



BASIC LEASES AND AGREEMENTS OKLAHOMA





Agenda

- Lease/Agreement basics
- Actual production (Lease level reporting) vs Allocated production (Agreement level reporting)
- Communitization Agreement Overview
- Indian vs. Federal







Reference and Reporting Management (RRM)

ESTABLISH AND MAINTAIN LEASE AND AGREEMENT DATABASE FILES

IDENTIFY AND RESOLVE REPORTING AND DATABASE INCONSISTENCIES

SUPPORT PROMPT AND ACCURATE DISTRIBUTION OF ROYALTIES





Life of a Lease

	<u>Federal Onshore</u>	<u>Federal 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





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





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



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



Rent

- ◆ Amount per Acre
- ◆ May be recoupable
- ◆ Due on or before Anniversary date of Lease
- ◆ Pay online using e-commerce or pay.gov





Minimum Royalty

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



Split Rent/Minimum Royalty

- ◆ 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
- ◆ MR is calculated based on the portion of the lease that is committed to the PA.
- ◆ Rent is calculated based on the portion of the lease that is not committed to the PA.



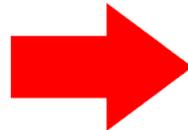
Lease Number Conversions

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

BLM/BIA/BOEM
Assigned
Number

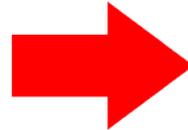
ONRR Converted
Number

WYW0308789



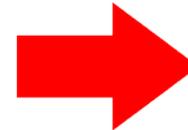
0483087890 (Onshore)

WYW96584



0490965840 (Onshore)

OCS-G27591



0540275910 (Offshore)

14-20-H62-6510



5090065100 (Indian)



Cross Reference Listings

Leases

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

Agreements

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

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



BLM Info in LR2000

➤ <https://reports.blm.gov/reports.cfm?application=LR2000>

**DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
CASE RECORDATION
(MASS) Serial Register Page**

Run Time: 11:10 AM

Page 1 of 4

Run Date: 03/22/2016

01 02-25-1920;041STAT0437;30USC181ETSEQ
Case Type 311211: O&G LSE SIMO PUBLIC LAND
Commodity 459: OIL & GAS
Case Disposition: AUTHORIZED

Total Acres 1,197.840
Serial Number NMNM-- - 008007

Name & Address		Serial Number: NMNM-- - 008007	Int Rel	% Interest
BURLINGTON RES OIL & GAS CO LP	PO BOX 51810	MIDLAND TX 797101810	OPERATING RIGHTS	0.000000000
CAT SPRINGS PROPERTIES LLC	PO BOX 450	SEALY TX 774740450	LESSEE	0.000000000
DUGAN PRODUCTION CORP	PO BOX 420	FARMINGTON NM 874990420	LESSEE	0.000000000
DUGAN PRODUCTION CORP	PO BOX 420	FARMINGTON NM 874990420	OPERATING RIGHTS	0.000000000
ENERGEN RESOURCES CO	605 RICHARD ARRINGTON JR BLVD	BIRMINGHAM AL 352032707	LESSEE	0.000000000
ENERGEN RESOURCES CO	605 RICHARD ARRINGTON JR BLVD	BIRMINGHAM AL 352032707	OPERATING RIGHTS	0.000000000
GLACIER PARK CO	PO BOX 4289	FARMINGTON NM 874994289	OPERATING RIGHTS	0.000000000
MOON ROYALTY LLC	PO BOX 1197	OKLAHOMA CITY OK 73101	LESSEE	0.000000000
QEP ENERGY CO	1050 17TH ST STE 500	DENVER CO 802651050	OPERATING RIGHTS	0.000000000
SOUTHLAND ROYALTY CO LLC	400 W 7TH ST	FORT WORTH TX 761024701	LESSEE	0.000000000

Mer Twp	Rng	Sec	STyp	SNr SUFF	Subdivision	District/Field Office	County	Mgmt Agency
23	0250N	0100W	007	ALIQ	NE,E2W2;	FARMINGTON FIELD OFFICE	SAN JUAN	BUREAU OF LAND MGMT
23	0250N	0100W	007	LOTS	1-4;	FARMINGTON FIELD OFFICE	SAN JUAN	BUREAU OF LAND MGMT
23	0250N	0100W	008	ALIQ	E2,NW;	FARMINGTON FIELD OFFICE	SAN JUAN	BUREAU OF LAND MGMT
23	0250N	0100W	017	ALIQ	E2NE,SW;	FARMINGTON FIELD OFFICE	SAN JUAN	BUREAU OF LAND MGMT

Act Date	Code	Action	Action Remark	Pending Office
09/22/1968	387	CASE ESTABLISHED	SPAR29;	
09/23/1968	888	DRAWING HELD		
10/08/1968	237	LEASE ISSUED		
11/01/1968	496	FUND CODE	05;145003	
11/01/1968	530	RLTY RATE - 12 1/2%		
11/01/1968	868	EFFECTIVE DATE		
11/01/1968	909	BOND ACCEPTED	EPF 05/01/67;NM0140	
03/29/1974	650	HELD BY PROD - ACTUAL		
03/29/1974	658	MEMO OF 1ST PROD-ACTUAL	#1	CLB
06/01/1974	246	LEASE COMMITTED TO CA	SW-912	
07/25/1974	102	NOTICE SENT-PROD STATUS		
08/29/1974	500	GEOGRAPHIC NAME	SAN JUAN FIELD;	
08/29/1974	510	KMA CLASSIFIED		
11/01/1974	246	LEASE COMMITTED TO CA	SW-979	
11/20/1974	512	KMA EXPANDED		
08/13/1975	512	KMA EXPANDED		
02/17/1981	140	ASGN FILED	TEXOMA/NGPC	
05/29/1981	140	ASGN FILED	NGPC/BUCKHORN PETRO	
08/31/1983	522	CA TERMINATED	SW-979	JR
01/18/1984	235	EXTENDED	THRU 08/31/85;	
01/25/1984	140	ASGN FILED	DOME PETRO/TEXACO OIL	
01/25/1984	932	TRF OPER RGTS FILED	(1)	
01/25/1984	932	TRF OPER RGTS FILED	(2)	
03/12/1984	140	ASGN FILED	ELF AQUITAINE/PITCO	

NO WARRANTY IS MADE BY BLM FOR USE OF THE DATA FOR PURPOSES NOT INTENDED BY BLM

Major Actions Performed

Act Date	Code	Action	Action Remark
09/22/1968	387	CASE ESTABLISHED	SPAR29;
09/23/1968	888	DRAWING HELD	
10/08/1968	237	LEASE ISSUED	
11/01/1968	496	FUND CODE	05;145003
11/01/1968	530	RLTY RATE - 12 1/2%	
11/01/1968	868	EFFECTIVE DATE	
11/01/1968	909	BOND ACCEPTED	EFF 05/01/67;NM0140
03/29/1974	650	HELD BY PROD - ACTUAL	
03/29/1974	658	MEMO OF 1ST PROD-ACTUAL	#1 CLB
06/01/1974	246	LEASE COMMITTED TO CA	SW-912
07/25/1974	102	NOTICE SENT-PROD STATUS	
08/29/1974	500	GEOGRAPHIC NAME	SAN JUAN FIELD;
08/29/1974	510	KMA CLASSIFIED	
11/01/1974	246	LEASE COMMITTED TO CA	SW-979
11/20/1974	512	KMA EXPANDED	
08/13/1975	512	KMA EXPANDED	
02/17/1981	140	ASGN FILED	TEXOMA/NGPC
05/29/1981	140	ASGN FILED	NGPC/BUCKHORN PETRO
08/31/1983	522	CA TERMINATED	SW-979 JR
01/18/1984	235	EXTENDED	THRU 08/31/85;
01/25/1984	140	ASGN FILED	DOME PETRO/TEXACO OIL
01/25/1984	932	TRF OPER RGTS FILED	(1)
01/25/1984	932	TRF OPER RGTS FILED	(2)
03/12/1984	140	ASGN FILED	ELF AQUITAINE/PITCO



Question

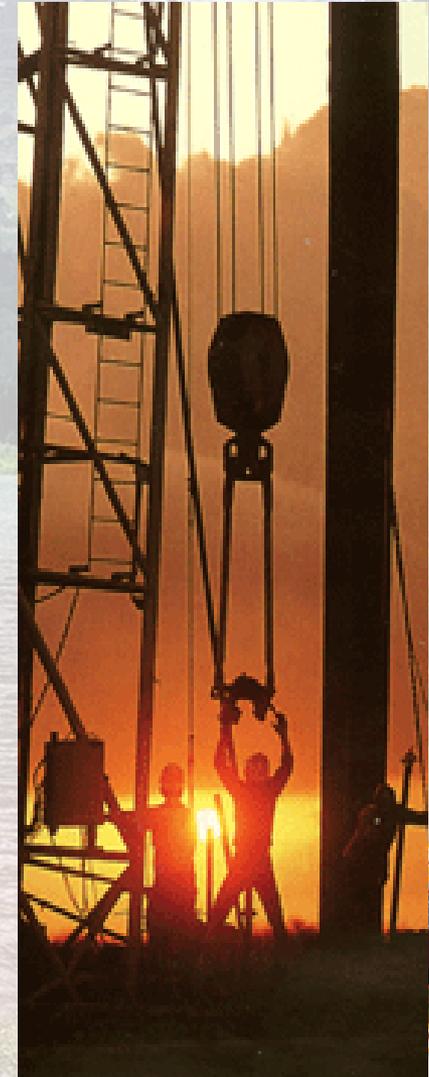
Federal lease rentals include all of the following excepts:

- A. Terms on amount per arce
- B. Due on or before anniversary date of the lease
- C. Based on state spacing requirements
- D. Paid using e-commerce or pay.gov





COMMUNITIZATION AGREEMENTS



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



Communitization Agreement

- ❑ Onshore Federal/Indian leases only
- ❑ Result of State/Tribe spacing requirements
- ❑ Usually based on 1 formation but can be more with horizontal drilling
- ❑ Allocation schedule based on surface acreage





Communitization Agreement

Tract #1

Fee

Tract #2

Federal

Tract #3

Fee

Tract #4



Federal

640 acre spacing requirement





ONRR Establishment of Agreements

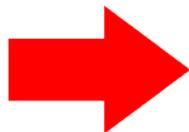
- ✓ ONRR receives and maintains all allocations schedules of approved agreements
- ✓ Reporting is compared to allocations established in ONRR systems
- ✓ Companies cannot report on agreement until approval from BIA/BLM is received.
- ✓ Reporting must be adjusted back to effective date of CA, PA or PA revision.



Communitization Agreement Number Conversion

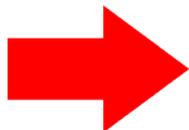
ONRR Converts the Alpha-Numeric Agency Assigned Agreement Number into a 9-Digit Agreement Number for new CA's. Older CA's will have a 10 digit number.

OKNM75212



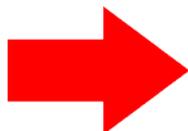
NM__ 75212

WYW157376



W__ 157376

MTM69248



6910001440

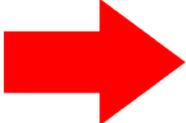




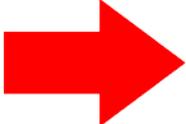
Unit Agreement Number Conversion

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**





Questions

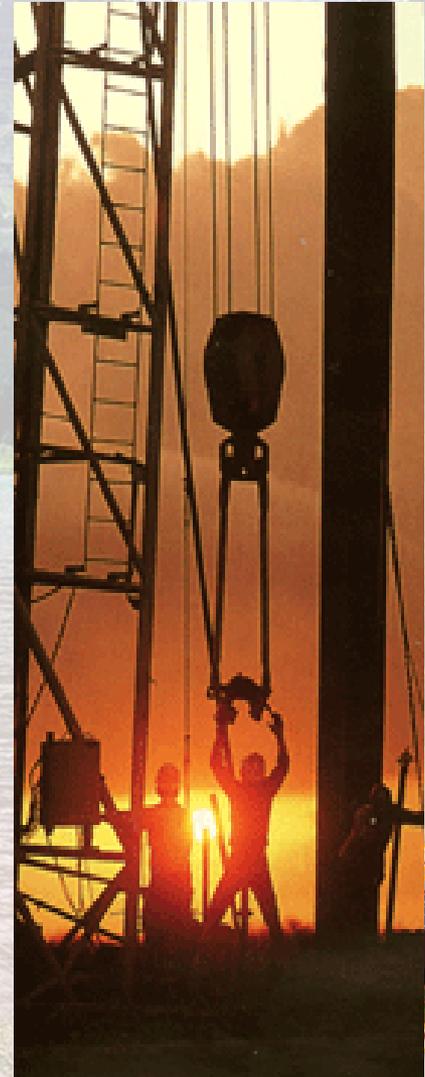
ONRR establishes Communitization Agreements in the ONRR financial system in all of these circumstances except:

- 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





ACTUAL VS ALLOCATED PRODUCTION/REPORTING





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





Actual -vs- Allocated Production

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





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?





Reporting Royalties on Lease Basis Production

Lease Basis well -
100% federal interest

750 barrels oil sold in April
2017

Sales Volume = 750

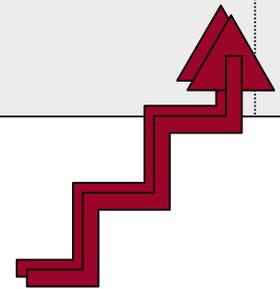
Indian Lease
1420-15-43A



Reporting Royalties on Lease Basis Production

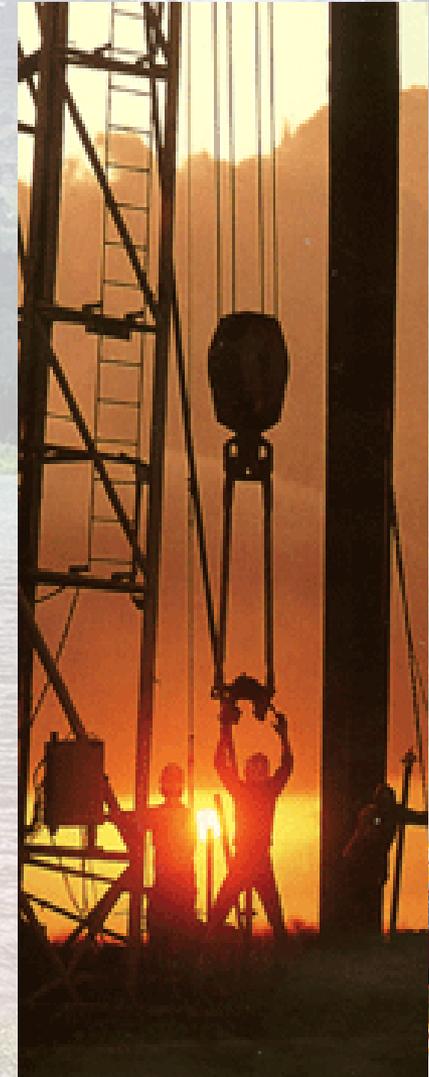
5	6	7	10	11	12	13	14	15		
LINE NUMBER	RESERVED FOR PREPARER'S USE	ONRR LEASE NUMBER			PRODUCT CODE	SALES TYPE CODE	SALES MO/YR (MM/CCYY)	TRANSACTION CODE	ADJUSTMENT REASON CODE	SALES VOLUME (Mcf/bbl/gal/long ton)
	8	9	ONRR AGREEMENT NUMBER							
	API WELL NUMBER									ROYALTY VALUE PRIOR TO ALLOWANCES \$
1	Lease Basis Example	518	001543	A	01	ARMS	042017	01		750 00

100% x 750 bbls sold =





AGREEMENT ALLOCATIONS



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



Reporting on Communitization Agreements

Common Reporting Errors

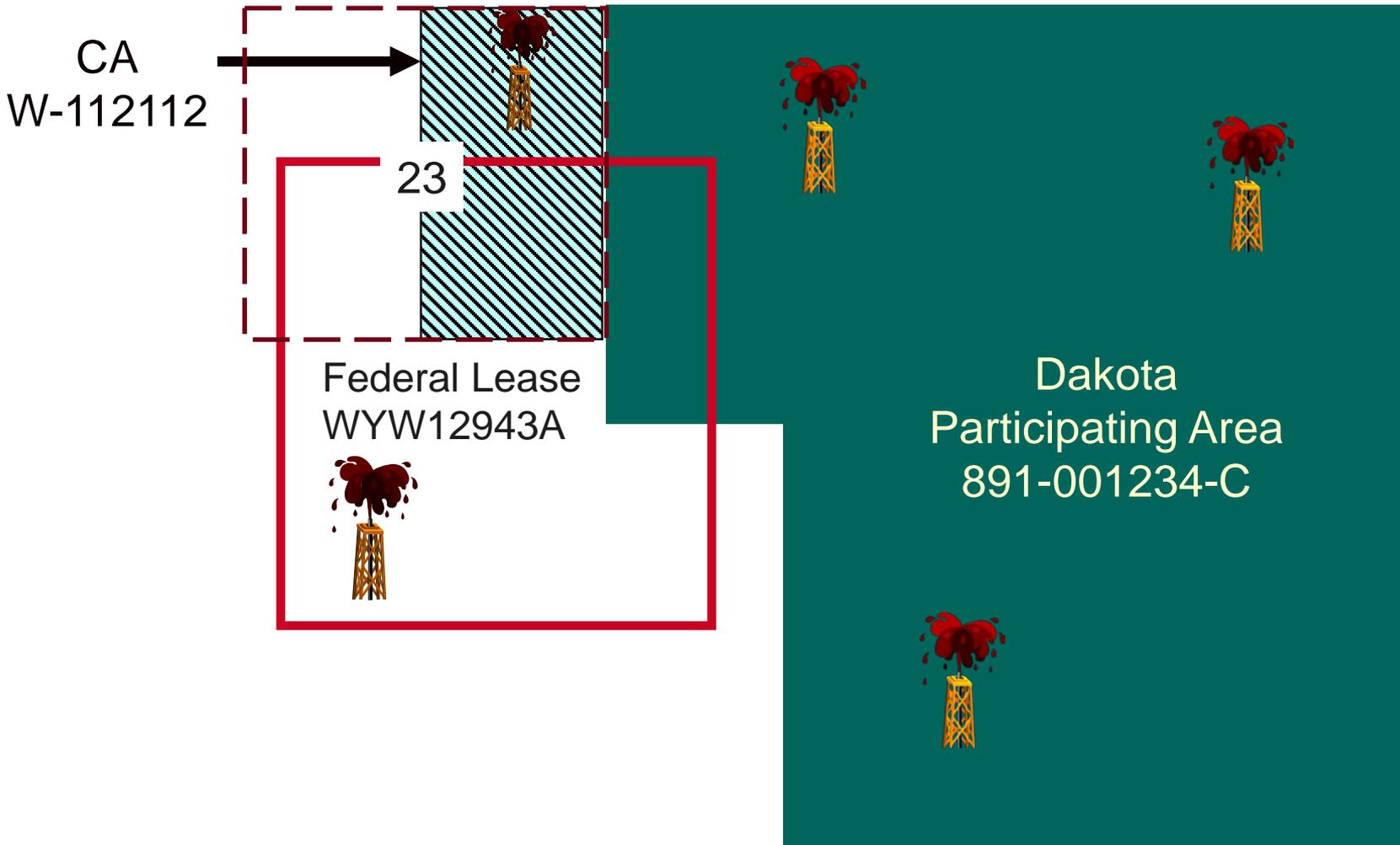
- ✓ **Missing Agreement number** when reporting royalties on production from an agreement.

- ✓ **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.



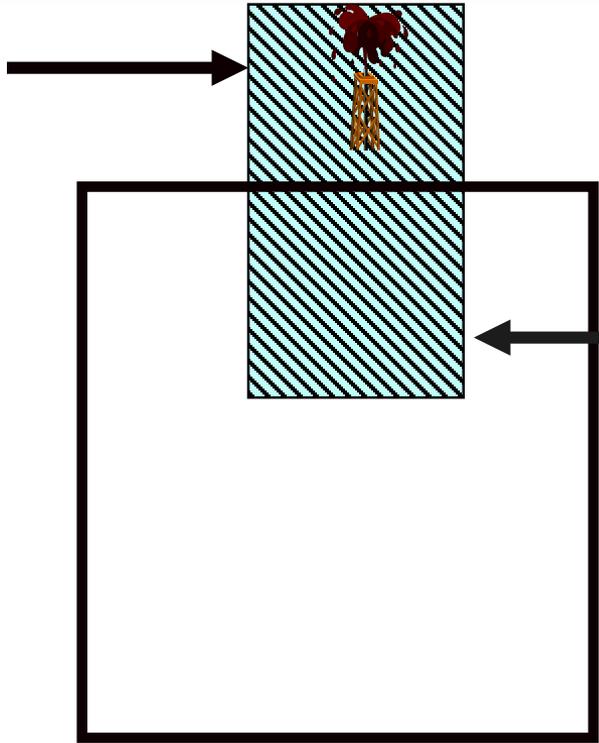
Reporting Royalties based on a Communitization Agreement's Allocation Schedule





Reporting Royalties based on a Communitization Agreement's Allocation Schedule

CA
W-112112



320 Acre Communitization Agreement

Lease WYW12943A receives a 50% allocation from the CA

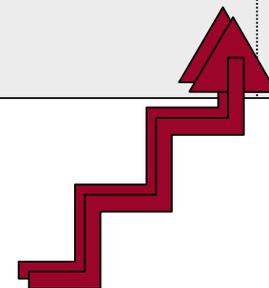
500 barrels oil sold April 2014

Sales volume = $500 \times .50 = 250$

Reporting Royalties based on a Communitization Agreement's Allocation Schedule

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 MO/YR (MM/CCYY)	TRANSACTION CODE	ADJUSTMENT REASON CODE	SALES VOLUME (Mcf/bbl/gal/long ton)
	8 API WELL NUMBER	9 ONRR AGREEMENT NUMBER						19 ROYALTY VALUE PRIOR TO ALLOWANCES \$
1	CA Example	049 012943 A	01	ARMS	042014	01		250 00
		W 112112						

50% allocation x 500 bbls sold



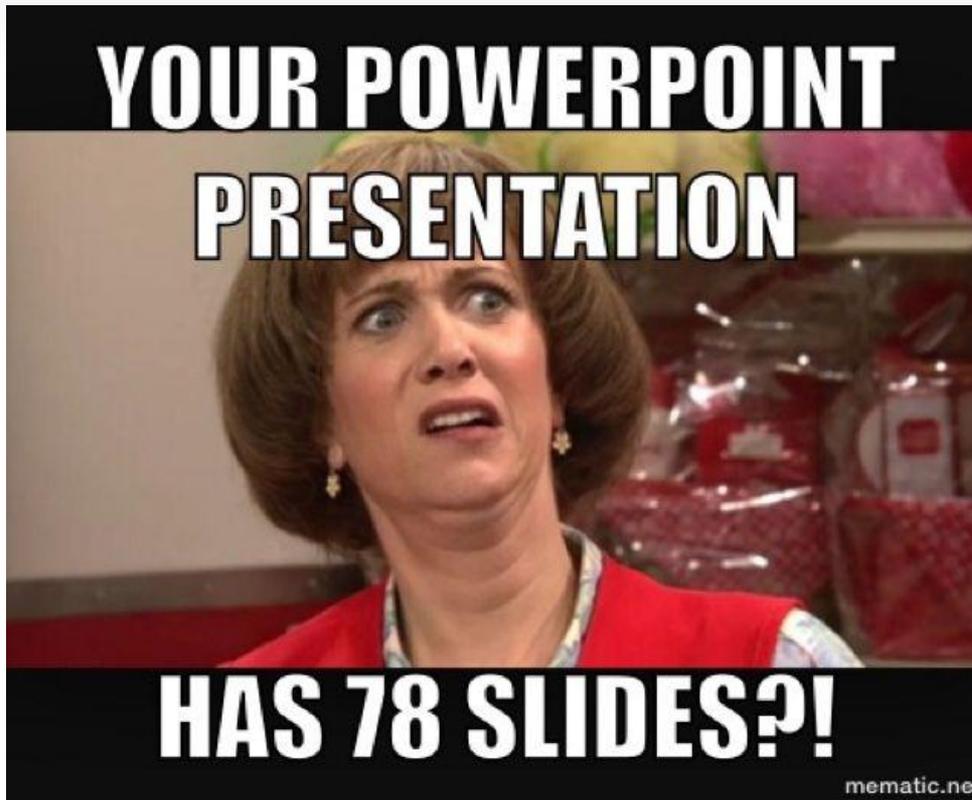


Fun Fact

The deepest well drilled in Wyoming to date was drilled in the Madden Deep Unit between Casper and Shoshoni.

- Deepest well in the Rocky Mountain Region
- 25,764 ft. deep (4.9 miles)
- 1 ½ years to drill
- Cost \$30 million
- Was a dry hole





– It doesn't.....





Indian Leases and Agreements

- What are they?
- What's different?
- What can ONRR do to help us?





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.

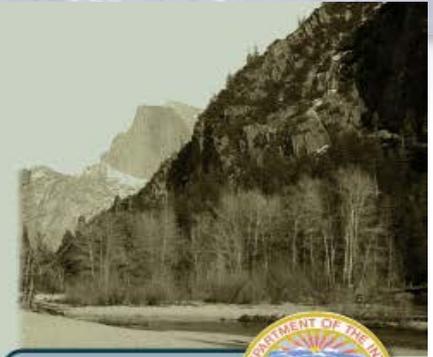




ONRR Trust Responsibility

Four agencies in the Department of the Interior share responsibility for the trust management and protection of Indian mineral interests

How can we help you? How can you contact us?



Office of Natural Resources Revenue (ONRR)



for questions about:

- ▶ Your oil, gas or solid minerals royalty payments
- ▶ How your royalties are calculated
- ▶ Auditing of mineral leases

You may call ONRR offices toll free at:
 Denver 1-800-982-3226
 Farmington 1-800-238-2839
 Oklahoma City 1-800-354-7015

Website: www.onrr.gov

Bureau of Indian Affairs (BIA)



for questions about:

- Land ownership and lease status
- Mineral Leasing
- Finalizing and approving Communitization Agreements (CA)
- Rights-Of-Way
- Probate

For BIA questions, please contact the BIA agency or tribal office having responsibility for your mineral properties.

Website: www.bia.gov

Bureau of Land Management (BLM)



for questions about:

- ▶ Permit approvals to drill or extract a mineral resource
- ▶ What happens in an inspection
- ▶ Frequency and results of onsite inspections
- ▶ Communitization review
- ▶ Lease production volumes
- ▶ Wells and other ownership that may affect your production
- ▶ Proper plugging of wells
- ▶ Official surveys of Indian lands

For BLM questions, please visit their website
 Website: www.blm.gov

Office of the Special Trustee for American Indians (OST)



for questions about:

- How to receive funds from your IIM account.
 - Direct Deposit
 - Debit Card
 - Check
- Privacy of your financial trust account
- Why it is important to update your address
- If funds in your account earn interest
- Trust Assets Information

You may call OST toll free at
 Customer Service Line 1-888-678-6836

Website: www.ost.doi.gov

The ONRR, in conjunction with BIA and OST, provides revenue management services for mineral leases on American Indian lands.

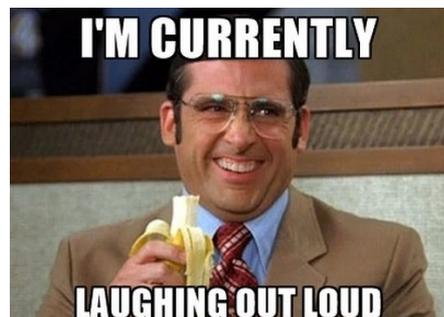
Money collected for Indian mineral leases is returned

~~~~~ **100 %** ~~~~~  
 to respective Indian tribes and individual Indian mineral owners.



# The BASIC Process

- Our main three agencies involved: BIA, BLM, ONRR
- BIA creates the lease and collects payments
- BLM makes production determination and helps with the CA's
- ONRR receives production memo, enters lease, takes over payments
- Simple enough right.....??





# Where FED/ IND differ

- ONRR currently loading only “producing”
- Tribal vs. Allotted, standard vs. non-standard-payment types, disbursements, rules
- TAAMS must be correct/ producing
- MNOP- rare in FED, not in IND
- Rental and royalties vary greatly throughout
- EVERYTHING IS ARCHIVED..... FOREVER



# Converting a Lease

- Older leases: Lease number: 14-20-205-1234
- BIA lease prefix: **14-20-205**= specific to agency
- Look up ONRR number on conversion chart and use to start ONRR#: **14-20-205= 518**
- Take unique numbers for lease (**last 4**), add ending zero and **fill between ONRR and BIA unique** to make 10 digits TOTAL
- **5180012340**



# New Style Conversions

- TAAMS update, all BIA agencies following new random lease number format: 420001234
- Make sure you know which BIA agency/ office you are working with (lease document)
- Refer back to the conversion sheet
- Concho Agency= 518
- Same steps from there: 5180012340



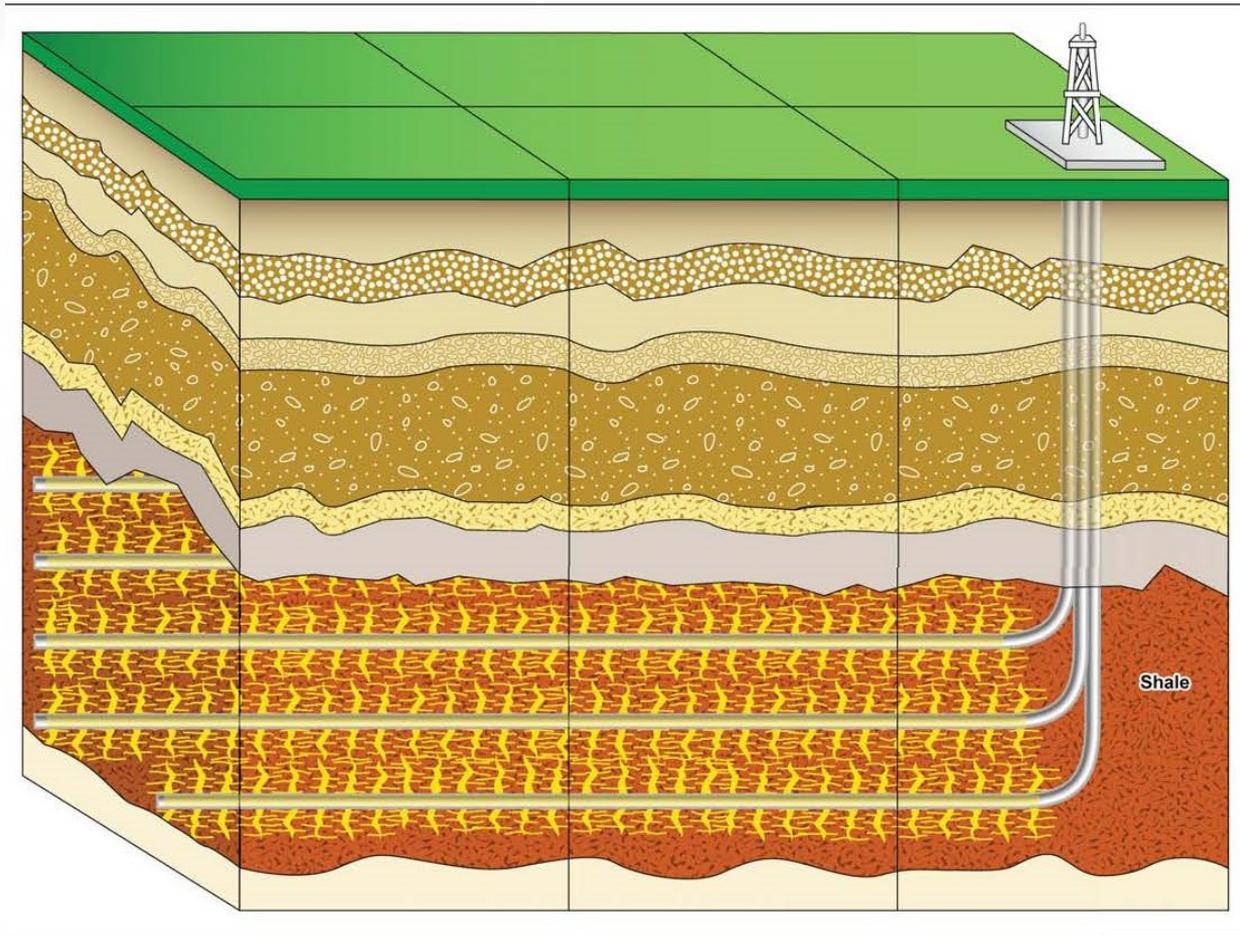
# Multi Unit Wells

- One well crosses thru multiple CA's
- Allocations to each CA determined by BLM in three approval stages: Approved, 50/50, actual
- Instructions on how to report included with each BLM approval
- Horizontal drilling making this more and more common, be prepared





# For Example:





# Before Contacting Us

- Make sure you have approval AND first production memo: sundries/ well completion reports will not suffice (#1 question)
- Do your research: if you look it up and it's not there, we haven't gotten to it, but keep checking!
- Double check your conversions are correct. Contact us for the cheat sheet and numbers 😊
- Make sure you're asking the right team

