



United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165
Denver, Colorado 80225-0165

FEB 05 2013

Subject: Oil and Gas Operations Report Part B (OGOR B), Form MMS-4054-B, Change to Product Disposition for Certain Gas Sales

Dear Reporter,

The Office of Natural Resources Revenue (ONRR) is changing how you report gas sold under an arm's-length percentage-of-proceeds contract (APOP). Operators with gas production that is transferred to a separation facility or plant facility for processing must report Disposition Code (DC) 11, Transferred to Facility, on the OGOR-B. You also are required to report the corresponding gas plant identification number on the OGOR-B.

This letter supersedes the previous Dear Payor letters dated April 16, 1992, and June 25, 1992. This requirement is effective with your OGOR reporting for the January 2013 production month due March 15, 2013. ONRR is not requiring you to modify your OGORs for prior production months. However, if you modify prior OGORs impacted by this change for any other reason, you must follow this new procedure.

The previous Dear Payor letters instructed operators to report Federal gas subject to an APOP contract with DC 01 on the OGOR-B. Although this gas is unprocessed when the transfer of title occurs, the gas is transferred to a separation facility or plant facility for processing and valued based on the processed products. Because the gas is transferred to a facility, the accurate DC is 11, Transferred to Facility. DC 11 requires reporting the corresponding gas plant identification number. ONRR recently incorporated this change to the DCs in our *Release 1.1 of the Minerals Production Reporter Handbook* in Appendix I - Disposition/Adjustment Codes. Appendix I is located at <http://www.onrr.gov/FM/Handbooks/default.htm> in the "Handbooks and Manuals" page of the onrr.gov website.

This reporting change does not affect operators with gas sales subject to non-arm's-length percentage-of-proceeds (POP) contracts for Federal leases and operators with gas sales subject to APOP and non-arm's-length POP contracts for Indian leases. Operators must continue to report the disposition of such gas as DC 11, Transferred to Facility, and identify the plant where processing occurs.

This letter is not an appealable decision, order, Notice of Noncompliance, or Civil Penalty Notice under 30 CFR Part 1290, Subpart B (2012) or 30 CFR Part 1241 (2012). If ONRR issues you an order, Notice of Noncompliance, or Civil Penalty Notice at a later date in accordance with the matters addressed in this letter, we will provide your appeal rights at that time.

If you have questions regarding these changes, please contact your ONRR Production Reporting contact at 800-525-7922 or refer to the online listing of contacts on our website:
<http://www.onrr.gov/FM/PDFDocs/operasgn.pdf>

Sincerely,



Kimbra Davis
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Production Reporting and Verification
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