

**ExxonMobil Production Company**  
**North America Controller's**  
**P. O. Box 2024**  
**Houston, TX 77252-2024**



**VIA E-MAIL (tcroote@omb.eop.gov)**  
**ORIGINAL VIA U.S. MAIL**

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Office of Information and Regulatory Affairs  
Office of Management and Budget (OMB)  
Attention: Desk Officer for the Interior Department  
OMB Control Number 1010-NEW  
725 17th Street, NW  
Washington, D.C. 20503

Exxon Mobil Corporation Comments on  
Agency Information Collection Activity on  
Revised Form MMS-2014 Submitted to  
Office of Management and Budget Review  
65 FR 31598 (May 18, 2000)

Exxon Mobil Corporation (ExxonMobil) appreciates the opportunity to comment on the Minerals Management Service (MMS) Agency Information Collection on Form MMS-2014, published at 65 FR 31598 (May 18, 2000). As a significant producer of federal and Indian oil and gas, ExxonMobil submits in excess of 190,000 MMS-2014 lines per year. Accordingly, ExxonMobil has a substantial interest in the outcome of this information collection activity.

For the past several years, ExxonMobil has participated in the COPAS task force that has worked with MMS on the MMS Reengineering Project. We greatly appreciate the opportunity the MMS has afforded us by inviting industry to participate with them in this initiative. We are, however, disappointed that after many hours and days of meetings between industry representatives and MMS, the revised form MMS-2014 that was submitted to OMB on May 18, 2000 still includes data elements that will result in an explosion of the volume of lines required to be reported, and that it does not include data elements which we encouraged MMS to retain from the existing MMS-2014.

We urge OMB to disapprove the revised form, as it does not enable MMS to achieve its stated goals of:

- 1) reducing the volume of lines reported and processed,
- 2) minimizing errors and related error correction workloads,
- 3) simplifying reporting, and
- 4) reducing costs for industry and RMP

### General Comments

ExxonMobil is supportive of the MMS' reengineering initiative. We applaud MMS for examining their processes and data collection in an attempt to meet their goals of faster funds disbursement and of narrowing the compliance cycle. We are encouraged by many of the changes MMS has proposed, such as elimination of the Payor Information Form; rolling up of transportation and processing allowances on the same line as base royalty value; and combining many of their exception and compliance efforts to reduce multiple contacts with payors on the same MMS-2014 line.

We are also very supportive of MMS plans to replace revenue source with MMS Agreement Number. This change will likely reduce AFS/PAAS exceptions significantly. We do recommend though that MMS consider some type of unique identifier for leases that have multiple royalty rates within an agreement. Currently a unique revenue source is assigned for each royalty rate. This keeps the MMS-2014 reporting for the multiple royalty rates separate. Under lease/agreement reporting, royalty systems will be unable to keep the lines separate without some unique identifier. The royalty rate is not considered a unique identifier within the royalty systems. Our suggestion would be to assign a unique lease suffix for each royalty rate within a lease/agreement.

ExxonMobil is concerned that industry has not yet been provided the final record layout or data element requirements for the revised form MMS-2014. Industry has repeatedly expressed a need to have final specifications at least 12 to 18 months prior to implementation in order to make the necessary changes to our systems. MMS has recently advised that they would like payors to begin parallel testing of the revised form MMS-2014 as early as May, 2001 which is now only 11 months away.

It appears the reporting burdens estimated by MMS and the costs of implementation are, at best, guesses. Specifically, it seems difficult to estimate the reporting burden and the systems costs when the data requirements have not even been finalized yet. Certain changes such as the addition of API Well Number and Sales Type Code will require extensive systems changes, not only in the royalty reporting systems, but also in the systems upstream of the royalty reporting systems. These changes were not contemplated in industry's estimate of 12 to 18 month implementation.

ExxonMobil recommends the establishment of separate reporting requirements (but not different forms) for Federal and Indian royalty reporting. During the two – three years we have been involved in the reengineering effort, MMS has stated that certain items on the revised MMS-2014 are being added or retained based on Indian requirements or requests. We suggest that MMS not require these data elements for reporting royalties from Federal lands. Requiring these data elements on Federal lands will likely require such massive systems changes that the implementation costs will far exceed the MMS' current estimate.

#### Data Elements on Form MMS-2014

In addition to the general comments above, ExxonMobil expresses concern over specific data elements as noted below. We have previously voiced these concerns with MMS.

#### Sales Type Code

MMS has stated it must be able to distinguish between arm's-length and non-arm's-length contracts to properly calculate the major portion prices required for Indian leases. ExxonMobil agrees with this assessment and consequently supports the use of Sales Type Code for reporting royalties on Indian leases.

However, MMS has also expressed a need to know the marketing arrangements of each lease in order to determine the reasonableness of the reported values. Comments in the MMS Supporting Statement for this OMB filing, appear to suggest that the mere coding of the Sales Type *'will satisfy the compliance program's primary purpose of ensuring that Federal and Indian mineral lease revenues are accurately and timely paid.'* We submit that the mere coding of this data element does not influence the accuracy or the timing of the MMS-2014 reports.

Adding Sales Type as a required data element for Federal leases may actually result in an increase of lines being reported rather than a reduction which is listed as MMS' first goal. One reason for an increase is that multiple sales can occur from the same lease that would require an increase in number of lines to be reported. Adding Sales Type on Federal leases also does not reduce errors or error correction workloads, another of MMS' stated goals. The addition of this data element will not simplify reporting, but rather make it more complex and will be very costly, violating MMS' third and fourth goals.

### API Well Number

Industry has repeatedly told MMS that most revenue and royalty systems do not track dispositions at a well level, but rather at the highest level of common ownership. Often sales do not occur at a well level. Thus reporting dispositions at a well level does not provide data that is any more meaningful than at the lease level. In addition, units are designed to combine leases and often have multiple wells. Dissecting these units and reporting on a well by well basis is an allocation process that would add work effort without adding meaning to the reporting process. Adding the API Well Number as a required data element, today or in the future, will require massive systems changes to industry's revenue and royalty systems which contradicts MMS' fourth goal of reducing costs for industry and MMS. Reporting at the well level will also increase the number of MMS-2014 lines rather than decrease the number of lines reported. Consider a unit that has 40 tracts or federal leases and 13 wells; for every line currently reported, 13 would be required with API well level reporting, that is an increase from 40 lines per disposition to 520 lines per disposition.

### Royalty Rate

While the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) requires MMS to include Royalty Rate as part of the Explanation of Payments, MMS has long used its own database as the source of this data element. MMS states in the Supporting Statement that *'requiring payors to display the royalty rate they used on the reported line is an attempt to make payors more cognizant of this data element and to catch their own reporting errors.'* Large volume reporters generally use systems to calculate and submit electronic MMS-2014s. It is highly unlikely that these systems will 'catch' their reporting errors simply by adding the royalty rate to Form MMS-2014. The MMS also seems to be foregoing more important data elements that would allow them to check to see if they received the correct share of the volumes and values.

### Unit Price

FOGRMA also requires MMS to include unit price on the EOP. MMS currently calculates the Unit Price by using the volumes and values on the MMS-2014. If Unit Price becomes a required data element on the Form MMS-2014, industry's systems will likely be modified to do this same calculation, which will not meet MMS' expectation *'that requiring a payor to report unit price on Form MMS-2014 will improve the accuracy of reporting.'* Shifting this calculation from MMS to industry does not reduce the cost for either. Additionally, industry has explained numerous times, and MMS has admitted, that the Unit Price will likely be a calculated price that can not be tied to any particular contract, but rather will be a weighted average of several contracts.

Sales Value and Royalty Volume

It appears that these data elements were deleted to make room for the Royalty Rate and Unit Price; however, we believe that the absence of these columns will actually increase the errors as the expected volumes and values are on different bases. If these two data elements were retained on the MMS-2014, less systems modifications would be required for both industry and MMS, and MMS could still provide Royalty Rate and Unit Price on the EOP using the same calculations they use today.

Calculation Method

This data element has been deleted from the proposed MMS-2014, although MMS began using this very element for reporting a payor's Dual Accounting reporting basis in January, 2000. We assume that MMS will assign new transaction codes to track a payor's Dual Accounting reporting basis in the future though nothing in the OMB submission makes mention of this.

Payment Method

MMS has reused the existing Payment Method codes but given them different meanings; for example, Payment Method 3 which is currently used to represent 'EFT to MMS' will now represent 'Indian Lockbox Payments' which are currently reported as Payment Method 7. 'EFT to MMS' will now be included in Payment Method 1 'Payments to MMS'. This change will definitely cause confusion and most likely an increase in errors, which is not in line with MMS' second goal. Also, the MMS will hinder historical research by changing existing codes. A better solution might be to assign new Payment Method codes rather than renaming or redefining existing codes.

ExxonMobil appreciates the opportunity to comment on this information collection proposal. If you would like to discuss any of our comments or have any questions concerning our comments, please contact me at (713) 680-7832 or Sara Tays at (713) 680-7730.

Sincerely,

Pat Kent  
Supervisor  
Houston Government Royalty Section

OMB, Desk Officer for the Interior Department  
June 19, 2000

C: David S. Guzy  
Chief, Rules and Publications Staff  
Minerals Management Service  
Royalty Management Program  
P. O. Box 25165, MS 3021  
Denver CO 80225-0165

Milt Dial  
MMS Reengineering Project  
Minerals Management Service  
Royalty Management Program  
P. O. Box 25165  
Denver CO 80225-0165