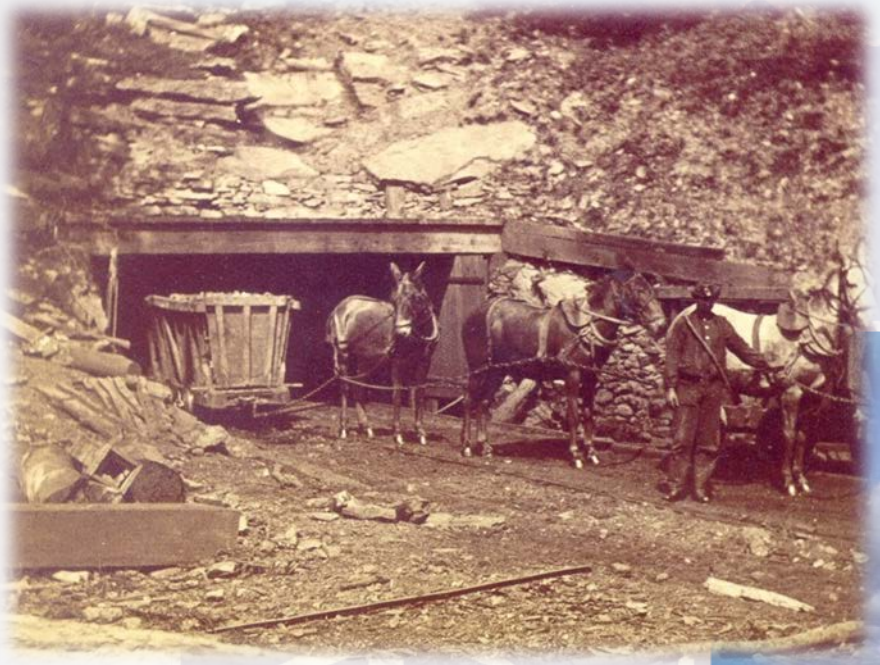
Compliance Management



ONRR Mission

For the benefit of all Americans, ONRR collects, accounts for, and verifies natural resources and energy revenues due to States, American Indians, and the U.S. Treasury.

Compliance Management Goals

Improve reporting accuracy

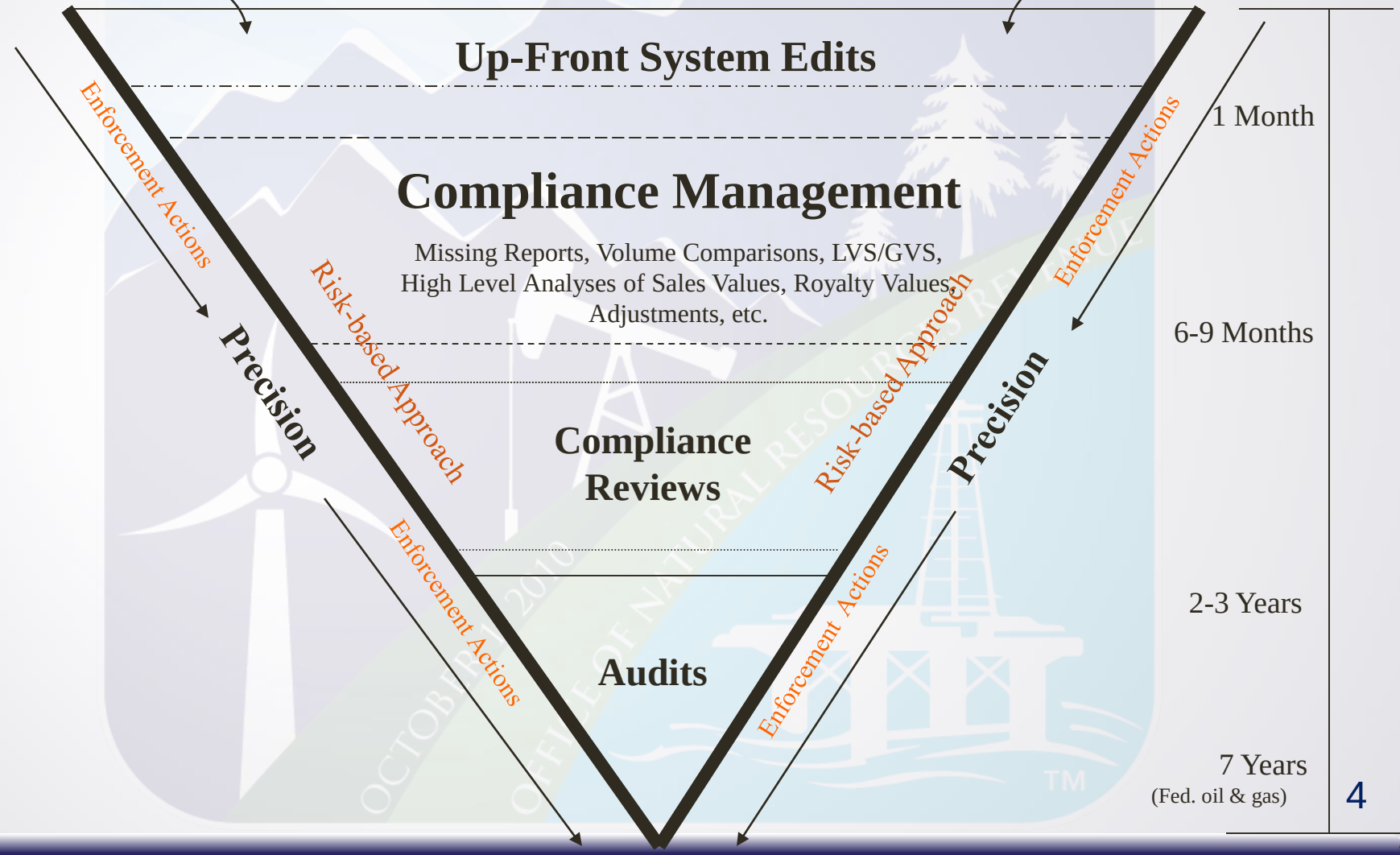
Recommend and Develop Front-End Edits

Identify proactive methodologies to prevent errors

Cleaner reporting going into Audit

Accurate Reporting the 1st Time

ONRR DATA ACCURACY EFFORTS



Compliance Management Overview

What CM Does

Exception Processing:

First analysis of data that has passed ONRR's reporting edits

Clean up data so that subsequent programs can focus on true compliance issues

Compliance Reviews:

Ensures compliance for Oil and Gas

Conducts reviews to determine company compliance with lease terms, laws, and regulations.

Uses guidelines, policies, and procedures designed to determine reasonableness of company-reported royalty and production data.

Exception Processing

Revenue, Reporting, & Compliance Management's compliance teams provide the first analysis of data that has passed ONRR's reporting edits.

The goal is to clean-up reported data so subsequent program work, such as Audits and Compliance Reviews, can focus on true compliance issues, not bad reporting.

Exception Processing

Volume Comparison Team

Detects missing Form ONRR-2014s.

Identifies and resolves high-volume discrepancies between OGOR (Oil and Gas Operations Report) reported sales volumes and 2014 reported sales volumes.

Identifies and resolves lease and agreement misreporting.

1st Commercial Oil Well in USA
Drake Oil Well
1859, PA

Exception Processing

Agreement Monitoring Team

Reviews all new and revised CAs to verify all the leases in the CA are receiving the correct amount of royalties based on the allocation schedule in the terms of the CA.

What is a communitization agreement, or CA?

- A CA is the federal agreement that is created to accommodate state spacing requirements.
- The state spacing unit and the matching federal CA are agreements used to merge several leases into a single area to allow drilling of horizontal or directional wells for wellbores that are unable to be contained in a single lease.
- This is done to recover the most minerals with the least amount of damage including reducing the number of well pads and subsequent damage to land, and potential reservoir damage due to pressure/drainage issues.
- When the CA is formed and approved, the well can then be drilled. The CA of several leases is then equivalent to a single lease for spacing and lease line purposes.
- All the leases in the CA will share an allocated percentage of the royalties, based on how much acreage that lease contributes to the CA.

Exception Processing

Reporting Analysis Team

Net Negative Process- Analyzes net negatives at the company/property/sales month/product code level to ensure proper reporting and payment.

Processed Gas Process- Analyzes processed gas (PC03) reported without Natural Gas Liquids (PC07).

Pricing Analysis and Threshold Development- Analyzes oil and gas prices to determine if upfront pricing edits can be tightened. Price thresholds provided by the Economic Market Analysis Office.

Accurate Reporting the 1st Time

Exception Processing

Future Exception Processing Routines

Identify and ensure all negative adjustments have an original offsetting positive line.

Monitor adjustments to closed time periods that have been audited by ONRR, States, or Tribes.

Identify chronic over-sufficient royalty estimates and other misreporting.

Compliance Management

Process Goals

To ensure all components of the royalty equation are correctly reported and paid

Volume

Value

Allowances

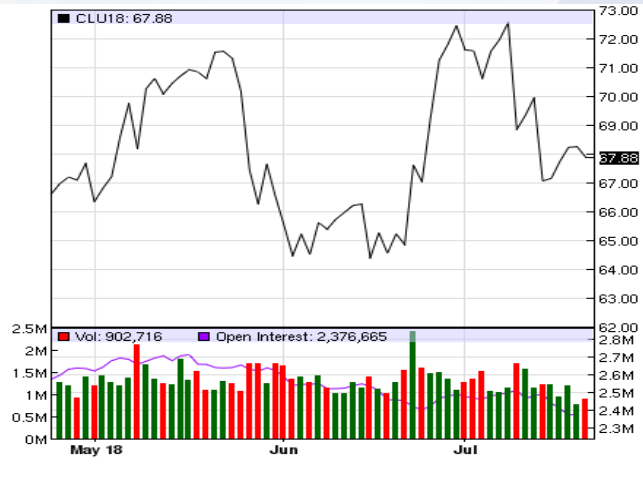
Royalty Rate

Compliance Process – Volume

Producers report volumes produced and sold

Payors report volume and value of products sold

Compliance Process – **Value**



Market Data – EMAO (Asset Valuation Group)

Gas Plant or Oil Purchase Statements

Value for royalty purposes

Compliance Process – **Allowances**

Allowance for transportation of oil and gas to the sales point beyond lease

Maximum 50% of the royalty value

Allowance for processing gas

Maximum of 66.67% of the royalty value of the NGL's

Compliance Process – **Royalty Rate**

Fixed Rate

Step Scale

Sliding Scale
Onshore

Economic
Incentive
(DWRRA)

Compliance Reviews Performed

Compliance Reviews

Compare elements of the royalty equation (volume, value, royalty rate, and allowances) to an expected value to determine if variances exist

Note: Compliance Reviews allow for quick resolution of errors

How Are Compliance Reviews (CRs) Different from Audits?

Audits

Have a higher standard of verification in the form of evidence from company source documents and records resulting in certainty

Longer, formal process

CRs

Provide reasonable assurance that all or part of the royalty equation is paid and reported correctly

Typically a shorter process (7 months or less)

CM Indian Trust Statement

Our staff works diligently to ensure that Indians receive the revenues they are entitled to per the lease terms and regulations.

Data Request

Office of Natural Resources Revenue
Operator Data Request

Case No. xxxxxxx PAD No. xxxxxxxx	Data Mining	Request No. DR-##

PART I	Company Name & ID: Company Name ID #	Request Submitted To: Name Phone Email	Date of Request: mm/dd/yyyy	Date Due: mm/dd/yyyy

PART II

Re: **Property number(s) and/or test months**

We identified discrepancies while conducting a review of the sales volumes reported on the production reports (Form ONRR-4054) and royalty reports (Form ONRR-2014).

To assist us in reconciling these discrepancies, you must:

- Identify each working interest owner and, if applicable, any designated payors, their entitled share, and the volumes they took (sales) during each reporting period for each commodity and property identified on the attached schedule. [1]
- *(If Property is Offshore and Commodity is Processed Gas include this bullet)* If an offshore commingling agreement exists, provide the Settlement Imbalance Statement for each production month based on the OGOR.
- *(If Property is Onshore and Commodity is Processed Gas include this bullet)* Provide Gas Plant Settlement Statement(s) for MM/YYYY.

[1] *For Indian properties, "lessee" refers to an operating rights owner, record title owner, and royalty payor. For Federal properties, "lessee" refers to the operating rights owner and record title owner.*

This data request is authorized under 30 U.S.C. 1713 and 1717. Failure to provide the requested information may result in substantial civil penalties under 30 U.S.C. 1719 and 30 CFR part 1241.

PART III	ONRR Representative Requesting Data:	ONRR Approving Official:
	Name: Name *Office*: Office *Mailing Address*: Address *Phone*: Phone *Email*: Email	*Name*: Name (Supervisor) *Title*: Title (Supervisor)

PART IV

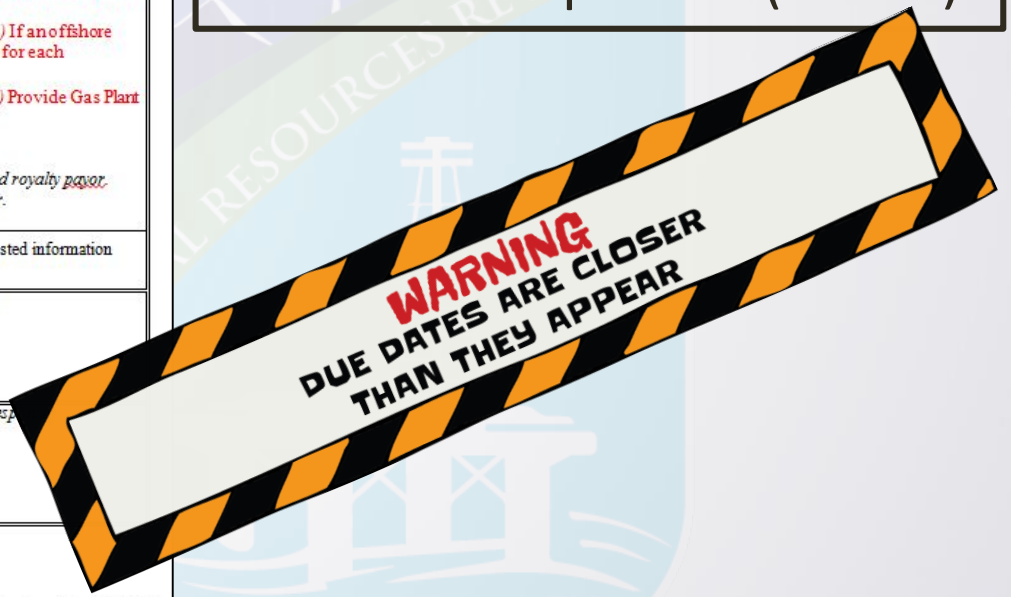
Completed by Company Representative: *(Please complete this section and return with resp*

Name:
Phone:
Email:
Date:

cc:
Contact Name, Title

Version: March 24, 2016

- Up to 30 Day Due Date
- Reasonable extensions
- Failure to respond = Notice of Noncompliance (NONC)



Preliminary Determination

Preliminary Determination

Case No. xxxxxxx PAD No. xxxxxxxx	Case Type	Request No. PD-#

PART I	Company Name & ID:	Request Submitted To:	Date of Request:	Date Due:
	Company Name ID #	Name Phone Email	mm/dd/yyyy	mm/dd/yyyy

PART II **Property Number(s):** Property Number(s)

You are receiving this notification as the result of an Office o
Mining Review. We determined that Company Name (Comp
incorrectly, or both. This Preliminary Determination follows
both—submitted to ONRR.

This is not a final decision. This Preliminary Determination a
documents and comments that may cause ONRR to change ou
that we identified in the enclosed documentation by the date d

ISSUES

[Oil, Gas, Geothermal]

☐ **Volume**

[Data Mining – Volume Comparison] To assist us in reconciling these discrepancies, you must verify:

- All products are reported correctly according to your sales and product disposition documents, allocation schedules and other applicable source documentation.
- All processed gas is reported according to the gas plant statement, including residue gas, NGLs, field fuel and other gas products.
- Sales volumes are reported to the proper lease or lease/agreement combination.
- Agreement allocations are accurately reported. Notify us of any discrepancies in the Mineral Interest Ownership Percentages or Allocations on the attached schedule.

[Data Mining - Agreement Review and Tracking] You were notified of the Bureau of Land Management's approval of Communization Agreement Communitization Number on mm/dd/yyyy (see attached Decision Letter). Pursuant to the approved agreement, corrective reporting should have been completed within 30 days of the letter date. Our Adjustment Monitoring Team is reviewing new approved or revised agreements to ensure we receive corrected reports. The following exceptions need your attention. See the attached schedule for more detail.

- Corrected Form ONRR-2014
- Amended Form ONRR-4054 (OGOR)
  - **Ask your Production Reporting Contact at ONRR to **inactivate** the reports submitted under the lease. This method can be used ONLY if all of the wells reported on the lease move at the same time to the agreement. You must then submit a new original report.*
  - **If all the wells on the lease are not moving to the agreement, submit a **replace** report removing the well(s) off the lease reported by overlaying the previous production month reported. You must then submit new orginal reports under the agreement for the effective date.*
- Volume variance between the OGOR and 2014

Version: May 8, 2017

Process specific instructions

Case No. xxxxxxx PAD No. xxxxxxxx	Case Type	Request No. PD-#

- Correct agreement allocations on Form ONRR-2014

To assist us in reconciling these discrepancies, you must verify:

- All products are reported correctly according to your sales and product disposition documents, allocation schedules and other applicable source documentation.
- All processed gas is reported according to the gas plant statement, including residue gas, NGLs, field fuel and other gas products.
- Sales volumes are reported to the proper lease or lease/agreement combination.
- Agreement allocations are accurately reported. Notify us of any discrepancies in the Mineral Interest Ownership Percentages or Allocations on the Volume Comparison Report.
- In the future, please respond to the BLM Decision Letter timely; within 30 days of the Decision Letter.

☐ **Value/Pricing**

[Data Mining – Unit Pricing] We have identified the following Form ONRR-2014 reports made by you that need to be verified or corrected. Each of the property(s) listed above has one or more of the following: (See Enclosures)

- Product Code 01 Imputed Unit Price is below threshold
- Product Code 02 Imputed Unit Price is below threshold
- Product Code 03 Imputed Unit Price is below threshold
- Product Code 04 Imputed Unit Price is below threshold
- Product Code 07 Imputed Unit Price is below threshold

To assist us in reconciling these discrepancies, you must:

- Verify your ONRR Form-2014 is reported correctly according to your sales and product disposition documents.
- Correct errors. If you determine the reporting is valid as reported, provide an explanation and supporting documentation, if needed.

☐ **Reporting Issues**

[Data Mining – Net Negative] ONRR, Reporting Analysis (RA) team is tasked to review prior-period adjustments within our financial system. We have identified the following Form ONRR-2014 adjustments made by you that need to be verified and corrected as shown on the attached Exception Spreadsheet:

- Net Negative Adjustments for offsetting lines reported to another lease
- Net Negative Adjustments for offsetting lines reported on an agreement
- Net Negative Adjustments for offsetting lines reported in another sales month
- Net Negative Adjustments for offsetting lines reported as transportation
- Net Negative Adjustments for offsetting lines reported as another product code
- Net Negative Reporting

[Data Mining – Processed Gas] We have reviewed the Oil and Gas Operations Report ONRR Form 4054 (OGOR) and the Report of Sales and Royalty Remittances ONRR Form 2014 and have identified discrepancies between the reports for each of the property(s) listed above: (See Enclosures)

- The reported Product Codes on the Form ONRR 2014 royalty report do not align with the reported Disposition Codes on the Form ONRR 4054 (OGOR B).
- Product Code 03 (Processed Gas) should be reported with a Product Code 07 (NGLs) on the Form ONRR 2014 report.
- Product Code 07 (NGLs) should be reported with Product Code 03 (Processed Gas) on the Form ONRR 2014 report.

Version: May 8, 2017

Preliminary Determination

Case No. xxxxxxx PAD No. xxxxxxxx	Case Type	Request No. PD-#

To assist us in reconciling these discrepancies, you must:

- Verify the Disposition Codes reported on the Form ONRR-4054 (OGOR B) are accurate.
- Verify your ONRR Form-2014 is reported correctly according to your sales and product disposition documents.
- Report all processed gas according to the gas plant statement, including residue gas, NGLs and other gas products.
- Correct Errors. If you determine the reporting is valid as reported, provide an explanation and supporting documentation, if needed.

[Data Mining – Repetitive Reporting] We have identified the following Form ONRR-2014 reports made by you that need to be verified or corrected. Each of the property(s) listed above h (See Enclosures)

- Repetitive reporting of Sales Volume on the same lease for multiple m
- Repetitive reporting of Gas MMBtu on the same lease for multiple mo
- Repetitive reporting of Royalty Value Less Allowances on the same le
- Identical values reported for Sales Volume and Gas MMBtu for the sa
- Incorrectly reporting Btu factor as MMBtu and repetitively reporting t
- Repetitive imputed unit price on the same lease for multiple months.

To assist us in reconciling these discrepancies, you must:

- Verify your ONRR Form-2014 is reported correctly according to your documents.
- Report all processed gas according to the gas plant statement, includin products.
- Correct errors. If you determine the reporting is valid as reported, pro supporting documentation, if needed.

Reporting Guidance

You must use the following guidelines when making adjustments to the Repor Remittance, (Form ONRR-2014).

- [DMS/Not ART]Reverse previously reported line(s) and submit corre Reason Code (ARC) 10 on both lines. **Do not use the CMP-2014**.
- [DMS/ART] Reverse previously reported line(s) and submit correctin Reason Code (ARC) 35 on both lines for new and revised agreements. pricing, etc. Use no ARC when reporting original lines. **Do not use t**
- [DMS/ART]Submit reporting for the agreement retroactive to the effective date.
  - Include both the applicable lease numbers and the agreement number on your report.
  - Report in accordance with the agreement allocation schedule.
- Do not net or roll-up your reporting.
- Report adjusting entries separately from your regular monthly report.
- [Oil/Gas/Geothermal]Reverse original line(s) and submit correcting line(s) on the same report.
- Do not submit royalty reporting corrections for Federal and Indian leases on the same report.
- Pay any monies due by the due date indicated on this Preliminary Determination.
- If your adjustments result in additional royalty payments, you are subject to late-payment interest. ONRR computes interest in accordance with 30 CFR part 1218 or applicable lease terms.

Version: May 8, 2017

eCommerce Access

Addressee of Record ONRR-4444

Case No. xxxxxxx PAD No. xxxxxxxx	Case Type	Request No. PD-#

- Review your records to determine if other leases and/or sales months have the same errors. If you find errors, you must verify and correct your reporting.
- Do not correct reporting beyond the statute of limitations under 30 U.S.C. 1721a for Federal oil and gas leases.
- Refer to http://www.onrr.gov/ReportPay/payments.htm for instructions on how to submit payments.

You must report accurate, complete, and timely information electronically to ONRR under 30 CFR part 1210. Refer to the handbooks available at https://onrr.gov/ReportPay/Handbooks/index.htm.

- [Oil/Gas/Geothermal]*Minerals Revenue Reporter Handbook* for Report of Sales and Royalty Remittance, Form ONRR-2014
- [Oil/Gas]*Minerals Production Reporter Handbook* for Oil and Gas Operations Report, Form ONRR-4054

[Oil/Gas/Geothermal]You must use eCommerce to report to ONRR (http://www.onrr.gov, and select the "eCommerce Portal"). If you are unable to access the eCommerce Portal, you will need to fill out an "EMARF" form. If you need access to this form or have questions, please go to https://onrr.gov/ReportPay/Forms/index.htm.

You must submit an Addressee of Record Designation for Service of Official Correspondence (Form ONRR-4444) if your address or the person to whom official correspondence should be served is incorrect or you have not previously submitted one. The form and associated instructions are available at https://onrr.gov/ReportPay/Forms/index.htm.

Failure to Properly Report

Please note that if you misreport royalties or other obligations, as applicable, or misreport production data, ONRR may assess substantial civil penalties under 30 U.S.C. 1719 and 30 CFR part 1241.

ONRR Representative Requesting Data:

Name: Name *Phone*: Phone
Office: Office *Email*: Email
Mailing Address: Address

PART III	**ONRR Representative Requesting Data:** *Name*: Name *Phone*: Phone *Office*: Data Mining, Volume Comparison *Email*: Email *Mailing Address*: Address	**ONRR Approving Official:** *Name*: Name (Supervisor) *Title*: Title (Supervisor)
PART IV	**Completed by Company Representative:** *(Please complete this section and return with response)* *Name*: *Phone*: *Email*: *Date*:	

cc:

Version: May 8, 2017

Preliminary Determination

Reporting Guidance

You must use the following guidelines when making adjustments to the Form ONRR-2014.

- Reverse previously reported line(s) and submit correcting line(s) using an Adjustment Reason Code (ARC) 10 on both lines. **Do not use the CMP-2014.**
- Do not net or roll-up your reporting.
- Report adjusting entries separately from your regular monthly report.
- Reverse original line(s) and submit correcting line(s) on the same report.
- Do not submit royalty reporting corrections for Federal and Indian leases on the same report.
- Pay any monies due by the due date indicated on this PD.

Reporting Guidance

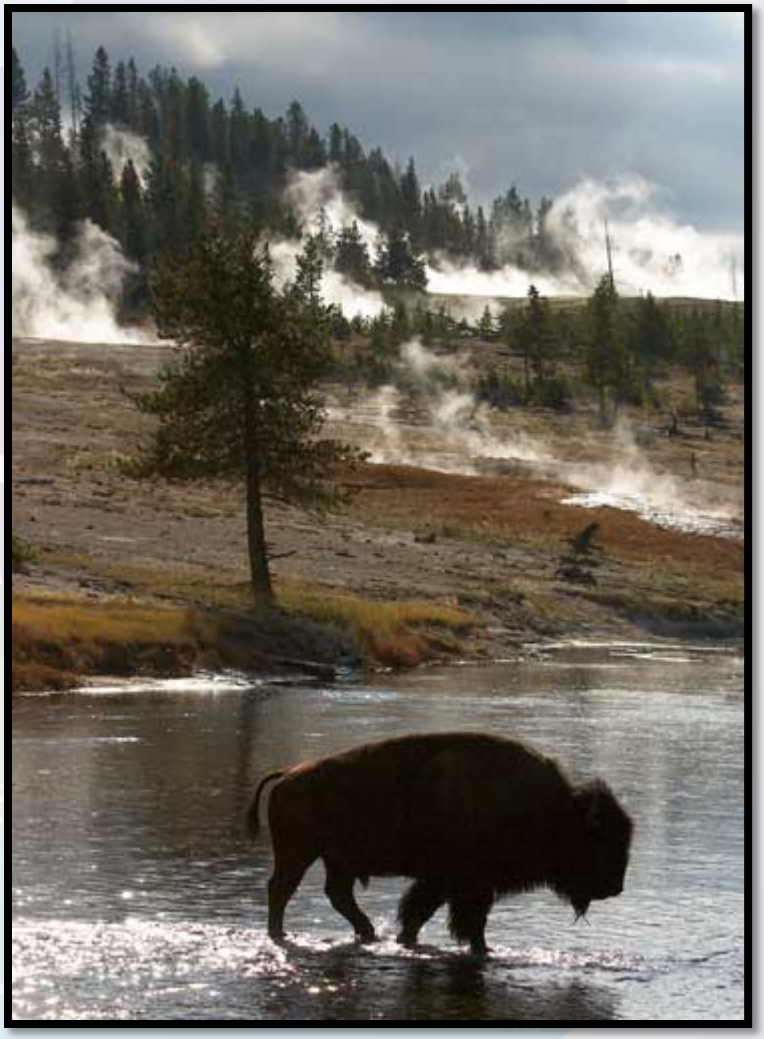
You must use the following guidelines when making adjustments to the Form ONRR-2014.

- Reverse previously reported line(s) and submit correcting line(s) using an Adjustment Reason Code (ARC) 17 on both lines. Use no ARC when reporting original lines. **Use the *CMP-2014*.**
- Should the ***CMP-2014*** submitted for review not reflect the PAD Number XXXXXXXX and Report ID eCommerce Report ID, your lines will be rejected by ONRR and you will be required to correct your report and resubmit. A rejected report may affect your ability to comply with this PD in a timely manner.
- Do not net or roll-up your reporting.

Preliminary Determination

- 30 Day Due Date
- Reasonable extensions considered
- Missed due dates = Order

Communicate



Order

CERTIFIED MAIL—
RETURN RECEIPT REQUESTED

Company ID: CUST ID (F/I)
Case No. XXXXXXX

OR

FEDERAL EXPRESS

OR

SENT VIA MESSAGEWAY

[Mr./Ms.] Company Contact Name
Title
Company Name
Mail Address
City, State Zip Code

ORDER TO REPORT (Order)

Dear [Mr./Ms.] Company Contact Last Name:

The Office of [Natural Resources Revenue (ONRR)/State/Tribe] determine
Name (Company Acronym) reported incorrectly, paid incorrectly, or both.
this Order as a result of [a Data Mining Review, a Compliance Review OR
ordered to [Order to Report: report within 30 calendar days; Order to Repor
pay [additional royalties/other obligations] of $Amount within 30 calendar days; Order to Perform Restructured Accounting and Pay: perform restructured accounting, report and pay any additional royalties or other obligations, as applicable, within 30 calendar days Federal Oil and Gas: 60 calendar days] of receipt of this Order to fully resolve the issues that we identified in the enclosed documentation. In addition, you must review and correct your prior reports for all your Federal and Indian leases and properties to assure that they do not suffer from the same reporting deficiencies cited in this Order.

[Net Negative Exceptions/RSFA Exceptions]On [Date of original Preliminary Determination] the enclosed Preliminary Determination was sent to you requesting amended/modified reports for the identified issues. The time period specified in that request has expired and, to date, you have not complied. Refer to the enclosures for a detailed explanation of the Order and supporting information.

Case specific explanation

Due date

[Mr./Ms.] Company Contact Name
Company Name

2

[Unit Pricing Exceptions – Standard Language- Editable]On [Date of original Preliminary Determination] the enclosed Preliminary Determination was sent to you requesting missing/amended reports. ONRR found that the reported sales volume and sales value resulted in an imputed price that is below a reasonable market value reported on the Report of Sales and Royalty Remittance, (Form ONRR-2014). The time period specified in that request has expired and, to date, you have not complied. Refer to the enclosures for a detailed explanation of the Order and supporting information.

[Repetitive Reporting Exceptions – Standard Language- Editable]On [Date of original Preliminary Determination] the enclosed Preliminary Determination was sent to you requesting missing/amended reports. ONRR found repetitions reported on the Report of Sales and Royalty Remittance, (Form ONRR-2014). The time period specified in that request has expired and, to date, you have not complied. Refer to the enclosures for a detailed explanation of the Order and supporting information.

[Processed Gas Exceptions – Standard Language- Editable]On [Date of original Preliminary Determination] the enclosed Preliminary Determination was sent to you requesting missing/amended reports. ONRR found misreporting on the Report of Sales and Royalty Remittance, (Form ONRR-2014), and/or the Oil and Gas Operations Report, (Form ONRR-4054). The time period specified in that request has expired and, to date, you have not complied. Refer to the enclosures for a detailed explanation of the Order and supporting information.

[Volume Exceptions – Standard Language- Editable]On [Date of original Preliminary Determination] the enclosed Preliminary Determination was sent to you requesting missing/amended reports. ONRR found differences between certain sales/transfer volumes reported for production and the sales volumes reported on the Report of Sales and Royalty Remittance (Form ONRR-2014), as specified on the attached schedule. The time period
uest has expired and, to date, you have not complied. Refer to the enclosures
nation of the Order and supporting information.

Exceptions – Standard Language- Editable]On [Date of original Preliminary
enclosed Preliminary Determination was sent to you requesting
reports based on the BLM's Agreement Approval Decision Letter. ONRR
cted reports, as specified on the attached schedule. The time period specified
xpired and, to date, you have not complied. Refer to the enclosures for a
n of the Order and supporting information.

the enclosures for a detailed explanation of the Order and supporting
ust keep and maintain all Federal and Indian records for the period and make

Order

[Mr./Ms.] Company Contact Name
Company Name

3

them available for inspection in accordance with 30 U.S.C. 1713 and 1717 and 30 CFR part 1212.

You must use the following guidelines when making adjustments to the [
Oil/Gas/Geothermal] Report of Sales and Royalty Remittance, (Form ON
ONRR-2014 [Solids] Solid Minerals Production and Royalty Report (For

- [DMS/Not ART]Reverse previously reported line(s) and submit c
an Adjustment Reason Code (ARC) 10 on both lines. **Do not use**
- [DMS/ART]Reverse previously reported line(s) and submit corre
Adjustment Reason Code (ARC) 35 on both lines for new and rev
ARC 10 to adjust volume, pricing, etc. Use no ARC when report
not use the CMP-2014.
- [DMS/ART]Submit reporting for the agreement retroactive to the
  - Include both the applicable lease numbers and the agreement number on y
report.
  - Report in accordance with the agreement allocation schedule.
- Do not net or roll-up your reporting.
- Report adjusting entries separately from your regular monthly report.
- [Oil/Gas/Geothermal]Reverse original line(s) and submit correcting line(s) on the
report.
- Do not submit royalty reporting corrections for Federal and Indian leases on the s
report.
-
- If your adjustments result in additional royalty payments, you are subject to late-payment interest. ONRR computes interest in accordance with 30 CFR part 1218 or applicable lease terms.
- Review your records to determine if other leases and/or sales months have the same errors. If you find errors, you must verify and correct your reporting.
- Do not correct reporting beyond the statute of limitations under 30 U.S.C. 1721a for Federal oil and gas leases.
- Refer to http://www.onrr.gov/ReportPay/payments.htm for instructions on how to submit payments.

You must report accurate, complete, and timely information electronically to ONRR under 30 CFR part 1210. Refer to the handbooks available at http://www.onrr.gov/ReportPay/Handbooks/default.htm.

- *Minerals Revenue Reporter Handbook* for Report of Sales and Royalty Remittance, Form ONRR-2014
- *Minerals Production Reporter Handbook* for Oil and Gas Operations Report, Form ONRR-4054

eCommerce and ONRR-4444 guidance

Appeal language

Adjustment guidelines

[Mr./Ms.] Company Contact Name
Company Name

4

- *Solid Minerals Reporter Handbook* for Production and Royalty Report, Form ONRR-4430

[Oil/Gas/Geothermal]You must use eCommerce to report to ONRR (http://www.onrr.gov, and select the "eCommerce Portal"). If you are unable to access the eCommerce Portal, you will need to fill out an "EMARF" form. If you need access to this form or have questions, please go to http://onrr.gov/ReportPay/Forms/default.htm.

You must submit an Addressee of Record Designation for Service of Official Correspondence (Form ONRR-4444) if your address or the person to whom official correspondence should be served is incorrect or you have not previously submitted one. The form and associated instructions are available at http://www.onrr.gov/ReportPay/Forms/default.htm.

You have the right to appeal this Order under 30 CFR part 1290. If you choose to appeal, you must file a Notice of Appeal and a statement of reasons or written arguments justifying a reversal or modification of the Order within [30 days for Orders to Report and Orders to Report and Pay
rs to Perform Restructured Accounting] of receiving
llowed for filing the Notice of Appeal. See

ult in substantial civil penalties under 30 U.S.C. 1719

s Name at (###) ###-#### or email, or you may
###) ###-#### or email with any questions regarding

Sincerely,

Name
[Insert current, applicable Signature Authority, as published on ONRR Intranet or appropriate name and title for State or Tribal audit office]

Enclosure(s)
List of Enclosures

cc:
Contact Name, Title

Compliance Management

Orders and Notices of Non-Compliance

- **Orders will be issued if Data Request or Preliminary Determination is not responded to by due date.**
- **<u>Extensions cannot be granted</u> on Orders**
- **Appeal rights apply**
- **Failure to respond to an Order will result in a Notice of Non-Compliance**
- **<u>Extensions cannot be granted</u> on NONCs**

Case Closed

Subject: Case Closed

This is to inform you that ONRR has completed work on this Case [Case Number]. However, you are advised the properties and time periods covered by this case may be subject to future review and audit.

Fiscal Year: YYYY Organization: Data Mining, Volume Comparison

Company ID: XXXXX Company Name: XXXXXX

Property(s): XXXXXXXXXX

Review Period: MM-YYYY through MM-YYYY

Case Analyst: Analyst Name

[Records retention requirements for Federal oil & gas leases]Under 30 U.S.C. 1724(f), a lessee must maintain all documents for the purpose of determining obligations due and compliance with any applicable mineral leasing law, lease provision, regulation, or order for the period of time in which a judicial proceeding or demand may be commenced, which is 7 years from the last day of the calendar month following the month in which oil or gas is produced (or longer if Company Name signed a tolling agreement). Further, if a judicial proceeding is commenced or a demand made, you must maintain such records until there is a final nonappealable resolution of the judicial proceeding or demand, unless the Secretary or the applicable delegated State authorizes in writing an earlier release of the requirement to maintain such records.

[Records retention requirements for Indian oil & gas leases]Under 30 U.S.C. 1713(a), a lessee must maintain records, reports, or information related to the computation and payment of royalties. Section 1713(b) requires such records be maintained for 6 years after the records are generated, unless an audit or investigation has been initiated, in which case the records must be maintained until ONRR releases you of the obligation to maintain the records.

[Records retention requirements for geothermal mineral leases]The ONRR regulations at 30 CFR part 1212, subpart H require the maintenance of all records related to computation and payment of royalties and other obligations, as applicable, for 6 years after the records are generated unless the record holder is notified, in writing, before the expiration of that 6-year period that records must be maintained for a longer period for purposes of audit or investigation. When an audit or investigation is underway, records shall be maintained until the record holder is released by written notice of the obligation to maintain such records.

cc: Contact Name, Title

Version: 04/20/2016

"…the properties and time periods covered by this case may be subject to future review and audit."

Case specific information

Records retention guidelines

Example Order to Report

CERTIFIED MAIL—
RETURN RECEIPT REQUESTED

Company ID: 35060 (F)
Order No. 999

Ms. Jennifer Springfield
Awesome America Oil & Gas
1775 Freedom Plaza
Valley Forge, Pennsylvania 80203

ORDER TO REPORT (Order)

Dear Ms. Springfield:

The Office of Natural Resources Revenue (ONRR) determined Awesome America Oil & Gas reported incorrectly, paid incorrectly, or both. You are receiving this Order as a result of a Data Mining Review. You are ordered to report within 30 calendar days of receipt of this Order to fully resolve the issues identified in the enclosed documentation. In addition, you must review and correct your prior reports for all your Federal and Indian leases and properties to assure that they do not suffer from the same reporting deficiencies cited in this Order.

On July 4, 2017 the enclosed Preliminary Determination was sent to you requesting missing/amended reports based on the BLM's Agreement Approval Decision Letter. ONRR found missing corrected reports, as specified on the attached schedule. The time period specified in that request has expired and, to date, you have not complied. Refer to the enclosures for a detailed explanation of the Order and supporting information.

You must use the following guidelines when making adjustments to the Report of Sales and Royalty Remittance, (Form ONRR-2014).

- Reverse previously reported line(s) and submit correcting line(s) using an Adjustment Reason Code (ARC) 35 on both lines for new and revised agreements. Use ARC 10 to adjust volume, pricing, etc. Use no ARC when reporting original lines. **Do not use the CMP-2014.**
- Submit reporting for the agreement retroactive to the effective date.
  - Include both the applicable lease numbers and the agreement number on your report.
  - Report in accordance with the agreement allocation schedule.
- Do not net or roll-up your reporting.
- Report all adjusting entries separately from your regular monthly report.

- Reverse the original line(s) and submit the correcting line(s) on the same report.
- Do not submit royalty reporting corrections for Federal and Indian leases on the same report.
- Pay any monies due within 30 days of receipt of this Order.
- If your adjustments result in additional royalty payments, you are subject to late-payment interest. ONRR computes interest in accordance with 30 CFR part 1218.
- Review your records to determine if other leases and/or sales months have the same errors. If errors are found, you must verify and correct your reporting.
- Do not correct reporting beyond the statute of limitations under 30 U.S.C. 1721a for Federal leases.
- Refer to http://www.onrr.gov/ReportPay/payments.htm for instructions on how to submit payments.

You must report accurate, complete, and timely information electronically to ONRR under 30 CFR part 1210. Refer to the handbooks available at http://www.onrr.gov/ReportPay/Handbooks/default.htm.

- *Minerals Revenue Reporter Handbook for* Report of Sales and Royalty Remittance, Form ONRR-2014
- *Minerals Production Reporter Handbook* for Oil and Gas Operations Report, Form ONRR-4054

You must use eCommerce to report to ONRR (http://www.onrr.gov, and select the "eCommerce Portal"). If you are unable to access the eCommerce Portal, you will need to fill out an "EMARF" form. If you need access to this form or have questions, please go to http://onrr.gov/ReportPay/Forms/default.htm.

You must submit an Addressee of Record Designation for Service of Official Correspondence (Form ONRR-4444) if your address or the person to whom official correspondence should be served is incorrect or you have not previously submitted one. The form and associated instructions are located at http://www.onrr.gov/ReportPay/Forms/default.htm.

You have the right to appeal this Order under 30 CFR part 1290. If you choose to appeal, you must file a Notice of Appeal and a statement of reasons or written arguments justifying a reversal or modification of the Order within 30 days of receiving this Order. You cannot extend the time allowed for filing the Notice of Appeal. See Enclosures for appeal procedures.

Failure to comply with this Order may result in substantial civil penalties under 30 U.S.C. 1719 and 30 CFR part 1241.

Compliance Management & Pending Agreement Approvals

- ONRR cannot accept royalties on an unapproved agreement.
- Until an agreement is approved, royalties on Federal/Indian wells must be reported as lease basis.
- If you report less than the full lease basis royalties, you will be asked to make an adjustment to report 100% of royalties.
- When the agreement is approved, adjustments must be made to both the OGOR and 2014 retroactive to the agreement effective date.

Legal Authorities Driving our CM Responsibilities

Federal Oil and Gas Royalty Management Act of 1982 FOGRMA), 30 U.S.C. 1735

Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), 30 U.S.C. 1701

Code of Federal Regulations Title 30

Indian Trust Laws, Policies and Procedures

1872 Mining Law

1920 Mineral Leasing Law

Energy Policy Act of 2005

Future Goals and Activities

Expanding the review of payors and properties

Improving reporting and compliance

Review of allowances and gas plants

Working with BLM, BIA and BSEE and BOEM to ensure overall compliance on properties, transportation systems and gas plants

Implementing OIG, GAO, and RPC recommendations

Questions?