

Glossary

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| adjustment | Correction made on Form ONRR-2014 or Form CMP-2014 to previously reported lines. An adjustment may be made to pay additional monies, to recoup overpaid amounts, or to change information that has no effect on payments. Lease type (Federal or Indian) affects the way an adjustment is reported. For information on how to make an adjustment to Form ONRR-2014, see Chapter 6, Adjustments, Recoupments, and Refunds. |
| agreement | An approved document grouping leases together for various purposes. Types of agreements include communitization and unitization. |
| Alternative fuel method | <p>A method of valuing direct use geothermal resources by which the value, for royalty purposes, of the produced resource is calculated as the product of:</p> <ul style="list-style-type: none">• The value of the least expensive, reasonable, alternative fuel displaced by the geothermal production, and• The amount of thermal energy displaced by the geothermal production. See Chapter 5 of the <i>Geothermal Payor Handbook — Class 1 Leases</i>. |
| arm's-length contract | A contract or agreement between independent persons who are not affiliates and who have opposing economic interests regarding that contract, as defined in 30 CFR, Part 1206. |
| BOEM | Bureau of Ocean Energy Management — one of three agencies that replaced the former Minerals Management Service (MMS). BSEE and ONRR are the other two agencies. |
| British thermal unit (Btu) | The amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit. |
| BSEE | Bureau of Safety and Environmental Enforcement — one of three agencies that replaced the former Minerals Management Service (MMS). BOEM and ONRR are the other two agencies. |
| Btu/cu ft | Quality or heating value of natural gas |

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| Code of Federal Regulations (CFR) | A codification of the general and permanent rules of Federal departments and agencies, initially published in the <i>Federal Register</i> . |
| communitization agreement | An agreement that brings together parcels of land to satisfy drilling limitations imposed by formal State spacing orders or established field spacing rules. |
| compensatory royalty | A royalty paid in lieu of drilling a well that would otherwise be required under the covenants of a lease, express or implied. |
| compensatory royalty agreement | An agreement developed for unleased Federal or Indian land being drained by a well located on adjacent land. |
| condensate | Liquid hydrocarbons (normally exceeding 45 degrees of API gravity) recovered at the surface without resorting to processing. Condensate is the mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir. |
| crude oil | Unrefined liquid petroleum; a mixture of hydrocarbons that is liquid in its natural phase in underground reservoirs and remains liquid at atmospheric pressure after passing through surface separation facilities. Crude oil usually ranges in API gravity from 9 degrees to 45 degrees and in color from yellow to black. It may have a paraffin, asphalt, or mixed base. If it contains a sizable amount of sulfur or sulfur compounds, it is called sour crude; if it has little or no sulfur, it is called sweet crude. In addition, crude oils may be referred to as heavy or light according to the API gravity with the lighter oils having the higher gravity. |
| current revenue | For purposes of determining the amount that you are allowed to recoup on an Indian lease using transaction code 51, current revenue is the sum of all rents and royalties paid in a given month, including adjustments that increase the royalties paid for previously reported periods. |
| dekatherm (DTH) | A unit of heat equal to 1 MMBtu. Also spelled as “decatherm”. |
| The Debt Collection Improvement Act of 1996 | The act that requires recipients of Federal payments to receive all payments electronically unless the recipients certify that they do not have an account at a financial institution. |

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| delivered electricity | The amount of electricity, in kWh, delivered to the electricity purchaser and reported as sales volume on Form ONRR-2014 when using netback valuation. See Chapter 4 of the <i>Geothermal Payor Handbook — Class 1 Leases</i> . |
| direct use geothermal resources | Fluid geothermal resources (generally hot water) and related energy used in direct utilization processes; that is, processes other than electrical generation. Also called direct utilization resources. |
| displaced thermal energy | The calculated amount of thermal energy, in MMBtu, displaced by the geothermal production and reported as sales volume on Form ONRR-2014 when using the alternative fuel valuation method. See Chapter 5 of the <i>Geothermal Payor Handbook — Class 1 Leases</i> . |
| division order percentage (DOP) | <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">DOP =</div> <div> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">Federal and/or Indian mineral ownership interest</div> <div style="text-align: center;">tract allocation</div> <div style="text-align: center;">x</div> <div style="text-align: center;">company working interest</div> <div style="text-align: center;">x</div> <div style="text-align: center;">lease royalty rate</div> </div> </div> </div> |
| drip (pipeline) | Liquid hydrocarbons that condense out of the gas stream in a pipeline during transmission of natural gas and are stripped from the gas stream prior to the inlet of a gas plant. Also referred to as “drip condensate” or “pipeline condensate”. |
| dry Btu content | The heating value contained in a cubic foot of natural gas containing no water vapor. |
| dry gas | Gas that contains no water vapor. |
| electrical generation geothermal resources | Fluid geothermal resources (steam, hot water, and hot brines) and related energy used to generate electricity. |
| electronic payments | Payments made electronically through several EFT methods, including pay.gov , ACH, or Fedwire. |
| entitlements | The method of reporting sales where the volume reported is equal to the reporter’s percentage of working interest or operating rights ownership in a lease or amount allocated to a lease under an approved agreement allocation schedule. The lease’s allocated volume is based on the commingling approval, if applicable. |

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| Federal land | All land and interests in land owned by the United States that are subject to mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or non-mineral estate. |
| fee land | Privately owned land. Wells located on fee land are not reported to ONRR unless they are part of an agreement containing Federal and/or Indian leases. |
| first production | Initial oil and gas production from a well and initial royalty-bearing geothermal production, as determined by BLM. |
| flare gas | Gas burned in the field as a means of disposal when there are emergencies, during certain well tests, and in other situations where approval is granted by BSEE or the BLM, as appropriate. |
| flash gas | Gas that is formed from a liquid hydrocarbon, usually due to the reduction of pressure. |
| formation | A bed or deposit composed throughout of substantially the same kind of rock; a lithologic unit. Each different formation is given a name, frequently as a result of the study of the formation outcrop at the surface and sometimes based on fossils found in the formation. |
| fuel gas | Gas used by the lessee for operational purposes on the lease. |
| gas | As reported for all Federal and Indian leases, any fluid, either combustible or noncombustible (except helium), produced from an underground reservoir and having neither independent shape nor volume, but tending to expand indefinitely at the surface. Gas is any substance (except helium) existing in gaseous stage at the surface under normal conditions. It includes, but is not limited to, carbon dioxide, nitrogen, and hydrocarbon gases. |
| gas plant | An installation that processes natural gas to prepare it for sale to consumers. A gas plant separates desirable hydrocarbon components from the impurities in natural gas. |
| geothermal | Pertaining to the heat produced by the earth's interior; usually in the form of natural hot water and/or steam. |

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geothermal byproducts

Geothermal byproducts include:

- Any mineral or minerals (exclusive of oil, hydrocarbon gas, and helium) that are found in solution or developed in association with geothermal fluids and have a value less than 75 percent of the value of the geothermal energy or are not — because of quantity, quality, or technical difficulties in extraction and production — of sufficient value to warrant extraction and production by themselves.
- Commercially demineralized water

geothermal resources

All products of geothermal processes, including:

- Indigenous steam, hot water, and hot brines;
- Steam and other gases, hot water, and hot brines resulting from water, gas, or other fluids artificially introduced into geothermal formations;
- Heat or other associated energy found in geothermal formations; and
- Byproducts.

GPM (gallons per thousand cubic feet)

The amount, in gallons, of an NGL that is entrained in one Mcf of gas.

gross proceeds

The total monies and other consideration accruing for the disposition of the produced oil, gas, or geothermal resources, or products derived therefrom. See the *Oil and Gas Federal Payor Handbook*, the *Oil and Gas Indian Payor Handbook*, Appendix A of the *Geothermal Payor Handbook — Class 1 Leases* or Appendix A of the *Geothermal Payor Handbook — Class 2 & 3 Leases*, and the definitions sections in 30 CFR 1206 for additional descriptions of gross proceeds specific to each commodity.

helium

A colorless, odorless, inert, gaseous element. It is reserved to the Federal Government and withheld from leasing. It may not be separated and sold without a special agreement with DOI.

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| Indian land | Any lands or interests in lands of an Indian tribe or allottee held in trust by the United States, or that are subject to Federal restrictions against alienation. This includes mineral resources and mineral estates reserved to an Indian tribe or allottee in the conveyance of a surface or non-mineral estate, except that such term does not include any lands subject to the provisions of Section 3 of the Act of June 28, 1906 (30 CFR 1216.6) (34 Stat. L. 539), applicable to the Osage Indian Tribe. BIA monitors Indian leases. |
| lease | Any contract, profit-sharing arrangement, joint venture, or agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, extraction of, or removal of oil or gas. In this handbook, “agreement” and “lease” are used synonymously with unitization and communitization agreements. |
| lease production | Oil, gas, and geothermal resources produced from wells on a single lease. |
| lease-level transaction | An obligation that is reported against the lease rather than a specific product or sales type. |
| lessee | An entity (company or individual) entitled under an oil, gas, or geothermal lease to explore for and produce specific minerals from a lease. The lessee has the responsibility for payment of royalties but may authorize others to do so on its behalf. |
| lessor | An owner of mineral rights through execution of a lease. For purposes of the financial accounting system, the lessor is the U.S. Government, an Indian tribe, or an Indian allottee. |
| load oil | Any oil that has been used with respect to the operation of oil or gas wells for wellbore stimulation, workover, chemical treatment, or production purposes. It does not include oil used at the surface to place lease production in marketable condition. |
| lockbox payment | A tribal lease payment that is sent directly to a bank of the tribe’s choosing. |
| minimum royalty | A minimum amount of annual royalty due on a per-acre basis for producing leases that do not meet their minimum royalty obligation from actual production royalties or for nonproducing leases that have a well capable of production in commercial quantities. |

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| natural gas | A highly compressible and expansible mixture of hydrocarbons having a low specific gravity and occurring naturally in a gaseous form. Natural gas may contain appreciable quantities of nitrogen, helium, carbon dioxide, and contaminants, such as hydrogen sulfide and water vapor. Certain gases may be found as liquids under suitable conditions of temperature and pressure. |
| natural gas liquid (NGL) | Hydrocarbons liquefied at the surface in field facilities or gas processing plants. |
| net royalty | Royalty less deductions (such as allowances). |
| netback procedure | A method of valuing electrical generation geothermal resources by which the value, for royalty purposes, of the produced resource is derived by subtracting the costs of generating and transmitting electricity from the electricity sales value. See Chapter 4 of the <i>Geothermal Payor Handbook — Class 1 Leases</i> . |
| non-arm's-length | Sales occurring between affiliated persons as defined in 30 CFR Part 1206. |
| oil | Crude petroleum oil and other hydrocarbons, regardless of gravity, that are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas. |
| oil, gas, or geothermal activity | Activity performed to extract oil, gas, or geothermal resources from a reservoir or formation. This activity includes field operations, transfer of production off the lease site, operation monitoring, maintenance, and workover drilling. |
| ONRR | Office of Natural Resources Revenue — one of three agencies that replaced the former Minerals Management Service (MMS). BOEM and BSEE are the other two agencies. ONRR operates in the Office of the Secretary, Department of the Interior. |
| operating rights owner | A person or entity holding operating rights in a lease issued by the United States. |
| operator | An individual, partnership, firm, or corporation that controls or manages operations on the leased land or a portion thereof. An operator may be the lessee, designated agent of a lessee, or a holder of rights under an approved operating agreement. |

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| Outer Continental Shelf (OCS) | All submerged lands within the jurisdiction and control of the United States Government as defined in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331(a)). |
| overpayment | <p>For the purpose of calculating refunds and recoupments owed to the payor, an overpayment is a situation where:</p> <ul style="list-style-type: none">• The payor paid more than the total on Form ONRR-2014, or• the payor overreported the amount of royalty, minimum royalty, or rent due on Form ONRR-2014. |
| overreported | Amount reported on Form ONRR-2014 greater than actually due ONRR. |
| participating area | That part of a unit area proved to be productive of unitized substances in paying quantities and within which production is allocated in the manner described by a unit agreement. |
| payment document | A payment document can be a commercial check drawn on a solvent bank, a certified check, a cashier's check, a money order, a bank draft drawn on a solvent bank, or a Federal Reserve check. Payment documents are allowed for payments on privately acquired leases. |
| payor | An entity who reports and pays to ONRR. |
| percentage-of-proceeds (POP) contract | A contract for the purchase of gas providing for a percentage of the proceeds as payment. |
| pooled production | Production that is aggregated from multiple properties and then sold or exchanged under multiple contracts. |
| pooling agreement | An agreement that brings together separately owned interests for the purpose of obtaining a well permit under applicable spacing rules or to develop a potentially productive area efficiently. A communitization or unitization agreement. |
| pounds per square inch, absolute (psia) | A measurement of pressure that includes atmospheric pressure. |
| processing | Any process designed to remove elements or compounds (hydrocarbon and nonhydrocarbon) from gas. Field processes that normally take place on or near the lease, such as natural pressure reduction, mechanical separation, heating, cooling, dehydration, and compression, are not considered processing. |

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| processing allowance | A deduction from royalty value for the lessee's actual, reasonable costs of processing a gas stream. |
| producing lease | A lease that includes land on which there is a productive well, either active or shut-in, or land determined to be subject to subsurface drainage. |
| product | Marketable mineral production from a lease. |
| production month | The calendar month and year in which production and/or disposition occurs. |
| raw gas | Gas as produced from a well before the extraction of liquefiable hydrocarbons. |
| recoupment | <p>Adjustment on Form ONRR-2014 resulting in net negative totals for transactions, with credit recovered from the balance of the report.</p> <p>A recoupment can occur when a payor recovers an overpaid but not overreported amount from a previous overpayment on a Federal or Indian Form ONRR-2014 or ONRR-type bill.</p> <p>A recoupment can occur when a payor recovers an overpaid and overreported Indian Form ONRR-2014 by making adjusting entries to create a recoupable balance on an Indian Form ONRR-2014 for the lease(s) that was previously overreported and overpaid.</p> |
| refund | <p>A payment made by ONRR to payors.</p> <p>ONRR makes electronic payments. ONRR issues checks only in extreme cases; for example, if the payor does not have an account with a banking institution.</p> |
| rent | Annual amount due on nonproducing leases as specified in lease terms. Rental payments are usually due on or before the lease anniversary date. |
| reporter | An entity required to submit a report or form to ONRR. |
| residue gas | The gas that remains after processing to remove NGLs or other gas plant products. |

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| royalty | Any part of oil, gas, and geothermal resources or their cash value paid by a lessee to a lessor and/or parties acquiring possession of royalty rights based on a certain percentage of production from the property. |
| royalty determination point | The point at which the royalty volume or the royalty value is determined. |
| royalty in kind | An arrangement in which the lessor receives royalties in the form of production (oil or gas) instead of dollars. |
| royalty in value | An arrangement in which the lessor receives royalty in dollars instead of production. |
| royalty rate | The rate used to calculate the royalty due on Federal or Indian production. This rate is always specified in the lease terms but can be reduced under royalty relief initiatives. |
| scrubber (pipeline) condensate | Liquid hydrocarbons that condense out of a gas stream during transportation and are recovered using mechanical separation prior to entering the inlet of a gas plant. |
| scrubber (plant) condensate | Liquid hydrocarbons that condense out of a gas stream and are recovered using mechanical separation after the gas has entered the gas plant, but before NGL extraction begins. |
| secondary recovery | Any method by which an essentially depleted reservoir is restored to producing status by the injection of liquids or gases (from extraneous sources) into the wellbore. |
| segregation | A division of a lease, usually due to the partial assignment of a portion of the lease or due to unitization. |
| shut-in well | A producing well that is closed down temporarily for repairs, cleaning out, building up pressure, lack of a market, etc. |
| spacing | Distance between wells producing from the same pool as specified by State regulations (usually expressed in terms of acres; for example, 640-acre spacing). Also, the regulation of the number and location of wells over an oil or gas reservoir, as a conservation measure. |
| State land | Land and interest in land owned by a State. Wells completed on State lands are reported to ONRR only if they are part of an agreement that includes Federal wells. |

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| surface management agency | Agencies within DOI that issue leases on Federal and Indian lands, including the OCS, and oversee the operations and development of same. |
| suspension | Authorized relief from the producing and/or operating requirements of a lease. Wells are in a shut-in status. If both operations and production are suspended, reporting and payment requirements are held in abeyance during this period, and the term of a lease is extended for the period of suspension. If either operations or production is suspended, rent and minimum royalty continue to fall due. |
| Takes | The method of reporting sales where the volume reported is the actual volume of production sold or removed from the lease by you or on your behalf. |
| termination | Lapsing of a nonproducing lease for failure to pay rent timely or for lack of production or lease activity. |
| tertiary recovery | Tertiary recovery, also known as Enhanced Oil Recovery (EOR) is the third stage of extracting oil after primary and secondary recovery methods have been exhausted. Tertiary recovery methods include thermal injection, gas injection (such as CO ₂), and chemical injection. |
| transportation allowance | Deduction from royalty payments for reasonable actual costs incurred by the lessee, or a deduction accepted or established by ONRR for costs of moving oil, gas, or geothermal byproducts to a point of sale remote from the lease, unit PA, or CA area. |
| tribal land | Land owned by an entire group or tribe of Indians. |
| unitization agreement (unit) | Agreements among owners and leaseholders of separate oil, gas, or geothermal interests to operate as a unit in developing a potentially productive area most efficiently. Leasehold interest may be separate. Costs and benefits are allocated as defined in the agreement. |
| unmatched payment | An unmatched payment occurs when ONRR receives a payment which has no matching receivable. Because ONRR can't match the payment to a receivable, payors may be able to request a refund or can apply the funds to an outstanding obligation. |
| unprocessed gas | Natural gas production, usually containing liquid hydrocarbons in solution; i.e., the gas has not yet been processed to remove the NGLs or other gas plant products. |

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waste oil/slop oil Oil of such poor quality that it cannot be economically placed in marketable condition. This is a determination that must be made by the appropriate region.

weighted average The following are examples of weighted average calculations:

API gravity

OGOR sales volume = 1,500 bbl

1,000 bbl @ 40.2 °API

500 bbl @ 39.8 °API

$$\text{Weighted average} = \frac{(1,000 \times 40.2) + (500 \times 39.8)}{1,500} = 40.06 = 40.1 \text{ °API}^a$$

^aRound API gravity to the nearest tenth.

Btu content

OGOR sales volume = 2,000 Mcf

1,000 Mcf @ 1,010 Btu/cu ft

600 Mcf @ 1,000 Btu/cu ft

400 Mcf @ 1,015 Btu/cu ft

$$\text{Weighted average} = \frac{(1,000 \times 1,010) + (600 \times 1,000) + (400 \times 1,015)}{2,000 \text{ Mcf}} = 1,008 \text{ Btu}^b$$

^bRound Btu to the nearest whole number.

wet gas Natural gas containing water vapor.