Wyoming Office of State Lands and Investments

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Reporting requirements for production volumes in eRMA2

TO: Operators and Royalty Reporters of State of Wyoming Oil and Gas Leases

FROM: Office of State Lands and Investments

SUBJECT: Clarification on reporting production and sales volumes for oil and gas

It has come to our attention that there is some confusion on how production and sales volumes should be reported in eRMA2. Some companies may have received reconciliation messages via eRMA2 detailing the specific issues with reports submitted to eRMA2. The goal of this memorandum is to go through a few reporting situations and how the company should report.

Wyoming State Statue 36-6-101 (o) states "Any mineral lessee or producer shall report all production including total volume, value and disposition of the mineral production under any lease, unit or communitization agreement in a timely manner and in such form as determined by the board. Any person failing to comply with this subsection shall be subject to penalties enacted by the board or the cancellation of the lease or agreement under which they are operating." As such, all operators are required to report 100% of wellhead production on every MR40, MR41, MR50, and MR51 report. This production should include all production from every well attributable to the lease, communitization agreement, unit or participating area. These volumes are prior to any on lease fuel usage, flared gas, vented gas, line loss, or shrinkage due to processing of gas.

Once the operator reports are submitted via the eRMA2 system, they are transmitted to the Leasing and Royalty Compliance System (LARCS). The reports then are reconciled to all royalty reports submitted via the eRMA2 system which have been transmitted to the LARCS system.

Therefore, all royalty reporters are required to report 100% of their takes on every MR20 report. In a situation where there are multiple payers on a Lease/PSA, each payer should report 100% of their actual takes from the total production under the "Production Units" Field on the MR20. Companies should not report production units based on entitlement volumes. These volumes are then compared to the volumes reported by the operator. If the volumes do not match within a specific tolerance, the companies are notified of the issue and are asked to correct the reporting as necessary.

For wellhead gas, processed gas, and CBM gas, there will likely be a difference in what is reported for production units and sales units. The difference in these two amounts can be attributed to on lease fuel usage, flared gas, line loss, and shrinkage due to processing of gas.

If a company is reporting on gas that is being processed and natural gas liquids are removed, the total wellhead production MCF volume attributable to your marketed share should be reported as the production units on the residue line to align with the reporting submitted on the MR40, MR41, MR50, and MR51 reports. Using the processing statement, the "Net Residue" volume should be reported as the sales units. For natural gas liquids, companies should report the production units as equal to the sales units. Natural gas liquids volumes should be reported in gallons.

Some companies may have multiple marketing agreements for the same lease, both wellhead sales and processed gas sales. In this case, the company should report their takes allocated back to the wellhead as the production volume on the MR20 report under product code 031 for wells with a wellhead marketing agreement. Additionally, the company will report their takes allocated back to the wellhead as the production volumes on the MR20 report under product code 032 for wells with a processed gas marketing agreement.

A company should include on lease fuel, flared or vented gas, and line loss in the production volumes reported on the MR20. If a company elects to include these volumes in the MR20 production, it will no longer be required to file the Natural Gas Flaring Report; however if a company elects to exclude the above listed volumes from the MR20 production volume, it will be required to report and file the Natural Gas Flaring Report. The flaring template is required to be filled out and submitted via email to this office on a monthly basis. The template and policy can be found on our website at http://lands.wyo.gov/minerals/royalty. The company's election for method of reporting flare should be submitted to the Royalty Compliance Supervising Auditor via email (contact information below). Any changes to this election, due to system changes or other business reasons, should also be communicated to the Royalty Compliance Supervisor within 30 days of change.

It continues to be the policy and goal of the Office of State Lands and Investments to work cooperatively with all royalty reporters to resolve any reporting issues.

For any questions or concerns, please contact the Royalty Compliance Supervising Auditor, Billie Hunter at billie.hunter@wyo.gov or 307-777-6641.