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# Facsimile Cover Sheet

**TO: DAVID S. GUZY**  
**Company: MINERALS MANAGEMENT SERVICE**  
**Phone: (303) 231-3432**  
**Fax: (303) 231-3385**

**From: WILLIAM L. STONE**  
**Company: EXXON COMPANY USA**  
**Phone: (713) 680-7667**  
**Fax: (713) 680-5280**

**Date: April 26, 1999**

**Pages including this** 8  
**cover page:**

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**Comments:**

**EXXON COMPANY, U.S.A.**

P.O. BOX 2024 • HOUSTON, TX 77252-2024

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OWNERSHIP

W.L. STONE  
REGULATORY AFFAIRS ADVISOR

April 26, 1999

David S. Guzy, Chief  
Minerals Management Service  
Royalty Management Program  
Rules and Procedures Staff  
U.S. Department of Interior  
PO Box 25165  
MS 3021  
Denver, CO 80225-0165

SUBMITTED BY FACSIMILE

Comments on Proposed Changes to  
Form MMS -2014  
64 FR 8835 (February 23, 1999)

Dear Mr. Guzy:

Exxon Company, U.S.A., a division of Exxon Corporation (Exxon), appreciates the opportunity to comment on the proposed changes to Form MMS-2014.

In general, we appreciate the Minerals Management Service "MMS" working with industry to improve the reporting process. We recognize that you have made changes based upon industry's input. To the extent that there remain some issues, we have attached comments and recommendations for your review.

Please refer to the comments by the Council of Petroleum Accounting Societies for additional detail on the proposed changes.

If you have any questions, please call me at (713) 680-7667 or Pat Kent at (713) 680-7832.

*W. L. Stone*



**Exxon Company, U.S.A.**  
**Response to Proposed Changes in Form MMS-2014**  
**April 26, 1999**

**Reporting Concepts**

**1. Elimination of the Form MMS-4025, Payor Information Form (PIF), OMB Control Number 1010-0033**

Exxon supports the elimination of the Payor Information Form. However, there is some concern over how MMS will determine payor responsibility. Also, we need clarification on whether MMS will end date all current PIF's.

**2. Product Valuation**

The detail being requested for product valuation is unnecessary and despite best efforts of a company may sometimes be subjective in nature. For example, when there are multiple contracts and prices included in a pool, how would that be allocated back for reporting purposes? It would not result in a different value only in an arbitrary splitting of the number. The additional work effort would be significant and would not enhance the information being reported. The situations described by spot and long term are probably better described as Spot and "Fixed Price".

The request to increase the detail of the reporting also appears to be in direct conflict with the MMS objective to reduce lines of reporting. Exxon suggests that the information being requested only be furnished upon request or audit.

**3. Reporting Adjustments**

Exxon supports the reporting of adjustments on a net basis but suggests that MMS give the payor the option to report on a net basis or by backing out the original last line reported and replacing with the revised line. The MMS also needs to provide more information about how old data will be converted to new data elements for adjustments.

**4. Transportation and Processing Allowance Deductions**

Reporting transportation and processing allowances on the same line as the royalty value is an improvement over current reporting. This will greatly reduce the number of lines reported by the industry.

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Royalty in kind "RIK" reporting, however, still needs to be addressed. We assume that payment method 04 will be eliminated and the payment method for payment in value will be used on the Transaction Code 06 line, but this needs to be clarified.

**Form MMS-2014 Data Elements**

**1. Payor Name**

No Comment

**2. Payor Code**

No Comment

**3. Indian Report Indicator**

It is probably more logical to have some indicator since it is a required field. It would require programming a required field to validate when a blank means the indicator is missing and when it is intended to be blank.

**4. Payor Assigned Document Number**

This is a "payor" assigned document number and the MMS or its delegated contractors should not require the payor to use a specific format or number in this field. The intent of this number should be for payors to be able to tag the information to information in their systems or files. This should also be of benefit to auditors.

**5. Line Number**

No Comment

**6. Reserved for Payor's Use**

This is a field that may include the property name or other information that is useful to the payor and can expedite communication if used when contacting the payor. It, like the payor assigned document number, can be a useful link to the information in the payor's records. This data element should be included in Royalty History Files sent in response to FOIA requests.

**7. MMS Lease Number**

The MMS '10 digit lease number' should be the central number used for the Form MMS-2014.

## **8. API Well Number**

Although the MMS is not requiring this field in all instances, it seems unnecessary given the adequate description of the MMS lease number. The API well number is by definition a well number and reporting is not always done nor should it be done on a well basis. This is an area of great concern to Exxon. It seems contradictory to the MMS' goal of reducing the number of lines reported.

## **9. MMS Agreement Number**

We support the reporting of the agreement number. However, the agreement number that MMS is planning to use in conjunction with the MMS Lease Number as a revenue source code is not always available at the time initial payment begins. This will cause the MMS and the payor to be in a position of using some kind of coding as a placeholder and then revising later. This could create additional work and confusion.

## **10. Product Code**

Exxon requests that the MMS clarify the references to coalbed methane. It will be necessary for MMS to provide a table to identify which agreements / leases produce coalbed methane.

## **11. API Gravity**

This element should be eliminated pursuant to the Royalty Simplification and Fairness Act since it is already reported on OGOR and therefore is redundant.

## **12. Valuation Code**

Exxon recommends eliminating this code. See comments on Product Valuation.

## **13. Sales Month/Year**

No Comment

## **14. Transaction Code**

Some transaction codes could be consolidated and some that are no longer used could be eliminated. This would allow the MMS to reduce the number without compromising the necessary level of detail.

**15. Adjustment Reason Code**

See comment for Transaction Code. Also, the continued use of codes for adjustments due to audit and AFS/PAAS exceptions would be beneficial to both industry and MMS.

**16. Sales Volume**

Exxon requests that the MMS clarify when the Entitlement Calculation is appropriate.

**17. Gas MMBtu Sales Volume**

No Comment

**18. Royalty Rate**

This data element should be eliminated since the BLM or MMS Offshore already have it in their records.

**19. Unit Price**

This would be a calculated number and would likely not tie back to a specific contract rate; therefore, the MMS should eliminate this element. Instead, it is recommended that the MMS add back Sales Value or Royalty Volume. Either the volume or value data needs to be on the 2014 at both Sales and Royalty level.

**20. Royalty Value Prior to Allowances**

The calculation of "Royalty Value Prior to Allowances" may not be as simple as the formulas listed when there are multiple product transactions behind a single 2014 line. Exxon recommends that the example formulas be removed for final publication. Also, this will be royalty value in total dollars, not dollars per MCF or MMBTU, and therefore, it does not differ whether data element 16 or 17 is used.

**21. Transportation Deduction**

No Comment

**22. Processing Deduction**

No Comment

### **23. Royalty Value Less Allowances**

No Comment

### **24. Payment Method**

Payment method code 04 (royalty in kind) is no longer necessary assuming that payors will no longer report value on RIK and assuming that allowances are recorded on the Transaction Code 06 line. (See related comment on item 4 under Reporting Concepts.)

### **Report Control Block**

Exxon requests that the MMS expand the Control Block to allow the payor the capability of reporting any bills that are included with the 2014 report.

### **Agreement Level Reporting**

The MMS should continue to review this area of reporting. If agreement level reporting is allowed, all owners in an agreement must agree that the agreement will or will not be reported at the agreement level. This must not be optional. It is unclear how individual lease recoupments will be handled. There is also a concern that it will increase the work activities associated with the review of AFS/PAAS discrepancies when multiple leases are associated with one agreement number. In addition, please provide clarification about "does not support designee / designor requirements of RSFA."

### **Report Format and Presentation**

The landscape format is preferred.

### **Paperless Reporting**

While electronic reporting is preferred, it does not reduce the work effort associated with reporting.

**Reporting Burden**

Exxon has noted several areas such as the new valuation coding requirements that would greatly increase the royalty reporting burden. The estimated time savings for paperless reporting are grossly overestimated and the estimated increase in time for the changed reporting is underestimated. Also, the time reduction for elimination of the PIF is overstated since the analysis and set-up will remain a necessity for the royalty report.