USEITI

The United States Extractive Industries Transparency Initiative

2016

Executive Summary

2016 USEITI Report by the Numbers

Revenue from Extractive Industries in the U.S.

2nd — Second USEITI report

100% of DOI revenues for 2014 and 2015 disclosed in unilateral disclosure

In 2015, $7.8 billion in DOI revenues from extraction on federal lands and waters

USEITI Company Participation and Reconciliation Results

41 — 41 in-scope companies

25 — 25 in-scope companies reported and reconciled $4.83 billion in DOI revenues

12 — 12 out of 38 applicable companies reported ~$308 million in corporate income taxes related to extractive industries revenue

7 — Seven in-scope companies reconciled ~$130 million in corporate income taxes related to extractive industries revenue

100% of 21 initial material variances have been resolved or explained

USEITI 2016 Features and Additions

Three states with significant extractive industries opted in

12 county case studies on extractive industries – updated with the most recent data

One section overviewing the audit and assurance practices and controls in the U.S.

One section providing extensive information on the Abandoned Mine Land Reclamation Program

One section outlining the Coal Excise Tax

Table of Contents

1

U.S. EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE OVERVIEW

U.S. Extractive Industries Transparency Initiative Overview

The United States is a world leader in producing natural resources, including oil, gas, coal, renewable energy, and nonenergy minerals. It led the world in both oil and gas production in 2014 and produced the second most coal in the world in 2013.[1]

In an effort to improve transparency and accountability, the U.S. joined seven other countries in launching the Open Government Partnership (OGP), a global platform of participating countries dedicated to making governments more open, accountable, and responsive to citizens. As part of the 2011 OGP National Action Plan, the U.S. sought to improve the transparency of extractive industries for U.S. citizens, as well as manage public resources—specifically natural resources on federal lands and waters—more effectively by joining the Extractive Industries Transparency Initiative (EITI).[2] The U.S. renewed that commitment in its National Action Plans in 2013 and 2015, which can be accessed at http://www.opengovpartnership.org/country/united-states/action-plan.

The President designated the Secretary of the U.S. Department of the Interior (DOI) as the senior U.S. official responsible for leading implementation of the U.S. Extractive Industries Transparency Initiative (USEITI). As required by the EITI Standard, a Multi-Stakeholder Group (MSG) oversees USEITI implementation. It consists of 23 members and 17 alternates from three sectors: government, industry, and civil society. On March 19, 2014, the U.S. formally became an EITI candidate when the EITI International Board approved USEITI's candidacy application. In December 2015, USEITI released its first report online. The 2015 Executive Summary can be accessed at https://useiti.doi.gov/about/report/. This document provides the Executive Summary for USEITI's 2016 report, available online at https://useiti.doi.gov.

[1] U.S. Energy Information Administration, http://www.eia.gov/beta/international/

[2] The White House, "The Open Government Partnership National Action Plan for the United States of America," September 20, 2011, https://www.whitehouse.gov/sites/default/files/us_national_action_plan_final_2.pdf

WHAT IS EITI?

EITI is a global standard that promotes "open and accountable management of natural resources."[1] The EITI International Board and implementing member countries believe that a nation's natural resource wealth belongs to its citizens.

To increase transparency and accountability, EITI relies on a cross-sector partnership between government (i.e., government agencies that oversee extraction in a country), industry (i.e., companies operating in extractive industries), and civil society (i.e., individuals and organizations that represent community and citizen interests). Together, all three sectors make up the Multi-Stakeholder Group (MSG) responsible for overseeing EITI in a given country. An Independent Administrator (IA) also assists in implementing the EITI Standard. Later, a Validator commissioned by the EITI International Secretariat assesses whether or not the country successfully implemented the EITI Standard. At the time of this report, there were 51 EITI-implementing countries, 31 of which were compliant with the EITI Standard.

[1] Extractive Industries Transparency Initiative, https://eiti.org

Overview of 2016 USEITI Activities

Building upon its first report in 2015, the USEITI MSG prioritized several key activities in 2016 to strengthen the information presented, further participation in EITI, and increase transparency and public awareness.

In 2016, the USEITI MSG prioritized:

- Encouraging state and tribal participation
- Improving public engagement and outreach
- Increasing industry reporting and reconciliation

The MSG tasked the completion of these goals to its three subcommittees: the State & Tribal Subcommittee, the Outreach & Communications Subcommittee, and the Implementation Subcommittee. The Implementation Subcommittee focused on industry reporting and reconciliation and explored how the U.S. can comply with changes to the EITI Standard in 2016, notably beneficial ownership and mainstreaming revenue reporting. The State & Tribal Subcommittee worked to increase state and tribal participation in USEITI. The Outreach & Communications Subcomittee sought to increase public awareness of, and engagement with, USEITI.

Additionally, the MSG added four new contextual narrative sections to the 2016 USEITI report to explain key topics related to extractive industries in the U.S.

The 2016 USEITI Executive Summary highlights four new contextual narrative sections:

- Abandoned Mine Land Reclamation Program
- Coal Excise Tax
- Audit and Assurance Practices and Controls in the United States
- State Opt-Ins

The MSG worked closely with the USEITI Secretariat on all activities in 2016. The USEITI Secretariat consists of staff from DOI's Office of Natural Resources Revenue (ONRR), which collects the majority of DOI revenue related to extractive industries.

ONRR's 2015 unilateral disclosure includes production data for 42 different products extracted from federal lands and waters, including:

Gas: 4,782,558 million cubic feet

Oil: 755,158 thousand barrels

Coal: 376 million tons

Copper: 26,000 tons

In FY 2015, ONRR disbursed $9.9 billion dollars, including major disbursements to the following:

U.S. Treasury: $4.4 billion

U.S. States: $1.8 billion

Reclamation: $1.4 billion

Land and Water Conservation: $889,000

American Indian Tribes: $853,000

The full 2016 USEITI report is online

This Executive Summary presents an overview of the 2016 USEITI report, the majority of which can be found online at **https://useiti.doi.gov/**. Online you can:

1. Review unilateral revenue disclosures from 2013 to 2015
2. Explore maps and charts of extractive industries, as well as revenue and economic data for the United States and prioritized states, including additional information for the three states that opted in during 2016
3. Download relevant data sets
4. Read 12 county case studies on the history, geology, production, employment, revenue, and fiscal costs of specific industries, with updated information for 2015
5. Conduct a curated search for additional data and information
6. Discuss and participate in USEITI dialogue

How it works

How do natural resources result in federal revenues?

Companies pay for the right to explore on federal lands. If they find and extract resources, they may pay royalties, fees, taxes, and other revenues, depending on the resource.

Case studies

How does natural resource extraction affect local communities?

Learn about 12 communities that led the U.S. in production of iron, copper, gold, coal, oil, and natural gas over the last decade.

Explore data

Where does the money go?

Revenue from natural resources goes to federal, state, and county governments, as well as to a range of funds that work at the local and national levels.

USEITI Progress in 2016

In the 2015 report, the IA made six recommendations to enhance USEITI, which can be read in full in last year's Executive Summary at https://useiti.doi.gov/about/report/. Work on each of the six recommendations has progressed in 2016.

2015 IA Recommendation	2016 Progress
Scoping: At the beginning of the 2016 reporting period, the MSG should thoroughly scope reporting companies, revenue streams, and commodities to be included in the 2016 USEITI report.	The MSG agreed on 12 in-scope revenue streams, 41 in-scope companies, and seven in-scope commodities.
Reporting Entity Communication: The MSG should consider additional outreach and communication channels regarding the USEITI reporting and reconciliation process. Specifically, the 90-day reporting period for the 2016 USEITI should extend to 120 days, with communication prior to that period. Webinars focused on tax reporting and reconciliation should be conducted (in addition to those on revenue reporting) for tax professionals at reporting companies and include U.S. Treasury and Internal Revenue Service (IRS) participation.	The MSG and the IA communicated with companies four times prior to the beginning of the reporting period, including four webinars that separately covered revenue and tax reporting and reconciliation. The webinars included U.S. Treasury participation and were held in Houston, Texas, and Denver, Colorado, with companies also able to participate online. Additional individual email outreach occurred as well. Industry peer-to-peer outreach through the American Petroleum Institute and the Independent Petroleum Association of America supplemented MSG and IA efforts.
Sample Approach for Data Reconciliation: The MSG should consider alternative options for reconciliation that could satisfy the requirements of the EITI Standard with a lower investment of time and cost in the reconciliation process. Specifically, the IA should support the MSG in developing options for consideration by the EITI International Secretariat, including a sample-based reconciliation approach and the development of a portal in which reporting companies can confirm whether revenues reported as part of the unilateral disclosure match company records.	The IA prepared a proposal for sampling, which was reviewed by the Implementation Subcommittee. The Implementation Subcommittee explored the sampling proposal, discussed alternate approaches, and recommended to the MSG that companies should continue to report in full for 2016 given USEITI had only one year of experience with reporting and reconciliation thus far.

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2015 IA Recommendation	2016 Progress
Enhanced, Phased Rollout for the Online Report: The MSG should increase the percentage of the contextual narrative that lives solely online, as well as create a phased rollout for future online content updates, preferably on a quarterly basis. Moving additional content online would allow for a more engaging and accessible presentation of the contextual narrative information. The MSG could implement awareness campaigns framed around quarterly updates to the online report, which could generate increased public engagement.	While the 2016 contextual narratives are summarized in this document, the full USEITI contextual narrative content resides online. This emphasis on online content has been paired with the efforts of the Outreach & Communications Subcommittee, which has worked to build awareness of the portal and its content. Additionally, content has been rolled out throughout the year—a practice that will continue.
Increased State, Local, and Tribal Contextual Narrative Content: The MSG should increase state, local, and tribal contextual narrative content to provide citizens with the information most relevant to them and their local communities. In particular, the MSG should include information about legal and fiscal frameworks to portray different approaches to managing natural resources and extraction.	The State & Tribal Subcommittee led efforts focused on increasing state and tribal participation, as well as increasing the information on state, local, and tribal governance of extractive industries in the contextual narrative. The IA created new contextual narrative sections covering legal frameworks, production, and fiscal frameworks (including revenue and distribution), along with the economic impact of extractive industries in those states that opted into USEITI during 2016: Alaska, Montana, and Wyoming. These sections enable comparisons between different states. Additionally, the 2016 online report includes updated information for the 12 county case studies covered in the 2015 USEITI report.
Determine Steps to Increase Company Reporting: The MSG, with support from the IA, should discuss, consider, decide, and act upon steps to increase participation by companies in the USEITI reporting and reconciliation process for DOI revenues and corporate income taxes.	The MSG took a number of steps aimed at understanding and addressing barriers to participation and improving communication. Gaps were identified in communication at the executive level and in the tax departments of in-scope companies. As such, the U.S. government (the "Government") distributed letters to the CEOs of all participating companies. The IA and MSG sought to identify tax contacts for each company and conducted webinars and presentations at industry events focused on tax professionals.

Updates to the EITI Standard

In 2016, the EITI International Board released an updated standard for countries participating in EITI. The USEITI MSG has actively explored two key changes in the 2016 EITI Standard: beneficial ownership and mainstreaming revenue reporting.

The new standard requires that implementing countries produce a road map for disclosing beneficial ownership by 2017, with full compliance by 2020.[3]

The new standard does not require mainstreaming, but presents it as an option available to implementing countries that have "made substantial progress in making the information required by the EITI Standard routinely available through government and corporate reporting systems." With the inclusion of mainstreaming in the 2016 EITI Standard, the EITI International Board intends to encourage and recognize "countries that make transparency an integral and routine feature of their governance and management systems."[4] Once approved, mainstreaming revenue reporting will allow countries with automatic disclosures to forego the reconciliation process due to the other transparency measures already in place. While mainstreaming is encouraged by the EITI, no country has yet been approved to use this process.

[3] Extractive Industries Transparency Initiative, "Improved Standard for improved sector governance," March 8, 2016 https://eiti.org/blog/improved-standard-improved-sector-governance

[4] Extractive Industries Transparency Initiative, "Mainstreaming the EITI: Moving from reports to reporting," n.d., https://eiti.org/mainstreaming

IN ADDITION TO THESE TWO CHANGES, THERE WERE FIVE OTHER SIGNIFICANT CHANGES TO THE 2016 EITI STANDARD:

1. The new standard added improved validation procedures that disaggregate requirements and better recognize improvements.
2. The new standard, in order to encourage action on recommendations, now requires implementing countries to document their progress toward recommendations in their annual reports and work plans.
3. The new standard encourages open data policies and includes suggestions on how MSGs can implement robust open data policies.
4. The new standard clarifies the expectations for MSG governance.
5. The new standard restructures the requirements to align with the extractive industries value chain, making it easier to assess requirements during validation.

2

2016 REPORTING AND RECONCILIATION RESULTS

2016 Reporting and Reconciliation Results

WHAT'S HERE AND WHERE TO GO FOR MORE INFORMATION

The Executive Summary highlights the scope and results of reconciliation. For more details on the reconciliation process, you can read the 2016 USEITI Reconciliation Report available at https://useiti.doi.gov/downloads/reconciliation/.

WHAT'S CHANGED FROM THE 2015 TO 2016 REPORT

In 2015, 31 companies reported revenues and 12 companies reported taxes. In 2016, 25 companies reported revenues and 12 companies reported taxes. For 2016, the MSG set 80% of ONRR's revenues as in-scope for reconciliation, the same level as 2015. For the 2016 USEITI report, the MSG decided on a materiality threshold of ~$37.5 million total annual revenues reported to ONRR by a parent company, including its subsidiaries. The MSG agreed on this threshold because it would allow 80% of ONRR's revenues to be in-scope for the reconciliation. This threshold lowered the number of in-scope companies from 45 to 41. The number of in-scope revenue streams did not change. The period of the reconciliation was calendar year (CY) 2015 (January 1, 2015 through December 31, 2015). While last year's report covered CY 2013, the MSG decided to use CY 2015 data for reporting and reconciliation in the 2016 USEITI report because CY 2014 and CY 2015 data will be unilaterally disclosed on the data portal, and CY 2015 data is closer to the current time period.

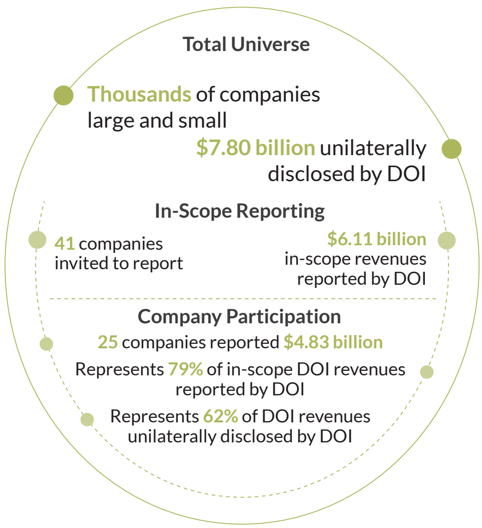
Scope of the Reconciliation

Requirement 4 of the EITI Standard outlines the MSG's responsibility to determine the scope of EITI reporting in the U.S. Accordingly, the USEITI MSG considered information from a variety of sources before coming to a consensus on the scope for the 2016 USEITI report.

During the scoping process, the MSG identified different revenue streams received by U.S. government agencies from extractive industries companies. The MSG then decided which revenue streams to include in-scope for reconciliation in the 2016 USEITI report. The MSG considered many factors in evaluating revenue streams, including the magnitude of the revenues and the relative complexity of gathering and reporting the data from companies.

Table 1, *In-Scope Government Entities and Revenue Streams*, provides the list of government entities and revenue streams selected by the MSG as in-scope for reconciliation. Also refer to Appendix B in the 2016 USEITI Reconciliation Report for additional descriptions of these revenue streams.

DOI Revenue Reporting for the 2016 Report



Federal Corporate Income Tax Reporting for the 2016 Report

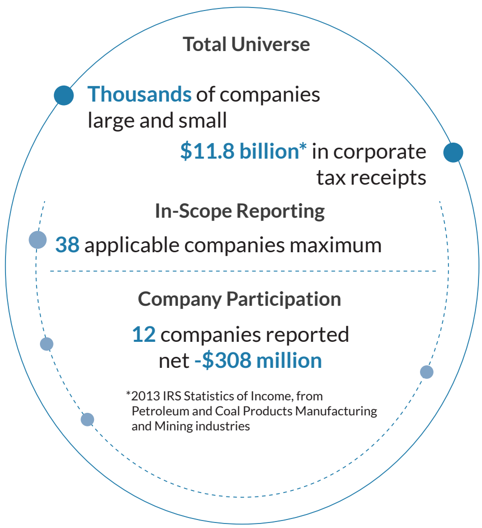


Table 1: In-Scope Government Entities and Revenue Streams

In-Scope Government Entities	In-Scope Revenue Streams
Department of the Interior — Office of Natural Resources Revenue (ONRR)	Bonuses Rents Royalties Other Revenues Offshore Inspection Fees Civil Penalties
Department of the Interior — Bureau of Land Management (BLM)	Bonus and First Year Rents Permit Fees Renewable Energy Collections
Department of the Interior — Office of Surface Mining Reclamation and Enforcement (OSMRE)	Abandoned Mine Land (AML) Fees, Including Audits and Late Charges Civil Penalties, Including Late Charges
Internal Revenue Service (IRS)	Corporate Federal Income Tax Payments

In-Scope Reporting Entities

The MSG identified that ONRR collects a majority of DOI's extractive industries-related revenues; consequently, the MSG decided to use ONRR's reported revenues as a proxy for DOI revenues to establish the materiality threshold for revenue reporting. For the 2016 USEITI report, the MSG decided on a materiality threshold of ~$37.5 million total annual revenues reported to ONRR by a parent company, including its subsidiaries. The MSG agreed on this threshold because it would allow 80% of ONRR's revenues to be in-scope for the reconciliation.

Based on the materiality threshold defined by the MSG for reconciliation, the MSG identified 41 companies for inclusion in the 2016 reconciliation, as listed in Table 2, *In-Scope Companies*.

Table 2: In-Scope Companies

Alpha Natural Resources, Inc.	Encana Corporation	Oxy USA, Inc.
Anadarko Petroleum Corporation	Energy XXI	Peabody Energy Corporation
Apache Corporation	ENI Petroleum	QEP Resources, Inc.
Arch Coal, Inc.	EOG Resources, Inc.	Red Willow Offshore, LLC
Arena Energy, LLC	EPL Oil & Gas, Inc.	Shell E&P Company
BHP Billiton LTD	ExxonMobil Corporation	Statoil
BOPCO, LP	Fieldwood Energy LLC	Stone Energy Corporation
BP America	Freeport-McMoRan Inc.	Talos Energy LLC
Chevron Corporation	Hess Corporation	Ultra Resources Inc.
Cimarex Energy Co.	Jonah Energy LLC	W&T Offshore, Inc.
Cloud Peak Energy Resources, LLC	Linn Energy, LLC	WPX Energy, Inc.
Concho Resources, Inc.	LLOG Exploration Company LLC	
ConocoPhillips	Marathon Oil Company	
Continental Resources, Inc.	Murphy Oil USA Inc.	
Devon Energy Corporation	Noble Energy, Inc.	

ABOUT THE DATA IN THE 2016 USEITI REPORT:

For consistency with the EITI Standard and across data sets, this report used 2015 data whenever possible.

The reporting period in question for the 2016 USEITI reconciliation was calendar year CY 2015, from January 1, 2015 to December 31, 2015.

Revenue data is often reported by fiscal year (FY). In the case of the federal government, FY 2015 includes October 1, 2014 through September 30, 2015. Unless otherwise noted, or if the content is part of a state opt-in section or county case study, fiscal year refers to the federal fiscal year.

Corporate income tax data is often reported by tax year. A tax year is a period of time covered by a tax return, usually a calendar year, but not necessarily.

State data reporting varies by state and can use calendar, fiscal, production, or tax years. The dates covered by those years vary by state.

Data Collection and Reconciliation Process

The IA distributed the USEITI reporting and reconciliation materials to in-scope companies on April 29, 2016, and the reporting period stayed open for just over 90 days.

The reporting process included the following steps:

> For all DOI revenue streams, ONRR manages the process of gathering data from each of the in-scope DOI bureaus. Then, the Government reports all revenue for in-scope companies to the IA and a federal official certifies the date of that disclosure.
>
> Reporting companies submit completed reporting templates directly to the IA, including certification by a senior company official, as required by the EITI Standard.
>
> For reporting companies that made the decision to allow for tax reconciliation, the IRS provides the data directly to the IA for reconciliation.

The IA reconciled the data by comparing the reported amounts from reporting companies to the reported amounts from government entities and identifying any variance amounts. The IA then compared any variance amounts to an investigation threshold known as the Margin of Variance.

Results of the Reconciliation

The 25 reporting companies that participated in the reconciliation reported $4,825,623,245 in payments to government entities for the nontax, in-scope revenue streams. This represented approximately 79% of the total nontax, in-scope revenues reported by government entities for the 41 in-scope reporting companies, which was $6,109,421,691.

There were 25 of the 41 in-scope companies that chose to participate in the reconciliation and submit a reporting template to the IA. Of the 25 participating companies, ten companies had variances exceeding the Margin of Variance. The total number of variances exceeding the Margin of Variance for these ten companies was 21. All 21 variances have been explained.

Full reporting and reconciliation results for 2016 can be found here at https://useiti.doi.gov/downloads/reconciliation/.

3

STATE PARTICIPATION IN USEITI

State Participation in USEITI

WHAT'S HERE AND WHERE TO GO FOR MORE INFORMATION

State and tribal participation in USEITI received focus and effort from the MSG in 2016. This section outlines that work, focusing on state opt-ins, while providing a high-level overview of the types of information states provided and how it has been presented. Online you can explore the state opt-in sections at https://useiti.doi.gov/explore. You can view more information on state and tribal governance at https://useiti.doi.gov/how-it-works/. Additionally, you can read the 12 county case studies at https://useiti.doi.gov/case-studies/. As a note, under USEITI's adapted implementation, states and tribes do not need to reconcile revenues.

WHAT'S CHANGED FROM THE 2015 TO 2016 REPORT

This work builds upon USEITI's adapted implementation of requirement 4.2(d) for subnational revenue payments that it sought and obtained from the EITI International Board. In 2015, the online report included overview information about state and tribal revenue collection and governance for extractive industries. In 2016, three additional states opted in, providing data on revenues, distribution of those revenues, and legal and fiscal governance of extractive industries, as well as the economic impact of extraction in their states. The MSG also furthered local accountability and transparency in this year's report by updating 12 county case studies that depict the impact of specific extractive industries on local communities.

State Opt-Ins:
Alaska, Montana, and Wyoming

The MSG identified increasing state and tribal participation in USEITI as a goal for 2016 and tasked the State & Tribal Subcommittee with spearheading those efforts. The subcommittee conducted conversations and worked with state and tribal officials, some of whom are members of the MSG and the subcommittee, to encourage them to “opt in” to USEITI.

Three additional states chose to opt in: Alaska, Montana, and Wyoming. All three states are among the 18 that the MSG prioritized in 2015 as centers of extractive industries activity in the U.S.

ALASKA

Alaska ranks fourth among U.S. states in oil production, and has a long history in oil production. In FY 2015, it collected $2.4 billion in oil and gas revenues, down from $5.7 billion in 2014, causing the state government to wrestle with questions of revenue sustainability.[1]

MONTANA

Montana is one of the nation’s chief producers of coal and recently began significant oil and natural gas development in its portion of the Bakken formation. Montana collected $446 million in revenues related to extraction in FY 2014.[2]

WYOMING

Wyoming and its Powder River Basin lead the nation in coal production, generating almost 40% of the nation’s coal in 2014. In Wyoming’s 2014 production year, the state collected $3.2 billion in revenues.[3]

[1]Tax Division, Alaska Department of Revenue, “Working Together to Close the Gap,” 2015, http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?1240r

[2]Montana Department of Revenue, “Biennial Reports,” 2014, https://revenue.mt.gov/home/publications/biennial_reports

[3]Wyoming Department of Revenue, “2014 Annual Report,” 2014, http://revenue.wyo.gov/dor-annual-reports

State Opt-In Information

These opt-in states worked with the subcommittee to provide publicly available data and contextual information covering five areas:

Laws and the Land

Information on land ownership in the state, key state agencies involved in extraction, and how the extractive process works in the state.

Production

Information on which commodities are produced in the state, how much is produced, and how that production compares to other U.S. states.

Revenues

Information on the state's revenue streams, including the types of revenue streams, the amounts collected, the chief counties where revenues come from, and tax expenditures the state institutes.

Distribution

Information on how and by what means state revenues get distributed, where that money goes, and how much the state chooses to save or spend.

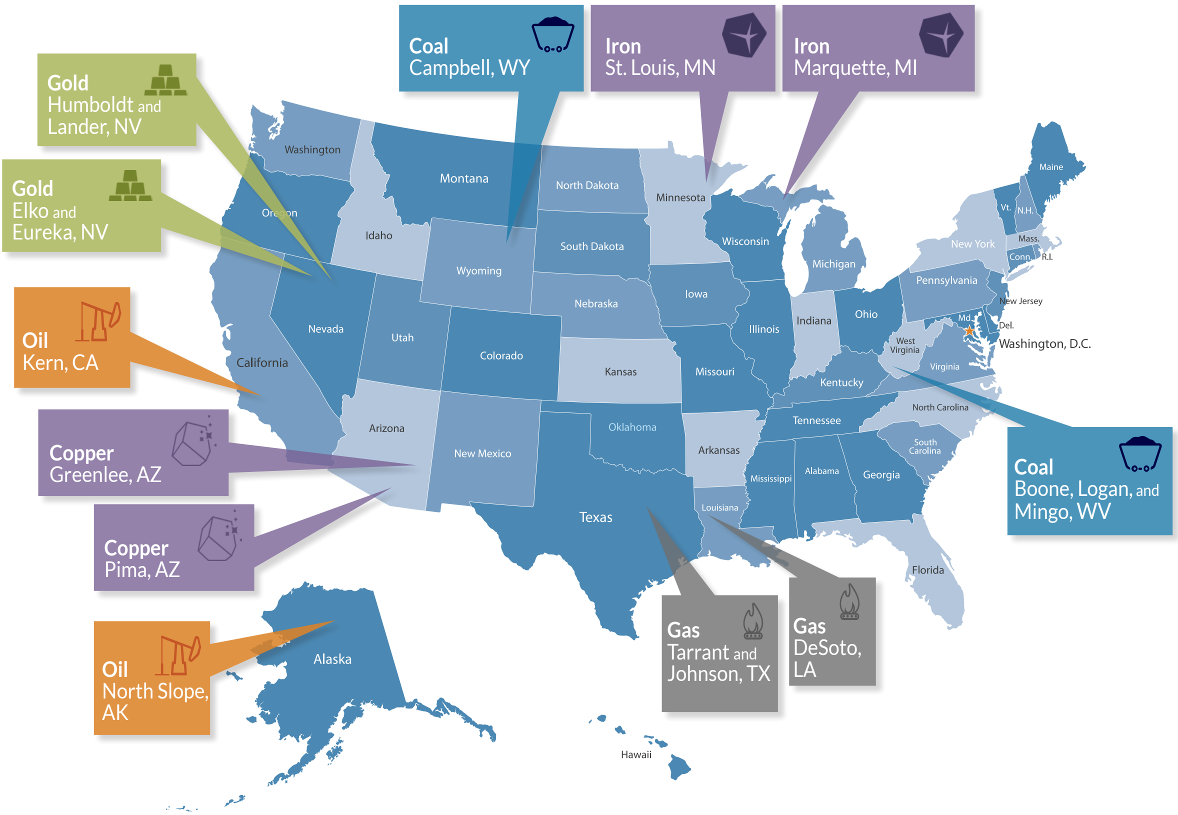
Economic Impact

Information on the extractive industries' contributions to state gross domestic product (GDP), jobs, and wages, as well as the state's revenue sustainability and the costs associated with extraction.

You can see state opt-in sections, as well as more robust state-specific pages for every state with extractive industries activity in the online report at https://useiti.doi.gov/explore. There you can view the data in depth and explore interactive maps of production for different commodities, as well as interactive graphs related to production, revenues, disbursements, and economic impact.

County Case Study Updates

In 2016, USEITI updated information on the 12 county case studies developed in 2015. These case studies provide a snapshot into communities that, over the last decade, have led U.S. counties in producing oil, gas, coal, gold, iron, or copper. The county case studies are designed to help readers understand the economic and fiscal effects of oil, gas, coal, and mineral extraction on local communities, including revenue sustainability. You can read the full case studies in the online report, available at https://useiti.doi.gov/case-studies/.



4

NEW SECTIONS IN THE 2016 USEITI REPORT

New Sections in the 2016 USEITI Report

WHAT'S HERE AND WHERE TO GO FOR MORE INFORMATION

In an effort to improve public understanding and inform discussions around extractive industries in the United States, USEITI developed new contextual narrative sections for the 2016 USEITI report. In addition to the state opt-in section, the report covers the Abandoned Mine Land (AML) Reclamation Program, U.S. audit and assurance practices and controls, and the Coal Excise Tax. This portion of the Executive Summary contains an overview of the AML, audit, and Coal Excise Tax information. The online report contains additional information, including more graphs and maps. You can see the AML section at https://useiti.doi.gov/how-it-works/aml-reclamation-program/. The Coal Excise Tax section can be found at https://useiti.doi.gov/how-it-works/coal-excise-tax/. The audit and assurance section can be found at https://useiti.doi.gov/how-it-works/audits-and-assurances/.

WHAT'S CHANGED FROM THE 2015 TO 2016 REPORT

2015
2016

While last year's report included introductory material on the AML Reclamation Program, information about AML, audit, and Coal Excise Tax all represent new sections in 2016.

Abandoned Mine Land Reclamation Program

The AML Reclamation Program uses fees paid by present-day coal mining companies to reclaim coal mines abandoned before 1977. This makes these areas safer for people and the environment. The Surface Mining Control and Reclamation Act of 1977 (SMCRA) created this program to use company fees to reclaim coal mines abandoned before 1977, to set standards for today's coal companies as they reclaim areas contemporaneously with their mining, and to post bonds to cover the cost if companies are unable to reclaim current coal mines.

The online report includes detailed information on the program, including:

- Explanations of how the AML program works, what companies pay annually, how the federal government disburses fees to states and tribes, and how the AML Fund functions
- Information on the amounts paid by companies, the interest those fees have earned, and the status of reclamation across the United States today
- Graphs of AML funding and spending to date, the amount of annual fees received, and the growth of the AML Fund's unappropriated balance

You can read more about the AML program at https://useiti.doi.gov/how-it-works/aml-reclamation-program.

Coal Excise Tax

In the U.S., coal producers must pay an excise tax whenever the coal is first sold or utilized. This tax originated in 1977 when Congress passed the Black Lung Revenue Act establishing the Black Lung Disability Trust Fund (BLDTF), which included the excise tax on coal. The tax is the chief source of revenues for the BLDTF, which pays benefits to miners disabled by black lung disease, as well as their eligible survivors and dependents.[5]

Tax payments collected by the IRS from the excise tax on coal are transferred to BLDTF. Amounts in BLDTF are available, as provided in appropriation acts, for benefit payments that are administered by the Department of Labor's Division of Coal Mine Workers' Compensation (DCMWC).[6]

The tax rate is $1.10 per ton for coal extracted from underground mines and $0.55 per ton for coal extracted from surface mines. Both rates are limited to a maximum of 4.4% of the coal's selling price.[7] The Coal Excise Tax rates are scheduled to decline to $0.50 per ton for coal extracted from underground mines and $0.25 per ton for coal extracted from surface mines (both limited to 2% of the coal's selling price). This change will occur on whichever date comes first: January 1, 2019 or on the first January 1 when there are no more repayable advances from the General Fund of the U.S. Treasury to the BLDTF trust fund and no unpaid interest on previous advances. You can read more about the Coal Excise Tax at https://useiti.doi.gov/how-it-works/coal-excise-tax.

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[5] Department of Labor, "FY 2016 Congressional Budget Justification Black Lung Disability Trust Fund" p.8, 2016, http://www.dol.gov/sites/default/files/documents/general/budget/2016/CBJ-2016-V2-08.pdf

[6] Department of Labor, "FY 2015 Agency Financial Report," 2015, https://www.dol.gov/_sec/media/reports/annual2015/2015annualreport.pdf; Department of Labor, "FY 2016 Congressional Budget Justification Black Lung Disability Trust Fund" p.8, 2016, http://www.dol.gov/sites/default/files/documents/general/budget/2016/CBJ-2016-V2-08.pdf

[7] Department of Labor, "FY 2016 Congressional Budget Justification Black Lung Disability Trust Fund" p.8, 2016, http://www.dol.gov/sites/default/files/documents/general/budget/2016/CBJ-2016-V2-08.pdf

Audit and Assurance Practices and Controls in the U.S.

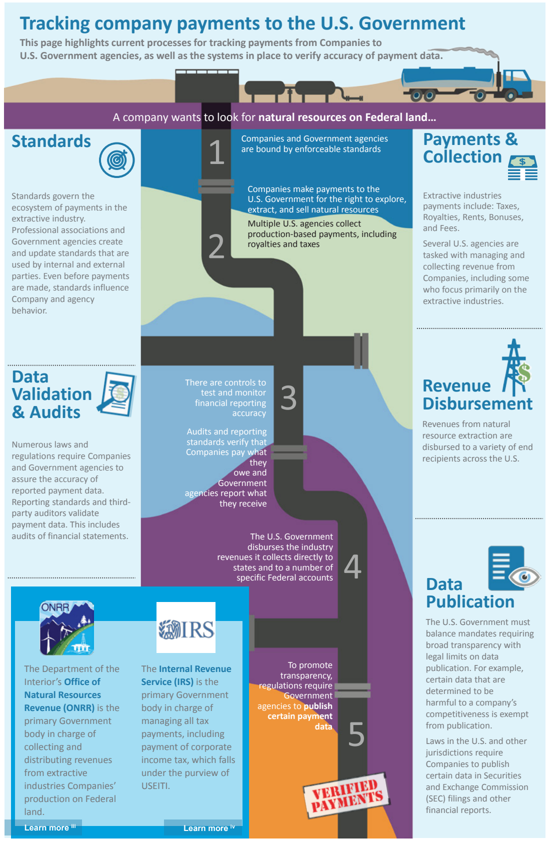
A goal of USEITI is to support transparency in payments to the U.S. government made by companies in the extractive industries. Both the U.S. government and companies in the extractive industries (i.e., oil and gas or mining companies) are subject to laws and regulations that guide the process for receiving payments. The audit and assurance section illustrates where these payments are recorded, how they are verified, and how they are publicized. This includes the types of payments companies are required to pay and the statutes providing authority to the U.S. government to collect them.

The five chief topics of this section include:

- **Standards:** Standard-setting bodies monitor, regulate, and update audit and controls requirements.
- **Payments and Collection:** In the U.S., payments come in two types: nontax and tax.
- **Data Validation and Audits:** Prior to publication, different revenue payments are verified by high levels of internal and external scrutiny.
- **Revenue Disbursement:** Once revenues are collected and verified, they are disbursed to a variety of end recipients.
- **Data Publication:** Each form of payment requires different levels of publicity and transparency.

You can read the more about audit and assurance practices and controls online at https://useiti.doi.gov/how-it-works/audits-and-assurances/.

Online you can see the full section and read more detailed information.



Online you can also read more detailed information on the audit and assurance practices and controls of two government organizations that play a role in collecting and distributing payments related to extraction: ONRR and the IRS. You can also access links to additional information on key U.S. government agencies, standards, and processes that support transparency related to payments to the U.S. government made by companies in the extractive industries.

5

UPDATES TO RELEVANT LAWS AND REGULATIONS

Updates to Relevant Laws and Regulations

A full overview of federal laws and regulations governing extractive industries in the U.S. can be found at https://useiti.doi.gov/how-it-works/federal-laws/.

Relevant New Laws, Rules, and Reports

In 2016 there were a number of new final and proposed rules, as well as reports issued by the Government Accountability Office (GAO) and the DOI Office of Inspector General (OIG). They include updates to the regulations governing oil and gas leasing on the Outer Continental Shelf, an update to coal valuation regulations, and an OIG report on the Financial Management Division of ONRR. You can read summaries of these updates and find links to the full rules and reports online at https://useiti.doi.gov/how-it-works/federal-reforms/.

Dodd-Frank 1504

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (124 Stat. 1376) ("Dodd-Frank") is important for USEITI. Congress passed the bill to improve transparency and accountability across the financial system. Dodd-Frank Section 1504 ("Dodd-Frank 1504") requires extractive industries companies registered with the Securities and Exchange Commission (SEC) to separately disclose information about payments to governments around the world in an interactive data format. You can read the act at https://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf.

Dodd-Frank 1504 mandates disclosure of "the type and total amount of (such) payments made for each project of the resource extraction issuer relating to the commercial development of oil, natural gas, or minerals," including "taxes, royalties, fees (including license fees), production entitlements, bonuses, and other material benefits, that the Commission, consistent with the guidelines of the EITI (to the extent practicable), determines are part of the commonly recognized revenue stream for the commercial development of oil, natural gas, or minerals."[8] In its adoption of the final rule, the SEC also noted that EITI represents a "substantially similar disclosure [regime] for purposes of alternative reporting, subject to certain conditions." Provided a company meets these conditions, USEITI reporting will satisfy disclosure requirements under the rule.[9]

[8] Dodd-Frank Wall Street Reform and Consumer Protection Act, https://www.gpo.gov/fdsys/pkg/PLAW-111publ203/content-detail.html

[9] Securities and Exchange Commission, https://www.sec.gov/rules/final/2016/34-78167.pdf

The SEC rewrote the rule to implement this law and released the final rule in June 2016. Section 4.7 of the EITI Standard states: “Reporting at the project level is required, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming (now implemented) European Union requirements.” The SEC’s ruling on Dodd-Frank 1504 will require public companies to file their information 150 days after the conclusion of their FY 2018. For companies that use December 31st as their fiscal year-end, for example, the filing deadline will be May 30, 2019. However, private companies, some of which are in the scope of USEITI, will remain unaffected by this legislation.[10]

You can read the final rule at https://www.sec.gov/rules/final/2016/34-78167.pdf.

[10] Extractive Industries Transparency Initiative, https://eiti.org/sites/default/files/migrated_files/english_eiti_standard_0.pdf

Dodd-Frank 1504 Timeline[1]

July 2010
President Obama signs Dodd-Frank into law. The law gives the SEC 270 days to write the final rule.

August 2012
The SEC approves the final rule for Section 1504.

October 2012
Industry members challenge the SEC ruling on the grounds that its disclosure requirements constitute a violation of first amendment rights.

July 2013
The D.C. District Court vacates the ruling and remands it to the SEC to reconsider the publication of payment reports and the lack of exemptions for certain countries.

September 2014
EarthRights International on behalf of Oxfam sues the SEC for failure to release new transparency rules in accordance with Dodd-Frank.

September 2015
The U.S. District Court orders the SEC to expedite revenue transparency regulations for extractive industries.

June 2016
The SEC publishes the revised final rule, including an extended implementation timeline.

[1] Securities and Exchange Commission, “SEC Adopts Rules for Resource Extraction Issuers Under Dodd-Frank Act,” https://www.sec.gov/news/pressrelease/2016-132.html

6

2016
IA RECOMMENDATIONS

2016 IA Recommendations

For the 2016 USEITI report, the MSG built on the foundation of transparent reporting of natural resource revenue. Per the EITI Standard, the IA made recommendations to the MSG for future improvements in transparency and accountability:

Recommendation 1:

Reporting Entity Communication

OBSERVATION: MSG outreach and communication efforts have received positive feedback from reporting companies and have contributed to companies' understanding of the reporting process. Several improvements were made this year, notably the inclusion of webinars for the tax function at in-scope companies, coupled with outreach by MSG members and the IA at industry forums. Opportunities exist to continue to improve communication.

RECOMMENDATION: The MSG, with support from the IA, should continue to evaluate efforts to improve outreach and communication to reporting companies. The MSG should specifically focus on helping companies understand the relatively low level of effort required for reconciling federal corporate income taxes.

Recommendation 2:

Streamlining the Reconciliation Process

OBSERVATION: Insights from another year of reporting and reconciliation provide USEITI with opportunities to streamline the reconciliation process. Government, industry, and the IA have dedicated considerable time to the reconciliation process, and options to improve the process and make it more efficient should be considered.

RECOMMENDATION: The MSG, with support from the IA, should examine opportunities to streamline the reconciliation process, and do so in a way that does not compromise the integrity of the reporting process. Such opportunities could include greater disclosure of transaction-level detail to the IA and enable companies to streamline the reconciliation process, as well as exploring options for mainstreaming in 2017 and future years.

Recommendation 3:
Extending Adapted Implementation

OBSERVATION: Due to the federal nature of revenue governance for extractive industries in the United States where states and sovereign tribes each has its own governance regime, and given the size of extractive industries on the subnational level, the EITI International Board approved adapted implementation of subnational revenue reporting that allowed the United States to pursue a voluntary opt-in approach for states and tribes for the first two annual USEITI reports. The circumstances supporting the board's original approval of adapted implementation are still present and are highly unlikely to change for the foreseeable future.

RECOMMENDATION: The MSG should consider seeking an extension of adapted implementation from the EITI International Board to allow compliance with the subnational requirement through the present voluntary opt-in procedure for states and tribes.

Recommendation 4:
Examining USEITI and Dodd-Frank 1504

OBSERVATION: This year, the SEC adopted rules to require natural resource extraction issuers to disclose payments made to the U.S. government for the development of oil, natural gas, or minerals as part of Dodd-Frank 1504. The rule directly relates to USEITI in that it mandates the reporting of revenues and tax payments for all publicly held companies involved in extractive industries activity in the United States.

RECOMMENDATION: The MSG should continue to examine how Dodd-Frank 1504 aligns with the EITI Standard through working group discussions and at full MSG meetings. In particular, the impact of the new rule on mainstreaming revenue reporting and the path to validation should be considered.

Recommendation 5:
Refresh Definition of In-Scope Revenues

OBSERVATION: Prior to the preparation of the 2015 USEITI report, the MSG agreed upon and documented in-scope revenues, companies, and commodities for reporting and reconciliation. The MSG revisited the scoping at the beginning of the 2016 USEITI report. The MSG has continued to discuss which commodities and revenue streams may be included as in-scope in future reports based on comments from stakeholders and per section 4.1(a) of the EITI Standard.

RECOMMENDATION: Before the 2017 reporting period begins, the MSG should again discuss the in-scope revenues for reporting and reconciliation, including revenue streams, commodities, in-scope reporting thresholds, and the Margin of Variance. The conversation should consider section 4.1(a) of the EITI Standard and input from MSG members and stakeholders from civil society, industry, and government.

USEITI

The United States Extractive Industries Transparency Initiative

2016 RECONCILIATION REPORT

Prepared for the Office of Natural Resources Revenue
by Deloitte & Touche LLP

Table of Contents

1

INTRODUCTION

INTRODUCTION

Deloitte & Touche LLP has prepared this reconciliation report as the Independent Administrator (IA) for the U.S. Extractive Industries Transparency Initiative (USEITI). This report presents reconciliation information that is required as part of the Extractive Industries Transparency Initiative (EITI) Standard, which is the set of guidelines that countries participating in EITI are required to follow.

This work is conducted in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants. Our procedures cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

We were not engaged to, and did not, perform an audit, the objective of which would be to express an opinion on the reconciliation of information disclosed by the reporting entities. Accordingly, we did not express such an opinion.

This reconciliation report has been prepared as part of the 2016 USEITI annual reporting process, which is intended to bring additional transparency to the U.S. extractive industries. This report is intended to provide information that is easily accessible to the public. The information in this report can be used to understand payments made by reporting companies and received by the U.S. government that relate to extractive industries.

2

DATA RECONCILIATION

DATA RECONCILIATION

What is the scope of the data reconciliation?

EITI Standard Requirement 4.1(a): "...In establishing materiality definitions and thresholds, the Multi-Stakeholder Group should consider the size the of revenue streams relative to total revenues..."

Requirement 4 of the 2016 EITI Standard outlines the responsibility of the USEITI Multi-Stakeholder Group (MSG) to determine the scope of revenue collection reporting by companies working in extractive industries in the United States. In carrying out this responsibility, the USEITI MSG considered information from a variety of sources before coming to a consensus on the scope for the 2016 USEITI report.

The MSG publishes meeting minutes and materials from all subcommittee and full MSG meetings on the MSG website.[1] These minutes and materials document the MSG's historical considerations and decisions regarding scoping. Please refer to Appendix A, *Reconciliation Considerations*, for additional background on the scoping process for USEITI.

In-Scope Revenue Streams and Government Entities

EITI Standard Requirement 4.1(c): "...All government entities receiving material revenues are required to comprehensively disclose these revenues in accordance with the agreed scope."

During the scoping process, the MSG identified the different revenue streams received by U.S. government agencies from companies working in extractive industries. The MSG then decided which revenue streams to include in-scope for the reconciliation in the 2016 USEITI report. The MSG considered many factors in evaluating revenue streams, including the magnitude of the revenues and the relative complexity of gathering and reporting the data received from companies. The MSG's decisions were captured in the March 2016 meeting minutes.[2] Table 1, *In-Scope Government Entities and Revenue Streams*, summarizes the list of government entities and revenue streams selected by the MSG as in-scope for reconciliation. Please also refer to Appendix B, *In-Scope Revenue Streams*, for additional descriptions of these revenue streams.

[1]MSG website, https://www.doi.gov/eiti/FACA/msg-meeting-minutes

[2]The meeting minutes from the March 2016 MSG meeting in March 2016 capture the discussions and decisions made by the MSG, https://www.doi.gov/sites/doi.gov/files/uploads/useiti_msg_-_mar_2016_mtg_summary_final.pdf

Table 1: In-Scope Government Entities and Revenue Streams

Government Entity	In-Scope Revenue Streams
Department of the Interior—Office of Natural Resources Revenue (ONRR)	Bonuses Rents Royalties Other Revenues Offshore Inspection Fees Civil Penalties
Department of the Interior—Bureau of Land Management (BLM)	Bonus and First Year Rents Permit Fees Renewable Energy Collections
Department of the Interior—Office of Surface Mining Reclamation and Enforcement (OSMRE)	Abandoned Mine Land (AML) Fees, Including Audits and Late Charges Civil Penalties, Including Late Charges
Internal Revenue Service (IRS)	Federal Corporate Income Tax Payments

In-Scope Reporting Entities

The U.S. Office of Natural Resources Revenue (ONRR) collects a majority of the Department of the Interior's (DOI) revenues related to extractive industries. Therefore, the MSG decided to use ONRR's reported revenues as a proxy for all DOI-reported revenues to establish the materiality threshold for reporting. For the 2016 USEITI report, the MSG decided on a materiality threshold of approximately $37.5 million total annual revenues reported to ONRR by a parent company, including its subsidiaries. The MSG agreed on this threshold because it would allow 80% of ONRR's revenues to be in-scope for the reconciliation.

Based on the materiality threshold defined by the MSG for reconciliation in the 2015 USEITI report[3], the MSG identified 41 companies for inclusion in the reconciliation. Table 2, *In-Scope Companies*, lists these 41 companies.

[3] Subsequently adopted for the 2016 USEITI report during the March 2016 MSG meeting.

Table 2: In-Scope Companies

Alpha Natural Resources, Inc.	Fieldwood Energy LLC
Anadarko Petroleum Corporation	Freeport-McMoRan Inc.
Apache Corporation	Hess Corporation
Arch Coal, Inc.	Jonah Energy LLC
Arena Energy, LLC	Linn Energy, LLC
BHP Billiton LTD	LLOG Exploration Company LLC
BOPCO, LP	Marathon Oil Company
BP America	Murphy Oil USA Inc.
Chevron Corporation	Noble Energy, Inc.
Cimarex Energy Co.	Oxy USA, Inc.
Cloud Peak Energy Resources, LLC	Peabody Energy Corporation
Concho Resources, Inc.	QEP Resources, Inc.
ConocoPhillips	Red Willow Offshore, LLC[1]
Continental Resources, Inc.	Shell E&P Company
Devon Energy Corporation	Statoil
Encana Corporation	Stone Energy Corporation
Energy XXI	Talos Energy LLC
ENI Petroleum	Ultra Resources Inc.
EOG Resources, Inc.	W&T Offshore, Inc.
EPL Oil & Gas, Inc.	WPX Energy, Inc.
ExxonMobil Corporation	

[1] During the reconciliation for Red Willow Offshore, LLC, it was discovered that payments were attributed to Red Willow Offshore, LLC that should have been attributed to Houston Energy. Attributing the payments to Houston Energy lowered the total value of payments paid by Red Willow Offshore, LLC below the materiality threshold for inclusion in the 2016 USEITI report. Attributing the payments to Houston Energy raised the total value of payments paid by Houston Energy above the materiality threshold for inclusion in the 2016 USEITI report. This was identified through reconciliation at the close of the reporting period. Since this issue was identified at the close of the reporting period, Red Willow Offshore, LLC was included in the reconciliation process since it was initially identified as in-scope.

Basis and Period of Reporting

The period of the reconciliation is calendar year (CY) 2015 (January 1, 2015 through December 31, 2015). Reporting companies and government entities reported data for payments made or reported in CY 2015.[4] The reporting currency for the 2016 USEITI report is U.S. dollars (USD). Companies reported data at the consolidated entity level, including data for all identified subsidiary entities.

EITI Standard Requirement 4.8(c): The Multi-Stakeholder Group is required to agree on the accounting period covered by the EITI report.

How did the Independent Administrator perform the reconciliation?

Based upon Requirement 4 of the EITI Standard, the IA performed the reconciliation of company payments and U.S. government revenues as follows:

EITI Standard Requirement 4.9(b): "It is required that payments and revenues are reconciled by a credible, Independent Administrator..."

Data Collection

The IA distributed the USEITI reporting and reconciliation materials to reporting companies on April 29, 2016. The package included a cover letter summarizing the USEITI reporting and reconciliation process; the Data Reporting Template, a reporting guidelines document with detailed reporting instructions; and IRS Form 8821 , which is required to authorize the Internal Revenue Service (IRS) to disclose federal corporate income tax data to the IA for the reporting companies participating in reconciliation of taxes. The IA, government, and industry representatives held four webinars for tax and nontax points of contact for the 41 in-scope companies.[5]

The reporting process included the following steps:

- Reporting companies submitted completed reporting templates directly to the IA.
- For all DOI revenue streams, ONRR managed the process of gathering data from each of the in-scope DOI bureaus and submitted the combined DOI bureau data to the IA for reconciliation.
- For reporting companies that made the decision to allow for federal corporate income tax reconciliation, the IRS provided the data directly to the IA for reconciliation.

[4] The MSG decided to use CY 2015 data for reporting and reconciliation in the 2016 USEITI report because CY 2014 and CY 2015 data will be unilaterally disclosed on the data portal, and CY 2015 data is closer to the current time period.

[5] Webinars were held on March 22, 2016 and March 24, 2016 in Houston, Texas, and Denver, Colorado respectively.

Data Reconciliation

The IA reconciled the data by comparing the reported amounts from reporting companies to the reported amounts from government entities and identifying any variance amounts. The IA then compared any variance amounts to an investigation threshold known as the Margin of Variance.

Margin of Variance

The MSG considered and approved a Margin of Variance[6] for the IA to apply during the reconciliation. The purpose of the Margin of Variance was to establish a threshold to define which variances in reported payments required further evaluation. The MSG determined that variances below the Margin of Variance did not require further evaluation. Variances below the respective threshold were presented as is with no further consideration. Variances that exceeded the respective threshold were subjected to further evaluation and explanation.

EITI Standard Requirement 4.1(c): "…must provide a comprehensive reconciliation of government revenues and company payments…."

The MSG and the IA considered the potential causes of differences between amounts reported by in-scope reporting companies and government entities for each revenue stream included in the USEITI reporting and reconciliation process.

Based on the magnitude and likelihood of variances for in-scope revenue streams, a variance percentage threshold and a variance floor threshold were assigned to each revenue stream.

- **Variance percentage threshold:** If the variance amount when divided by the amount reported by the U.S. government was more than the variance percentage for that revenue stream, the IA considered the variance to be in excess of the threshold, and then assessed whether the variance floor threshold applied.
- **Variance floor threshold:** This was the minimum dollar threshold for a variance and only applied if a variance exceeded the variance percentage threshold. If the variance exceeded the variance percentage threshold and exceeded the variance floor threshold, the IA performed further evaluation of the variance.

[6] The Margin of Variance displayed on the following page was unchanged from the 2015 USEITI report. The meeting minutes from the March 2016 MSG meeting capture the discussions and decisions made by the MSG, https://www.doi.gov/sites/doi.gov/files/uploads/useiti_msg_-_mar_2016_mtg_summary_final.pdf.

Table 3, *Margin of Variance Thresholds*, outlines the Margin of Variance thresholds approved by the MSG and applied by the IA.

Table 3: Margin of Variance Thresholds

Revenue Stream	Variance Percentage	Variance Floor
ONRR Royalties	1%	$100,000
ONRR Rents	2%	$50,000
ONRR Bonuses	2%	$100,000
ONRR Other Revenues	3%	$50,000
ONRR Offshore Inspection Fees	2%	$20,000
ONRR Civil Penalties	1%	$1,000
BLM Bonus and First Year Rents	2%	$10,000
BLM Permit Fees	3%	$10,000
BLM Renewables	N/A	N/A
OSMRE AML Fees, Including Audits and Late Charges	2%	$100,000
OSMRE Civil Penalties, Including Late Charges	3%	$0
Federal Corporate Income Taxes	1%	$100,000

If variances were more than the Margin of Variance thresholds, the IA requested additional transaction-level details from the applicable government entity and in-scope company and attempted to identify potential sources of the variance.

The IA reviewed the data provided by both the applicable government entity and the in-scope company. If the IA was able to identify the potential source of the variance, the IA provided an explanation. If the IA was not able to identify the potential source of the variance, the IA provided an explanation that the source of the variance could not be resolved.

Both reporting companies and government entities were given the opportunity to revise their reported amounts when the reconciliation process identified reporting errors that could be corrected, but restatement was not required. If an error was identified and an in-scope company or government entity resubmitted revised numbers for a revenue stream, only the final submitted numbers were included in the reconciliation results.

3

RECONCILIATION RESULTS

RECONCILIATION RESULTS

What are the results of the reconciliation?

The 25 reporting companies that participated in the reconciliation reported $4,825,623,245 in payments to government entities for the nontax, in-scope revenue streams. This represented approximately 79% of the total nontax, in-scope revenues reported by government entities for the 41 in-scope reporting companies, which was $6,109,421,691.

Complete details of the reconciliation results by in-scope company, including breakout and explanation of variances exceeding the Margin of Variance thresholds, are included in Appendix C, *Reconciliation Results Detail*.

Out of 41 in-scope companies, 25 companies chose to participate in the reconciliation and submit a reporting template to the IA.

After the IA compared and reconciled all included government revenue streams with company payments, 21 variances remained, all of which were explained through the reconciliation process, leaving zero unexplained variances.

4

RECOMMENDATIONS

RECOMMENDATIONS

What are the IA's recommendations for the reporting process?

REPORTING ENTITY COMMUNICATION

Observation: MSG outreach and communication efforts have received positive feedback from reporting companies and have contributed to companies' understanding of the reporting process. Several improvements were made this year, notably the inclusion of webinars for the tax function at in-scope companies, coupled with outreach by MSG members and the IA at industry forums. Opportunities exist to continue to improve communication.

Recommendation: The MSG, with support from the IA, should continue to evaluate efforts to improve outreach and communication to reporting companies. The MSG should specifically focus on helping companies understand the relatively low level of effort required for reconciling federal corporate income taxes.

STREAMLINING THE RECONCILIATION PROCESS

Observation: Insights from another year of reporting and reconciliation provide USEITI with opportunities to streamline the reconciliation process. Government, industry, and the IA have dedicated considerable time to the reconciliation process, and options to improve the process and make it more efficient should be considered.

Recommendation: The MSG, with support from the IA, should examine opportunities to streamline the reconciliation process, and do so in a way that does not compromise the integrity of the reporting process. Such opportunities could include greater disclosure of transaction-level detail to the IA and enable companies to streamline the reconciliation process, as well as exploring options for mainstreaming revenue reporting in 2017 and future years.

EXTENDING ADAPTED IMPLEMENTATION

Observation: Due to the federal nature of revenue governance for extractive industries in the United States where states and sovereign tribes each has its own governance regime, and given the size of extractive industries on the subnational level, the EITI International Board approved adapted implementation of subnational revenue reporting that allowed the United States to pursue a voluntary opt-in approach for states and tribes for the first two annual USEITI reports. The circumstances supporting the board's original approval of adapted implementation are still present and are highly unlikely to change for the foreseeable future.

Recommendation: The MSG should consider seeking an extension of adapted implementation from the EITI International Board to allow compliance with the subnational requirement through the present voluntary opt-in procedure for states and tribes.

EXAMINING USEITI AND DODD-FRANK 1504

Observation: This year, the SEC adopted rules to require natural resource extraction issuers to disclose payments made to the U.S. government for the development of oil, natural gas, or minerals as part of Dodd-Frank 1504. The rule directly relates to USEITI in that it mandates the reporting of revenues and tax payments for all publicly held companies involved in extractive industries activity in the United States.

Recommendation: The MSG should continue to examine how Dodd-Frank 1504 aligns with the EITI Standard through working group discussions and at full MSG meetings. In particular, the impact of the new rule on mainstreaming revenue reporting and the path to validation should be considered.

REFRESH DEFINITION OF IN-SCOPE REVENUES

Observation: Prior to the preparation of the 2015 USEITI report, the MSG agreed upon and documented in-scope revenues, companies, and commodities for reporting and reconciliation. The MSG revisited the scoping at the beginning of the 2016 USEITI report. The MSG has continued to discuss which commodities and revenue streams may be included as in-scope in future reports based on comments from stakeholders and per section 4.1(a) of the EITI Standard.

Recommendation: Before the 2017 reporting period begins, the MSG should again discuss the in-scope revenues for reporting and reconciliation, including revenue streams, commodities, in-scope reporting thresholds, and the Margin of Variance. The conversation should consider section 4.1(a) of the EITI Standard and input from MSG members and stakeholders from civil society, industry, and government.

APPENDIX A

RECONCILIATION CONSIDERATIONS

APPENDIX A: RECONCILIATION CONSIDERATIONS

What was the process for determining the scope of the USEITI reporting and reconciliation?

The MSG made the decision to include ONRR-Royalties, ONRR-Rents, ONRR-Bonuses, ONRR-Other Revenues, ONRR-Offshore Inspection Fees, ONRR-Civil Penalties, BLM-Bonus and First Year Rents, BLM-Permit Fees, BLM-Renewables, OSMRE-AML Fees, OSMRE-Civil Penalties, and IRS-Federal Corporate Income Taxes in the 2016 USEITI reconciliation, which is identical to the 2015 USEITI reconciliation.[7]

Review of In-Scope Company Audited Financial Statements

The IA performed an analysis of publicly available financial information for the 41 in-scope companies included in the 2016 USEITI report. The IA then identified and reviewed publicly available SEC filings, such as Form-10K, Form 20-F, Form 40-F, and annual reports to shareholders. For in-scope companies that did not have publicly available audited financial statements, the IA requested these financial statements from the applicable entities. Table A.1, *Analysis of In-Scope Company Audited Financial Statements*, shows the results of the IA's review.

TABLE A.1: Analysis of In-Scope Company Audited Financial Statements

Company	Public or Private Company	Entity Type	Form 10-K or Annual Report	Form 20-F	Form 40-F	Audited Financial Statements Publicly Available?	If Not Public, Did IA Obtain?
Alpha Natural Resources, Inc.	Public	Corporation	✓			Yes	N/A
Anadarko Petroleum Corporation	Public	Corporation	✓			Yes	N/A
Apache Corporation	Public	Corporation	✓			Yes	N/A
Arch Coal, Inc.	Public	Corporation	✓			Yes	N/A
Arena Energy, LLC	Private	Limited partnership				No	No

[7] The full data set is available for download at https://federalist.18f.gov/preview/18F/doi-extractives-data/explore-jobs/explore/reconciliation/

Company	Public or Private Company	Entity Type	Form 10-K or Annual Report	Form 20-F	Form 40-F	Audited Financial Statements Publicly Available?	If Not Public, Did IA Obtain?
BHP Billiton LTD	Public	Foreign corporation (Australia)	✓	✓		Yes	N/A
BOPCO, LP	Private	Limited partnership				No	No
BP America	Public	Subsidiary of foreign corporation (England)	✓	✓		Parent Only	N/A
Chevron Corporation	Public	Corporation	✓			Yes	N/A
Cimarex Energy Co.	Public	Corporation	✓			Yes	N/A
Cloud Peak Energy Resources, LLC	Public	Corporation	✓			Yes	N/A
Concho Resources, Inc.	Public	Corporation	✓			Yes	N/A
ConocoPhillips	Public	Corporation	✓			Yes	N/A
Continental Resources, Inc.	Public	Corporation	✓			Yes	N/A
Devon Energy Corporation	Public	Corporation	✓			Yes	N/A
Encana Corporation	Public	Foreign corporation (Canada)	✓		✓	Yes	N/A
Energy XXI	N/A	Foreign corporation (Bermuda)	✓			Yes	N/A
ENI Petroleum	Public	Foreign corporation (Italy)	✓			Yes	N/A
EOG Resources, Inc.	Public	Corporation	✓			Yes	N/A
EPL Oil & Gas, Inc.	Public	Subsidiary of foreign corporation (Italy)	✓			Parent Only	N/A
ExxonMobil Corporation	Public	Corporation	✓			Yes	N/A

Company	Public or Private Company	Entity Type	Form 10-K or Annual Report	Form 20-F	Form 40-F	Audited Financial Statements Publicly Available?	If Not Public, Did IA Obtain?
Fieldwood Energy LLC	Private	Limited liability company				No	No
Freeport-McMoRan Inc.	Public	Corporation	✓			Yes	N/A
Hess Corporation	Public	Corporation	✓			Yes	N/A
Jonah Energy LLC	Private	Limited liability company				No	No
Linn Energy, LLC	Public	Limited liability company	✓			Yes	N/A
LLOG Exploration Company LLC	Private	Subsidiary of limited liability company				No	No
Marathon Oil Company	Public	Corporation	✓			Yes	N/A
Murphy Oil USA Inc.	Public	Corporation	✓			Yes	N/A
Noble Energy, Inc.	Public	Corporation	✓			Yes	N/A
Oxy USA, Inc.	Public	Corporation	✓			Parent Only	N/A
Peabody Energy Corporation	Public	Corporation	✓			Yes	N/A
QEP Resources, Inc.	Public	Corporation	✓			Yes	N/A
Red Willow Offshore, LLC	Private	Limited Liability Company, Southern UTE Indian Tribe				No	No
Shell E&P Company	Public	Foreign corporation (UK)	✓	✓		Yes	N/A
Statoil	Public	Foreign corporation (Norway)	✓	✓		Yes	N/A
Stone Energy Corporation	Public	Corporation	✓			Yes	N/A
Talos Energy LLC	Private	Limited Liability Company				No	No

Company	Public or Private Company	Entity Type	Form 10-K or Annual Report	Form 20-F	Form 40-F	Audited Financial Statements Publicly Available?	If Not Public, Did IA Obtain?
Ultra Resources Inc.	Public	Foreign corporation (Canada)	✓			Yes	N/A
W&T Offshore, Inc.	Public	Corporation	✓			Yes	N/A
WPX Energy, Inc.	Public	Corporation	✓			Yes	N/A

Review of Government Entity Audited Financial Statements

The IA performed an analysis of publicly available financial and tax information for the government entities included in the 2016 USEITI report. The IA identified and reviewed the financial reports of applicable government agencies. Government entities are required to prepare annual reports at the agency level, which include the various bureaus under the respective agency. Similar to public reporting companies, agency financial reports are audited annually by an independent auditor. Table A.2, *Analysis of Government Entity Audited Financial Statements*, shows the results of the IA's analysis.

Table A.2: Analysis of Government Entity Audited Financial Statements

Government Entity	Agency Report	Agency Financial Report	Agency Financial Report Publicly Available?
Office of Natural Resources Revenue	Department of the Interior	✓	Yes
Bureau of Land Management	Department of the Interior	✓	Yes
Office of Surface Mining Reclamation and Enforcement	Department of the Interior	✓	Yes
Internal Revenue Service	Department of the Treasury	✓	Yes

APPENDIX B

IN-SCOPE REVENUE STREAMS

APPENDIX B: IN-SCOPE REVENUE STREAMS

The revenue streams for the 2016 USEITI report are unchanged from the 2015 USEITI report. Additional explanations for each of the in-scope revenue streams that have been defined by the MSG, as well as specifics about the types of transactions that are included in each of the revenue streams and can be found in the 2015 USEITI Reconciliation Appendix.

TABLE B.1: In-Scope Revenue Streams

Government Payee	Revenue Stream	Description
ONRR	Royalties	All royalties reported to ONRR through Form ONRR-2014 or Form CMP-2014, the Production and Royalty (P&R) Reporting System, or direct billing activity
ONRR	Rents	All rents reported to ONRR through Form ONRR-2014, the P&R Reporting System, or direct billing activity
ONRR	Bonuses	All bonuses reported to ONRR through Form ONRR-2014, the P&R Reporting System, or direct billing activity
ONRR	Other Revenues	All other revenues (not associated with the royalties, rents, or bonuses revenue streams noted above) that are reported to ONRR through Form ONRR-2014 or Form CMP-2014, the P&R Reporting System, or direct billing activity
ONRR	Offshore Inspection Fees	Fees for annual inspections performed by the Bureau of Safety and Environmental Enforcement (BSEE) on each offshore permanent structure and drilling rig that conducts drilling, completion, or workover operations
ONRR	Civil Penalties	Civil penalties collected by ONRR on behalf of the Bureau of Ocean Energy Management (BOEM), ONRR, and BSEE
BLM	Bonus and First Year Rents	Payments made by the winning bidder of an onshore lease at a BLM lease sale
BLM	Permit Fees	All permit fees paid such as application for permit to drill fees, mining claim and holding fees, any fees paid pursuant to the Mineral Leasing Act, etc.

Government Payee	Revenue Stream	Description
BLM	Renewables	Wind, solar, and biomass projects
OSMRE	AML Fees	Abandoned Mine Land (AML) fees, including AML fees assessed from audits as well as any late charges paid
OSMRE	Civil Penalties	Civil penalties assessed for violations of the Surface Mining Control and Reclamation Act, including any late charges paid
IRS	Federal Corporate Income Tax	Federal corporate income tax payments to the IRS

APPENDIX C

RECONCILIATION RESULTS DETAIL

APPENDIX C: RECONCILIATION RESULTS DETAIL

What were the detailed reconciliation results for each in-scope company?

The tables in this section contain the actual data received from in-scope companies and government entities for each of the in-scope revenue streams. The tables show the variances identified between the reported amounts. Explanations are provided for any variances for a revenue stream that exceed both the variance percentage threshold and the variance floor threshold, as explained in the Margin of Variance section of this document.

Within each table, if an in-scope company chose not to participate in the USEITI reporting and reconciliation process and did not submit a reporting template, the "Total Reported by Company" column will list **DNP**, which stands for **Did Not Participate**. If an in-scope company chose to participate in USEITI by reporting some revenue streams, but chose not to report an amount for a specific revenue stream, the "Total Reported by Company" column will list **DNR**, which stands for **Did Not Report**. For the federal corporate income tax revenue stream, if corporate income taxes were not applicable because the in-scope company was not a C Corporation, the "Total Reported by Company" column will list **N/A**, which stands for **Not Applicable**.

For all nontax revenue streams, an amount was reported by the government for all companies. For the federal corporate income tax revenue stream, if income taxes were applicable to the in-scope company and the in-scope company chose to report that amount, but the in-scope company chose not to allow the IRS to release that amount, the "Total Reported by Government Entity" column will list **DNA**, which stands for **Did Not Allow**.

The variance columns for reporting companies that did not participate or report an amount for the revenue stream will list **N/A**, which stands for **Not Applicable**. The IA could not calculate a variance because these companies did not participate in reporting and reconciliation. For reporting companies that did not participate, the IA performed no procedures to examine or attempt to verify the amounts reported by the applicable government entity.

The variance columns for in-scope companies that did participate and reported an amount for the revenue stream will list variance amounts and variance percentages. For in-scope companies that reported an amount and no variance exists between the government and company reported values, the "Variance Explanation" column will list **NV**, which stands for **No Variance**. For in-scope companies that reported and a variance exists, but is below the Margin of Variance percentage threshold or variance floor threshold, the "Variance Result" column will list **VBM**, which stands for **Variance below the Margin of Variance**. For in-scope companies that reported and a variance exists that is above the Margin of Variance and variance floor threshold, the "Variance Result" column will list **Explanation (Number)**, which relates directly to a numbered variance explanation below the table.

Variances that exceeded the Margin of Variance thresholds for the respective revenue stream are reported in **BOLD**. The variance explanations in the following section help explain why a variance exists between the amounts reported by a government entity and an in-scope company. The IA confirmed the nontax variance explanations with the related companies and the appropriate government entity. Federal corporate income tax variance explanations were confirmed only with companies due to IRS disclosure laws.

ONRR—ROYALTIES MARGIN OF VARIANCE:

Variance Percentage Threshold: 1%

Variance Floor Threshold: $100,000

TABLE C.1: ONRR—Royalties Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$26,797,927	$26,797,927	$0	0.00%	NV
Anadarko Petroleum Corporation	$163,746,846	$163,776,660	$29,814	0.02%	VBM
Apache Corporation	$47,551,091	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$171,684,441	$171,684,441	$0	0.00%	NV
Arena Energy, LLC	$59,601,092	$59,601,092	$0	0.00%	NV
BHP Billiton LTD	**$169,862,626**	**$208,040,223**	**$38,177,597**	**22.48%**	**Explanation 1**
BOPCO, LP	$37,875,857	DNP	N/A	N/A	N/A
BP America	$481,882,126	$480,734,249	$1,147,877	0.24%	VBM
Chevron Corporation	$389,992,166	$390,329,483	$337,317	0.09%	VBM
Cimarex Energy Co.	$72,283,770	$72,283,770	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$112,318,349	$112,318,349	$0	0.00%	NV
Concho Resources, Inc.	$89,356,972	DNP	N/A	N/A	N/A
ConocoPhillips	$155,308,934	$155,310,033	$1,099	0.00%	VBM

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Continental Resources, Inc.	$36,469,094	DNP	N/A	N/A	N/A
Devon Energy Corporation	$123,899,212	$122,681,650	$1,217,562	0.98%	VBM
Encana Corporation	$38,655,206	DNP	N/A	N/A	N/A
Energy XXI	$76,505,994	DNP	N/A	N/A	N/A
ENI Petroleum	$46,188,658	$46,204,386	$15,728	0.03%	VBM
EOG Resources, Inc.	$51,206,351	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$71,094,372	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$245,256,815	$247,650,767	$2,393,952	0.98%	VBM
Fieldwood Energy LLC	$237,439,549	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$151,167,910	$150,499,060	$668,850	0.44%	VBM
Hess Corporation	$121,879,024	$121,879,890	$866	0.00%	VBM
Jonah Energy LLC	$57,211,659	DNP	N/A	N/A	N/A
Linn Energy, LLC	$53,783,298	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$142,476,680	DNP	N/A	N/A	N/A
Marathon Oil Company	$52,388,973	$52,348,305	$40,668	0.08%	VBM
Murphy Oil USA Inc.	$21,880,568	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$40,943,600	$40,989,063	$45,463	0.11%	VBM
Oxy USA, Inc.	$52,139,320	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$225,793,399	$225,594,179	$199,220	0.09%	VBM
QEP Resources, Inc.	$72,485,760	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$482,510	$482,510	$0	0.00%	NV
Shell E&P Company	**$535,415,811**	**$478,190,688**	**$57,225,123**	**10.69%**	**Explanation 2**
Statoil	$58,944,352	$58,629,414	$314,938	0.53%	VBM
Stone Energy Corporation	$46,672,034	$46,672,041	$7	0.00%	VBM

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Talos Energy LLC	$49,277,016	DNP	N/A	N/A	N/A
Ultra Resources Inc.	**$107,727,673**	**$99,204,910**	**$8,522,763**	**7.91%**	**Explanation 3**
W&T Offshore, Inc.	$64,564,832	$64,564,832	$0	0.00%	NV
WPX Energy, Inc.	$68,730,517	$68,895,241	$164,724	0.24%	VBM
TOTAL REVENUE	**$4,828,942,384**	**$3,665,363,163**			

ONRR—Royalties Variance Explanations

Explanation 1—BHP Billiton LTD: A variance of $38,177,597 (22.48%) was identified for BHP Billiton LTD for the ONRR-Royalties revenue stream. A payment transaction totaling $23,231,058 was identified as recorded by ONRR in December 2014, supported by ONRR accounting system transactional data, and as paid by BHP Billiton LTD in January 2015, supported by a bank statement dentifying the cash payment date. BHP Billiton LTD payments totaling $14,928,647 were reported as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream. BHP Billiton LTD payments totaling $52,716 were reported as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Rents revenue stream.

Explanation 2—Shell E&P Company: A variance of $57,225,123 (10.69%) was identified for Shell E&P Company for the ONRR-Royalties revenue stream. Payment transactions totaling $57,605,231 were identified as paid by Shell E&P Company in December 2014 and recorded by ONRR in January 2015.

Explanation 3—Ultra Resources Inc.: A variance of $8,522,763 (7.91%) was identified for Ultra Resources Inc. for the ONRR-Royalties revenue stream. Payment transactions totaling $7,462,352 were identified as paid by Ultra Resources Inc. in December 2014 and recorded by ONRR in January 2015. Payment transactions totaling $1,062,556 were identified as paid by Ultra Resources Inc. in January 2016 and recorded by ONRR in December 2015. Additionally, payment transactions totaling $1,179 were identified as paid by Ultra Resources Inc. in 2015 and recorded by ONRR in 2014.

ONRR—RENTS MARGIN OF VARIANCE:

Variance Percentage Threshold: 2%

Variance Floor Threshold: $50,000

TABLE C.2: ONRR—Rents Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$47,388	$38,796	$8,592	18.13%	VBM
Anadarko Petroleum Corporation	$13,674,714	$13,422,581	$252,133	1.84%	VBM
Apache Corporation	$2,198,426	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$226,280	$226,280	$0	0.00%	NV
Arena Energy, LLC	$968,761	$968,761	$0	0.00%	NV
BHP Billiton LTD	**$11,162,157**	**$10,918,663**	**$243,494**	**2.18%**	**Explanation 4**
BOPCO, LP	$50,945	DNP	N/A	N/A	N/A
BP America	**$22,247,796**	**$21,107,348**	**$1,140,448**	**5.13%**	**Explanation 5**
Chevron Corporation	$17,823,173	$17,816,231	$6,942	0.04%	VBM
Cimarex Energy Co.	$32,888	$33,812	$924	2.81%	VBM
Cloud Peak Energy Resources, LLC	$100,997	$100,997	$0	0.00%	NV
Concho Resources, Inc.	$92,849	DNP	N/A	N/A	N/A
ConocoPhillips	$22,797,376	$22,686,512	$110,864	0.49%	VBM
Continental Resources, Inc.	$53,445	DNP	N/A	N/A	N/A
Devon Energy Corporation	$100,547	$116,024	$15,477	15.39%	VBM
Encana Corporation	$751,086	DNP	N/A	N/A	N/A
Energy XXI	$376,404	DNP	N/A	N/A	N/A
ENI Petroleum	$4,441,585	$4,464,090	$22,505	0.51%	VBM
EOG Resources, Inc.	$312,058	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$944,430	DNP	N/A	N/A	N/A

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
ExxonMobil Corporation	**$10,187,493**	**$11,596,564**	**$1,409,071**	**13.83%**	**Explanation 6**
Fieldwood Energy LLC	$4,404,507	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$4,515,203	$4,532,826	$17,623	0.39%	VBM
Hess Corporation	$2,289,484	$2,320,328	$30,844	1.35%	VBM
Jonah Energy LLC	$62,494	DNP	N/A	N/A	N/A
Linn Energy, LLC	$141,294	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$4,964,836	DNP	N/A	N/A	N/A
Marathon Oil Company	$3,716,777	$3,717,446	$669	0.02%	VBM
Murphy Oil USA Inc.	$5,076,445	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$4,276,995	$4,300,998	$24,003	0.56%	VBM
Oxy USA, Inc.	$261,966	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$190,534	$190,534	$0	0.00%	NV
QEP Resources, Inc.	$371,788	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$24,771,195	$24,755,972	$15,223	0.06%	VBM
Statoil	$7,454,512	$7,532,317	$77,805	1.04%	VBM
Stone Energy Corporation	$1,701,632	$1,701,632	$0	0.00%	NV
Talos Energy LLC	$1,778,409	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$6,006	$9,908	$3,902	64.97%	VBM
W&T Offshore, Inc.	$1,394,703	$1,394,703	$0	0.00%	NV
WPX Energy, Inc.	$261,419	$261,419	$0	0.00%	NV
TOTAL REVENUE	**$176,230,997**	**$154,214,742**			

ONRR—Rents Variance Explanations

Explanation 4—BHP Billiton LTD: A variance of $243,494 (2.18%) was identified for BHP Billiton LTD for the ONRR-Rents revenue stream. BHP Billiton LTD payments totaling $1,080 were reported as part of the ONRR-Offshore Inspection Fees revenue stream, but identified by ONRR as part of the ONRR-Rents revenue stream. BHP Billiton LTD payments totaling $52,716 were reported as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Rents revenue stream.

Explanation 5—BP America: A variance of $1,140,448 (5.13%) was identified for BP America for the ONRR-Rents revenue stream. BP America payments totaling $316,800 were reported as part of the ONRR-Bonuses revenue stream, but identified by ONRR as part of the ONRR-Rents revenue stream. Minimum royalty payments totaling $158,400 were reported by BP America as part of the ONRR-Rents revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream. Payment transactions totaling $236,478 were paid by BP America in December 2014, but recorded by ONRR in January 2015. Payment transactions totaling $861,000 were attributed to BP America by ONRR during 2015 for leases that were relinquished by BP America in 2015.

Explanation 6—ExxonMobil Corporation: A variance of $1,409,071 (13.83%) was identified for ExxonMobil Corporation for the ONRR-Rents revenue stream. Refunded amounts totaling $1,368,000 were posted by ONRR in November and December 2015 and taken by ExxonMobil Corporation in January 2016.

ONRR—BONUSES MARGIN OF VARIANCE:

Variance Percentage Threshold: 2%

Variance Floor Threshold: $100,000

TABLE C.3: ONRR—Bonuses Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$42,129,612	$42,129,612	$0	0.00%	NV
Anadarko Petroleum Corporation	$2,400,166	$2,400,167	$1	0.00%	VBM
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$59,126,642	$59,126,642	$0	0.00%	NV
Arena Energy, LLC	$560,000	$560,000	$0	0.00%	NV
BHP Billiton LTD	**$40,220,086**	**$30,295,086**	**$9,925,000**	**24.68%**	**Explanation 7**
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	**$9,453,524**	**$5,616,215**	**$3,837,309**	**40.59%**	**Explanation 8**
Chevron Corporation	$133,248,821	$133,248,821	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$69,406,946	$69,406,946	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	$30,435,859	$30,362,934	$72,925	0.24%	VBM

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$52,950,650	$52,950,650	$0	0.00%	NV
Fieldwood Energy LLC	$1,330,704	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$41,808,040	$41,808,026	$14	0.00%	VBM
Hess Corporation	$8,292,948	$8,295,948	$3,000	0.04%	VBM
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$4,952,164	DNP	N/A	N/A	N/A
Marathon Oil Company	$5,635,636	$5,635,636	$0	0.00%	NV
Murphy Oil USA Inc.	$24,198,856	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$277,177,576	$277,177,576	$0	0.00%	NV
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$37,887,325	$37,887,325	$0	0.00%	NV
Statoil	$69,413,541	$69,413,541	$0	0.00%	NV
Stone Energy Corporation	$1,555,555	$1,555,555	$0	0.00%	NV
Talos Energy LLC	$2,184,870	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$284,000	$284,000	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$914,653,521**	**$868,154,680**			

ONRR— Bonuses Variance Explanations

Explanation 7—BHP Billiton LTD: A variance of $9,925,000 (24.68%) was identified for BHP Billiton LTD for the ONRR-Bonuses revenue stream. Transactions totaling $9,925,000 were identified as paid by BHP Billiton LTD in 2014, and recorded by ONRR in 2015.

Explanation 8—BP America: A variance of $3,837,309 (40.59%) was identified for BP America for the ONRR-Bonuses revenue stream. Payment transactions totaling $4,154,108 were identified as paid by BP America in December 2014 and recorded by ONRR in January 2015. BP America payments totaling $316,800 were reported as part of the ONRR-Bonuses revenue stream, but identified by ONRR as part of the ONRR-Rents revenue stream.

ONRR—OTHER REVENUES MARGIN OF VARIANCE:

Variance Percentage Threshold: 3%

Variance Floor Threshold: $50,000

TABLE C.4: ONRR—Other Revenues Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	-$13,402,016	-$13,238,338	$163,678	1.22%	VBM
Apache Corporation	$313,908	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$5,405,649	$5,360,237	$45,412	0.84%	VBM
Arena Energy, LLC	$1,004,278	$1,004,278	$0	0.00%	NV
BHP Billiton LTD	**$14,941,480**	**$1,310**	**$14,940,170**	**99.99%**	**Explanation 9**
BOPCO, LP	$34,691	DNP	N/A	N/A	N/A
BP America	**$2,599,481**	**$3,690,198**	**$1,090,717**	**41.96%**	**Explanation 10**
Chevron Corporation	-$3,936,283	-$3,961,553	$25,270	0.64%	VBM
Cimarex Energy Co.	-$1,781,323	-$1,782,980	$1,657	0.09%	VBM
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	-$705,346	DNP	N/A	N/A	N/A
ConocoPhillips	-$7,460,211	-$7,463,497	$3,286	0.04%	VBM
Continental Resources, Inc.	$894,448	DNP	N/A	N/A	N/A

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Devon Energy Corporation	**-$429,734**	**-$373,041**	**$56,693**	**13.19%**	**Explanation 11**
Encana Corporation	$988,968	DNP	N/A	N/A	N/A
Energy XXI	-$223,365	DNP	N/A	N/A	N/A
ENI Petroleum	-$1,849,312	-$1,885,211	$35,899	1.94%	VBM
EOG Resources, Inc.	-$1,368,502	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	-$6,686,008	DNP	N/A	N/A	N/A
ExxonMobil Corporation	**$14,920,601**	**$3,688,601**	**$11,232,000**	**75.28%**	**Explanation 12**
Fieldwood Energy LLC	-$12,341,727	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$1,100,708	$1,092,681	$8,027	0.73%	VBM
Hess Corporation	$461,116	$464,102	$2,986	0.65%	VBM
Jonah Energy LLC	-$4,716,108	DNP	N/A	N/A	N/A
Linn Energy, LLC	$2,614,438	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$2,636,690	DNP	N/A	N/A	N/A
Marathon Oil Company	$33,994	$34,115	$121	0.36%	VBM
Murphy Oil USA Inc.	-$639,459	DNP	N/A	N/A	N/A
Noble Energy, Inc.	-$24,086	$1,667	$25,753	106.92%	VBM
Oxy USA, Inc.	$127,379	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$1,095	$0	$1,095	100.00%	VBM
QEP Resources, Inc.	-$3,267,324	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$455,533	$442,974	$12,559	2.76%	VBM
Statoil	-$3,492,933	-$3,449,925	$43,008	1.23%	VBM
Stone Energy Corporation	$753,862	$753,862	$0	0.00%	NV
Talos Energy LLC	-$983,805	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$76,907	$45,690	$31,217	40.59%	VBM
W&T Offshore, Inc.	-$4,968,640	-$4,968,640	$0	0.00%	NV
WPX Energy, Inc.	-$366,662	-$365,796	$866	0.24%	VBM
TOTAL REVENUE	**-$19,277,618**	**-$20,909,266**			

ONRR—Other Revenues Variance Explanations

Explanation 9—BHP Billiton LTD: A variance of $14,940,170 (99.99%) was identified for BHP Billiton LTD for the ONRR-Other Revenues revenue stream. BHP Billiton LTD payments totaling $14,928,647 were reported as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream.

Explanation 10—BP America: A variance of $1,090,717 (41.96%) was identified for BP America for the ONRR-Other Revenues revenue stream. Transactions totaling $1,172,000 were recouped by BP America and reported as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream. Adjusted royalty payments totaling $384,000 were reported by BP America as part of the ONRR-Royalties revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream. Minimum royalty payments totaling $158,400 were reported by BP America as part of the ONRR-Rents revenue stream, but identified by ONRR as part of the ONRR-Other Revenues revenue stream. Transactions totaling $522,780 were recouped by BP America in 2014 and posted by ONRR in 2015.

Explanation 11—Devon Energy Corporation: A variance of $56,693 (13.19%) was identified for Devon Energy Corporation for the ONRR-Other Revenues revenue stream. A payment of $180,952 was identified as paid by Devon Energy Corporation in 2015; however, only $112,390 was posted by ONRR in 2015, the remaining $68,562 was accounted for by ONRR in 2016.

Explanation 12—ExxonMobil Corporation: A variance of $11,232,000 (75.28%) was identified for ExxonMobil Corporation for the ONRR-Other Revenues revenue stream. A payment of $11,232,000 was identified as paid by ExxonMobil Corporation in December 2014 and recorded by ONRR in 2015.

ONRR—OFFSHORE INSPECTION FEES MARGIN OF VARIANCE:

Variance Percentage Threshold: 2%

Variance Floor Threshold: $20,000

TABLE C.5: ONRR—Offshore Inspection Fees Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	**$2,074,000**	**$2,235,000**	**$161,000**	**7.76%**	**Explanation 13**
Apache Corporation	$91,500	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$2,168,800	$2,168,800	$0	0.00%	NV
BHP Billiton LTD	$340,000	$340,000	$0	0.00%	NV
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$2,724,000	$2,726,628	$2,628	0.10%	VBM
Chevron Corporation	$1,787,100	$1,787,100	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	**$108,500**	**$131,361**	**$22,861**	**21.07%**	**Explanation 14**
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$183,700	DNP	N/A	N/A	N/A
ENI Petroleum	$199,700	$199,700	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$251,100	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$541,000	$541,113	$113	0.02%	VBM
Fieldwood Energy LLC	$14,506,500	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$3,401,600	$3,401,600	$0	0.00%	NV

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Hess Corporation	$398,500	$398,500	$0	0.00%	NV
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$939,000	DNP	N/A	N/A	N/A
Marathon Oil Company	$367,000	$367,000	$0	0.00%	NV
Murphy Oil USA Inc.	$649,500	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$275,500	$275,500	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$0	$0	$0	0.00%	NV
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$2,898,700	$2,898,700	$0	0.00%	NV
Statoil	$419,487	$427,841	$8,354	1.99%	VBM
Stone Energy Corporation	$1,047,000	$1,047,000	$0	0.00%	NV
Talos Energy LLC	$1,771,300	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$4,344,700	$4,344,700	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$41,488,187**	**$23,290,543**			

ONRR—Offshore Inspection Fees Variance Explanations

Explanation 13—Anadarko Petroleum Corporation: A variance of $161,000 (7.76%) was identified for Anadarko Petroleum Corporation for the ONRR-Offshore Inspection Fees revenue stream. A payment for the amount of $191,500 was identified as paid by Anadarko Petroleum Corporation in December 2015 and recorded by ONRR in 2016. A payment for the amount of $30,500 was identified as paid by Anadarko Petroleum Corporation in 2014 and recorded by ONRR in 2015.

Explanation 14—ConocoPhillips: A variance of $22,861 (21.07%) was identified for ConocoPhillips for the ONRR Offshore Inspection Fees revenue stream. A $17,000 payment was reported by ConocoPhillips as part of the ONRR-Offshore Inspection Fees revenue stream, but ONRR recorded it as 'on account' for ConocoPhillips, and is not included in the payments reported by ONRR. Payments totaling $877 were reported as part of the ONRR-Offshore Inspection Fees revenue stream by ConocoPhillips, but identified by ONRR as part of the ONRR-Other Revenues revenue stream.

ONRR—CIVIL PENALTIES MARGIN OF VARIANCE:

Variance Percentage Threshold: 1%

Variance Floor Threshold: $1,000

TABLE C.6: ONRR—Civil Penalties Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	$0	$0	$0	0.00%	NV
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$80,000	$80,000	$0	0.00%	NV
BHP Billiton LTD	$0	$221	$221	0.00%	VBM
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$0	$0	$0	0.00%	NV
Chevron Corporation	$350,000	$350,000	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	$0	$0	$0	0.00%	NV
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$75,000	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
EPL Oil & Gas, Inc.	$190,000	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$75,000	$75,000	$0	0.00%	NV
Fieldwood Energy LLC	$1,727,000	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$0	$0	$0	0.00%	NV
Hess Corporation	$0	$0	$0	0.00%	NV
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	**-$40,000**	**$0**	**$40,000**	**100.00%**	**Explanation 15**
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$0	$0	$0	0.00%	NV
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$0	$0	$0	0.00%	NV
Stone Energy Corporation	$40,000	$40,000	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$170,000	$170,000	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$2,667,000**	**$715,221**			

ONRR—Civil Penalties Variance Explanations

Explanation 15—Marathon Oil Company: A variance of $40,000 (100%) was identified for Marathon Oil Company for the ONRR-Civil Penalties revenue stream. ONRR included a transaction for the amount of -$40,000, which was a reversal transaction associated with a transaction in a prior calendar year. Marathon Oil Company did not include this reversal in its reported payments.

BLM—BONUS AND FIRST YEAR RENTS MARGIN OF VARIANCE:

Variance Percentage Threshold: 2%

Variance Floor Threshold: $10,000

TABLE C.7: BLM—Bonus and First Year Rents Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	$571,200	$571,200	$0	0.00%	NV
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$0	$0	$0	0.00%	NV
BHP Billiton LTD	$82	$82	$0	0.00%	NV
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$0	$0	$0	0.00%	NV
Chevron Corporation	$0	$0	$0	0.00%	NV
Cimarex Energy Co.	$179,920	$180,220	$300	0.17%	VBM
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	$23,256,000	DNP	N/A	N/A	N/A
ConocoPhillips	$497,462	$497,462	$0	0.00%	NV
Continental Resources, Inc.	$75,000	DNP	N/A	N/A	N/A
Devon Energy Corporation	$1,183,360	$1,183,360	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$0	$0	$0	0.00%	NV
Fieldwood Energy LLC	$0	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$0	$0	$0	0.00%	NV
Hess Corporation	$0	$0	$0	0.00%	NV

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	$0	$0	$0	0.00%	NV
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$0	$0	$0	0.00%	NV
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$0	$0	$0	0.00%	NV
Stone Energy Corporation	$0	$0	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$0	$0	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$25,763,024**	**$2,432,324**			

BLM—Bonus and First Year Rents Variance Explanations

There were no reconciliation variances above the Margin of Variance threshold for this revenue stream.

BLM—PERMIT FEES MARGIN OF VARIANCE:

Variance Percentage Threshold: 3%

Variance Floor Threshold: $10,000

TABLE C.8: BLM—Permit Fees Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$93,519	$93,389	$130	0.14%	VBM
Anadarko Petroleum Corporation	$784,639	$783,902	$737	0.09%	VBM
Apache Corporation	$455,180	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$0	$0	$0	0.00%	NV
BHP Billiton LTD	$168,056	$168,056	$0	0.00%	NV
BOPCO, LP	$167,750	DNP	N/A	N/A	N/A
BP America	**$323,090**	**$180,996**	**$142,094**	**43.98%**	**Explanation 16**
Chevron Corporation	$199,578	$198,578	$1,000	0.50%	VBM
Cimarex Energy Co.	$178,770	$188,000	$9,230	5.16%	VBM
Cloud Peak Energy Resources, LLC	$221,088	$220,228	$860	0.39%	VBM
Concho Resources, Inc.	$680,115	DNP	N/A	N/A	N/A
ConocoPhillips	**$555,040**	**$590,510**	**$35,470**	**6.39%**	**Explanation 17**
Continental Resources, Inc.	$513,875	DNP	N/A	N/A	N/A
Devon Energy Corporation	**$1,508,440**	**$1,431,315**	**$77,125**	**5.11%**	**Explanation 18**
Encana Corporation	$465,730	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$1,353,270	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$803,910	$803,910	$0	0.00%	NV
Fieldwood Energy LLC	$0	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$2,702,738	$2,733,772	$31,034	1.15%	VBM
Hess Corporation	$266,260	$266,260	$0	0.00%	NV

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Jonah Energy LLC	$633,960	DNP	N/A	N/A	N/A
Linn Energy, LLC	$239,263	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	$332,730	$332,500	$230	0.07%	VBM
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$332,500	$332,760	$260	0.08%	VBM
Oxy USA, Inc.	$289,520	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$85,136	$85,316	$180	0.21%	VBM
QEP Resources, Inc.	$1,443,170	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$78,450	$78,450	$0	0.00%	NV
Stone Energy Corporation	$0	$0	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$1,094,310	$1,074,810	$19,500	1.78%	VBM
W&T Offshore, Inc.	$0	$0	$0	0.00%	NV
WPX Energy, Inc.	$1,109,150	$1,101,000	$8,150	0.73%	VBM
TOTAL REVENUE	**$17,079,237**	**$10,663,752**			

BLM—Permit Fees Variance Explanations

Explanation 16—BP America: A variance of $142,094 (43.98%) was identified for BP America for the BLM-Permit Fees revenue stream. The difference was due to how BP America records and tracks direct-billed payments in its accounting system. BP America noted that it has updated its tracking system for Pay.gov transactions to track the specific federal agency beginning with CY 2016 data.

Explanation 17—ConocoPhillips: The variance amount is the net result of ConocoPhillips making year-end payments in CYs 2014 and 2015 while BLM recorded them in CYs 2015 and 2016.

Explanation 18—Devon Energy Corporation: A variance of $77,125 (5.11%) was identified for Devon Energy Corporation for the BLM-Permit Fees revenue stream. Ten payments totaling $65,000 were identified as paid by Devon Energy Corporation in December 2014 and recorded by BLM in January 2015.

BLM—RENEWABLES MARGIN OF VARIANCE:

Variance Percentage Threshold: ... N/A

Variance Floor Threshold: .... N/A

TABLE C.9: BLM—Renewables Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	$0	$0	$0	0.00%	NV
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$0	$0	$0	0.00%	NV
BHP Billiton LTD	$0	$0	$0	0.00%	NV
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$0	$0	$0	0.00%	NV
Chevron Corporation	$0	$0	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	$0	$0	$0	0.00%	NV
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$0	$0	$0	0.00%	NV
Fieldwood Energy LLC	$0	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$0	$0	$0	0.00%	NV
Hess Corporation	$0	$0	$0	0.00%	NV
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	$0	$0	$0	0.00%	NV
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$0	$0	$0	0.00%	NV
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$0	$0	$0	0.00%	NV
Stone Energy Corporation	$0	$0	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$0	$0	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$0**	**$0**			

BLM—Renewables Variance Explanations

There were no reconciliation variances above the Margin of Variance threshold for this revenue stream.

OSMRE—AML FEES MARGIN OF VARIANCE:

Variance Percentage Threshold: 2%

Variance Floor Threshold: $100,000

TABLE C.10: OSMRE—AML Fees Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$16,478,459	$16,442,458	$36,001	0.22%	VBM
Anadarko Petroleum Corporation	$0	$0	$0	0.00%	NV
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$34,106,552	$34,106,552	$0	0.00%	NV
Arena Energy, LLC	$0	$0	$0	0.00%	NV
BHP Billiton LTD	$677,741	$677,741	$0	0.00%	NV
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$0	$0	$0	0.00%	NV
Chevron Corporation	$0	$0	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$22,197,745	$22,197,745	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	$0	$0	$0	0.00%	NV
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$0	$0	$0	0.00%	NV
Fieldwood Energy LLC	$0	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$0	$0	$0	0.00%	NV
Hess Corporation	$0	$0	$0	0.00%	NV

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	$0	$0	$0	0.00%	NV
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	$48,411,042	$48,267,960	$143,082	0.30%	VBM
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$0	$0	$0	0.00%	NV
Stone Energy Corporation	$0	$0	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$0	$0	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	**$121,871,539**	**$121,692,456**			

OSMRE—AML Fees Variance Explanations

There were no reconciliation variances above the Margin of Variance threshold for this revenue stream.

OSMRE—CIVIL PENALTIES MARGIN OF VARIANCE:

Variance Percentage Threshold: 3%

Variance Floor Threshold: $0

TABLE C.11: OSMRE—Civil Penalties Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Alpha Natural Resources, Inc.	$0	$0	$0	0.00%	NV
Anadarko Petroleum Corporation	$0	$0	$0	0.00%	NV
Apache Corporation	$0	DNP	N/A	N/A	N/A
Arch Coal, Inc.	$0	$0	$0	0.00%	NV
Arena Energy, LLC	$0	$0	$0	0.00%	NV
BHP Billiton LTD	$0	$0	$0	0.00%	NV
BOPCO, LP	$0	DNP	N/A	N/A	N/A
BP America	$0	$0	$0	0.00%	NV
Chevron Corporation	$0	$0	$0	0.00%	NV
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$0	$0	$0	0.00%	NV
Concho Resources, Inc.	$0	DNP	N/A	N/A	N/A
ConocoPhillips	$0	$0	$0	0.00%	NV
Continental Resources, Inc.	$0	DNP	N/A	N/A	N/A
Devon Energy Corporation	$0	$0	$0	0.00%	NV
Encana Corporation	$0	DNP	N/A	N/A	N/A
Energy XXI	$0	DNP	N/A	N/A	N/A
ENI Petroleum	$0	$0	$0	0.00%	NV
EOG Resources, Inc.	$0	DNP	N/A	N/A	N/A
EPL Oil & Gas, Inc.	$0	DNP	N/A	N/A	N/A
ExxonMobil Corporation	$0	$0	$0	0.00%	NV
Fieldwood Energy LLC	$0	DNP	N/A	N/A	N/A
Freeport-McMoRan Inc.	$0	$0	$0	0.00%	NV

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
Hess Corporation	$0	$0	$0	0.00%	NV
Jonah Energy LLC	$0	DNP	N/A	N/A	N/A
Linn Energy, LLC	$0	DNP	N/A	N/A	N/A
LLOG Exploration Company LLC	$0	DNP	N/A	N/A	N/A
Marathon Oil Company	$0	$0	$0	0.00%	NV
Murphy Oil USA Inc.	$0	DNP	N/A	N/A	N/A
Noble Energy, Inc.	$0	$0	$0	0.00%	NV
Oxy USA, Inc.	$0	DNP	N/A	N/A	N/A
Peabody Energy Corporation	**$3,420**	**$5,630**	**$2,210**	**64.62%**	**Explanation 19**
QEP Resources, Inc.	$0	DNP	N/A	N/A	N/A
Red Willow Offshore, LLC	$0	$0	$0	0.00%	NV
Shell E&P Company	$0	$0	$0	0.00%	NV
Statoil	$0	$0	$0	0.00%	NV
Stone Energy Corporation	$0	$0	$0	0.00%	NV
Talos Energy LLC	$0	DNP	N/A	N/A	N/A
Ultra Resources Inc.	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$0	$0	$0	0.00%	NV
WPX Energy, Inc.	$0	$0	$0	0.00%	NV
TOTAL REVENUE	$3,420	$5,630			

OSMRE—Civil Penalties Variance Explanations

Explanation 19—Peabody Energy Corporation: A variance of $2,210 (64.62%) was identified for Peabody Energy Corporation for the OSMRE-Civil Penalties revenue stream. A payment for the amount of $2,210 was identified as paid by Peabody Energy Corporation in December 2015 and recorded by OSMRE in January 2016.

IRS—FEDERAL CORPORATE INCOME TAXES MARGIN OF VARIANCE:

Variance Percentage Threshold: 1%

Variance Floor Threshold: $100,000

TABLE C.12: IRS—Federal Corporate Income Taxes Reporting Results

In-Scope Company	Total Reported by Company
Alpha Natural Resources, Inc.	DNR
Anadarko Petroleum Corporation	DNR
Apache Corporation	DNP
Arch Coal, Inc.	DNR
Arena Energy, LLC	N/A
BHP Billiton LTD	$2,666,092
BOPCO, LP	DNP
BP America	$100,316,502
Chevron Corporation	DNR
Cimarex Energy Co.	$0
Cloud Peak Energy Resources, LLC	$9,806,299
Concho Resources, Inc.	DNP
ConocoPhillips	DNR
Continental Resources, Inc.	DNP
Devon Energy Corporation	DNR
Encana Corporation	DNP
Energy XXI	DNP
ENI Petroleum	$0
EOG Resources, Inc.	DNP
EPL Oil & Gas, Inc.	DNP
ExxonMobil Corporation	DNR
Fieldwood Energy LLC	N/A
Freeport-McMoRan Inc.	-$160,013,413
Hess Corporation	DNR

In-Scope Company	Total Reported by Company
Jonah Energy LLC	DNP
Linn Energy, LLC	DNP
LLOG Exploration Company LLC	DNP
Marathon Oil Company	DNR
Murphy Oil USA Inc.	DNP
Noble Energy, Inc.	DNR
Oxy USA, Inc.	DNP
Peabody Energy Corporation	DNR
QEP Resources, Inc.	DNP
Red Willow Offshore, LLC	N/A
Shell E&P Company	-$242,478,106
Statoil	$0
Stone Energy Corporation	-$7,187,950
Talos Energy LLC	DNP
Ultra Resources Inc.	$0
W&T Offshore, Inc.	-$60,532
WPX Energy, Inc.	-$11,000,000

TABLE C.13: IRS—Federal Corporate Income Taxes Reconciliation Results

In-Scope Company	Total Reported by Government Entity	Total Reported by Company	Variance Amount ($)	Variance Percentage (%)	Variance Result
BHP Billiton LTD	$2,644,390	$2,666,092	$21,702	0.82%	VBM
BP America	**-$16,571,767**	**$100,316,502**	**$116,888,269**	**705.35%**	**Explanation 20**
Cimarex Energy Co.	$0	$0	$0	0.00%	NV
Cloud Peak Energy Resources, LLC	$9,806,299	$9,806,299	$0	0.00%	NV
Shell E&P Company	**-$239,325,651**	**-$242,478,106**	**$3,152,455**	**1.32%**	**Explanation 21**
Statoil	$0	$0	$0	0.00%	NV
W&T Offshore, Inc.	$0	-$60,532	$60,532	100.00%	

IRS—Federal Corporate Income Taxes Variance Explanations

Explanation 20—BP America: A variance of $116,888,269 (705.35%) was identified for BP America for the IRS-Federal Corporate Income Taxes revenue stream. Payment transactions totaling $116,888,269 were paid using funds held by the IRS on account for BP America, but only external payment transactions were included in the IRS reported payments.

Explanation 21—Shell E&P Company: A variance of $3,152,455 (1.32%) was identified for Shell E&P Company for the IRS-Federal Corporate Income Taxes revenue stream. Payment transactions for tax refunds totaling $1,578,450 were identified as paid by the IRS in 2015, but Shell E&P Company did not include these specific transactions in its submission since these refunds were not related to activities in extractive industries. Payment transactions for tax refunds totaling $4,730,905 were not identified as paid by the IRS to Shell E&P Company since these tax refunds were related to an overpayment made by a separate taxpayer in 2014, who was a member of Shell E&P Company in 2015.

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