

## **Instructions for Reporting Payments on Operating Agreements:**

1. Form OA-1 and Form SR-1 and SR-2(for Oil and Gas) are required to be submitted monthly along with the payment for the Non-Operating Production Charge (NOPC) to the Office of Mineral Resources. **The SR report(s) should total to the State Production Charge portion of the payment (SPC).**
2. The OA-1 form and SR-1 and SR-2 forms and payment should be submitted separately from regular monthly state royalty SR reports and payments.
3. The operator will submit two separate checks for the Operating Agreement. One for the amount of SPC monies due the State, to balance to the total amounts paid as shown on the SR report(s); the actual remittance for this part of the monies may be included with the remittance for the regular royalty payment due from state leases, e g wire-transfers or computer system generated checks. The second check must equal the Monthly State Net Profit (MSNP) monies due the State. The Operator will send the original reports with checks attached to:  
Office of Mineral Resources  
Mineral Income Division  
P. O. Drawer 2827  
Baton Rouge, LA 70821
5. The operator must also simultaneously submit a copy of the completed forms OA-1 and SR to the attention of the Petroleum Engineering staff of the Office of Mineral Resources for review, along with a cover letter, as follows:
6. The cover letter must include the following information:
  - a. Title Block will include the following:
    - Operating Agreement Number (i.e. A0260.)
    - LUW code(s) of associated properties
    - Field Name and Field Code
    - Parish and Parish Code
  - b. The body of the letter will include:
    - Statement whether or not the Operating Agreement has reached payout as defined in that specific agreement.
    - Statement of distribution of the NOPC indicating the allocation of monies to the SPC and MSNP.
    - Show the calculations for the Adjusted Value (AV) for each product.
    - Statement saying, "The terms of the agreement state that payout will occur when \_\_\_\_ BOE production is reached." and, " As of (Mo./Year) the cumulative production is \_\_\_\_\_ BOE."
7. When the Operating Agreement fulfills the definition of payout, the operator will submit a letter indicating the month and year that the payout volume was produced. After this month, the cover letter and subsequent NOPC calculations should include the calculation of the MSNP.

8. In months where the MSNP is less than 0 in value, enter 0 as the value. If the property loses money in a given month do not take a deduction against monies due the state. This is neither the original intention nor is it the purpose of the operating agreements.
  
9. The values for Monthly Lease Operating Expenses (MLOE) entered on Form AO-1 should be the lesser of either the actual operating expenses for a given month, or the maximum value defined in the operating agreement only if the actual expenses exceed this value.