

United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

Solids Reporter Training

Denver, Colorado

September 8th and 9th, 2015

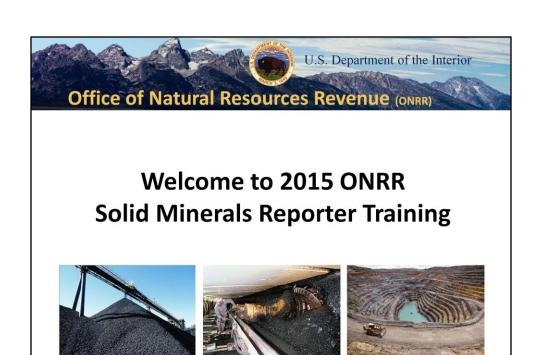
Tuesday, September 8th

Event	Speaker	Time
Opening	Rebecca Dyess	1:00 – 1:15 pm
Solid Mineral Lease	Michael Anspach	1:15 – 2:15 pm
Break		2:15 – 2:30 pm
Sales Summary & Facility Data	Karen Garza/Dane Templin	2:30 – 3:.30 pm
Sales Contracts	Lee-Ann Martin	3:30 – 4:00 pm
Financial Viewpoint	Lee-Ann Martin	4:00 – 4:30 pm

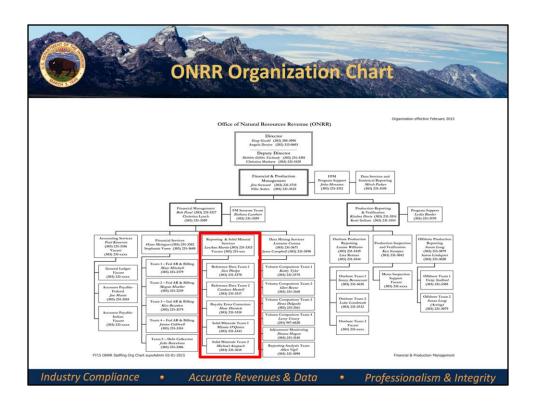
Wednesday, September 9th

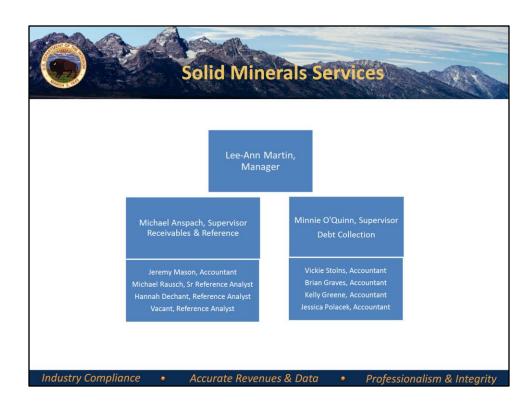
Event	Speaker	Time
Opening (4444, Payor Codes, EMARF)	Rebecca Dyess	8:30 – 8:45 am
Form ONRR-4430 (P&R)	Michael Anspach	8:45 – NOON
Lunch		12:00 – 1:00 pm
Data Warehouse	Michael Anspach	1:00 – 1:30 pm
Coal Valuation	Robert Malandri	1:30 – 3:30 pm
Meet & Greet		3:30-4:30 pm

^{*}Times are approximate and may run over or under









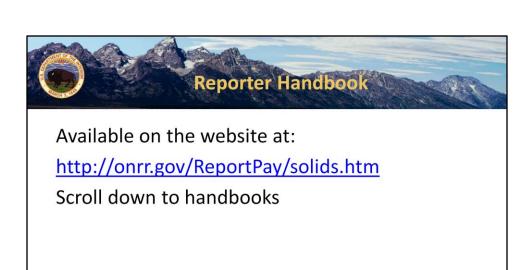


Regulations affecting solids leasing and the collection of royalties:

- Reporting. Mineral Resources, Title 30 Code of Federal Regulations (CFR)
 Part 1218—Collection of Royalties, Rentals, Bonuses and Other Monies
 Due to the Federal Government, Subpart E—Solid Minerals—General.
- Federal Lease Operations and Other Leasing Activities.
 - Public Lands: Interior, Title 43 CFR Part 3400—Coal Management: General.
 - Public Lands: Interior, Title 43 CFR Part 3500—Leasing of Solid Minerals Other Than Coal and Oil Shale. For oil shale, refer to the Minerals Leasing Act of 1920, as amended.
- Indian Lease Operations and Other Leasing Activities. Indians, Title 25
 CFR Part 200—Terms and Conditions: Coal Leases and Part 211—Leasing
 of Tribal Lands for Mining.

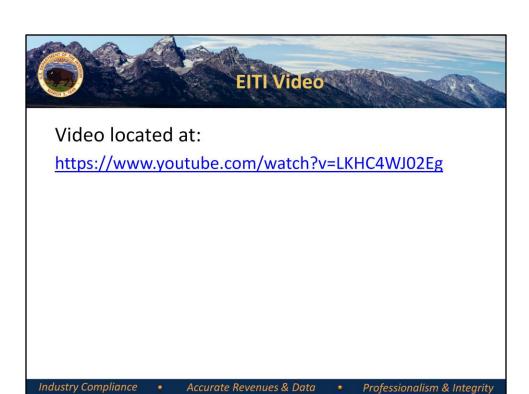
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Where to go for lunch?

Where can I go in the building?

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- ✓ Establish and maintain leases and mines in our reference system.
- ✓ Identify and resolve reporting and database inconsistencies.
- ✓ Support prompt and accurate distribution of royalties.

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Professionalism & Integrity

The Reference group is primarily responsible for maintaining lease and mine information. This involves the receipt of lease documents and various decision letters from the issuing agencies, generally BLM or BIA.

These documents allow ONRR to maintain information regarding:

- Statuses of leases and mines
- •Financial terms royalty rates, rent, MR etc.
- •Distribution information state, county, tribal or allotted, and fund codes, all of which direct how funds will be distributed.

Life of Lease				
Federal	Indian			
BLM	BIA			
ONRR	BIA			
ONRR	ONRR			
BLM	BIA			
BLM	BIA			
	Federal BLM ONRR ONRR BLM			

This chart details the phases leases move through during their lives.

Federal leases

- BLM collects first year rental payment and any bonus, responsible for day-today operations, inspections and enforcement. They issue lease documents, decision letters, etc.
- ONRR primarily collects, accounts for, disburses, establishes value for, and audits royalty payments.

➤ Indian leases

- BIA issues leases and collects all payments for royalties and other obligations for Indian solid mineral leases.
- ONRR does not collect payments for royalties and other obligations for Indian solid mineral leases. ONRR's primary role in such leases is to collect the P&R reporting.



- If you are a lessee on any Federal or Indian solid mineral lease, you are responsible for reporting applicable rents, royalties, and other obligations to ONRR.
- If you are a lessee on any Federal solid mineral lease, you are also responsible for paying applicable rents, royalties, and other obligations to ONRR.

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- All Federal solid mineral leases or permits on public domain, acquired, and military lands regardless of which Federal agency administers the surface activities;
- All solid mineral leases, permits, and contracts on Indian Tribal and allotted lands

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Professionalism & Integrity

In addition to the Federal and Indian leases that must be reported, ONRR requires that some information for State and Fee leases that are in mines with Federal leases be reported. That will be discussed more in a later presentation.



- ONRR-4430 Production and Royalty Report
 - Eliminate paper-based reporting processes.
 - Eliminate correction tasks by ONRR personnel due to incorrect calculations and/or user error.
 - Up-front error correction
 - Less document processing
 - Pre-populated data
 - No Codes
 - Handle complex data calculation to avoid user error and confusion.
- ONRR-2014 Report of Sales and Royalty Remittances (special circumstances only)
 - Adjustments to previously submitted reports prior to October 2001
 - Recouping advance royalty that was originally reported on the ONRR-2014
 - Stand-alone leases not associated to a mine

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ONRR-4430: This report replaced the Sales & Royalty Remittance Report (MMS-2014) and the Solid Mineral Operation Reports.

The objectives of the P&R report application are to:

- Eliminate paper-based reporting processes
- Eliminate correction tasks by ONRR personnel due to incorrect calculations and/or user errors.
- Up-front error correction
- Pre-populated data
- No codes
- Designed to handle complex data calculations and to Enforce reporting processes and business rules to ensure compliance with ONRR regulations and guidelines.

ONRR-2014: This report is to be used for special circumstances only. You should use the 2014:

- If you need to make adjustments to previously submitted reports prior to October 2001
- If you need to recoup an Advance Royalty that was originally reported on the MMS-2014; it must be recouped on the 2014.
- If your lease is a stand-alone lease and is not associated to a mine, obligations must be reported on the MMS-2014



- Sales Summaries & Facility Data
- Sales Contracts

These will be covered in a separate presentation.

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Additionally, you may be required to submit Sales Contracts, Sales Summaries, and Facility Data, but those will be covered in another presentation.



- Forms ONRR-2014 and ONRR-4430 are due no later than 4 P.M. MST on the due date as specified by the lease terms.
- Unless your lease provides otherwise, ONRR requires monthly royalty payments and reports.
- All payments and reports are due to ONRR until the leasing agency notifies ONRR that the lease is no longer active.

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Deadlines for submitting forms and payments – both the P&R and the ONRR-2014 are due no later than 4 PM MST on the due date as specified by the lease terms. They can be submitted prior to the due date.

ONRR expects to receive royalty payments and royalty reports on a monthly basis unless your lease terms dictate otherwise.

All payments and reports are due to ONRR until the leasing agency notifies ONRR that the lease is no longer active. This can be due to a relinquishment, termination, expiration, etc...





Sales Summary and Facility Data

Karen Garza
Dane Templin
Presented 9/8/2015

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Disclaimer: The statements or opinions expressed in all ONRR presentations and panel discussions at the Solid Minerals Reporter Training do not necessarily represent the views of ONRR or the Department of the Interior



ONRR Mission

To collect, disburse, and verify Federal and Indian energy and other natural resource revenues on behalf of all Americans

ONRR Vision

To be recognized as a world-class natural resources revenue management program, setting the standard for accountability and transparency



Overview

- Sales Summary
- Sales Summary Form
- Facility Data
- File Naming Convention
- File Security
- Questions



Sales Summary – Our Authority

30 CFR PART 1210.202 How do I submit sales summaries?



Sales Summary – What is it?

- A monthly snap shot of sales to your purchasers.
- A tool ONRR uses to confirm compliance and accurate reporting.



Sales Summary – What should it include?

- An accounting of all your sales (Federal, Indian, State and Fee).
- Activity for only the month you are submitting. It should not include adjustments or revisions.
- If you must include adjustments, make them identifiable from current month sales.
- Sales from the mine and any remote storage sites.
- Any other considerations received.
- Note: Even if your sales contract does not require a quality, ONRR requires at a minimum the monthly average quality.



Sales Summary – What should it include? (Remote Sites)

- o If you sell from five or less remote sites, you must submit a sales summary for each site.
- If you sell from six or more remote sites, you may total the data and submit a summarized sales summary.
- Details you report on the sales summary are for the same sales reported on the original P&R for each sales point.



Sales Summary – What should it include? Coal Data Elements

- Purchaser Name or Unique Identification
- Sales Units
- Gross Proceeds
- Processing or Washing Costs
- Transportation Costs

- Btu/lb.
- Ash %
- Sulfur %
- Lbs. SO2
- Moisture %
- Other Data (As Requested)

Note: An example of Other Data we request would be for you to indicate if the total sales units reported includes coal from other mines.



Sales Summary – What should it include? Sodium and Potassium Data Elements

- Purchaser Name or Unique Transportation Costs Identification
- Sales Units
- Gross Proceeds
- Processing or Washing costs
- Name of Product Type Sold
- By-Product Units (As Requested)
- Other Data



Sales Summary – What should it include?
Sodium and Potassium Data Elements (Other Data)

- Differentiate sales by foreign and domestic customers
- Differentiate bagged vs. bulk sales of the same product
- Line itemize different delivery points to the same purchaser



Sales Summary – What should it include? Western Phosphate Data Elements

- Purchaser Name or Unique By-Product Units Identification
- Sales Units
- Moisture %

- P205%
- Other Data (As Requested)



Sales Summary – What should it include? Metals Data Elements

- Purchaser Name or Unique Name of Product Type Sold Identification
- Sales Units
- Gross Proceeds
- Processing or Washing costs
- **Transportation Costs**

- By-Product Units (As Requested)
- Net Smelter Return Data
- Other Data (As Requested)



Sales Summary – What should it include? Other Ad Valorem Data Elements

- Purchaser Name or Unique Name of Product Type Sold Identification
- Sales Units
- Gross Proceeds
- Processing or Washing costs
- **Transportation Costs**

- By-Product Units (As Requested)
- Size (As Requested)
- Other Data (As Requested)



Sales Summary – What should it include? Other Non-Ad Valorem Data Elements

- Identification (As Requested)
- Sales Units
- Purchaser Name or Unique Name of Product Type Sold (As Requested)
 - Other Data (As Requested)



Sales Summary – When to Submit?

 Submit your Sales Summary at the same time you submit your P&R.



Sales Summary – How to Submit?

- Submit your Sales Summary and Facility Data to ONRR's RubyMailbox at <u>RubyMailbox@ONRR.gov</u>
- Send paper submissions to:

Office of Natural Resources Revenue Audit and Compliance Management Western Audit and Compliance, Denver C, Manager P.O. Box 25165, MS 62530B Denver, Colorado 80225-0165



Sales Summary Form

- ONRR will request OMB approval to report the current sales summary data elements on a new Form in this next Information Collection Request (ICR) renewal.
- You will have the opportunity to submit comments on the new Form in the ICR renewal.



Facility Data – Our Authority

 30 CFR PART 1210.204 How do I submit facility data?



Facility Data – What is it?

- Documentation of the process of converting raw production into marketable products.
- A tool ONRR uses to confirm compliance and accurate reporting.



Facility Data - Who must submit?

- If you operate a wash plant, refining, ore concentration, or other processing facility
- And that facility processes coal, sodium, potassium, metals, or other ad valorem solid minerals mined on a Federal or Indian lease
- o The facility may be on or off the lease



Facility Data – What Must it Include?

- All production processed in the facility, not just Federal and Indian.
- Identification of your facility
- Mines Served
- Input Quantity

- Input quality or ore grade (except coal)
- Output quantity
- Output quality or product grades



Facility Data – What Must it Include? Coal (Mine Data)

- Beginning inventory of raw coal
- Raw coal mined
- Raw coal transfers to wash plant
- Ending raw coal inventory
- BLM required quality information



Facility Data – What Must it Include? Coal (Facility Data)

- Beginning inventory of raw, blended, and clean coal
- Raw coal transfers to the wash plant
- Tons of raw coal washed
- Tons of clean coal output
- Tons of blended coal output

- Transfers of each product to remote(s)
- Sales of each product
- Ending inventories for each product
- BLM required coal quality

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If serving more than one mine, you should track each mine's raw coal transfers to the wash plant's inventories to be able to allocate as appropriate for each mine. If your facility tracks separate inventories for raw/blended/clean coal you should track each inventory separately from beginning to ending inventories.



Facility Data – What Must it Include? Sodium and Potassium (Mine Data)

- Beginning ore inventory
- Current month's ore production
- · Ore transfers to the facility
- · Ending ore inventory
- BLM required quality information



Facility Data – What Must it Include? Sodium and Potassium (Facility Data)

- Beginning inventories of ore and products
- Ore transfers to facility(ies)
- Tons of ore consumed producing each product
- Tons of each salable product produced
- Transfers to other facility(ies)
- Transfers of product to remote(s)
- Sales of each product
- Ending inventories for products
- Product qualities



Facility Data – What Must it Include? Metals (Mine Data)

- Beginning ore inventory
- Ore mined
- Ore transfers to the mill
- Ending ore inventories
- BLM required quality information



Facility Data – What Must it Include? Metals (Facility Data)

- Beginning ore and concentrate inventories
- Ore transferred to the mill
- Ore processed (concentrate)
- Quantity of each ore concentrate produced
- Concentrate assays (quality parameters)
- Concentrate sales to smelter
- Ending inventories for ore and each concentrate



Facility Data – When to Submit?

 Submit your Facility Data at the same time you submit your P&R and Sales Summary.



Facility Data – How to Submit?

- Submit your Sales Summary and Facility Data to ONRR's RubyMailbox at <u>RubyMailbox@ONRR.gov</u>
- Send paper submissions to:

Office of Natural Resources Revenue Audit and Compliance Management Western Audit and Compliance, Denver C, Manager P.O. Box 25165, MS 62530B Denver, Colorado 80225-0165



File Naming Convention

S1_12345678_MA123_012009_CO F1_12345678_MA123_012009_CO

S - Sales Summary F - Facility Data

1 - Sales Point or Facility Identifier

12345678 - Mine Number

MA123 - Customer ID

012009 - Sales Month

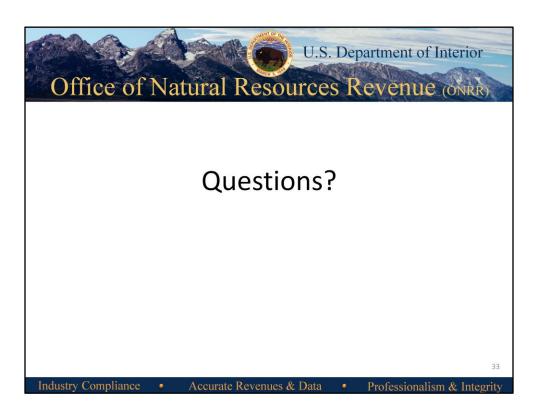
XX - State or Tribe Abbreviation Code

□ Note: The State Abbreviation Code is the 2-character U.S. Postal Service code. Contact ONRR for the Tribe Abbreviation Code applicable.



File Security For Electronic Submissions to RubyMailbox

- You may make your submissions with password protection
- At your request, ONRR will supply a password
- Zip your file attachments using that password
- Submit the zipped files to the RubyMailbox





Contact Us:

Karen Garza Dane Templin

karen.garza@onrr.gov dane.templin@onrr.gov

303-231-3352 303-231-3149

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- ➤ 30CFR§1210.10(c)(20) Information Collection
- > 30CFR§1210.203
 How do I submit sales contracts?

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Required Submitters

- ➤ Who must submit?
 - ➤ Companies that sell coal and metals produced from Federal and Indian leases with ad valorem royalty terms
- ➤ Who could be asked to submit?
 - ➤ Companies that sell sodium, potassium, phosphate, and other ad valorem solid minerals

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- Legal documents that affect the value of the contract:
 - ➤ Master contracts
 - >Agreements
 - >Sub-contracts
 - >Amendments
 - **≻**Confirmation letters
 - ➤ Spot coal purchases/contracts

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- •We want to learn all we can about a companies operation in order to perform compliance and audit properly
- •Signatures & dates are important, as sometimes a contract will state it becomes effective on the date that the last signature was made.



What not to Submit

- ➤ Information that doesn't allow auditors/specialists to make a connection to the P&R Report and other data
- Letters of intent (if a contract was never entered into)

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When do I send my contracts to ONRRY

- ➤ Submit by March 30th and September 30th of each year
- ➤ Only required to submit updates
- ➤ If no changes send ONRR a letter

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➤ Key Elements:

- > The source mine and substitute mines
- > Price per ton
- > Period covered
- ➤ Minimum/maximum tonnages
- > Quality parameters
- ➤ Point of delivery
- ➤ Any allowances or adjustments
- ➤ Any other pertinent information that is reflective of the sales that have been made

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Why are sales contracts needed:

- ➤ Establish selling arrangement relationships
 - ➤ Price sold
 - ➤ Sales quantity
 - **≻**Quality
 - **≻**Adjustments
- ➤ Identify valuation issues

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> Mail complete, dated and signed copies to:

Office of Natural Resources Revenue Reporting and Solid Minerals Services P.O. Box 25165 Mail Stop 63230B Denver, CO 80225-0165

> Mail "no change" letters to the same address

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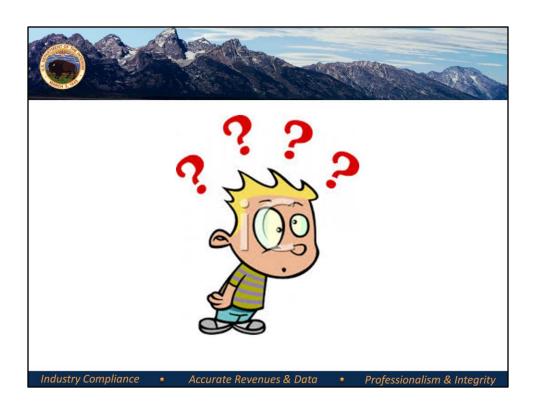


Who can view submitted contracts?

- ➤ Are confidential and not available for public inspection
- ➤ Are exempt from disclosure under FOIA

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Information That Could Save You Money Financial Viewpoint

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Accurate and timely royalty reporting and payment will keep your "Lease in Good Standing"

- √ Lease-level obligations
- ✓ Royalty payments
- ✓ Connecting the accounting dots will save you money!

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A lease in good standing will speed the BLM's review and issuances of these actions:

- √ Royalty Rate Reductions
- ✓ Lease Assignment
- ✓ Lease Relinquishment

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- When to use the Report of Sales and Royalty Remittance Form 2014 for:
 - Reporting lease-level obligations
 - Reporting adjustments
- P&R Reporting Tips
- Payment Tips (ACH, Fedwire, pay.gov)
- Interest/Fin Invoices
- Liquidated Damages Invoices
- Ready for Treasury
- Contact Information

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Use the 2014 to:

- •Report lease-level obligations not reported on your P&R (note the exception!)
- ■Report adjustments to sales month/years not originally reported on a P&R
- ■Using the paper 2014 is manual and requires 2-3 weeks process time

For a complete list of transaction codes and payment codes, go to:

http://www.onrr.gov/ReportPay/royalty-reporting.htm

Scroll down to Reporting Codes for Form ONRR-2014 and click on Form ONRR-2014 Codes

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- Not establishing lease level obligations correctly will generate a "FIN" or Invoice Bill
- This is one of the leading causes for an out-ofbalance account (Not in good standing)

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Types of adjustments requiring 2014 because the Original P&R was not submitted:

- Value adjustments
 - You can use the "Value Adjustment" tab on the P&R if you submit original P&R prior to August 2001
 - If not, you must use the ONRR-2014
- Retroactive Royalty Rate Reductions
- Establish a credit for sales month/year

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- Continue to report and pay lease-level obligations and royalties at the original rate when applying for a RRR
- Failure to report a RRR properly will prevent you from establishing a CREDIT for your account later

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- ➤ Recouping Rent
- ➤ Recoup Advance Royalty
- ➤ Recoup MRPIA
- ▶ but, if the original obligation was reported on a 2014, you <u>must</u> use the 2014 to credit the lease account

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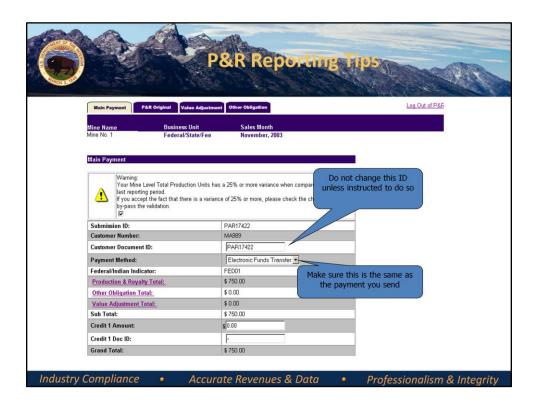


Do not change the Customer Document ID on the P&R unless you receive notification from ONRR to do so (i.e, Audit, compliance reviews)

Use the same Payment Method Type on the P&R as your payment

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<u>Critical</u> Electronic Wire Payment information includes:

- ✓ Customer Name
- ✓ Customer ID (MA___) IMPORTANT!!!!
- ✓ Customer Document ID used on P&R or Payor-Assigned Document Number used on ONRR-2014 (box 4) ALSO IMPORTANT!!!!

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- ✓ Interest will be calculated and invoiced on all late payments received by ONRR
- ✓ All interest invoices undergo a review process before being issued to ensure the validity of the invoice
- ✓ If you disagree, you have the right to appeal
- ✓ Appeal documentation must be received 30 days from the date you received the invoice

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- √ You do not want to receive a ready for treasury notification
 - ✓ Company implications if a debt is referred to treasury:
 - ✓ Corporate credit is affected
 - ✓ At least an Additional 28% penalty is assessed by the Department of Treasury

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Accountant's View Point:

- ✓ Time is Money
- ✓ Do it right the first time and it won't come back to haunt you
- √ If you need help call

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SOLIDS		
DEBT COLLECTION TEAM	PHONE	
O'Quinn, Minnie (Supv.)	303-231-3343	
Graves, Brian	303-231-3074	
Greene, Kelly	303-2313110	
Polacek, Jessica	303-231-3070	
Stolns, Vickie	303-231-3648	
RECEIVABLES & REFERENCE	PHONE	
Anspach, Mike (Supv.)	303-231-3618	
Dechant, Hannah	303-231-3639	
Lynch, Christina	303-231-3309	
	303-231-3185	
Mason, Jeremy	303-231-3103	

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