United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Minerals Revenue Management
P.O. Box 25165
Denver, Colorado 80225-0165
www.mrm.mms.gov

NOV 6 2009

Dear Reporter:

The purpose of this letter is to inform you that on October 5, 2009, the United States Supreme Court denied the government's petition for a writ of certiorari relating to the United States Court of Appeals for the Fifth Circuit's decision (Decision) in favor of Anadarko Petroleum Corporation (successor-in-interest to Kerr-McGee Oil & Gas Corporation) involving royalty relief on deep water leases in the Gulf of Mexico. *Kerr-McGee Oil & Gas Corp. v. Allred*, 554 F.3d 1082 (5th Cir. 2009), *cert. denied*, 2009 U.S. LEXIS 6035 (U.S. Oct. 5, 2009) (No. 08-30069). In its Decision, the Fifth Circuit held that the Department of the Interior does not have authority under the Outer Continental Shelf Deep Water Royalty Relief Act of 1995, 43 U.S.C.A. § 1337 (West. Supp. 2007), to impose royalty relief price thresholds on leases located in the Gulf of Mexico in deep water and issued between November 28, 1995, and November 28, 2000 (Leases).

As a result, companies who have paid royalties on the Leases are entitled to recoup those royalties under 30 U.S.C. § 1721a. If you have Leases subject to the Decision, submit a Report of Sales and Royalty Remittance (Form MMS-2014) reversing all of your previously reported royalties using Adjustment Reason Code 10. Following this process will allow you to establish a credit balance against which future royalty obligations can be met. Use Transaction Code 41 to report the royalty-free volumes for sales periods through September 2008, and Transaction Code 55 for sales periods October 2008 forward.

If the process of recouping the royalties paid on your Leases will take longer than six months, you may request a refund under 30 U.S.C. § 1721a (b). Your refund request must include the following:

- A statement that the refund is for qualifying Deep Water Royalty Relief Leases;
- The specific refund amount you are requesting;
- Your taxpayer identification number (TIN); and
- A properly completed Form MMS-2014 reversing the originally reported data.

In addition, because the Debt Collection Improvement Act of 1996, (Pub. L. 104-134), requires recipients of payments from the Federal Government to receive the payments electronically, your refund request must also include:

- Your name;
- Your bank name, city, and State;
- Your 9-digit American Banking Association (ABA) number; and
- Your bank account number and account type (c-checking or s-savings).

TAKE PRIDE IN AMERICA

Send refund requests to Robert F. Prael at:
Minerals Management Service
Minerals Revenue Management
PO Box 25165
Mail Stop 61210B
Denver, CO 80225-0165

Under 30 U.S.C. § 1721a (a), you may make an adjustment or request a refund consistent with this letter within six years from the date the obligation became due. You must request approval from the MMS in writing to make an adjustment or request a refund beyond six years under 30 U.S.C. § 1721a(a)(3). Under 30 U.S.C. 1724(b), your adjustment or request for refund is limited to seven years from the date on which the obligation became due unless you entered into a tolling agreement with MMS under 30 U.S.C. 1721a(a)(4) or 30 U.S.C. 1724(d), respectively.

If you are a lessee or payor who renegotiated Leases issued in 1998 and 1999 to be subject to price thresholds, your agreement with the Department has terminated and you should follow the above procedures.

If you are a lessee of Leases under which MMS took royalties in kind you should work with the designated operator for that lease. The MMS will send separate guidance to all operators of qualifying Deep Water Royalty Relief leases which MMS has taken royalty in kind.

Please contact your Reporting Services contact if you have any questions regarding submitting the Form MMS-2014. Your Reporting Services contact can be found at http://www.mrm.mms.gov/ReportingServices/PDFDocs/coassign.pdf.

Please contact Hannah Price at 303-231-3373 for questions regarding refund requests.

Sincerely,

Paul A. Hanneman

FOR Robert F. Prael
Program Manager
Financial Management