



**Date:** 6/16/2000  
**To:** Mr. David S. Guzy  
Chief Rules & Publications Staff  
Minerals Management Service  
Royalty Management Program  
Building 85, Room A613  
Denver, Colorado 80225



**From:** Lisa M. Wasko  
**RE:** Comments Submitted to OMB

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Please find enclosed copies of the comments submitted by Chevron on the following Information Collection Requests:

Report of Sales & Royalty Remittance, Form MMS-2014, OMB Control Number 1010-NEW, 65 FR 31598 (May 18, 2000)

Forms: MMS-3160, MMS-4054, MMS-4055, MMS-4056, MMS-4058, OMB Control Number 1010-NEW, 65 FR 31600 (May 18, 2000)

LMW

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VIA AIRBORNE EXPRESS



June 16, 2000

Office of Information and Regulatory Affairs  
Office of Management and Budget  
Desk Officer for the Interior Department  
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Washington, D.C. 20503

**Chevron U.S.A. Production Company  
Finance**

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**K. L. Dawkins**  
Supervisor  
Federal Royalty & Regulatory Reporting

**Notice of Information Collection  
Report of Sales & Royalty Remittance, Form MMS-2014  
OMB Control Number 1010-NEW  
65 FR 31598 (May 18, 2000)**

Ladies and Gentlemen:

Chevron U.S.A. Production Company, a Division of Chevron U.S.A. Inc. ("Chevron"), welcomes the opportunity to provide comments on the proposed revisions to form MMS-2014. If not specifically addressed in our comments, it is implied that Chevron considers these changes to be insignificant relative to current requirements. Chevron as a member of the Council of Petroleum Accounting Societies (COPAS) participated in and endorses the comments filed on behalf of COPAS members unless otherwise stated in our specific comments.

#### **General Comments**

In general, Chevron finds several favorable changes in this ICR, such as eliminating the PIF, discontinuing the use of the Revenue Source, and excluding API Gravity from the 2014 reporting requirements. We also strongly support including the processing and transportation allowances on the sales line and eliminating transaction codes 11 and 15. We do, however, continue to have numerous significant concerns and have addressed these below:

#### **Reporting Concepts**

##### **1. Reporting Adjustments**

Given Explanation of Payment (EOP) requirements to provide a unit price, Chevron found several of the options presented for reporting net adjustments to be unacceptable as they produced skewed results that would only result in additional work during the Compliance Asset Management Process (CAMP). As there are typically multiple reasons for prior period adjustments, the remaining options for reporting net adjustments would result in an increase in the number of lines being reported and stored and would require extensive system modifications. Chevron can see no benefit that would offset a costly system modification such as this and will therefore continue the current practice of reversing the original line and reporting a new replacement line.

We are disappointed in this outcome, as much of our anticipated savings would have arisen from the reduced storage costs associated with net reporting of adjustments. The requirement to report price, and the subsequent skewed results brought about by netting, precludes us from attaining these savings. We urge the MMS to seek alternative options to fulfill their EOP responsibilities other than requiring industry to perform a unit price calculation.

##### **2. Data Conversion**

Chevron continues to express concern that industry has not yet received information regarding how the MMS intends to convert historical data. As with any re-engineering effort, one of the critical decisions faced surrounds the handling of previously reported data. In order to proceed with reprogramming our systems, we must have a

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definitive answer from the MMS on how we will be required to report adjustments for time periods prior to the new reporting/data requirements. We cannot emphasize enough that timely receipt of this information is imperative to implementing the necessary system changes to enable us to report by the October 2001 deadline.

Chevron is strongly opposed to any decision that would result in maintaining dual systems for purposes of reporting prior period adjustments. To that end, we are prepared to convert our historical data and recommend that the MMS convert all historical data, rather than the shortened time period proposed during the COPAS Re-Engineering meeting held in Wichita, Kansas in April of this year. We would also recommend that the MMS develop a process to ensure that reporters' individual converted history is synchronized with the MMS's in order to minimize potentially significant errors and the resulting error correction workload required.

### **3. Sales Type Code**

Chevron is opposed to the use of the sales type code. Requiring reporters to break out each transaction by type of sale will greatly increase the number of lines transmitted and stored monthly, add to the administrative burden and complexity required to monitor changing marketing arrangements, and increase the costs to program for this additional code in our federal reporting system. It already seems apparent that use of this code will have minimal impact to the CAMP process and again seems necessary only for Indian reporting requirements. If this code is implemented, the MMS must address how industry will report prior period adjustments for which this information is not available and ensure that we have received a finalized list of the codes and definitions that will be utilized for prospective reporting.

### **4. Allowance Reporting**

We continue to wait on a final decision regarding the reporting of transportation associated with Royalty In Kind (RIK) programs. Under the proposed 2014 specifications, reporting of allowances for leases participating in an RIK program would result in reporting lines that will not foot across as there will be no sales volume, unit price, or royalty value prior to allowances to be reported.

## **Data Elements**

### **1. API Well Number**

Chevron opposes the inclusion of this data element on the 2014 form. While still only listed as optional, we are concerned that it will become mandatory, not only for Indian Tribes, but for federal properties as well. The API Well Number is not maintained in our revenue accounting systems, nor would it be available for our non-operated properties. Furthermore, our revenue system does not store payment data at a well level. Requiring industry to report this data would necessitate a complete rewrite of our accounting system at considerable cost. For these reasons we request this data element be deleted from the 2014 record.

### **2. Unit Price**

As discussed in our comments pertaining to Reporting Adjustments, we believe it is unnecessary to carry unit price data on the 2014 record. The unit prices that industry will display will merely be calculated numbers that the MMS could just as easily have computed had sales value or royalty volume been retained on the 2014 form. Excluding unit price saves industry from additional reprogramming costs and supports the premise that MMS will not ask industry to supply information that itself can collect.

### **3. Royalty Rate**

The MMS is asking industry to provide referential data that it should already maintain elsewhere and we therefore oppose its inclusion on the 2014 record and the resulting cost to industry to display it. Additionally, the MMS could continue to compute this value if sales value or royalty volume is retained on the 2014 record.

If the MMS proceeds with the requirement to report the royalty rate on the 2014 lines, clarification on the reporting of leases with different rates is requested. Are we to report multiple lines or to compute an average royalty rate for the entire lease?

**4. Records 1-4: Payor Name, Payor Code, Federal/Indian Report Indicator, Payor-Assigned Document Number**

In absence of data layouts we are assuming that data elements 1-4 (as noted above) are meant to be reported as a header record rather than repeated on each line as this would result in redundant data, lengthy records, and increased transmittal and storage costs. We also note that increasing the length of the Payor-Assigned Document Number from 6 to 8 characters appears unnecessary and again adds to the record length. Receipt of finalized record layouts is essential to address and uncover issues such as these.

**5. Revenue Value Less Allowances**

Chevron does not believe that this data element is required for electronic transmission as controls can be implemented by industry and the MMS to ensure report values correspond with royalty remittances. Again, under the premise that industry should not provide data that MMS can compute, eliminating this field would result in reducing the record length and the associated costs to re-code our systems, as well as transmit and store data.

**6. MMS Agreement Number**

In response to industry's concerns that the MMS Agreement Number may not be available, the MMS indicates it will "...take appropriate action to contact the BLM/OMM to obtain the needed data." Can it be inferred from this statement that we will be required to reverse and rebook from one unit to another, and that the MMS will not internally adjust agreement numbers, or does the MMS perceive they will be more successful in obtaining timely responses from the BLM than our experience with that agency has taught us? We are opposed to any process that allows separate manual updates to reported data that could result in increased edits due to mismatched historical data.

**7. Transaction Codes**

Please provide a complete listing of the codes and their definitions that will be required with the new reporting process.

**8. Adjustment Reason Codes**

Please provide a complete listing of the codes and their definitions that will be required with the new reporting process.

**9. Payment Method Codes**

The MMS proposal to reuse the current payment method codes, but assign a different definition appears needless and will increase errors and costs to industry due to reprogramming.

**Reporting Burden**

We do not believe that the MMS has accurately captured the cost to industry involved with the reporting changes being recommended to the OMB, nor do we believe we will see any significant savings in storage and transmittal costs. Any anticipated savings gained by including the transportation and processing allowances on the same line as

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the sales value will be offset by the loss of net reporting of adjustments. And, it would appear that the use of the sales type code would actually result in increasing the overall number of lines reported monthly.

As noted throughout our comments, lack of clearly defined specifications and data layouts makes it difficult to provide a detailed assessment of the costs involved for system programming. We anticipate that our effort to upgrade our federal payment system to accommodate re-engineering will cost approximately \$250,000-\$300,000.

Summary

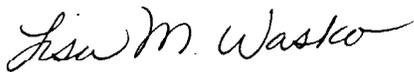
Chevron has appreciated the Minerals Management Service's efforts to work collaboratively with industry to improve the reporting process for all involved parties and we recognize that the MMS has made changes based upon industry's input. However, we must comment that unless unit price, sales value code, API well number, and royalty rate are excluded and sales value and royalty volume reinstated, then initial goals of reduced lines (via netting), reduced edits, reduced cost to industry, and simplified reporting are not achieved. To that end, keeping these items causes extreme difficulty in converting historical payment data that currently does not contain these items. Furthermore, this OMB submission appears premature in light of its lack of completeness, as evidenced in our specific comments above.

The MMS is urging an early approval of this ICR to allow industry the requisite lead time for systems programming, however, without sufficient supporting detail, this is a pointless exercise. We must receive finalized data layouts, including descriptions of all data elements no later than 6/30/2000 and would also request that complete and final lists of all codes required for the 2014 record be provided by this date as well. Chevron continues to be concerned about our ability to implement the new reporting changes on time if the MMS cannot finalize and communicate these reporting issues quickly. Additionally, given the amount of time left and the delays in providing industry with the necessary information to initiate programming changes, we see no way that we will be able to perform parallel testing with the MMS's consultants in May 2001 as initially planned.

While counter to our request to finalize this form, based on the above comments we believe that in order to resolve these issues and finalize specifications in a timely manner the OMB should not approve the MMS 2014, as detailed in this Information Collection Request.

Should you have any questions, please feel free to contact me at 925-827-7841 or Ms. Kathryn Dawkins at 925-827-7679.

Sincerely,



Lisa M. Wasko  
Regulatory Coordinator

cc: Mr. David S. Guzy  
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