



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

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

IN REPLY REFER TO:

SEP 16 1997

ARD/RB
Mail Stop 3132

Dear Payor:

The Minerals Management Service (MMS) is changing the severity level of the quality measurement edit on the Report of Sales and Royalty Remittance (Form MMS-2014). Currently, if a payor does not report or reports erroneous quality measurement information, the Form MMS-2014 line will accept. By December 1997, quality measurement information that is left blank or outside of reasonable tolerance levels established by MMS, will cause the line to reject and require payors to submit complete and accurate data. Please review your Form MMS-2014 reporting and assure you are currently providing complete and accurate quality measurement information.

The MMS must have accurate quality measurement information to determine the reasonableness of royalties reported and determine major portion prices. If your quality measurement information is blank or outside MMS tolerances, your MMS reporting representative will contact you (by phone or electronic transmission) and request the correct information. You can avoid this time consuming process by reporting complete and accurate quality measurement information on your Form MMS-2014.

The requirements for reporting quality measurement are:

- Quality measurement is reported on the Form MMS-2014 in Column 14. This field is a four digit numeric code reported without a decimal and zero filled to the left when necessary. Report the quality measurement at the same temperature and pressure used to report the sales quantity on the Form MMS-2014.
- If the product you report under one lease, revenue source, and selling arrangement combination represents production from different wells or formations, report quality measurement as a weighted average.

- **Oil and Condensate** - The quality measurement is the API gravity rounded to the nearest one-tenth. Although you report the quality measurement without a decimal, our system will imply a decimal one position from the right. Reporting examples:

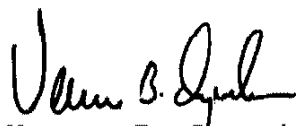
<u>API Gravity</u>	<u>Quality Measurement Reported on Form MMS-2014</u>
32.71	0327
47.96	0480

- **Natural Gas** - The quality measurement is the Btu per cubic foot rounded to the nearest whole number. Gas plant statements or purchaser's statements may show a "BTU Factor" stated in MMBtu per Mcf (million Btu per thousand cubic feet). A "Btu Factor" is usually close to 1,000, whereas a Btu per cubic foot value is close to 1,000. Convert the Btu Factor to Btu per cubic foot by multiplying the "Btu Factor" by 1,000. Reporting examples:

<u>Btu Content</u>	<u>Quality Measurement Reported on Form MMS-2014</u>
947/cu. ft.	0947
1.1968 MMBtu/Mcf	1197

Please refer to the MMS *Oil and Gas Payor Handbook*, Volume II and the regulations at 30 CFR § 202.101 and § 202.152 (1996) for additional guidance on reporting quality measurement for oil and gas. If you have any questions, please contact your MMS royalty reporting representative at 1-800-525-0309.

Sincerely,



Vernon B. Ingraham
Chief, Accounting and
Reports Division