

**Colorado Oil and Gas Production Royalty** Revision effective October 1, 2020

**Current Period and Prior Period Reporting** Instructions forForm CO-OGRoy2020

*These instructions are intended to provide guidance and do not amend lease terms. Royalties shall be paid in accordance with the governing lease.*

**REPORTING FORM DETAIL:**

**1. Complete the Workbook Cover Sheet**

Fill out the tab called Cover Sheet of the [Colorado Royalty Reporting Form CO-OGRoy2020](https://docs.google.com/spreadsheets/d/1ALxSuY04h-jMflR_NzIB3tL4KCWhvmWc/edit#gid=260196308) Excel workbook before submitting the workbook to the State Land Board.

* The “Production Period Reported” line is current reporting and will not include dates for entries adjusting prior periods.
* Include the contact name, payer address, email and phone information in the appropriate fields.
* Explanations are required in the Comments section when prior period adjustments (PPA) are filed using the workbook discussed in [paragraph 11](#bookmark=id.vt1pq7s6rvpk). Add other comments relevant to your submission in the Comment section.

**2. Complete the Workbook Data Sheet**

Submit royalty data on the tab called ‘Data’ in the [Colorado Royalty Reporting Form CO-OGRoy2020](https://docs.google.com/spreadsheets/d/1ALxSuY04h-jMflR_NzIB3tL4KCWhvmWc/edit#gid=260196308) workbook. Follow these guidelines when transferring your data to our workbook form:

* Follow the column-by-column guidance for workbook data entry provided in these instructions.
* The columns of the reporting spreadsheet must remain named and in the same order in which you received the royalty workbook.
* Do not remove any columns.
* Do not insert blank lines between reporting lines or line groups.
* Remove formulas in numeric fields.
* Remove all links to your source data, including to API numbers and dates.

**3. Name the Workbook for the Submitted Production Date**

* Name every submitted workbook with this format: Reported Production **Year\_Month\_Your Company Name**, where:
  + “Reported Production Year\_Month” is the numeric value
    - Example: 2020\_05\_Company Name for May 2020
  + If two or more months (differences between gas sales/oil sales) are reported, use a dash for the spread of the months.
    - Example: 2020\_05-06\_Company Name for May and June 2020
  + Do not include PPA months in the workbook name
  + “Your Company Name” is the entity that makes the royalty payment
* Save the file as an Excel .xlsx workbook.

**4. Attachments to the Monthly Submission**

Supplemental and back-up data are optional and not required; auditors will contact you if they need more information. Comments to clarify your submission may be included on the Cover Sheet of the workbook.

**5. Production Detail and Numeric Formats on the Workbook Data Sheet**

Report well production at the unique well (API) level. The API number is on record with your land department or on the [COGCC website](https://cogcc.state.co.us/about.html#/about).

Report unit production by tract. [See paragraph 9 for more information](#bookmark=id.gpfwsno86l55)

One line on the form reports one well and one product, for one **production** month. Roll up multiple completions drilled under one API number to one reporting line based on this rule, unless the decimal interest differs between the completions (refer to relevant communitization or unit agreements in your land department).

Monthly production volumes from one well, one product, will be split on the state report only if the State Land Board’s ownership interest is different for producing formations or multiple completions drilled under one API. In such cases, include the formation name or completion designation as a part of the well name on the related reporting line. The State Land Board references the company’s monthly production reports (Form 7), filed with the COGCC, to verify volumes.

Do not decrease the Royalty Volume reported in column N by the decimal interest. Apply the decimal interest to the Full Production Value in the [royalty calculation](#bookmark=id.olmgx2ahelg4) to obtain the Royalty Paid.

Use this standard formatting for the report data:

**API Number format**

Format all APIs in common numeric format, with dashes: state-county-sequence code as in the example 05-123-12345. No spaces after the API number. No completion codes (ie. A, B…)

**Volumes format**

Format all production volumes as a number, no commas, and up to two decimal places. Volumes are reported in mcf, barrels or gallons. It is not necessary to designate the unit of measure for the field.

**All Values formats**

Format the dollar values for Average Price, Sales Value, Used/Vented/Flared and Condensate Value, Full Production Value and Royalty Paid to two decimal places. Dollar value data is reported in a number format with no dollar sign and no comma separators.

Report Btu and gravity formatted up to three decimal places.

Remove formulas from all fields and hard code the values by hand keying the numbers or using an excel function to convert from formula to number.

**CO Lease format**

Use a text and numeric format with spaces but no dashes or slashes: OG xxxx xx (example: OG 9827 04). No spaces after the lease number. Leases written since 2014 carry the newer format of OG xxxxxx (for example OG 101329). If needed, contact the State Land Board for guidance.

**Dates and Decimal Interest format**

Format dates using the numeric format with slashes: mm/dd/yyyy, where "dd" is the first or last day of the reported production month. Format the decimal interest as a number up to six decimal places (includes leading/ending zeros).

**Data Sheet Field Descriptions (\*denotes required field)**

|  |  |  |
| --- | --- | --- |
| Column A  Column A\* | API Number | Report royalty on a well level. The API number is unique to each well and it is the key field in our upload process.  For unit reporting, refer to the supplement titled [**CO Unit Resource Page**](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0) for a placeholder "API". |
| Column B\* | Well Name | Enter the permitted well name on record with the Colorado Oil and Gas Conservation Commission (COGCC). Where unit reporting is involved, refer to the [**CO Unit** **Resource Page**](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0) for the tract name, used in Column B as a "well name". |
| Column C\* | CO Lease | The State Land Board lease number associated with a well is in the original lease contract filed with your land department or on our map server located on the web: [Colorado State Land Ownership](https://www.colorado.gov/statelandboard/look-land) |
| Column D\* | Production Start | The first day of the production month. Report the production period as one month. Each line on the form reports one well, one product and one month of production. |
| Column E\* | Production End | The last day of the production month. |
| Column F\* | Product Code | If a well reports multiple products, use one line for each product reported for a well, each month. Enter the appropriate product code:    **GRY** Natural Gas (methane, not processed)  **NGL** Natural Gas Liquids (plant products)  **RSD**  Residue Gas from the processed stream  **ORY** Crude Oil and Condensate  **CO2** CO2 gas  **GSY** All commercial gas, including Helium  Report Condensate, drips and recovered vapor in Column M as a by-product of either production in the field and/or gas plant processing. |
| Column G | Btu or Gravity | Provide the Btu heating value for the natural gas and residue gas volumes reported. Provide the API Gravity for oil. For NGLs, leave the field blank (no characters, no dash, no zero). |
| Column H\* | Wellhead Volume | Wellhead Volume is the produced volume at the wellhead. We verify all produced hydrocarbons against the monthly volume submitted to the COGCC by your land department on their Form 7.   * For **Natural Gas (GRY)**, provide the total produced gas volume (mcf) at the wellhead. * For **Natural Gas Liquids/Plant Products (NGL)**, leave the field blank (no characters, no dash, no zero) * For **Residue Gas (RSD)**, provide the total produced gas volume (mcf) at the wellhead. * For **Oil (ORY)**, provide the produced volume (bbl) at the wellhead. * For **Condensate** (ORY) provide the volume as bbl * For **CO2 (CO2), Helium and other commercial gases (GSY),** provide the total produced gas volume (mcf) at the wellhead. |
| Column I | Gas Plant Inlet Volume | Report the delivered mcf volume that entered the gas plant. |
| Column J | Used Gas Volume | Report the mcf for gas used in the field. See reporting detail in paragraph 6 about [beneficial use](#bookmark=id.o25uaamdzu0a). |
| Column K | Vented Gas Volume | Report the mcf for gas vented or lost on the lease. |
| Column L | Flared Gas Volume | Report the mcf of gas flared on the lease. Flared gas is subject to royalty. Royalty free flaring is only allowed during the well completion process or when explicit permission has been granted by the State Land Board. |
| Column M | Condensate/Liquids Volume | Report drip liquids, condensate, vapor recovery, scrubber oil and any condensate captured in the field or plant. Volumes in this column may be reported in bbl using the ORY product Code. Use mcf where appropriate. |
| Column N\* | Sales Volume | Report the volume sold in the normal course of business.  Report all volumes sold as bbl, mcf or gallons. Do not decrease the Sales Volume by the decimal interest. For NGL and residue, report 100% of the allocated plant volumes. |
| Column O\* | Average Sales Price | Report an average price for the column N sales transaction. |
| Column P\* | Sales Value | Report the actual revenue (in dollars) received by the operator for the Sales Volume reported in column N.[Additional explanation is provided in paragraph 6.](#bookmark=id.yxixx79rp7fi) |
| Column Q\* | Used/Vented/Flared Gas plus Condensate/Liquids Value | Sum the value (in dollars) of the volumes in columns J + K + L + M to report the aggregate value of the reported used/vented/flared/condensate volumes. [Additional detail is provided in paragraph 6.](#bookmark=id.xz4ijl3tb3kr) |
| Column R\* | Add-Back Gas Value | Report the value (in dollars) of [lost product value](#bookmark=id.5mkqzgcukygz), deductions from Sales Value, and any previously unaccounted or unreported value in this report. [See paragraph 6 for guidance.](#bookmark=id.6bz2co601en0) |
| Column S\* | Full Production Value | Full Production Value = column P + column Q + column R.  Use the value (in dollars) reported in this column to calculate the royalty due to the State Land Board. [Additional explanation is provided in paragraph 6.](#bookmark=id.olmgx2ahelg4) |
| Column T\* | Decimal Interest | The decimal interest will match the division order approved by the State Land Board and will conform to lease terms.  Use a calculated tract interest for reporting tract royalty in state or federal units. See calculated tract interests on our [CO Unit Resource Page](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0) for reporting units. |
| Column U\* | Royalty Paid | Royalty Paid = Columns S x T [Additional explanation is provided in paragraph 6.](#bookmark=id.olmgx2ahelg4) |
| Column V | Third Party Transaction? | Respond ‘no’ if sold to an affiliate, respond ‘yes’ if the sales transaction was conducted with a third party entity. When zero royalty is reported, leave the field blank. |
| Column W | Well Status | Use the Status Codes as defined on the COGCC [Status Codes website](https://cogcc.state.co.us/documents/about/COGIS_Help/Status_Codes.pdf). Acceptable responses are PR, SI, TA or OTHER. |
| Column X\* | Submitter | The submitter name must match the entity that has made payment to the State Land Board for the wells reported. |

**6. Calculate the Royalty Paid**

Royalty is paid on all produced hydrocarbons at the wellhead. State Land Board leases do not allow royalty [deductions](#bookmark=id.jrk6rx52sxcz). All value for lost market potential must be added back before the royalty is calculated, using the Full Production Value, column S, as the basis for the royalty calculation.

**Lost Market Potential Value (“Lost Value”)** is:

* the value, in dollars, of any portion of the wellhead production that was not reported as sold.
* the value, in dollars, of disallowed deductions that may have been credited against production and/or sales.

Lost value is reported in dollars in the columns Q and R.

Some examples of Lost Value which must be added back to reach Full Production Value are, but not limited to:

* The market value of flared, vented, used gas or any other loss of hydrocarbon in the field.
* Deductions that reduce the Sales Value or Average Price.
* Gas processing plant fees and POP reductions to revenue.
* Gas used as fuel by the processing plant, gas returned to the producer for field lift unless excepted by the lease.
* Any unreported market value of bypass gas, mezzanine gas and any other gas excluded from the liquids or residue sales.
* Any deductions or fees taken related to bypass gas and mezzanine gas processes.
* The market value of drips, condensate and vapor recovered in the field.
* The dollar value of any transaction that increases the revenue potential of the produced hydrocarbons.

**Value Columns Detail:**

**Column P: Sales Value**

Report the actual revenue received for the sales transaction. No deductions to revenue are allowed. See [paragraph 7](#bookmark=id.jrk6rx52sxcz) for the Deduction Policy.

In the event the Sales Value represents the 100% value (Full Production Value) of the hydrocarbon stream (eg. oil reporting on Sales Value with no applicable deductions), column P will equal column S.

**Column Q: Used/Vented/Flared Gas and/or Condensate Value**

Report the volumes of flared, vented, used gas, condensate, scrubber oil, drips and recovered vapor in columns J through M. Report the aggregate value, in dollars, of these volumes in column Q.

To calculate the market value of the gas volumes reported in columns J, K and L, use the average field price per mcf. If there have been no gas sales from the field, calculate the market potential value of the gas using the published CIG MMbtu price, adjusted for mcf (price per mcf = CIG x Btu factor).

Calculated price detail for column Q is not reported on the royalty form, but will be reviewed in the normal course of audit.

If the State Land Board lease allows used gas to be exempted from royalty, beneficial use of the gas is restricted to the lease from which it is produced. Whenever gas is used to assist in production on a non-state lease, royalty will be owed on the proportion benefiting the non-state lease. Royalty-exempt flaring is only allowed when explicit permission has been granted by the State Land Board. During the well completion process, flaring is exempt from royalty. Contact the State Land Board to confirm that permission has been granted for any flared gas or used gas royalty exemption.

**Column R: Add-Back Gas Value**

**Add-Back Value for Natural Gas**

For natural gas that does not enter a gas plant and is sold directly into the pipeline, royalty must also be paid on any L[ost Value](#bookmark=id.5mkqzgcukygz) from the stream and reported as Add-Back Gas Value in column Q.

**Add-Back Value for Processed Gas, including the NGLs and Residue Gas**

* Under Percentage of Proceeds (POP) contracts, pay royalty to the State Land Board based on the full market potential value of the gas that has entered the inlet of the gas plant. This includes paying royalty on the seller’s share of residue and NGL sales, plus the dollar value retained by the gas processor for both residue and NGLs. No deductions may be taken for plant fees or other associated processing fees, including but not limited to gathering, processing, compression, dehydration, transportation, marketing, bypass, mezzanine and all other fees.
* For Fee contracts, add back all plant costs and fees deducted from the Sales Value including, but not limited to: processing, marketing, dehydration, compression, fees for service, transportation and fractionation to the Sales Value. For non-arm's-length transactions, situations where the producer or an affiliate of the producer owns the processing plant, add back all deducted fees (including, but not limited to, the processing, compression, transportation and fractionation of gas) to the Sales Value.
* Keep Whole Contracts shall pay royalty based on the Btu value of the natural gas that entered the gas plant. No deductions may be taken.

**Column S: Full Production Value**

The Full Production Value shall be the sum of all dollar values required in columns P + Q + R.

**Column U: Royalty Paid**

To calculate the total royalty owed (Royalty Paid, column U) to the State Land Board, use the Full Production Value field column S x Decimal Interest column T.

Whenever there is no applicable dollar value for a required field, enter a zero. Blanks, dashes and null symbols cannot be accepted as a value.

To file royalty for wells that are impacted by a negative market, report the actual production data and average price. In the Royalty Paid field, column U of our Royalty Report Form, insert a zero. The State Land Board cannot accept credits against royalty in an inverted market.

**7. Deduction Policy**Royalty payments shall be made on Full Production Value, column S. No deductions to royalty are allowed unless specified in the lease. Please contact the State Land Board if you have questions about what your lease permits *before* submitting royalty reporting.

**For Oil reporting**

Oil royalty is paid on the volume sold at the price the seller receives at market. Deductions prior to oil being in a marketable condition are not allowed. Condensate and drips are reported as oil sales with no deductions.

**For Gas reporting**

Gas shall be placed in a marketable condition and marketed without any cost to the State Land Board. Such costs may not be deducted when calculating royalty payments due to the State Land Board. Prohibited cost deductions include, but are not limited to: gathering, transportation, compression, dehydration, separation, treating, fractionation, POP and plant fees, marketing and all other direct and indirect costs for services necessary to place the gas into a marketable condition. Gas is in a marketable condition when it meets the specifications and is in a location to enter an interstate transmission pipeline.

For NGLs, the State Land Board will allow transportation deductions to transport NGLs only after the NGLs have been fractionated and stored.

**Taxes**

Severance taxes, ad valorem taxes and other tax liabilities are not deductible.

**8. Report Take In Kind Product**

When oil or gas is reported under a Take In Kind agreement between working interest owners, the liability for royalty payment to the state shall be split between the parties. If this is the case, report the full Wellhead Production (column H) measured at the surface. In the Sales Volume column N, report the volume your company takes in kind. In the event re-balancing occurs, file the revised volumes, market values and royalty due as a prior period adjustment (see para. 11).

**9. Report Unit Production**

Report unit production by tract. Use the unit Tract ID number from our [CO Unit Resource Page](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0) as a placeholder for the API Number on the reporting data sheet. Use the Tract name from our [CO Unit Resource Page](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0) as a placeholder for the Well Name. Insert the relevant lease number in the CO Lease column. To report production volumes, use the full produced unit volume in the Wellhead Volume column. Insert the tract decimal interest from our Unit Resource Page in the Decimal Interest (for units this is the State Land Board’s tract participation times the lease decimal interest) column. Calculate the Royalty Paid by multiplying the Full Production Value times the Tract Decimal Interest. Contact us if you have concerns or questions.

**10. Report Zero Production**

Zero production must be reported each month by well and product as long as a well is active. Format the fields for numeric zero values (do not use blanks, null symbols or dashes). Enter the appropriate well code in the Well Status field.

**11. Prior Period Adjustments (PPA)**

Requests for PPAs to previously filed royalty are reviewed by Staff when submitted with current royalty data. PPAs are also reviewed in regularly scheduled audits. PPAs may be accepted in whole, in part, or not at all during either review process. Our PPA guidance is:

* Adjustments to royalty are limited to the twelve production months following the original production month reported to the State Land Board.
* State Land Board Staff reserves the right to reject requests for PPAs that result in credits on wells with no future production potential.
* In the event that credits exceed royalty reported for the production period submitted, the excess credits must be deferred to the next period. We cannot accept a negative balance royalty report.
* In the event that PPAs are filed after well assets have been sold or transferred, provide evidence under the purchase agreement that royalty credits may be recouped by the original reporter.
* A first payment on new production filed late is not considered a PPA but is received by us as a late payment subject to interest and late fees applied per the Lease terms.
* A short paragraph to explain the reason for your PPAs is required and must be keyed into the Workbook Cover Sheet under the Comments section.
* The sum total of all current and PPA reporting for the period must match the actual royalty amount paid to the State Land Board.

Adjustments to prior periods must be filed in a ‘reverse and re-book format’ by well, using two reporting lines. The reverse line will back out the original data exactly as it was filed on the original report. The re-book line will input the corrected data. Do not net out the Royalty Paid amount from the correcting line. The sum of the reverse and re-book lines together creates the net adjustment.

Enter the adjusting data on the same workbook sheet on which the current production data is entered. Alternatively, PPAs (as reverse and re-book pairs) may be entered on a third sheet in the workbook if there are many adjustments to request. Pivot tables and calculation tools on other worksheets may remain in your workbook when submitted. Please name the workbook tabs appropriately to avoid confusion on the State Land Board’s side. When adjustments result in credits due to the Submitter, the credits net out against current royalty paid for the period.

Upon our request, you shall provide documentation to support a claim of credits from prior periods. Based on the nature of the adjustment, documentation may include but is not limited to oil run tickets, gas plant statements, invoices to end users, division orders, and reports supporting price or allocation adjustments.

**12. Well Assets Transferred, Assigned or Sold; Change of Operator**

Upon sale or transfer of well assets and/or upon change of operator, you must inform the State Land Board of the last royalty payment date for which your company is responsible.

Provide the name and address of the transferee or buyer and a contact name for royalty accounting. This information may be entered onto the Cover Sheet of the workbook under the Comments section.

Lessee responsibilities in lease assignment are discussed in your lease, and assignments are subject to State Land Board approval.

**13. Reporting Deadline**

Royalty payments due the State Land Board from the sale of oil, gas, or associated products shall be paid on a monthly basis not later than sixty days for oil and ninety days for gas and plant products following the end of the calendar month in which the production is sold. This is an allowed exception to the terms of older State Land Board leases and is the current requirement in newer leases. The payment and required data for the first production for any producing well shall be due no later than ninety days after the first production occurs. By the terms of the lease, the State Land Board will charge a late penalty fee and interest on new production submitted after ninety days.

Royalties held in suspense due to a delayed issuance of a division order may be subject to late penalties. To request a deadline extension, email the request to the [dnr\_colorado\_royalty\_data@state.co.us](mailto:dnr_colorado_royalty_data@state.co.us).

**14. Payments**

Payments are due in our office by close of business (COB) on the last business day of each month. Your check is written to the Colorado Board of Land Commissioners.

**15. Late Royalty Payment**

Interest on royalty is applied for late payments at a rate of 1.5% per month, compounded, plus a late penalty of $100.00. Leases written before 1981 are subject to a monthly rate of 0.66% simple interest. In the event data is not received concurrent with the payment, or is not transmitted on the State Land Board’s standard workbook form, a penalty of $100 per submission may apply.

Our workbook form and instructions can be found here:

[CO Oil & Gas Royalty Reporting Instructions](https://docs.google.com/document/d/1K1skdhNEY2tEac3LEZ6H9tftuL4WOXLa/edit)

[Colorado Royalty Reporting Form\_202006](https://docs.google.com/spreadsheets/d/1ALxSuY04h-jMflR_NzIB3tL4KCWhvmWc/edit#gid=260196308)

[CO Unit Resource Page](https://docs.google.com/spreadsheets/d/1OmHF8ZxP8l7XrGZnkiU5TJfHaFk16BRZCp6Zfh5A_So/edit#gid=0)

Please submit on time; data may always be adjusted later in a PPA submission. Our fee schedule can be found here: [Fees & Payment Considerations](https://docs.google.com/document/d/1GsdIGL_JDdi6nLL8cwSnZL-ut7GQEC51sqjTD9qC24A/edit)

**16. Submit workbooks monthly**

Workbooks must be submitted monthly to the State Land Board via e-mail [DNR\_Colorado\_Royalty\_Data@state.co.us](mailto:DNR_Colorado_Royalty_Data@state.co.us)

Request for assistance and questions can be directed to the same address, or call:

Stephanie Johnson (303) 866-3454 x 3319

Tracy Nguyen (303) 866-3454 x 3332