# United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165
Denver, Colorado 80225-0165


FEB 2 2012

Subject: Annual Notification of Compliance Reviews

Dear Payor:

The Office of Natural Resources Revenue (ONRR) and states and tribes with delegated and cooperative agreements conduct ongoing compliance activities, including compliance reviews, on royalties reported and paid on mineral production from Federal and Indian mineral leases. These compliance activities analyze the information reported to ONRR and the calculation of royalties owed on mineral production.

ONRR targeted information reported by your company and will be conducting compliance reviews of that information. As necessary, ONRR, states, or tribes may contact your company with questions and requests to provide additional information about your reports and payments. We will contact your company concerning any potential royalty underpayments or reporting problems.

The review of your company's royalty and production reports and payments is a compliance review and is not an audit. If ONRR, a state, or a tribe determines that an audit is necessary, your company will receive an engagement letter containing specific information about the audit.

The failure to make timely or proper payments of any monies due pursuant to lease terms and regulations will result in the collection of the full amount past due plus a late payment interest charge in accordance with 30 CFR 1218.202 (2011). We will assess late payment interest on any late payment or underpayment from the date that the payment was due until the date that we receive the payment at ONRR. ONRR may charge assessments for incorrect or late reports and failure to report as authorized by 30 CFR 1218.40 (2011). In addition, ONRR may issue civil penalties if you, among other things, misreport, fail to pay royalties timely, or do not pay royalties. If you do not pay royalties, ONRR also may refer that debt to the Department of the Treasury for collection. ONRR also will work with the Bureau of Land Management to issue a notice of noncompliance in certain circumstances. This action may affect the lessee's ability to obtain future leases.

ONRR looks forward to working with your company in our ongoing compliance activities and asks for your full cooperation in these matters.

Sincerely,

Theresa Walsh Bayani

Theresa Walsh Bayani
Program Director
Audit and Compliance Management