



BASIC LEASES AND AGREEMENTS





Agenda

- Lease/Agreement basics
- Standard Leases vs Non Standard Leases
- Actual production (Lease level reporting) vs Allocated production (Agreement level reporting)
- Trust Responsibility
- Offshore Lease Responsibilities





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



Lease Level Report & Payments

- Rent is:
 - ◆ Amount per Acre
 - ◆ May be recoupable
 - ◆ Due on or before Anniversary date of Lease
 - ◆ Paid using on On-line Rental or Form ONRR-2014





Minimum Royalty

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

Rent and Minimum Royalty – Federal

- ★ Federal lease in rental status from Anniversary Date until: it receives actual or allocated production
- Indian rentals will be paid to BIA prior to production, at which point payments will be made to ONRR once producing
- ★ Federal/ Indian leases will be in a minimum royalty status if:
 - ★ the lease contains a lease basis well
 - ★ the entire lease is within a Participating Area
 - ★ the lease is committed to a Sec. Rec. Unit
 - ★ the lease is committed to a CA
- ★ 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



Questions

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 with Form ONRR-2014





Lease Number Conversion

➤ 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

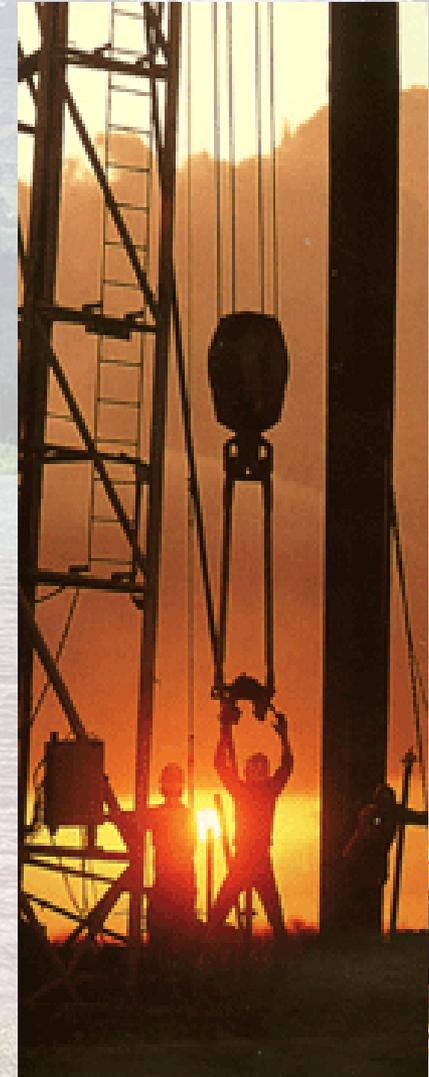


5090065100 (Indian)





COMMUNITIZATION AGREEMENTS



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



Communitization Agreement

- Onshore/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





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.



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





Questions

Communitization Agreements benefits include all of the following except:

- A. Limits the number and location of wells in a spacing area
- B. Based on state spacing unit requirements
- C. Involves a least two federal or Indian leases
- D. Formation specific





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





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 Agreement Info

Address <http://www.blm.gov/lr2000/> Go Links

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



LR2000

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Tutorial
Help Guides
Reference Codes
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Message Center
BLM Open House
Reno, Nevada
Thursday Feb. 28th
Learn how to use
LR2000
For more info

LR2000 has a new look and a new simplified report: Oil

Bureau of Land Management's Land & Mineral Legacy Rehost 2000 System - LR2000

The Bureau of Land Management's Legacy Rehost System called LR2000 provides reports on BLM land and mineral use authorizations for oil, gas, and geothermal leasing, rights-of-ways, coal and other mineral development, land and mineral title, mining claims, withdrawals, classifications, and more on federal lands or on federal mineral estate.

The following types of reports are available in LR2000:

- **Serial Register Page** - provides all online information about the authorization including status, geographic location, authorized land, customer information, acreage, dates (effective, expiration, etc), and other information.
- **Customer Information Reports** - provides all the authorizations, mining claims, etc. for a customer.
- **Geographic Reports** - provides a listing of authorizations, mining claims, title, etc. within a specific geographic area and may include serial number, acreage, authorized land, customer info, federal agency, authorization type and disposition (active, closed, pending, etc). Statistical reports for an area can also be run. [More ...](#)
- **Check out our new Report - Oil and Gas Leases Due to Expire.** This is a very simple report with only a few options but it doesn't require you to know any

LR 2000
Legacy Rehost 2000

System Requirements

- IE 6 or higher
- Enable popups
- Enable Scripting

Done Internet



BLM Agreement Info

LR2000 Public Reports Reporting Application - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address <http://www.blm.gov/landandresourcesreports/rptapp/menu.cfm?appCd=2>

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Reporting Application

(Public)

Search BLM Go

REPORTS MENU FOR LR2000 PUBLIC REPORTS

Please Choose a Report

SIMPLIFIED FREQUENTLY REQUESTED QUERIES

- Oil And Gas Leases Due To Expire

PUBLIC ALL SYSTEMS REPORTS

- Pub All Systems Customer Info
- Pub All Systems Geo Report
- Pub All Systems Geo Supp Report

PUBLIC CASE RECORDATION REPORTS

- Pub CR Case Action Info
- Pub CR Case Info
- Pub CR Case Info Cust Land
- Pub CR Duration Of Plans
- Pub CR Geo Report w/ Customer
- Pub CR Geo Report w/ Land
- Pub CR Serial Register Page
- Pub CR Wind Energy Applications

PUBLIC LEGAL LAND DESCRIPTION REPORTS

- Pub LLD Acreage Report
- Pub LLD Summary Report

Click "Pub CR Serial Register Page".

javascrit:doSubmit('criteria_select.cfm?rptId=15&APPCD=2&')

start 3 M.. 2 I... 2 M.. 2 M.. 2 M.. 20/20 2:42 PM



BLM Agreement Info

← Back → [Icons] Search ★ Favorites [Icons]

Address http://www.blm.gov/landandresourcesreports/rptapp/criteria_select.cfm?rptId=3&APPCD=2& Go Links >>

**U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

Reporting Application

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PUB CR SERIAL REGISTER PAGE (LR2000 PUBLIC REPORTS)

Please Choose Which Criteria You Would Like to Filter On Help

- Individual Serial Number(s)
- New Format Serial Entry
- Serial Number Range
- Serial Number(s) from File
- Daily serial register
- Other Query Parameters

Select Criteria

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Select "New Format Serial Entry."



BLM Agreement Info

Report: Pub CR Serial Register Page - Microsoft Internet Explorer

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Address http://www.blm.gov/landandresourcesreports/rptapp/report_filter.cfm#

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Reporting Application

Return to Report Menu Return to Criteria Selection (Public)

Search BLM Go

PUB CR SERIAL REGISTER PAGE (LR2000 PUBLIC REPORTS)
Please Set the Limits You Would Like to Filter On

NEW FORMAT SERIAL ENTRY

GEO STATE	<input type="text" value="WY WYOMING"/>	<input type="button" value="Clear All"/>
LAND OFFICE	<input type="text" value="W"/>	
PREFIX	<input type="text"/>	
Serial Number	<input type="text" value="37977"/>	
SUFFIX	<input type="text"/>	

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Select "GEO STATE" from drop-down menu.

Select "LAND OFFICE" from drop-down menu.

Enter Serial Number

Click on "Enter Value"



BLM Agreement Info

Report: Pub CR Serial Register Page

U.S. DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT



Reporting Application



BLM

[Return to Report Menu](#)

[Return to Criteria Selection](#) (Public)

Search BLM

PUB CR SERIAL REGISTER PAGE ()

Please Set the Limits You Would Like to Filter On

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[CR SRP Guide \(PDF\)](#)

NEW FORMAT SERIAL ENTRY

GEO STATE

LAND OFFICE

PREFIX

Serial Number

SUFFIX

WYW	0308789
WYW	096584
WYW	157376
WYW	109444A
WYW	152954A
WYW	153461X

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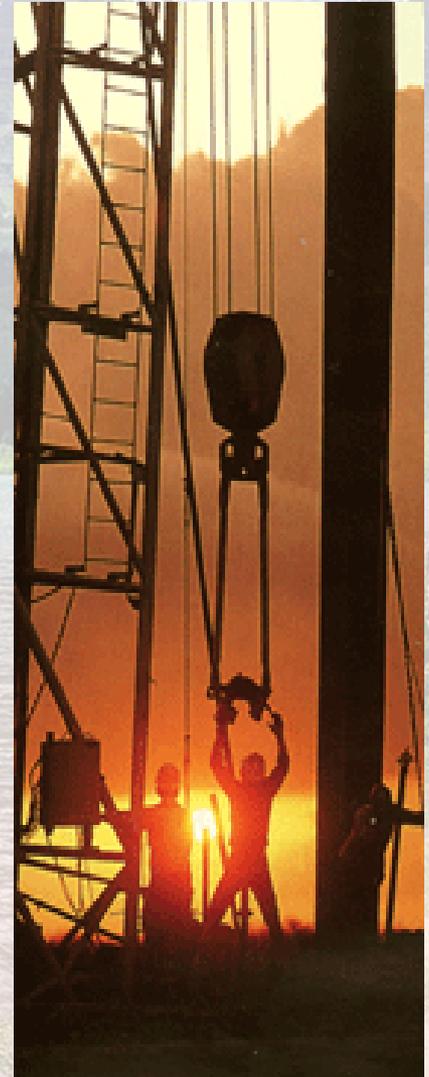
BLM Agreement Info

➤ <http://www.blm.gov/lr2000/>





WELLS OVERVIEW



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



Well Reporting Requirements



- Per 30 CFR 1210.102
 - If you operate a Federal or Indian onshore or OCS oil and gas lease or federally approved unit or communitization agreement that contains one or more wells that are not permanently plugged or abandoned, you must submit Form –ONRR-4054, ONRR-4058, and ONRR-2014

- OGOR A lists all wells that are not permanently plugged and abandoned, including leases with workover, production and/or shut-in wells

- Examples of Reportable well status – DSI, GIW, WIW, WDW, WSW, MW, POW, GLO, PLO, PGW, OSI, GSI, TA

- Royalty may not be due depending on well status on a month-to-month basis

- Wells may be reported on the ONRR-2014 but are not required with the following exceptions:
 - Southern Ute Tribe requires wells to be listed on the ONRR-2014
 - List wells when there is a need to differentiate identical royalty lines



Basic Well Information



- Every Well has a unique, permanent API well number (12 Digit) and a completion code/producing interval (3 character alpha/numeric)
- API well numbers are assigned to each wellbore by BSEE or BLM
- Standard API well number structure

State	County	Sequence	Sidetrack (ST) or wellbore (WB)	Completion code/producing interval
99	999	99999	99	X99



Basic Well Information

Continued



- The producing interval completes the well number for reporting purposes
- Letter of the code is assigned based on the number of tubing strings in the wellbore that are capable of producing

Borehole	X
Single	S
Dual	D
Triple	T
Quadruple	Q
Quintuple	V
Allocated	A (onshore only)
Commingled	C (onshore only)



Basic Well Information

Continued



- Onshore – 2-digit code relates to a specific reservoir or producing configuration and is assigned sequentially beginning with **01** followed by **02, 03** etc.
- Offshore – cases are addressed by reserving and using block of producing interval codes for well completion identification purposes

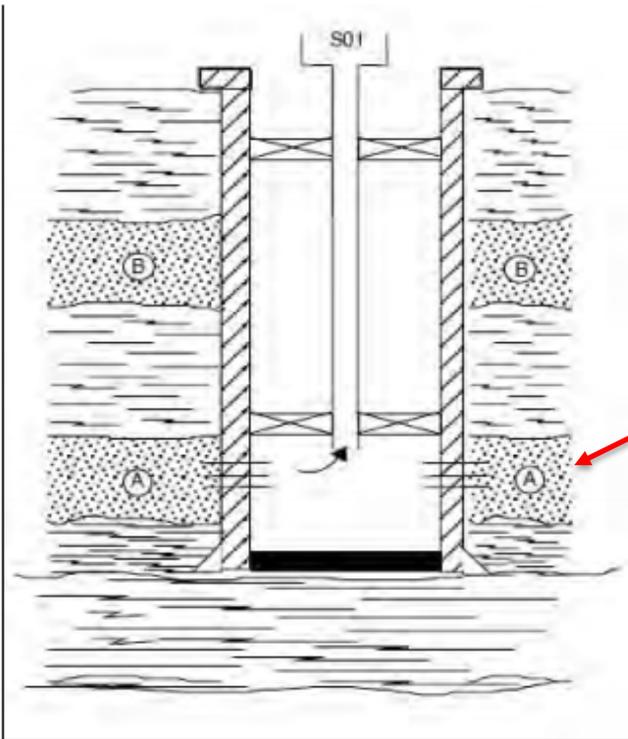
Producing interval code	Reserved for:
01-19	All “routine” producing completions not included in any of the following groups.
21-39	All completions involving the combined production of unit and non-unit hydrocarbons in a single tubing string.
41-59	All completions that “cross lease lines.”
61-79	All “capacity” completions. A capacity completion is defined as a completion with two or more tubing strings producing or capable of producing from the same reservoir.
81-99	Unassigned



Single Completion



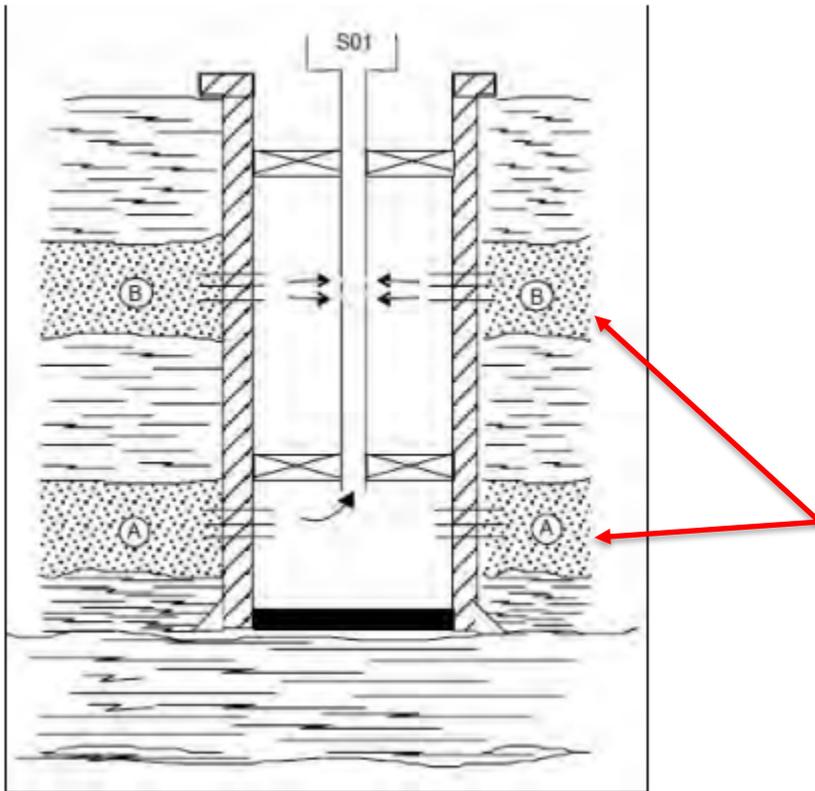
Completion code S01



- One tubing string
- Production from one zone – Zone A
- Production will report to one lease or agreement
- Once well is ABD or P+A, no reporting is required
- Royalty will be reported at lease basis or per allocation schedule if well included in an agreement



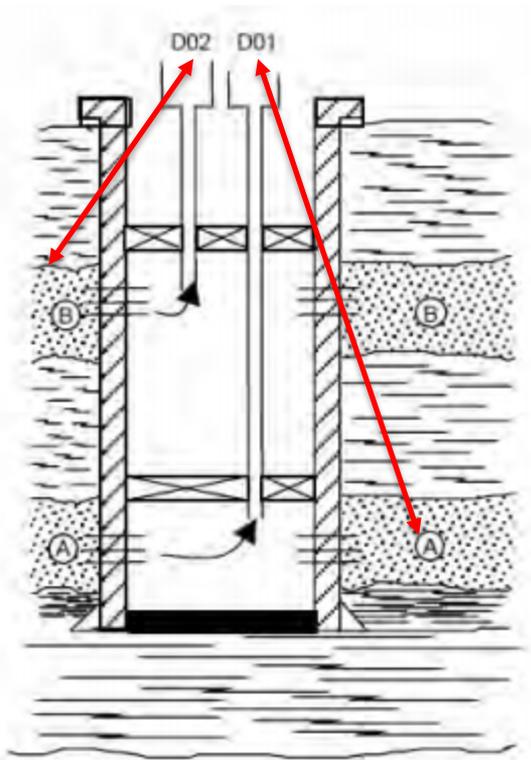
Basic Commingled Completion



- One tubing string
- One completion in each zones A and B
- Must have approval to commingle downhole
- Completion codes in this instance are S01 and S02
- Production for Zone A and Zone B may or may not report to different leases or agreements
- Production reporting is required on both completions; if one completion is ABD the other completion must still be reported. Reporting is completed when both completions are ABD or P+A.
- Royalty will be reported at lease basis or per allocation schedule if well included in an agreement



Basic Dual Completion



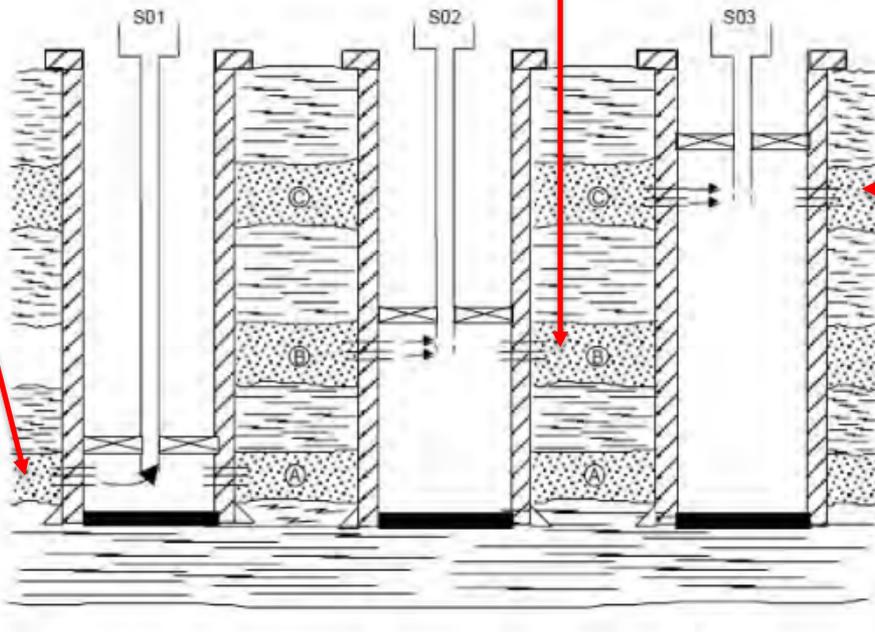
- One wellbore with two tubing strings
- Zone A will report using D01
Zone B will report using D02
- Production may report to different leases or agreements
- Production reporting is required on both completions; if one completion is ABD the other completion must still be reported. Reporting is completed when both completions are ABD or P+A.
- Royalty will be reported at lease basis or per allocation schedule if well completion(s) included in an agreement



Recompleting a well



- 1st completion – Zone A
- Completion Code is S01
- Production reports to Zone A lease or agreement
- 2nd completion – Zone B
- Completion Code is S02
- Zone A is squeezed and is reported as ABD
- Production reports to Zone B lease or agreement
- 3rd completion – Zone C
- Completion Code is S03
- Zone A is squeezed and reported as ABD
- Zone B is squeezed and reported as ABD
- Production reports to Zone C lease or agreement





Sidetrack Well

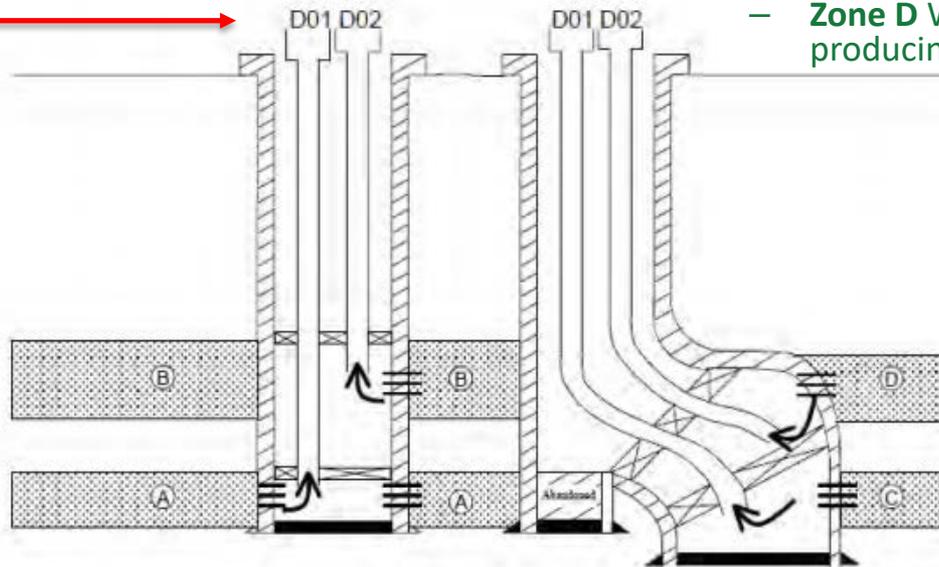


Well prior to Sidetrack

- Two tubing strings
- Two completions in three zones
- API number 1771740000**00**
 - **Zone A** Wellbore code is **00** & producing Interval code is D01
 - **Zone B** Wellbore code is **00** and producing interval code is D02

Sidetrack well

- Zones A and B in original wellbore squeezed off
- Well sidetracks and completed in new zones
- Two completions in three zones
- API number 1771740000**01**
 - **Zone C** Wellbore code is **01** & producing Interval code is D01
 - **Zone D** Wellbore code is **01** and producing interval code is D02



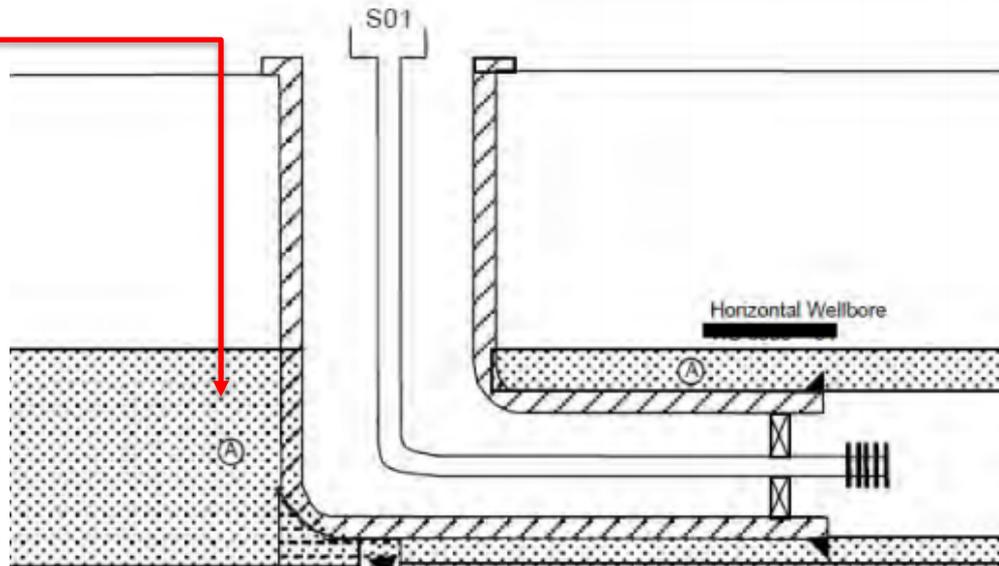
- *Note: Because a sidetrack creates a unique API well number, all completions are assigned new producing interval codes independent of the original wellbore.*
- *Once well turns to sidetrack, wellbore code 00 must be reported on the OGOR as status 16*



Horizontal Well



- One completion in Zone A
- Tubing String is S01
- Production will report to one lease or agreement
- Once well is ABD or P+A, no reporting is required
- Royalty will be reported at lease basis or per allocation schedule if well included in an agreement





Horizontal Well

Scenario when CA or PA is pending



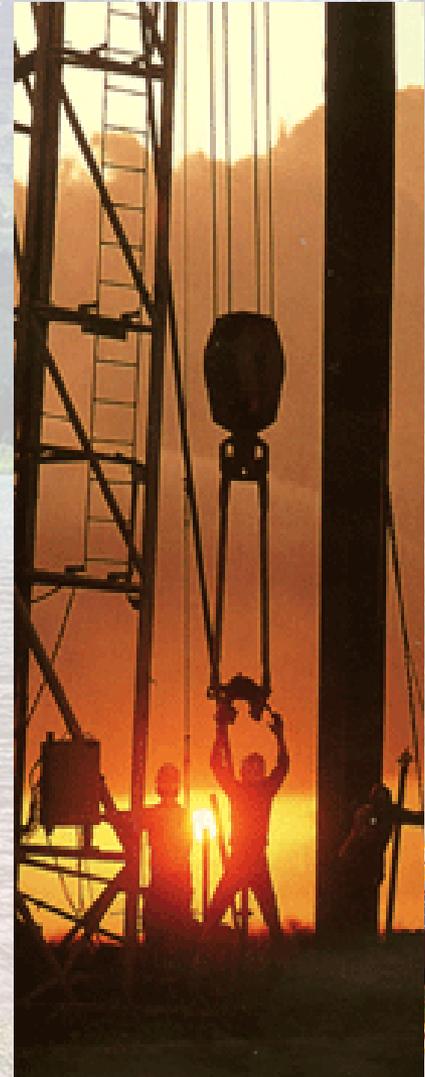
- Federal Land – contains a horizontal well drilled on Federal land and is part of a pending CA or PA
 - Prior to CA or PA approval, 100% of production reports to the Federal lease
 - Prior to CA or PA approval, 100% of royalties are paid to the Federal lease

- Fee Land w/Federal Land – contains a horizontal well drilled on fee land, the horizontal leg crosses through Federal land, and the well is part of a pending CA or PA
 - Prior to CA or PA approval, consult with BLM

- Fee Land w/No Federal Land - contains a horizontal well drilled on fee land, the horizontal leg does not pass through Federal land, and the well is part of a pending CA or PA
 - Prior to CA or PA, consult with BLM



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

Indian Lease
1420-15-43A





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?

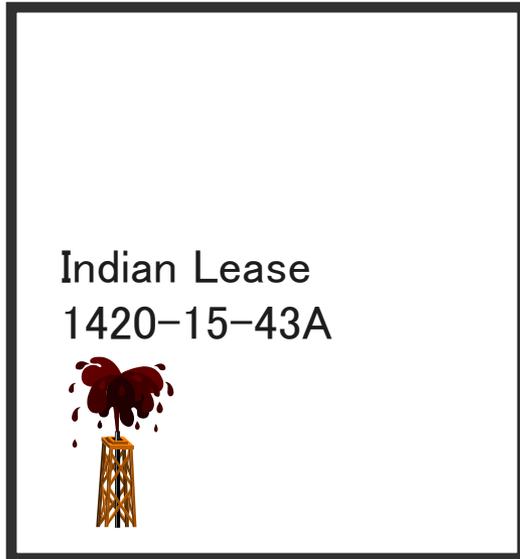


Reporting Royalties on Lease Basis Production

Lease Basis well –
100% federal interest

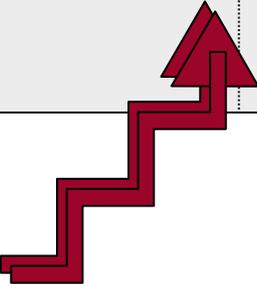
750 barrels oil sold in April 2017

Sales Volume = 750



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 API WELL NUMBER	9 ONRR AGREEMENT NUMBER						19 ROYALTY VALUE PRIOR TO ALLOWANCES \$
1	Lease Basis Example	518 001543 A	01	ARMS	042017	01		750 00



100% x 750 bbls sold =

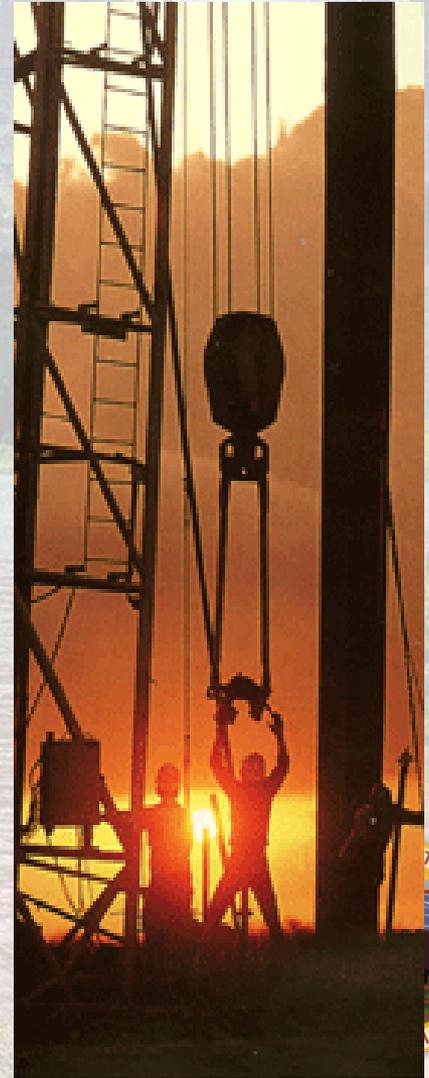


Actual vs Allocated Production

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



AGREEMENT ALLOCATIONS



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When do you start Reporting Royalties on Agreements

Wells located on Indian lands should be reported on a lease basis until the CA or PA is approved by the BIA/BLM

ONRR needs the approved allocation schedule from BIA/BLM to establish the agreement in our system.





Reporting on Communitization Agreements

Common Reporting Errors

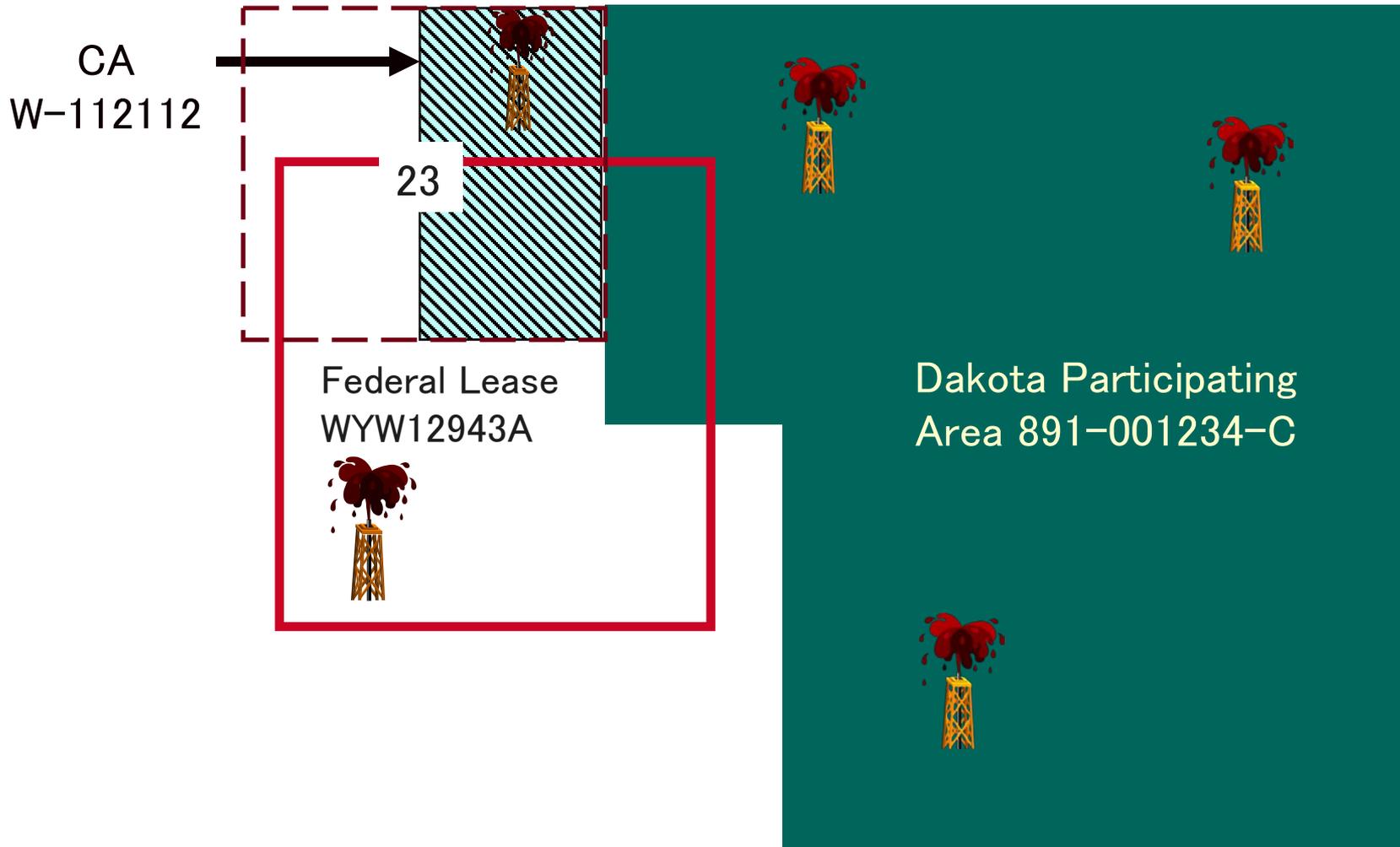
- ✓ **Missing Agreement number** when reporting royalties on production from an agreement.

- ✓ **Incorrect Allocation to leases**
 - ✓ Entire volume of production from the agreement reported as the sales volume on the 2014.

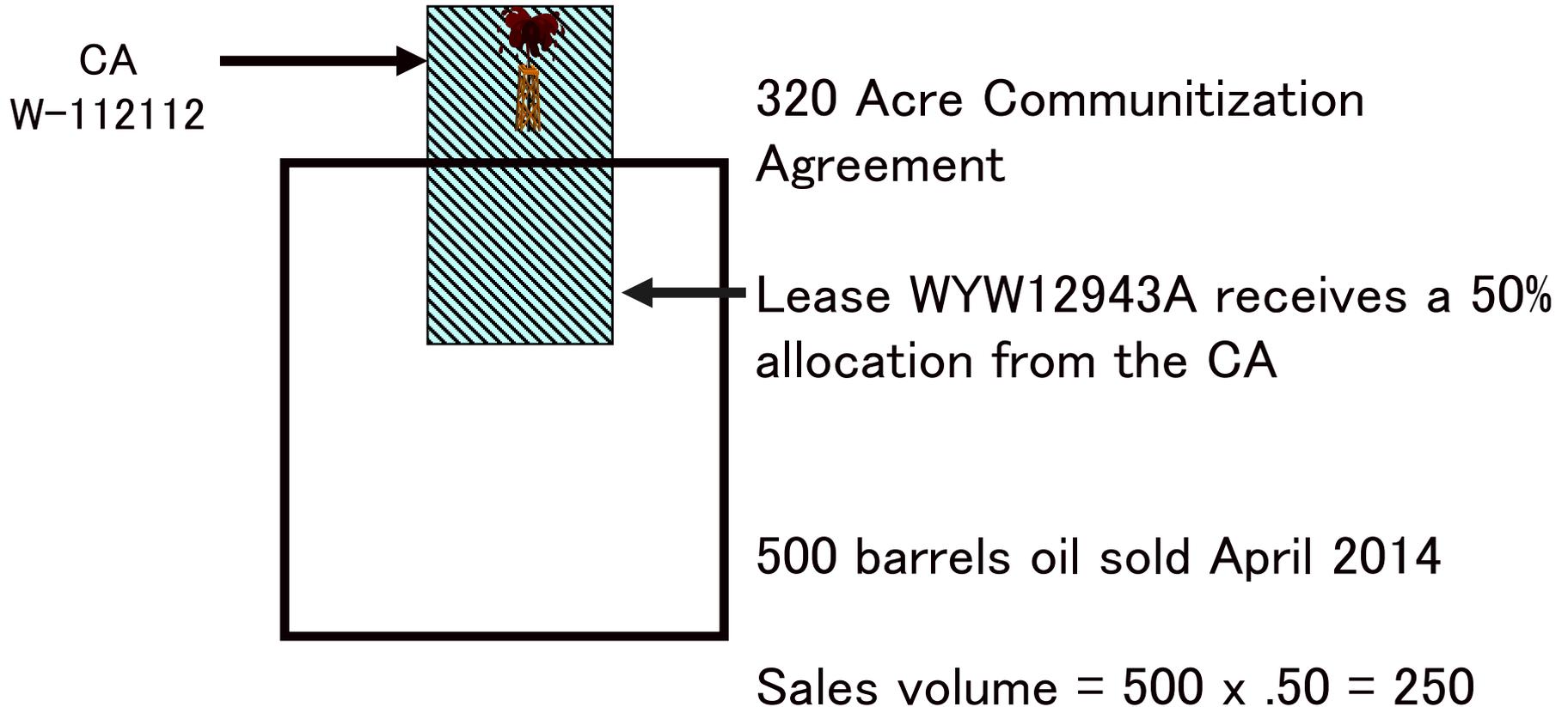
 - ✓ Agreement production reported on one lease when there are several leases receiving an allocation.



Reporting Royalties based on a Communitization Agreement's Allocation Schedule



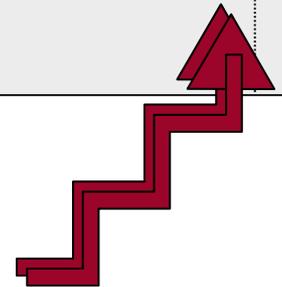
Reporting Royalties based on a Communitization Agreement's Allocation Schedule



Reporting Royalties based on a Communitization Agreement's Allocation Schedule

5 LINE NUMBER	6 RESERVED FOR PREPARER'S USE	7 ONRR LEASE NUMBER	10 PRODUCT CODE	11 SALES TYPE CODE	12 SALES MO/YR (MM/CCYY)	13 TRANSACTION CODE	14 ADJUSTMENT REASON CODE	15 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





Questions

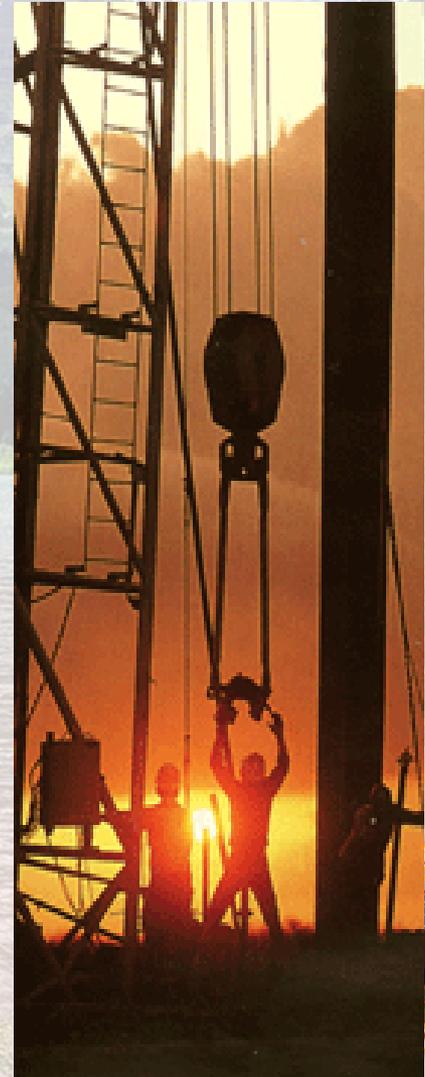
What are some common errors found when reporting Communitization Agreements to ONRR:

- A. Missing agreement numbers
- B. Incorrect allocations to the leases
- C. Agreement production reported on one lease when there are several leases receiving an allocation
- D. All this above





FIDUCIARY TRUST RESPONSIBILITY



Industry Compliance



Accurate Revenues & Data



Professionalism & Integrity



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.



# 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.



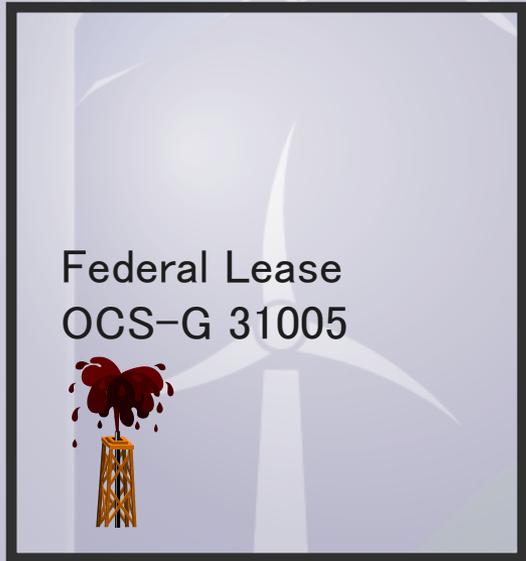
# Reporting Royalties on Lease Basis Production



Lease Basis well –  
100% federal interest

750 barrels oil sold in April 2014

Sales Volume = 750

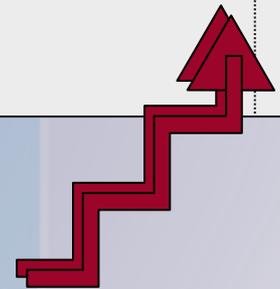


# Reporting Royalties on Lease Basis Production



| 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 |              |                 |                       |                  |                        | 19                                   |
|             | API WELL NUMBER             |                   |                       |              |                 |                       |                  |                        | ROYALTY VALUE PRIOR TO ALLOWANCES \$ |
| 1           | Lease Basis Example         | 054               | 0310050               |              | 01              | ARMS                  | 042014           | 01                     | 750 00                               |
|             |                             |                   |                       |              |                 |                       |                  |                        |                                      |

100% x 750 bbls sold =





# Summary

- Lease/Agreement basics
- Standard Leases vs Non Standard Leases
- Actual production (Lease level reporting) vs Allocated production (Agreement level reporting)
- Trust Responsibility





# Questions

