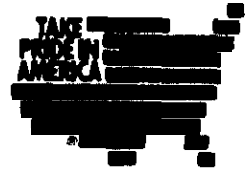




IN REPLY REFER TO:

# United States Department of the Interior

MINERALS MANAGEMENT SERVICE  
Royalty Management Program  
P.O. Box 25165  
Denver, Colorado 80225-0165



MMS-RVS-OG  
Mail Stop 3520

JUN 25 1992

Dear Payor:

On April 16, 1992, the Minerals Management Service (MMS) issued a "Dear payor" letter explaining the valuation and reporting requirements effected by new regulations governing the valuation of gas sold under arm's-length percentage-of-proceeds (POP) contracts. That letter instructed payors to implement the new requirements beginning with the production month of November 1991, the effective date of the new regulations. Because issuance of the April 16, 1992, letter did not occur prior to the time royalties for that production month were due, some confusion has resulted from the instructions. In particular, payors that continued to report gas sold under arm's-length POP contracts as processed gas are unsure as to whether they are required to make modifications to production, royalty, and allowance reports for any production months after October 1991.

Payors and/or operators who have continued to report gas sold under arm's-length POP contracts as processed gas for production months after October 1991 will not be required to retroactively amend any Payor Information Form (Form MMS-4025, or PIF, Monthly Report of Operations (Form MMS-3160), Oil and Gas Operations Report (Form MMS-4054), Report of Sales and Royalty Remittance (Form MMS-2014), Gas Processing Allowance Summary Report (Form MMS-4109), or Gas Transportation Allowance Summary Report (Form MMS-4295) for those months as indicated in the April 1992 "Dear Payor" letter. Instead, payors may begin reporting gas sold under arm's-length POP contracts as unprocessed gas with the next production month for which a report is due from the payor after receipt of this letter.

The enclosed table illustrates how a payor and/or operator that continued to report gas sold under an arm's-length POP contract as processed gas through the production month of May 1992 should effect the new production, royalty, and allowance reporting requirements for the production month of June 1992 (the production month for which the next reports are due after the payor received this letter).

If you have further questions concerning this letter or the enclosed table, please contact your lessee contact representative or the Royalty Valuation and Standards Division, Oil and Gas Valuation Branch, at (303) 231-3548.

Sincerely,

James W. Shaw  
Associate Director for  
Royalty Management

Enclosure

Minerals Management Service (MMS) Form Number	May 1992 Production	June 1992 Production
Form MMS-3160, Monthly Report of Operations or Form MMS-4054, Oil and Gas Operator's Report	Operator reports wellhead volume as "Gas Transferred" (report due July 15, 1992)	Operator reports wellhead volume as "Gas Sold" (report due August 17, 1992)
Form MMS-4025, Payor Information Form (PIF)	Previously-filed PIF established Product Codes of 03 and 07	Effective May 30, 1992, payor end dates PIF that established Product Codes 03 and 07  Effective June 1, 1992, payor files new PIF establishing product code 04 (report due July 31, 1992)
Form MMS-2014, Report of Sales and Royalty Remittance	Payor reports multi-line entry using Product Codes 03 and 07 (and 05 and 19, if appropriate) and Transaction Codes 01 and 15 (report due June 30, 1992)	Payor reports one-line entry using wellhead volume, Product Code 04 and Transaction Code 01 (report due July 31, 1992)
Form MMS-4109, Gas Processing Allowance Report (or Form MMS-4295, Gas Transportation Allowance Report)	Previously-filed Form MMS-4109 (and, if appropriate, Form MMS-4295) showed actual allowance data for Calendar Year (CY) 1991 and estimated allowance rate for CY 1992 (Filed no later than March 31,	Payor is not required to file another Form MMS-4109 (and MMS-4295, if appropriate).