



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Royalty Management Program
P.O. Box 5760
Denver, Colorado 80217-5760

IN REPLY REFER TO:

RPD
Mail Stop 3120

NOV 4 1994

Dear Reporter:

Beginning with December 1994 sales, the Minerals Management Service (MMS) will implement new reporting procedures for royalties due in kind on Jicarilla Apache Tribal leases. These procedures are necessary to ensure that the royalties due are paid and that production and royalty volumes are accounted for properly.

Listed below are the new reporting procedures and who is responsible for reporting.

Jicarilla Apache Contract Purchaser

The volume purchased from the tribe must be reported as the Royalty Quantity (RQ) (Column 17) on the Report of Sales and Royalty Remittance (Form MMS-2014). The value you paid must be reported as the Royalty Value (RV) (Column 18). The Sales-Quantity (SQ) (column 13) and the Sales Value (SV) (Column 16) must be calculated by dividing the RQ and RV by the lease royalty rate. (Enclosure 1 includes an example of how to calculate the SV and SQ.)

Except for these requirements, the standard in-value reporting instructions of the MMS Oil and Gas Payer Handbook (Handbook) (1986), Volume II, Section 3.3.2, "Royalties Due on Federal and Indian Leases, Transaction Code 01", apply.

Make payments to the Jicarilla Apache Tribe's lockbox. Report Payment Method (PM) 07 on the Form MMS-2014. The tribe requests that a copy of the Form MMS-2014 accompany payment. Questions regarding lockbox payments, including the appropriate payment delivery address, should be directed to the Royalty Accounting Division of MMS.

A Payor Information Form (PIF) (Form MMS-4025) establishes reporting responsibility. The PIF must be filed with MMS at least 30 days before information is reported to MMS on the Form MMS-2014. Instructions for completing the PIF are provided in the Handbook, Volume I (1993).

Operators, Working Interest Owners, and Lessees

If the tribe's contract purchaser does not take the entire royalty share for a given month, and you sell some or all of the remaining **royalty share**, you must report and pay for that **royalty share**.

The volume and value of the royalty share you sold must be reported as the RQ (Column 17) and the RV (Column 18) on the Form MMS-2014. You must calculate the SQ (Column 13) and SV (Column 16) by dividing the RQ and RV by the lease royalty rate. (Enclosure 1 includes an example of how to calculate the SV and SQ.)

Except for these requirements, the standard in-value reporting instructions of the Handbook, Volume II, Section 3.3.2, "Royalties Due on Federal and Indian Leases, Transaction Code 01", apply.

Make payments to the Jicarilla Apache Tribe's lockbox. Report PM 07 on the Form MMS-2014. The tribe requests that a copy of the Form MMS-2014 accompany payment. Questions regarding lockbox payments, including the appropriate payment delivery address, should be directed to the Royalty Accounting Division of MMS.

- Valuation must be based on applicable lease terms, laws, and regulations. Your royalty obligation could be increased by a dual accounting or major portion analysis.
- If you do not currently report to MMS you must complete a PIF 30 days before information is reported to MMS on the Form MMS-2014. Instructions for completing PIF's are in the Handbook, Volume I.

Enclosure 2 lists all Jicarilla Apache Tribal leases for which royalty is taken in kind.

Rental Payors

Advance rental payments for these leases (Enclosure 1) should be paid directly to the Jicarilla Apache Tribe. All rental recoupment requests must be made to the Jicarilla Apache Tribe. Rental transactions for these leases are not to be reported on the Form MMS-2014.

Current Jicarilla Royalty-in-Kind (RIK) Reporters

- Current reporters of Jicarilla Apache Tribal RIK, TC 06, should cease reporting on the Form MMS-2014 beginning with December 1994 sales. The MMS will end your reporting responsibilities, no action on your part is required.

Operators must continue to submit production reports (Monthly Report of Operations (Form MMS-3160) and Oil and Gas Operations Report (OGOR) (Form MMS-4054)).

For additional information about these changes please contact:

PIF reporting questions

Mr. Andy Sandoval
Data Management Division
Phone: 1-800-525-9167
FAX : (303) 231-3707

Form MMS-2014 questions

Your assigned Royalty
Reporting Payments Branch
representative
Phone: 1-800-525-0309
FAX : (303) 231-3700

Quality measurement/valuation
questions

Mr. Nick Fadely
Valuation and Standards
Division, Oil and Gas
Valuation Branch
Phone: (303) 275-7244
FAX : (303) 275-7227

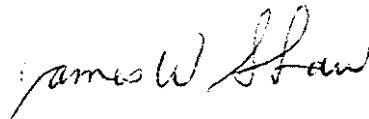
Tribal lockbox payment
questions

Royalty Accounting Division
1-800-231-3442

Jicarilla Apache Tribe
address

Mr. David Wong
Jicarilla Apache Tribe
Revenue and Taxation
P.O. Box 950
Dulce, New Mexico 87528

Sincerely,



James W. Shaw
Associate Director for
Royalty Management

2 Enclosures

EXAMPLE

Calculating the Sales Quantity (SQ) and Sales Value (SV)

ASSUMPTIONS

The lease specifies a 12 1/2 percent royalty rate.

The product is unprocessed (wellhead) gas.

During December 1994, 1,000 Mcf is produced and sold.

Fifty Mcf (5 percent of production and sales) was delivered to the tribe purchaser. The contract price is \$2 per Mcf.

The remaining royalty share (7 1/2 percent of production and sales or 75 Mcf) was sold by a working interest owner at \$2 per Mcf.

The Jicarilla Apache's purchaser reports the following Royalty Quantity (RQ) and Royalty Value (RV).

$$\begin{aligned} \text{RQ} &= 50 \text{ Mcf} \\ \text{RV} &= \$100 \text{ (50 Mcf times \$2)} \end{aligned}$$

The Jicarilla Apache's purchaser calculation of the SQ and SV.

$$\begin{aligned} \text{SQ} &= \frac{50 \text{ Mcf}}{.125 \text{ royalty rate}} = 400 \text{ Mcf} \\ \text{SV} &= \frac{\$100}{.125 \text{ royalty rate}} = \$800 \end{aligned}$$

The working interest owner reports the following RQ and RV.

$$\begin{aligned} \text{RQ} &= 75 \text{ Mcf} \\ \text{RV} &= \$150 \text{ (75 Mcf times \$2)} \end{aligned}$$

Please note that the working interest owner's in-value gross proceeds must be adjusted for any increase required by the results of a dual accounting or major portion analysis.

The working interest owner's calculation of the SQ and SV.

$$\begin{aligned} \text{SQ} &= \frac{75 \text{ Mcf}}{.125 \text{ royalty rate}} = 600 \text{ Mcf} \\ \text{SV} &= \frac{\$150}{.125 \text{ royalty rate}} = \$1,200 \end{aligned}$$

LISTING OF JICARILLA APACHE TRIBAL ROYALTY-IN-KIND LEASES

609-000009-0	609-000067-0	609-000163-0
609-000010-0	609-000068-0	609-000166-0
609-000011-0	609-000069-0	609-000167-0
609-000012-0	609-000070-0	609-000168-0
609-000013-0	609-000071-0	609-000183-0
609-000013-A	609-000078-0	609-000317-A
609-000015-0	609-000083-0	609-000317-B
609-000034-0	609-000102-0	609-000358-0
609-000035-0	609-000108-0	609-000360-0
609-000035-A	609-000109-0	609-000361-0
609-000036-0	609-000110-0	609-000362-0
609-000037-A	609-000111-0	609-000363-0
609-000037-B	609-000118-0	609-000390-0
609-000040-0	609-000146-0	609-000392-0
609-000040-A	609-000147-0	609-000393-0
609-000041-0	609-000148-0	609-000396-0
609-000042-0	609-000149-0	609-000398-0
609-000044-0	609-000154-0	609-000412-0
609-000045-0	609-000155-0	609-000413-0
609-000047-0	609-000156-0	609-000418-0
609-000054-0	609-000157-0	609-000443-0
609-000055-0	609-000158-0	
609-000055-A	609-000159-0	
609-000064-0	609-000160-0	
609-000065-0	609-000161-0	
609-000066-0	609-000162-0	