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### Life of a Lease

	Federal <u>Onshore</u>	Federal <u>Offshore</u>	<u>Indian</u>
• Lease Issued & Bonus Collected	BLM	BOEM	BIA
• 1st Year Rent Collected	BLM	BOEM	BIA
• Subsequent Rent Collected	ONRR	ONRR	BIA
• 1st Production Notice Issued	BLM	BOEM	BLM
• Producing Lease Royalty Reporting	ONRR	ONRR	ONRR
• Lease Expiration	BLM	BOEM	BIA

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### Terminable/Nonterminable

- Terminable Leases
  - **not held by actual or allocated production** and not located within a producing agreement.
  - **automatically terminate** for non-payment of rentals
  
- Nonterminable Leases
  - Federal leases - **held by actual or allocated production** or located within a producing agreement
  - Indian Leases- held by actual production
  - Offshore Leases- held by actual production

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### Payor (Customer)

- ★ The party that agrees to remit the rent or royalty payment and report the royalty due from the sale of mineral products
  
- ★ PAYORS MAY INCLUDE:
  - ★ LESSEES
  - ★ OPERATORS
  - ★ PURCHASERS
  - ★ INTEREST OWNERS

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### Lease Level Report & Payments

- Described by the terms of the lease
  - INCLUDES:
    - Rent: Indian v. Federal
    - Minimum Royalty
    - Well Fees
    - Gas Storage Agreement Fees
    - Expiration Terms (Indian)
    - Royalty Rate

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### Lease Level Report & Payments

- Rent is:
  - ◆ Amount per Acre
  - ◆ May be recoupable
  - ◆ Due on or before Anniversary date of Lease
  - ◆ Paid using on On-line Rental or Form ONRR-2014

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### Minimum Royalty

- ◆ Amount per Acre
- ◆ Royalties count toward fulfilling obligation
- ◆ Due on or before last day of lease year

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### Rent and Minimum Royalty – Federal

- ★ Federal lease in rental status from Anniversary Date until: it receives actual or allocated production
- Indian rentals will be paid to BIA prior to production, at which point payments will be made to ONRR once producing
- ★ Federal/ Indian leases will be in a minimum royalty status if:
  - \* the lease contains a lease basis well
  - \* the entire lease is within a Participating Area
  - \* the lease is committed to a Sec. Rec. Unit
  - \* the lease is committed to a CA
- ★ Federal Leases will be in a split rent/min royalty status when:
  - \* part of the acres are within a PA and the acreage outside of the PA has no production from any other source

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## Questions

Federal lease rentals include all of the following excepts:

- A. Terms on amount per acre
- B. Due on or before anniversary date of the lease
- C. Based on state spacing requirements
- D. Paid using e-commerce or with Form ONRR-2014



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## Lease Number Conversion

➤ ONRR Converts the Alpha-Numeric Agency Assigned Lease Number into a 10-Digit Lease Number

BLM/BIA/BOEM Assigned Number	➡	ONRR Converted Number
WYW0308789	➡	0483087890 (Onshore)
WYW96584	➡	0490965840 (Onshore)
OCS-G27591	➡	0540275910 (Offshore)
14-20-H62-6510	➡	5090065100 (Indian)

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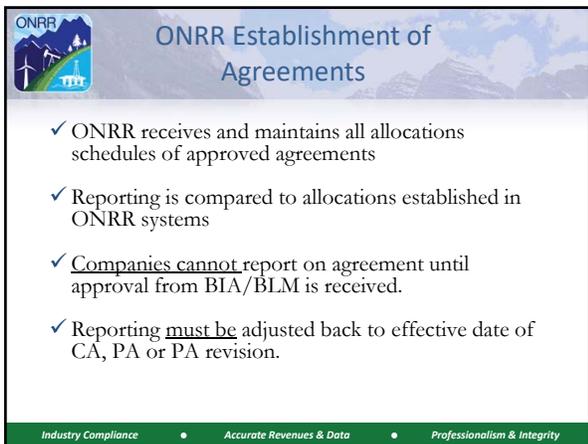
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**ONRR**

## Questions

ONRR establishes Communitization Agreements in the ONRR financial system in all of these circumstances except:

- A. ONRR receives and maintains all allocations schedules of approved agreements
- B. Reporting is compared to allocations established in ONRR systems
- C. Companies can report on agreement basis until approval from BLM is received
- D. Reporting must be adjusted back to effective date of CA, PA, or PA revision



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**ONRR**

## Questions

Communitization Agreements benefits include all of the following except:

- A. Limits the number and location of wells in a spacing area
- B. Based on state spacing unit requirements
- C. Involves a least two federal or Indian leases
- D. Formation specific



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## Communitization Agreement Number Conversion

ONRR Converts the Alpha-Numeric Agency Assigned Agreement Number into a 9-Digit Agreement Number for new CA' s. Older CA' s will have a 10 digit number.

<b>OKNM75212</b>	➡	<b>NM_ _ 75212</b>
<b>WYW157376</b>	➡	<b>W_ _157376</b>
<b>MTM69248</b>	➡	<b>6910001440</b>

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## Unit Agreement Number Conversion

ONRR Converts the Alpha-Numeric Agency Assigned Agreement Number into a 10-Digit Agreement Number

**Bull Frog Exploratory Unit  
Sundance PA**

**WYW109444A**    ➡    **8910160390**

**Sun Dog Unit PA "A"**

**WYW152954A**    ➡    **W\_ 152954A**

**Packsaddle Secondary Recovery Unit**

**WYW153461X**    ➡    **W\_ 153461X**

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## Cross Reference Listings

**Leases**

- Active Leases - Sorted by State and Agency Lease Number [\[Link\]](#) Updated 4/2/2019

**Agreements**

- Active Agreements - sorted by State and Agreement Name [\[Link\]](#) Updated 4/2/2019
- Active Agreements - sorted by State and Agency Agreement Number [\[Link\]](#) Updated 4/2/2019
- Cross-Reference Lease to Agreement Numbers
  - Sorted by Agreement Name [\[Link\]](#) Updated 4/2/2019
  - Sorted by Agreement Number [\[Link\]](#) Updated 4/2/2019
  - Sorted by Lease Number [\[Link\]](#) Updated 4/2/2019
- Downloadable Text Cross-Reference Lease to Agreement Number [\[Link\]](#) Updated 4/9/2019

<http://www.onrr.gov/ReportPay/CrossRef.htm>

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## BLM Agreement Info



The Bureau of Land Management's Legacy Report System (LR2000) provides reports on BLM land and mineral use authorizations for oil, gas, and geothermal leasing, rights-of-way, coal and other mineral development, land and mineral title, mining claims, withdrawals, stipulations, and more on federal lands or on federal mineral estates.

The following types of reports are available in LR2000:

- Search Register Page** - provides all online information about the authorization including status, geographic location, authorized lands, customer information, acreage, dates effective, expiration, etc. and other information.
- Customer Information Reports** - provides all the authorizations, mining claims, etc. for a customer.
- Geographic Reports** - provides a listing of authorizations, mining claims, etc. and includes a map view. Group reports allow you to include several numbers in one report. Report types include: Customer info, mineral rights, authorization type and disposition (active, closed, pending, etc.). Statistical reports for an area can also be run. Note:
- Check out our new Reports - Oil and Gas Leases Due to Expire.** This is a very simple report with only a few options but it search reports area to know any

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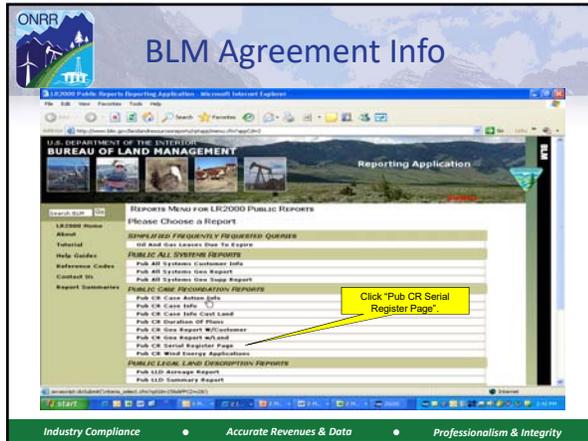
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ONRR BLM Agreement Info

U.S. DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Reporting Application

Pub CR SERIAL REGISTER PAGE ()  
Please Set the Limits You Would Like to Filter On

NEW FORMAT SERIAL ENTRY

STATE	WY	WY00000
LAND OFFICE	IN	WV 00000
PREFIX		WV 00000
Serial Number		WV 00000
SUFFIX		WV 00000

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ONRR BLM Agreement Info

<http://www.blm.gov/lr2000/>

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BSEE Serial Register Page

Bureau of Safety and Environmental Enforcement

Who We Are: About Us, Our Organization, Working With Us, Connect With Us

How can I learn more about BSEE?

Click here

Click "Pub CR Serial Register Page"

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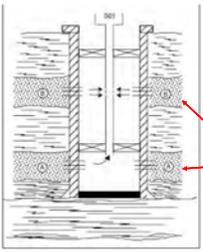
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**Basic Commingled Completion**



- One tubing string
- One completion in each zones A and B
- Must have approval to commingle downhole
- Completion codes in this instance are S01 and S02
- Production for Zone A and Zone B may or may not report to different leases or agreements
- Production reporting is required on both completions; if one completion is ABD the other completion must still be reported. Reporting is completed when both completions are ABD or P+A.
- *Royalty* will be reported at lease basis or per allocation schedule if well included in an agreement

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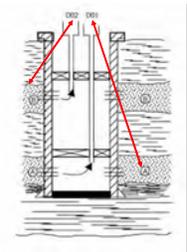
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**Basic Dual Completion**



- One wellbore with two tubing strings
- Zone A will report using D01
- Zone B will report using D02
- *Production* may report to different leases or agreements
- Production reporting is required on both completions; if one completion is ABD the other completion must still be reported. Reporting is completed when both completions are ABD or P+A.
- *Royalty* will be reported at lease basis or per allocation schedule if well completion(s) included in an agreement

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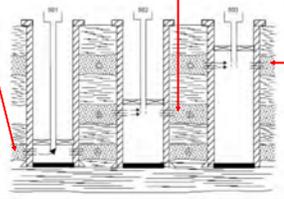
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**Recompleting a well**



- 1<sup>st</sup> completion – Zone A
- Completion Code is S01
- *Production* reports to Zone A lease or agreement
- 2<sup>nd</sup> completion – Zone B
- Completion Code is S02
- Zone A is squeezed and is reported as ABD
- *Production* reports to Zone B lease or agreement
- 3<sup>rd</sup> completion – Zone C
- Completion Code is S03
- Zone A is squeezed and reported as ABD
- Zone B is squeezed and reported as ABD
- *Production* reports to Zone C lease or agreement

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**Slide 40**

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**BL5**

Barder, Lydia, 5/3/2019

**ONRR**  
OFFICE OF NATURAL RESOURCES REVENUE  
OCTOBER 1, 2010

**ACTUAL VS ALLOCATED PRODUCTION/REPORTING**

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**ONRR**  
**Actual -vs- Allocated Production**

- Actual – Lease Basis Production
  - ◆ Royalties based on 100% of production
  - ◆ Includes any and all wells located on a lease that are not committed to a pooling agreement.
  - ◆ Multiple lease basis wells on a lease with the same royalty rate can be reported together

Indian Lease  
1420-15-43A

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**ONRR**  
**Reporting Royalties on Lease Basis Production**

ONRR needs BLM/BOEM approval document to put the lease in a producing status.

Has proper notification been sent to the managing agency, i.e. BLM or BOEM?

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### Reporting Royalties on Lease Basis Production

Indian Lease  
1420-15-43A



Lease Basis well –  
100% federal interest

750 barrels oil sold in April 2017

Sales Volume = 750

46

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### Reporting Royalties on Lease Basis Production

5	6	7	10	11	12	13	14	15
LEASE NUMBER	RESERVED FOR PREPARER'S USE	ONRR LEASE NUMBER	PRODUCT CODE	SALES TYPE CODE	SALES MO/YR (MM/CCYY)	TRANSACTION CODE	ADJUSTMENT REASON CODE	SALES VOLUME (McF/bbl/gal/long ton)
	8	9						19
	API WELL NUMBER	ONRR AGREEMENT NUMBER						ROYALTY VALUE PRIOR TO ALLOWANCES \$
1	Lease Basis Example	518 001543 A			01 ARMS 042017 01			750.00

100% x 750 bbls sold =

47

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### Actual vs Allocated Production

- Allocated production used for Agreements
  - ❖ Royalties based on an allocated % of production
    - ◆ Communitization Agreements
    - ◆ Unit Participating Areas
    - ◆ Secondary Recovery Units

48

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**When do you start Reporting Royalties on Agreements**

Wells located on Indian lands should be reported on a lease basis until the CA or PA is approved by the BIA/BLM

ONRR needs the approved allocation schedule from BIA/BLM to establish the agreement in our system.

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**Reporting on Communitization Agreements**

*Common Reporting Errors*

- ✓ **Missing Agreement number** when reporting royalties on production from an agreement.
- ✓ **Incorrect Allocation to leases**
  - ✓ Entire volume of production from the agreement reported as the sales volume on the 2014.
  - ✓ Agreement production reported on one lease when there are several leases receiving an allocation.

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## Indian Leases/Agreements

- Indian leases are those leases owned by any individual Indian or Alaska Native, Indian tribe, band, nation, pueblo, community, rancheria, colony, or other tribal group.
- These persons or individuals own lands or interest in the minerals, and title to these rights is either held in trust or subject to restriction against alienation by the United States.

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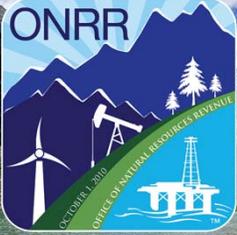
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## OFFSHORE LEASING RESPONSIBILITY

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## Offshore Lease Life Cycle

ONRR receives “approval” to enter the lease in a producing status from the Lease Batch Report run each week by the ONRR’s offshore analyst.

Has proper notification been sent to the managing agency, i.e. BOEM or BSEE?

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### When do you start Reporting Royalties on Agreements

- Wells located on federal offshore blocks should be reported on a lease basis until the Unit or PA is approved by the BSEE.
- ONRR needs the approved allocation schedule from BSEE to establish the agreement in our system(PS).

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### Reporting Royalties on Lease Basis Production

Lease Basis well – 100% federal interest

750 barrels oil sold in April 2014

Sales Volume = 750

Federal Lease  
OCS-G 31005

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### Reporting Royalties on Lease Basis Production

5	6	7	10	11	12	13	14	15
LINE NUMBER	RESERVED FOR PREPARER'S USE	ONRR LEASE NUMBER	PRODUCT CODE	SALES TYPE CODE	SALES MONTH/YR (MM/YY)	TRANSACTION CODE	ADJUSTMENT REASON CODE	SALES VOLUME (Net 150 gal/1000 bbl)
8	9	ONRR AGREEMENT NUMBER						19 ROYALTY VALUE PRIOR TO ALLOWANCES \$
1	Lease Basis Example	054 0310050		01 ARMS	042014	01		750 00

100% x 750 bbls sold =

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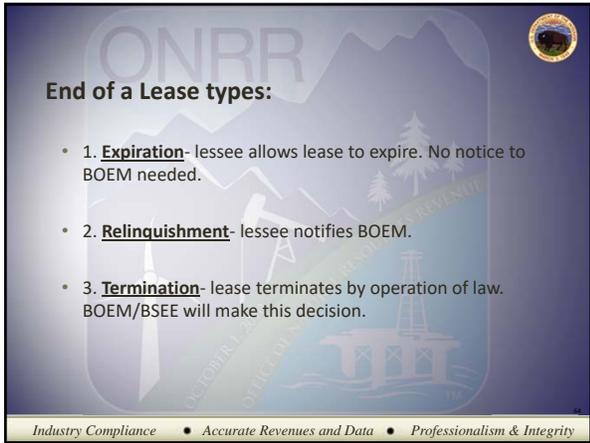
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**End of a Lease types:**

- 1. **Expiration**- lessee allows lease to expire. No notice to BOEM needed.
- 2. **Relinquishment**- lessee notifies BOEM.
- 3. **Termination**- lease terminates by operation of law. BOEM/BSEE will make this decision.

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**BSEE contacts:**  
 Fred Jacobs – 504-736-2424 [fred.jacobs@bsee.gov](mailto:fred.jacobs@bsee.gov)  
 Kelly Johnson – 504-736-2424 [kelly.johnson@bsee.gov](mailto:kelly.johnson@bsee.gov)

**BOEM contacts:**  
 Johanne Lae – 504-736-2935 [johanne.lae@boem.gov](mailto:johanne.lae@boem.gov)  
 Bernadette Thomas– 504-736-2956 [bernadette.thomas@boem.gov](mailto:bernadette.thomas@boem.gov)

**Office of Natural Resources Revenue (ONRR) contacts:**  
 Kurt Barton– 303-231-3463 [kurt.barton@onrr.gov](mailto:kurt.barton@onrr.gov)  
 Nancy Bruce– 303-231-3425 [nancy.bruce@onrr.gov](mailto:nancy.bruce@onrr.gov)

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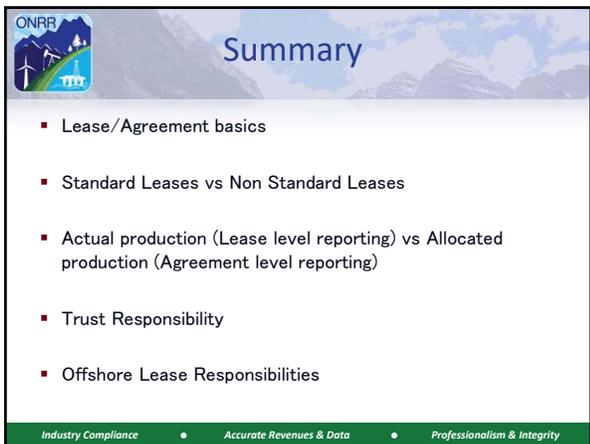
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**Summary**

- Lease/Agreement basics
- Standard Leases vs Non Standard Leases
- Actual production (Lease level reporting) vs Allocated production (Agreement level reporting)
- Trust Responsibility
- Offshore Lease Responsibilities

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# Questions



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