

§ 227.601

royalty reports to identify and resolve reporting or payment discrepancies. States may perform the following:

(a) Automated comparison of sales volumes reported by royalty reporters to sales and transfer volumes reported by production reporters. If you request delegation of automated comparison of sales and production volumes, you must perform at least the following functions:

- (1) Performing an initial sales volume comparison between royalty and production reports;
- (2) Performing subsequent comparisons when reporters adjust royalty or production reports;
- (3) Checking unit prices for reasonable product valuation based on reference price ranges MMS provides;
- (4) Resolving volume variances using written correspondence, telephone inquiries, or other media;
- (5) Maintaining appropriate file documentation to support case resolution; and
- (6) Issuing orders to correct reports or payments;

(b) Any one or more of the following additional automated verification functions:

- (1) Verifying compliance with lease financial terms, such as payment of rent, minimum royalty, and advance royalty;
 - (2) Identifying and resolving improper adjustments;
 - (3) Identifying late payments and insufficient estimates, including calculating interest owed to MMS and verifying payor-calculated interest owed to MMS;
 - (4) Calculating interest due to a lessee or its designee for an adjustment or refund, including identifying overpayments and excessive estimates;
 - (5) Verifying royalty rates; and
 - (6) Verifying compliance with transportation and processing allowance limitations;
- (c) Issuing notices and bills associated with any of the functions under paragraphs (a) and (b) of this section; and
- (d) Providing assistance to MMS for any of these delegated functions on appealed demands or orders, including meeting timeframes, supplying information, using the appropriate format,

30 CFR Ch. II (7-1-03 Edition)

taking remanded actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

§ 227.601 What are a State's responsibilities if it performs automated verification?

To perform automated verification of production reports or royalty reports, you must:

- (a) Verify through research and analysis all identified exceptions and prepare the appropriate billings, assessment letters, warning letters, notification letters, Lease Problem Reports, other internal forms required, and correspondence required to perform any required follow-up action for each function, as specified in the *Standards* or your delegation agreement;
- (b) Resolve and respond to all production reporter or royalty reporter inquiries;
- (c) Maintain all documentation and logging procedures as specified in the *Standards* or your delegation agreement;
- (d) Access well, lease, agreement, and production reporter or royalty reporter reference data from MMS and provide updated information to MMS; and
- (e) Comply with procedures for appealed demands and orders, including meeting time frames, supplying information, and using the appropriate format.

§ 227.700 What enforcement documents may a State issue in support of its delegated function?

This section explains what enforcement actions you may take as part of your delegated functions.

- (a) You may issue demands, subpoenas, and orders to perform restructured accounting, including related notices to lessees and their designees. You also may enter into tolling agreements under section 15(d)(1) of the Act, 30 U.S.C. 1725(d)(1).
- (b) When you issue any enforcement document you must comply with the requirements of section 115 of the Act, 30 U.S.C. 1725.
- (c) When you issue a demand or enter into a tolling agreement under section 15(d)(1) of the Act, 30 U.S.C. 1725(d)(1),