



Commonly Used Transaction Codes

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity



2014 Commonly Used Transaction Codes



- Royalty Due 01
- Minimum Royalty 02
- Rent (non-recoupable) 04
- Rent (recoupable) 05
- Rent Recoupment 25
- Estimate Reporting 03

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity



2014 Transaction Codes

Element	Value	Description
Transaction Code	01	Royalty Due
Transaction Code	02	Minimum Royalty Payment
Transaction Code	03	Estimated Royalty Payment
Transaction Code	04	Rental Payment
Transaction Code	05	Advance Rental Credit
Transaction Code	06	Royalty In Kind Transactions - Not Link Payment to MMS
Transaction Code	07	NDIS Settlement Agreement (the MMS Interest Unit)
Transaction Code	08	Royalty In Kind Other
Transaction Code	09	Comprehensive Royalty Payment
Transaction Code	10	Comprehensive Royalty Payment
Transaction Code	11	Impairment Allowance
Transaction Code	12	Fee Credit
Transaction Code	13	FRB Quarterly Bank and Overdraft Bank Adjustment
Transaction Code	14	Fee Reimbursement Payment
Transaction Code	15	Processing Adjustment
Transaction Code	16	Fee
Transaction Code	17	Over Storage Agreement - Flat Fee
Transaction Code	18	Over Storage Agreement - Signature Fee
Transaction Code	19	Over Storage Agreement - Wellhead Fee
Transaction Code	20	Over Wellhead Other
Transaction Code	21	Interest Payment Over MMS
Transaction Code	22	Interest Payment Over to Payee
Transaction Code	23	Advance Advance Rental Credit
Transaction Code	24	Comprehensive Royalty Payment
Transaction Code	25	Advance Royalty Credit (and Interest Only)
Transaction Code	26	Advance Royalty Credit (and Interest Only)
Transaction Code	27	Royalty Due to Lessee/Operator
Transaction Code	28	Advance Royalty Due to O/S/L/A, Section 103(a)(1) Lessee
Transaction Code	29	Over Profit Share - Unavailable
Transaction Code	30	Over Profit Share - Available
Transaction Code	31	Over Profit Share - Unavailable
Transaction Code	32	Over Profit Share - Available
Transaction Code	33	Over Profit Share - Unavailable
Transaction Code	34	Over Profit Share - Available
Transaction Code	35	Over Profit Share - Unavailable
Transaction Code	36	Over Profit Share - Available
Transaction Code	37	Over Profit Share - Unavailable
Transaction Code	38	Over Profit Share - Available
Transaction Code	39	Over Profit Share - Unavailable
Transaction Code	40	Over Profit Share - Available
Transaction Code	41	Over Profit Share - Unavailable
Transaction Code	42	Over Profit Share - Available
Transaction Code	43	Over Profit Share - Unavailable
Transaction Code	44	Over Profit Share - Available
Transaction Code	45	Over Profit Share - Unavailable
Transaction Code	46	Over Profit Share - Available
Transaction Code	47	Over Profit Share - Unavailable
Transaction Code	48	Over Profit Share - Available
Transaction Code	49	Over Profit Share - Unavailable
Transaction Code	50	Over Profit Share - Available
Transaction Code	51	Over Profit Share - Unavailable
Transaction Code	52	Over Profit Share - Available
Transaction Code	53	Over Profit Share - Unavailable
Transaction Code	54	Over Profit Share - Available
Transaction Code	55	Over Profit Share - Unavailable
Transaction Code	56	Over Profit Share - Available
Transaction Code	57	Over Profit Share - Unavailable
Transaction Code	58	Over Profit Share - Available
Transaction Code	59	Over Profit Share - Unavailable
Transaction Code	60	Over Profit Share - Available
Transaction Code	61	Over Profit Share - Unavailable
Transaction Code	62	Over Profit Share - Available
Transaction Code	63	Over Profit Share - Unavailable
Transaction Code	64	Over Profit Share - Available
Transaction Code	65	Over Profit Share - Unavailable
Transaction Code	66	Over Profit Share - Available
Transaction Code	67	Over Profit Share - Unavailable
Transaction Code	68	Over Profit Share - Available
Transaction Code	69	Over Profit Share - Unavailable
Transaction Code	70	Over Profit Share - Available

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 01 Royalty Due

- Due Monthly on every lease or lease-agreement combination with sales
- Separate line for each lease or lease agreement combination, sales type code, product code, and sales month
- Double entry adjustments

4

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 01

Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	01
Sales Type Code	ARMS
Sales MO/YR	022015
Transaction Code	01
Adjustment Reason Code	
Sales Volume	1280.00
Gas MMBtu	0.00
Sales Value	704.00
Royalty Value Prior to Allowances	88.00
Transportation Allowance	0.00
Processing Allowance	0.00
Royalty Value Less Allowances	88.00
Payment Method Code	3

5

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Implied Relationships

<u>Royalty Value PA</u>	=	Royalty Rate	=	.125
2747.00		21975.00		
Sales Value				
Monitored for royalty rate verification				
Sales Value	=	Price Per Unit	=	\$50.00
21975.00		439.50		
Sales Volume				
Monitored for reasonable pricing				

6

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Lease Level Payments

- TC 02 Minimum Royalty (MR)
- TC 03 Estimates
- TC 04 Rent (non-recoupable)
- TC 05 Rent (recoupable)
- TC 25 Recoup Advance Rent

- Payments are based on lease terms
- Do not report the agreement number, product code, or sales type code
- Do not report the sales volume or sales value since they are not associated with the payment

7

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 02 Minimum Royalty (MR)

- Due on producing Federal and Indian leases
- Obligation may be fulfilled by production
- Report and payment must be received on or before the last day of the lease year, regardless of an estimate
- Automatically invoiced if not paid or reported incorrectly with the wrong sales month/year

8

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 02 (Minimum Royalty)

Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	062015
Transaction Code	02
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	00
Sales Value	
Royalty Value Prior to Allowances	88.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	88.00
Payment Method Code	03

It is important to make sure you are using the correct sales month when reporting minimum royalty

9

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Rental Payments

Transaction Code 04 (non-recoupable)
 Transaction Code 05 (recoupable against production)

- Annual Payment
- Payment is due on or before lease anniversary date
- For non-terminable leases, ONRR automatically invoices if not paid

10

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 04 (Non-recoupable Rent)

Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	072015
Transaction Code	04
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	345.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	345.00
Payment Method Code	3

11

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 05 (Recoupable Rent)

Detail Line

- Line Number 1
- API Well Number
- ONRR Lease Number 0490129432
- ONRR Agreement Number
- Product Code
- Sales Type Code
- Sales MO/YR 072015
- Transaction Code 05
- Adjustment Reason Code
- Sales Volume
- Gas MMBtu
- Sales Value
- Royalty Value Prior to Allowances 345.00
- Transportation Allowance
- Processing Allowance
- Royalty Value Less Allowances 345.00
- Payment Method Code 3

12

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 25 (Recouping Advance Rental Credits)

- Use in conjunction with TC 05
- Recoup against current revenue
- Rent can be recouped up to 100% of current revenue within the current lease year regardless of whether the lease is allotted or tribal (rent must be reported and paid)

13

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 25 (Rent Recoupment)

Detail Line	Current Prod	Rental Recoup
• Line Number	1	2
• API Well Number		
• ONRR Lease Number	0490129432	0490129432
• ONRR Agreement Number		
• Product Code	01	
• Sales Type Code	ARMS	
• Sales MO/YR	082015	
• Transaction Code	01	25
• Adjustment Reason Code		
• Sales Volume	9.06	
• Gas MMBtu		
• Sales Value	704.00	
• Royalty Value Prior to Allowances	88.00	-88.00
• Transportation Allowance		
• Processing Allowance		
• Royalty Value Less Allowances	88.00	-88.00
• Payment Method Code	3	3

14

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Estimate Reporting

- What is an estimate?

An estimate is a one-time payment in lieu of an actual royalty payment

15

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Estimate Reporting (cont.)

Why establish an estimate?

- Gives an additional month to report and pay actual royalties
- May help reduce late payment interest charges

Is an estimate cost beneficial?

- Estimate reporting may be helpful if sales data is not received timely to ONRR

16

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

How an Estimate Works

First report month:

- Report and pay the one-time estimate payment in lieu of a royalty payment for that month

Then in subsequent months:

- Report and pay the actual royalties
- Royalties are now due on or before the last day of the second month following the month the product was sold or removed from the lease

17

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

How To Determine The Amount Of an Initial Estimate Payment

- Companies should establish their estimate in an amount which equals or exceeds the average monthly royalty liability for the LEASE and PRODUCT
- Adjust the estimate balance up or down as the lease royalty liability changes

18

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 03 (Establishing a First-Time Estimate)

Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	022015
Transaction Code	03
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	88.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	88.00
Payment Method Code	3

*Sales month on the estimate line must be one month prior to the report month (in lieu of royalties)
*An adjustment reason code is not required when establishing an estimate for the first-time.

19

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

How to Change the Amount of an Estimate

- Use a single line entry in the 2014 report to increase or decrease the amount of an estimate
- Use transaction code 03 with adjustment reason code 32

20

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 03 (Increasing an Estimate)

Detail Line

- Line Number 1
- API Well Number
- ONRR Lease Number 0490129432
- ONRR Agreement Number
- Product Code
- Sales Type Code
- Sales MO/YR 062014
- Transaction Code 03
- Adjustment Reason Code 32
- Sales Volume
- Gas MMBtu
- Sales Value
- Royalty Value Prior to Allowances 100.00
- Transportation Allowance
- Processing Allowance
- Royalty Value Less Allowances 100.00
- Payment Method Code 3

21

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

How to Recoup an Estimate

- Recoup Federal estimates anytime
- Recoup Indian estimates according to Indian recoupment limitations (estimate payments are overpayments, not required by terms)
- Estimate payments are disbursed by ONRR to the entitled recipients

22

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Transaction Code 03 (Decreasing an Estimate)

Detail Line

• Line Number	1
• API Well Number	
• ONRR Lease Number	0490129432
• ONRR Agreement Number	
• Product Code	
• Sales Type Code	
• Sales MO/YR	062014
• Transaction Code	03
• Adjustment Reason Code	32
• Sales Volume	
• Gas MMBtu	
• Sales Value	
• Royalty Value Prior to Allowances	-100.00
• Transportation Allowance	
• Processing Allowance	
• Royalty Value Less Allowances	-100.00
• Payment Method Code	3

23

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

An estimate is NOT needed for all products

- The estimate sales month will reflect all products on the lease (rolled-up to the lease level)
- Companies need to use the correct sales month for any product not requiring an estimate

24

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Reporting Exercise

- You are reporting your monthly royalty for gas
- Rocky Mountain Oil & Gas sold unprocessed gas (product code 04) from lease 049-012345-0 for sales month January 2015 to an unaffiliated company
- The contract is arm's length percentage of proceeds
- Lease participates in the Laramie Unit 891-001234-0
- Total agreement production volume is 3000
- Lease receives a 20 percent allocation from the unit
- Owner's Interest is 100%
- The lease has 50% Federal Ownership
- Btu content is 1.150
- Price per unit is \$5.00
- There are no transportation or processing costs
- Lease royalty rate is 12 ½ Percent
- Payment by EFT

31

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Reporting Exercise Answer

Total agreement production volume x tract percentage x Federal mineral ownership interest = sales volume

??? mcf x ??? x ??? x ??? = ??? Sales Volume

Sales Volume x Btu Content = Gas MMBtu

??? x ??? Btu Factor = ??? Gas MMBtu

Gas MMBtu x Price Per Unit = Sales Value

??? MMBtu x \$??? Unit Price = \$??? Sales Value

Sales Value x Lease Royalty Rate = Royalty Value

\$??? x ??? = \$??? Royalty Value

32

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity

Reporting Exercise Answer

Total agreement production volume x tract percentage x Federal mineral ownership interest = sales volume

3000 mcf x 0.20 x 1.00 x 0.5 = 300 Sales Volume

Sales Volume x Btu Content = Gas MMBtu

300 x 1.150 Btu Factor = 345 Gas MMBtu

Gas MMBtu x Price Per Unit = Sales Value

345 MMBtu x \$5.00 Unit Price = \$1,725.00 Sales Value

Sales Value x Lease Royalty Rate = Royalty Value

\$1,725.00 x 0.125 = \$215.63 Royalty Value

33

Industry Compliance • Accurate Revenues & Data • Professionalism & Integrity


