



ONRR

# Commonly Used Transaction Codes

OCTOBER 1, 2010

OFFICE OF NATURAL RESOURCES

TM





# 2014 Commonly Used Transaction Codes



- **Royalty Due** 01
- **Minimum Royalty** 02
- **Rent (non-recoupable)** 04
- **Rent (recoupable)** 05
- **Rent Recoupment** 25
- **Estimate Reporting** 03





Element	Value	Description
Transaction Code	01	Royalty Due
Transaction Code	02	Minimum Royalty Payment
Transaction Code	03	Estimated Royalty Payment
Transaction Code	04	Rental Payment
Transaction Code	05	Advance Rental Credit
Transaction Code	06	Royalty In Kind Transaction – No Cash Payment to MMS
Transaction Code	07	MMS Settlement Agreement (for MMS Internal Use)
Transaction Code	08	Royalty In Kind Other
Transaction Code	10	Compensatory Royalty Payment
Transaction Code	11	Transportation Allowance
Transaction Code	12	Tax Credit
Transaction Code	13	RIK Quality Bank and Gravity Bank Adjustment
Transaction Code	14	Tax Reimbursement Payment
Transaction Code	15	Processing Allowance
Transaction Code	16	Well Fees
Transaction Code	17	Gas Storage Agreement – Flat Fee
Transaction Code	18	Gas Storage Agreement – Injection Fee
Transaction Code	19	Gas Storage Agreement – Withdrawal Fee
Transaction Code	20	No Sales (Solids Only)
Transaction Code	21	Interest Amount Due MMS
Transaction Code	22	Interest Amount Owe to Payor
Transaction Code	25	Recoup Advance Rental Credit
Transaction Code	31	Contract Settlements Payment
Transaction Code	32	Advance Royalty (Solids Coal Leases Only)
Transaction Code	33	Recoup Advance Royalty (Solids Only)
Transaction Code	37	Royalties Due in Lieu of Severance Tax
Transaction Code	38	Additional Royalty Due for OCSLA, Section (6)(s)(9) Leases
Transaction Code	39	Net Profit Share – Unprofitable
Transaction Code	40	Net Profit Share – Profitable
Transaction Code	41	Offshore Deep Water Royalty Relief
Transaction Code	42	Net Revenue Share Lease, Allotment for Operating Costs
Transaction Code	50	Indian Recoupable Balance
Transaction Code	51	Indian Recoupment Taken
Transaction Code	52	Recoup Minimum Royl Paid in Advance (use limited to specific Navajo leases)
Transaction Code	53	Effluent Injection Reimbursement (use limited to Geothermal leases)
Transaction Code	54	Geothermal Field Operations Reimbursement
Transaction Code	60	Strategic Petroleum Reserve (SPR)
Transaction Code	66	Bonus Rentals
Transaction Code	67	Bonus Rentals
Transaction Code	70	Bonus Rentals

# 2014 Transaction Codes



# Transaction Code 01

## Royalty Due

- **Due Monthly on every lease or lease-agreement combination with sales**
- **Separate line for each lease or lease agreement combination, sales type code, product code, and sales month**
- **Double entry adjustments**



# Transaction Code 01

## Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	01
Sales Type Code	ARMS
Sales MO/YR	022019
Transaction Code	01
Adjustment Reason Code	
Sales Volume	1280.00
Gas MMBtu	0.00
Sales Value	704.00
Royalty Value Prior to Allowances	88.00
Transportation Allowance	0.00
Processing Allowance	0.00
Royalty Value Less Allowances	88.00
Payment Method Code	3



# Implied Relationships

$$\frac{\text{Royalty Value PA}}{\text{Sales Value}} = \text{Royalty Rate} \quad \frac{2747.00}{21975.00} = .125$$

Monitored for royalty rate verification

$$\frac{\text{Sales Value}}{\text{Sales Volume}} = \text{Price Per Unit} \quad \frac{21975.00}{439.50} = \$50.00$$

Monitored for reasonable pricing



# Lease Level Payments

**TC 02            Minimum Royalty (MR)**

**TC 03            Estimates**

**TC 04            Rent (non-recoupable)**

**TC 05            Rent (recoupable)**

**TC 25            Recoup Advance Rent**

- **Payments are based on lease terms**
- **Do not report the agreement number, product code, or sales type code**
- **Do not report the sales volume or sales value since they are not associated with the payment**



# Transaction Code 02 Minimum Royalty (MR)

- Due on producing Federal and Indian leases
- Obligation may be fulfilled by production
- Report and payment must be received on or before the last day of the lease year, regardless of an estimate
- Automatically invoiced if not paid or reported incorrectly with the wrong sales month/year

# Transaction Code 02

(Minimum Royalty)



## Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	062019
Transaction Code	02
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	00
Sales Value	
Royalty Value Prior to Allowances	88.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	88.00
Payment Method Code	03

It is important to make sure you are using the correct sales month when reporting minimum royalty



# Rental Payments

- Transaction Code 04** (non-recoupable)
- Transaction Code 05** (recoupable against production)
- **Annual Payment**
  - **Payment is due on or before lease anniversary date**
  - **For non-terminable leases, ONRR automatically invoices if not paid**

# Transaction Code 04

(Non-recoupable Rent)



## Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	072019
Transaction Code	04
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	345.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	345.00
Payment Method Code	3

# Transaction Code 05

(Recoupable Rent)



## Detail Line

- Line Number 1
- API Well Number
- ONRR Lease Number 0490129432
- ONRR Agreement Number
- Product Code
- Sales Type Code
- Sales MO/YR 072019
- Transaction Code 05
- Adjustment Reason Code
- Sales Volume
- Gas MMBtu
- Sales Value
- Royalty Value Prior to Allowances 345.00
- Transportation Allowance
- Processing Allowance
- Royalty Value Less Allowances 345.00
- Payment Method Code 3

# Transaction Code 25

## (Recouping Advance Rental Credits)



- Use in conjunction with TC 05
- Recoup against current revenue
- Rent can be recouped up to 100% of current revenue within the current lease year regardless of whether the lease is allotted or tribal (rent must be reported and paid)

# Transaction Code 25

## (Rent Recoupment)



### Detail Line

	<u>Current Prod</u>	<u>Rental Recoup</u>
• Line Number	1	2
• API Well Number		
• ONRR Lease Number	0490129432	0490129432
• ONRR Agreement Number		
• Product Code	01	
• Sales Type Code	ARMS	
• Sales MO/YR	082019	082019
• Transaction Code	01	25
• Adjustment Reason Code		
• Sales Volume	9.06	
• Gas MMBtu		
• Sales Value	704.00	
• Royalty Value Prior to Allowances	88.00	-88.00
• Transportation Allowance		
• Processing Allowance		
• Royalty Value Less Allowances	88.00	-88.00
• Payment Method Code	3	3



# Estimate Reporting

- **What is an estimate?**

**An estimate is a one-time payment in lieu of an actual royalty payment**

# Estimate Reporting (cont.)



## Why establish an estimate?

- Gives an additional month to report and pay actual royalties
- May help reduce late payment interest charges

## Is an estimate cost beneficial?

- Estimate reporting may be helpful if sales data is not received timely to report to ONRR



# How an Estimate Works

## First report month:

- Report and pay the one-time estimate payment in lieu of a royalty payment for that month

## Then in subsequent months:

- Report and pay the actual royalties
- Royalties are now due on or before the last day of the second month following the month the product was sold or removed from the lease





# How To Determine The Amount Of an Initial Estimate Payment

- Companies should establish their estimate in an amount which equals or exceeds the average monthly royalty liability for the **LEASE** and **PRODUCT**
- Adjust the estimate balance up or down as the lease royalty liability changes



# Transaction Code 03

(Establishing a First-Time Estimate)



## Detail Line

Line Number	1
API Well Number	
ONRR Lease Number	0490129432
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	022019
Transaction Code	03
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	88.00
Transportation Allowance	
Processing Allowance	
Royalty Value Less Allowances	88.00
Payment Method Code	3

- Sales month on the estimate line must be one month prior to the report month (in lieu of royalties)
- An adjustment reason code is not required when establishing an estimate for the first-time.

# How to Change the Amount of an Estimate



- Use a single line entry in the 2014 report to increase or decrease the amount of an estimate
- Use transaction code 03 with adjustment reason code 32

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# Transaction Code 03

## (Increasing an Estimate)



### Detail Line

• Line Number	1
• API Well Number	
• ONRR Lease Number	0490129432
• ONRR Agreement Number	
• Product Code	
• Sales Type Code	
• Sales MO/YR	062019
• Transaction Code	03
• Adjustment Reason Code	32
• Sales Volume	
• Gas MMBtu	
• Sales Value	
• Royalty Value Prior to Allowances	100.00
• Transportation Allowance	
• Processing Allowance	
• Royalty Value Less Allowances	100.00
• Payment Method Code	3

# How to Recoup an Estimate



- **Recoup Federal estimates anytime**
- **Recoup Indian estimates according to Indian recoupment limitations (estimate payments are overpayments, not required by terms)**
- **Estimate payments are disbursed by ONRR to the entitled recipients**

# Transaction Code 03

(Decreasing an Estimate)



## Detail Line

- Line Number 1
- API Well Number
- ONRR Lease Number 0490129432
- ONRR Agreement Number
- Product Code
- Sales Type Code
- Sales MO/YR 062019
- Transaction Code 03
- Adjustment Reason Code 32
- Sales Volume
- Gas MMBtu
- Sales Value
- Royalty Value Prior to Allowances -100.00
- Transportation Allowance
- Processing Allowance
- Royalty Value Less Allowances - 100.00
- Payment Method Code 3



## **An estimate is NOT needed for all products**

- **The estimate sales month will reflect all products on the lease (rolled-up to the lease level)**
- **Companies need to use the correct sales month for any product not requiring an estimate**

# Transaction Code 03

(Multiple Products and Establishing an Estimate)



## Detail Line

	<u>Current Prod</u>	<u>Estimate for Gas</u>
• Line Number	1	2
• API Well Number		
• ONRR Lease Number	0490129432	
• ONRR Agreement Number		
• Product Code	01	
• Sales Type Code	ARMS	
• Sales MO/YR	072019	
• Transaction Code	01	
• Adjustment Reason Code		
• Sales Volume	9.06	
• Gas MMBtu		
• Sales Value	704.00	
• Royalty Value Prior to Allowances	88.00	
• Transportation Allowance		
• Processing Allowance		
• Royalty Value Less Allowances	88.00	
• Payment Method Code	03	

**Situation:** Lease has oil and gas sold for the month of February. Payor only receives the sales data for oil by the report due date

# Transaction Code 03

(Multiple Products and Establishing an Estimate)



## Detail Line

	<u>Current Prod</u>	<u>Estimate for Gas</u>
	1	2
• Line Number		
• API Well Number		
• ONRR Lease Number	0490129432	0490129432
• ONRR Agreement Number		
• Product Code	01	
• Sales Type Code	ARMS	
• Sales MO/YR	072019	072019
• Transaction Code	01	03
• Adjustment Reason Code		
• Sales Volume	9.06	
• Gas MMBtu		
• Sales Value	704.00	
• Royalty Value Prior to Allowances	88.00	1,000.00
• Transportation Allowance		
• Processing Allowance		
• Royalty Value Less Allowances	88.00	1,000.00
• Payment Method Code	03	03

# Transaction Code 03



(Multiple Products and Establishing Estimate cont.)

Detail Line

	<u>Oil Prod</u>	<u>Gas Prod</u>	<u>Inc Gas Est</u>
	1	2	3
• Line Number			
• API Well Number			
• ONRR Lease Number	0540077770	0540077770	0540077770
• ONRR Agreement Number			
• Product Code	01	04	
• Sales Type Code	ARMS	ARMS	
• Sales MO/YR	082019	??????	??????
• Transaction Code	01	01	03
• Adjustment Reason Code			??
• Sales Volume	9.06	3020.00	
• Gas MMBtu		3624.00	
• Sales Value	704.00	18120.00	
• Royalty Value Prior to Allowances	88.00	2265.00	500.00
• Transportation Allowance			
• Processing Allowance			
• Royalty Value Less Allowances	88.00	2265.00	500.00
• Payment Method Code	03	03	03

Once a payor has established an estimate for a lease, they need to make sure they report the correct sales month and adjust their estimate accordingly

# Transaction Code 03



(Multiple Products and Establishing Estimate cont.)

## Detail Line

	<u>Oil Prod</u>	<u>Gas Prod</u>	<u>Inc Gas Est</u>
	1	2	3
• Line Number			
• API Well Number			
• ONRR Lease Number	0540077770	0540077770	0540077770
• ONRR Agreement Number			
• Product Code	01	04	
• Sales Type Code	ARMS	ARMS	
• Sales MO/YR	082019	072019	082019
• Transaction Code	01	01	03
• Adjustment Reason Code			32
• Sales Volume	9.06	3020.00	
• Gas MMBtu		3624.00	
• Sales Value	704.00	18120.00	
• Royalty Value Prior to Allowances	88.00	2265.00	500.00
• Transportation Allowance			
• Processing Allowance			
• Royalty Value Less Allowances	88.00	2265.00	500.00
• Payment Method Code	3	3	3

Once a payor has established an estimate for a lease, they need to make sure they report the correct sales month and adjust their estimate accordingly



# The ONRR Financial System uses estimate balances in late payment interest calculations

- The ONRR financial system tracks estimate balances
- For a given lease and sales month, the ONRR financial system compares the lease estimate balance to the actual royalty paid under the estimate
- Interest is due on the amount that the royalty payment exceeds the estimate balance
- Interest is also due on amounts paid after the due date for estimate reporting.



# Maintain Estimate Balance Records

- The 2014 estimate balance report summarizes ONRR's records of estimate transactions.
- Companies can access this monthly report in their company folder through the internet (Data Portal) at <https://dwportal.mms.gov/>
- Companies should keep a record of their estimate payments by lease and reconcile balances at least yearly

# Reporting Exercise



- You are reporting your monthly royalty for gas
- Rocky Mountain Oil & Gas sold unprocessed gas (product code 04) from lease 049-012345-0 for sales month August 2019 to an unaffiliated company
- The contract is arm's length percentage of proceeds
- Lease participates in the Laramie Unit 891-001234-0
- Total agreement production volume is 3000
- Lease receives a 20 percent allocation from the unit
- Owner's Interest is 100%
- The lease has 50% Federal Ownership
- Btu content is 1.150
- Price per unit is \$5.00
- There are no transportation or processing costs
- Lease royalty rate is 12 ½ Percent
- Payment by EFT



# Reporting Exercise Answer

Total agreement production volume x tract percentage x  
Federal mineral ownership interest = sales volume

??? mcf x ??? x ??? x ??? = ??? Sales Volume

Sales Volume x Btu Content = Gas MMBtu

??? x ??? Btu Factor = ??? Gas MMBtu

Gas MMBtu x Price Per Unit = Sales Value

??? MMBtu x \$??? Unit Price = \$??? Sales Value

Sales Value x Lease Royalty Rate = Royalty Value

\$??? x ??? = \$??? Royalty Value



# Questions?????

