



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM - PAD
P.O. BOX 17110, MS-3300
DENVER, COLORADO 80217



IN REPLY
REFER TO:

PAD/RCB
MS 3310

MAR 30 1992

PAAS ALERT

The purpose of this PAAS Alert is to provide clarification of certain reporting requirements for onshore oil and gas reporters who report production data on the Monthly Report of Operations, Form MMS-3160 (3160). This PAAS Alert contains a discussion of the following topics which will help you in preparing and filing subsequent reports to the Minerals Management Service (MMS) :

Retroactive Reporting of Wells Moved between Leases and Agreements

1. Non-designated wells in an exploratory unit
2. Approval or termination of a communitization agreement
3. Segregated leases

Transfer of Inventory Between Past and Current Operators

Notice of Operator Information Changes

RETROACTIVE REPORTING OF WELLS MOVED BETWEEN LEASES AND AGREEMENTS

Several situations require an operator to submit operations reports to move wells from the lease or agreement on which they were originally reported. Operators must submit reports for all wells located on a Federal or Indian lease or agreement when they are approved by the Bureau of Land Management (BLM). Because BLM approval actions may not be complete by the date an operations report is due to MMS, additional reports may be required, or previously-submitted reports may need to be amended, to correct the placement of wells.

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General rules for correcting previously-submitted reports when wells move between leases and agreements are:

Original reports are required the first time a report is submitted for a lease or agreement and report period.

Amended reports are required to add or eliminate wells from reports that have been previously submitted for a lease or agreement and report period.

No report is required for a lease or agreement in the report period in which all wells are moved to another lease or agreement. MMS will remove any reports that were submitted for the wrong lease or agreement for the period between the effective date of the action and the BLM approval date.

THE MMS ALLOWS A 90-DAY GRACE PERIOD, FROM THE DATE BLM NOTIFIES AN OPERATOR IN WRITING OF A RETROACTIVE MOVEMENT OF WELLS FROM A LEASE OR AGREEMENT TO ANOTHER LEASE OR AGREEMENT, TO SUBMIT ORIGINAL AND AMENDED PRODUCTION REPORTS TO CORRECT THE PLACEMENT OF WELLS. THE CORRECTED REPORTS MUST BE RECEIVED AT MMS WITHIN THE 90-DAY GRACE PERIOD IN ORDER TO AVOID LATE REPORTING ASSESSMENTS. FORMER OPERATORS OF LEASES AND AGREEMENTS WILL NOT RECEIVE WRITTEN NOTIFICATION FROM BLM; CONSEQUENTLY, FORMER OPERATORS WILL BE GRANTED A 90-DAY GRACE PERIOD FROM THE DATE OF WRITTEN NOTIFICATION FROM MMS,

A discussion of some situations which require reporting adjustments for wells moved between leases and agreements are:

1. Non-designated wells in an exploratory unit. Generally, wells that are drilled within an exploratory unit boundary, but outside a participating area boundary, are reported under the unit number with an "X" suffix until a paying well determination is made. Some BLM offices, however, carry exploratory wells located on Federal or Indian land under the lease number until a paying determination is made. The principles for reporting the retroactive movement of a well from a Federal or Indian lease to a participating area are the same as for the exploratory unit discussed below.

a. If, after several months of production, a well is determined to be capable of producing unitized substances in paying quantities, BLM will approve a new or revised participating area (PA) to include the well, usually effective as of the first production date of the well. If all wells previously reported under the exploratory unit did not move to a PA, AMENDED 3160's for the exploratory unit must first be submitted for all report months, beginning with the PA or PA revision effective date, to eliminate the wells that moved to the PA. The operator must then submit either 1) ORIGINAL 3160's for the well under a NEW PA number, or 2) AMENDED 3160's for the well under the REVISED PA for all report months beginning with the effective date of the PA or PA revision.

b. If, after several months of production, a well which was reported under the exploratory unit is determined incapable of producing unitized substances in paying quantities, BLM will not approve a new or revised PA to

include the well. Consequently, the noncommercial well must be reported on the lease on which it was drilled. Again, if all wells previously reported under the exploratory unit did not move to a Federal or Indian lease, the operator must first submit AMENDED 3160's for the exploratory unit to eliminate the wells which actually moved. Amended 3160's must also be submitted to eliminate noncommercial wells on fee and State land from the exploratory unit (See Example 10, PAAS Onshore Oil and Gas Reporter Handbook). If the well which is moving from the exploratory unit is the only well located on a Federal or Indian lease, the operator must submit ORIGINAL 3160's to report the well on the applicable lease beginning with the month the well was spud. If the well will be reported with other previously reported wells on the Federal or Indian lease, the operator must submit AMENDED 3160's for the lease to include the well from the exploratory unit. No movement of noncommercial wells is necessary if the managing BLM office carries the exploratory unit wells under the Federal or Indian Lease number.

2. Approval or termination of communitization agreements (CA). Subsequent notification of a CA approval or termination by BLM may also require prior reporting adjustments.

a. Before BLM approval of a CA, wells located on Federal or Indian leases should be reported under the applicable lease. Wells located on fee or State land should not be reported to MMS at all until written approval is received from BLM. After notification, the operator must first submit AMENDED 3160's, beginning with the approved effective date, to eliminate the well from previous Federal or Indian lease reports if the lease contained other wells. The operator must then submit ORIGINAL 3160's under the CA beginning with the approved effective date.

b. The reverse situation occurs when an operator receives notification several months after a CA is terminated. If the CA well is located on a Federal or Indian lease and is not in abandoned status, the operator should submit ORIGINAL 3160's beginning with the CA termination date moving the well to the applicable lease. If the former CA well will be reported with other previously reported lease-basis wells, the operator must submit AMENDED 3160's for the lease beginning with the CA termination date. In many cases, Indian leases terminate the same date as the CA so no movement of the well is necessary. Any production reports for the CA accepted into PAAS after termination will be removed by MMS employees, consequently, no amended reports for the CA are necessary.

3. Segregated Leases. If any wells remain within the base lease's reduced boundaries, the operator must first submit AMENDED 3160's for the base lease for any period between the effective date of the segregation and notification by BLM to eliminate the wells moving to the new lease. No reports are necessary for the base lease if all wells moved to the new lease, because MMS employees will remove the reports for the base lease. The operator must then submit ORIGINAL 3160's for the new lease beginning with the effective date of the segregation.

NOTE: If you have questions concerning placement of wells, effective dates of changes, etc., please contact the appropriate BLM inspection office.

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TRANSFER OF INVENTORY BETWEEN PAST AND CURRENT OPERATORS

When operating responsibilities and inventory are transferred between operators, the previous operator must close out any inventory balance in his last operations report month, and the new operator must report the same inventory as having been received in his first operations report month.

1. The previous operator should show the transfer of all inventory to the new operator in the last month of his operating responsibility. The balance in "On hand, End of Month" for the old operator should be zero. The "Other" disposition line should be completed with a negative (bracketed) volume equal to the actual ending inventory. The "Identify" line should state that the inventory was transferred to a new operator and provide the new operator's name. The following example of the oil and condensate disposition section of a 3160 shows the proper reporting method:

JULY 1991 REPORT MONTH (last month previous company operated property)

| | Oil & Condensate (BBLs) |
|--------------------------------------------------------------|----------------------------|
| On hand, Start of Month | 100 |
| Produced | |
| Sold | |
| Spilled or Lost | |
| Used on or for Benefit of Lease | |
| Injected | |
| Other | <100> |
| Identify <u>Inventory transferred to new operator (name)</u> | |
| On hand, End of Month | 0 |
| API Gravity/BTU Content | |
| Comments _____ | |

2. The new operator should report no beginning inventory. The exact amount which the previous operator identified as transferred should be shown as a positive figure in the "Other" disposition line. The "Identify" line should contain the phrase "Inventory received from previous operator" and provide the name of the previous operator. The following example shows the proper method for reporting inventory received from a previous operator:

AUGUST 1991 REPORT MONTH (first month new company operated property)

| | Oil & Condensate (BBLs) |
|------------------------------------------------------------------|----------------------------|
| On hand, Start of Month | |
| Produced | 500 |
| Sold | 500 |
| Spilled or Lost | |
| Used on or for Benefit of Lease | |
| Injected | |
| Other | 100 |
| Identify <u>Inventory received from previous operator (name)</u> | |
| On hand, End of Month | 100 |
| API Gravity/BTU Content | |
| Comments _____ | |

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3. If the new operator remeasures the inventory and determines the volume to be more or less than the previous operator transferred, the corrected amount should be reported in the "Other" disposition line. An explanation of the difference should be noted in the "Comments." The following is an example of the proper method for reporting inventory differences between previous and current operators:

AUGUST 1991 REPORT MONTH (first month new company operated property)

| | Oil & Condensate (BBLs) |
|-----------------------------------------------------------------|----------------------------|
| On hand, Start of Month | _____ |
| Produced | _____ 500 |
| Sold | _____ 500 |
| Spilled or Lost | _____ |
| Used on or for Benefit of Lease | _____ |
| Injected | _____ |
| Other | _____ 95 |
| Identify _____ Inventory received from previous operator (name) | |
| On hand, End of Month | _____ 95 |
| API Gravity/BTU Content | _____ |
| Comments _____ Inventory remeasured & corrected; less 5 bbl | |

Note: If the previous operator does not transfer all of the ending inventory to the new operator, the previous operator should continue to report each month until the retained inventory is sold. The 3160's submitted by the previous operator after the operator change will contain only header, disposition and trailer information. No well data can be reported.

NOTICE OF OPERATOR INFORMATION CHANGES

For your convenience, we have enclosed a Notice of Operator Information Changes form for operators using the 3160 to report monthly production. Please duplicate this form and use it to notify MMS whenever there are changes in your company name, contact person, telephone number, or address. Also use this form to notify us if you are no longer an operator of Federal or Indian properties and your name will be removed from our mailing lists.

If you have any questions regarding this information, please call Ms. Louise Jones at 800-525-7922 or 303-231-3439, or your Reporter Contact Branch representative at 800-548-3094.

Sincerely,


Michael A. Miller
Chief, Reporter Contact Branch

Enclosure

PAD/RCB
MS 3310

MINERALS MANAGEMENT SERVICE
PRODUCTION ACCOUNTING DIVISION
P. O. BOX 17110
DENVER, COLORADO 80217-0110

NOTICE OF OPERATOR INFORMATION CHANGES
FOR FORM MMS-3160 REPORTERS

OPERATOR NAME: _____ OPERATOR NUMBER: _____

Company Name Changed To: _____

Company Address Change To: _____

Contact Name Changed To: _____

Telephone Number Changed _____

Company Sold To: _____ Effective Date: _____

I am no longer an operator of Federal or Indian properties. Please remove my name from your mailing list.

Comments: _____

Signature

Date