

RRAC FAQ

Q. Who is responsible for paying and reporting royalties?

A. Payment Reporting

Lessees are responsible for ensuring that payments are made and reports and supporting documents are filed in a proper and timely manner. As a matter of convenience, the Texas General Land Office permits other parties to remit royalties on the lessee's behalf. This practice, however, in no way relieves the lessee of any statutory or contractual obligations concerning either the payment of royalties or the filing of reports (and supporting documents, if requested).

Production Reporting

Non-Unitized Leases

When leases are non-unitized, either the lease operator markets all of the lease production, or working interest owners separately market parts of the lease production.

If any non-sales dispositions have a royalty obligation, either the lease operator or the working interest owner must report the gross value and royalty attributable to these volumes. Non-sales dispositions that have a royalty obligation should be priced the same as sales dispositions.

Unitized Leases

When leases are grouped to operate as a unit, either the unit operator markets all of the unit production, or the tract participants market their allocated shares of the unit production. In either case, reporting procedures are the same.

Q. When are payment and production reports due to the Texas General Land Office?

A. All oil and condensate royalty payments, reports, and required supporting documents must be received by the Land Office on or before the fifth (5th) day of the second month succeeding the month of production. All gas royalty payments, reports, and required supporting documents must be received on or before the fifteenth (15th) day of the second month succeeding the month of production.

Royalty payment and production reports are received timely if the reports are time stamped by the electronic reporting system on or before the due date.

Q. What if the due date is on a legal holiday or a weekend?

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A. If a royalty production report or a royalty payment report is due on Saturday, remittance is required by that Saturday. If a royalty production report or a royalty payment report is due on a Sunday or legal holiday, then remittance may be postponed until the next regular business day.

Q. How does a company qualify to participate in the program?

A. Payment Royalty Reporting

If your company is currently using TEXNET to transfer funds to the state Comptroller's office, you qualify to report royalties electronically using the GLO-3E. For information about participating in the TEXNET program, visit the state of Texas Comptroller's web site.

Production Royalty Reporting

There are currently no minimum production requirements for, or restrictions to, submitting production information online, however, a completed Electronic Reporting Agreement and GLO-RA 005 (Blanket Authorization Production/Royalty Reports Affidavit) must be on file with the Land Office. For information on obtaining a blanket authorization number, contact Financial Operations at 1.800.998.4456 ext. 5.

Q. IF paying by TEXNET, when must I contact the TEXNET system?

A. You must contact the TEXNET System before 6 p.m. Central Time no later than the bank business day before the due date. You will be given a trace number to facilitate tracking your royalty payment. Communication of payment information by this deadline is mandatory to ensure timely posting of your payment. For assistance, call the TEXNET hotline at 800.531.5441, ext. 3-3010.

In the event that payment information is communicated to the TEXNET System after 6 p.m. Central Time on the bank business day before the due date, the payment will be posted to your account on the next business day after the due date. This will be considered a late payment and could result in the assessment of a penalty and interest.

Q. What are the advantages of filing electronically?

A. Saves time, saves money, ensures data integrity and accuracy, minimizes the possibility of penalties being assessed for erroneous information reported to the Texas General Land Office, reduces paper

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usage, provides immediate feedback when a file is uploaded, and minimizes the time it takes to detect and correct errors.