FINANCIAL SERVICES

Billing (Federal)

Objective

- Review of types of ONRR Invoices and why they are issued
- Understand Interest invoices and how it ties back to reporting and why

ONRR INVOICE REVIEW

Monthly or routine invoices:

INT late payment - royalty reports or invoices

FIN lease term obligations –unpaid or underpaid

OTH inspections fees

OTH invoices on nonrecurring basis:

Fisherman contingency fund
Liquidated damages
Civil penalty-missing or incorrect payment data

Invoice REVIEW

U. S. Department
Office of Natural Res

INVOI

Customer:
ABC Oil & Gas Company
Attn: Dave David
P. O. Box 34560
Denver, CO 80202-4560

For billing questions, please call 1-800-433-9801 EXT

Description	Line / MMS Lease No.	Sales Date / Agency Lease	Document ID / Lease Name
ASSESSMENT FOR REPORTING OR PAYMENT VIOLATION. PLEASE REMIT ON O			
Liquidated Dam			

	FED01
Page:	1
Invoice No:	OTH100000100
Invoice Date:	04/14/2005
Customer Number:	12345
Distributee Code:	0
Due Date:	08/30/2017
TOTAL AMOUNT DUE:	40.00

00000100
2005
2017
00

For billing questions, please call 1-800-433-9801 EXT

Description	Line / MMS Lease No.	Sales Date / Agency Lease	Document ID / Lease Name	Receipt Date	PAD Number	Amount Due
ASSESSMENT FOR REPORTING OR PAYMENT VIOLATION. PLEASE REMIT ON OR BEFORE THE INVOICE DUE DATE TO AVOID FURTHER CHARGES.						
Liquidated Damages	1	06/2017		06/30/2017		40.00
			SUBTOTAL:			40.00

IOR

Original

INT
Interest Invoice Review

- **INTEREST RATES:**
  - Federal & Indian Oil and Gas IRS rates-compounded
  - Federal & Indian Solid Minerals US Treasury Current Value of Funds-simple
- **INTEREST CALUCLATION STARTS:**

  Royalty:

  From due date from sales date

  30 days no estimate

  Invoices:

  FIN-anniversary date of lease

  INT & OTH-due date of the invoice

$$I = A\left[\left(1 + \frac{R}{N}\right)^{n} - 1\right]$$

- **INTEREST CALCLATION ENDS:**

  PAYMENTS:

  Multiple

  receipt date is the same, summed

  receipt date is different – oldest to newest

Interest Schedule & Reports Review

Interest Schedule

- Type of interest
- Lease number
- Rolled up information

Estimate Report

- Lease estimate amount
- If applicable, document received
- Variance

Late Payment Allocation

- Payments applied
- Due date for each sales month/year

Interest Schedule

U. S. Department of the Interior
Office of Natural Resources Revenue

Interest Schedule - Prebill

Report ID: ZEPRPT01

Page No. 1
Run Date 08/06/2016
Run Time 08:33:20

Business Unit FED01 DistInvoice: INT100000000
Code: XXX Customer: 12345 ABC COMPANY
Bankruptcy Petition Date: Unique Finding Identifier:

Line Nbr	Reference Doc ID	Lease No.	Pre Pttn	Sale Dt.	Roy/Bill Lease Amt	Receipt Date	Ent Rsn	Est Ind	Due Date	Payment Date	Payment Amount	Principal Balance	Accumulated Assessment	From Dt.	To Dt.	Days	Int. Rate	Amount Due
1	ROY100000000	5000000000		04/30/16	416.59	06/29/16	LPROY	N	05/31/16			416.59	416.59	05/31/16	06/30/16	30	0.04	1.37
										06/30/16	416.59	0.00	0.00	06/30/16	06/30/16	0	0.00	0.00
													Total for Bill Line			1		1.37
2	ROY100000000	6000000000		02/29/16	1.62	06/29/16	LPROY	N	03/31/16			1.62	1.62	03/31/16	03/31/16	0	0.03	0.00
													1.62	04/01/16	06/29/16	90	0.04	0.02
										06/29/16	1.62	0.00	0.00	06/29/16	06/29/16	0	0.00	0.00
				04/30/16	406.79	06/29/16	LPROY	Y	06/30/16			406.79	406.79	06/30/16	06/30/16	0	0.00	0.00
										06/30/16	406.79	0.00	0.00	06/30/16	06/30/16	0	0.00	0.00
													Total for Bill Line			2		0.02
3	ROY100000000	6000000001		02/29/16	351.66	06/29/16	LPROY	N	03/31/16			351.66	351.66	03/31/16	03/31/16	0	0.03	0.00
													351.66	04/01/16	06/29/16	90	0.04	3.48
										06/29/16	351.66	0.00	0.00	06/29/16	06/29/16	0	0.00	0.00
				04/30/16	8,714.81	06/29/16	LPROY	Y	06/30/16			8,714.81	8,714.81	06/30/16	06/30/16	0	0.00	0.00
										06/30/16	8,714.81	0.00	0.00	06/30/16	06/30/16	0	0.00	0.00
													Total for Bill Line			3		3.48

Estimate Exception Report

Report ID: ZEPRPT06

U. S. Department of the Interior
Office of Natural Resources Revenue

Estimate Exception Bill Details - Prebill

Business Unit: FED01 Invoice: INT100000000
Dist Code: 0 Customer: 12345 XYX INCORPORATED

Contract	Sale Dt	Document	Line	Receipt dt	Prod Cd	Trans Cd	Royalty Amt	Estimate Amt	Variance
Line No.: 1	Lease No.: 1111111111								
Beginning Balance								**117.79**	
1111111111	01/31/2016	ROY100000000	00000001	02/16/2016		03		-10.18	
Ending Balance	31-JAN-2016							**107.61**	
1111111111	01/31/2016	ROY100000000	00000025	03/14/2016	04	01	116.52		
				Line Total			116.52	107.61	8.91
Line No.: 2	Lease No.: 2222222222								
Beginning Balance								**68.27**	
*** No Change ***									
Ending Balance	31-JAN-2016							**68.27**	
2222222222	01/31/2016	ROY10000000	00000026	03/14/2016	04	01	78.35		
				Line Total			78.35	68.27	10.08
Line No.: 3	Lease No.:xxxxxxxxxx								
Beginning Balance								**926.48**	
xxxxxxxxxx	01/31/2016	ROY100000000	00000003	02/16/2016		03		-58.75	
Ending Balance	31-JAN-2016							**867.73**	
xxxxxxxxx	01/31/2016	ROY100000000	00000032	03/14/2016	04	01	113.82		
xxxxxxxxx	01/31/2016	ROY100000000	00000031	03/14/2016	04	01	970.48		
				Line Total			1,084.30	867.73	216.57

Late Payment Allocation

U. S. Department of the Interior
Office of Natural Resources Revenue

Report ID: ZEPRPT03

Late Payment Allocation - Prebill

Business Unit: FED01 Invoice: INT100000000
Dist Code: 0 Document: Customer: 12345 PADXYZ INCORPORATED
ROY100000000 Number: SEE0316 Receipt Date: 03/14/2016 TOTAL AMOUNT: $21000.00

Bill Line Nbr	Lease	Doc Line/ Item Line	Geo Ind	Nst Ind	Man Flag	Sales Date	TC	ARC	Due Date	Est Ind	Int Ind	Accepted Amount	Al
	XXXXXXXXX	84	N	N	N	02/2014	01	10	03/31/2014	N		$611.56	
									SUBTOTAL:		N	$-0.04	
	XXXXXXXXX	38	N	N	N	01/2016	01	00	03/31/2016	Y		$179.59	
									SUBTOTAL:		N	$179.59	
												$179.59	

Agreements PA/CA

Interest Calculations resulting from Agreements

- Agreement (new or revisions)
  - interest due date will be letter date + one month
  - Sales Month/Year <= Letter Date ARC 35
  - Sales Month/Year> Letter Date, Standard reporting

Interest Example

- Late Payment Allocation Report
  - Incorrect use ARC 10
  - Incorrect use ARC 35

Agreement Example

- Bureau of Land Management' letter date
  - August 17, 2016 received August 24, 2016
  - No interest assessed if received by September 30, 2016
  - ARC 35 should be used for all sales through August 2016
    - Sales Months of September 2016 and later use for adjustments ARC 10 or standing reporting you don't use an ARC
    - Recommendation to report only agreement modifications on report instead of combining agreement adjustments with your regular reporting

Cross Lease Netting

- 30 CFR 1218.42

§ 1218.42 - Cross-lease netting in calculation of late-payment interest.

(a) Interest due from a payor on any underpayment for any Federal mineral lease or leases (onshore or offshore) and on any Indian tribal mineral lease or leases for any production month shall not be reduced by offsetting against that underpayment any overpayment made by the payor on any other lease or leases, except as provided in paragraph (b) of this section. Interest due from a payor or any underpayment on any Indian allotted lease shall not be reduced by offsetting against any overpayment on any other Indian allotted lease under any circumstances.

(b) Royalties attributed to production from a lease or leases which should have been attributed to production from a different lease or leases may be offset to determine whether and to what extent an underpayment exists on which interest is due if the following conditions are met:

(1) The error results from attributing and reporting an equal volume of production, produced from a lease or leases during a particular production month, to a different lease or leases from which it was not produced for the same or another production month;

(2) The payor is the same for the lease or leases to which production was attributed and the lease or leases to which it should have been attributed;

(3) The payor submits production reports, pipeline allocation reports, or other similar documentary evidence pertaining to the specific production involved which verifies the correct production information;

(4) The lessor is the same for the leases involved (in the case of Indian tribal leases, the same tribe is the lessor); and

(5) The ultimate recipients of any royalty or other lease revenues under any applicable permanent indefinite appropriations are the same for, and receive the same percentage of revenue from, the leases.

TRUE OR FALSE

CROSS LEASE NETTING (CLN)

Q1. The Royalty Recipients has to be the same.

Q2. The Lessor does not have to be the Same

Q3. Sale Volume doesn't have to be the same

Q4. The Payor must be the same

Q5. The Royalty Value Less Allowance (RVLA) doesn't need to equal

Hope you enjoy the game!

Cross Lease Netting

- Criteria:
  - Ultimate royalty recipients is the same
  - Same lessor
  - Equal volume
  - Same payor
  - (RVLA) does not have to be equal to be considered CLN. However, the Sale Volume must be equal. Interest will be accessed on the difference.

- Highly recommended to report cross lease netting on its own 2014. Not with other or monthly reporting.

Cross Lease Netting Example

Report ID: ZEPRPT01

U. S. Department of the Interior
Office of Natural Resources Revenue

Interest Schedule - Prebill

Page No. 1
Run Date 08/12/2017
Run Time 03:27:57

Business Unit: FED01 Invoice: INT100000000
Dist Code: 0 Customer: 12345 ABC COMPANY
Bankruptcy Petition Date: Unique Finding Identifier:

Line Nbr	Reference Doc ID	Lease No.	Pre Pttn	Sale Dt.	Roy/Bill Lease Amt	Receipt Date	Ent Rsn	Est Ind	Due Date	Payment Date	Payment Amount	Principal Balance	Accumulated Assessment	From Dt.	To Dt.	Days	Int. Rate	Amount Due
1	ROY100000000	5000000000		05/31/16	14.41	07/26/16	LPROY	N	06/30/16			14.41	14.41	06/30/16	07/28/16	28	0.04	0.04
										07/28/16	14.41	0.00	0.00	07/28/16	07/28/16	0	0.00	0.00
				06/30/16	1,201.57	07/26/16	LPROY	N	08/01/16			1,201.57	1,201.57	08/01/16	08/01/16	0	0.00	0.00
										07/28/16	1,201.57	0.00	0.00	07/28/16	07/28/16	0	0.00	0.00
													Total for Bill Line			1		0.04
2	ROY100000000	6000000000		06/30/16	1,166.46	07/05/17	LPROY	N	08/01/16			1,166.46	1,166.46	08/01/16	12/31/16	152	0.04	19.54
													1,186.00	01/01/17	07/05/17	186	0.04	24.42
										07/05/17	1,166.46	0.00	0.00	07/05/17	07/05/17	0	0.00	0.00
													Total for Bill Line			2		43.96
3	ROY100000000	7000000000		08/31/16	1,018.55	07/05/17	LPROY	N	09/30/16			1,018.55	1,018.55	09/30/16	12/31/16	92	0.04	10.29
													1,028.84	01/01/17	07/05/17	186	0.04	21.19
										07/05/17	1,018.55	0.00	0.00	07/05/17	07/05/17	0	0.00	0.00
													Total for Bill Line			3		31.48
4	ROY100000000	8000000000		09/30/16	1,047.65	07/05/17	LPROY	N	10/31/16			1,047.65	1,047.65	10/31/16	12/31/16	61	0.04	7.01
													1,054.66	01/01/17	07/05/17	186	0.04	21.72
										07/05/17	1,047.65	0.00	0.00	07/05/17	07/05/17	0	0.00	0.00
													Total for Bill Line			4		28.73
5	ROY100000000	9000000000		10/31/16	1,049.42	07/05/17	LPROY	N	11/30/16			1,049.42	1,049.42	11/30/16	12/31/16	31	0.04	3.56
													1,052.98	01/01/17	07/05/17	186	0.04	21.68
										07/05/17	1,049.42	0.00	0.00	07/05/17	07/05/17	0	0.00	0.00
													Total for Bill Line			5		25.24
6	ROY100000000	9000000001		05/31/16	1,188.92	07/05/17	LPROY	N	06/30/16			1,188.92	1,188.92	06/30/16	12/31/16	184	0.04	24.15
													1,213.07	01/01/17	07/05/17	186	0.04	24.98
										07/05/17	1,188.92	0.00	0.00	07/05/17	07/05/17	0	0.00	0.00
													Total for Bill Line			6		49.13

Total of all Negative Bill Lines for Invoice INT100101851 0.00
Total of all Positive Bill Lines for Invoice INT100101851 178.58

Cross Lease Netting Example

U. S. Department of the Interior
Office of Natural Resources Revenue

Report ID: ZEPRPT03

Page No. 7
Run Date 08/12/2017
Run Time 03:27:57

Late Payment Allocation -Prebill

Business Unit: FED01 Invoice: INT100000000
Dist Code: 0 Customer: 12345 ABC COMPANY
Document: ROY100000000 PAD Number: 062017A Receipt Date: 07/05/2017 TOTAL AMOUNT: $0.00

Bill Line Nbr	Lease	Doc Line/ Item Line	Geo Ind	Nst Ind	Man Flag	Sales Date	TC	ARC	Due Date	Est Ind	Int Ind	Accepted Amount	Allocated Amount	Pay Seq Nbr
2	6000000000	2	N	N	N	06/2016	01	00	08/01/2016	N		$1166.46		
									SUBTOTAL:		Y	$1166.46	$1166.46	1
									TOTAL:			$1166.46	$1166.46	
	2500000000	1	N	N	N	06/2016	01	10	08/01/2016	N		$-1166.46		
									SUBTOTAL:		N	$-1166.46		
									TOTAL:			$-1166.46	$0.00	
									DOCUMENT TOTAL:			$0.00	$1166.46	

Bankruptcy

- Petition Date:
  - Pre-Petition Date ONRR will NOT send out Letter of Demand to pay.
  - Post-Petition Date ONRR WILL send out Letter of Demand to pay.

(NOTE: Goes off of sales date)

Review

- ONRR Invoices
- Interest (how it is calculated)
- Agreements
- Cross Lease Netting
- Bankruptcy

QUESTIONS?

THANK YOU!