



ONRR COMPLIANCE PROCESSES

Reporter Training 2025

June 2025



Disclaimer

These training materials are offered in a training scenario to serve as guidance for Federal and Indian oil, gas, and coal lease/agreement operators (onshore and offshore) to assist in determining value for royalties. Because reporting and valuation circumstances vary from lessee to lessee, be advised that these training materials may not precisely reflect your valuation scenario. Accordingly, these general materials should not be construed as setting binding or enforceable policy.

Reliance on this guidance does not prohibit ONRR from future compliance activities or auditing of your reporting based on your use of the information contained within or from directing you to report and pay in a different manner based on an application of federal law to your unique factual circumstances. These training materials do not constitute an appealable decision or order under 30 C.F.R. 1290, Subpart B.



Agenda

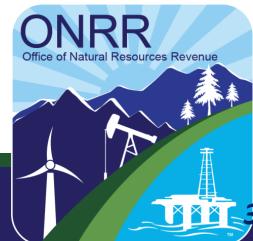
Overview

Up-Front System Edits

Data Mining Reviews

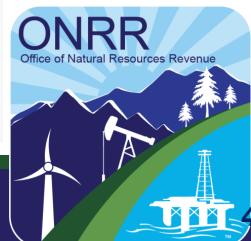
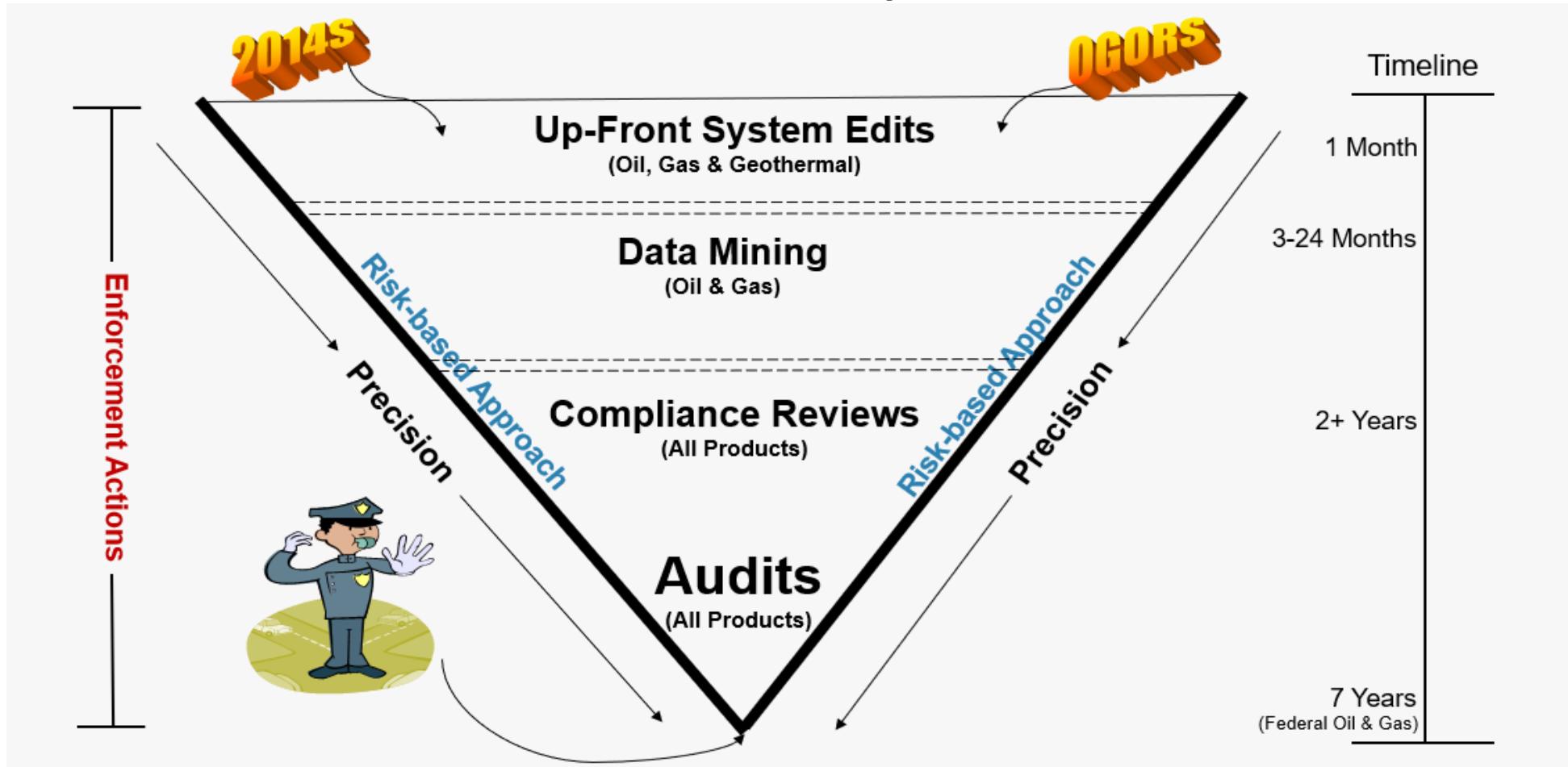
Compliance Reviews

Audits



Overview

ONRR Data Accuracy Activities



Up-Front System Edits

Onshore Production Reporting

- All production reports must clear automated system edits
- Analyst resolves exceptions involving well data and Oil and Gas Operations Reports (OGORs)

Offshore Production Reporting

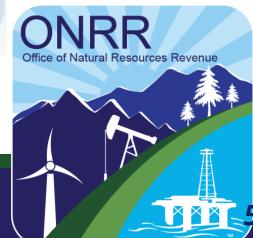
- All production reports must clear automated system edits
- Analyst resolves exceptions involving well data and Oil and Gas Operations Reports (OGORs)
- Analyst resolves exceptions generated by the Liquid Verification System (LVS) and Gas Verification System (GVS)

Reference & Royalty Reporting

- All royalty reports must clear automated system edits
- Analyst resolves exceptions involving reference information and Report of Sale and Royalty Remittance (Form ONRR-2014) reports and Solid Minerals P&R (ONRR-4430)

Reporter Guidance Activities

- Analyst provides reporter guidance to address report validation issues pertaining to fatal edits prior to Industry's report submission



eCommerce Top Production Errors

Error Message	FY 2024 # of Lines Reported
Well not active for given lease/agreement and report period	17,069
Inventory totals must match totals from prior and subsequent report periods	9,098
Future Well Operator exists - Can not update Well Operator through OGOR Validation.	8,659
Invalid well status for other than monthly reporter	7,172
Well not found in Database	4,902
Accepted OGOR line already exists on another rejected OGOR in Staging	1,258
Well already exists in Accepted table for same Report Period	705
Add line already exists on OGOR in Accepted Tables	577
Cannot create or submit multiple OGORS on same day for same Operator, L/A and Report Month	251
Days produced must be greater than zero when volumes are reported	251



eCommerce Top Royalty Errors

Error Message	FY 2024 # of Lines Reported
Sale Val, RVPA, Transportation Allowance, Processing Allowance and RVLA must be 0 for TC20	144,838
There is not a matching line for this reversal	88,339
Implied Indian royalty rate is not consistent with the lease royalty rate	32,575
RVPA must match the RVLA	28,753
Lease\Agreement, TC, PC and Sales Date cannot take previously paid royalties into the negative	17,201
Agreement number not related to reported lease or compensatory royalty agreement number	15,158
Adjustments require ARC	11,333
Allowance exceeds regulation limit	9,296
Lease is not producing	9,204
Sales MO/YR cannot be future dated	8,800



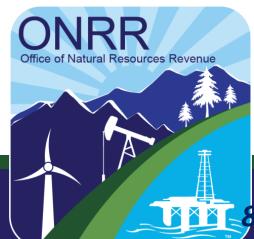
Data Mining Reviews

Volume Comparison

- Detects and resolves missing ONRR-2014 reporting
- Analyzes and resolves high-volume discrepancies between OGOR reported sales volumes and ONRR-2014 reported sales volumes
- Identifies and resolves lease and agreement misreporting
- Evaluates and resolves discrepancies in processed gas reporting

Agreement Monitoring

- Reviews new and revised communitization agreements (CA) and unitization agreements (UA)
- Verifies that leases in CAs/UAs are receiving the correct amount of royalties based on the allocation schedule contained in the terms of the CA/UA



Common Data Mining Issues

PRIMARY ISSUE IS VOLUME VARIANCES

- Misreporting on overlapping agreements
- Incorrect volume allocation of leases in a communitization or unit agreement
- Standard factors are used to convert unprocessed gas to processed
- Reporting discrepancies caused by incorrect factors are easily resolved by providing a gas plant statement
- Not reporting 100% of produced gas products (incorrectly reporting their POP % of products)
- Missing Onshore OGOR B Retrograde Disposition Code reporting
- Well production misallocation
- Multi-Unit Well OGOR misreporting

OTHER DATA MINING ISSUES

- Missing ONRR-2014s & OGORs - especially with a change in operator or payor
- Royalty Relief related (Pricing Threshold) OGOR & 2014 misreporting
- Gas reporting issues: fuel used or lost along the pipeline, disallowed plant fuel, retrograde, bypass gas, BTU factor
- Agreement misreporting
- Missing WI Payors
- Missing monthly OGOR Header CO2 % or MCF reporting on Coalbed Methane producing properties



Compliance Reviews

- Provide reasonable assurance that all or part (usually part) of the royalty equation (volume, value, allowances, royalty rate) is reported and paid correctly
- Compare specific elements of the royalty equation to an expected value
- Allow for quick resolution of errors
- Analyze Indian Gas Major Portion, Dual Accounting, and Indian Oil Major Portion variances

Common Compliance Review Issues

VOLUME ISSUES

Misreporting royalty-bearing flared/vented gas
Missing BLM flaring/venting approvals

VALUE ISSUES

Deepwater royalty relief
Indian oil and gas major portion/index pricing
Dual accounting
Section 6 (offshore) leases

REPORTING ERRORS

Missing Product Code reporting
Missing agreement numbers
Btu misreporting
Agreement misreporting
Misuse of Transaction Code 10 (Compensatory Royalty Payment)

MISSING REPORTS

Royalty (2014) and production (OGOR) reports
Indian valuation forms
Updated Form ONRR-4444, when there are new company contacts



Audits



Verifies royalties are paid in substantial compliance with lease terms, laws, and regulations

Requires a higher standard of verification in the form of evidence using 3rd party documentation to validate royalty reporting and payments

Examines company's internal controls over royalty reporting and payment and identifies systemic reporting errors

Is a longer more formal process applying Generally Accepted Government Auditing Standards

Common Audit Issues

VOLUME ISSUES

- Reporting royalty bearing flared/vented gas
- Reporting gas used or lost along a pipeline
- Facility measurement points vs sales meters
- Takes vs entitlements

VALUE ISSUES

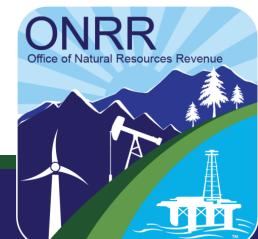
- Marketable condition
- Section 6 leases
- Deepwater royalty relief
- Gross proceeds
- Dual accounting

REPORTING ERRORS

- Misallocation of volume and value between leases in an agreement
- Product code/sales type code misreporting
- Incorrect pressure base and quality
- Missing required forms

ALLOWANCES ISSUES

- Claiming gathering costs in transportation allowances
- Non-arm's-length transportation/processing costs
- Arm's-length transportation/processing costs – unbundling/UCAs



Questions

