

Subpart B—Prepayment of Royalty [Reserved]

Subpart C—Accounting and Auditing Relief

§ 204.200 What is the purpose of this subpart?

This subpart explains how you as a lessee or lessee's designee may obtain accounting and auditing relief for production from a marginal property. The two types of relief that you can receive under this subpart are cumulative reports and payment relief (explained in § 204.202) and other accounting and auditing relief appropriate for your property (explained in § 204.203).

§ 204.201 Who may obtain accounting and auditing relief?

(a) You may obtain accounting and auditing relief under this subpart:

(1) If you are a lessee or its designee for a Federal lease with production from a property that qualifies as a marginal property under § 204.4;

(2) If you meet any additional requirements for specific types of relief under this subpart; and

(3) Only for your fractional interest in the marginal property.

(b) You may not obtain one or both of the relief options specified in this subpart on any portion of a property if:

(1) The property covers multiple States; and

(2) One of the States determines under § 204.208 that it will not allow one or both of the relief options.

§ 204.202 What is the cumulative royalty reports and payments relief option?

(a) The cumulative royalty reports and payments relief option allows you to submit royalty reports and payments annually for the calendar year. You are eligible for this option only if the total volume produced from the marginal property is 1,000 BOE or less during the base period.

(b) You must notify MMS under § 204.205(a) before taking relief under this option.

(c) To use the cumulative royalty reports and payments relief option, you must do all of the following.

(1) Submit your royalty report and payment in accordance with § 218.51(g) of this chapter if you do not have an estimated payment on file for gas under 30 CFR 218.150(b). You must make this submission by the end of February of the year following the calendar year for which you are reporting annually.

(2) Submit your royalty report and payment by the end of March of the year following the year for which you are

reporting annually if you have an estimate on file.

(3) Use as the sales month the month before the month that you will report and pay under this paragraph (c) to report royalty information for the entire calendar year. (For example, if you report and pay by the end of February, use January as the sales month.)

(4) Report one line of cumulative royalty information on the Report of Sales and Royalty Remittance, Form MMS-2014, for the calendar year, the same as if it were a monthly report.

(d) If you do not pay your royalty by the date due in paragraph (c) of this section, you will owe late payment interest determined under part 218 of this chapter from the date your payment was due under this section until the date MMS receives it.

(e) If you take relief you are not qualified for, you must:

(1) Pay MMS late payment interest determined under part 218 of this chapter from the date your payment was due until the date MMS receives it; and

(2) Amend your Form MMS-2014 to reflect the required monthly reporting.

(f) You must report allowances on Form MMS-2014 on the same annual basis as the royalties for your marginal property.

(g) If you dispose of a marginal property for which you have taken relief under this section, you must:

(1) Report and pay royalties for the portion of the calendar year for which you had an ownership interest; and

(2) Make the report and payment by the end of the month after you dispose of the marginal property.

§ 204.203 What is the other relief option?

(a) Under this relief option, you may request any type of accounting and auditing relief that is appropriate for your marginal property, provided it is not prohibited under § 204.204 and meets the statutory requirements of § 204.5. Examples of relief options you could request are:

(1) To report and pay royalties using a valuation method other than that required under part 206 of this chapter that approximates royalties payable under part 206 of this chapter; and

(2) To reduce your royalty audit burden. However, MMS will not consider any request that eliminates MMS's or the State's right to audit.

(b) You must request approval from MMS under § 204.205(b) before taking relief under this option.

§ 204.204 What accounting and auditing relief will MMS not allow?

MMS will not approve your request for accounting and auditing relief under this subpart if your request:

(a) Prohibits MMS or the State from conducting any form of audit;

(b) Permanently relieves you from making future royalty reports or payments;

(c) Provides for less frequent royalty reports and payments than annually;

(d) Provides for you to submit royalty reports and payments at separate times;

(e) Impairs MMS's ability to properly or efficiently account for or distribute royalties;

(f) Requests relief for a lease under which the Federal Government takes its royalties in-kind;

(g) Alters production reporting requirements;

(h) Alters lease operation or safety requirements;

(i) Conflicts with rent, minimum royalty, or lease requirements; or

(j) Requests relief for a marginal property located in a State that has determined in advance that it will not allow such relief under § 204.208.

§ 204.205 How do I obtain accounting and auditing relief?

(a) To take accounting relief under § 204.202, you must notify MMS in writing by January 31 of the calendar year for which you begin taking your relief.

(1) Your notification must contain:

(i) Your company name, MMS-assigned payor code, address, phone number, and contact name; and

(ii) The specific MMS lease number and Agreement number, if applicable.

(2) You may file a single notification for multiple marginal properties.

(b) To obtain accounting or auditing relief under § 204.203, you must file a written request for relief with MMS.

(1) Your request must contain:

(i) Your company name, MMS-assigned payor code, address, phone number, and contact name;

(ii) The MMS lease number and Agreement number, if applicable; and

(iii) A complete and detailed description of the specific accounting or auditing relief you seek.

(2) You may file a single request for multiple marginal properties if you are requesting the same relief for all properties.

§ 204.206 What will MMS do when it receives my request for accounting and auditing relief?

When MMS receives your request for accounting and auditing relief under § 204.205(b), it will notify you in writing as follows:

(a) If your request for relief is complete, MMS may either approve, deny, or modify your request in writing.

(1) If MMS approves your request for relief, MMS will notify you of the