



United States Department of the

MINERALS MANAGEMENT SERVICE

Royalty Management Program
P.O. Box 25165
Denver, Colorado 80225-0165

IN REPLY REFER TO:

**CVD-FCB-ACS
Mail Stop 3672**

JUL -6 1994

Dear Payor:

The Minerals Management Service will soon implement a new computerized exception processing module. This new module will identify those payors who, without our prior approval, report transportation and processing allowances exceeding the regulatory limits as established in 30 CFR §§ 206.104, 206.156, and 206.158 (1993). The regulations stipulate that, without our prior approval, you may not reduce royalties by more than:

- 50 percent of the value of oil or gas for transportation costs, and
- 66 2/3 percent of the value of each gas plant product for processing costs.

Furthermore, the regulations state that under no circumstances can the value of a product, for royalty purposes, be reduced to zero.

The above cited regulations became effective March 1, 1988. Therefore, we may review all Report of Sales and Royalty Remittance (Form MMS-2014) lines beginning with March 1988 sales. If the new exception processing module detects an exception, you will receive a notification letter and/or a Bill for Collection. If you wish to request an exception to exceed the regulatory allowance limits, please send your request to:

**Minerals Management Service
Royalty Management Program
Chief, Valuation and Standards Division
P.O. Box 25165, Mail Stop 3922
Denver, Colorado 80225-0165**

If you submit a request to exceed the regulatory allowance limits, you must also complete a Request to Exceed Regulatory Allowance Limitation (Form MMS-4393) (copy enclosed). Please note that this is a new form filing requirement. We will enter all data you submit on Form MMS-4393 into a data base. If any of the data does not pass specific computer edits, we will generate an error report and send it

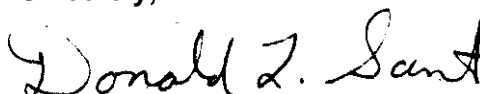
to you for correction. We will use this information to verify your regulatory compliance, so it is imperative that you submit accurate data on the Form MMS-4393.

All requests must include the following:

- a Request to Exceed Regulatory Allowance Limitation (Form MMS-4393),
- a copy of your arm's-length contract and/or evidence of actual costs,
- plant name, if you are requesting a processing allowance,
- sales value of production,
- allowance percentage, and
- the calculations you used to arrive at the allowance percentage. A copy of your Oil Transportation Allowance Report, Form MMS-4110; Gas Transportation Allowance Report, Form MMS-4295; or Gas Processing Allowance Summary Report, Form MMS-4109; and all of the supporting schedules are acceptable if you define the costs.

If you have questions regarding requests to exceed the allowance limits, please call Mr. James P. Morris at (303) 275-7213.

Sincerely,



James W. Shaw
Associate Director
For Royalty Management

Enclosure

REQUEST TO EXCEED REGULATORY ALLOWANCE LIMITATION

OMB 1010-0095
 (Expires January 31, 1997)
 The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that this information is being collected to set up an exception processing program to detect compliance with allowance regulations for Federal and Indian oil and gas leases. MMS will use the information to collect unauthorized allowance deductions due the Government and Indians. Proprietary data is protected under 30 U.S.C. 1733.

The reporting burden for this form is estimated to average one-half hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining data, and completing and reviewing the form. Comments regarding the burden estimate or any other aspect of this form including suggestions for reducing this burden should be sent to the Information Collection Clearance Officer, Mail Stop 2053, Minerals Management Service, 381 Elden Street, Herndon, Va 22070; and the Office of Management and Budget, Paperwork Reduction Project (1010-0095), Washington, DC 20503.

| | | |
|-------------------------|--|--|
| 1 | MMS USE | PROJECT NO. _____ |
| | RECEIPT DATE (MM/DD/CCYY) _____ / _____ / _____ | UPDATE: ADD / CHANGE / DEACTIVATE (circle one) |
| | DECISION DATE (MM/DD/CCYY) _____ / _____ / _____ | APPROVED / DENIED / BOTH (circle one) |
| PROJECT COMMENTS: _____ | | |

| | | | |
|----------|--|----------|----------------------------|
| 2 | PAYOR CODE: _____ | 5 | PAYOR NAME: _____ |
| 3 | REPORTING PERIOD FROM: _____ TO: _____ | 6 | PAYOR ADDRESS: _____ |
| 4 | ALLOWANCE FORM NUMBER: <u>(4109 / 4110 / 4295)</u> (circle one) | 7 | PAYOR CONTACT: _____ |
| | | 8 | TELEPHONE: () _____ |

| MMS USE | | ACCOUNTING IDENTIFICATION (AID) NUMBER (13 or 14 digits) | PROD CODE | S/A CODE | MMS USE | |
|---------|-----|--|--------------|-------------|---------|---------------|
| 9 | 10 | | | | 14 | 15 |
| LINE | A/D | | | | A/C/D | LINE COMMENTS |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 | | | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | | | | | | |
| 14 | | | | | | |

WARNING: This is to inform you that failure to report accurately and timely in accordance with the statutes, regulations, or terms of the lease, permit, or contract may result in late payment charges, civil penalties, or liquidated damages being assessed without further notification. Intentional false or inaccurate reporting is subject to criminal prosecution in accordance with applicable Federal law(s).