§ 1227.201 What standards must a State comply with for performing delegated functions?

(a) If ONRR delegates royalty management functions to you, you must comply with the Standards. The Standards explain how you must carry out the activities under each of the delegable functions.

(b) Your delegation agreement may include additional standards specifically applicable to the functions delegated to you.

(c) Failure to comply with your delegation agreement, the Standards, or any of the specific standards and requirements in the delegation agreement, is grounds for termination of all or part of your delegation agreement, or other actions as provided under §§ 1227.801 and 227.802.

(d) ONRR may revise the Standards and will provide notice of those changes in the Federal Register. You must comply with any changes to the Standards.


§ 1227.300 What audit functions may a State perform?

An audit consists of an examination of records to verify that royalty reports and payments accurately reflect actual production, sales, revenues and costs, and compliance with Federal statutes, regulations, lease terms, and ONRR policy determinations.

(a) If you request delegation of audit functions, you must perform at least the following:

1. Submitting requests for records;
2. Examining royalty and production reports;
3. Issuing engagement letters;
4. Arranging for entrance conferences;
5. Scheduling site visits; and
6. Issuing record releases and audit closure letters; and
7. Holding closeout conferences.

(b) If necessary for a particular audit, you may also perform any of the following:

1. Issuing engagement letters;
2. Preparing field reports;
3. Performing required actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(c) If necessary for a particular audit, you may also perform any of the following:

1. Issuing engagement letters;
2. Preparing field reports;
3. Performing required actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(d) ONRR may revise the Standards and will provide notice of those changes in the Federal Register. You must comply with any changes to the Standards.


§ 1227.400 What functions may a State perform in processing production reports or royalty reports?

Production reporters or royalty reporters provide production, sales, and royalty information on mineral production from leases that must be collected, analyzed, and corrected.

(a) If you request delegation of either production report or royalty report processing functions, you must perform at least the following:

1. Receiving, identifying, and date stamping production reports or royalty reports;
2. Preparing field reports, performing required actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(b) If necessary for a particular audit, you may also perform any of the following:

1. Receiving, identifying, and date stamping production reports or royalty reports;
2. Preparing field reports, performing required actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(c) If necessary for a particular audit, you may also perform any of the following:

1. Receiving, identifying, and date stamping production reports or royalty reports;
2. Preparing field reports, performing required actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(d) ONRR may revise the Standards and will provide notice of those changes in the Federal Register. You must comply with any changes to the Standards.

(3) Creating copies of reports by means such as electronic imaging;
(4) Timely transmitting production report or royalty report data to ONRR and other affected Federal agencies as provided in your delegation agreement and the Standards;
(5) Providing training and assistance to production reporters or royalty reporters;
(6) Providing production data or royalty data to ONRR and other affected Federal agencies; and
(7) Providing assistance to ONRR for appealed demands or orders, including meeting timeframes, supplying information, using the appropriate format, performing remanded actions, modifying orders, and providing oral and written briefing and testimony as expert witnesses.

(b) If you request delegation of either production report or royalty report processing functions, or both, you may perform the following functions:

(1) Granting exceptions from reporting and payment requirements for marginal properties; and
(2) Approving alternative royalty and payment requirements for unit agreements and communitization agreements.

(c) You must provide ONRR with a copy of any exceptions from reporting and payment requirements for marginal properties and any alternative royalty and payment requirements for unit agreements and communitization agreements you approve.


§ 1227.500 What functions may a State perform to ensure that reporters correct erroneous report data?

Production data and royalty data must be edited to ensure that what is reported is correct, that disbursement is made to the proper recipient, and that correct data are used for other functions, such as automated verification and audits. If you request delegation of error correction functions for production reports or royalty reports, or both, you must perform at least the following:

(a) Correcting all fatal errors and assigning appropriate confirmation indicators;
(b) Verifying whether production reports are missing;
(c) Contacting production reporters or royalty reporters about missing reports and resolving exceptions;
(d) Documenting all corrections made, including providing production reporters or royalty reporters with confirmation reports of any changes;
(e) Providing training and assistance to production reporters or royalty reporters;
(f) Issuing notices, orders to report, and bills as needed, including, but not limited to, imposing assessments on a