United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Royalty Management Program
P.O. Box 5760
Denver, Colorado 80217-5760

JAN -9 1997

IN REPLY REFER TO:

Dear Payor:

On August 13, 1996, President Clinton signed into law the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), amending the Federal Oil and Gas Royalty Management Act of 1982 in several important ways. One of the most notable changes concerns who is responsible for making royalty and related payments on Federal leases. We are asking you to help implement RSFA by providing important required data by March 15, 1997.

RSFA clearly establishes the owners of operating rights and/or lease record title (who are jointly defined as "lessees" under RSFA) as responsible for making royalty and related payments on a Federal lease. Currently, it is common for the payor, as agent for the lessee, rather than the lessee, to make these reports and payments. When you, as payor, pay royalties on behalf of that lessee, RSFA requires that the lessee designate you as their designee for each lease. We need to know who those lessees are to inform them of their obligation to designate you to be their lawful designee.

What information is being requested? Tell us which lessees, as defined under RSFA, for whom you pay royalty, rent, and minimum royalty. Lessees, under RSFA, are defined as:

- owners of lease record title, and/or

- owners of operating rights (person to whom operating rights have been transferred).

RSFA made this payor designation requirement effective for lease production beginning September 1, 1996.

What data must be provided? We are asking you to provide some payor data and lessee(s) data. The details of each are listed in the next two questions and their responses.

What payor data must be provided? First, using the enclosed computer lease/revenue source/product code listing, you must provide your Taxpayer Identification Number (TIN) as required by the Debt Collection Improvement Act of 1996. **Enter your TIN only on the first listed lease/revenue source/product code.** Use an "E" for employer identification number, or "S" for a social

security number, whichever is applicable to you. Follow this
l-character alpha field with your 9-digit TIN.

Second, verify the enclosed computer lease/revenue source/product
code listing. Be sure that it is accurate and complete. If not,
add additional lease/revenue sources/product codes at the end of
the listing or use additional sheets, including information in
the requested data fields. Correct errors by lining through them
and writing in the correct information. For example, if the
responsibility type code (advanced royalty, minimum royalty,
royalty, rent, etc.) is not correct, please put in the correct
type.

What lessee data is being requested? Under RSFA, the operating
rights owners (lessees) on whose behalf you pay are primarily
liable for payments to MMS. The owners of lease record title are
secondarily liable.

Because the operating rights owners are primarily liable, the
following information we are requesting from you is for operating
rights owners (an operating rights owner can also be an owner of
lease record title):

> -- lessee/designee indicator: notate your role(s) in each
> lease/revenue source/product code--check L and/or D, as
> follows:

>> • owner of operating rights and/or lease record
>> title-- check L

>> • payor (designee) only with no ownership in the
>> lease/revenue source/product code--check D

>> • both payor (designee) and owner--check both D and L

> -- for each lessee for whom you pay on behalf of, provide
> the following:

>> • company or individual name

>> • if you know it, the Taxpayer Identification Number
>> (TIN) which is either an Employer Identification
>> Number (E) or a Social Security Number (S), followed
>> by the 9-digit number

>> • contact name

>> • complete mailing address

- telephone number and applicable extension

- the start date for each lessee is 09/01/96. If any lessees have changed since 09/01/96, please include the requested information, including each applicable start and end date the person was/is a lessee. You do this by adding additional pages, numbered for tracking, or additional records if responding via a paperless means.

Should we differentiate products? Providing information at the product code level is optional, and should be done only if the lessees/designees are different for each product. For example, if the lessees/designees are different for oil and gas, then add the additional lessee information unique to each product. Different lessees/designees will be the only reason for MMS to need product code detail. Therefore, if you prefer, simply use ditto marks or write "copy" when the lessee is the same for all the products on the lease/revenue source.

How must we provide the data? You may respond either paperless, electronically, or in writing. We prefer that you submit your information an electronic or paperless means.

If you use an electronic, paperless response, you must use the Comma Separated Value (CSV) file structure, which is available as an output type in most spreadsheet applications. We have enclosed the required record layout. If you want MMS to send you your lease listing in computer readable form (electronically) or if you need assistance, please contact either Ms. Barbara Peterson at (303) 275-7018 or Ms. Paulette Palmer at (303) 275-7049. You may reply by using:

- E-Mail: Working_Interest@SMTP.MMS.GOV, or

- a floppy diskette mailed to one of the addresses listed below.

If you choose to submit the data in writing you must complete the enclosed lease listing by notating the information described above. If you need more space to notate the list, please use extra pages and number them for ease of tracking. Then mail the completed lease listing no later than March 15, 1997, to:

                    Minerals Management Service
                    Royalty Management Program
                    Data Management Division
                    P.O. Box 5760, MS 3110
                    Denver, Colorado   80225-5760

If you use a courier or overnight delivery service, send to:

                    Minerals Management Service
                    Royalty Management Program
                    Data Management Division
                    Building 85, Room A-212
                    Denver Federal Center
                    6th Avenue and Kipling
                    Denver, Colorado   80225-0165

How will MMS use the data? When we receive your information,
either by your return of the enclosed lease listing or
electronically, we will notify each lessee (operating rights
owners and/or lease record title owners) directing them to
complete a written designation to meet the RSFA requirement. It
is codified as 30 U.S.C. § 1712 (a):

     In order to increase receipts and achieve
     effective collections of royalty and other
     payments, a lessee who is required to make any
     royalty or other payment under a lease or under
     the mineral leasing laws, shall make such payments
     in the time and manner as may be specified by the
     Secretary. . .   A lessee may designate a person to
     make all or part of the payments due under a lease
     on the lessee's behalf and shall notify the
     Secretary. . . in writing of such designation, in
     which event the designated person may, in its own
     name, pay, offset or credit monies, make
     adjustments, request and receive refunds and
     submit reports with respect to payments required
     by the lease. . . .

Of what benefit is this information? Your information will
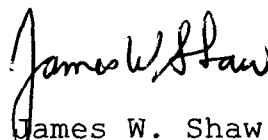accomplish two things:

     1. You and your lessees (as defined in RSFA) will be in
         compliance with RSFA. Then as a designated person, you
         will continue to have the right to pay, adjust, recoup,
         etc., in accordance with existing laws, regulations and
         procedures, and your lessees will be assured that when

you pay they will get credit for those payments made on their behalf.

2. You will enable MMS to notify the lessees promptly when the lease has an amount owing to MMS.

We thank you for your cooperation. If you have any questions, please call either Mr. Boh Walker or Mr. Larry Gratz, Data Management Division, at 1-800-525-9167 or (303) 231-3758.

Sincerely,

James W. Shaw
Associate Director for
 Royalty Management

2 Enclosures

File Name:

Name the incoming file as: LEASDESG.CSV; also indicate the name on the floppy diskette or email file.

Format:

All fields must be separated by commas.

Fields which are blank still require a comma to delimit their position.

A comma is not required after the last field of a record.

All fields are required unless indicated as optional.

Key:

Text is represented by an X with the maximum number of characters in the field, for example, X(5).

Numerics are represented by a 9 with the maximum number of characters in the field, for example, 9(10)

CYMDD Date is a year/month date in the following format: CCYYMM, where CCYY is the century and year, MM is the numeric month, and DD is the numeric day. Use a leading zero for the months January through September, 01 through 09. Use a leading zero for the days 01 through 09.

Record Layout:

Payor Number   X(5)   5 digit RMP payor number

Payor Name   X(30)   Payor's name – up to 30 characters in length

Payor TIN Number   X(10)   Payor's TIN number; indicate either E or S in the first position, followed by the 9-digit number

Lease Number   X(n)   11 digit lease number

Responsibility Type Code   X(2)   Use the following codes:
                                          'AD' –   Advance Royalty
                                          'MR' –   Minimum Royalty
                                          'RO' –   Royalty
                                          'RN' –   Rental
                                          'OT' –   Well Fees
                                                      Injection Fee
                                                      Storage Fee
                                                      Withdrawal

Revenue Source Code   X(3)   3 digit revenue source code, required for responsibility type "RO".

Product Code   X(2)   2 digit product code, optional if lease-level obligation

Lessee Designee Indicator   X(1)   'L', 'D' or 'B' for Lessee, Designee or Both

Lessee Payor Number   X(5)   5 digit lessee's payor number

Lessee Name	X(30)	Lessee's name - up to 30 characters in length
Lessee TIN Number	X(10)	Lessee's TIN number; indicate E or S in first space, followed by the 9 digit number
Lessee Contact Name	X(30)	Lessee's contact name--up to 30 characters in length
Lessee Address Line 1	X(25)	Lessee's address--up to 25 characters in length
Lessee Address Line 2	X(25)	Lessee's address - continuation (optional)--up to 25 characters in length
Lessee City	X(15)	Lessee's city--up to 15 characters in length
Lessee State Code	X(2)	Lessee's 2 character state postal code
Lessee ZIP Code	X(9)	Lessee's 5+4 digit ZIP code & suffix – do not include dash between code and suffix – suffix is optional
Lessee Area Code	9(3)	Lessee's phone area code
Lessee Phone Number	9(7)	Lessee's phone number – do not include dash between prefix and line number
Lessee Phone Extension	X(5)	Lessee's phone extension (optional)
Start Date	CYMD Date	Start date of the lessee designee relationship. Field is optional. However, if left blank MMS will assume September 1, 1996.
End Date	CYMD Date	End date of the lessee designee relationship. Field is optional. However, if left blank, MMS will assume relationship is still active.

Version Dated 1/2/97