



Office of Natural Resources Revenue (ONRR)

INDIAN ADJUSTMENTS and RECOUPMENTS



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



Outline

- Overview of adjustments (with videos)
- Overpayments vs over-reporting
- Recoupment rules (allottees vs tribal)
- Changes to the recoupment edits
- Practice!





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Why are you attending Reporter Training?

- A. I'm here to learn.
- B. My boss made me.
- C. I'm here for the CPE's.
- D. All of the Above.





Overview of Adjustments





Video 1

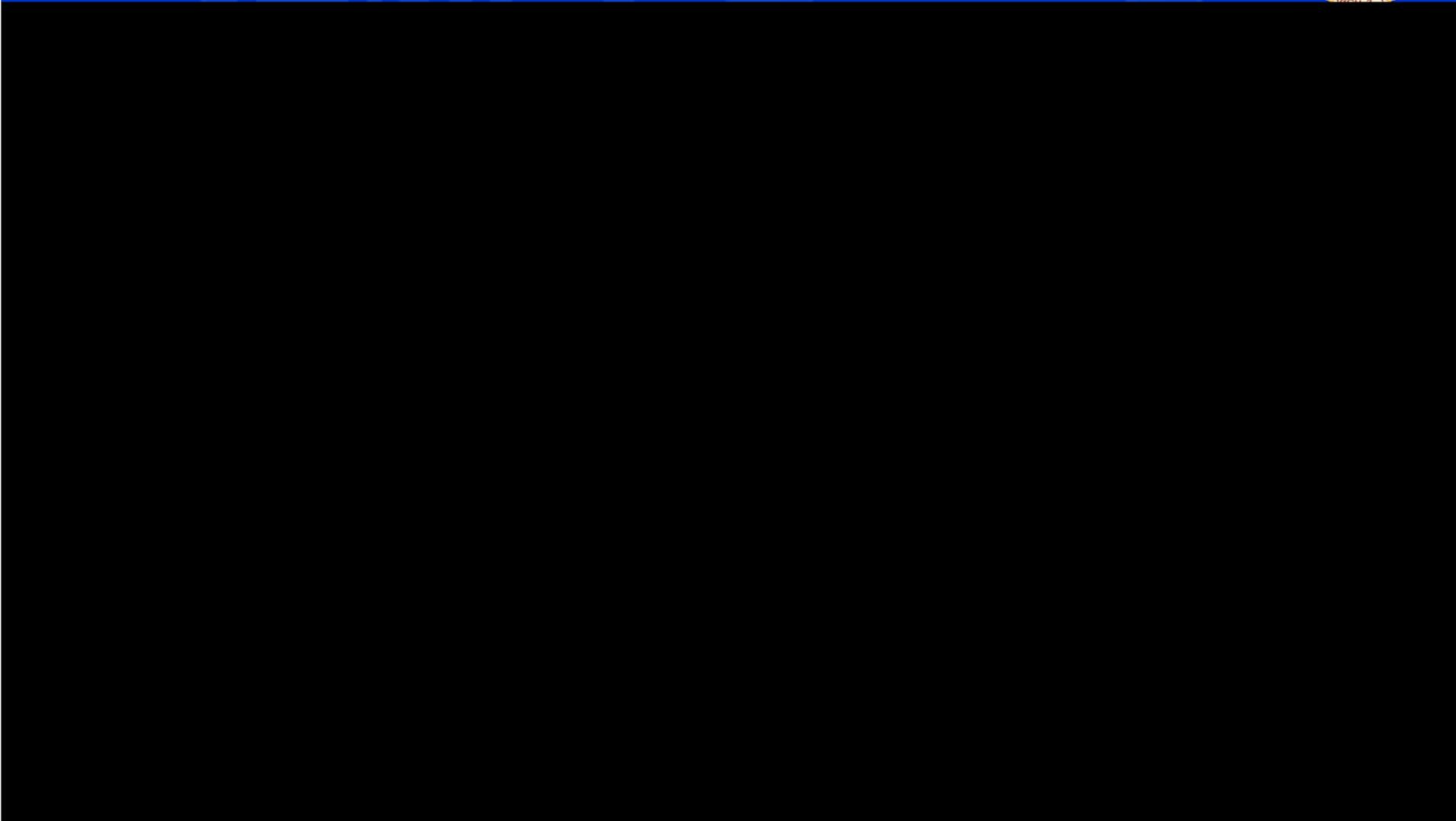
“No Impact on Royalties” and “Additional Monies Due”

Run time: ~6 minutes



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Brief Video 1 Review: Adjustments

Correction made on Form ONRR-2014 to a previously accepted line to report:

- Adjustments that have no effect on payment (no cross-lease netting)
- Adjustments that result in additional monies being owed



Brief Video Review: Adjustments



Two-line entry required:

- Reverse original line as accepted into the ONRR financial system
- Enter the correct (rebook) line. ARC required on both lines.
- Reversal / rebook not required on Estimates (TC03)





Question!

Does ONRR allow rolled-up (net) accounting for royalties?

- A. Sure, always.
- B. No, only if ONRR approves it beforehand.
- C. Yes, CMP-2014 reports can use net reporting.
- D. Only when the result is positive (no recoupments/refunds).





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Example

Payor reports a line for 100bbls, but later realizes it should be 110bbls, so the Payor sends a new 2014 with the difference:

Volume: 10.00

Value: 400.00

RVPA/RVLA: 40.00





Answer!

Does ONRR allow rolled-up (net) accounting for royalties?

B. No, only if ONRR approves it beforehand

Minerals Revenue Reporter Handbook, 6.1.1: “We do not allow single-line adjustments (net adjustments) unless we authorize them in advance.”

— ONRR does not authorize this, except for extremely rare circumstances.





10 Adjustment

Unless instructed otherwise by ONRR, industry can report volume, value, and royalty rate adjustments using ARC 10. This includes Data Mining requests.

15 Marginal Property True-Up

16 Major Portion/Dual Accounting (post 01/01/2000)

17 ONRR-Initiated Compliance Adjustment – (CMP2014 Only)

32 Estimate Adjustment

35 Unit Participating Area/Communitization Agreement Adjustment

49 Index Zone/Dual Accounting Price Adjustment (post 01/01/2000 sales months only)



Making an Adjustment That Does Not Effect Royalties



Detail Line Number	1	2
API Well Number		
ONRR Lease Number	5400092220	5400092220
ONRR Agreement Number		M 102695
Product Code	04	04
Sales Type Code	ARMS	ARMS
Sales MO/YR	072014	072014
Transaction Code	01	01
Adjustment Reason Code	10	10
Sales Volume	-1280.00	1280.00
Gas MMBtu	-1408.00	1408.00
Sales Value	-1760.00	1760.00
Royalty Value Prior to Allowances	-220.00	220.00
Transportation Allowance	0.00	0.00
Processing Allowance	0.00	0.00
Royalty Value Less Allowances	-220.00	220.00
Payment Method Code	03	03



Making an Adjustment Resulting in Additional Monies Owed



Detail Line Number	1	2
API Well Number		
ONRR Lease Number	5400092220	5400092220
ONRR Agreement Number		
Product Code	65	65
Sales Type Code	OINX	OINX
Sales MO/YR	102016	102016
Transaction Code	01	01
Adjustment Reason Code	16	16
Sales Volume	-200	200
Gas MMBtu		
Sales Value	-7000.00	8000.00
Royalty Value Prior to Allowances	-875.00	1000.00
Transportation Allowance	0.00	0.00
Processing Allowance	0.00	0.00
Royalty Value Less Allowances	-875.00	1000.00
Payment Method Code	03	03





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Overpayments vs. Over-reporting

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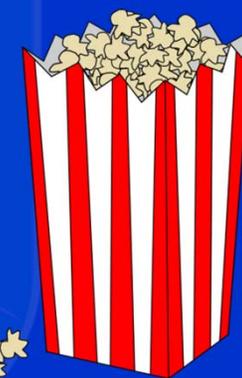




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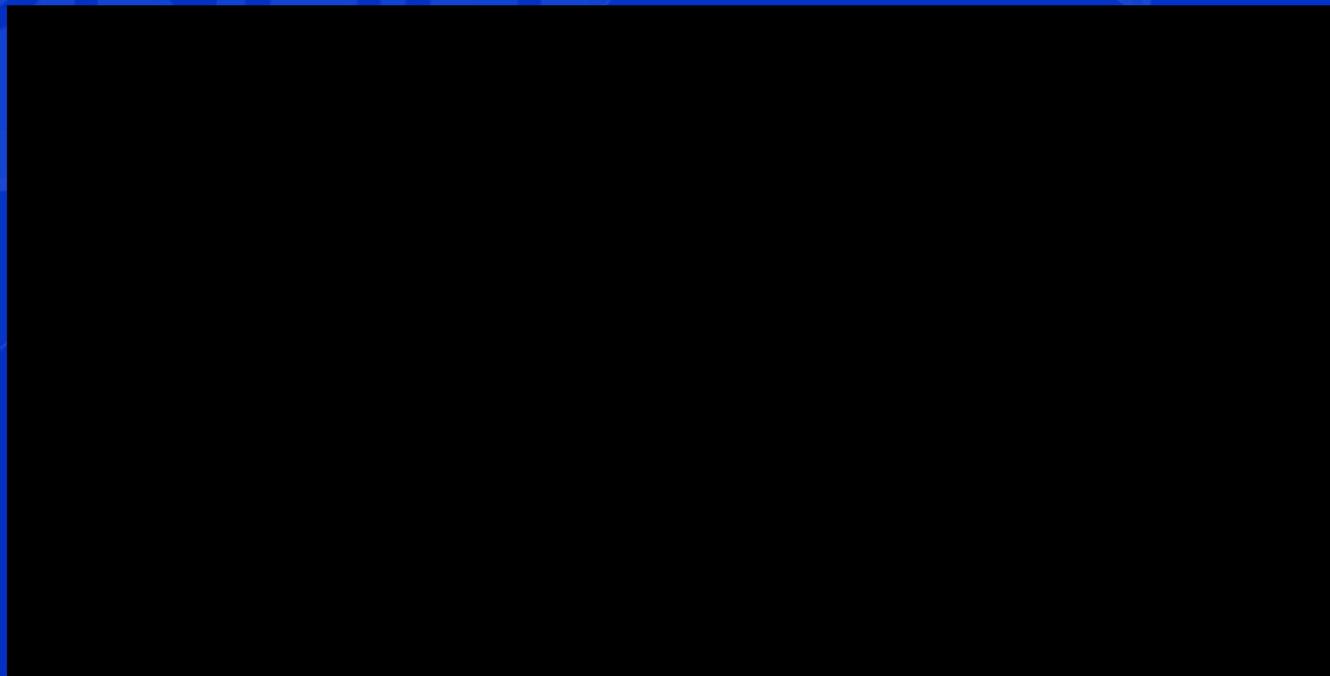
“Overpaid / Recoupment”

Run time: ~6:20 minutes



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Indian Recoupment Situations



➤ Overpaid – Reported Royalties Correctly

- No adjusting Form-2014 necessary.
- Use credit toward the payment of the next amount due to any Indian lease. Please notify your assigned ONRR Accountant.

➤ Overpaid on a Tribal Lease (PM 7) – Reported Royalties Correctly

- No adjusting Form-2014 necessary.
- Use credit only to reduce future payments to that *specific* tribal lockbox. Please notify your assigned ONRR Accountant.

➤ Overpaid and Over-Reported Royalties

- Must reverse original entry and rebook line with correct data.
- Must establish recoupable balance for the specific Indian lease(s) in which the error(s) occurred with a Transaction Code 50.
- Once TC50 is established, recoup with TC51 against net current revenue due on the same lease until fully recouped.



Making an Adjustment Resulting in an Overpayment



Refund?

ONRR cannot refund Indian payments. If there is no new revenue:

- Allotted leases – refund not possible
- Tribal leases – company must request from the appropriate Tribe

When a lease is sold or acquired, it may be possible to transfer the recoupable balance between Payors. Please contact your Royalty Reporting analyst for assistance.



Making an Adjustment Resulting in an Overpayment



Detail Line Number	1	2	3
API Well Number			
ONRR Lease Number	5400092220	5400092220	5400092220
ONRR Agreement Number			
Product Code	65	65	
Sales Type Code	OINX	OINX	
Sales MO/YR	112016	112016	112016
Transaction Code	01	01	50
Adjustment Reason Code	49	49	
Sales Volume	-400	200	
Gas MMBtu			
Sales Value	-10000.00	5000.00	
Royalty Value Prior to Allowances	-1250.00	625.00	625.00
Transportation Allowance	0.00	0.00	0.00
Processing Allowance	0.00	0.00	0.00
Royalty Value Less Allowances	-1250.00	625.00	625.00
Payment Method Code	03	03	03





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Recoupment Rules

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Recoupment Comparison

Tribal

Allotted



Under protection of Indian Tribe

TC 50/51

Recoup up to 100% of net current revenues

Lease specific

With written permission from the Tribe, may recoup from other tribal leases

Owned by an individual Indian

TC 50/51

Recoup up to 50% of net current revenues

Lease specific





Current Revenues

What are “Current Revenues”?

Royalty owed for the current report month, as well as

All other lease revenues reported in the same month, such as annual rent and positive adjustments to previously reported sales months, less

Recoupment (TC25) of the current lease year’s advance rental payment.



Current Revenues (cont.)



What does that really mean?

- Current revenues being reported, such as reporting 01/2017 sales at the end of 02/2017.
- Prior Period Adjustments (PPAs) are calculated per Sales Dates. This means if a PPA is positive (if that month was originally underpaid), then that month's total is part of current revenue. Practice available on the next slide.
- Advance Rental payments (TC05) are not considered overpayments, so the recoupments (TC25) are not part of current revenue.





Transaction Code 25

- Advance rental payments (TC05) are **NOT** considered overpayments.
- Rent Recoupments (TC25) of advance rental payments are **NOT** subject to recoupment limitations within the current lease year (recoup 100% of current revenues).
- Rent Recoupments (TC25) outside of the current lease year must be converted to a TC50 recoupable balance, which is then subject to standard recoupment limitations.



TC25 Practice

Tip: Recoup the current lease year rent before recouping any already established recoupable balance (TC51). 25





Transaction Code 03

➤ Reductions to estimated payments (TC03) **ARE** subject to recoupment limitations (tribal 100%, allotted 50%).

Tip: Recoup the current lease year rent (TC25) before recouping any estimate balance (TC03).





Question!

A Payor owes royalties for the current month of \$700.00 on an Allottee lease. They have a Recoupable Rent remaining balance of \$500.00, so they report a TC25 line for -\$500.00:

1. Lease123 TC01: +\$700.00
2. Lease123 TC25: -\$500.00

What is the “current revenue” amount (that the Payor can also recoup TC51/TC03 from)?

- A. \$700.00
- B. \$500.00
- C. \$200.00
- D. None – they have already over-recouped and will get an IOR.

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Answer!

A Payor owes royalties for the current month of \$700.00 on an Allottee lease. They have a Recoupable Rent remaining balance of \$500.00, so they report a TC25 line for -\$500.00.

C. \$200.00

TC25 Advance Rental recoupments (current lease year) are not limited to Allottee 50% recoupment rules. The “current revenue” starts at \$700.00, less the TC25 of \$500.00, to equal \$200.00 “current revenue.”

Tip: The Payor can recoup another \$100.00 using a TC03 or TC51 if that lease has a recoupable balance.





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CHANGES TO EDITS

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Recoupment Edit

The old edit was 9580: “Recoupment not possible, insufficient summed amount.”

- Covered multiple types of recoupment, including rental recoupment and Indian TC50/TC51 recoupments.
- Limited to checking each line, individually, against the balance in LAB.



Recoupment Edit (cont.)



Replaced with TC-specific Edits on 01/05/2017:

- 9765: Recoupment not possible; summed amount greater than Recoupment Balance for TC04.
- 9766: Recoupment not possible; summed amount greater than Recoupment Balance for TC05/TC25.
- 9767: Recoupment not possible; summed amount greater than Recoupment Balance for TC50/TC51.





Recoupment Edit (cont.)

What do these new edits do differently?

These new edits total up the appropriate lines (based on lease, TCs, and dates when applicable).

If positive subtotal, the edits will not trigger.

If negative, that subtotal is compared to the LAB balance. If the negative subtotal exceeds the LAB balance, edits will trigger.

Note: These edits will only appear once in Validation Results, not on all lines.





Recoupment Edit (cont.)

Example: LAB TC50 Balance = \$100.00

Lease 1: 10/2015 TC01 -\$400.00

Lease 1: 10/2015 TC01 +\$200.00

Lease 1: 10/2015 TC50 +\$200.00

Lease 1: 03/2017 TC01 +\$500.00

Lease 1: 03/2017 TC51 -\$300.00

Question: Will the Edit 9767 trigger for over-recoupment?





Recoupment Edit (cont.)

No, Edit 9767 will not trigger!

Report:

TC50 total: +\$200

TC51 total: -\$300

LAB

Balance: +\$100

Edit limitations to be aware of:

This edit does not check if the lease is Tribal or Allotted. In the previous example, this may still result in an IOR (recouping \$300 from Current Revenue of \$500).

This edit cannot check when multiple reports are sent on the same day before they clear our internal system.



Questions?



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Current Revenues



Prior Period Adjustments (PPAs) example.

- Payor is making unrelated PPAs for 11/2015 and 06/2016.
- The lease is allotted.
- Incorrect cells will turn red.



PPAs Example





Instructions

- Open the Excel file below.
- Complete the TC50/TC51 lines based on the information provided. Assumption: The lease is Allotted.
- Requires enabling Macros.



Practice 1
Recoupment 2014





Practice 2

Instructions

- Open the Excel file below.
- Complete the Recoupment lines based on the information provided.
- Correct entries will turn green; incorrect entries will turn red.



Practice 2 (CSV
format)

