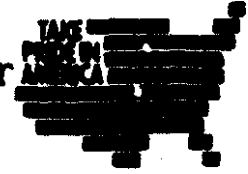




# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
WASHINGTON, DC 20240

June 23, 1988

Dear Payor:

This letter modifies my March 18, 1987, letter addressing the Minerals Management Service (MMS) policy on assessments to payors for failure to report on Forms MMS-2014 and MMS-4014. This letter also modifies the requirement to report zero sales (Transaction Code 20) for all offshore and solid mineral royalty-in-value transactions as currently outlined in the MMS Oil and Gas Payor Handbook and the MMS Solid Minerals Payor Handbook.

As you may know, MMS has been involved in a Systems Improvement Project (Project) since November 1986. The purpose of the Project is to develop improvements to the Royalty Management Program's (RMP) automated systems as well as the overall royalty program. As a result of that project, MMS has formulated approximately 50 improvements that have been modified and endorsed by the Royalty Management Advisory Committee, a group comprising State, Indian, and industry representatives.

One of these improvements is the elimination of nonrespondent exception processing and of zero sales reporting to the Auditing and Financial System (AFS). The RMP will begin verifying no-sales reporting and monitoring failure to submit Forms MMS-2014 and MMS-4014 using the Production Accounting and Auditing System (PAAS). Because PAAS is currently operational for offshore and solid mineral leases, beginning with the July 1988 report month, you will no longer be required to report Transaction Code 20 for offshore and solid mineral leases involving royalty-in-value transactions. However, you will still be required to report Transaction Code 20 for royalty-in-kind transactions. Also, you will be assessed for late reporting if Forms MMS-2014 and MMS-4014 are received by MMS one or more days after the due date.

The MMS will continue to assess for failure to report and for late reporting for onshore oil and gas leases not converted to PAAS in accordance with my March 18, 1987, letter. In the future you will be notified as to which onshore leases will be exempted from no-sales reporting and nonrespondent exception processing as each PAAS onshore conversion phase is completed. Modifications to the handbooks reflecting this policy change will be issued in the near future.

I am pleased to announce this change in reporting policy as it represents a major step toward simplifying industry's royalty reporting requirements. If you have any questions regarding this policy, please contact your Lessee Contact representative.

Sincerely,

Director