



United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

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

MAR 10 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Subject: Reminder of Recordkeeping Requirements and Consequences of Failure to Produce Documents

Dear Reporter:

The Office of Natural Resources Revenue (ONRR) writes to remind you of your recordkeeping obligations under 30 U.S.C. § 1713 and 30 C.F.R. Part 1212 (2010) (formerly 30 C.F.R. Part 212). Section 1713 requires reporters to establish and maintain records, make reports, and provide information needed to implement the Federal Oil and Gas Royalty Management Act and determine compliance with the regulations and orders issued pursuant to this Act. Part 1212 requires reporters to maintain records for a prescribed period of time, and produce records upon request. These recordkeeping requirements are necessary for ONRR and any states or Tribes with cooperative agreements or delegated authority under 30 U.S.C. §§ 1732 or 1735, to perform audits, investigations, and reviews of royalties and other payments which you remit to ONRR consistent with 30 C.F.R. Part 1217 (2010) (formerly 30 C.F.R. Part 217).

1. How will ONRR Request Records?

The ONRR will request records in writing and give you a date by which you should submit the records.

2. What if I need more time to respond to a request for records?

You may request additional time to respond to a request for records which the ONRR may grant or deny.

3. What if I do not have the records?

If you do not have the requested records, you should determine if the records are available elsewhere. Potential sources could include affiliated entities, suppliers, customers, or commercial information providers. If so, you should obtain those records and submit them to ONRR, even if you must purchase the records from such parties.

4. What if I did not maintain or keep the records and cannot obtain them from a third party?

If you do not have the records and cannot obtain them from other parties, then ONRR may require you to establish records pursuant to 30 U.S.C. § 1713(a). In addition, ONRR may assess civil penalties under 30 U.S.C. § 1719 and 30 C.F.R. Part 1241 (2010) (formerly 30 C.F.R. Part 241) of up to \$10,000 per day, per violation (record or audit step that cannot be performed). Penalty amounts accrue from the date you were required to provide the records through the date you provide reasonable evidence to ONRR demonstrating a good

faith effort was made to obtain the records. Such evidence will, of course, be subject to verification.

5. What if I refuse to provide the document?

If you refuse to provide documents, then ONRR may assess civil penalties as described in 4 above.

This letter does not require that you perform any type of restructured accounting, any reporting, or recalculate and pay royalties. This letter is merely guidance on how to provide documents necessary for ONRR to conduct audits under applicable regulations. The guidance provided in this letter is not an appealable decision, order, Notice of Noncompliance, or Civil Penalty Notice under 30 C.F.R. Part 1290 Subpart B (2010) (formerly 30 C.F.R. Part 290) or 30 C.F.R. Part 1241 (2010) (formerly 30 C.F.R. Part 241). If ONRR issues you an order, Notice of Noncompliance, or Civil Penalty notice at a later date based on this guidance, your appeal rights will be provided at that time.

If you have any questions contact Geary Keeton, Enforcement Operations Officer, Office of Enforcement at (303) 231-3096.

Sincerely,

A handwritten signature in black ink that reads "Theresa Walsh Bayani". The signature is written in a cursive style with a large initial 'T'.

Theresa Walsh Bayani
Program Director
Audit and Compliance Management