



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program
P.O. Box 25165
Denver, Colorado 80225-0165

IN REPLY REFER TO:

RFD

Mail Stop 3130

NOV 25 1996

Dear Payor:

This letter pertains to written refund requests as defined in Section 5 of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA). It identifies the information the Minerals Management Service (MMS) requires if you send a written refund request for:

- an overpayment made on an onshore Federal lease **after** August 31, 1996, or
- an overpayment made on an offshore Federal lease **after** August 12, 1996.

The MMS Oil and Gas Payor Handbook, Volume II (Handbook) currently contains guidance for refund requests in Chapter 4, "Adjustments, Recoupments, and Refunds." Section 4.4.2 pertains to refunds and recoupments on outer continental shelf leases. Section 4.4.5 pertains to Federal onshore refund and recoupment procedures.

To comply with RSFA, Chapter 4 of the Handbook is being rewritten and will be sent to you upon completion. In the meantime, this letter amends the associated sections of the Handbook.

Please note, the RSFA does not change refund procedures for outer continental shelf section 10 refunds for payments received by MMS prior to August 13, 1996. Guidance for such refunds is contained in 30 CFR Part 230 and the Handbook, Chapter 4, Section 4.4.2.

The RSFA does not change procedures for making adjustments or taking recoupments on the Report of Sales and Royalty Remittance (Form MMS-2014). Recoupments taken on the Form MMS-2014 continue to be the fastest and most cost effective way for you to correct an overpayment. Chapter 4 of the Handbook includes instructions for making adjustments and recoupments.

KEY REFUND PROVISIONS IN THE ROYALTY SIMPLIFICATION AND FAIRNESS ACT

Section 5 of the RSFA amends Section 111 (a) of the Federal Oil and Gas Royalty Management Act of 1982 adding a section entitled "Adjustments and Refunds." The amendment has two parts: Part (a) and Part (b).

Part (a) describes and defines the period during which a lessee or its designee may request a refund. This is termed the adjustment period. This part states:

(a) ADJUSTMENTS TO ROYALTIES PAID TO THE SECRETARY OR A DELEGATED STATE---

(1) If, during the adjustment period, a lessee or its designee determines that an adjustment or **refund request** is necessary to correct an underpayment or **overpayment** of an obligation, the lessee or its designee shall make such adjustment or **request a refund within a reasonable period of time and only during the adjustment period.**” [Emphasis added]

RSFA Section 5(a)(4) defines “adjustment period” as follows:

For purposes of this section, the adjustment period for any obligation shall be the **six-year period following the date on which an obligation became due.** [Emphasis added]

RSFA Section 5(a)(3) provides for extension of this adjustment period as follows:

An adjustment or a request for a refund for an obligation may be made after the adjustment period only upon **written notice** to and **approval** by the Secretary or the applicable delegated State, as appropriate, **during an audit of the period which includes the production month for which the adjustment is being made.** If an overpayment is identified during an audit, then the Secretary or the applicable delegated State, as appropriate, shall allow a credit or refund in the amount of the overpayment. [Emphasis added]

Part (b) describes how a lessee or its designee makes a written refund request to recover overpayment of an obligation. This section states:

- (1) IN GENERAL.--A request for refund is sufficient if it--
- (A) is made in writing to the Secretary and, for purposes of section 115, is specifically identified as a demand;
 - (B) identifies the person entitled to such refund;
 - (C) provides the Secretary information that reasonably enables the Secretary to identify the overpayment for which such refund is sought; and
 - (D) provides the reasons why the payment was an overpayment.

Part (b) further requires MMS to approve or deny the refund request within 120 days of its receipt. This part states:

(3) PAYMENT PERIOD

A refund under this subsection shall be paid or denied (with an explanation of the reasons for the denial) within 120 days of the date on which the request for refund is received by the Secretary. Such refund shall be subject to later audit by the Secretary or the applicable delegated State and subject to the provisions of this Act.

NEW REFUND REQUIREMENTS
EFFECTIVE WITH THIS LETTER

The following requirements apply when you initiate a written refund request for (1) an onshore Federal lease overpayment made after August 31, 1996, or (2) an offshore Federal lease overpayment made after August 12, 1996.

1) Your request must be made within 6 years of the due date of the lease obligation. If it is made after this period, the reason must be based on the audit extension reason stipulated by the RSFA.

2) Your request must be in writing and include :

- an explanation of why the overpayment occurred.
- your Taxpayer Identification Number or Social Security Number if you are an individual. The Debt Collection Improvement Act of 1996 requires that MMS include this number on all check or wire payments made by the U.S. Treasury.
- the specific amount of the refund.
- a properly completed FormMMS-2014 which reverses the originally reported overpayment and then reports the correct data. The net difference reported will represent the amount of your refund request.

If your overpayment was not reported on a Form MMS-2014, provide a copy of the check or wire transfer information that will allow us to identify the overpayment.

The Debt Collection Improvement Act of 1996 also requires that recipients of Federal payments receive all payments electronically unless the recipient certifies they do not have an account at a financial institution. In order to process your refund electronically we will need:

- your bank name.
- your nine digit bank routing transit number.
- your account number at the bank and designation of account - checking or savings.

If you do not have an account at a financial institution that can receive electronic payments, please indicate so in your written refund request.

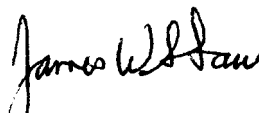
Send your written refund request satisfying the above information requirements to:

Chief Cash Applications Section
Minerals Management Service
P.O. Box 5760, Mail Stop 3130
Denver, Colorado 80217-5760

The MMS will refund or deny written refund requests within 120 days of the date of receipt by MMS.

If you have any questions, please contact your Cash Applications Representative at 1-800-525-2356 or the Chief of the Cash Applications Section, John Gansert, at (303)231-3334.

Sincerely,



James W. Shaw
Associate Director for
Royalty Management