

IN REPLY REFER TO:

United States Department of the Interior

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



JAN 3 1994

Dear Payor:

The Minerals Management Service (MMS) is enhancing reporting requirements by establishing a unique selling arrangement code for gas sold under percentage-of-proceeds (POP) contracts. This unique code will allow MMS and payors to readily identify gas sales involving POP contracts and help resolve problems with unit value calculations.

By receipt of this letter, you are required to file amended Payor Information Forms (PIF) (Form MMS-4025) for all gas sales under existing POP contracts. The MMS will then assign a unique selling arrangement code for these contracts. For POP contracts entered into on or after the date of this letter, MMS will assign a unique selling arrangement code when you file your initial PIF. For all POP contracts, you must use the assigned code to report gas sales on the Report of Sales and Royalty Remittance (Form MMS-2014).

The following instructions explain how to report gas sold under POP contracts on the PIF and the Form MMS-2014.

Reporting POP contract gas sales on the PIF

For existing POP contracts:

- Submit a revised PIF to end the current selling arrangement and start a new selling arrangement for all leases involving gas sales under a POP contract.

For existing and new POP contracts:

- Submit a separate PIF for each gas product code/revenue source combination.
- Request the selling arrangement code by writing "POP contract" in the comment block under Section IV. of the PIF.

Revised PIFs must be submitted within 30 days of the date of this letter. Initial PIFs are due as explained in Volume I of the Oil and Gas Payor Handbook (Handbook).

After MMS processes your PIFs, you will receive a payor confirmation report (PCR) that reflects the MMS-assigned accounting identification (AID) number, product code, and selling arrangement code combination.

Reporting POP contract gas sales on the Form MMS-2014

- ° Use the MMS-assigned selling arrangement code from the PCR to report gas sales under POP contracts on the Form MMS-2014.
- ° Report gas quality measurements for POP contract gas sales as follows:
 - Use the wellhead Btu content if gas is reported as unprocessed gas.
 - Use the residue Btu content if gas is reported as processed gas.

NOTE : Effective with reports due during November 1993, you may be billed if quality measurements on the Form MMS-2014 are missing or in error (see the July 12, 1993, "Dear Payor" letter on reporting quality measurement.)

New procedures for reporting POP contract gas sales on the PIFs will be included in the next revision to Volume I of the Handbook. For complete instructions on reporting requirements for the Form MMS-2014, please refer to Volume II of the Handbook. For additional information, please contact:

PIF reporting questions

Data Management Division
Phone: 1-800-525-9167
FAX : (303) 231-3707

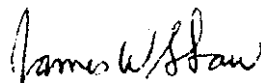
Form MMS-2014 reporting questions

Your assigned Royalty Reporting and Payments Branch representative
Phone: 1-800-525-0309
FAX : (303) 231-3700

Quality measurement/valuation questions

Valuation and Standards Division
Oil and Gas Valuation Branch
Phone: (303) 275-7246
FAX : (303) 275-7227

Sincerely,



James W. Shaw
Associate Director for
Royalty Management