



IN REPLY REFER TO:

United States Department of the Interior

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



MMS-VSD-OG/Mail Stop 3922

JAN 12 1994

Dear Payor:

In July 1993, we notified you that MMS would begin enforcing the reporting of quality measurement information on the Report of Sales and Royalty Remittance (Form MMS-2014). In October, we sent prebills to payors for missing or questionable quality measurement information reported in September. We received many questions and concerns from payors as a result of these prebills. We are providing the following information in response to those questions and concerns:

- I. We will no longer require quality measurement information for Product Code 05.

Payors told us that they rarely receive quality measurement information for scrubber condensate from their gas plant operators. Plant operators often purchase scrubber condensate for a price that is not adjusted for the quality of the condensate.

Therefore, we will no longer require you to report quality measurement information on Form MMS-2014 for Product Code 05 (Scrubber Condensate), effective immediately.

- II. When you report Product Code 03 on Form MMS-2014, you must report the residue gas Btu content, not the wellhead Btu.

When you report Product Code 03 (Residue Gas), you must report the Btu content of the residue gas, not the Btu content of the wellhead gas. Plant statements often show the well head Btu content for each meter. This is not the quality measurement number to be reported on the Form MMS-2014. If you report the wellhead Btu for Product Code 03, we may assess you for providing erroneous quality measurement information.

Your plant statement may or may not show the Btu content of the residue gas. The Btu content for all residue gas may be shown in a separate section of the statement where total plant information is presented. Alternatively, you might be able to calculate the residue Btu content by dividing the residue MMBtu's by the residue volume. To do this, make sure that the volume is stated in Mcf at a pressure base of 14.73. This calculation will work at either the plant level or at the meter level. In most cases, the Btu content of the residue gas will be less than the Btu content of the wellhead gas. If your plant statement does not contain sufficient information to determine your residue Btu content, contact your plant operator for the information.

III. How to correctly report quality measurement information for:

Oil and Condensate

Report oil and condensate quality on Form MMS-2014 in API gravity to the nearest one-tenth of one degree. If you measure gravity to the one-hundredth of a degree, round it to the nearest one-tenth on Form MMS-2014.

The MMS requires all quality measurement information to be reported using four digits and no decimal. The MMS system will place a decimal in the appropriate place for oil and condensate if you report it in the proper format.

For example, if your oil measures 32.71° API gravity, report this as 0327 in column 14 of Form MMS-2014. Likewise, if your condensate measures 47.96° API gravity, report this as 0480 in column 14.

To report oil and condensate properly, you must report a leading zero followed by the first three digits of your API gravity.

Natural Gas

Report gas on Form MMS-2014 in Btu's per cubic foot. Many plant statements or purchaser's statements show a "Btu Factor" stated in MMBtu's per Mcf (million Btu's per thousand cubic feet). To get to Btu's per cubic foot, multiply the "Btu Factor" by 1,000. A "Btu Factor" will usually be close to 1.000, whereas a Btu per cubic foot value will usually be close to 1,000.

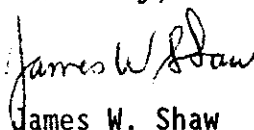
Because MMS requires payors to report all quality measurement using four digits and no decimal, gas with a Btu content of less than 1,000 must start with a leading zero on Form MMS-2014. For example, if your gas has a Btu content of 947 per cubic foot, report this as 0947 in column 14 of Form MMS-2014. Likewise, if your gas measures 1.1968 MMBtu's per Mcf, report this as 1197 in column 14.

In General

You must use the proper format. If you don't, it could cause an erroneous quality measurement for which you may be assessed.

We hope this information helps you properly report quality measurement information on Form MMS-2014. If you have questions, please contact Mr. Nick Fadely at (303) 275-7244 or your Royalty Reporting and Payments Branch representative at (800) 525-0309.

Sincerely,



James W. Shaw
Associate Director for
Royalty Management