

# Chapter 4

## Reporting Instructions by Transaction Code

This chapter contains detailed reporting instructions and examples of how to report by transaction code on Form ONRR-2014. The transaction codes are organized by function.

### NOTE

*All transaction codes are identified in Appendix E.*

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## 4.1 Royalty Due

This section provides instructions and examples for transaction codes 01 and 10.

### 4.1.1 **Transaction Code 01, Royalty Due**

Lease terms and Federal regulations require lessees to pay royalties on producing Federal and Indian leases. The lessee must pay its royalty obligation either in value or in kind, as specified by the lease or designated by ONRR.

**Description of fields you use on Form ONRR-2014 for transaction code 01.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Enter the appropriate four-character code. For a list of sales type codes, see Appendix D.
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2020 as 102020.
Transaction Code	Enter <b>01</b> .
Adjustment Reason Code	<p>Leave this field blank for normal month reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes:  oil and gas leases: 10, 15, 16, 35 and 49  geothermal leases: 25, 26 and 31</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment codes, see Appendix F.</p>
Sales Volume	<p>Enter the volume of the product sold or removed from the lease or from the lease-agreement combination for which you are reporting and paying royalties.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60°F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products.</li> <li>• Long tons (2,240 lbs) for sulfur.</li> </ul>

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Field	Description
Sales Volume (cont.)	<ul style="list-style-type: none"> <li>Thousands of pounds for geothermal.</li> <li>kWh for geothermal.</li> <li>MMBtu for geothermal.</li> <li>Hundreds of gallons for geothermal.</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70 . Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60°F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example: <math display="block">500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}</math></p> <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume-weighted average.</p>
Sales Value	<p>For gas products 03, 04, 12, 15, 39, 66, 67, 68, 69, and 70 enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p> <p>For geothermal resources, refer to Chapter 7.</p>
Royalty Value Prior to Allowances	Enter the sales value multiplied by the royalty rate.

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Transportation  
Allowance Deduction

Enter the appropriate allowance amount.

ONRR allows a deduction on Form ONRR-2014 for the reasonable, actual costs of transporting production from the lease or agreement site to a sales point or processing point off the lease or agreement site.

**For sales months prior to January 2017:** If you have an arm's-length sales contract that reduces the sales price by a transportation factor, ONRR does not consider the transportation-reduced price as a component of the Sales Value. If you have a non-arm's length sales contract, you cannot report transportation-reduced sales values; you must report an applicable transportation charge as an allowance.

**For sales months January 2017 forward:** You can no longer report a transportation factor as stated above. Instead, you must report it as a transportation allowance.

**For sales months prior to January 2017:** Transportation allowances for oil and gas may not exceed 50 percent of the royalty value of the product without prior ONRR approval. (For contact information, see Appendix A.) Transportation allowances for geothermal by-products may not exceed 99 percent of the by-product value.

**For sales months January 2017 forward:** By rule, you cannot exceed the 50 percent limit for transportation allowances.

Processing  
Allowance Deduction

ONRR allows a deduction from the value of gas plant products on Form ONRR-2014 for the reasonable, actual costs of extracting and recovering gas plant products at a gas processing facility.

**For sales months prior to January 2017:** Processing allowances may not exceed  $66 \frac{2}{3}$  percent of the royalty value of individual gas plant products without prior ONRR approval. (For contact information, see Appendix A.)

**For sales months January 2017 forward:** By rule, you cannot exceed the 66 2/3 percent limit for processing allowances.

Royalty Value Less Allowances

Subtract allowance deductions from the royalty value prior to allowances and enter the result.

Payment Method Code

Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**Example**

**Transaction code 01.** This example shows how to report and pay royalties for oil and unprocessed gas.

**Assumptions:**

- The ONRR-converted lease number is 054-007777-0.
- Your sales occurred in October 2019.
- The product is oil, product code 01. You produced and sold 999 bbl of oil at \$22.00/bbl.
- The product is unprocessed gas, product code 04. You produced and sold 14,000 Mcf. The gas heating value is 1,110 Btu/cu ft. You sold 15,540 MMBtu. The contract price is \$2.75/MMBtu.
- The royalty rate is 12 ½ percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

**Oil** sales volume x price x royalty rate = royalty value  
 999 bbl x \$22.00/bbl x 0.125 = \$2747.25

**Gas** sales volume x Btu factor x price x royalty rate = royalty value  
 14,000 Mcf x 1.110 MMBtu x \$2.75/MMBtu x 0.125 = \$5341.88

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

<b>Detail Line</b>		
<b>Line Number</b>	<b>1</b>	<b>2</b>
<b>API Well Number</b>		
<b>ONRR Lease Number</b>	0540077770	0540077770
<b>ONRR Agreement Number</b>		
<b>Product Code</b>	01	04
<b>Sales Type Code</b>	NARM	NARM
<b>Sales MO/YR</b>	102019	102019
<b>Transaction Code</b>	01	01
<b>Adjustment Reason Code</b>		
<b>Sales Volume</b>	999.00	14000.00
<b>Gas MMBtu</b>		15540.00
<b>Sales Value</b>	21978.00	42735.00
<b>Royalty Value Prior to Allowances</b>	2747.25	5341.88
<b>Transportation Allowance Deduction</b>		
<b>Processing Allowance Deduction</b>		
<b>Royalty Value Less Allowances</b>	2747.25	5341.88
<b>Payment Method Code</b>	03	03

**Example**

**Transaction code 01.** This example shows how to report and pay royalties for oil, unprocessed gas, processed gas, gas plant products, and drip condensate.

**Assumptions:**

- The ONRR-converted lease number is 054-008888-0.
- Your sales occurred in October 2019.
- The product is oil, product code 01. You produced and sold 9,621 bbl of oil at \$22.00/bbl.
- You produced 321,495 Mcf and transferred it to a gas plant to be processed; however, you recovered drip condensate from a separation facility located prior to the gas plant. You figured the sales volume by using a theoretical calculation for the drip condensate, processed, gas, and gas plant products.
- The product is processed gas, product code 03. You produced and sold 275,206 Mcf. The gas heating value is 1,050 Btu/cu ft. You sold 288,966.82 MMBtu. The contract price is \$4.00/MMBtu. The cost incurred to transport the product is \$0.68/Mcf.
- The product is gas plant products, product code 07. You sold 458,677.50 gal of gas plant products at \$0.70/gal. The cost incurred to transport the product is \$0.07/gal. The cost incurred to process the product is \$0.16/gal.
- The product is drip condensate, product code 05. You sold 3,142 bbl of drip condensate at \$22.00/bbl.
- The royalty rate is 12 ½ percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

**Oil** sales volume x price x royalty rate = royalty value

$$9,621 \text{ bbl} \times \$22.00/\text{bbl} \times 0.125 = \$26,457.75$$

**Gas** sales volume x Btu factor x price x royalty rate = royalty value prior to allowances – transportation allowance deduction = royalty value less allowances

$$275,206.50 \text{ Mcf} \times 1.05 \text{ MMBtu/Mcf} \times \$3.00/\text{MMBtu} \times 0.125 = \\ \$108,362.55 - (275,206.50 \text{ Mcf} \times 0.125 \times \$0.58 \text{ Mcf}) = \$88,410.08$$

**Gas Plant Products**

Sales volume x price x royalty rate = royalty value prior to allowances –  
 transportation allowance deduction – processing allowance deduction =  
 royalty value less allowances

458,677.50 gal x \$0.70/gal x 0.125 = 40,134.28 – (458,677.50 gal x  
 0.125 x \$0.07) – (458,677.50 gal x 0.125 x \$0.16) = \$26,947.30

**Drip** sales volume x price x royalty rate = royalty value

3,142 bbl x \$22.00/bbl x 0.125 = \$8,640.50

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	<b>Detail Line</b>			
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>API Well Number</b>				
<b>ONRR Lease Number</b>	0540088880	0540088880	0540088880	0540088880
<b>ONRR Agreement Number</b>				
<b>Product Code</b>	01	03	07	05
<b>Sales Type Code</b>	ARMS	ARMS	POOL	ARMS
<b>Sales MO/YR</b>	102019	102019	102019	102019
<b>Transaction Code</b>	01	01	01	01
<b>Adjustment Reason Code</b>				
<b>Sales Volume</b>	9621.00	275206.50	458677.50	3142.00
<b>Gas MMBtu</b>		288966.82		
<b>Sales Value</b>	211662.00	866900.46	321074.25	69124.00
<b>Royalty Value Prior to Allowances</b>	26457.75	108362.55	40134.28	8640.50
<b>Transportation Allowance Deduction</b>		-19952.47	-4013.43	
<b>Processing Allowance Deduction</b>			-9173.55	
<b>Royalty Value Less Allowances</b>	26457.75	88410.08	26947.30	8640.50
<b>Payment Method Code</b>	03	03	03	03

4.1.1.1

**Reporting Drip (Pipeline Condensate, Retrograde Condensate, Drip Condensate, Drip Liquid, Scrubber/Pipeline Drip)**

The following guidance is provided for all reporters participating in an BSEE-approved retrograde system. ONRR defines drip as the portion of a natural gas stream that liquefies downstream of the approved royalty measurement device (that is, facility measurement point [FMP]) and is extracted at an onshore separation facility. At the onshore separation facility, liquids, including the drip volume, are separated from the gas stream prior to the inlet of the gas plant. Therefore, the volume of oil/condensate measured at the outlet of the onshore separation facility usually is greater than the oil/condensate volume measured at the offshore FMPs, and the volume of gas is less, by the equivalent barrels of recovered drip.

Refer to the following figure for specific reporting instructions.

Note: Onshore leases and agreements are allocated drip or pipeline condensate volumes when liquid hydrocarbons 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.

## 4 Reporting Instructions by Transaction Code

### How to Report Royalty (Transaction Code 01) on Form ONRR-2014

The products reported on the Form ONRR-2014 depend on where the gas is sold and whether you retain title to your drip. How you value the products reported depends on: (1) where the gas is sold, (2) whether or not you retain title to your drip, (3) whether you retain title to your drip and receive actual volumes of liquid barrels or an MMBtu equivalent of gas, and (4) the terms of your transportation contract with the pipeline company (i.e., the nature of the sale, arm's length or non-arm's length conditions).

If a portion of your gas is sold as unprocessed gas and the other portion is transferred to a gas plant, you must apply the correct reporting procedure to each volume that is sold or transferred. The table below illustrates how to report royalties correctly on the Form ONRR-2014.

<b>Title of Drip</b>	<b>Relinquish title</b>	<b>Retain title as liquid barrels or an equivalent volume of gas</b>
<b>Sales Point</b>		
Sale at Offshore Platform (lease) or any point prior to the Separation Facility; i.e., Direct Sale	<b>(Example 1)</b> Since the gas was sold prior to the drip falling out of the gas stream, report the entire gas sales volume as PC 04 using the volume and quality measured at the approved offshore sales FMP.	<b>(Example 2)</b> The payor retains the rights to the drip as either the actual barrels of drip or an equivalent volume of gas. In both cases, the payor receives an allocated volume of drip on their statement. <ul style="list-style-type: none"> <li>Report the allocated barrels of drip as PC 05. (Whether your drip was converted to MMBtu's or you received barrels, report the drip allocation on your Form ONRR-2014 as royalty due in barrels using PC 05.)</li> <li>If your gas statement reflects an allocation based on the original platform-measured volume, then convert the allocated barrels of drip to an equivalent Mcf volume and subtract that volume from the gas volume on your allocation statement. Report the reduced gas volume using PC 04*.</li> <li>If your gas allocation statement reflects the onshore-metered volume (volume after the extraction of the drip), report the allocated volume on your gas statement using PC 04*.</li> </ul>
Sale after Separation Facility (but prior to Gas Plant)		<b>(Example 3)</b> Once the drip is extracted, the producer receives the actual barrels of drip or the producer's gas volume is made whole with an equivalent volume of gas. In both cases, the producer receives a statement showing an allocated volume of drip. <ul style="list-style-type: none"> <li>Report the allocated barrels of drip as PC 05. (Whether your drip was converted to MMBtu's or you received barrels, report the drip on your Form ONRR-2014 as royalty due in barrels using PC 05.)</li> <li>Report the volume of gas from your Gas Allocation statement as PC 04. (The volume shown on the allocation statement should be a reduced volume that reflects the offshore-metered volume minus the extracted drip.)*</li> </ul>
Gas transfer	NA	<b>(Example 4)</b> <ul style="list-style-type: none"> <li>Report the allocated barrels of drip as PC 05.</li> <li>Report the residue gas as PC 03 and gas plant products as PC 07.</li> </ul>

Product Code = PC **PC 03** = Residue Gas (Processed Gas) **PC 04** = Unprocessed Gas **PC 05** = Drip Condensate **PC 07** = NGLs (Plant Products)

\* You are allowed to reduce your gas volume only once. If your allocation statement shows the offshore platform-measured volume as the sales volume, you will need to calculate the gas reduction yourself. To reduce your gas volume by the equivalent barrels, call the system allocator for the gas-to-condensate conversion factor to apply. (Gas is reported as an Mcf volume on the ONRR-2014. Reduce the offshore measured volume as Mcf.) If your statement shows the onshore-metered volume as the sales volume, the allocated drip barrels have already been subtracted out for you. DO NOT reduce your gas volume a second time.

## 4.1.2

**Transaction Code 10, Compensatory Royalty Payment**

Compensatory royalty is based on a compensatory royalty agreement or on a compensatory royalty assessment.

BLM or BOEM requires a compensatory royalty **agreement** for unleased Federal or Indian land when a well located on adjacent land drains the Federal or Indian land. If BLM or BOEM determines that the parcel of land cannot be leased, a compensatory royalty agreement is established. **We account for the compensatory royalty by assigning it an agreement number that is reported on Form ONRR-2014 using the Lease Number field and transaction code 10.**

BLM or BOEM **assesses** compensatory royalties when adjacent land drains a Federal or Indian lease. If the lessee elects not to drill a protective well or enter into a CA with the owner of the lands containing the offending well, BLM or BOEM assesses the royalty on the product drained from the Federal or Indian leases. **You must report this assessment on Form ONRR-2014 using the assessed lease number and transaction code 10.**

**Description of fields you may use on Form ONRR-2014 for transaction code 10:**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Not used
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product was drained from the lease. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>10</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.

#### 4 Reporting Instructions by Transaction Code

Field	Description
Adjustment Reason Code (continued)	<p>Applicable adjustment reason codes: oil and gas leases: 17, 35 and 49 geothermal leases: 25, 26 and 31</p> <p>See Chapter 6 for instructions on how to make an adjustment. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	<p>Enter the volume of the product sold or removed from the lease or from the lease-agreement combination for which you are reporting and paying royalties.</p> <p>The sales volume equals the volume produced multiplied by the drainage factor.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate.</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products.</li> <li>• Long tons (2,240 lbs) for sulfur.</li> <li>• Thousands of pounds for geothermal.</li> <li>• kWh for geothermal.</li> <li>• MMBtu for geothermal.</li> <li>• Hundreds of gallons for geothermal.</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume-weighted average.</p>

Field	Description
Sales Value	For gas products 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70, enter the gas MMBtu multiplied by the price.  For any other oil or gas products, enter the sales volume multiplied by the price.  For geothermal resources, refer to Chapter 7.
Royalty Value Prior to Allowances	Enter the sales value multiplied by the royalty rate.
Transportation Allowance Deduction	Enter the appropriate allowance amount. If you are reporting a transportation allowance deduction associated with an RIK lease, see Chapter 8.
Processing Allowance Deduction	Enter the appropriate allowance amount.
Royalty Value Less Allowances	Subtract allowance deductions from the royalty value prior to allowances and enter the result.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

4-14

**Example**

**Transaction code 10.** This example shows how to report and pay a compensatory royalty **agreement**. A well located on fee land is draining unleased Indian land. The payor of the compensatory royalty agreement reports and pays royalties based on 100 percent of the value of the product multiplied by the drainage factor multiplied by the royalty rate. The fee land lessee has no obligation to ONRR.

**Assumptions:**

- The ONRR-converted lease number is 889-000355-0.
- Your sale occurred in October 2019.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 3,000 Mcf. The gas heating value is 1,200 Btu/cu ft. You sold 3,600 MMBtu. The contract price is \$3.00/MMBtu.
- The drainage factor is 15 percent.
- The royalty rate is 20 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales volume x drainage factor x Btu factor x price x royalty rate = royalty value

$$3,000 \text{ Mcf} \times 0.15 \times 1.200 \text{ MMBtu/Mcf} \times \$3.00/\text{MMBtu} \times 0.20 = \$324.00$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	8890003550
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	04
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	10
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	450.00
<b>Gas MMBtu</b>	540.00
<b>Sales Value</b>	1620.00
<b>Royalty Value Prior to Allowances</b>	324.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	324.00
<b>Payment Method Code</b>	03

**Example**

**Transaction code 10.** This example shows how to report and pay a compensatory royalty **assessment**. The payor on lease 071-004009-0 reports and pays royalties based on the entire production (175 bbl valued at \$4,593.75) at a 12 1/2 percent royalty rate. For the payor on lease 071-083838-0, compensatory royalty is based on the difference between the two leases' royalty rates (that is, 12 1/2 percent subtracted from 16 2/3 percent, which equals 0.041667).

**Assumptions:**

- There are two Federal leases: 071-083838-0 and 071-004009-0.
- A well on lease 071-004009-0 is draining lease 071-083838-0.
- Your sale occurred in October 2019.
- The product is oil, product code 01. You produced and sold 175 bbl of oil at \$26.25/bbl by the offending well.
- The drainage factor is 35 percent.
- Lease 071-004009-0 has a 12 ½ percent royalty rate.
- Lease 071-083838-0 has a 16 2/3 percent royalty rate.
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales volume x drainage factor x price x royalty rate (difference between the two lease royalty rates) = royalty value

$$175 \text{ bbl} \times 0.35 \times \$26.25 \times 0.041667 = \$66.99$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0710838380
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	ARMS
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	10
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	61.25
<b>Gas MMBtu</b>	
<b>Sales Value</b>	1607.81
<b>Royalty Value Prior to Allowances</b>	66.99
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	66.99
<b>Payment Method Code</b>	03

4.2

## Estimated Royalty Payment

This section provides instructions and examples for transaction code 03.

4.2.1

### ***Transaction Code 03, Estimated Royalty Payment***

Royalty payments are normally required by the end of the month following the month you sold or removed the product from the lease or agreement; however, if you cannot meet this deadline, you may establish an estimated royalty payment (estimate) to give you an additional month to report and pay actual royalties and possibly avoid late payment interest charges. An estimate is a one-time payment in lieu of an actual royalty payment for that month; then in subsequent months you report and pay the actual royalties. Royalties are then due the last day of the second month following the month you sold or removed the product from the lease or agreement. If that day falls on a weekend or holiday, the due date is extended to the next business day.

When you establish a new estimate for the first time, use transaction code 03 and no adjustment reason code. Thereafter, use transaction code 03 and adjustment reason code 32 to adjust your estimate balance (even if your estimate is reduced to zero and then you increase the balance at a later date). Use a single line entry on the Form ONRR-2014 to increase or decrease the amount of an estimate. The estimate payments are disbursed to the entitled recipient; therefore, you must follow the proper procedures in accordance with Federal and Indian recoupments and refunds. (For information on adjustments, recoupments, and refunds, see Chapter 6.)

To determine the amount of an initial estimate payment, establish the estimate in an amount equal to or exceeding the average monthly royalty liability for the lease and product. Adjust the estimate balance up or down as the lease royalty liability changes. This is critical because interest may be due if estimates are too low. For a given lease and sales month, ONRR compares the lease estimate balance to the actual royalty paid. Interest is due on the amount that the royalty payment exceeds the estimate balance. Interest is also due on amounts paid after the due date for estimate reporting. Therefore, it is to your benefit to maintain a record of all estimate payments and adjustments for each lease to possibly prevent an over recoupment of an estimate balance.

You report an estimated payment at the lease level. The sales month must be 1 month prior to the report month shown on the Form ONRR-2014. Establishing retroactive estimate balances is not permitted. The Form ONRR-2014 reflects the estimate sales month for all products on the lease; therefore, you must change the sales month for any product not requiring an estimate.



**Description of fields you use on Form ONRR-2014 for transaction code 03.**

<b>Field</b>	<b>Description</b>
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter one month prior to the month/year the report is submitted. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>03</b> .
Adjustment Reason Code	Leave this field blank to establish a new estimated royalty payment. Enter adjustment reason code 32 to increase or decrease the amount of an existing estimated royalty payment.
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the estimated royalty payment amount.
Transportation Allowance Deduction	Not Used
Processing Allowance Deduction	Not Used
Royalty Value Less Allowances	Enter the estimated royalty payment amount.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 03.** The following example shows how to establish an estimated payment.

**Assumptions:**

- The ONRR-converted lease number is 048-888888-0.
- Your sales month is **always** one month prior to your report month. Your report month is October 2019; therefore, your sales month is September 2019.
- You determined an estimate of \$1,000.00.
- You pay by EFT to ONRR.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0488888880
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	092019
<b>Transaction Code</b>	03
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	1000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	1000.00
<b>Payment Method Code</b>	03

**EXAMPLE**

**Transaction code 03.** The following example shows how to adjust estimated royalty payments. (For recoupment guidance, see Chapter 6.)

**Assumptions:**

- The ONRR-converted lease number is 048-888888-0
- Your sales month is **always** one month prior to your report month. Your report month/year is December 2019; therefore, your sales month/year is November 2019.
- Your adjustment decreases your previously estimated royalty payment of \$1,000.00 by \$500.00.
- You pay by EFT to ONRR.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0488888880
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	112019
<b>Transaction Code</b>	03
<b>Adjustment Reason Code</b>	32
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	-500.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	-500.00
<b>Payment Method Code</b>	03

4.3

## Minimum Royalty

This section provides instructions and examples for transaction codes 02 and 52.

4.3.1

### ***Transaction Code 02, Minimum Royalty Payment***

Some producing Federal and Indian leases require you to pay a minimum amount of royalty each lease year. The amount of minimum royalty is usually determined by the producing acreage in the lease multiplied by a fee per acre (for example, \$2 per acre) and is in addition to any other fees required under regulation or lease terms. You can satisfy the minimum royalty obligation in three ways:

- Royalties paid on production throughout the lease year are equal to or exceed the minimum royalty amount;
- Royalties paid on production throughout the lease year are less than the minimum royalty obligation, and you pay and report the difference as a separate minimum royalty transaction; or
- There are no royalties paid on production throughout the lease year, so you report and pay the full amount of the minimum royalty obligation.

You must submit minimum royalty payments for Federal or Indian leases on Form ONRR-2014 on or before the last day of the month of the lease year, regardless of whether you established an estimated payment on the lease. If minimum royalty is not met, we will issue an invoice for the amount due. Interest will be assessed for the late payment.

All the acres in a Federal lease are in a minimum royalty status if any one of the following applies:

- All the acres are within PAs.
- The lease is committed to a secondary or tertiary recovery unit.
- The lease is committed to a CA.
- The lease contains a producing well or a well capable of production.



**Description of fields you use on Form ONRR-2014 for transaction code 02.**

<b>Field</b>	<b>Description</b>
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the minimum royalty payment is due. Use the MMCCYY format; for example, enter September 2019 as 092019.  Applicable adjustment reason codes are 10, 17, and 35.  For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the amount of minimum royalty due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of minimum royalty due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 02.** The following example shows how to report and pay minimum royalties.

**Assumptions:**

- The annual minimum royalty requirement is \$1,000.00/year based on lease acreage of 500 acres at \$2.00/acre.
- The ONRR-converted lease number is 030-010100-0.
- The lease year is from October 1, 2019, through September 30, 2020.
- You paid \$600.00 in royalties for this lease year; therefore, an additional \$400.00 is due in minimum royalties (\$1,000.00 – \$600.00 = \$400.00).
- You pay by EFT to ONRR.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	<b>Detail Line</b>
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0300101000
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	092020
<b>Transaction Code</b>	02
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	400.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	400.00
<b>Payment Method Code</b>	03

## 4.3.2

**Transaction Code 52, Recoup Minimum Royalty Paid in Advance**

Use this transaction code to report a recoupment of a previously paid minimum royalty payable in advance for certain Indian leases. Review the lease terms to determine if your lease is subject to advance minimum royalty. If lease terms permit, you can recoup against net royalties reported and paid, by lease, within the same lease year and by the same royalty payor. One hundred percent of the current month's net royalties that you report may be used to offset the advance minimum royalty payment, subject to no more than the minimum royalty payment.

If you fail to recoup prior year minimum royalty payable in advance on Indian leases, the minimum royalty payable in advance is considered an overpayment requiring the use of transaction codes 52, 50, and 51. For reporting instructions, see Chapter 6, Adjustments, Recoupments, and Refunds.

Report the annual advance minimum royalty to ONRR by using transaction code 02. Frequently, payors make their minimum royalty payable in advance several months prior to the actual due date. If you do this, you must remember that you cannot recoup the advance minimum royalty until you report and pay royalties within the lease year that the royalty payable in advance applies.

If, at the end of the lease year, the royalty amount you paid is less than the minimum royalty payable in advance amount, you cannot recoup the remaining balance against royalties in future lease years.

**NOTE**

*If a tribe designates production as RIK, recoupment procedures may vary. We will provide specific reporting requirements if this occurs.*

**Description of fields you use on Form ONRR-2014 for transaction code 52.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Month/Year	Enter the month/year the minimum royalty payment is due. Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>52</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the appropriate minimum royalty payable in advance recoupment amount as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the appropriate minimum royalty payable in advance recoupment amount as a negative value.
Payment Method Code	Enter the same payment method reported on the corresponding royalty transaction line that you are recouping against. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 52.** The following example shows how to recoup advance minimum royalty on an Indian lease.

**Assumptions:**

- You paid advance minimum royalties of \$400.00 in May 2018 for the current lease year (transaction code 02).
- A recoupable balance of \$200.00 remains on the lease.
- The ONRR-converted lease number is 525-007170-0.
- You sold the product during October 2019.
- The product is unprocessed gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,100 Btu/cu ft. You sold 2,200 MMBtu. The contract price is \$2.00/MMBtu.
- The royalty rate is 12 1/2 percent.
- You pay by check to ONRR for BIA (include the specific name of the tribe that owns the lease or specific BIA agency/area office responsible for the lease).

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line	
Line Number	1	2
API Well Number		
ONRR Lease Number	5250071700	5250071700
ONRR Agreement Number		
Product Code	04	
Sales Type Code	ARMS	
Sales MO/YR	102019	102019
Transaction Code	01	52
Adjustment Reason Code		
Sales Volume	2000.00	
Gas MMBtu	2200.00	
Sales Value	4400.00	
Royalty Value Prior to Allowances	550.00	-200.00
Transportation Allowance Deduction		
Processing Allowance Deduction		
Royalty Value Less Allowances	550.00	-200.00
Payment Method Code	05	05

## 4.4

**Rentals**

This section provides instructions and examples for transaction codes 04, 05, and 25.

## 4.4.1

**Transaction Code 04, Rental Payment**

Use this transaction code to report and pay rent payments that are not recoupable against production and non-terminable. The amount of rent due is stipulated in your lease terms and is, except in some circumstances, due on or before the lease anniversary date.

For those leases that do not terminate, and payment is not received by the due date, we will issue an invoice for the amount due. Interest will be assessed for late payment.

Reporters can remit rental payments (other than first year rentals) on the newly launched tab on the eCommerce website called “Rental Information”. This tab provides a streamlined method to make Federal oil, gas, and geothermal rental payments. See Chapter 9 Online Rentals for instructions on reporting.

For producing Indian leases, the rent is reported on Form ONRR-2014. Producing Indian leases are defined as those leases receiving actual or allocated production. For nonproducing Indian leases, the rents are paid to BIA or to the entity stipulated in the lease document.

**NOTE**

*Also use transaction code 04, Rental Payment, to report rent on geothermal site licenses. Rent is due on geothermal site licenses only when the site licensee (license holder) is not the lessee. Geothermal site licenses are coded as leases in our system. They are non-terminable.*

**Description of fields you use on Form ONRR-2014 for transaction code 04.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the rent is due. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>04</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the rent amount due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances.	Enter the rent amount due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 04.** The following example shows how to report and pay a rent payment.

**Assumptions:**

- The annual rent payment is \$1,800.
- The ONRR-converted lease number is 071-007170-0.
- The lease has an anniversary date of October 01, 2019.
- You pay by EFT to ONRR.
- The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0710071700
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	04
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	1800.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	1800.00
<b>Payment Method Code</b>	03

## 4.4.2

**Transaction Code 05, Advance Rental Credit**

Use this transaction code to report and pay rent payments that are recoupable against production on Federal and Indian leases. If the lease is designated as RIK by the tribe, submit your rent payment to the applicable tribe unless otherwise instructed by ONRR. Recoupable Indian rent payments made directly to the allottee must still be reported to ONRR on Form ONRR-2014.

Submit recoupable rent payments for producing Federal or Indian leases. A producing lease is defined as:

- A lease containing a well on which a first production notice is issued, or the well is deemed capable of producing in paying quantities.
- A lease that has acreage committed to a producing unit or communitization agreement; this includes wells that are not currently producing but at some time in the past had production associated with the lease.

You must report and pay the rent even if you anticipate that the rent will be recouped during the first month of the lease year.

For more information on recoupment procedures, see Transaction Code 25, Recoup Advance Rental Credit on page 4-35.

**Description of fields you use on Form ONRR-2014 for transaction code 05.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the rent is due. Use the MMCCYY format; for example, enter October 2020 as 102020.
Transaction Code	Enter <b>05</b> .



Field	Description
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the rent amount due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances.	Enter the rent amount due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 05.** The following example shows how to report and pay an advance rental credit.

**Assumptions:**

- The annual rent payment is \$1,800.
- The ONRR-converted lease number is 518-008180-0.
- The lease has an anniversary date of October 31, 2019.
- You pay by check to ONRR for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

Information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line
Line Number	1
API Well Number	
ONRR Lease Number	5180081800
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	102019
Transaction Code	05
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	1800.00
Transportation Allowance Deduction	
Processing Allowance Deduction	
Royalty Value Less Allowances	1800.00
Payment Method Code	05

## 4.4.3

**Transaction Code 25, Recoup Advance Rental Credit**

Most Indian lease terms and some Federal lease terms require a rent payment on producing leases at the beginning of the lease year. When you report and pay monthly royalties, you can recoup these rent payments against net royalties reported and paid for the lease in the same year. One hundred percent of the current month's net royalties reported may be offset against the rent payment within the same lease year, subject to no more than the rent payment.

If you fail to recoup prior year rents on Indian leases, these rents are considered an overpayment requiring the use of transaction codes 25, 50, and 51. For reporting instructions, see Chapter 6, Adjustments, Recoupments, and Refunds.

Do not recoup on an Indian lease when any portion of the royalties are taken in kind by the tribe. For this situation you can only recoup previous rent payments by requesting a refund directly from the tribe. This requirement also applies to any prior unrecouped rents from a period when royalties were taken in value.

Report the advance rental credit to ONRR by using transaction code 05. Frequently, payors make their rent payments several months in advance of the actual due date. If you do this, you must remember that you cannot recoup rent payments until you report and pay royalties within the lease year that the rent applies.

If, at the end of the lease year, the royalty amount you paid is less than the initial rent payment amount, you cannot recoup the remaining rent balance against royalties in future lease years.

**NOTE**

*If a tribe designates production as RIK, recoupment procedures may vary. We will provide specific reporting requirements if this occurs.*

**Description of fields you use on Form ONRR-2014 for transaction code 25.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>25</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data or when recouping prior lease year rents. For recoupment guidance, see Chapter 6.</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the appropriate rent recoupment amount as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the appropriate rent recoupment amount as a negative value.
Payment Method Code	Enter the same payment method reported on the corresponding royalty transaction line that you are recouping against. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 25.** The following example shows how to report a typical rental recoupment on an Indian lease.

**Assumptions:**

- You paid the rent amount of \$600.00 in May 2019 for the current lease year (transaction code 05).
- A recoupable balance of \$480.00 remains on the lease.
- The ONRR-converted lease number is 518-008180-0.
- You sold the product during October 2019.
- The product is unprocessed gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,100 Btu/cu ft. You sold 2,200 MMBtu. The contract price is \$2.00/MMBtu.
- The royalty rate is 12 1/2 percent.
- You pay by check to ONRR for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

Detail Line		
Line Number	1	2
API Well Number		
ONRR Lease Number	5180081800	5180081800
ONRR Agreement Number		
Product Code	04	
Sales Type Code	ARMS	
Sales MO/YR	102019	102019
Transaction Code	01	25
Adjustment Reason Code		
Sales Volume	2000.00	
Gas MMBtu	2200.00	
Sales Value	4400.00	
Royalty Value Prior to Allowances	550.00	-480.00
Transportation Allowance Deduction		
Processing Allowance Deduction		
Royalty Value Less Allowances	550.00	-480.00
Payment Method Code	05	05

## 4.5

## Recoupment of Indian Overpayments

This section provides instructions and examples for reporting transaction codes 50 and 51.

## 4.5.1

### ***Transaction Code 50, Indian Recoupable Balance***

Use this transaction code to establish a recoupable balance on an Indian lease for an overpayment. This balance can be recouped against royalties. For further details on recouping overpayments on Indian leases, see Chapter 6, Adjustments, Recoupments, and Refunds. A transaction code 50 must be established even if the total amount of the overpayment can be completely recovered in one subsequent month.

#### **Description of fields you use on Form ONRR-2014 for transaction code 50.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that was overpaid. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>50</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the amount of the overpayment. This value must be positive because the sum of the reversing line, the re-entry line, and the recoupable balance must equal zero.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of the overpayment. This value must be positive because the sum of the reversing line, the re-entry line, and the recoupable balance must equal zero.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 50.** For an example of establishing a recoupable balance on an Indian lease for an overpayment, refer to Recoupment on Indian leases (transaction codes 50 and 51) on page 6-9.

#### 4.5.2

#### ***Transaction Code 51, Indian Recoupment Taken***

Use this transaction code to recoup an overpayment on an Indian lease. Recoupments may not exceed 50 percent of the net monthly revenues reported if the lease is allotted or 100 percent of the net monthly revenues reported if the lease is tribal. Do not use transaction code 51 unless transaction code 50, Indian Recoupable Balance, was previously reported. For further details on recouping overpayments on Indian leases, see Chapter 6, Adjustments, Recoupments, and Refunds.



**Description of fields you use on Form ONRR-2014 for transaction code 51.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are recouping against. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>51</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the appropriate recoupment amount as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field	Description
Royalty Value Less Allowances	Enter the appropriate recoupment amount as a negative value.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 51.** For an example of recouping an overpayment on an Indian lease, refer to Recoupment on Indian leases (transaction codes 50 and 51) on page 6-9.

4.6

## Other Royalty Transactions

This section provides instructions and examples for transaction codes 31, 37, 38, 39, 40, and 41.

4.6.1

### ***Transaction Code 31, Contract Settlement Payment***

Use transaction code 31, Contract Settlement Payment, to report royalty due on contract settlement payments between you and the third party. Normally, the settlements reported under this transaction are between lessees and purchasers. Do not report settlements between payors and ONRR with this transaction code.

Two types of settlements are reported with transaction code 31:

**Past pricing disputes.** Royalty is due on settlement payments made to resolve disputes regarding the correct price owed for minerals produced and sold from the lease or agreement for periods before the settlement agreement (including, but not limited to, reimbursements for production-related costs, tax reimbursements, or nonpayment of contract purchase price by the purchaser, etc.). Payment is due at the end of the month following the month the lessee receives the payment.

**Contract buydowns.** Royalty is due on payments made to reduce the price the original purchaser pays when they take future production under an amended or successor contract. This “buydown” amount of the total settlement must be allocated to ongoing production taken during the remaining term of the original contract.



If you determine royalties are due because settlement payments are allocable to ongoing production, and production has already occurred since the date of settlement, you should report and pay royalties on that production as shown in the second example on page 4-47. You should continue to report royalties on future production in the same manner; or alternatively, you may elect to make a lump sum payment.

See ONRR Reporter Letter dated May 3, 1993, for additional information.

**Description of fields you use on Form ONRR-2014 for transaction code 31.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if the production reported is the portion attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	<p>For <b>past pricing disputes</b>, enter the month/year the settlement payment was received.</p> <p>For <b>buydowns</b> when the payment is allocated to specific production, enter the month/year the product is sold or removed from the lease.</p> <p>For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter the current sales month reported. For example, if you pay royalties in December 2019 for production sold or removed in November 2019, you will report November 2019 as the sales month/year for your lump sum royalty payment.</p> <p>Use the MMCCYY format; for example, enter October 2019 as 102019.</p>
Transaction Code	Enter <b>31</b> .

#### 4 Reporting Instructions by Transaction Code

Field	Description
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	<p>For <b>past pricing disputes</b>, enter the total volume related to the payment.</p> <p>For <b>buydowns</b> when the payment is allocated to specific production, enter the actual monthly volume.</p> <p>For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter 1.00.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR). For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume weighted average.</p>



Field	Description
Sales Value	For <b>past pricing disputes</b> , enter the settlement payment amount.  For <b>buydowns</b> when the payment is allocated to specific production, enter the incremental value allocated to each unit of volume multiplied by the actual monthly volume.  For <b>buydowns</b> when a <b>lump sum</b> royalty payment is made, enter the settlement payment amount.
Royalty Value Prior to Allowances	Enter the sales value multiplied by the royalty rate.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the sales value multiplied by the royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 31.** The following example shows how to report a settlement of a **past pricing dispute**.

**Assumptions:**

- You received \$100,000 in October 2019 to resolve a past pricing dispute.
- The settlement relates to 90,000 bbl of oil that was previously sold under the contract.
- The ONRR-converted lease number is 071-004009-0.
- The product is oil, product code 01.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

90,000 bbl = sales volume  
 sales value × royalty rate = royalty value  
 $\$100,000 \times 0.125 = \$12,500.00$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0710040090
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	31
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	90000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	100000.00
<b>Royalty Value Prior to Allowances</b>	12500.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12500.00
<b>Payment Method Code</b>	03

**EXAMPLE**

**Transaction code 31.** The following example shows how to report a **contract buydown** when a portion of the settlement payment is allocated to production taken during the remaining term of the original contract.

**Assumptions:**

- The ONRR-converted lease number is 071-004009-0.
- Your sale occurred in October 2019.
- The product is unprocessed gas, product code 04. You produced and sold 900 Mcf. The gas heating value is 1,111 Btu/cu ft. You sold 1,000 MMBtu. The contract price is \$3.00/MMBtu.
- You paid \$1,000,000 to reduce the contract price from \$3.50/MMBtu to \$3.00/MMBtu.
- The total MMBtu you must take under the amended contract during the remaining term of the original contract is 5,000,000 MMBtu. Therefore, you must value MMBtu sold under the amended contract at \$0.20 per MMBtu (\$1,000,000 divided by 5,000,000 MMBtu).
- The royalty rate is 12 1/2 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales volume × Btu factor × contract buydown amount ÷ remaining  
MMBtu to be taken under the amended contract × royalty rate = royalty  
value

$$900 \text{ Mcf} \times 1.111 \text{ MMBtu/Mcf} \times \$1,000,000 \div 5,000,000 \text{ MMBtu} \times 0.125 = 25.00$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0710040090
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	04
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	31
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	900.00
<b>Gas MMBtu</b>	1000.00
<b>Sales Value</b>	200.00
<b>Royalty Value Prior to Allowances</b>	25.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	25.00
<b>Payment Method Code</b>	03

## 4.6.2

**Transaction Code 37, Royalties Due in Lieu of Severance Tax**

Use this transaction code to report the royalties due the Federal Government in lieu of the State severance tax for offshore leases subject to Section 6(a)(9) of the Outer Continental Shelf Lands Act of 1953. Originally, these were State leases subject to a State-assessed severance tax.

**Description of fields you use on Form ONRR-2014 for transaction code 37.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>37</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Enter the same sales volume reported on the corresponding royalty transaction line.

#### 4 Reporting Instructions by Transaction Code

Sales Value	Enter the same sales value reported on the corresponding royalty transaction line.
Royalty Value Prior to Allowances	See calculations reflected below.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Same value as Royalty Value Prior to Allowances.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### **EXAMPLE**

**Transaction code 37.** The following example shows how to report and pay royalties due in lieu of State severance tax.

#### **Assumptions:**

- The ONRR-converted lease number is 054-001231-0.
- Your sale occurred in October 2019.
- The product is oil, product code 01. You produced and sold 50,000 bbl of oil at \$30.00/bbl.
- The State severance tax assessment is \$0.25/bbl.
- The royalty rate is 16 2/3.
- There is an additional royalty of 1/48 percent due (based on production charges).
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales volume  $\times$  severance tax rate per unit = taxable value  
 50,000 bbl  $\times$  \$0.25/bbl = \$12,500

1 – (lease royalty rate + any additional royalty rate due in lieu of other  
 State-assessed charges) = taxable rate  
 1 – (0.166667 + 0.020833) = 0.8125

taxable value  $\times$  taxable rate = royalty value  
 \$12,500  $\times$  0.8125 = \$10,156.25

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line	
Line Number	1	2
API Well Number		
ONRR Lease Number	0540012310	0540012310
ONRR Agreement Number		
Product Code	01	01
Sales Type Code	ARMS	
Sales MO/YR	102019	102019
Transaction Code	01	37
Adjustment Reason Code		
Sales Volume	50000.0	50000.00
Gas MMBtu		
Sales Value	1500000.00	1500000.00
Royalty Value Prior to		
Allowances	250000.50	10156.25
Transportation		
Allowance Deduction		
Processing Allowance		
Deduction		
Royalty Value Less		
Allowances	250000.50	10156.25
Payment Method Code	03	03

## 4.6.3

**Transaction Code 38, Additional Royalties Due for 6(a)(9) Leases**

Use this transaction code to report offshore leases subject to Section 6(a)(9) of the Outer Continental Shelf Lands Act of 1953. Originally, these were State leases subject to State-assessed charges, such as production charges, occupation fees, and so on. Use to report royalties due the Federal Government in lieu of these State-assessed charges.

**Description of fields you use on Form ONRR-2014 for transaction code 38.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>38</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Enter the same sales volume reported on the corresponding royalty transaction line.

Field	Description
Gas MMBtu	Enter the same gas MMBtu reported on the corresponding royalty transaction line.
Sales Value	Enter the same sales value reported on the corresponding royalty transaction line.
Royalty Value Prior to Allowances	Enter the excess royalty due in lieu of State-assessed charges as specified in the lease.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the excess royalty due in lieu of State-assessed charges as specified in the lease.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 38.** The following example shows how to report and pay additional royalties due in lieu of other State-assessed charges.

**Assumptions:**

- The ONRR-converted lease number is 054-001231-0.
- Your sale occurred in October 2019.
- The product is oil, product code 01. You produced and sold 50,000 bbl of oil at \$30.00/bbl.
- The State severance tax assessment is \$0.25/bbl.
- The royalty rate is 16 2/3 percent.
- There is an additional royalty of 1/48 percent due (based on production charges).
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales value × additional royalties due = royalty value  
 $\$1,500,000.00 \times 0.020833 = \$31,249.50$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line		
Line Number	1	2	3
API Well Number			
ONRR Lease Number	0540012310	0540012310	0540012310
ONRR Agreement Number			
Product Code	01	01	01
Sales Type Code	ARMS		
Sales MO/YR	102019	102019	102019
Transaction Code	01	37	38
Adjustment Reason Code			
Sales Volume	50000.00	50000.00	50000.00
Gas MMBtu			
Sales Value	1500000.00	1500000.00	1500000.00
Royalty Value Prior to Allowances	250000.50	10156.25	31249.50
Transportation Allowance Deduction			
Processing Allowance Deduction			
Royalty Value Less Allowances	250000.50	10156.25	31249.50
Payment Method Code	03	03	03

## 4.6.4

**Transaction Code 39, Net Profit Share—Unprofitable**

Use this transaction code to report sales from a net profit share (NPS) lease for the months the lease does not show a profit. As an NPS lessee, you must file Form ONRR-2014 monthly beginning the first month you credit production revenues to the NPS lease account. Form ONRR-2014 must include all production and revenues attributable to the lease. The lessee must also file other reports as required by 30 CFR 1220.031, Reporting and Payment Requirements.

**Description of fields you use on Form ONRR-2014 for transaction code 39.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>39</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17 and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	<p>Each NPS lessee is responsible for reporting their volume sold or removed from the lease.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume weighted average.</p>
Sales Value	<p>For gas products 03, 04, 12, 15, 39, 66, 67, 68, 69, and 70, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p> <p>The sales value reported on Form ONRR-2014 should match the revenue reported on the corresponding NPSL monthly report required by 30 CFR 1220.031.</p>
Royalty Value Prior to Allowances	Not used



Field	Description
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Not used
Payment Method Code	Enter an appropriate payment method code, even though a payment is not required. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 39.** The following example shows how to report unprofitable NPS sales.

**Assumptions:**

- The ONRR-converted lease number is 054-000140-0.
- You removed and sold the product during October 2019.
- The product is oil, product code 01. You produced and sold 1,000 bbl of oil at \$26.25/bbl.
- The NPS royalty rate is 35 percent.

**Sales value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{price} &= \text{sales value} \\ 1,000 \text{ bbl} \times \$26.25/\text{bbl} &= \$26,250.00 \end{aligned}$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0540001400
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	01
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	39
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	1000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	26250.00
<b>Royalty Value Prior to Allowances</b>	
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	
<b>Payment Method Code</b>	03

## 4.6.5

**Transaction Code 40, Net Profit Share—Profitable**

Use this transaction code to report sales and royalties from an NPS lease after the lease is profitable. As an NPS lessee, you must file Form ONRR-2014 monthly beginning the first month you credit production revenues to the NPS lease account. Form ONRR-2014 must include all production and revenues attributable to the lease. The lessee must also file other reports as required by 30 CFR 1220.031, Reporting and Payment Requirements. You must file Form ONRR-2014 and corresponding NPS payments, as well as the monthly reports required by 30 CFR 1220.031, within 60 days of the end of the month when the lease becomes profitable.

**Description of fields you use on Form ONRR-2014 for transaction code 40.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>40</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	<p>Each NPS lessee is responsible for reporting their volume sold or removed from the lease.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume weighted average.</p>
Sales Value	<p>Enter the NPS base (as defined by 30 CFR 1220.002) at the end of the sales month. The NPS base reported should match the NPS base reported on the corresponding NPS lease monthly report required by 30 CFR 1220.031.</p>
Royalty Value Prior to Allowances	<p>Enter the result of the sales value multiplied by the NPS rate specified in the lease. This is the NPS payment for the month.</p>



Field	Description
Transportation Allowance Deduction	Enter the appropriate allowance amount. .
Processing Allowance Deduction	Enter the appropriate allowance amount. .
Royalty Value Less Allowances	Enter the result of the sales value multiplied by the NPS rate specified in the lease. This is the NPS payment for the month. The royalty value less allowances reported on Form ONRR-2014 should match the NPS payment reported on the corresponding NPS lease monthly report required by 30 CFR 1220.031.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 40.** The following example shows how to report profitable NPS sales and royalties.

**Assumptions:**

- The ONRR-converted lease number is 054-000140-0. The lease is in its profitable stage.
- You removed and sold the product during October 2019.
- The product is oil, product code 01. You produced and sold 1,000 bbl of oil at \$26.25/bbl.
- There is a \$10,000 NPS base at the end of 10/2019 (sales value).
- The NPS royalty rate is 35 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

1,000 bbl = sales volume  
 sales value × NPS royalty rate = royalty value  
 $\$10,000 \times 0.35 = \$3,500.00$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

	Detail Line
Line Number	1
API Well Number	
ONRR Lease Number	0540001400
ONRR Agreement Number	
Product Code	01
Sales Type Code	
Sales MO/YR	102019
Transaction Code	40
Adjustment Reason Code	
Sales Volume	1000.00
Gas MMBtu	
Sales Value	10000.00
Royalty Value Prior to Allowances	3500.00
Transportation Allowance Deduction	
Processing Allowance Deduction	
Royalty Value Less Allowances	3500.00
Payment Method Code	03

## 4.6.6

**Transaction Code 55, Offshore Deep Water Royalty Relief**

Use this transaction code to report royalty-free volumes of production sold from leases qualifying for royalty relief under the Outer Continental Shelf Deep Water Royalty Relief Act.

**NOTE: Transaction code 55 replaced transaction code 41 effective sales month October 2008.**

**Description of fields you use on Form ONRR-2014 for transaction code 55.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the appropriate two-digit code. For a list of product codes, see Appendix C.
Sales Type Code	Enter the appropriate four-character code. For a list of sales type codes, see Appendix D.
Sales Month/Year	Enter the month/year the product is sold or removed from the lease. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>55</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	<p>Enter the volume of the product sold or removed from the lease or from the lease-agreement combination.</p> <p>Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:</p> <ul style="list-style-type: none"> <li>• Barrels for oil, condensate, and scrubber condensate</li> <li>• Mcf (1,000 cubic feet) for natural gas (reported at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Btu on the Oil and Gas Operations Report [OGOR]).</li> <li>• Gallons (231 cubic inches) for gas plant products</li> <li>• Long tons (2,240 lbs) for sulfur</li> </ul>
Gas MMBtu	<p>Enter if you reported product codes 03, 04, 12, 15, 39, 66, 67, 68, 69, or 70. Enter sales volume multiplied by the gas Btu heating value at a standard pressure base of 14.73 psia, a standard temperature base of 60 °F, and the same degree of water saturation as used to report the Oil and Gas Operations Report (OGOR).</p> <p>For example:</p> $500 \text{ Mcf} \times \frac{1.100 \text{ MMBtu}}{\text{Mcf}} = 550 \text{ MMBtu}$ <p>If production from various wells or formations is reported as one line on Form ONRR-2014, then report as a volume weighted average.</p>
Sales Value	<p>For gas products 03, 04, 12, 15, 39, 66, 67, 68, 69, and 70, enter the gas MMBtu multiplied by the price.</p> <p>For any other oil or gas products, enter the sales volume multiplied by the price.</p>
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Not used

Field	Description
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Not used
Payment Method Code	Enter an appropriate payment method code, even though a payment is not required. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 55.** The following example shows how to report offshore deep water royalty relief.

**Assumptions:**

- The ONRR-converted lease number is 054-999999-0.
- You removed and sold the product in October 2019.
- The product is oil, product code 01. You produced and sold 10,000 bbl of oil at \$30/bbl.
- You pay by EFT to ONRR.

**Sales value calculation:**

$$\begin{aligned} \text{sales volume} \times \text{price} &= \text{sales value} \\ 10,000 \text{ bbl} \times \$30.00/\text{bbl} &= \$300,000.00 \end{aligned}$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line
Line Number	1
API Well Number	
ONRR Lease Number	0549999990
ONRR Agreement Number	
Product Code	01
Sales Type Code	ARMS
Sales MO/YR	102019
Transaction Code	55
Adjustment Reason Code	
Sales Volume	10000.00
Gas MMBtu	
Sales Value	300000.00
Royalty Value Prior to Allowances	
Transportation Allowance Deduction	
Processing Allowance Deduction	
Royalty Value Less Allowances	
Payment Method Code	03

## 4.7 Reversing Allowances

This section provides instructions and examples for reversing transaction codes 11 and 15.

Beginning 08/06/2021 ONRR Form-2014 reporters will not be able to report Transaction Code 11 and Transaction Code 15 (Transportation and Processing Allowances) as a separate line. You must report transportation and processing allowances on the standard royalty line on the ONRR Form-2014 when taking a transportation allowance. ONRR will allow for reversal lines with Transaction Codes 11 and 15 utilizing the appropriate adjustment reason code. The re-book line must have the allowances as part of the royalty line using the transportation and processing allowance fields. For federal reporting, reversing lines follow the RSFA reporting limitations.

For Federal leases, allowance forms are not required. For Indian leases, you must continue to submit the appropriate allowance forms. (For contact information regarding allowance forms, see Appendix A.)

### 4.7.1 ***Reversing Transaction Code 11, Transportation Allowance***

**Description of fields you use on Form ONRR-2014 for transaction code 11.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.

#### 4 Reporting Instructions by Transaction Code

ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. If RIK, enter product code 01, 02, 03, 04, 05, 06, or 07.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. If RIK, enter sales type code RIKD.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>11</b> .
Adjustment Reason Code	<p>You must complete this field with an adjustment reason code. Applicable adjustment reason codes are 10, 15, 16, 35, and 49.</p> <p>For further instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Enter the reverse, a positive value, of the original line reported.

Field	Description
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the reverse transportation allowance deduction.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 11.** The following example shows how to reverse a transportation allowance.

**Form ONRR-2014 Fact Sheet**

	<b>Detail Line</b>		
	<b>Reverse 01 Line</b>	<b>Reversal</b>	<b>Rebook</b>
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>API Well Number</b>			
<b>ONRR Lease Number</b>	0470444400	0470444400	0470444400
<b>ONRR Agreement Number</b>			
<b>Product Code</b>	01	01	01
<b>Sales Type Code</b>	ARMS	ARMS	ARMS
<b>Sales MO/YR</b>	102019	102019	102019
<b>Transaction Code</b>	01	11	01
<b>Adjustment Reason Code</b>	10	10	10
<b>Sales Volume</b>	-5000.00		5000.00
<b>Gas MMBtu</b>			
<b>Sales Value</b>	-143750.00		143750.00
<b>Royalty Value Prior to Allowances</b>	-17968.75		17968.75
<b>Transportation Allowance Deduction</b>		468.75	-468.75
<b>Processing Allowance Deduction</b>			
<b>Royalty Value Less Allowances</b>	-17968.75	468.75	17500.00
<b>Payment Method Code</b>	03		03 03



## 4.7.2

**Reversing Transaction Code 15, Processing Allowance**

ONRR allows a deduction from the value of gas plant products on Form ONRR-2014 for the reasonable, actual costs of extracting and recovering gas plant products at a gas processing facility.

Beginning 08/06/2021 ONRR Form-2014 reporters will not be able to report Transaction Code 11 and Transaction Code 15 (Transportation and Processing Allowances) as a separate line. You must report transportation and processing allowances on the standard royalty line on the ONRR Form-2014 when taking a processing allowance. ONRR will allow for reversal lines with Transaction Codes 11 and 15 utilizing the appropriate adjustment reason code. The re-book line must have the allowances as part of the royalty line using the transportation and processing allowance fields. For federal reporting, reversing lines follow the RSFA reporting limitations.

**Description of fields you use on Form ONRR-2014 for transaction code 15.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. If RIK, enter product code 03.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. If RIK, enter sales type code RIKD.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>15</b> .



#### 4 Reporting Instructions by Transaction Code

Field	Description
Adjustment Reason Code	<p>You must complete this field.</p> <p>Applicable adjustment reason codes are 10, 15, 16, 35, and 49.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Not used
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Enter the reverse of the reported processing allowance.
Royalty Value Less Allowances	Enter the reversed processing allowance deduction.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 15.** The following example shows how to report the reversed processing allowance.

**Form ONRR-2014 Fact Sheet**

	<b>Detail Line</b>		
	<b>Reverse TC01</b>	<b>Reverse TC15</b>	<b>Rebook</b>
<b>Line Number</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>API Well Number</b>			
<b>ONRR Lease Number</b>	0300300300	0300300300	0300300300
<b>ONRR Agreement Number</b>			
<b>Product Code</b>	07	07	07
<b>Sales Type Code</b>	POOL	ARMS	ARMS
<b>Sales MO/YR</b>	102019	102019	102019
<b>Transaction Code</b>	01	15	01
<b>Adjustment Reason Code</b>	10	10	10
<b>Sales Volume</b>	-50000.00		50000.00
<b>Gas MMBtu</b>			
<b>Sales Value</b>	-25000.00		25000.00
<b>Royalty Value Prior to Allowances</b>	-3125.00		3125.00
<b>Transportation Allowance Deduction</b>			
<b>Processing Allowance Deduction</b>		1823.44	-1823.44
<b>Royalty Value Less Allowances</b>	-3125.00	1823.44	1301.56
<b>Payment Method Code</b>	03	03	03

## 4.7.3

**Transaction Code 42, Net Revenue Share Lease, Allotment for Operating Costs**

Use this transaction code to report the operating allowance on ONRR-approved net revenue share (NRS) agreements

**Description of fields you use on Form ONRR-2014 for transaction code 42.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line.
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>42</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10, 15, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used

#### 4 Reporting Instructions by Transaction Code

Field	Description
Gas MMBtu	Not used
Sales Value	Enter the total allotment for operating costs for each lease as a negative value.
Royalty Value Prior to	Enter the portion of the allotment for operating costs that are deductible (allowable cost multiplied by the net revenue rate [NRR] for the lease) as a negative value.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the portion of the allotment for operating costs that are deductible (allowable cost multiplied by the NRR for the lease) as a negative value.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 42.** The following example shows how to report the operating allowance of ONRR-approved net revenue share agreements.

Royalty due for net revenue share leases is determined by the following formula:

$$\text{NRS} = \text{net revenues} \times \text{NRR, where}$$

$$\text{net revenues} = (\text{GVP} - \text{TPA}) - \text{AOC for marginal leases and}$$

$$\text{net revenues} = (\text{GVP} - \text{TPA}) - (\text{AOC} + \text{APC}) \text{ for capital project lease}$$

$$\text{NRS} = \text{net revenue share is the monthly dollar amount due the Government}$$

$$\text{NRR} = \text{net revenue rate is the fraction of the net revenues due the Government}$$

$$\text{GVP} = \text{gross value of product}$$

$$\text{TPA} = \text{transportation and processing allowances}$$

$$\text{AOC} = \text{allotment for operating costs}$$

$$\text{APC} = \text{allotment for project costs}$$

**Assumptions:**

- The ONRR-converted lease number is 088-999999-0, a marginal lease.
- Your sale occurred in October 2019.
- The product is oil, product code 01.
- You removed and sold 4,500 bbl of oil at \$20.00/bbl.
- You incurred \$5,000.00 in transportation costs (TPA).
- The AOC is \$50,000.00.
- The NRR is 50 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

$$\text{NRS} = [(\$90,000.00 - \$5,000.00) - \$50,000.00] \times 0.5 = \$35,000.00 \times 0.5 = \$17,500.00$$

Total royalties due are \$17,500.00. However, each component (GVP, deductible portion of AOC, and deductible portion of TPA) is reported separately on Form ONRR-2014.

**Transaction code 01:**

$\text{GVP} = 4,500 \text{ bbl} \times \$20.00/\text{bbl} = \$90,000.00$  (reported on the transaction code 01 line in the Sales Value field)

$\text{GVP} \times \text{NRR} = \$90,000.00 \times 0.5 = \$45,000.00$  (reported on the transaction code 01 line in the Royalty Value Prior to Allowances field)

Deductible portion of transportation and processing costs =  $\text{TPA} \times \text{NRR} = \$5,000.00 \times 0.5 = \$2,500.00$  (reported on the transaction code 01 line in the Transportation Allowance Deduction and/or Processing Allowance Deduction fields)

In this case, only transportation costs were incurred; therefore, the amount is reported in the Transportation Allowance Deduction field.

**Transaction code 42**

Deductible portion of the allotment for operating costs =  $\text{AOC} \times \text{NRR} = \$50,000.00 \times 0.5 = \$25,000.00$

Report transaction code 42 as a negative value as shown on the following fact sheet.

**NOTE**

Many unique provisions apply to net revenue share leases. For contact information on net revenue share leases, see Appendix A.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

### Form ONRR-2014 Fact Sheet

	Detail Line	
Line Number	1	2
API Well Number		
ONRR Lease Number	0889999990	0889999990
ONRR Agreement Number		
Product Code	01	01
Sales Type Code	ARMS	
Sales MO/YR	102019	102019
Transaction Code	01	42
Adjustment Reason Code		
Sales Volume	4500.00	
Gas MMBtu		
Sales Value	90000.00	-50000.00
Royalty Value Prior to		
Allowances	45000.00	-25000.00
Transportation		
Allowance Deduction	-2500.00	
Processing Allowance		
Deduction		
Royalty Value Less		
Allowances	42500.00	-25000.00
Payment Method Code	03	03

4.8

## Tax Credit

This section provides instructions and examples for transaction code 12.

4.8.1

### ***Transaction Code 12, Tax Credit***

Indian leases, with very few exceptions, are exempt from State or local taxes. Consequently, you cannot withhold tax credits against royalties for those leases. If imposed, the taxes are typically severance taxes that are collected on gross sales from an Indian lease and remitted by you to the taxing authority on a lessor's behalf. Although tax credits on Indian leases do not require prior approval from ONRR, pursuant to the U.S. Supreme Court's Opinion in *Montana v. Blackfeet Tribe*, 471 U.S. 759 (1985), we presume all Indian leases are exempt from taxes.

If you withhold taxes for Indian royalties, you can overcome this presumption only if you can establish that a particular Indian lease was issued under Federal statutory authority that expressly and unambiguously subjects the Indians to State taxes for the lease revenues. Unless you can present such proof, we will treat such withholdings as deficiencies in royalty payment. Address any questions regarding the applicability of State and local taxes on Indian leases to the local BIA area office that has responsibility for the leases in question. Such action may prevent possible late payment interest charges on underpayments for these leases.

Tax credits on Federal leases are not allowed.

Report transactions that include tax credits as a two-line entry on Form ONRR-2014. Use the first line to report the sale at the stated price for the product. Use the second line to report the tax credit as a negative value.

#### **Description of fields you use on Form ONRR-2014 for transaction code 12.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see Appendix D.
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line that you are claiming a tax credit against. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>12</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data</p> <p>Applicable adjustment reason codes are 10, 17, and 35.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>If the tax credit is based on the value of the product (that is, 20-percent tax rate) then the tax credit equals tax rate multiplied by the royalty value reported on the corresponding royalty transaction line. Enter as a negative value.</p> <p>If the tax credit is based on the volume of product (for example, \$0.05 per Mcf), then the tax credit equals the sales volume multiplied by the royalty rate and multiplied again by the tax rate per unit. Enter as a negative value.</p>
the	
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field	Description
Royalty Value Less Allowances	<p>If the tax credit is based on the value of the product (that is, 20-percent tax rate) then the tax credit equals the tax rate multiplied by the royalty value reported on the corresponding royalty transaction line. Enter as a negative value.</p> <p>If the tax credit is based on the volume of product (for example, \$0.05 per Mcf) then the tax credit equals the sales volume multiplied by the royalty rate and multiplied again by the tax rate per unit. Enter as a negative value.</p>
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 12.** The following example shows how to report a tax credit based on **volume**.

**Assumptions:**

- The ONRR-converted lease number is 607-895376-0.
- Your sale occurred in October 2019.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,110 Btu/cu ft. You sold 2,220 MMBtu. The contract price is \$2.50/MMBtu.
- The tax credit is \$0.07/Mcf.
- The royalty rate is 12 1/2 percent.
- You pay by check to ONRR for BIA (include the specific name of the tribe that owns the lease or the specific BIA agency/area office responsible for the lease).

**Royalty value calculation:**

sales volume (reported on the corresponding royalty transaction line) × tax credit × royalty rate = royalty value

2,000 Mcf × \$0.07 × 0.125 = \$17.50 (report as a negative value)

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

Detail Line		
Line Number	1	2
API Well Number		
ONRR Lease Number	6078953760	6078953760
ONRR Agreement Number		
Product Code	04	04
Sales Type Code	ARMS	ARMS
Sales MO/YR	102019	102019
Transaction Code	01	12
Adjustment Reason Code		
Sales Volume	2000.00	
Gas MMBtu	2220.00	
Sales Value	5550.00	
Royalty Value Prior to Allowances	693.75	-17.50
Transportation Allowance Deduction		
Processing Allowance Deduction		
Royalty Value Less Allowances	693.75	-17.50
Payment Method Code	05	05

**EXAMPLE**

**Transaction code 12.** The following example shows how to report a tax credit based on **value**.

**Assumptions:**

- The ONRR-converted lease number is 607-895376-0.
- Your sale occurred in October 2019.
- The product is unprocessed (wellhead) gas, product code 04. You produced and sold 2,000 Mcf. The gas heating value is 1,110 Btu/cu ft. You sold 2,220 MMBtu. The contract price is \$2.50/MMBtu.
- The tax credit is 6 1/2 percent.
- The royalty rate is 12 1/2.
- You pay by check to ONRR for BIA.

**Royalty value calculation:**

sales value  $\times$  tax credit  $\times$  royalty rate = royalty value

$\$5,550.00 \times 0.125 \times 0.065 = \$45.09$  (report as a negative value)

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

Detail Line		
Line Number	1	2
API Well Number		
ONRR Lease Number	6078953760	6078953760
ONRR Agreement Number		
Product Code	04	04
Sales Type Code	ARMS	ARMS
Sales MO/YR	102019	102019
Transaction Code	01	12
Adjustment Reason Code		
Sales Volume	2000.00	
Gas MMBtu	2220.00	
Sales Value	5550.00	
Royalty Value Prior to Allowances	693.75	-45.09
Transportation Allowance Deduction		
Processing Allowance Deduction		
Royalty Value Less Allowances	693.75	-45.09
Payment Method Code	05	05

4.9

## Reimbursements

This section provides instructions and examples for transaction codes 14, 53, and 54.

4.9.1

### **Transaction Code 14, Tax Reimbursement Payment**

Use this transaction code when sales of production from Federal or Indian leases, communitization agreements, or unit agreements are subject to State and/or local severance or ad valorem taxes. A seller receives a tax reimbursement whenever the sales contract requires the purchaser to reimburse the seller for taxes paid or when the sales contract requires the purchaser to pay the taxes directly **for the benefit of the lessee**. ONRR considers tax reimbursements as part of gross proceeds accruing to the lessee. Even though the Federal or Indian interest is exempt from taxation, tax reimbursements are royalty bearing. Report the corresponding royalty transaction line, net of the tax reimbursement. Royalty payments on tax reimbursements are due no later than the end of the month following the month when the reimbursements are received or when the reimbursements are due and payable in accordance with contract terms, whichever is earlier. Report a separate line for tax reimbursement (transaction code 14).

Report transactions that include reimbursements as a two-line entry on Form ONRR-2014. Use the first line to report the sale at the stated price for the product. Use the second line to report the reimbursement, as a positive value.

#### **Description of fields you use on Form ONRR-2014 for transaction code 14.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see Appendix D.



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Month/Year	Enter the month/year in which the tax reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>14</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes:  oil and gas leases: 10, 15, 17, and 35  geothermal leases: 26 and 31</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	<p>If the tax reimbursement is based on volume, then this field equals the sales volume multiplied by the tax rate and multiplied again by the royalty rate.</p> <p>If the tax reimbursement is based on value, then this field equals the royalty value reported on the corresponding royalty transaction line multiplied by the tax rate percentage.</p>
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field	Description
Royalty Value Less Allowances	<p>If the tax reimbursement is based on volume, then this field equals the sales volume multiplied by the tax rate and multiplied again by the royalty rate.</p> <p>If the tax reimbursement is based on value, then this field equals the royalty value reported on the corresponding royalty transaction line multiplied by the tax rate percentage.</p>
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 14.** The following example shows how to report a tax reimbursement.

**Assumptions:**

- You owe a State severance tax on production from a communitized area that contains Federal lease 143-987654-0.
- Lease 143-987654-0 receives a 25 percent allocation under the communitization agreement.
- The product is unprocessed gas, product code 04. You produced and sold 20,000 Mcf. The gas heating value is 1,200 Btu/cu ft. You sold 24,000 MMBtu. The contract price is \$2.50/MMBtu.
- The tax is based on a charge of \$0.02/Mcf.
- The royalty rate is 12 1/2 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

sales volume × agreement allocation × tax charge × royalty rate = royalty value

$$20,000 \times 0.25 \times 0.02 \times 0.125 = \$12.50$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

	Detail Line	
Line Number	1	2
API Well Number		
ONRR Lease Number	1439876540	1439876540
ONRR Agreement Number	8780123400	8780123400
Product Code	04	04
Sales Type Code	ARMS	ARMS
Sales MO/YR	102019	102019
Transaction Code	01	14
Adjustment Reason Code		
Sales Volume	5000.00	
Gas MMBtu	6000.00	
Sales Value	15000.00	
Royalty Value Prior to Allowances	1875.00	12.50
Transportation Allowance Deduction		
Processing Allowance Deduction		
Royalty Value Less Allowances	1875.00	12.50
Payment Method Code	03	03

## 4.9.2

**Transaction Code 53, Effluent Injection Reimbursement**

Transaction code 53 applies only to geothermal reporting. Use this transaction code to report royalties due on any payments (or reimbursements) you receive, or are legally entitled to receive, for injection into the subsurface of power plant effluent (such as steam condensate), unused geothermal fluids, or other fluids. Effluent and other fluid injection is usually done to maintain reservoir pressure but may also be done for disposal purposes. Payments for effluent and other fluid injection are part of your gross proceeds and therefore, are royalty bearing.

Report the corresponding royalty transaction line, net of the payment or reimbursement. Report a separate line for transaction code 53.

Royalties on payments for effluent and other fluid injection are due no later than the end of the month following the month when the payments are received or when the payments are due and payable in accordance with contract terms, whichever is earlier.

**Description of fields you use on Form ONRR-2014 for transaction code 53.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see Appendix D.
Sales Month/Year	Enter the month/year in which the payment or reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>53</b> .



#### 4 Reporting Instructions by Transaction Code

Field	Description
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes for geothermal leases: 26 and 31.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	<p>Enter the volume of the geothermal resource you report and pay royalties on; for example, kWh, thousands of pounds, MMBtu, or hundreds of gallons. The reported sales volume depends on your valuation method; see the <i>Geothermal Payor Handbook — Class 1 Leases</i> or <i>Geothermal Payor Handbook — Class 2 &amp; 3 Leases</i> for instruction and examples of reporting sales volume.</p>
Gas MMBtu	Not used
Sales Value	Enter the payment or reimbursement amount.
Royalty Value Prior to Allowances	Enter the sales value multiplied by the lease royalty rate.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the sales value multiplied by the lease royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

## 4.9.3

**Transaction Code 54, Geothermal Field Operations Reimbursement**

Transaction code 54 applies only to geothermal reporting. Use this transaction code to report royalties due on any payments (or reimbursements) you receive, or are legally entitled to receive, for field operations and maintenance, exclusive of effluent and other fluid injection. Field operations and maintenance include, but are not limited to, drilling or workover of wells, production activities, gathering, measurement, separation, road maintenance, and security. Payments for field operations and maintenance are part of your gross proceeds and therefore are royalty bearing.

Report the corresponding royalty transaction line net of the payment or reimbursement. Report a separate line for transaction code 54.

Royalties on payments for geothermal field operations are due no later than the end of the month following the month when your payments are received or when your payments are due and payable in accordance with contract terms, whichever is earlier.

**Description of fields you use on Form ONRR-2014 for transaction code 54.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting sales that are attributable to an agreement.
Product Code	Enter the same product code reported on the corresponding royalty transaction line. For a list of product codes, see Appendix C.
Sales Type Code	Enter the same sales type code reported on the corresponding royalty transaction line. For a list of sales type codes, see Appendix D.
Sales Month/Year	Enter the month/year in which the payment or reimbursement was received or could be received under contract terms, whichever is earlier. Use the MMCCYY format; for example, enter October 2019 as 102019.

#### 4 Reporting Instructions by Transaction Code

Field	Description
Transaction Code	Enter <b>54</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes for geothermal leases: 26 and 31.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Enter the volume of the geothermal resource you report and pay royalties on; for example, kWh, thousands of pounds, MMBtu, or hundreds of gallons. The reported sales volume depends on your valuation method; see the <i>Geothermal Payor Handbook — Class 1 Leases</i> or <i>Geothermal Payor Handbook — Class 2 &amp; 3 Leases</i> for instruction and examples of reporting sales volume.
Gas MMBtu	Not used
Sales Value	Enter the payment or reimbursement amount.
Royalty Value Prior to Allowances	Enter the sales value multiplied by the lease royalty rate.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the sales value multiplied by the lease royalty rate.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

4.10

## Fees

This section provides instructions and examples for transaction codes 16, 17, 18, and 19.

4.10.1

### ***Transaction Code 16, Well Fees***

Use this transaction code to report and pay well fees. Lease and contract terms may require you to report and pay fees on wells located on certain Federal and Indian leases.

#### **Description of fields you use on Form ONRR-2014 for transaction code 16.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year of the lease anniversary date. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>16</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the amount of the well fee.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of the well fee.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 16.** The following example shows how to report and pay well fees.

**Assumptions:**

- The well fee is \$5,000.00/year.
- The ONRR-converted lease number is 054-000999-0.
- The anniversary date of the lease is October 2019.
- You pay by EFT to ONRR.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

**Form ONRR-2014 Fact Sheet**

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	0540009990
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	16
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	5000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	5000.00
<b>Payment Method Code</b>	03

## 4.10.2

**Transaction Code 17, Gas Storage Agreement—Flat Fee**

Use this transaction code to report the flat fee due on Federal and Indian storage agreements.

The Federal Government may charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form ONRR-2014.

**Description of fields you use on Form ONRR-2014 for transaction code 17.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year that the storage fee is due. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>17</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used



Field	Description
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the flat fee amount due.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the flat fee amount due.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 17.** The following example shows how to report and pay a storage agreement fee—flat fee.

**Assumptions:**

- The agreement specifies a \$10,000 yearly flat fee.
- The ONRR-converted lease number is 890-001333-0.
- The due date is October 2019.
- You pay by EFT to ONRR.

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	8900013330
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	17
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	10000.00
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	10000.00
<b>Payment Method Code</b>	03

## 4.10.3

**Transaction Code 18, Gas Storage Agreement—  
Injection Fee**

Use this transaction code to report the injection fee due on Federal and Indian storage agreements.

The Federal Government may also charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form ONRR-2014.

**Description of fields you use on Form ONRR-2014 for transaction code 18.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product is injected. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>18</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>The applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>

#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	Enter the total volume of gas injected.  Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:  MMBtu (1 MMBtu = 1 dekatherm)
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest, and multiplied again by the injection fee per MMBtu.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest, and multiplied again by the injection fee per MMBtu.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 18.** The following example shows how to report and pay an injection fee.

#### Assumptions:

- The ONRR-converted lease number is 187-001333-0.
- You inject in October 2019.
- You inject 10,000 MMBtu.
- The Federal interest is 50 percent.
- The injection fee is \$0.0025/MMBtu.
- You pay by EFT to ONRR.

#### Royalty value calculation:

sales volume × Federal interest × injection fee = royalty value

10,000 MMBtu × 0.50 × \$0.0025/MMBtu = \$12.50

The information reported on Form ONRR-2014 is shown on the following fact sheet.

### Form ONRR-2014 Fact Sheet

<b>Detail Line</b>	
<b>Line Number</b>	<b>1</b>
<b>API Well Number</b>	
<b>ONRR Lease Number</b>	1870013330
<b>ONRR Agreement Number</b>	
<b>Product Code</b>	
<b>Sales Type Code</b>	
<b>Sales MO/YR</b>	102019
<b>Transaction Code</b>	18
<b>Adjustment Reason Code</b>	
<b>Sales Volume</b>	10000.00
<b>Gas MMBtu</b>	
<b>Sales Value</b>	
<b>Royalty Value Prior to Allowances</b>	12.50
<b>Transportation Allowance Deduction</b>	
<b>Processing Allowance Deduction</b>	
<b>Royalty Value Less Allowances</b>	12.50
<b>Payment Method Code</b>	03

## 4.10.4

**Transaction Code 19, Gas Storage Agreement—  
Withdrawal Fee**

Use this transaction code to report the withdrawal fee due on Federal and Indian storage agreements.

The Federal Government may charge you to use subsurface storage. The fees charged to use the subsurface storage generally include a fee for the injection of the product into the well, a fee for the removal of the product, and a per-acre rental or storage cost.

You should check individual lease terms or contract terms to determine what fee transactions you need to report on Form ONRR-2014.

**Description of fields you use on Form ONRR-2014 for transaction code 19.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the month/year the product was withdrawn. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>19</b> .
Adjustment Reason Code	Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.  The applicable adjustment reason codes are 10 and 17.  For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.

Field	Description
Sales Volume	Enter the total volume of gas withdrawn.  Units of measurement are not reported on Form ONRR-2014 but are implicit to the reported commodity:  MMBtu (1 MMBtu = 1 dekatherm)
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest, and multiplied again by the withdrawal fee per MMBtu.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the result of the sales volume multiplied by the Federal or Indian mineral ownership interest, and multiplied again by the withdrawal fee per MMBtu.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 19.** The following example shows how to report and pay a withdrawal fee.

**Assumptions:**

- The ONRR-converted lease number is 890-001333-0.
- You withdraw production in October 2019.
- You withdraw 2,000 MMBtu.
- Withdrawal fee is 0.01/MMBtu.
- The Federal interest is 50 percent.
- You pay by EFT to ONRR.

**Royalty value calculation:**

$$\text{sales volume} \times \text{Federal interest} \times \text{withdrawal fee} = \text{royalty value}$$

$$2,000 \text{ MMBtu} \times 0.50 \times \$0.01/\text{MMBtu} = \$10.00$$

#### 4 Reporting Instructions by Transaction Code

The information reported on Form ONRR-2014 is shown on the following fact sheet.

### Form ONRR-2014 Fact Sheet

Detail Line	
Line Number	1
API Well Number	
ONRR Lease Number	8900013330
ONRR Agreement Number	
Product Code	
Sales Type Code	
Sales MO/YR	102019
Transaction Code	19
Adjustment Reason Code	
Sales Volume	2000.00
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	10.00
Transportation Allowance Deduction	
Processing Allowance Deduction	
Royalty Value Less Allowances	10.00
Payment Method Code	03

4.11

## Quality Bank Adjustment

This section provides instructions and examples for transaction code 13.

4.11.1

### ***Transaction Code 13, Quality Adjustments***

Use this transaction code to report adjustments that reflect the difference in quality (gravity and/or sulfur) between the oil measured at the BLM or BSEE-approved point of royalty settlement and the common stream quality of the pipeline. Quality adjustments may include payments made from or to a gravity and/or sulfur bank. You should also use this transaction code to report NGL quality bank adjustments. If you have questions regarding quality bank adjustments, please send them to email [RoyaltyValuation@onrr.gov](mailto:RoyaltyValuation@onrr.gov).

If you receive payments from the quality bank, you must send the royalty share of the payment to ONRR and report it as a positive value on Form ONRR-2014. If you incur charges, you should report the royalty share of the payments made into the quality bank as a negative value in order to receive credit.

You must report quality bank adjustments as a separate entry (transaction code 13 line) for each applicable lease or agreement on Form ONRR-2014. You must base quality bank adjustments on actual adjustments incurred between the BLM or BSEE-approved point of royalty settlement for the lease or agreement and the downstream sales point. If the quality bank location is upstream of the approved point of royalty settlement, a quality bank adjustment is not allowed.



**Description of fields you use on Form ONRR-2014 for transaction code 13.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Enter if required.
ONRR Agreement Number	Enter the ONRR-converted agreement number if you are reporting quality (gravity and/or sulfur) banks attributable to an agreement.
Product Code	Enter applicable product code.
Sales Type Code	Not used
Sales Month/Year	Enter the applicable month/year for the quality (gravity and/or sulfur) adjustment. Use the MMCCYY format; for example, enter October 2019 as 102019.
Transaction Code	Enter <b>13</b> .
Adjustment Reason Code	<p>Leave this field blank for normal monthly reporting. You must complete this field only when adjusting previously reported data.</p> <p>Applicable adjustment reason codes are 10 and 17.</p> <p>For instructions on how to make an adjustment, see Chapter 6. For a list of adjustment reason codes, see Appendix F.</p>
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the royalty share of the quality bank adjustment.
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used

Field	Description
Royalty Value Less Allowances	Enter the royalty share of the quality bank adjustment.
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

**EXAMPLE**

**Transaction code 13.** The following example shows how to report and make payments or credits.

**Assumptions:**

- The ONRR-converted lease number is 054-002988-0.
- Royalty rate is 16 2/3 percent.
- The operator shipped and sold the oil in October 2019 at a delivery point downstream of the approved royalty measurement point.
- The product is crude oil, product code 01. You produced 2,000 bbl of oil with an API gravity of 27 degrees.
- The common stream API gravity at the receipt point is 31 degrees.
- Since your gravity is not as high as the common stream gravity, you must pay into the quality bank using the formula defined by the pipeline. You are invoiced by the pipeline for \$0.20/bbl.

**Royalty value calculation:**

$$\begin{aligned} &\text{sales volume} \times \text{pipeline change per barrel} \times \text{royalty rate} = \text{royalty value} \\ &2,000 \text{ bbl} \times \$0.20/\text{bbl} \times 0.1667 = \$66.68 \end{aligned}$$

The information reported on Form ONRR-2014 is shown on the following fact sheet.

## Form ONRR-2014 Fact Sheet

Detail Line	
Line Number	1
API Well Number	
ONRR Lease Number	0540029880
ONRR Agreement Number	
Product Code	01
Sales Type Code	
Sales MO/YR	102019
Transaction Code	13
Adjustment Reason Code	
Sales Volume	
Gas MMBtu	
Sales Value	
Royalty Value Prior to Allowances	-66.68
Transportation Allowance Deduction	
Processing Allowance Deduction	
Royalty Value Less Allowances	-66.68
Payment Method Code	03

4.12

## Reporting Interest (Federal Oil and Gas Only)

This section provides instructions and examples for transaction code 21.

4.12.1

### ***Transaction Code 21, Interest Amount Due ONRR***

Use this transaction code to report interest that you owe to ONRR. This amount will always be positive, and the sales month must be January 1997 or later. If the interest is related to an insufficient estimate, use adjustment reason code 71. If the interest is related to an audit (compliance review), use adjustment reason code 72. For all other interest report lines, use either zeros or spaces for the adjustment reason code.

For detailed instructions for calculating the amount of interest to report, see Chapter 5.

#### **Description of fields you use on Form ONRR-2014 for transaction code 21.**

Field	Description
ONRR Lease Number	Enter the ONRR-converted 10-digit lease number.
API Well Number	Not used
ONRR Agreement Number	Not used
Product Code	Not used
Sales Type Code	Not used
Sales Month/Year	Enter the same sales month/year reported on the corresponding royalty transaction line. Use the MMCCYY format; for example, enter October 2014 as 102014.
Transaction Code	Enter <b>21</b> .
Adjustment Reason Code	<p>Leave this field blank for reporting interest on royalty adjustments, late royalties, late rents, late minimum royalties, and late advance royalties.</p> <p>Enter <b>71</b> for reporting interest on insufficient estimate balances.</p> <p>Enter <b>72</b> for reporting interest on audit (compliance review) related adjustments.</p>



#### 4 Reporting Instructions by Transaction Code

Field	Description
Sales Volume	Not used
Gas MMBtu	Not used
Sales Value	Not used
Royalty Value Prior to Allowances	Enter the amount of interest due ONRR. (For instructions on calculating the correct amount of interest, see Chapter 5.)
Transportation Allowance Deduction	Not used
Processing Allowance Deduction	Not used
Royalty Value Less Allowances	Enter the amount of interest due ONRR. (For instructions on calculating the correct amount of interest, see Chapter 5.)
Payment Method Code	Enter the appropriate payment method code. For a list of payment methods, see Appendix G.

#### EXAMPLE

**Transaction code 21.** For information on how to calculate interest that you owe to ONRR, see Calculating Interest on page 5-6.