

H-3103-1 - FEES, RENTALS, AND ROYALTY

KeywordsII. Lease Rental ProvisionsA. General

The Mineral Leasing Act (MLA) delegates to the Secretary of the Interior the authority to determine annual rental rates for oil and gas leases, subject to the minimum amounts prescribed in the law. The MLA provisions that apply to leases issued under the Federal Onshore Oil and Gas Leasing Reform Act (Reform Act) of December 22, 1987 (Section 17(d) of the MLA), require annual rental payments for competitive and noncompetitive leases to be not less than \$1.50 per acre or fraction thereof for the first through fifth lease years and \$2 per acre or fraction thereof for subsequent lease years. Acting under the Secretary of the Interior's authority, the leasing regulations promulgated effective June 17, 1988 (43 CFR 3103.2-2), established the annual rental rates at these minimum statutory amounts.

RENTAL RATES
UNDER THE
REFORM ACT

Previously, under the Act of September 2, 1960, the rental rates were required to be not less than 50 cents per acre or fraction thereof per year. The Secretary promulgated regulations applying to leases issued on or after September 2, 1960 (43 CFR 3103.3-2), requiring an annual rental of 50 cents to \$2 per acre or fraction thereof (\$1 per acre or fraction thereof for noncompetitive leases issued on or after February 1, 1977). These regulations did not alter the rental rate of previously issued oil and gas leases outstanding on September 2, 1960.

RENTAL RATES
LEASES ISSUED
ON OR AFTER
SEPTEMBER 2,
1960

The Reform Act regulations changed the rental rate for simultaneous oil and gas leases that had been issued under 43 CFR Part 3112. Effective February 19, 1982, the annual rental rate was changed from \$1 per acre or fraction thereof for the entire 10-year lease term to a rate of \$1 per acre or fraction thereof for the first through fifth lease years and \$3 per acre or fraction thereof for the sixth and subsequent lease years. The Reform Act regulations of June 17, 1988 (43 CFR 3103.2-2(b)(1)), changed the simultaneous oil and gas lease annual rental rate for the sixth and succeeding lease years to \$2 per acre or fraction thereof.

RENTAL RATE
FOR ESCALATING
SIMULTANEOUS
LEASES CHANGED
BY REFORM ACT
REGULATIONS

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Keywords

The Reform Act regulations of June 17, 1988, also made the following changes: For leases determined to be within a KGS or FPGP after December 22, 1987, the annual rental rate shall not to be increased, but shall remain at the non-KGS/FPGP rate (43 CFR 3103.2-2(b)(2)). In addition, reinstated competitive and noncompetitive leases shall not increase an additional \$2 per acre or fraction thereof per lease year if they were determined after December 22, 1987, to contain KGS/FPGP lands.

RENTAL RATE
FOR LEASES IN
KGS OR FPGP
CHANGED BY
REFORM ACT

The rental rate for oil and gas right-of-way leases issued in accordance with the Act of May 21, 1930, that were issued after the June 17, 1988, regulations shall be \$1.50 per acre or fraction thereof for the first through fifth lease years and \$2 per acre or fraction thereof for lease years 6 through 20.

RENTAL RATE
FOR 1930 ACT
RIGHT-OF-WAY
LEASES

Leases also may be subject to a Secretarial rental rate reduction. Under 30 U.S.C. 209 (Section 39 of the MLA), on October 24, 1986, the Secretary of the Interior announced a rental rate reduction that applied to simultaneous oil and gas leases. This rental rate reduction has been continued and extended to certain other oil and gas leases. The Secretary's decision reduced the annual rental rate to \$1 per acre or fraction thereof for all simultaneous oil and gas leases that were subject to the February 19, 1982, rental rate increase and extended the rental rate reduction to certain leases with lease anniversary years commencing March 1, 1989 (see Illustration 1 for leases affected). The rental rate reduction has been extended through February 29, 1996.

SECRETARIAL
RENTAL
REDUCTIONS

Reduced rental and royalty rates cannot be prescribed as a part of the initial terms of a lease at the time of lease issuance. For example, a renewal lease must be issued on the appropriate lease form at the rental and royalty rates specified in the current leasing regulations, i.e., an annual rental rate of \$2 per acre or fraction thereof, and a fixed royalty rate of 12½ percent. However, since such leases are renewals of existing leases, they are subject to any Secretarial rental rate reduction that may still be in effect at the time of renewal, such as the rental rate reduction announced January 19, 1989.

RENEWAL LEASE
RENTAL RATE
REDUCTION
PROCEDURES

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Keywords

Therefore, at the time of issuance of a renewal lease with an effective date on or after March 1, 1989, but an effective date not later than February 29, 1996 (or such other effective date that may be announced should the Secretary grant an extension of the rental rate reduction or decide to terminate the rental rate reduction prior to that date), the actual annual rental amount to be collected is to be reduced immediately to \$1 per acre or fraction thereof. However, if the renewal lease effective date is prior to March 1, 1989, the full \$2 per acre annual rental amount must be collected, and the rental reduction would not occur until the next lease anniversary date (i.e., January 1, 1990).

If the lessee of a renewal lease submits annual rental of \$2 per acre rental with an application for renewal of a nonproducing renewal lease, the first year's advance rental of \$1 per acre is to be applied with the excess refunded by the BLM upon lease issuance. In the event the renewal lease had already been issued and the full rental payment of \$2 per acre has been transferred to the Minerals Management Service (MMS), Data Management Division (DMD), the \$1 per acre excess is to be processed as an overpayment by the MMS and either credited to the lease account or refunded by the MMS-DMD.

The BLM does not need to authorize refunds made by the MMS-DMD for overpayments for renewal leases or for any other oil and gas leases that are subject to the rental rate reduction.

REFUNDS -
MMS ACTION

For those renewal leases currently subject to a reduced royalty rate, a new application for determination of eligibility for a royalty rate reduction must be filed after the renewal lease is issued (see 43 CFR 3103.4-1).

When an accounting advice transmits lease information to the MMS-DMD for a lease that is subject to a Secretarial rental rate reduction, the accounting advice must be annotated to indicate that the rental rate reduction applies. This is to be indicated by crossing out the full rental rate required by the lease terms and regulations, and writing in the reduced rental rate in accordance with the rental rate reduction in force at the time.

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Keywords

The BLM State Office is responsible for the collection of all the administrative and filing fees required for lease actions, including fees for lease offers, applications, assignments, transfers, and lease reinstatements; bonus monies for competitive lease bids; and the first year's advance rentals for all oil and gas leases.

RENTAL
COLLECTION -
BLM

The MMS is responsible for the collection and distribution of annual rental payments for leases beginning with the second lease anniversary date, except for future interest leases as addressed below. The MMS also collects and distributes all rentals and royalties from leases in a producing (nonterminable) status, including communitized leases and unitized leases in producing unit areas, compensatory royalty payments, subsurface storage fees, and directional drilling easements.

RENTAL
COLLECTION
MMS

The MMS also is responsible for the collection and distribution of all rentals and royalties for all future interest leases, including the first year's advance rental in situations where the rental has not been submitted to the BLM prior to lease issuance because the date of vesting of the minerals in the United States is still several years in the future. The MMS automated Common Reference Database System will accept monies for future interest leases prior to the date of vesting of the mineral interests in the United States. (See Handbook 3110-1, Section XV, and Handbook 3120-1, Section III.A.)

The first year's advance rental remittances may be made by either credit card (VISA or MasterCard only) or personal check, money order, cashier's check, OR certified check, and are to be made payable to the Department of the Interior - Bureau of Land Management. Payments made to the BLM may be made by other arrangements, such as by electronic funds transfer when so authorized by the BLM. Remittances to the MMS for all subsequent annual rental payments are to be made payable to the Department of the Interior - Minerals Management Service.

ACCEPTABLE
REMITTANCES

Automated Clearing House (ACH) payments to the MMS are an acceptable method of rental payment. The ACH is an electronic payment system that is the functional equivalent of a check clearing facility (see Illustration 2, Automated Clearing House Payment Procedures Flow Chart).

AUTOMATED
CLEARING
HOUSE RENTAL
PAYMENT
PROCEDURES

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Keywords

When the ACH is used, the lessee/payor authorizes its bank to make a payment and specifies the date the transfer is to be made. The lessee's/payor's bank electronically transfers the money and a payment message to the local ACH on the specified date. Overnight, the local ACH electronically transfers the money and a payment message to the agent's bank (currently Mellon Bank), that constitutes receipt by the MMS. The Mellon Bank electronically transfers the money and a message to the Federal Reserve Bank in New York, and concurrently, another payment message to the MMS. The Federal Reserve electronically transfers the money and a message to the Department of the Treasury the same day. The Treasury Department electronically transmits a payment message to the MMS.

The leasing regulations are silent regarding timely payment and reasonable diligence as they apply to the use of the ACH for lease annual rental payments. However, payments made by the ACH will be considered timely made when the payments are actually received on or before the lease anniversary date by the Department of the Treasury or the Mellon Bank (agent bank), and the payment has been designated for posting to the MMS account. If the payment is received timely by the agent bank and, through an error of the agent bank, the funds are not posted on time to the MMS account, the rental payment will be considered received by the MMS when first received by the agent bank. If a posting error is due to an improper entry made by the payor, payor's bank or the ACH, the payment will be deemed received by the MMS when either the payor's bank for the ACH or the ACH corrects the error and properly completes the transfer. When using electronic funds transfer (ACH), reasonable diligence for lease reinstatement purposes under the MLA (30 U.S.C. 188(c)) shall be defined as receipt of the proper payment message by the ACH on or before the lease anniversary date. (See Handbook 3108-1, Section II.A, for additional procedures on late payments made through use of the ACH.)

REASONABLE
DILIGENCE
USING ACH

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B. Leases Issued Under the Reform Act of
December 22, 1987Keywords

The Reform Act, enacted on December 22, 1987, established a competitive leasing system that eliminated the KGS/FPGP designations. The noncompetitive simultaneous oil and gas leasing system also was eliminated. The law provided for the following annual rental rates:

REFORM
ACT LEASES -
RENTAL RATES

1. Competitive Leases. The rental is \$1.50 per acre or fraction thereof for the first through fifth lease years and increases to \$2 per acre or fraction thereof beginning the sixth lease year of the 10-year primary term and subsequent lease years.

COMPETITIVE
LEASES -
REFORM ACT
RENTAL RATE

2. Noncompetitive Leases. The rental is \$1.50 per acre or fraction thereof for the first through fifth lease years and \$2 per acre or fraction thereof for the remainder of the 10-year term and subsequent lease years.

NONCOMPETITIVE
LEASES -
REFORM ACT
RENTAL RATE

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KeywordsC. Other Leases Issued On or After June 17, 1988

The regulations promulgated on June 17, 1988, to implement the Reform Act, establish the following annual rental rates in addition to the rental rates for Reform Act leases discussed in Section II.B, above.

- | | |
|---|--|
| <p>1. Noncompetitive and competitive leases issued on or before December 22, 1987, or issued pursuant to an application or offer to lease filed prior to that date, have the annual rental rate as stated in the lease or in the regulations (43 CFR 3103.2-2(b)) in effect on December 22, 1987, except:</p> | <p>GRANDFATHERED
LEASES -
RENTAL RATES</p> |
| <p>1a. Simultaneous leases issued on or after February 19, 1982, are subject after February 1, 1989, to an annual rental rate of \$2 per acre or fraction thereof in the sixth and subsequent lease years in lieu of \$3 per acre per year as established in the lease terms at the time of lease issuance.</p> | <p>SIMULTANEOUS
LEASE RENTAL
CHANGED TO \$2
FROM \$3 WITH
6TH YEAR</p> |
| <p>1b. The annual rental rate shall not be increased for leases determined to be within a KGS or FPGP after December 22, 1987.</p> | <p>RENTAL NOT
INCREASED FOR
LANDS IN KGS
OR FPGP</p> |
| <p>1c. Exchange and renewal leases require an annual rental rate of \$2 per acre or fraction thereof upon exchange or renewal.</p> | <p>RENEWAL AND
EXCHANGE LEASE
RENTAL RATES</p> |
| <p>2. Leases being assessed compensatory royalty shall not have rental due on acreage for which royalty or minimum royalty is being paid, except for nonproducing leases being assessed compensatory royalty, in which case, both rental and royalty are due.</p> | <p>COMPENSATORY
ROYALTY
ASSESSMENTS -
RENTAL DUE</p> |
| <p>3. Reinstated leases/converted oil placer mining claims have annual rental rates as follows:</p> | <p>REINSTATED
LEASES -
RENTAL RATES</p> |
| <p>3a. The annual rate for terminated noncompetitive oil and gas leases reinstated under 43 CFR 3108.2-3 (Class II provisions) and unpatented oil placer mining claims converted to a noncompetitive lease under 43 CFR 3108.2-4 (Class III provisions) is \$5 per acre or fraction thereof. The annual rental rate is not increased an additional \$2 per acre for KGS or FPGP lands determined after December 22, 1987, as had been required by the leasing regulations in effect prior to June 17, 1988.</p> | <p>CLASS II
REINSTATEMENT</p> <p>CLASS III
REINSTATEMENT</p> |

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3b. The annual rental for terminated competitive leases reinstated under 43 CFR 3108.2-3 (Class II) shall increase to \$10 per acre or fraction thereof.

3c. For each succeeding time a specific lease is reinstated under 43 CFR 3108.2-3, the annual rental must increase an additional \$5 per acre or fraction thereof for noncompetitive leases and \$10 per acre or fraction thereof for competitive leases.

The minimum royalty rate established in the lease terms at the time the lease was issued is not affected by reinstatements.

Keywords

REINSTATED
COMPETITIVE
LEASES

SUCCESSIVE
REINSTATEMENTS
RENTAL RATES

MINIMUM
ROYALTY RATE
NOT CHANGED BY
REINSTATEMENT

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KeywordsD. Leases Issued On or After September 2, 1960, and
Prior to the Reform Act

The Act of September 2, 1960, amending the MLA and the regulations promulgated thereunder, prescribed the rental rates for all leases issued on or after that date up to the time that leases were issued under the Reform Act of December 22, 1987. The annual rental for leases issued prior to the 1960 Act generally remained at the rate that was in effect at the time the lease was issued. (See Section II.E, below, for a discussion of these earlier rental rates.)

MLA REVISIONS
OF 1960 -
RENTAL RATE
CHANGES

For all leases issued pursuant to the 1960 Act, the annual rental rates were applied on a per acre or fraction of an acre basis (i.e., \$400 rental for a competitive lease containing 199.18 acres). Such rentals are not credited against royalties. The following annual rental rates for oil and gas leases were established in accordance with the Act of September 2, 1960:

1. Competitive Leases. The rental for all competitive leases issued on or after September 2, 1960, was set at \$2 per acre or fraction thereof per year.

COMPETITIVE
LEASES - 1960
ACT RENTAL
RATE CHANGE

2. Noncompetitive Leases.

2a. For all noncompetitive leases issued on or after September 2, 1960, that, on the date rental was due, covered lands wholly outside the limits of a KGS of a producing oil and/or gas field, rental was set at 50 cents per acre or fraction thereof. However, for noncompetitive leases issued on or after February 1, 1977, an annual rental of \$1 per acre or fraction thereof was required.

NONCOMPETITIVE
LEASES OUTSIDE
KGS - 1960 ACT
RENTAL RATE
CHANGE

2b. If any of the lands covered by a noncompetitive lease issued on or after September 2, 1960, were included in a KGS on the date the rental was due, the rental was increased to \$2 per acre or fraction thereof. This increase began the first lease year after 30 days notice by the BLM to the lessee. However, if the anniversary date of the lease fell during the 30-day notice period, the annual rental due at that time had to remain unchanged.

NONCOMPETITIVE
LEASES INSIDE
KGS - 1960 ACT
RENTAL RATE
CHANGE

NOTE: This provision does not include leases committed to an approved unit plan that has a well capable of producing oil and/or gas.

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KeywordsPARTICIPATING
AREA/MINIMUM
ROYALTY

2c. If any of the lands covered by a noncompetitive lease issued on or after September 2, 1960, were committed to an approved unit plan, and that unit plan includes a well capable of producing oil and/or gas, the lands within the participating area convert to a minimum royalty status. This provision remains the same under the Reform Act as for previous amendments to the MLA. For leases issued on or after September 2, 1960, but prior to February 1, 1977, the rental rate for the lands not within the participating area is 50 cents per acre or fraction thereof per year. For leases issued on or after February 1, 1977, but prior to and not subject to the Reform Act, the annual rental rate for those lands not in the participating area is \$1 per acre or fraction thereof. For leases issued in accordance with the Reform Act, the annual rental rate for those lands in the participating area is \$1.50 per acre or fraction thereof for leases in their first five lease years, and \$2 per acre or fraction thereof for leases in their sixth or subsequent lease year.

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KeywordsE. Leases Issued Prior to September 2, 1960

The amendment of the MLA of September 2, 1960, and the regulations promulgated thereunder concerning annual rental rates are generally inapplicable to leases issued prior to that date. Such leases retained the rental rates that were effective at the time the leases were issued. These rates are summarized in Illustration 3.

LEASES ISSUED
PRIOR TO
1960 ACT -
RENTAL RATES

1. Competitive Leases. The annual rental for competitive leases issued prior to September 2, 1960, is \$1 per acre.

COMPETITIVE
LEASES -
PRE-1960
RENTAL RATE

2. Noncompetitive Leases. The annual rental for noncompetitive leases issued prior to September 2, 1960, has varied from time to time. Generally, leases issued before August 8, 1946, have a rental rate of 25 cents per acre per year. When any land in a noncompetitive lease issued prior to September 2, 1960, was subsequently determined to be in a KGS, the annual rental was increased to \$1 per acre per year, unless the lease was committed to an approved unit agreement that included a producible well. In this situation, the annual rental is the same rate as if the land was not in a KGS.

NONCOMPETITIVE
LEASES -
PRE-1960
RENTAL RATES

3. Old-Form 20-Year Leases. Such leases specify a rental rate of \$1 per acre per year. Annual rental on the fractional acreage is in equal fractions of a dollar (e.g., \$169.34 rental owed for 169.34 acres).

20-YEAR
LEASES

For all leases issued prior to August 8, 1946, rentals may be credited against royalties. Rentals may not be credited against royalties for leases issued on or after that date, nor for leases issued prior to that date for which elections have been filed for the leases to be governed by the 1946 Act. For all other leases, except old-form 20-year leases issued prior to August 8, 1946, the annual rental for a fraction of an acre is the same as that required for a full acre.

RENTALS
CREDITED
AGAINST
ROYALTIES

RENTAL IN
AMOUNT EQUAL
TO NEXT
FULL ACRE

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F. Leases in Cooperative Agreements - Assignments and SegregationsKeywords

Committing a lease to a communitization or unit agreement does not affect its rental rate (including the increase in rental that occurred when all or part of the lease had been determined to be in a KGS prior to December 22, 1987) until oil and/or gas in paying quantities is discovered on the lands committed to the agreement. Once oil and/or gas is discovered in paying quantities on the lands committed to a unit, all lands included in the participating area are charged a minimum royalty per acre per year in lieu of rental. Those portions of noncompetitive unitized leases that do not participate in such production continue at the rental rate established in the lease for non-KGS lands (i.e., 25 cents, 50 cents, \$1, \$1.50, or \$2 per acre, as appropriate), even though such lands may be within the limits of a KGS.

COMMUNITIZA-
TION/UNIT
AGREEMENTS -
LEASE RENTALS

PARTICIPATING
AREA - MINIMUM
ROYALTY IN
LIEU OF RENT

OUTSIDE
PARTICIPATING
AREA/NON-KGS
RENTAL RATE

If part of a unitized lease is eliminated from a unit due to contraction of the unit, the nonunitized lands will be charged rental at the same rate that would be charged if they were still nonparticipating unit lands. However, if an entire lease is eliminated from the unit (due to contraction of the unit), it will be charged annual rental based on whether it is within or outside the limits of a KGS (except for leases that may have been determined after December 22, 1987, to be within a KGS or FPGP because such leases are not subject to a KGS or FPGP rental increase per 43 CFR 3103.2-2(b)(2) effective June 17, 1988). Partial elimination from a unit does not result in lease segregation. (See Handbook 3105-1, Section V.)

PARTIAL
CONTRACTION -
NON-KGS
RENTAL RATE

ENTIRE
CONTRACTION -
RENTAL RATE

Commitment of part of a lease to a unit results in segregation of the lease into two separate leases, normally the parent lease containing only the lands committed to the agreement, and the new lease containing the lands not committed to the unit. Each of the leases will have a rental or minimum royalty based on its own circumstances. (See Appendix 1 for a brief reference list of decisions addressing lease rentals.)

UNIT
SEGREGATION -
RENTAL OR
MINIMUM
ROYALTY

Any additional rental for acreage increments resulting from lease segregations or partial assignments shall be waived by both the BLM and the MMS until the next MMS regular annual rental courtesy notice billing cycle. The updated accounting advice for both the parent and new leases are to be annotated in the Remarks Section (see Illustration 4).

RENTAL
DIFFERENCE
DUE TO LEASE
SEGREGATION/
PARTIAL
ASSIGNMENT

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Keywords

Where only specific formations are unitized, some older leases have sometimes been segregated along horizontal lines to exclude only the unitized formations from the segregated lease. It is the policy of the BLM not to horizontally segregate leases. However, where such horizontal segregations have occurred in the past, the holder of each resulting lease is liable for payment of the annual rental and royalty based on the entire acreage included in the lease, even though this may result in multiple payments of rental or royalty for the same lands.

HORIZONTAL
SEGREGATION .
RENTAL FOR
ENTIRE LEASE
ACREAGE

A summary of general rental and royalty rate provisions is provided in Illustration 3.

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G. Credit for Advance Rental

Leases issued prior to August 8, 1946 (and where no election has been filed to have the lease come under the provisions of the 1946 Act), provide that advance rentals may be credited against royalties. The advance rental payment is due on or before the lease anniversary date. These leases are not subject to minimum royalty, but are subject to advance rental of \$1 per acre per year if they are producing or in a unit participating area, and 25 cents per acre per year if they were issued noncompetitively and if they are nonproductive or nonparticipating. Leases issued on or after August 8, 1946, do not provide for crediting rentals against royalties, but are subject to minimum royalty requirements.

Keywords

PRE-1946 LEASES -
ADVANCE RENTAL
CREDITED AGAINST
ROYALTIES

LEASES AFTER 1946
SUBJECT TO
MINIMUM ROYALTY

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H. Proration of RentalsKeywords

The leasing regulations at 43 CFR 3103.3-2(e) in effect prior to the August 1983 regulation changes provided that if, on the anniversary date of a lease, less than a full year remained in the lease term, the annual rental would be prorated based upon the amount of time remaining in the lease term.

RENTAL
PRORATION

The current regulations under 43 CFR 3103.2-2 provide that a full year's rental must be submitted even when less than a full year remains in the lease term. The rental shall not be prorated except when a suspension of operations and production results in less than a full year remaining in the lease term (see Section VIII, below).

FULL YEAR'S
RENTAL
REQUIRED

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I. Fractional Interest LeasesKeywords

The method for determining rentals and minimum royalties for lands in which the United States owns an undivided fractional interest was changed by an amendment to 43 CFR 3103.3-3, effective October 28, 1976.

RENTALS FOR
FRACTIONAL
MINERAL INTERESTS

NOTE: This regulation amendment did not affect the method for determining royalty rates for this kind of lease.

For leases issued prior to October 28, 1976, rentals, minimum royalties, and royalties payable for lands in which the United States owns an undivided fractional interest are prorated.

For leases issued on or after October 28, 1976, rentals and minimum royalties are not prorated for lands in which the United States owns undivided fractional interest, but are payable for the full acreage in such lands.

Royalty on production, however, is payable only on that portion of the mineral interest owned by the United States. An opinion was requested from the Rocky Mountain Regional Solicitor on how to calculate the correct royalty rate for Federal oil and gas leases where the leases each have several different tracts with the United States owning a different fractional interest in each tract. The following question was posed to the Regional Solicitor. "Should the royalties from a producing well be based on the fractional interest the U.S. owns in that tract (75 percent in this case), or on the fractional interest the U.S. owns in the lease as a whole considering the United States' fractional ownership in all of the tracts combined (92 percent in this case)?" The Regional Solicitor concluded that the U.S. can collect royalties only in proportion to its actual ownership interest in each tract. The BLM has agreed to not issue any more leases with differing ownership interests in the tracts comprising the lease.

ROYALTIES FOR
FRACTIONAL
MINERAL INTERESTS

FRACTIONAL
MINERAL
INTERESTS MUST
BE THE SAME
IN EACH LEASE

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J. RefundsKeywords

Upon request, the MMS-DMD initiates actions for refunds of overpayments or payments sent to the MMS in error, i.e., filing fees, rights-of-ways charges, etc. The BLM will not review the MMS Business Information System (BIS) screens to determine the exact amount of any overpayment refunds. The BLM authorizes those refunds associated with lease relinquishments, cancellations, late payments, suspensions, and unapplied payments, etc.

REFUNDS -
OVERPAYMENTS
TO MMS

The refund payments will be initiated by the MMS-DMD for any escalating simultaneous oil and gas lease rental overpayment or other overpayment received by the MMS due to a Secretarial rental rate reduction, and will not require a BLM authorization. In these cases, an entity must make a refund request directly to the MMS instead of to the BLM. If such a refund request is made to the BLM, it is to be forwarded to the MMS, with the party notified by the BLM that the request for refund has been forwarded to the MMS.

Refunds of lease rentals associated with late payments, suspensions, relinquishments, cancellations, and unapplied payments are to be authorized by the BLM to the MMS-DMD only by an accounting advice, Form 1370-41 (see Illustration 5), that is to contain the following information:

REFUNDS

1. Major Items

MMS REFUND
REQUESTS ON
ACCOUNTING
ADVICES

1a. Subject - Refund/State code.

1b. Lease number/anniversary date/status code "O."

Amount to be refunded.

2. Remarks Section Items

The type of refund, i.e., bonus, rental, etc.

2b. Reason for the refund, including the date of lease termination, etc.

Proof that collection of the money was made, i.e., copy of unapplied payment report, copy of canceled check, or check number.

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Keywords

- 2d. Statement that documentation supporting the request for refund is on file in the BLM.
- 2e. In cases where the MMS-DMD does not have documentation of the receipt of the monies (i.e., the BLM receipt and earning of the funds occurred prior to the establishment of the MMS, or the documentation is no longer on file at the MMS due to a lengthy time lapse), a copy of the initial accounting advice and/or a receipt indicating that the payment was made is to be submitted to the MMS-DMD with the refund request.

BLM DOCUMENTATION
OF RECEIPT OF
MONIES NEEDS TO
BE SUBMITTED
TO MMS

The complete signature of the BLM employee requesting the MMS-DMD refund action must be shown on the accounting advice. The accounting advice will be returned to the BLM as unacceptable if only the initials of the BLM employee are provided.

COMPLETE
SIGNATURE
ON ACCOUNTING
ADVICE

For any MMS-DMD refund requests submitted by the BLM, red special tags are not to be attached to the accounting advices, except in those cases of a highly irritated constituent or a direct request from a member of Congress.