



United States Department of the Interior

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



IN REPLY
REFER TO: FAD-LCB-AJ MS-3220

MAR 26 1992

Dear Payor:

The Minerals Management Service (MMS) will implement a change in May 1992 to the Auditing and Financial System (AFS) related to reporting rental on nonterminable Federal leases. A lease is nonterminable if it does not automatically terminate for nonpayment of annual rental due on or before the lease anniversary date. Generally, these leases are either committed to a producing unitization agreement but receive no actual or allocated production, or producing but subject to annual rental based on lease terms.

Approximately 75 days prior to the lease anniversary date, MMS will send a 2-part Courtesy Notice (Notice) for rent due on each Federal lease. The Notice is a reminder that the annual rental payment is due. It will be sent to the designated rent payor established in the AFS. Upon receipt of the Notice, you must select one of the following reporting options:

1. Report the rental by submitting a Report of Sales and Royalty Remittance (Form MMS-2014/4014) with your payment; or
2. Report the rental by returning the bottom portion of the Notice with your payment.

Notices will not be issued for rental due on Indian leases. The Form MMS-2014/4014 will remain the reporting document for producing Indian leases. Rental payments on nonproducing Indian leases must be made directly to the appropriate Bureau of Indian Affairs office.

Additionally, rental payments on terminable nonproducing leases and deferred bonus payments on nonterminable leases, must continue to be paid using the Notice. Terminable leases are subject to automatic termination by statute for failure to remit the full rental due on or before the lease anniversary date. If rental for a terminable lease is reported on the Form MMS-2014/4014, the report line will reject and the payment will not be applied to the lease. This could result in notification to the Bureau of Land Management of nonpayment of rental and require extensive corrective action and cost on your part to reinstate the lease.

If there are any questions on this matter, please contact your Lessee Contact Branch representative. If you do not know your representative, please call (303) 231-3288.

Sincerely,

James R. Detlefs
Chief, Fiscal Accounting Division