

ONRR COMPLIANCE COMMUNICATIONS

Reporter Training 2025

June 2025



Disclaimer

These training materials are offered in a training scenario to serve as guidance for Federal and Indian oil, gas, and coal lease/agreement operators (onshore and offshore) to assist in determining value for royalties. Because reporting and valuation circumstances vary from lessee to lessee, be advised that these training materials may not precisely reflect your valuation scenario. Accordingly, these general materials should not be construed as setting binding or enforceable policy.

Reliance on this guidance does not prohibit ONRR from future compliance activities or auditing of your reporting based on your use of the information contained within or from directing you to report and pay in a different manner based on an application of federal law to your unique factual circumstances. These training materials do not constitute an appealable decision or order under 30 C.F.R. 1290, Subpart B.



Agenda

Overview

Methods of Communication

Types of Communication

- Data Requests
- Preliminary Determinations
- Order Letters

Confirm Compliance

Summary

Reminders



Overview

ONRR/States/Tribes¹ will contact companies when issues are detected, or additional information is required, during compliance activities

- Compliance activities include Data Mining Reviews, Compliance Reviews and Audit
- Issues occur when production or royalties are not reported or paid in accordance with the applicable lease terms, federal laws and regulations, and other directives
 - Reference information
 - Production reporting
 - Royalty reporting
 - Required forms

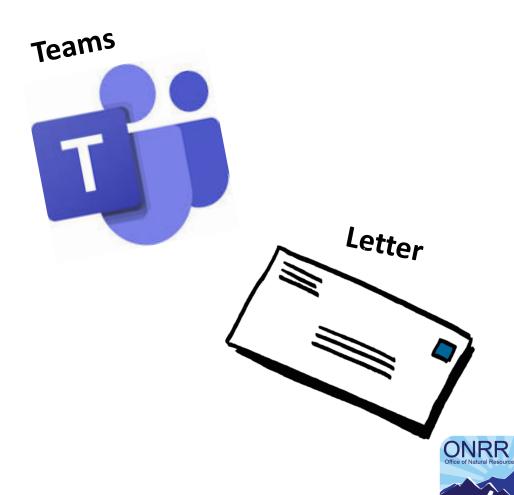


¹ONRR has 15 cooperative agreements with states and Tribes to perform compliance activities.

Methods of Communication







Types of Communication

Data Requests

- Request for information
- A response due date is established
- If not complied with may refer for enforcement

Preliminary Determinations

- Notice of potential compliance issue(s)
- Informal correspondence issued; no appeal rights
- A response due date is established
- If not complied with may issue an Order Letter

Order Letters

- Notice of compliance issue(s)
- Official correspondence with appeal rights
- A response due date is established
- If not complied with or timely appealed, referred for enforcement



Data Requests

ONRR/States/Tribes send data requests to inquire and request information related to compliance activities

- Companies are required to maintain and provide access to all records demonstrating the payment of rentals, royalties, net profit shares, and other payments related to offshore and onshore Federal and Indian oil and gas leases
 - This includes documentation you used to complete production reports, royalty reports, royalty payments and all required ONRR forms
- ONRR/States/Tribes may issue multiple data requests under a single case



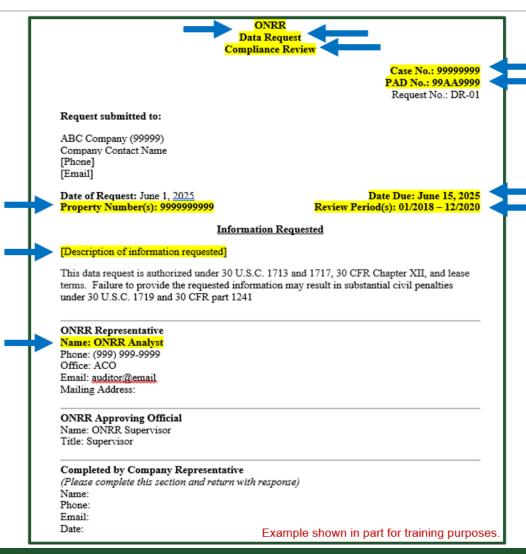
Types of Data Requests

Туре	Description*
Engagement Letter Data Request	Issued when an audit is initiated to gather background information
Property Specific Data Request (for sample properties)	Issued during the planning phase of an audit to gather information for sample properties
Operator Data Requests	Issued as part of Data Mining activities
Payor Data Request	Issued as part of Data Mining activities
General Data Request	Issued as part of all compliance activities

^{*} General description for understanding. May not represent full application.



Data Request Key Information



- Who sent the communication
- What is the communication
- Type of review
- Case number
- PAD No
- Property Number(s)
- Due Date (important)
- Review Period
- Information Requested (read carefully)
- ONRR/State/Tribe Representative



Responding to a Data Request

Provide <u>all</u> information within the specified time period

 Untimely or incomplete responses may result in Notice of Noncompliance, Civil Penalties, or other enforcement actions

Providing information that is nonresponsive does not satisfy the request Annotate information to clearly identify the responsive document(s)

Do not redact information

Contact the ONRR/State/ Tribe Representative listed on the correspondence if you need assistance or have questions

Refer to the Case No.



Requesting Data Request Extensions

Data Request due dates range between 1 and 30 days

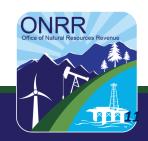
- Maximum is 30 days
- Due dates are established based on the quantity and type of information requested

You may request an extension

- <u>Must</u> contact the ONRR/State/Tribe representative as soon as possible but at least <u>5</u> <u>days before the established due date</u>
- Approval of an extension requires consult with supervisor/manager
- May need to sign a tolling agreement (Federal)

IMPORTANT! ONRR/States/
Tribes are <u>not</u> obligated to grant an extension of time

Data Requests past due may be referred to the ONRR Enforcement



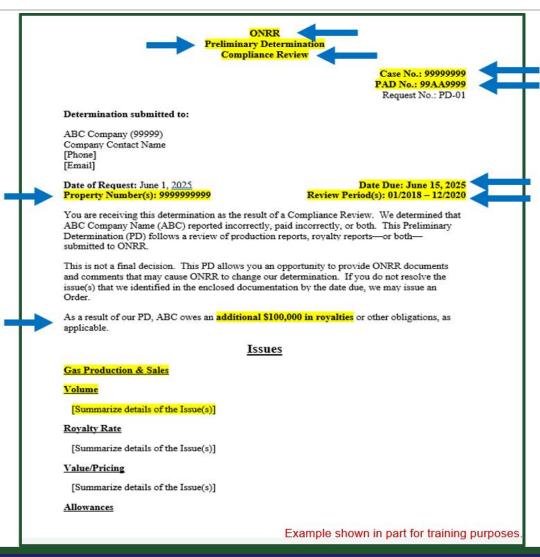
Preliminary Determinations

ONRR/States/Tribes send Preliminary Determinations to notify companies of potential issues related to production and royalty report, royalty payments, and ONRR forms submission

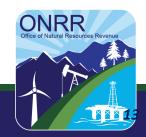
- Companies provided the opportunity to resolve issues prior to issuing formal actions
- Not required to issue a Preliminary Determination in advance of an Order Letter
- ONRR/States/Tribes may issue multiple preliminary determinations under a single case



Preliminary Determination Key Information (1/2)



- Who sent the communication
- What is the communication
- Type of review
- Case number
- PAD No
- Property Number(s)
- Due Date (important)
- Review Period
- Amount due (if applicable)
- Issues (read carefully)



Preliminary Determination Key Information (2/2)

Reporting Guidance

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

- To report and pay, use the CMP-2014 selection identified by PAD Number 99AA9999 and Report ID 999999.
- Reverse previously reported lines and submit correct lines using Adjustment Reason Codes (ARC) 16, 17, 49, or 72 (as applicable) when reporting lines in the CMP-2014.
- Reference the PAD Number shown above on your payment document.
- Should the CMP-2014 submitted for review not reflect the PAD Number 99AA9999 and Report ID 999999, ONRR will reject your lines and require you to correct your report and resubmit. A rejected report may affect your ability to comply with this determination in a timely manner.
- 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.
- 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 https://www.onrr.gov/paying 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://www.onrr.gov/references/handbooks.

ONRR Representative

Name: ONRR Analyst Phone: (999) 999-9999

Office: ACO

Email: auditor@email Mailing Address:

Example shown in part for training purposes

- Reporting guidance (read carefully)
 - MUST USE the CMP-2014 for all royalty adjustments
 - MUST USE the indicated PAD Number
 - MUST USE the indicated Report ID
 - MUST USE the correct Adjustment Reason Code
- ONRR/State/Tribe Representative



Responding to a Preliminary Determination

Submit corrections as directed by the Preliminary Determination

Provide information that refutes the identified issue(s)

 Annotate information to clearly identify the responsive document(s) **IMPORTANT!** Untimely or incomplete responses may result in the issuance of an Order Letter

Contact the ONRR/State/ Tribe Representative listed on the correspondence if you need assistance or have questions

Refer to the Case No.



Requesting Extensions for Preliminary Determinations

Preliminary Determination due dates are generally set between 15 and 30 days

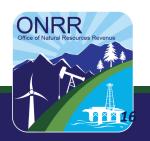
- Maximum is 30 days
- Due dates are established based on the complexity of the issues and the required action

You may request an extension

- Must contact the ONRR representative as soon as possible but at least <u>5 days</u> before the established due date
- Approval of an extension requires consult with ONRR supervisor/manager
- May need to sign a tolling agreement (Federal)

IMPORTANT! ONRR is not obligated to grant an extension of time

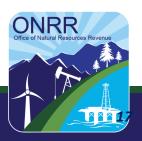
Preliminary Determinations past due may result in an Order Letter



Order Letters

ONRR/States/Tribes send Order Letters to formally notify companies of issues identified related to production and royalty reports, royalty payments, and ONRR forms submission

- Must comply or timely appeal by due date or will be referred for enforcement
- May result from Data Mining Reviews, Compliance Reviews and Audits
- Can initiate multiple order letters under a single case



Types of Order Letters

Туре	Description
Order to Report	Directs the company to report accurately based on the compliance findings. You have 30 days to comply or appeal.
Order to Report and Pay	Directs the company to report accurately and pay a certain sum based on the compliance findings. You have 30 days to comply or appeal.
Order to Perform Restructured Accounting and Pay	Directs the company to perform restructured accounting for a specified time period for a lease or group of leases. You have 30 days to comply or appeal for Indian leases. You have 60 days to comply or appeal for Federal leases. Includes corrections to non-sample properties and months.



Order Letter Key Information (1/3)



United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165 Denver, Colorado 80225-0165

Certified Mail — Return Receipt Requested Company ID: 99999 (F)

Case No. 99999999

Order No: OL - 01

Company Contact Name Company Contact Title ABC Company Mail Address City, State Zip Code

Order To Report (Order)

Order To Report And Pay (Order)

Order To Perform Restructured Accounting And Pay (Order)

Dear Company Contact Name:

The Office of Natural Resources Revenue (ONRR) determined that ABC Company (ABC) reported incorrectly, paid incorrectly, or both. You are receiving this Order as a result of an audit. To fully resolve the issues identified in the enclosed documentation, you are ordered to perform restructured accounting and report and pay any additional royalties of \$100,000 within 60 calendar days of receipt of this Order. In addition to making corrections for the sample properties and months identified in the enclosed documentation, you must review and correct all prior reports as described in the Explanation of Order. (Enclosure 1)

Refer to the enclosures for a detailed explanation of the Order and supporting information. You must keep and maintain all Federal and Indian records for the period and make them available for inspection in accordance with 30 United States Code (U.S.C.) §§ 1713 and 1717 and 30 Code of Federal Regulations (C.F.R.) part 1212.

If a lessee allows a payor to submit reports to ONRR on the lessee's behalf, the lessee is responsible for verifying that the payor complies with this order's requirements. The lessee, or payor on the lessee's behalf, must use the following guidelines when making adjustments to the Report of Sales and Royalty Remittance, (Form ONRR-2014):

- To report and pay, use the CMP-2014 selection identified by PAD Number 99AA9999 and Report ID 999999
- Reverse previously reported lines and submit correct lines using Adjustment Reason Codes (ARC) 16, 17, 49, or 72 (as applicable) when reporting lines in the CMP-2014.
- Reference the PAD Number shown above on your payment document.
- Should the CMP-2014 submitted for review not reflect the PAD Number 99AA9999 and Report ID 999999, ONRR will reject your lines and require you to correct your report Example shown in part for training purposes.

- Case number
- Type of order letter
- Who sent the order letter
- Type of review
- Amount due
- Due date (Important)
- Reporting guidance (read carefully)
 - MUST USE the <u>CMP-2014</u> for all royalty adjustments
 - MUST USE the indicated PAD Number
 - MUST USE the indicated Report ID
 - MUST USE the correct Adjustment Reason Code



Order Letter Key Information (2/3)

Company Contact Name ABC Company 3

served is incorrect or you have not previously submitted one. The form and associated instructions are available at https://www.onrr.gov/references/forms.

You may appeal this demand, order, or decision under 30 C.F.R. part 1290. Appeal instructions are enclosed.

If you appeal, you must take action to suspend performance of the Order under 30 C.F.R. part 1243. Those actions include submitting a bond or other surety instrument or demonstrating financial solvency. ONRR calculated that the surety amount you must post is \$150,000, which includes the principal and accrued interest through July 31, 2026. See Enclosure 10 for surety instructions.

Failure to comply with this Order may result in the imposition of civil penalties under 30 U.S.C. § 1719 and 30 C.F.R. part 1241.

In addition, if you do not timely appeal or comply with this Order, ONRR may pursue debt collection activities in accordance with the Debt Collections Act and 30 C.F.R. 1218, Subpart J. Enclosure 11 contains due process notification of debt collection information and actions that ONRR may consider as a result of non-compliance with this order.

Please contact Auditor at (999) 999-9999 or auditor@email, or you may contact Supervisor at (999) 999-9999 or supervisor@email with any questions regarding this letter.

Sincerely,

Manager

Enclosure(s)
List of Enclosures

cc

Contact Name Title Company Name Mail Address City, State Zip Code

Example shown in part for training purposes

- Appeal rights
- Surety requirements
 - Indian leases with an amount due over \$1,000, you must post a bond or other surety instrument
 - Federal leases with an amount due over \$10,000, you must post a bond or other surety instrument OR demonstrate financial solvency
- ONRR/State/Tribe representative/contact



Order Letter Key Information (2/2)

Explanation of Order: ABC Company Case No: 99999999 Enclosure 1 Page 1 of 5

Basis for Order

The Office of Natural Resources Revenue (ONRR) bases this Order on an audit of records that support reporting and payment of royalties and other obligations, as applicable, on the Federal properties shown below and relevant regulations under 30 Code of Federal Regulations (C.F.R.) parts 1202, 1206, and 1210.



ONRR audited ABC Company's (ABC) computation, reporting, and payment of royalties and other obligations, as applicable, for the period of January 2018, through December 2020, on oil and gas removed or sold from the subject properties. The objective of the audit is to determine if you reported and/or paid royalties and other obligations, as applicable, in substantial compliance with relevant lease terms, Federal laws and regulations, and other directives.

The following summarizes the issue(s) identified as a result of our audit and the corrective actions that we require.

Corrective Action

Within 60 calendar days of receipt of this Order, you must:

<u>Issue</u>	Sales Period	Corrective Action*
1) Violation 1	January 2018 through December 2020	Report and Pay: Report and pay additional oil royalties of \$50,000 (Enclosure 2) [description of issue].
		Perform Restructured Accounting: Perform dual accounting for all non-sample sales months and properties. You must recalculate gas royalties due, submit Form CMP-2014, and pay any additional royalties due.
2) Violation 2	January 2018 through December 2020	Report and Pay: Report and pay additional gas royalties of \$50,000 (Enclosure 3) [description of issue].
		Perform Restructured Accounting: Perform dual accounting for all non-sample

- Property Number(s)
- Review Period
- Due Date (important)
- Issues (read carefully)
- Remainder of Enclosure 1 provides detailed explanation of issues



Responding to an Order Letter

Submit corrections as directed by the Order Letter

Provide information that refutes the identified issue(s)

 Annotate information to clearly identify the responsive document(s)

Timely appeal the order letter

IMPORTANT! ONRR does not grant extensions for Order Letters

IMPORTANT! Untimely or incomplete responses may result in enforcement action including notice of noncompliance, civil penalty or other enforcement action

Contact the ONRR/State/Tribe
Representative listed on the
correspondence if you need assistance
or have questions

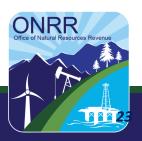
Refer to the Case No.



Confirm Compliance

ONRR/State/Tribe must confirm your compliance with preliminary determinations and order letters

- Determines whether the issues are addressed and/or otherwise resolved, including corrected production reports (OGOR), royalty reports (ONRR-2014), and forms submittal
- Checks for correct PAD number, Report ID, and Adjustment Reason Code(s)
- May request additional information to assist with confirming compliance



Reminders

Review all documentation received from ONRR/State/Tribe

Pay careful attention to the instructions

Promptly respond by or before due dates

Immediately contact the auditor/analyst with any questions

Appeal Order Letters timely if you disagree

Submit <u>ALL</u> royalty corrections using the CMP-2014 and the PAD Number and Report ID shown in the correspondence

• Be sure to use the appropriate Adjustment Reason Code

Communicate throughout the process



Questions



