



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P.O. BOX 5760
DENVER, COLORADO 80217

IN REPLY
REFER TO:

MMS-LCB-MH

JUL 10 1985

Dear Payor:

The following is a summary of Minerals Management Service's (MMS) policy regarding recoupments and refunds on Federal and Indian leases.

A recoupment occurs when a Payor modifies a current Form MM-2014 report to correct royalties previously overreported and overpaid. In general, Payors are requested to recoup overpayments whenever possible. With the exception of offshore leases, recoupments do not need the prior approval of MMS. Refunds for overpayments always require MMS review and approval, but should only be requested when it is impossible to recoup monies through the Form MMS-2014 process.

Recouping Overpayments on Indian Leases

Permission by MMS to recoup overpayments on Indian leases is not required. However, tribal approval may be necessary under certain circumstances. Addendum No. 12 to the Payor Handbook details the reporting procedures for recouping Indian lease overpayments on Form MMS-2014. If you are currently a payor on the lease, recoupment procedures must be followed; if not, a refund should be requested.

Obtaining a Refund on Indian Leases

Indian money is distributed to the Bureau of Indian Affairs (BIA) based on Form MMS-2014 information. If a payor is unable to recoup an overpayment and the money has been distributed, the request for refund must be submitted directly to the appropriate BIA Agency or Area office; if the money has not been distributed, please submit your request to MMS. Please contact your Lessee Contact Branch representative prior to submitting your refund request to determine if the money has been distributed.

Recouping Overpayments on Federal Onshore Leases

Permission to recoup overpayments on Federal Onshore leases is not required. If an overpayment is made on a Federal Onshore lease, payors must follow the procedure for recouping the overpayment as set forth in Addendum No. 4 to the Payor Handbook. If you are currently a payor on a Federal lease, recoupment procedures must be followed, if not, a refund should be requested.

Obtaining a Refund on a Federal Onshore Lease

If a payor is unable to recoup an overpayment on a Federal Onshore lease, a written request for refund along with appropriate justification must be submitted to MMS including an explanation of why the overpayment cannot be recouped on Form MMS-2914.

Recouping or Obtaining a Refund on OCS Leases

A written request must be submitted to and approved by MMS prior to recouping an overpayment or obtaining a cash refund on OCS leases. Payors who claim a recoupment on an OCS lease without written permission from MMS are in violation of Section 10 of the Outer Continental Shelf Lands Act, which may subject you to penalties up to \$10,000 per day for each day the violation continues.

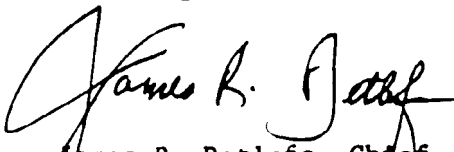
Items to be Included in All Refund Requests and OCS Recoupment Requests

Payors should include the following information with their written OCS refund or recoupment request:

1. A signed statement certifying that the request for refund or recoupment has not previously been submitted, the overpayment has not been recouped, and a refund for the amount shown is due and payable.
2. A request for a specific amount.
3. An explanation of why and how the overpayment occurred.
4. A schedule, by lease, providing the following data for each production month:
 - a. the royalty paid to the MMS.
 - b. the corrected royalty amount due.
 - c. the royalty overpayment.
5. Sufficient documentation to support the validity of the overpayment; e.g., copies of cancelled checks, copies of the royalty reports previously filed (including adjusted reports), and copies of worksheets used to calculate the revised royalty amount due and resulting overpayment. The type and amount of data necessary to support each refund request will vary depending on the reasons for the overpayment.

If you should have any questions, please contact your Lessee Contact Branch representative or call (303) 231-3288.

Sincerely,


James R. Detlefs, Chief
Fiscal Accounting Division