United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165
Denver, Colorado 80225-0165

MAR 3 1 2014

Subject: Reporting Crude Oil Type for Indian Oil Production

Dear Reporter:

The Office of Natural Resources Revenue (ONRR) is changing how you report your Indian oil royalties on Form ONRR-2014. This letter applies to all reporters of Indian oil from tribal and allotted leases (except leases on the Osage Indian Reservation, Osage County, Oklahoma).

Under 30 C.F.R. § 1206.54, ONRR may determine the price at which a major portion of like quality oil is offered or sold from a field or area for leases with a major portion provision, or with language stating the Secretary has the discretion to determine value. To allow ONRR to properly calculate such a price, ONRR is requiring Indian oil reporters to report the crude oil type on their Form ONRR-2014. These crude oil types will ensure the major portion price is for "like quality" oil. Therefore, ONRR will now require you to report the following crude oil type product codes instead of product code 01 in the product code field of your Form ONRR-2014s:

1. Sweet (code 61)
2. Sour (code 62)
3. Asphaltic (code 63)
4. Black Wax (code 64) or
5. Yellow Wax (code 65)

This requirement is applicable only to production currently reported as product code 01. All other product codes will remain the same.

Begin using the above product codes for your June 2014 sales. ONRR will initially implement a warning edit that will state the use of product code 01 for Indian properties is no longer allowed. ONRR intends to change this to a fatal edit by September 1, 2014. For amended reporting prior to the sales date of June 2014, you must use product code 01 for the reversal line but ONRR encourages you to use the new product codes for the rebooking lines.

This reporting change does not affect reporters of Federal oil royalties, including Federal leases for which revenues are shared with Alaska Native Corporations. Reporters of Federal oil royalties must continue to report under 30 C.F.R., Part 1210, subpart B.

Audit Information

Consistent with 30 C.F.R. §1217.50, ONRR will initiate and conduct audits of Indian leases to ensure accurate reporting of royalties and timely and accurate payment of revenues due.

Guidance Information

This letter does not require you to perform any type of restructured accounting or require you to recalculate and pay royalties. It is merely guidance and general information for reporting and paying royalties on Indian oil.

This letter is not an appealable decision, order, Notice of Noncompliance, or Civil Penalty Notice under 30 C.F.R. Part 1290 Subpart B (2013) or 30 C.F.R. Part 1241 (2013). If ONRR issues you an order, Notice of Noncompliance, or Civil Penalty Notice at a later date in accordance with the matters addressed in this letter, we will provide your appeal rights at that time.

Note that the citations refer to ONRR's current published regulations. If these regulations change, use the most recent applicable version. For detailed regulatory language, please visit http://ecfr.gpoaccess.gov and select Title 30 - Mineral Resources, Chapter XII (1200).

If you have questions, or need reporting assistance, please send electronic mail messages to mailbox ONRRIndianOilProductCodes@onrr.gov. If you do not have access to the internet, contact Mr. John Barder at 303-231-3702.

Sincerely,

James D. Steward
Program Director
Financial and Production Management