



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240



MAY 29 2001

Dear Reporter:

The Minerals Revenue Management (MRM) is preparing to implement a new financial and compliance system in October 2001. To give you additional time to prepare for the conversion, we have modified our business processes as follows:

Elimination of the Payor Information Form (PIF)

Effective April 1, 2001, we eliminated the requirement for industry to prepare and submit the PIF. Elimination of this reporting form will significantly reduce industry's reporting burden to MRM. We will no longer issue Payor Confirmation Reports (PCRs).

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

This change does not modify the reporting requirements for the Form MMS-2014.

- We will continue to edit the Form MMS-2014 to ensure that you are using a valid revenue source. We currently establish and maintain revenue sources to:
 - Identify multiple lease royalty rates; and
 - Identify royalty production sources such as lease basis wells, communitization agreements, unit participating areas, etc. that are reported on your Form MMS-2014.

If you do not know the three-digit revenue source code for any lease for which you are reporting royalties, please contact Reporting Services at (800) 525-9167.

- We will continue to edit the Form MMS-2014 to ensure that you are using a valid two-digit product code and a three-digit selling arrangement code of your choice.
- We will identify and establish lease rent and minimum royalty responsibility for the payor who reports and pays the obligation on a Form MMS-2014. We will issue bills for unpaid lease rent or minimum royalty obligations to the payor established in our system and/or to the lessee of record.
- We will no longer issue the Model Form MMS-2014, effective with the June 2001 report month. Payers formerly reporting on the Model Form MMS-2014 will need to prepare the form manually.

Dear Reporter

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The transactions that require revenue source, product, and selling arrangement codes are identified in the *Oil and Gas Payor Handbook, Volume II--Form MMS-2014*, which may be viewed at <http://www.mrm.mms.gov/ReportingServices/Handbooks/Handbks.htm>.

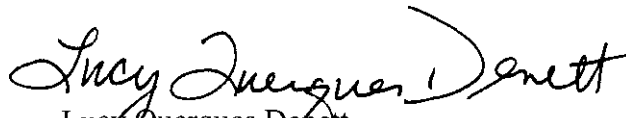
If you have any questions regarding this change, please contact Reporting Services at (800) 525-9167 or (303) 231-3088.

Exception Processing Changes

- As of June 2001, we will **not** issue letters for allowance limit exceptions. We will send the last allowance limit exceptions in May 2001, covering the December 2000 report month. For the period January 2001 through September 2001, we will resolve these variances using the new compliance system beginning October 1, 2001.
- As of May 2001, we will not issue automated AFS/PAAS exception letters. We will **continue to identify** these exceptions and manually process those that cannot be delayed until October 2001. The last automated AFS/PAAS exception letters were sent in April 2001. We will **resolve volume variances** for the sales periods November 2000 through September 2001 in the new compliance system beginning October 1, 2001. We will continue to work with you to resolve all outstanding exceptions identified prior to May 2001.

If you have any questions concerning changes to our exception process, please call (800) 634-6423, extension 68944.

Sincerely,


Lucy Querques Denett
Associate Director
Minerals Revenue Management