>a</sup>	South Dakota
081	Utah	275	South Dakota
082	New Mexico	276 <sup>a</sup>	Nebraska
083 <sup>a</sup>	North Dakota	284 <sup>a</sup>	North Dakota
087	Nebraska	415	Indian/New Mexico
088	OCS-Pacific	443	Eastern States
089 <sup>a</sup>	Wyoming	501	Indian/ES
103 <sup>a</sup>	Colorado	502	Indian/Wyoming
105	Oregon	503	Indian/New Mexico
111	OCS-Alaska	505	Indian/New Mexico
142	Eastern States New Mexico General Land Office	506	Indian/Montana
		507	Indian/Montana
143	Eastern States/Fish and Wildlife	509	Indian/Utah
		510	Indian/New Mexico
149 <sup>a</sup>	New Mexico	511	Indian/New Mexico
154 <sup>a</sup>	Montana	512	Indian/Montana
155	Eastern States	513	Indian/Montana
158 <sup>a</sup>	Montana	514	Indian/Montana
515	Indian/Montana	538	Indian/Montana
516	Indian/New Mexico	539	Indian/Montana
517	Indian/Montana	540	Indian/Montana
518	Indian/New Mexico	601	Indian/New Mexico
519	Indian/Colorado	602	Indian/New Mexico

TABLE B- 1 Valid financial accounting system lease prefixes (continued)

Prefix	Region	Prefix	Region
520	Indian/Montana	607	Indian/New Mexico
521	Indian/New Mexico	609	Indian/New Mexico
522	Indian/Colorado	610	Indian/New Mexico
523	Indian/Montana	614	Indian/Colorado
524	Indian/Colorado	615	Indian/New Mexico
525	Indian/New Mexico	619	Indian/Montana
526	Indian/Montana	620	Indian/New Mexico
527	Indian/New Mexico	621	Indian/New Mexico
528	Indian/Montana	622	Indian/Montana
529	Indian/Montana	623	Indian/New Mexico
531	Indian/Utah	634	Indian/Wyoming
532	Indian/Utah	714	Indian/New Mexico
535	Indian/Wyoming	801	Dept. of Secretary
536	Indian/Montana	883	North Dakota
537	Indian/Montana	884	North Dakota

a. Indicates a prefix used for acquired lands.

**Lease identifier.** If the number originally assigned is fewer than six digits, MMS converts the BLM or BIA onshore or OMM offshore serially assigned lease identifier by preceding the number with zeros to form a six-digit number.

**Lease segregation code.** The last character of the MMS lease, unit, or communitization number is a BLM- or BIA-assigned alphabetic suffix to the lease number when the lease was segregated from an existing lease because of an approved assignment. For units, each PA is assigned an alphabetic character for this field during conversion. If the lease has not been segregated by assignment, the code is zero (0). If the unit is an exploratory unit, the code is X.

B.1.1

### **Offshore Lease Prefixes**

Table B-2 contains information necessary for determining your correct prefix based on the offshore region from which the lease was issued.

TABLE B- 2 Lease prefix conversions for offshore

<b>MMS issuing office</b>	<b>OCS prefix</b>	<b>MMS financial accounting system prefix</b>
Alaska	OCS-Y	111
Atlantic:		
Middle	OCS-MA	056
South	OCS-SA	057
North	OCS-NA	058
Gulf of Mexico	OCS-G, OCS	054 055
Pacific	OCS-P	088

B.1.2

### **Onshore Lease Prefixes**

Leases issued by BLM between July 1, 1908, and June 30, 1966, are designated **0** series leases and are distinguished by a zero as the first digit of the lease body. All other leases are called **X** series leases. For example, a **0** series lease might be W-047659; the same serial number issued as an **X** series would be W-47659.

The following example illustrates how a BLM lease number is converted to a financial accounting system lease number.

BLM Lease No. W-47659

	<b>Wyoming X series converts to</b>	<b>Add leading 0 to accommodate financial accounting system data element size of 6 digits</b>	<b>Add suffix of 0 if no other is indicated</b>
Financial accounting system lease number	049	047659	0

Table B-3 contains lease prefix conversions for onshore sorted by BLM State office and MMS prefix.

TABLE B-3. Lease prefix conversions for onshore

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Alaska	Anchorage	002
All States	BLM-A	044
Arizona	A (Arizona X series)	011
California	CA (California)	006
California	Los Angeles	072
California	Riverside (0 series)	079
California	Sacramento (0 series)	080
California	S (Sacramento X series)	181
California	E (Riverside X series)	271

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Colorado	Colorado-ACQ (0 series)	004
Colorado	Colorado (0 series)	005
Colorado	Denver	065
Colorado	COC (Colorado X series)	069
Colorado	C-ACQ (Colorado-acquired X series)	070
Colorado	Pueblo	077
Colorado	BM-A-Colo	103
Colorado	14-20-151	519
Colorado	14-20-604	522
Colorado	MOO-C01420	524
Colorado	I-22-IND	614
CO/ES/MT/WY	I-SEC	801
ES	Baton Rouge	041
ES/NM	GLO	
Eastern States	BLM-FW (Fish & Wildlife)	143
Eastern States	ES (Eastern States)	155
Eastern States	Sand	443
Eastern States	I-103-IND	501
ES/CO/MT/WY	I-SEC	801
Idaho	Idaho	016



TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Montana	Montana (0 series)	024
Montana	BLM-A-MONT	025
Montana	BLM-ND	033
Montana	M (Montana)	053
Montana	Billings	059
Montana	Bismarck	060
Montana	Great Falls	068
Montana	BLM-A-ND	083
Montana	M-ACQ (Montana-acquired X series)	154
Montana	Montana-ACQ (Montana acquired 0 series)	158
Montana	M-ND (Montana-North Dakota X series)	255
Montana	Mont-ACQ-ND (Montana-acquired North Dakota 0 series)	256
Montana	Mont-ND (Montana-North Dakota 0 series)	273
Montana	M-ACQ-SD (Montana-acquired South Dakota X series)	274
Montana	M-SD (Montana-South Dakota X series)	275

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Montana	M-ACQ-D (Montana-acquired North Dakota X series)	284
Montana	14-20-C56	506
Montana	14-20-C51	507
Montana	D.C. Blackfeet	512
Montana	Blackfeet	513
Montana	I-5-IND	514
Montana	14-20-251	515
Montana	O&G-251	517
Montana	14-20-252	520
Montana	14-20-256	523
Montana	O&G-Blackfeet	526
Montana	I-32-IND	528
Montana	14-20-104	529
Montana	FP O&G-35	536
Montana	14-20-0259	537
Montana	Ft. Belknap	538
Montana	14-20-30A0101	539
Montana	14-20-A04	540
Montana	Turtle Mountain Bank of Chippewa	610

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Montana	I-23-IND	619
Montana	I-37-IND	622
MT/CO/ES/WY	I-SEC	801
Montana	NDM-North Dakota (Dickinson)	883
Montana	Miles City	884
Nevada	Nevada (0 series)	007
Nevada	Carson City	008
Nevada	N (Nevada X series)	027
New Mexico	Trans-NM	003
New Mexico	New Mexico (0 series)	029
New Mexico	NM (New Mexico X series)	030
New Mexico	BLM	039
New Mexico	Guthrie	040
New Mexico	BLM-C	045
New Mexico	NM-A (New Mexico acquired X series)	047
New Mexico	Las Cruces	071
New Mexico	NM-TEX-ACQ (New Mexico-Texas-acquired)	076
New Mexico	Santa Fe	082
NM/ES	GLO	142

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
New Mexico	BLM	143
New Mexico	NM-ACQ (New Mexico-acquired 0 series)	149
New Mexico	I-89-IND	415
New Mexico	GO2C-1420	503
New Mexico	I-51-IND	505
New Mexico	I-69-IND	510
New Mexico	14-20-0207	511
New Mexico	I-149-IND	516
New Mexico	14-20-0205	518
New Mexico	14-20-0202	521
New Mexico	NOO-C-1420	525
New Mexico	NOG	527
New Mexico	I-27-IND	601
New Mexico	14-20-0402	602
New Mexico	14-20-0206	607
New Mexico	Jicarilla	609
New Mexico	14-20-0208	615
New Mexico	14-20-600	620
New Mexico	14-20-603	621
New Mexico	14-20-0603	623

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
New Mexico	I-94-IND	714
KSC <sup>a</sup>	Kansas-Colorado (public)	069
KSC1 <sup>a</sup>	Kansas-Colorado (acquired)	070
KSNM1 <sup>a</sup>	Kansas-New Mexico (public)	030
KSNM1 <sup>a</sup>	Kansas-New Mexico (acquired)	047
KSWL <sup>a</sup>	Kansas-Wyoming (public)	049
KSWL <sup>a</sup>	Kansas-Wyoming (acquired)	050
Oregon	Washington	010
Oregon	0 (Oregon X series)	105
Utah	Utah (0 series)	042
Utah	Utah-ACQ (0 series)	043
Utah	U-ACQ (Utah-acquired X series)	046
Utah	Salt Lake City	081
Utah	U (Utah X series)	171
Utah	14-20-H-62	509
Utah	14-109-IND	531
Utah	14-20-462	532
Wyoming	Wyoming (0 series)	048
Wyoming	WYW (Wyoming X series)	049
Wyoming	W-ACQ (Wyoming-acquired X series)	050

TABLE B- 3 Lease prefix conversions for onshore (continued)

<b>BLM State office</b>	<b>Surface agency prefix</b>	<b>MMS financial accounting system prefix</b>
Wyoming	Buffalo	062
Wyoming	Cheyenne	064
Wyoming	Evanston	066
Wyoming	W-N (0) (Wyoming-Nebraska 0 series)	087
Wyoming	Wyoming-ACQ (0 series)	089
Wyoming	BLM-A-WYO	188
Wyoming	W-N (Wyoming-Nebraska X series)	251
Wyoming	W-A-N (Wyoming-acquired Nebraska X series)	252
Wyoming	W-A-NEBR (Wyoming-acquired-Nebraska 0 series)	276
Wyoming	14-20-C58	502
Wyoming	14-20-258	535
Wyoming	I-96-IND	634
WY/CO/ES/MT	I-SEC	801

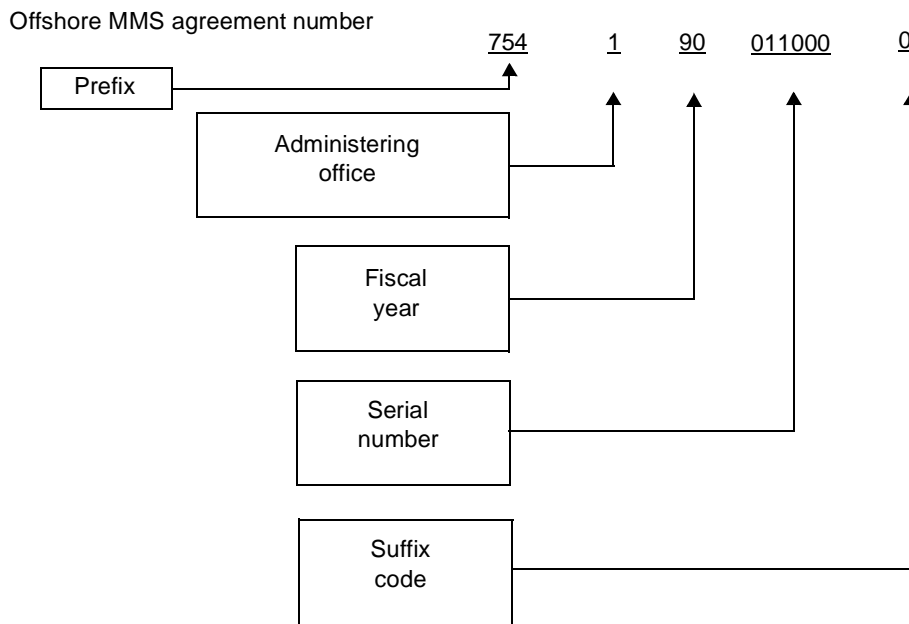
- a. At various times in the past, Kansas leases were administered by BLM in Colorado, New Mexico, and Wyoming. All Kansas leases are now administered by the New Mexico BLM.

B.2 **Unit or Communitization Conversions**

This section contains information on and tables for converting offshore and BLM agreement numbers to MMS agreement numbers.

B.2.1 **Offshore Agreement Conversion**

The following schematic, text, and [Table B-4](#) explain the offshore MMS agreement conversion prefixes.



**Prefix.** This is a pre-assigned code unique to each administering office.

**Administering office.** This one-digit block identifies the offshore administering office.

<b>Code</b>	<b>Office</b>
1	Alaska OCS Region
2	Atlantic OCS Region
3	Gulf of Mexico OCS Region
4	Pacific OCS Region

**Fiscal year.** The fiscal year must be used in converting an offshore agreement number to the financial accounting system because it is the only distinguishing number from year to year.

**Serial number.** Each fiscal year, the offshore regional offices start numbering agreements beginning with number 001.

**Suffix code.** The last two characters of the MMS unit or communitization number are a code assigned by OMM, BLM, or BIA to the unit number when the unit is first approved and/or has formed a new PA. Each new PA is assigned a letter for this field, usually an A; however, all old offshore units were originally assigned a code zero (**0**). If the unit is an exploratory unit, the code is **X**. When only one character exists, the field must be left-justified with the second character blank.



B. MMS Lease, Unit, or Communitization Number

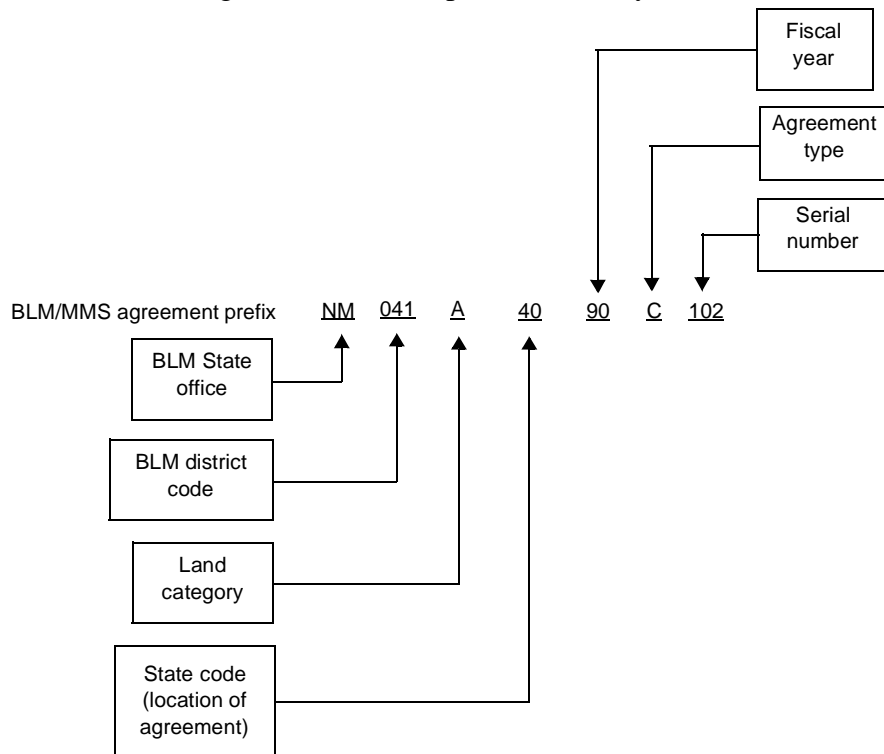
TABLE B-4. Offshore agreement prefix conversions

<b>MMS financial accounting system agreement prefix</b>	<b>MMS OCS agreement number</b>	<b>MMS OCS region</b>	<b>Communitization or unit agreement</b>
750-	1(FY)(Serial #)	Alaska OCS Region	C, U
752-	2(FY)(Serial #)	Atlantic OCS Region	C, U
754-	3(FY)(Serial #)	Gulf of Mexico OCS Region	C, U
756-	4(FY)(Serial #)	Pacific OCS Region	C, U
891-	14-08-0001	All Regions	U

B.2.2

### Onshore Agreement Conversion

The following schematic and text explain the onshore agreement conversions for agreements issued prior to January 1, 1988.



**BLM State office.** This block is the two-letter abbreviation for the BLM State office that has administrative jurisdiction over the agreement.

**BLM district code.** This block is a numeric code for the BLM district office that approved the agreement.

**Note:** As part of an organizational restructuring in the 1996-1997 timeframe, BLM redesignated its District Offices as Field Offices or Field Stations.

**Land category.** On a Federal agreement, the land category may vary as follows:

- P = public domain
- A = acquired land
- M = military land

**NOTE**

On an Indian agreement, the land category is always I (Indian).

*If an agreement contains more than one category of land, BLM assigns the prefix according to which category has the highest percentage of land in that agreement.*

**State code.** This block is a numeric code representing the State in which the agreement is physically located. Most districts operate in only one State, so the State code remains constant. However, some BLM districts have responsibility for more than one State. In these instances, the various States for which that district is responsible are listed in the Variables column of [Table B-7 on page B-22](#).

**Fiscal year.** The fiscal year must be used when converting a BLM agreement number to a financial accounting system number. At the beginning of each fiscal year, BLM starts renumbering from the beginning of its block of serial numbers, so the only distinguishing number from year to year is the fiscal year. The Federal fiscal year begins on October 1 and ends on September 30.

**Agreement type.** The agreement type may vary as follows:

C = communitization agreement

U = unitization agreement

Federal communitization agreements and units are assigned separate prefixes for each BLM district office. However, Indian communitization agreements and units have been combined under a single prefix for each BLM district. Therefore, an Indian agreement prefix may be either C (CA) or U (UA).

**Serial number.** Each State has been issued a block of numbers for use in assigning serial numbers. Each fiscal year, BLM starts numbering agreements from the beginning of its block of numbers.

For onshore agreements issued after January 1, 1988, MMS began using the BLM numbering system. You may report either the MMS agreement number or the agency-assigned agreement number; however as you can see, it might be easier for you to use the agency-assigned number because there are no embedded spaces in the number.

	BLM number on agreement document	MMS agreement number <sup>a</sup>	Agency-assigned agreement number
One-letter prefix:			
Communitization agreement	C-53211	C---53211	C53211
Unit agreement	C-53211X	C---53211X	C53211X
Two-letter prefix:			
Communitization agreement	NM-83541	NM--83541	NM83541
Unit agreement	NM-83541A	NM--83541A	NM83541A

a. '-' represents a space for illustration only on MMS agreement number.

Because of system restrictions, BLM **compensatory royalty agreement** numbers must be converted to MMS lease numbers using the **889-** prefix, the BLM base agreement number, and **-0** suffix.

**BLM State and district office codes and State codes.** [Table B-5](#) lists letters and numbers for identifying the State and district offices having jurisdiction over the agreement area.

**API State codes.** [Table B-6](#) lists the State codes used in the API well number.

**Onshore agreement prefix conversions.** [Table B-7](#) lists the MMS prefixes that convert to the BLM agreement prefixes.

TABLE B-5. BLM State and district offices

State	District	Code	State	District	Code
Alaska (AK)	Anchorage	AK 010	New Mexico	Albuquerque	NM 011
	Fairbanks	AK 020		Las Cruces	NM 031
Arizona (AZ)	Arizona Strip	AZ 010		Tulsa	NM 041
	Phoenix	AZ 020		Roswell	NM 061
	Safford	AZ 040	Nevada (NV)	Elko	NV 010
	Yuma	AZ 050		Winnemucca	NV 020
California (CA)	Bakersfield	CA 010		Carson City	NV 030
	Susanville	CA 020		Ely	NV 040
	Ukiah	CA 050	Las Vegas	NV 050	
	California		Battle		
	Desert	CA 060	Mountain	NV 060	
Colorado (CO)	Craig	CO 010	Oregon (OR)	Lakeview	OR 010
	Montrose	CO 030		Burns	OR 020
	Canon City	CO 050		Vale	OR 030
	Grand Junction	CO 070		Prineville	OR 050
Eastern States	Jackson	ES 020	Salem	OR 080	
	Milwaukee	ES 030	Eugene	OR 090	
Idaho (ID)	Boise	ID 010	Roseburg	OR 100	
	Burley	ID 020	Medford	OR 110	
	Idaho Falls	ID 030	Coos Bay	OR 120	
	Salmon	ID 040	Spokane	OR 130	
	Shoshone	ID 050	Utah (UT)	Salt Lake	UT 020
Coeur d'Alene	ID 060	Cedar City		UT 040	
Montana (MT)	Miles City	MT 020		Richfield	UT 050
	Dickinson	MT 030		Moab	UT 060
	Lewistown	MT 060	Vernal	UT 080	
	Butte	MT 070	Wyoming (WY)	Worland	WY 019
		Rawlins		WY 039	
		Rock Springs		WY 049	
		Casper		WY 069	

TABLE B-6. API State codes

State	Code	State	Code
Alabama	01	Montana	25
Alaska	50	Nebraska	26
Arizona	02	Nevada	27
Arkansas	03	New Hampshire	28
California	04	New Jersey	29
Colorado	05	New Mexico	30
Connecticut	06	New York	31
Delaware	07	North Carolina	32
Dist. of Columbia	08	North Dakota	33
Florida	09	Ohio	34
Georgia	10	Oklahoma	35
Hawaii	51	Oregon	36
Idaho	11	Pennsylvania	37
Illinois	12	Rhode Island	38
Indiana	13	South Carolina	39
Iowa	14	South Dakota	40
Kansas	15	Tennessee	41
Kentucky	16	Texas	42
Louisiana	17	Utah	43
Maine	18	Vermont	44
Maryland	19	Virginia	45
Massachusetts	20	Washington	46
Michigan	21	West Virginia	47
Minnesota	22	Wisconsin	48
Mississippi	23	Wyoming	49
Missouri	24		

TABLE B - 7 Onshore agreement prefix conversions

MMS prefix	BLM Agreement No.	BLM District Office (or former USGS/MMS Office)		Variables *		
		RAS region	Code <sup>a</sup>	Land category	States	Agreement type
394	E-__	Eastern States	(94)E	---	---	---
494	NW-__	Northwest Region	(94)C	---	---	---
495	C-58-__	Wyoming	(95)C	---	---	---
569	UT080-*_-49-__-C-__	Vernal, Utah		A,P	---	---
570	NM041-*_-*-__-C-__	Tulsa, Oklahoma		A,P	40,48	---
571	NM041-*_-*-__-U-__	Tulsa, Oklahoma		A,P	40,48	---
572	UT060-*_-49-__-U-__	Moab, Utah		A,P	---	---
575	UT060-*_-49-__-C-__	Moab, Utah		A,P	---	---
576	MT030-*_-38-__-C-__	Dickinson, North Dakota		A,P	---	---
577	NM041-I-40-__-*_-__	Tulsa, Oklahoma		---	---	C,U
578	ES020-*_-*-__-C-__	Jackson, Mississippi		A,P	01,05,12,13, 21,22,28,37 45,47,51	---
579	VR49-*_-__-__-C	Vernal, Utah		A,P	---	---
580	DK-38-__-I	Dickinson, North Dakota		---	---	---
581	LT-30-__-I	Lewistown, Montana		---	---	---
584	VR49-I-__-__-C	Vernal, Utah		---	---	---
586	M049-*_-__-__-U	Moab, Utah		A,P	---	---
588	DK-38-__	Dickinson, North Dakota		---	---	---
589	LT-30-__	Lewistown, Montana		---	---	---
590	NM061-*_-35-__-C-__	Roswell, New Mexico		A,P	---	---
593	SCR-__	South Central Region	(93)R (97)T	---	---	---
594	WC-__	Western Region	(94)L	---	---	---
595	P-__	Pacific Region	(95,99)L	---	---	---
640	CA10-*_-06-__-C-__	Bakersfield, California		A,P	---	---
641	CA10-*_-06-__-U-__	Bakersfield, California		A,P	---	---
653	C0010-*_-08-__-C-__	Craig, Colorado		A,P	---	---
654	C0010-*_-08-__-U-__	Craig, Colorado		A,P	---	---
656	C0030-*_-08-__-C-__	Montrose, Colorado		A,P	---	---
657	C0030-*_-08-__-U-__	Montrose, Colorado		A,P	---	---

TABLE B- 7 Onshore agreement prefix conversions (continued)

MMS prefix	BLM Agreement No.	BLM District Office (or former USGS/MMS Office)	RAS region	Code <sup>a</sup>	Variables *		Agreement type
					Land category	States	
658	C0030-I-08-__-*-__		Montrose, Colorado		---	---	C,U
659	C0050-__-*-__-C-__		Canon City, Colorado		A,P	08,20	---
662	C0070-__-08-__-C-__		Grand Junction, Colorado		A,P	---	---
663	C0070-__-08-__-U-__		Grand Junction, Colorado		A,P	---	---
666	ES020-__-*-__-U-__		Jackson, Mississippi		A,P	01,05,12,13, 21,22,28,37, 45,47,51	---
670	ES030-I-__-*-__-*-__		Milwaukee, Wisconsin		---	09,10,17,18, 19,23,24,25, 26,27, 29,33, 34,36,39 42, 44, 50, 54, 55	C,U
691	NCR-__		North Central Region	(9F)C	---	---	---
694	GC-__		Gulf Coast Area (LA)	(98);E;T (94)M	---	---	---
695	CR-CA-Ind-		Utah	(9K)C	---	---	---
696	NW-Ind-__		Northwest Region	(94)C	---	---	---
697	NRM-Ind-__		Northern Rocky Mountain	(9C)C	---	---	---
699	14-20-0256-CA-__		Montana	(9A)C	---	---	---
719	MC-30-		Montana		---	30	---
720	MT020-__-*-__-C-__		Miles City, Montana		A,P	30,46	---
723	MC-40-		South Dakota		---	46	---
724	MT030-__-38-__-U-__		Dickinson, North Dakota		A,P	---	---
726	MT060-__-30-__-C-__		Lewistown, Montana		A,P	---	---
728	MT060-I-30-__-*-__		Lewistown, Montana		---	---	C,U
730	MT070-__-30-__-U-__		Butte, Montana		A,P	---	---
738	NM061-__-35-__-U-__		Roswell, New Mexico		A,P	---	---
743	NM015-__-35-__-C-***		New Mexico		---	---	---
748	NV030-__-32-__-U-__		Carson City, Nevada		A,P	---	---
750-756	Offshore agreement numbers effective 10/1/86 (see <a href="#">Table B-4 on page B-16</a> )					---	---
781	WY-069__		Casper, Wyoming		---	---	---
783	WY-039-__		Rawlins, Wyoming		---	---	---



TABLE B- 7 Onshore agreement prefix conversions (continued)

MMS prefix	BLM Agreement No.	BLM District Office (or former USGS/MMS Office)		Variables *		
		RAS region	Code <sup>a</sup>	Land category	States	Agreement type
784	WY019-*-56-__-U-__	Worland, Wyoming		A,P	---	---
788	S40T-__-I	Tulsa, Oklahoma		---	---	---
789	NMA-I-__	Albuquerque, New Mexico		---	---	---
791	CR-__	Utah; Colorado	(9G)C; (9B)R	---	---	---
792	CO-M-__	Montrose, Colorado		---	---	---
793	CO-M-I-	Montrose, Colorado		---	---	---
794	SW/SRM-__	New Mexico	(94)R	---	---	---
795	MC-CR-Compensatory Royalty	Tulsa, Oklahoma	(95)T	---	---	---
796	SW-Ind-__	New Mexico	(96)R	---	---	---
798	CR-I-__	Central Region		---	---	---
799	14-20-0251-__	Montana	(99)C	---	---	---
828	UTO20-*-49-__-C-__	Salt Lake City, Utah		A,P	---	---
836	UTO80-*-49-__-U-__	Vernal, Utah		A,P	---	---
837	UTO80-I-49-__-*-__	Vernal, Utah		---	---	C,U
838	WY019-*-56-__-C-__	Worland, Wyoming		A,P	---	---
840	WYO39-*-56-__-C-__	Rawlins, Wyoming		A,P	---	---
843	WYO49-*-56-__-U-__	Rock Springs, Wyoming		A,P	---	---
845	WYO69-*-*-__-C-__	Caper, Wyoming		A,P	31,56	---
846	WYO69-*-*-__-U-__	Caper, Wyoming		A,P	31,56	---
860	WYO49-*-56-__-C-__	Rock Springs, Wyoming		A,P	---	---
865	ES030-*-*-__-C-__	Milwaukee, Wisconsin		A,P	09,10,17,18, 19,23,24,25, 26,27,29,33, 34,36,39,42, 44,50,54,55	---
866	UT-UO-__	Utah		---	---	---
868	U40T-__-I	Tulsa, Oklahoma		---	---	---
869	CO-C-__	Craig, Colorado		---	---	---
870	CO-CC-__	Canon City, Colorado		---	---	---
871	K-CC-__	Canon City, Colorado		---	---	---
873	CO-GJ-__	Grand Junction, Colorado		---	---	---

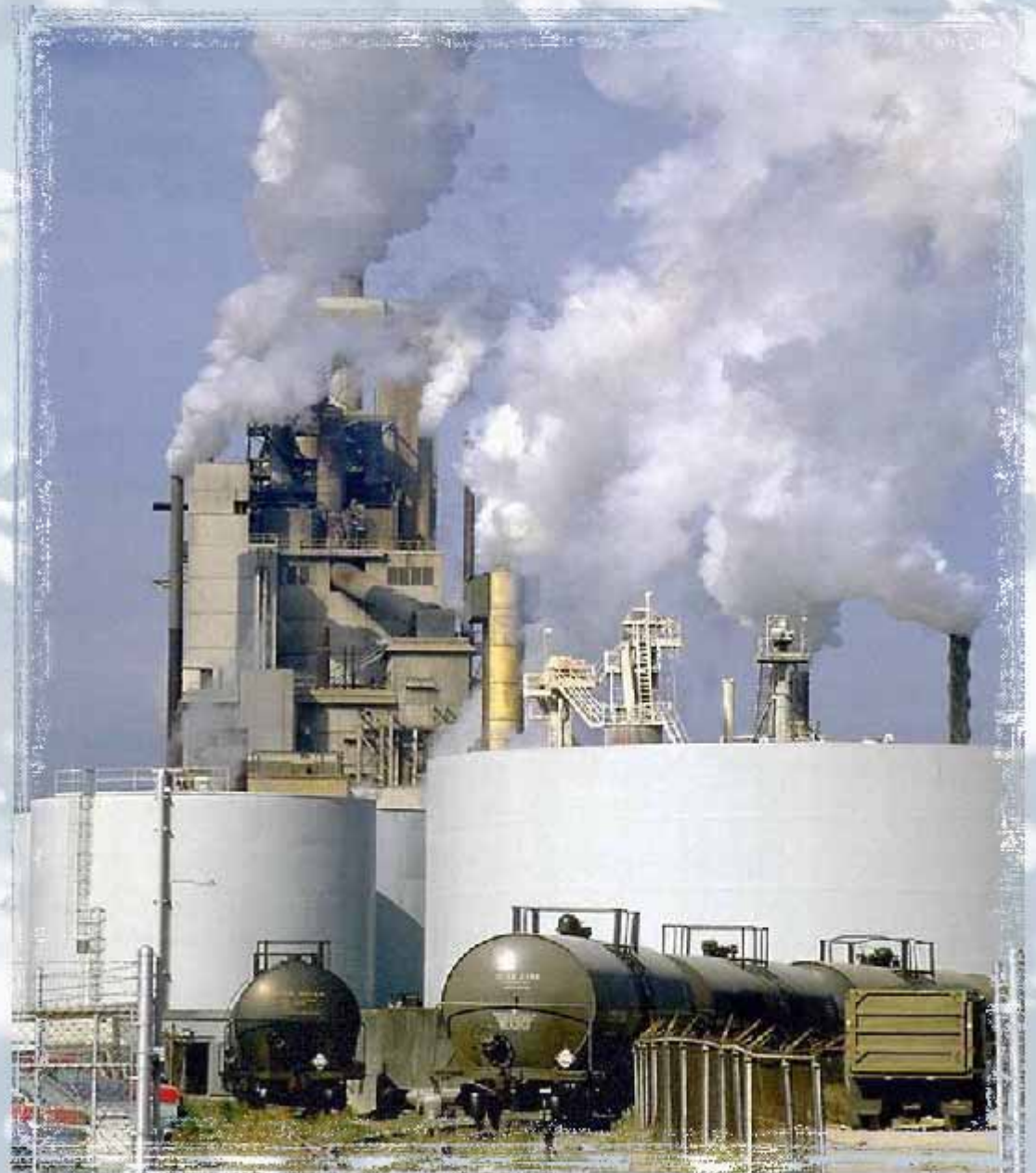
TABLE B- 7 Onshore agreement prefix conversions (continued)

MMS prefix	BLM Agreement No.	BLM District Office (or former USGS/MMS Office)		Variables *		
		RAS region	Code <sup>a</sup>	Land category	States	Agreement type
874	C-*-T-__	Tulsa, Oklahoma		--	40,48	---
875	TD-IND-__	Tulsa, Oklahoma		---	---	---
876	C40T-__-I	Tulsa, Oklahoma		---	---	---
877	NMA-__	Albuquerque, New Mexico		---	---	---
878	RNM-__	Roswell, New Mexico		---	---	---
879	TD-__	Tulsa, Oklahoma		---	---	---
880	UT-__	Utah		---	---	---
882	TS-Ind-S-__	Tulsa, Oklahoma		---	---	---
883	NDM-	Dickinson, North Dakota	(C/A)	---	---	---
884	MTM-	Miles City, Montana	(C/A)	---	---	---
886	NDM-	North Dakota (Units)		---	---	---
887	SDM-	South Dakota	(C/A)	---	---	---
888	SDM-	South Dakota (Units)		---	---	---
889	Compensatory Royalty (entered as a lease, refer to <a href="#">page B-19</a> )			---	---	---
891	14-08-0001-__	All Regions	(98)MI; (91) All Reg.	---	---	---
892	I-Sec. __	All Regions	(92) all Reg.	---	---	---
893	FFMC-__	Federal Farm Mortgage Corp.		---	---	---
894	MC-__	Mid Continent	(95)E; (94)T (93)T	---	---	---
896	MC-Ind-__	Mid-Continent	(96)T	---	---	---
897	NRM-__	Montana, Wyoming	(98)C	---	---	---
898	14-20-0258-__	Wyoming		---	---	---
899	SCRI-__	South Central Region	(9A)R	---	---	---

a. A= Alaska      L= Los Angeles      T=Tulsa  
 C= Casper      M=Metairie      R=Albuq/Roswell  
 E= Eastern States      MI=Mining

# Appendix C

## Product Codes



# Appendix C

## Product Codes

Use these codes to report products on Form MMS-2014.

### ***Oil and Gas***

Code	Description
01	Oil
02	Condensate
03	Processed (residue) gas
04	Unprocessed (wet) gas
05	Pipeline condensate, retrograde condensate, drip condensate, drip liquid, scrubber/pipeline drip
06	Plant inlet scrubber
07	Gas plant products
09	Nitrogen
12	Flash gas
13	Fuel oil
14	Oil lost
15	Fuel gas
16	Gas lost—flared or vented
17	Carbon dioxide gas

**Oil and Gas (continued)**

Code	Description
19	Sulfur
20	Other liquid hydrocarbons
22	Helium (Indian Leases Only) MMS does not collect royalties on 2014 reports for Helium produced on Federal Lands. The responsible office for this is: BLM Field Office Amarillo, TX (806) 356-1030
39	Coalbed methane

**Geothermal**

Code	Description
31	Geothermal—electrical generation, kWh
32	Geothermal—electrical generation, thousands of pounds
33	Geothermal—electrical generation, MMBtu
34	Geothermal—electrical generation, other
35	Geothermal—direct utilization, MMBtu
36	Geothermal—direct utilization, hundreds of gal
37	Geothermal—direct utilization, other
38	Geothermal—commercially demineralized water
41	Geothermal byproduct—sulfur
42	Geothermal byproduct—carbon dioxide
43	Geothermal byproduct—silica
44	Geothermal byproduct—other

**NOTE**

For geothermal byproducts other than those listed above, contact us at the address or telephone numbers listed in [Appendix A](#).



# Appendix D Sales Type Codes

# Appendix D

## Sales Type Codes

Use these sales type codes (STC) when you complete field 11 of Form MMS-2014. Basic reporting guidance is provided below. If you have further questions, see [Appendix A](#) for contact information.

Sales type code	Sales type name	Descriptions
ARMS	Arm's-length	A contract or agreement between independent, <b>nonaffiliated</b> parties with opposing economic interests regarding that contract; not involving any consideration other than the sale and transportation of mineral resources. See 30 CFR, Part 206 for further definition of an arm's-length contract.
NARM	Non-arm's-length	Companies are <b>affiliated</b> , defined by degree of control. Affiliation exists if an entity controls, is controlled by, or is under common control with another entity. See 30 CFR, Part 206 for further definition (see arm's-length contract).

D. Sales Type Codes

Sales type code	Sales type name	Descriptions
OINX	Index	Use OINX to report Federal lease oil production that is valued based on index. Use OINX to report Indian lease gas production that is valued based on index regardless of contract type (POP, NARM etc.).
POOL	Pooled sales— Arm’s length and Non-Arm’s-length	<p>Some companies aggregate their volumes in pools and then sell or exchange their product under multiple contracts. In a pooling situation, you will determine value by computing a weighted average of the prices for all ARMS and NARMS sales at all downstream sales outlets.</p> <p>You will report all gas plant products (Product Code 07) with a STC POOL (even though gas plant products are not sold into a pool, use this code for reporting purposes).</p>



Sales type code	Sales type name	Descriptions
APOP	Percentage of proceeds—arm's-length	POP contracts are defined as sales of gas prior to processing in which the value of the wet, unprocessed gas is based on a percentage of the proceeds the purchaser receives for the sale of residue gas and gas plant products attributable to processing the lessee's gas.  Use APOP for an arm's-length POP.

**NOTE****Indian Leases:**

*For gas production sold under a POP contract and produced from Indian leases located in an index zone, use STC OINX.*

**Indian Leases:**

*On August 10, 1999, MMS published the new Indian Gas Valuation Rule and amended the regulations governing the valuation of natural gas produced from Indian leases. Under the amended gas regulations, effective January 2000, you will report gas sold under POP contracts in non-index zones as a sale of processed gas under both AL and NAL conditions. Reporting requirements for POP contracts depend on whether or not you elect actual or alternative dual accounting. For detailed information, refer to the Dear Payor letter that addresses the new reporting requirements for natural gas produced from Indian properties and sold under a POP contract. For contact information, see [Appendix A](#).*

D. Sales Type Codes

Sales type code	Sales type name	Descriptions
NPOP	Percentage of proceeds—non-arm’s-length	POP contracts are defined as sales of gas prior to processing in which the value of the wet, unprocessed gas is based on a percentage of the proceeds the purchaser receives for the sale of residue gas and gas plant products attributable to processing the lessee’s gas.
RIKD	Royalty-in-kind deliveries	<p>MRM will prepare all Form MMS-2014s related to RIK sales. We will populate the STC with RIKD for those RIK sales.</p> <p>In certain cases, MRM may direct the operator to transport MMS’s royalty volumes to a point away from the royalty facility measurement point (FMP). In those cases, the operator may deduct its actual, reasonable costs for that transportation on the Form MMS-2014 using a TC 11 and STC RIKD.</p>
A01-A25	Code assigned as future valuation agreements are established	For example, negotiated valuation formula.
Z700	Historical POP conversion	Use only for Sales Months prior to October 2001
Z999	Historical conversion	Use only for Sales Month prior to October 2001
GNST	Geothermal no sales transaction	Where geothermal resource is directly utilized.

# Appendix E Transaction Codes



# Appendix E

## Transaction Codes

Use these codes to report transactions on Form MMS-2014.

Code	Name	Use to . . .
01	Royalty Due	Report royalties due in value on producing Federal and Indian leases. For information on how to report using this code, see <a href="#">page 4-3</a> .
02	Minimum Royalty Payment	Report the minimum royalty payment for a lease. For information on how to report using this code, see <a href="#">page 4-30</a> .
03	Estimated Royalty Payment	Report an estimated royalty payment. For information on how to report using this code, see <a href="#">page 4-24</a> .
04	Rental Payment	Report the payment of unrecoupable rent for a lease. For information on how to report using this code, see <a href="#">page 4-39</a> .

Code	Name	Use to . . .
05	Advance Rental Credit	Report the payment of recoupable rent for a lease. For information on how to report using this code, see <a href="#">page 4-43</a> .
06	Royalty-in-Kind	Report Navajo Nation Royalty-in-Kind leases.
08	Royalty in Kind	Report non-Strategic Petroleum Reserve (SPR) transactions for RIK Oil and Gas leases. (MMS use only)
10	Compensatory Royalty Payment	Report royalty value due on oil and gas that has been drained from Federal or Indian land by a well on another property. For information on how to report using this code, see <a href="#">page 4-15</a> .
11	Transportation Allowance	Report a transportation allowance against royalty due. For information on how to report using this code, see <a href="#">page 4-89</a> .
12	Tax Credit	Report a credit to royalties resulting from a tax payment made to a State or local taxing authority for an Indian lease. The credit is equal to the tax payment multiplied by the royalty rate. For information on how to report using this code, see <a href="#">page 4-104</a> .

Code	Name	Use to . . .
13	Quality Bank and Gravity Bank Adjustment	On MMS-designated leases, report adjustments that reflect the difference in oil gravity and/or sulfur between the oil measured at the approved point of royalty settlement and the oil delivered to the refiner at the delivery point. For information on how to report using this code, see <a href="#">page 4-139</a> .
14	Tax Reimbursement Payment	Report the royalty on a tax reimbursement. For information on how to report using this code, see <a href="#">page 4-112</a> .
15	Processing Allowance	Report a processing allowance against the royalty due. For information on how to report using this code, see <a href="#">page 4-94</a> .
16	Well Fees	Report a flat fee payable periodically as specified in the lease agreement. For information on how to report using this code, see <a href="#">page 4-123</a> .
17	Gas Storage Agreement—Flat Fee	Pay for storage of gas when the fee is a fixed amount or is based on the number of acres used to store gas. For information on how to report using this code, see <a href="#">page 4-127</a> .
18	Gas Storage Agreement—Injection Fee	Report the fee for gas injected into a gas storage formation. For information on how to report using this code, see <a href="#">page 4-131</a> .

Code	Name	Use to . . .
19	Gas Storage Agreement— Withdrawal Fee	Report the fee for gas that was injected into and then withdrawn from a gas storage formation. For information on how to report using this code, see <a href="#">page 4-135</a> .
21	Interest Amount Due MMS	Report payor-calculated interest owed to MMS. For information on how to report using this code, see <a href="#">page 4-144</a> .
22	Interest Amount Owed to Payor	Report payor-calculated interest MMS owes payor (for Federal leases only). For information on how to report using this code, see <a href="#">page 4-146</a> .
25	Recoup Advance Rental Credit	Report a recoupment of a previously paid recoupable rent against net royalties paid. For information on how to report using this code, see <a href="#">page 4-47</a> .
31	Contract Settlement Payment	Report royalty due on contract settlement payments between you and a third party. For information on how to report using this code, see <a href="#">page 4-56</a> .
37	Royalties Due in Lieu of Severance Tax	Report royalties due for leases subject to Section 6(a)(9) of the OCS Lands Act of 1953, as amended. For information on how to report using this code, see <a href="#">page 4-64</a> .

Code	Name	Use to . . .
38	Additional Royalties Due for 6A9 Leases	Report additional royalties of 1/32, 1/48, and 1/64 due under Section 6(a)(9) leases. For information on how to report using this code, see <a href="#">page 4-68</a> .
39	Net Profit Share—Unprofitable	Report sales from an NPS lease for months the lease does not show a profit. For information on how to report using this code, see <a href="#">page 4-72</a> .
40	Net Profit Share—Profitable	Report sales and royalties on NPS leases for profitable months. For information on how to report using this code, see <a href="#">page 4-78</a> .
41	Offshore Deep Water Royalty Relief	Report royalty-free volumes on production sold or removed from leases qualifying for royalty relief under the Outer Continental Shelf Deep Water Royalty Relief Act. For information on how to report using this code, see <a href="#">page 4-84</a> .
42	Net Revenue Share Lease, Allotment For Operating Costs	Report the operating allowance on MMS-approved net revenue share agreements. For information on how to report using this code, see <a href="#">page 4-99</a> .



Code	Name	Use to . . .
50	Indian Recoupable Balance (applicable to Indian leases only)	Establish a balance that can be recouped on an Indian lease as a result of a previous overpayment. It is the difference between the line reversing a previously reported overpayment and the line reporting the corrected rents or royalties. For information on how to report using this code, see <a href="#">page 4-52</a> .
51	Indian Recoupment Taken (applicable to Indian leases only)	Report the amount of recoupment taken in a given report month. It is based on the amount of current revenue paid and reported in a given month. For allotted Indian leases, the recoupment taken cannot exceed 50percent of current revenue and can be taken on only the lease on which the overpayment occurred. For tribal Indian leases, the recoupment taken cannot exceed 100 percent of current revenue and can be taken on only the lease on which the overpayment occurred, unless the appropriate tribe has given prior approval to recoup against other leases. For information on how to report using this code, see <a href="#">page 4-54</a> .
52	Recoup Minimum Royalty Paid in Advance	Report the recoupment of a previously paid minimum royalty payable in advance on certain Indian leases. For information on how to report using this code, see <a href="#">page 4-34</a> .

Code	Name	Use to . . .
53	Effluent Injection Payment or Reimbursement	Report royalty due on payments received for effluent or other fluid injection to maintain reservoir pressure, to generate additional geothermal reserves, or for disposal purposes (for geothermal resources only). For information on how to report using this code, see <a href="#">page 4-117</a> .
54	Geothermal Field Operations Payment or Reimbursement	Report royalty due on payments received for field operations and maintenance, other than effluent injection (for geothermal resources only). For information on how to report using this code, see <a href="#">page 4-119</a> .
60	Royalty-in-Kind	Report Strategic Petroleum Reserve (SPR). (MMS use only).



# Appendix F Adjustment Reason Codes



# Appendix F

## Adjustment Reason Codes

**NOTE**

*MMS has eliminated many previously valid adjustment reason codes. After October 1, 2001, you can report adjustment reason codes for oil and gas leases 10, 15, 16, 17, 25, 32, 35, 49, (71, 72 for interest); for geothermal leases 25, 26 and 31.*

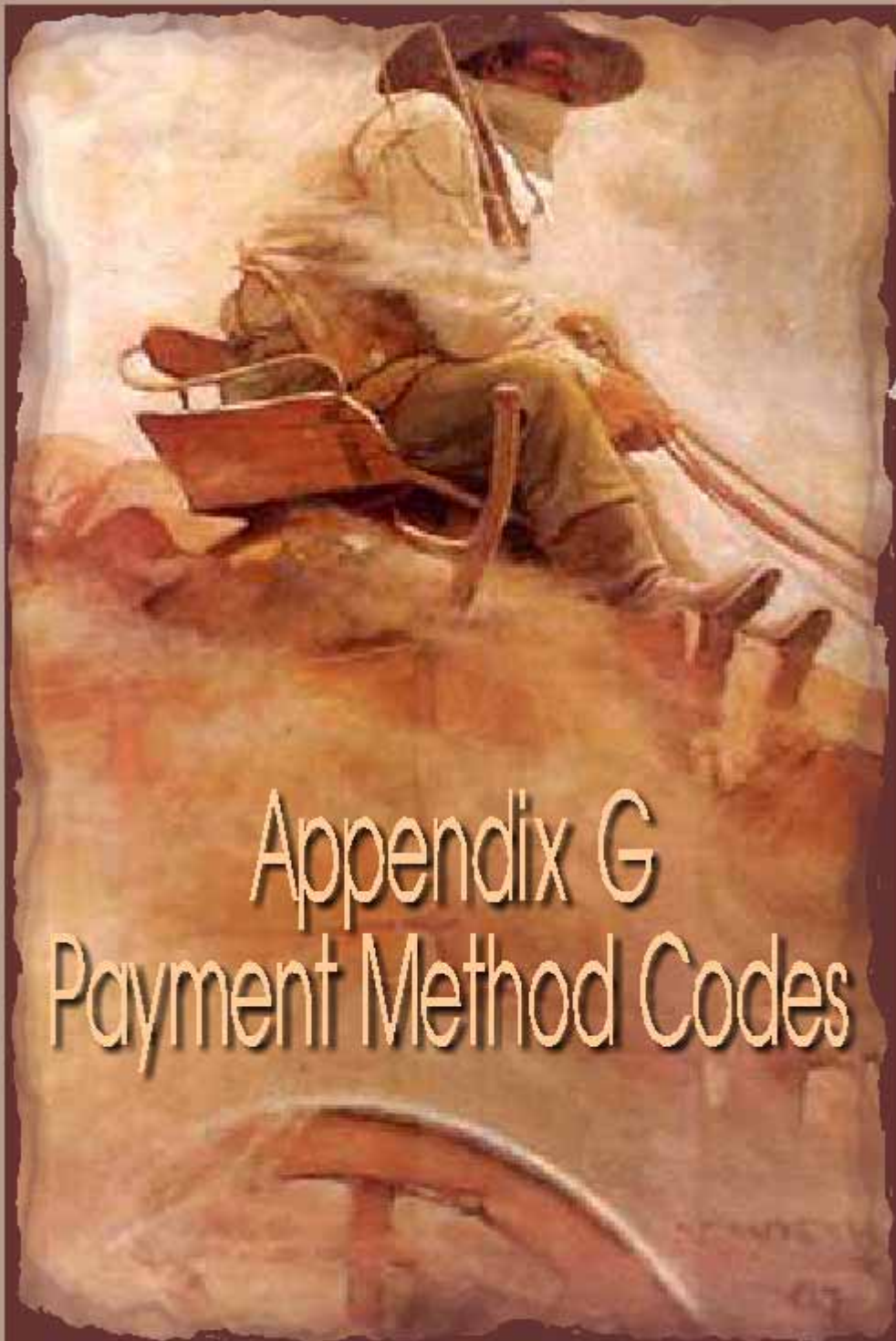
Use these codes to correct previous transactions on Form MMS-2014.

<b>Code</b>	<b>Name</b>	<b>Use to . . .</b>
10	Adjustment	Make an adjustment that does not require a unique adjustment reason code. Use code 10 whether the adjustment results in an increase or decrease to royalties.
15	Marginal property true-up	Report the adjustment from take volume to entitled volume for qualified marginal properties.

F. Adjustment Reason Codes

<b>Code</b>	<b>Name</b>	<b>Use to . . .</b>
16	Major portion/dual accounting (post 01/01/2000)	Report the adjustment to the published major portion price and/or dual accounting for Indian gas production, effective for 01/2000 sales forward. Adjustment reason code 16 is applicable only for Indian gas reporting where the Indian lease is located in nonindex zones.
17	MMS-Initiated compliance adjustment	Report entries resulting from a compliance review. Any exceptions to this must be approved by MMS.
25	Netback costs true-up (geothermal leases only)	Report previous deduction period's adjusted netback values using actual capital costs and operating and maintenance expenses for geothermal resources using netback valuation only.
26	Change valuation method (geothermal leases only)	Report adjusted resource/production values for prior periods as a result of a retroactive change in valuation method approved by MMS for geothermal resources only.
31	Retroactive mandatory price adjustment (geothermal leases only)	Report adjusted resource/production values for prior periods as a result of retroactive price adjustments by the purchaser or other pricing authority; for geothermal resources only.

<b>Code</b>	<b>Name</b>	<b>Use to . . .</b>
32	Estimate adjustment	Increase or decrease an estimated royalty payment balance.
35	Unit participating area/communitization agreement adjustment	Adjust volumes and values required as a result of the formation, expansion, contraction, or termination of a unitPA or CA.
49	Index zone/dual accounting price adjustment (post 01/01/2000 sales months only)	Report adjustments to the index price and/or for dual accounting for gas production from an Indian lease located in an index zone.
71	Estimate underpayment/overpayment interest	Identify payor-calculated interest related to insufficient or oversufficient estimate values.
72	Audit underpayment/overpayment interest	Identify payor-calculated interest related to an audit.



# Appendix G

## Payment Method Codes

Use these codes to report your payment method on Form MMS-2014.

<b>Code</b>	<b>Description</b>
1	Checks to MMS (PM1)
2	Indian direct pay (PM2)
3	EFT payment (PM3)
4	Royalty in kind (PM4)
5	Checks to MMS for BIA (PM5)
6	Other (reserved for future use) (PM6)
7	Indian lockbox (PM7)



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# Release History

Release number	Release date	Revised chapters/sections	MRM originator	Preparer
1.0	05/11/01		CE/RFT <sup>a</sup>	AMS/OC <sup>b</sup>
2.0	07/01/03		FM/RS <sup>c</sup>	FM/RS <sup>c</sup>

- a. Center for Excellence/Regulations and FOIA Team
- b. American Management Systems Operations Corporation, Inc.
- c. Financial Management/Reporting Services





As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil, and other mineral resources. The MMS **Minerals Revenue Management** meets its responsibilities by ensuring the efficient, timely, and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States, and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.

