Leasing Activities Information

MMS U.S. Department of the Interior
Minerals Management Service
Alaska OCS Region

Instructions For Making EFT Bonus Payments

(Aug 2003)

If you submit bid(s) for an OCS Lease Sale, please read and comply with the following:

(A) On the bidder address form with each bid submitted to the OCS Regional Office, you must provide the MMS the following information:

(1) The name and telephone number (including the area code) of your EFT coordinator. The MMS will contact that person to resolve any EFT problems. Only one EFT coordinator and one alternate should be designated for bid(s) made by several companies as joint bidders.

(2) Payment information for the refund of rejected high 1/5 bonus bid and interest.

(3) Your Tax Identification Number (TIN).

(B) Third Party Error: You will not be held responsible for late payment due to mechanical or systems failure of the Fedwire Deposit System, Federal Reserve Communications System, or the Automated Clearing House System.

(1) **You must assure that your bank makes payment on time.** You are responsible for interest penalties if your bank fails to deposit your EFT payment in the appropriate United States Treasury account by the time stated in the final notice of sale. We suggest that you make your bank aware of the EFT 1/5 bonus payment deadline. You must immediately contact Mr. Joe Romero [(303) 231-3123] or Ms. Norma Yagnich [(303) 231-3345] of the MMS Financial Management, Accounting Services, if the bank is unable to complete the EFT due to mechanical or any EFT systems failure.

(2) You are held responsible for accurate EFT payments. Your responsibility extends to any bank payment message coding error that prevents the payment from reaching the appropriate MMS account. You must immediately contact MMS Financial Management, Accounting Services at the above numbers if a bank coding error is expected to prevent timely payment to MMS.

1/5 Bonus Bid Payment

The OCS lease final notice of sale mandates the use of these procedures in making electronic payment of the 1/5 bonus bid payment. If you submit bid(s) for an OCS lease sale, please read and comply with the following:

Payment of the 1/5 bonus bid amount must be by electronic funds transfer (EFT), payable to the Minerals Management Service (MMS). You must use either the **Fedwire Deposit System** (same day payments) or the **Automated Clearing House** (overnight payments). The MMS considers every signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the 1/5 bonus deposit on all high bids. You must instruct your bank to EFT the 1/5 bonus payment to the appropriate United States Treasury account. Attachments 1 and 2 provide the specific account information. Please note that the Receiving FI number (FedWire Deposit System) and the Receiving ABA number (Automated Clearing House) are not printed in this document. To obtain these numbers, call (504) 736-2962. These numbers required for the 1/5 bonus bid payment have not changed recently. You may continue to use the numbers used in recent years for your upcoming transactions until further notified.

If you are a current OCS lease holder of if you are now a designated operator for a federal OCS lease, AND if you have never defaulted on 1/5 bonus payments (via EFT or otherwise), you do NOT have to provide additional security for your EFT 1/5 bonus payment. Otherwise, see Attachment 3 for your options of methods to secure your EFT 1/5 bonus payment.

(1) **One EFT payment must be made for all leases for which you submitted the highest valid bid.**

(2) **The EFT payment must be received in the appropriate United States Treasury account by the time stated in the final notice of sale, generally 1:00 p.m. Eastern Time the day following bid reading.**

(3) If the EFT payment is not received by the deadline, the MMS will charge you one day's interest on the amount owed using the same interest rate assessed for late royalty payments. This amount plus your EFT liability is due immediately.

(4) If the EFT payment is deficient in amount (payment is less than the sum total of your 1/5 bonus bids for high bids), the bidder will correct the deficient payment immediately but no later than 1:00 p.m. Eastern Time of the day following bid opening.

(5) Should you default on your 1/5 bonus payment by EFT, any or all of your bids (at the MMS's discretion) may be rejected. Additionally, you will be required to secure EFT 1/5 bonus deposits in future federal OCS lease sales. Where applicable, the MMS will call on the instrument used to secure the 1/5 bonus payment in the case of default.

(6) Where applicable, the MMS will release your financial instrument used to secure your EFT 1/5 bonus payment upon receipt of your EFT 1/5 high bid deposit. You may pick

up your security deposit from the OCS Regional Office or arrange to have the security deposit mailed to you.

4/5 Bonus & First Year Rental Payment

Pursuant to 30 CFR 218.155(c), the MMS requires the use of EFT procedures in making payment of the 4/5 bonus and first year rental amounts. If you submitted a high bid and it is deemed to be acceptable by the MMS, please read and comply with the following:

Payment of the 4/5 bonus and first year rental must be by EFT, payable to the MMS. You must use either the **Fedwire Deposit System** (same day payments) or the **Automated Clearing House** (overnight payments). The Regional Director of the OCS Regional Office conducting the lease offering will advise you of bid acceptance. After notification, you must instruct your bank to EFT the 4/5 bonus and first year rental payment to the appropriate United States Treasury account. Attachments 1 and 2 provide the specific account information. Please note that the Receiving FI number (FedWire Deposit System) and the Receiving ABA number (Automated Clearing House) are not printed in this document. To obtain these numbers, call (504) 736-2962. These numbers required for the 4/5 bonus and first year rental payment have not changed recently. You may continue to use the numbers used in recent years for your upcoming transactions until further notified.

(1) Your EFT payment must be received in the appropriate United States Treasury account no later than noon, Eastern Time, on the 11th business day after receipt of the lease forms by the successful bidder. Business day is a day on which the OCS Regional Office conducting the offering is open for business.

(2) If your EFT payment is deficient in amount, that is a partial payment, you will have two days after MMS notification to correct the deficient payment. However, MMS will assess an interest charge on such deficient payments using the same interest rate assessed for late royalty payments.

(3) Failure to pay by EFT within the time specified above will result in forfeiture of your 1/5 bonus amount and the authorized officer will not execute the lease.

(4) One EFT payment can be made for several leases.

(5) We request that your EFT payment contain both the 4/5 bonus(es) and the first year rental payment(s) as one transaction. If this is not possible, please transmit the total amount due to execute your lease(s) in one business day.

If you have questions regarding any information contained in this document you may contact Tom Warren at (907) 271-6691.

Attachments

Instruction Guide for FedWire Deposit System Sale Payments
Funds Transfer Message Format
Methods for Securing EFT 1/5 Bonus Payments

United States Department of the Interior
Minerals Management Service

INSTRUCTION GUIDE FOR
FEDWIRE DEPOSIT SYSTEM SALE PAYMENTS

FEDWIRE 1/5 BONUS MESSAGE FORMAT

-Field Tag 2000: Amount of Wire	- $680,000.00 (total payment amt.)
-Field Tag 3400: Receiver FI	- XXXXXXXXX TREAS NYC
-Field Tag 3600: Business Function	- CTR
-Field Tag 4200: Beneficiary	- D 14170001 Department of Interior Minerals Management Service, FM Denver, CO
-Field Tag 5000: Originator	- Company Name and Address
-Field Tag 6000: Originator to Beneficiary	- Sale Number Qualification number Number of Leases

(Field Tag 6000 - Up to 4 lines of 35 characters each)

Sample Message Format
To Pay 1/5 BONUS SALE MONIES

Field Tag 2000	$680,000.00
Field Tag 3400	XXXXXXXXX TREAS NYC
Field Tag 3600	CTR
Field Tag 4200	D 14170001 Department of Interior Minerals Management Service, FM Denver, CO
Field Tag 5000	XYZOO Oil Company 12345 Pleasant Avenue Broncoville, HI
Field Tag 6000	Sale 177, Qual 9999, XX Leases

United States Department of the Interior
Minerals Management Service

INSTRUCTION GUIDE FOR
FEDWIRE DEPOSIT SYSTEM SALE PAYMENTS

RENT AND 4/5 BONUS MESSAGE FORMAT

-Field Tag 2000:	Amount of Wire	- $680,000.00 (Total payment amount)
-Field Tag 3400:	Receiver FI	- XXXXXXXXX TREAS NYC
-Field Tag 3600:	Business Function	- CTR
-Field Tag 4200:	Beneficiary	- D 14170001 Department of Interior Minerals Management Service, FM Denver, CO
-Field Tag 5000:	Originator	- Company Name and Address
-Field Tag 6000:	Originator to Beneficiary	- Sale Number - Qualification number - Lease Numbers - Lease Dollar Amounts

Note: Field Tag 3400 - Please call (504) 736-2962 to obtain the account number.
Field Tag 6000 - Up to 4 lines of 35 characters each!
You may fax lease numbers and amounts if there are too many characters to fit Field Tag 6000 to (303) 231-3501.

Sample Message Format
To Pay RENT & 4/5 BONUS

Field Tag 2000	$680,000.00
Field Tag 3400	XXXXXXXXX TREAS NYC
Field Tag 3600	CTR
Field Tag 4200	D 14170001 Department of Interior Minerals Management Service, FM Denver, CO
Field Tag 5000	XYZOO Oil Company 12345 Pleasant Avenue Broncoville, HI
Field Tag 6000	Sale 175, Qual 9999, Lease XXXXX,$300,000 XXXXX, $80,000, XXXXX $100,000 XXXXX, $200,000

Attachment 2

Automated Clearing House

FUNDS TRANSFER MESSAGE FORMAT

The following form is designed as an aid for the OCS lease sale bidders in providing complete and accurate data to their banks for the payment of the 1/5 bid and 4/5 bonus and first year rental amounts. The following payment record format is for an ACH CCD+ (Cash Concentration and Disbursement plus Addendum). The Receiving ABA number is not included on this form. Please call (504) 736-2962 to obtain the Receiving ABA number.

Payment Record Format

Data Element Name	Contents	Size	Position
Record Type Code	'6'	1	01-01
Transaction Code	'22'	2	02-03
Receiving ABA	'XXXXXXXX'	8	04-11
Check Digit	'6'	1	12-12
Account Number	'312011'	17	13-29
Payment Amount	$$$$$$$$¢¢	10	30-39
Identification Number	(Optional)	15	40-54
Receiver Name	'MMS OCS Lease Sale'	22	55-76
Discretionary	* (not required)	2	77-78
Addenda Indicator	'1' (addenda present)	1	79-79
Trace Number	Assigned by your bank	15	80-94

Addenda Record Format for TOTAL 1/5 Bid Amount

Data Element Name	Contents	Size	Position
Record Type Code	'7'	1	01-01
Addenda Type Code	'05'	2	02-03
Payment Related	REF*SM*-**1**-\REF*2U*--**2**--\NTE**---**3**---\ (See below for details of items indicated by the large numbers)	80	04-83
Sequence Number	Addenda number starting at 0001	4	84-87
Addenda Trace Number	Same as last seven number of detail trace number	7	88-94

1- OCS Lease Sale Number, example '101'

2- Company OCS Qualification Number, examples '1999' or 'YK2999'

3- The words "OneFifth Bonus for ____ leases." The number of leases being bid on go in the blank.

The following is an example of the "Payment Related" addenda record field for Bogus Oil&Gas1/5 bonus bids for OCS lease sale number 101. The OCS Qualification Number assigned to Bogus Oil&Gas is #YK2999. The Payment Amount (see Payment Record format) of the ACH transfer is $1,235,000.60. Bogus is bidding on 15 leases.

REF*SM*101\REF*2U*1999\NTEOneFifth Bonus for 15 leases**

The asterisks (*) and the back slashes (\) are required items.

Addenda Record Format for 4/5 Bonus & First Year Rent

Data Element Name	Contents	Size	Position
Record Type Code	'7'	1	01-01
Addenda Type Code	'05'	2	02-03
Payment Related	REF*SM*-**1**-\REF*2U*--**2**--\RMT*LC*--**3**---*----**4**---.--\RMT*LC*--**3**---*---**4**----.--\ (See below for details of items indicated by the large numbers)	80	04-83
Sequence Number	Addenda number starting at 0001	4	84-87
Addenda Trace Number	Same as last seven number of detail trace number	7	88-94

1- OCS Lease Sale Number, example '101'

2- Company OCS Qualification Number, examples '1999' or 'YK2999'

3- Lease Serial Number (omit dashes), example 'Y1899'

4- 4/5's and First Year Rent Amount for lease identified in item 3 (omit commas), example '105000.00' or '5310000.60'

The following is an example of the "Payment Related" addenda record field for Bogus Oil&Gas payment of leases OCSY-1899 and OCSY-1940 for OCS lease sale number 101. The total 4/5's and first year rent for lease OCSG-1899 is $105,000.00 and for lease OCSG-1940 is $1,130,000.60. The OCS Qualification Number assigned to Bogus Oil&Gas is #YK2999. The Payment Amount (see Payment Record format) of the ACH transfer is $1,235,000.60.

REF*SM*101\REF*2U*1999\RMT*LC*15700*105000.00\RMT*LC*16509*1130000.60

The asterisks (*) and the back slashes (\) are required items.

Methods for Securing EFT 1/5 Bonus Payments

If you do **not** have ownership or operating rights in a federal OCS mineral lease, **OR** if you have ever defaulted on a 1/5 bonus payment in a previous OCS sale, you **MUST** secure your EFT 1/5 bonus payment using one of the following methods:

(1) *Third party guaranty.* If you use this option to secure EFT 1/5 bonus payments, the third party that guarantees your 1/5 EFT bonus payment must be an active federal OCS mineral lease holder OR currently operate an active federal OCS lease. The third party guarantor must expressly consent to guarantee your EFT 1/5 bonus payment. The MMS must receive the express written consent of guarantee of your EFT 1/5 bonus payment prior to bid submission.

Should you default on the 1/5 bonus payment by EFT, the MMS will call upon the third party to cover the delinquent payment.

(2) *Amended Areawide Coverage.* If you use this option to secure EFT 1/5 bonus payments, you must amend your $3 million areawide development bond by a Rider from the issuing surety to contain provisions that the bond may be used to cover pre-lease obligations. All other terms and conditions for the bond must remain unchanged. You must have the Rider notarized and approved by the MMS prior to submitting bids for the OCS sale.

If the $3 million areawide development coverage is through a U.S. Treasury Note, the MMS must receive and approve a notarized letter from the bidder agreeing to the terms that the Treasury Note may be used to cover pre-lease obligations prior to bid submission. That provision must remain in effect until you make your EFT deposit.

Should you default on the 1/5 bonus payment by EFT, the MMS will call the bond/Treasury Note to cover the delinquent payment.

(3) *A Letter of Credit (LOC).* If you use this option to secure EFT 1/5 bonus payments, you must use a clean, stand-by, irrevocable LOC. You must submit your LOC for at least 1/5 of the sum of all bids that you submit for a federal OCS lease sale, including joint bids, to the MMS no later than one week prior to the OCS sale.

The LOC must have a minimum coverage period of 120 days beginning with the date of the OCS sale. The LOC must be from a bank incorporated in the United States that has a minimum Thomson BankWatch rating of:

"C" for a LOC less than $1 million;
"B/C" for a LOC between $1 million to $10 million; or
"B" for a LOC over $10 million.

You are responsible for verifying that the bank provides a current rating to the MMS. The issuing bank must submit this rating with each LOC. If the issuing

bank's rating falls below the minimum acceptable level, you must submit a satisfactory replacement surety or the MMS may consider the bids to not be appropriately secured and therefore invalid.

If the institution issuing the LOC becomes insolvent, the MMS will require an immediate replacement surety unless the current LOC is transferred in whole and completely honored by the receiving institution. If you do not provide a replace surety, the MMS may consider the bids to not be appropriately secured and therefore invalid.

Once you make the appropriate EFT deposit, the MMS will promptly return the LOC to you. Alternatively, you may pick up your LOC from the Regional Adjudication Unit upon verification that your EFT deposit was complete and timely.

Should you default on your 1/5 bonus payment by EFT, the MMS will call the LOC to cover the delinquent payment.

(4) *Advanced EFT Payment.* If you use this option to secure your EFT 1/5 bonus payment, you must make your Advanced EFT payment covering the sum of the 1/5 bonus for **all** your bids before you submit your bid(s). **Please note that only bidders requiring security for their EFT 1/5 bonus payments should consider making an Advanced EFT payment.** If you do NOT have to secure your EFT 1/5 bonus payment (i.e., if you own an OCS oil and gas lease or are a designated operator of an OCS oil and gas lease and have a history of accurate and timely 1/5 bonus payments) then you should wait until the bids are opened and read and the MMS determines your EFT liability (for your high bids) to make your EFT 1/5 bonus payment.

If you use this option to secure your EFT 1/5 bonus payment, you must use either the **Fedwire Deposit System** or the **Automated Clearing House** (see Attachments 1 and 2 for formats). One EFT payment must be made for 1/5 of the sum of the bids for **all** blocks for which you submitted a bid. Your EFT payment must be received and deposited in the appropriate United States Treasury account before you submit your bid(s). Bidders are reminded that the bid submission deadline is generally 10:00 a.m. local time (for the applicable OCS Region) the day before bid reading.

Should your 1/5 bonus liability be less than your Advanced EFT payment (i.e., you were not the high bidder on all bids that you submitted), the MMS will refund the difference (your Advanced EFT payment minus your 1/5 bonus liability) without interest to you as soon as practicable (generally before 5:00 p.m. Mountain Standard Time the day of bid reading). That refund (when applicable) will be transmitted using EFT according to the payment information provided by you at the time of bid submission on the bidder address form.