



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-VSD-OG
Mail Stop 3922

JUL 12 1993

Dear Payor:

This letter serves as official notice that the Minerals Management Service (MMS) will begin assessing payors for missing or erroneous reporting of quality measurement information on the Report of Sales and Royalty Remittance (Form MMS-2014).

The MMS Oil and Gas Payer Handbook, Volume II states that a quality measurement must be reported for each oil and gas Accounting Identification Number (AID)/Product Code/Selling Arrangement combination. It is reported as a four digit number, without decimals, in column 14 of the Form MMS-2014. The quality measurement is reported as the API gravity for oil and Btu heating value for natural gas. If you are reporting more than one well or production from more than one formation for a given AID/Product Code/Selling Arrangement combination, the quality measurement is reported as a weighted average. The regulations at 30 CFR §§ 202.101 and 202.152 (1992) provide additional guidance on reporting of quality measurement information for oil and gas, respectively.

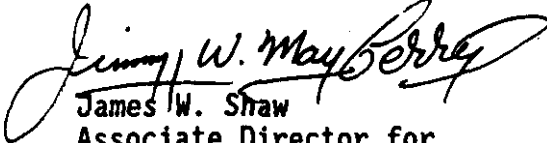
The MMS is implementing product valuation monitoring programs to ensure that reasonable values are being reported for royalty purposes. Therefore, MMS must have complete and accurate quality measurement information in order to properly identify undervalued production.

Effective with reports due during November 1993, payors will be assessed \$10 per line for missing or erroneous reporting of quality measurement information on Form MMS-2014. A prebill, if warranted, will be sent based on the results of reports due during September. The MMS' authority for this assessment is contained in 30 CFR § 218.40 (1992). Continued failure to comply with the quality measurement reporting requirements may result in further enforcement action, including the issuance of Notices of Noncompliance and Penalty Notices in accordance with section 109 of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at 30 CFR § 241.51 (1992).

Your cooperation in resolving this important royalty reporting issue is appreciated. If you have any questions regarding quality measurement

assessments, please contact Mr. Richard Adamski of the Valuation and Standards Division at (303) 275-7242. Also, please feel free to contact your Royalty Reporting and Payments Branch Representative at (800) 525-0309 regarding how to report quality measurement information on Form MMS-2014.

Sincerely,


James W. Shaw
Associate Director for
Royalty Management