



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program

P.O. Box 173702

Denver, Colorado 80217-3702

IN REPLY REFER TO:

DOV

Mail Stop 3930

DEC - 8 1993

Dear Payor:

In a January 15, 1993, "Dear Payor" letter, the Minerals Management Service (MMS) clarified the application of Section 10 of the Outer Continental Shelf Lands Act, 43 U.S.C. 1339, to royalty adjustments submitted to MMS utilizing Reports of Sales and Royalty Remittance (Forms MMS-2014). In its enclosure entitled, "Section 10 Refund Request Not Required," eight situations were identified where a payor may process certain adjustments without submitting a refund request. The first situation described the adjustment of estimated transportation and processing allowances to actual costs after the reporting of actual costs on the appropriate allowance forms. Questions have arisen as to the effect of this situation in cases when dual accounting is required.

Under the requirements of 30 CFR § 206.155 (1992) an accounting for comparison is required between the values determined for unprocessed gas and the value determined for processed gas, inclusive of residue gas and plant products less appropriate allowances. Royalty payment is due based upon the method which yields the greatest value. The situation described in the "Dear Payor" letter referred to adjustment of allowance amounts reported on the Form MMS-2014, using Transaction Codes 11 and 15. However, in some cases the accounting for comparison results in adjustments of the royalty due, on the Form MMS-2014, using Transaction Code 01. Such adjustments of the royalty due amount that result in credits against current or future payments are subject to Section 10 Refund and Credit Review Procedures. This letter constitutes advice that reporting such adjustments before receiving MMS approval will result in the issuance of an order to refund the credit to the U.S. Treasury with interest.

If you have any questions, please contact the Technical Compliance Branch, Division of Verification, at (303) 231-3316.

Sincerely,

Milton K. Dial
Chief, Division of Verification