



United States Department of the Interior

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



IN REPLY
REFER TO:

SEP 24 1991

FAD/RDB
Mail Stop 3240

Dear Payor:

Current oil and gas valuation regulations (30 CFR 202, 203, 206, 207, 210, and 241) require transportation and processing allowances to be reported on the Report of Sales and Royalty Remittance (Form MMS-2014) at the selling arrangement level. Therefore, the criteria for establishing selling arrangements on the Payor Information Form (PIF), Form MMS-4025, have been modified. Effective immediately, the following criteria must be used when establishing new selling arrangements or modifying existing selling arrangements.

Separate selling arrangements must be established for:

1. Each royalty-in-kind contract.
2. Each conventional/dedicated sales contract. Sales for which reserves from a lease have been dedicated to specific customers. To monitor allowances deducted on the Form MMS-2014, separate selling arrangements must be established for each non-arm's length allowance rate associated with each contract. Also, if production from a lease is transported through two or more separate pipelines (not segments of one pipeline), an additional selling arrangement is required for each pipeline that contain's a non-arm's length segment.

If both a transportation and processing allowance is claimed for a product, only one selling arrangement is usually necessary. The allowances will be differentiated by separate transaction codes on the Form MMS-2014.

3. Spot sales/Direct market sales. Sales for which reserves from a lease have not been dedicated to specific customers. Generally only one selling arrangement is required for all spot sale markets. However, additional selling arrangements may be required for allowance monitoring as shown in Enclosure 1. The Minerals Management Service may also require or allow establishment of multiple spot market selling arrangements for monitoring, ease of reporting, or compatibility with an automated system.

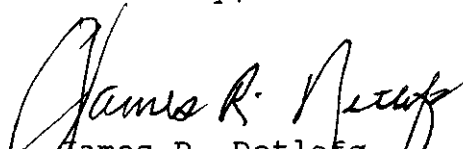
Enclosure 1 provides examples of various allowance scenarios and the appropriate selling arrangement assignments. Also, the allowance rate shown in the enclosure is the total rate for transporting or processing a product that would be shown on the allowance form. It is not the rate for each segment of a pipeline or extraction or fractionation components of processing.

Enclosure 2 is a revised PIF. The changes are primarily to style and format, however, please note the following:

1. Section III, Revenue Source Information, has been modified to include all lease level payment options (rent, minimum royalty, etc.) .
2. Revenue source operator data has been eliminated.
3. Allowance data has been added to the selling arrangement information.
4. Windfall Profit Tax (WPT) information has been eliminated. It is no longer necessary to provide WPT information nor establish multiple selling arrangements for different WPT tiers or base prices.

Please direct any questions related to the completion and filing of allowance forms to the Royalty Valuation and Standards Division at (303) 231-3396. Questions related to establishing selling arrangements should be directed to the Reference Data Branch at (800) 525-9167 or (303) 231-3504.

Sincerely,



James R. Detlefs
Chief, Fiscal Accounting Division

2 Enclosures

MINIMUM NUMBER OF SELLING ARRANGEMENTS (SA'S) REQUIRED FOR
REPORTING TRANSPORTATION ALLOWANCES FOR EACH PRODUCT TRANSPORTED
(OIL, GAS, NATURAL GAS LIQUIDS, ETC.)

SCENARIO NO.	PAYOR	PAYS FOR	CONTRACT TYPE	TRANS. ALLOW RATE	MINIMUM NUMBER OF SA'S	REASON FOR MULTIPLE SA'S
	A	A	NAL*	.20	1	
2	A	A	AL**	.05	1	
3	A	A	AL AL	.25 .25	1	
4	A	A	NAL AL	.10 .10	2	1-NAL, 1-AL
5	A	A	AL AL	.13 .10	1	
5	A	A	NAL NAL	.15 .05	2	2-NAL
7	A	A B	AL AL	.20 .20	1	
8	A	A B	NAL NAL	.10 .15	2	2-NAL
9	A	A B	AL AL	.20 .30	1	
10	A	A B C	NAL AL AL	.15 .20 .25	2	1-NAL, 1-AL
11	A	A B C	NAL NAL AL	.17 .16 .16	3	2-NAL, 1-AL
12	A	A B C	AL AL AL	.17 .16 .15	1	

*Non-Arm's-Length or No-Contract

**Arm's-Length Contract

MINIMUM NUMBER OF SELLING ARRANGEMENTS (SA'S) REQUIRED FOR REPORTING
 PROCESSING ALLOWANCES FOR EACH PLANT PRODUCT
 (NATURAL GAS LIQUIDS, SULFUR, ETC.)

SCENARIO NO.	PAYOR	PAYS FOR	CONTRACT TYPE	PROC. ALLOW RATE	MINIMUM NO. OF SA'S	REASON FOR MULTIPLE SA'S
1	A	A	NAL**	.20	1	
2	A	A	NAL***	.05	1	
3	A	A	AL	.20	1	
		B	AL	.20		
4	A	A	NAL	.10	2	2-NAL
		B	NAL	.15		
5	A	A	AL	.20	1	
		B	AL	.30		
6	A	A	NAL	.15	2	1-NAL, 1-AL
		B	AL	.20		
		c	AL	.25		
7	A	A	NAL	.17	3	2-NAL, 1-AL
		B	NAL	.16		
		c	AL	.16		
8	A	A	AL	.17	1	
		B	AL	.16		
		c	AL	.15		

*If production from a lease is processed through more than one plant, a separate selling arrangement is required to report the production processed at each plant. A separate extraction and fractionation facility is considered to be one plant.

**Non-Arm's Length or No-Contract

***Arm's-Length Contract

SELLING ARRANGEMENT (SA) REQUIREMENTS

LEGENDS OF SYMBOLS USED



WELLHEAD



END USER MARKET



PIPELINE SYSTEM



TWO-SEGMENTED
PIPELINE SYSTEM

AL

ARM'S-LENGTH

NAL

NON-ARMS-LENGTH

SA

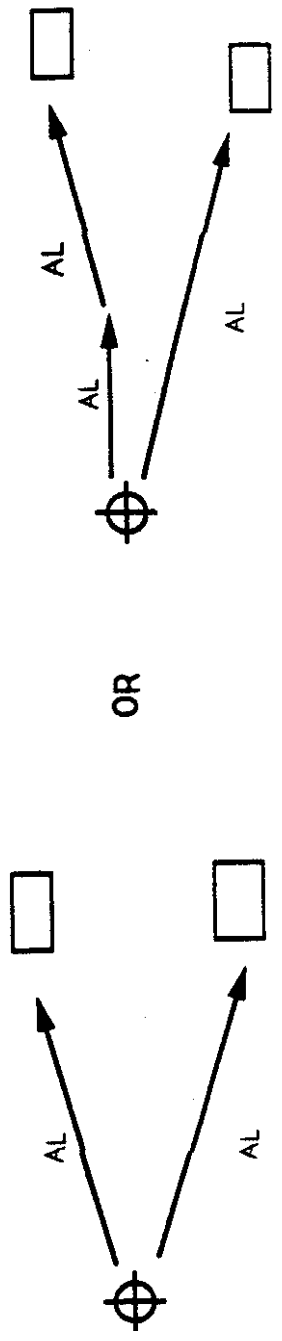
SELLING ARRANGEMENT

SELLING ARRANGEMENT (SA) REQUIREMENTS (Page 4 of 8)

MIN #
OF SA

APPLICABLE
CENARIO *

LICA CHEMAT



SELLING ARRANGEMENT (SA) REQUIREMENTS

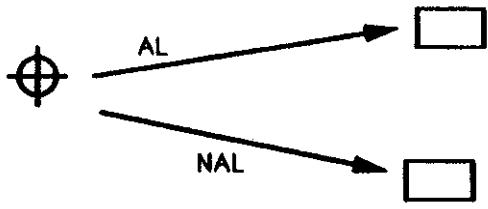
APPLICABLE SCENARIO *

(relates to p. 1)

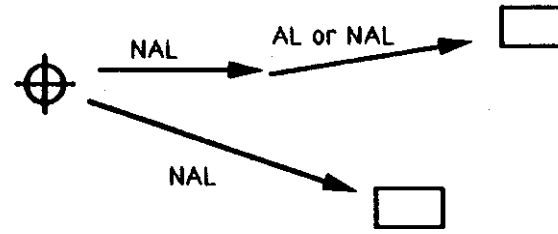
APPLICABLE SCHEMATICS

MIN # OF SA

4

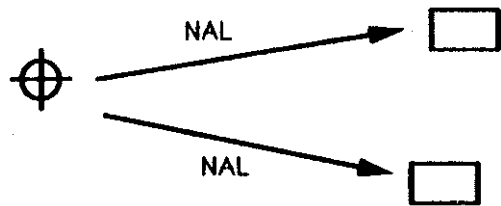


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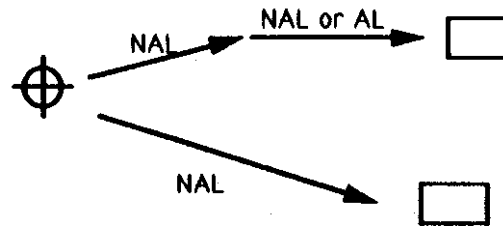


2

6



OR



SELLING ARRANGEMENT (SA) REQUIREMENTS

APPLICABLE SCENARIO #	(relates to p. 1)	APPLICABLE	MIN # OF SA
7,9		OR	1 (for A & B)
8		OR	2 (1 for A; 1 for B)
10		OR	2 (1 for A; 1 for B & C)

SELLING ARRANGEME. (A) REQUIREMENTS

APPLICABLE SCENARIO * (relates to p. 1)

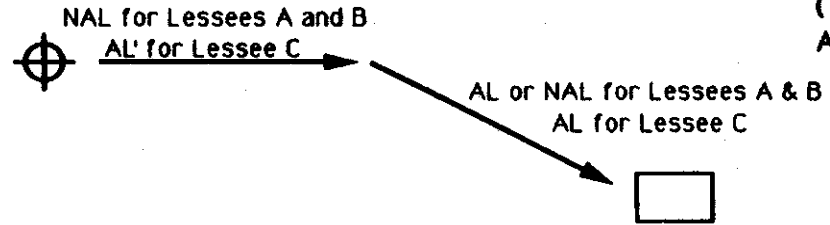
APPLICABLE SCHEMATICS

MIN * OF SA

11

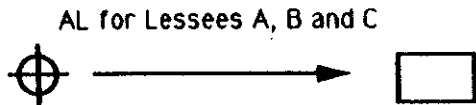


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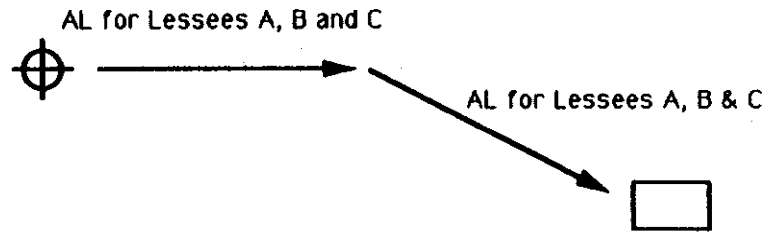


3
(1 each for A, B and C)

12

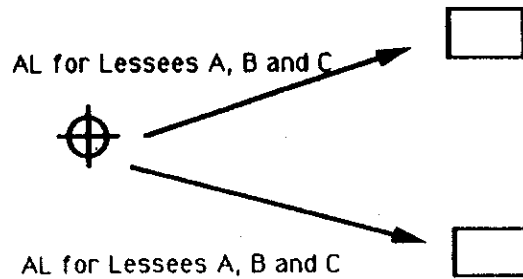


OR



1
(1 for A, B and C)

OR



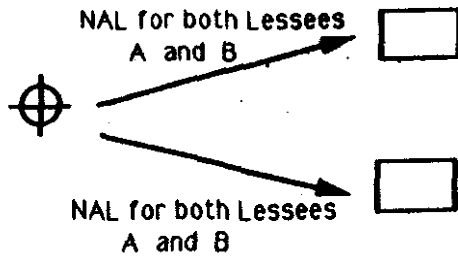
SELLING ARRANGEMENT (SA) REQUIREMENTS

APPLICABLE
SCENARIO *

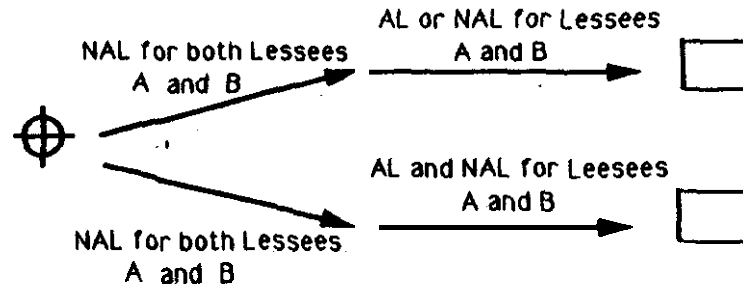
APPLICABLE SCHEMATICS

MIN *
OF SA

NA

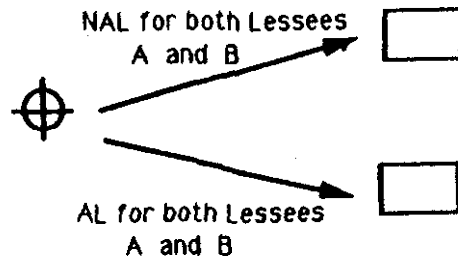


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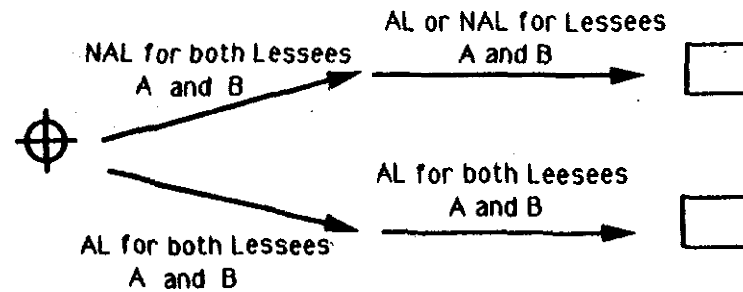


4
(2 for A,
2 for B)

NA

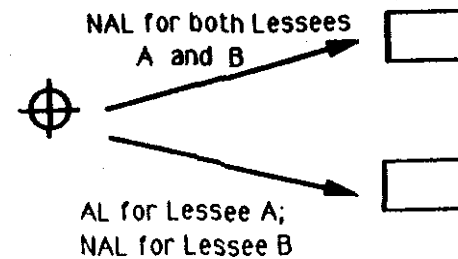


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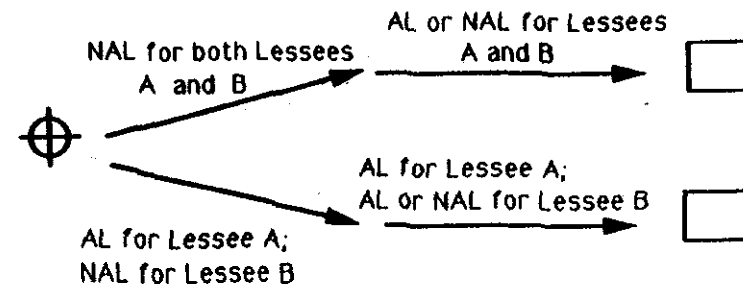


3
(1 for A,
1 for B,
1 for A & B)

NA



OR



4
(2 for A,
2 for B)