



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
WASHINGTON, DC 20240

MAR 15 2001

Dear Reporter:

This letter is the latest in a continuing series of communications designed to keep you informed of the Minerals Revenue Management (MRM) financial system improvements that become effective October 1, 2001. Topics include our recent reorganization, electronic reporting, acceptance testing, training, new reporter handbooks, and historical data conversion. Enclosure A contains updates for both production and royalty reporting requirements. The most recent changes to these reporting requirements can **always** be found on our Web site (see Enclosure B). Enclosure B lists previously issued letters, MRM Web sites, our three electronic reporting options, and MRM contact information. Please do not hesitate to call us with any questions you may have.

Reorganization

Effective October 8, 2000, the Minerals Management Service (MMS) changed the name of the Royalty Management Program to the Minerals Revenue Management. We also restructured our organization. You may view our new organization chart on the MRM Web site (see Enclosure B). These changes reflect our functions and responsibilities in today's energy environment and will help us implement our system improvements.

Electronic Reporting

Our electronic commerce service provider Peregrine Systems (Peregrine), formerly Harbinger Corporation, is enhancing our three electronic reporting options (see Enclosure B) currently being used by our reporters. These three enhancements, available October 1, 2001, will remedy several existing performance problems, including processing royalty reports larger than 2,000 lines. These enhancements will also allow full customization of printing, form presentation, and format validation.

The Peregrine validation process verifies the format (e.g., alpha vs. numeric, field length, etc.) of the data on the production and royalty reports. A reporter will not be able to send a completed report to Peregrine until all discrepancies detected by the format editing software have been resolved. Pull-down menus will assist reporters in selecting valid reporting codes. This validation process will allow the reports to be processed successfully by Peregrine. Once accepted by Peregrine, the reports will be subjected to additional edits within the MRM financial system. We will continue our current procedure of contacting reporters whose reports contain errors detected by our financial system.

Reporting Formats: Even though our new forms become effective October 1, 2001, our new financial system will accept both old and new formats of all reports for a short period following the October 1 changeover. We expect all reporters to begin reporting on our redesigned forms following the October 1 date. We will contact companies that do not comply with this requirement to assist them in converting to the new forms.

Deadline: Effective June 1, 2001, the only reporting options available to reporters will be our three electronic options offered by Peregrine (see Enclosure B) and paper. Magnetic and cartridge tapes, electronic mail, and diskette reporting will no longer be accepted after June 1. Peregrine and MRM personnel are working to ensure that all reporters using these three types of reporting media are converted to Peregrine (using current report forms) by the June 1 deadline.

Acceptance Testing

We plan to contact some of our largest reporters (in terms of lines submitted each month) to request test files. We anticipate processing these files in late July as part of our acceptance testing. The test files will be forwarded to our data center and processed through our new financial system. The MRM staff will then contact the reporters to identify and resolve any problems. Limited time, personnel, and contract dollars prevent us from expanding this acceptance test phase to each of our 3,700+ reporters.

Training

We will begin an extensive training program in July 2001. These training sessions will include 1 day each for production and royalty reporting requirements and will explain the various reporting changes on our newly designed forms. Training will be held in Casper, Dallas, Denver, Farmington, Houston, Oklahoma City, Reno, Roswell, Salt Lake City, and Tulsa. Multiple training sessions will be held in Dallas, Denver, and Houston. We will provide you with specific training dates and locations. We anticipate a large number of participants and may need to limit the number of attendees per company. Please make your reservations for these training sessions as soon as they are announced. We may cancel locations if attendance is not sufficient and add sessions if needed.

New Reporter Handbooks

Our reengineered financial system requires the publication of new production and royalty reporting handbooks. We will provide all production and royalty reporters with a CD-ROM in June 2001 at no charge. All new handbooks will be available on the Internet at the MRM Web site (see Enclosure B) by the end of May 2001. Paper copies will be distributed only upon request. The Internet handbooks will always contain the most current reporting information.

Historical Data Conversion

The MRM will convert previously submitted data to the new reporting formats and make the data available to you after October 1, 2001. We are working with our system developer to define


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how to convert and distribute the historical data to you and hope to provide more definitive information on this process by June 1, 2001. Translation documents that show reporters the conversion logic MRM is using to convert historical data to the new reporting formats will be posted soon at <http://www.mrm.mms.gov/ReportingServices/Forms/Revised.htm>. You may also view information relating to the production and royalty reporting requirements (effective October 1, 2001) on this Web site.

Please contact the personnel shown on Enclosure B if you have questions on any of these topics.

Sincerely,


Lucy Querques Denett
Associate Director
Minerals Revenue Management

Enclosures

REPORTING CHANGES

Production Reporting Changes

Our Dear Reporter letter dated August 3, 2000, which you may view on our Web site (see Enclosure B), includes significant production reporting changes that will become effective October 1, 2001. The information in the August 3 letter has changed as explained below:

The following changes pertain to the Forms MMS-4054, Oil and Gas Operations Report (OGOR), and MMS-4058, Production Allocation Schedule Report (PASR):

- Changed “Facility Measurement Point” to “Inventory Storage Point Number” on OGOR-C.
- Added the word “Number” to all Facility Measurement Point (FMP) fields.
- Well Status Code: We are re-implementing the “Action Code” as the 5th digit of the Well Status Code for offshore reporting in order to provide additional data for shut-in wells. Our Offshore Minerals Management (OMM) offices will use the data to monitor production capabilities in light of recent significant changes in oil and gas prices.
- Disposition Codes (DC) used on OGOR-B and OGOR-C: DC-15 (injected/transferred off lease/agreement) and DC-48 (received from another lease/agreement for injection-subject to royalty) have been eliminated. These codes were used together to track production volumes moved between leases within a production field. Royalty was deferred from the originating lease using DC-15; DC-48 was then used to report the volume on the receiving lease. This code has not been used for oil or gas production volumes for several years and is currently being used only for water volumes. The OMM and the Bureau of Land Management no longer approve royalty deferment. Therefore, any oil and gas volumes produced on one lease and transferred to another lease must be reported using DC-01 (sales, subject to royalty). Use DC-17 (water injected/transferred off-lease/agreement) for any water transferred off the producing lease for injection on another lease.
- Revised Comma Separated Values (CSV) and American Standard Code for Information Interchange (ASCII) record layout changes can be viewed on our Web site: <http://www.mrm.mms.gov/ReportingServices/Forms/Revised.htm>.

Royalty Reporting Changes

Our Dear Reporter letter dated September 19, 2000, which you may view on our Web site (see Enclosure B), includes significant royalty reporting changes that will become effective October 1, 2001. Revised CSV and ASCII record layout changes can be viewed on our Web site: <http://www.mrm.mms.gov/ReportingServices/Forms/Revised.htm>.

ADDITIONAL INFORMATION

Previously Issued Letters

August 3, 2000 – Production Reporting Changes Effective October 1, 2001

September 19, 2000 – Royalty Reporting Changes Effective October 1, 2001

October 6, 2000 – New Electronic Reporting Format Effective June 1, 2001

You can find these letters on the MRM Web site at <http://www.mrm.mms.gov>. Click on Reporting Information, and then highlight the letter you would like to see (by date or subject) and click on Submit. Please note that the new reporting requirements **cannot** be implemented prior to October 1, 2001.

MRM Web Sites

- <http://www.mrm.mms.gov/ReportingServices/Forms/Revised.htm>
Shows the most recent changes to our production and royalty reporting requirements, including the revised reporting forms effective October 1, 2001. It also lists our three current electronic reporting options and the hardware and software requirements for each.
- <http://www.mrm.mms.gov>
Scroll down and click on [MRM Organization Chart](#).
- <http://www.mrm.mms.gov/ReportingServices/Handbooks/Handbks.htm>
Provides access to all current MRM handbooks. New handbooks will be available at this same address at the end of May 2001.
- http://www.mrm.mms.gov/Laws_R_D/FRNotices/1999/1999.htm
Shows the final rule published in the [Federal Register](#) on July 15, 1999, requiring reporters to submit selected royalty and production reports electronically (see Electronic Reporting, Final Rule, 64 FR 38116--July 15, 1999). These rules are presented in date order, from most recent to oldest; simply scroll down the page until you find the July 15, 1999, date and click on the rule.

MRM's Electronic Reporting Options

Option 1 - Web Form: Reporters complete Forms MMS-2014, MMS-3160, and MMS-4054 on the Internet. Reports are transmitted securely to Peregrine's server using Secure Socket Layer technology.

Option 2 - Pro Client: Peregrine provides a software package to reporters who then import proprietary ASCII or CSV file formats and, upon completion, access the Internet and send the file(s) directly to Peregrine.

Under Options 1 and 2, Peregrine forwards all report data received to MMS via a private virtual circuit using the ANSI ASC X12 EDI format.

Option 3 - Reporters submit monthly Forms MMS-2014, 3160, and 4054 ANSI ASC X12 EDI file formats directly to MMS using a Value Added Network (VAN).

MRM Contact Information

Please contact the following MRM personnel for information on the topics shown below:

- **Transition to the new OGOR form:** Ms. Louise Jones at (303) 231-3439 or toll free at (800) 525-7922, extension 3439.
- **Transition to the new 2014 form:** Mr. Hans Meingast at (303) 231-3382 or toll free at (800) 525-0309, extension 3382.
- **Electronic *production* reporting:** Ms. Gail Solaas at (303) 231-3591 or (800) 525-7922, extension 3591.
- **Electronic *royalty* reporting:** Ms. Georgia DeLong at (303) 231-3687 or (800) 525-0309, extension 3687.
- **Routine production and royalty reporting assistance:** Call our toll free numbers at (800) 525-0309 or (800) 525-7922, then dial the last four digits of the person you would like to contact. Please see <http://www.mrm.mms.gov/ReportingServices/ElecRepting/ERP.htm> for a complete list of MRM company representatives and telephone numbers. Simply scroll down to the bottom of the page and click on the appropriate contact list.