



IN REPLY
REFER TO:

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P.O. BOX 5760
DENVER, COLORADO 80217



FAD/PAB
Mail Stop 3210

JUL 8 1991

Dear Payor:

This letter is to inform you that the Minerals Management Service (MMS) will calculate interest charges on insufficient estimate balances on Federal and Indian leases at the lease level effective with the September 1991 sales month. Please note that the sufficiency/insufficiency comparison will not be calculated at either the product type or payor code levels. This clarification will appear in the Federal Register. To avoid interest charges, payors must ensure that the estimate balance on each lease is sufficient to cover actual royalties to be reported. Therefore, we have enclosed a listing of your estimate balances as of June 20, 1991, for your analysis. Your estimate balances on this listing were calculated using only accepted royalty estimate information. Adjustments to your estimate balances received after June 20, 1991, will not appear on this report.

The procedures to establish or to adjust estimated payments are contained in the MMS Oil and Gas Payor Handbook, Volume II, Section 3.5. Federal and Indian oil and gas leases provide that royalties on production shall be due and payable monthly on the last day of the month following the month in which the oil or gas is removed and sold. Royalty payors may, however, make an estimated royalty payment and delay reporting and paying actual royalties an additional month. Your estimates must be adjusted no later than the October 1991 report month to cover September 1991 sales.

In calculating the lease-level insufficiency to determine the principal that is paid late, MMS will compare the estimate balance to the actual royalties reported and paid during and after the "extended estimate period" for each lease. The "extended estimate period" is defined as the time period the due date is extended because of an estimate. For example, for sales month September 1991, royalties are due October 31, 1991. If the payor had previously paid and reported an estimate, the extended due date would be December 2, 1991 (the usual due date of November 30 falls on Saturday). Therefore, the "extended estimate period" is November 1, 1991, through December 2, 1991.

Dear Payor

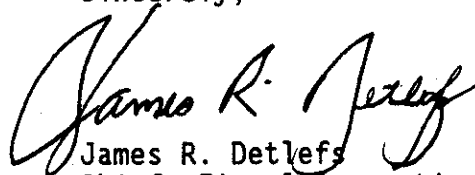
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In accordance with 30 CFR § 218.54 (1990), we will calculate insufficient estimate interest on the insufficient estimate amount for the number of days the payor uses the extended estimate period (the number of days in the "extended estimate period" or fewer if the payor submits payment earlier). When the actual royalties are paid past the "extended estimate period," the interest assessed on the insufficient estimate amount will be calculated only for the number of days in the "extended estimate period." On a separate late-payment interest invoice, we will calculate interest on the full amount of the actual royalty for the number of days past the extended due date until the payment receipt date. These two interest bases do not overlap the same time periods; thus, you will not be assessed twice for the same time period.

You should review your estimated payments on each lease to ensure that the estimate balance at the lease level is sufficient to cover actual royalties for all products that you plan to report and pay during and after the "extended estimate period." Sufficient estimated payments will not preclude MMS from assessing applicable late-payment charges and late reporting assessments.

If you have questions regarding the insufficient estimate interest calculation, please call Mr. Dale Petersen at (303) 231-3608. If you have questions regarding the reporting or adjustment of estimates, please call your Lessee Contact Representative at (303) 231-3288.

Sincerely,



James R. Detlefs
Chief, Fiscal Accounting Division

Encl osure