

# Leasing Activities Information

**MMS** U.S. Department of the Interior  
Minerals Management Service  
Gulf of Mexico OCS Region

## INSTRUCTIONS FOR MAKING EFT 1/5th BONUS PAYMENTS

The use of electronic funds transfer for making 1/5th bonus payments is optional for Sale 169. In any and all cases, the MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the 1/5th bonus on all high bids. A statement to this effect must be included on each bid.

- (A) Bidders are requested to contact MMS Royalty Management (see Item G) by the Bid Submission Deadline to clarify EFT procedures to be used and to designate an EFT coordinator. Joint bidders must designate one bidder as EFT coordinator. The EFT coordinator refers to the bidder, i.e., the corporation, company, or partnership submitting the bid(s), or an individual citizen submitting bids on his or her own behalf (NOT an individual within a corporation/company/partnership) for an OCS Lease Sale. EFT coordinators must submit the bids and ensure that the total of the 1/5th cash bonus for the high bids they submit is transferred to the MMS via EFT.
- (B) The EFT payment of the 1/5th bonus shall be made by either the Fedwire Deposit System (same day payments) or the Automated Clearing House (overnight payments). After bid opening on the day of the lease sale, the Gulf of Mexico OCS Regional Office will advise bidders who submit high bids of the amount required for EFT payment shortly after the conclusion of bid opening. After notification, the EFT coordinators should instruct their banks to send via EFT the sum of the 1/5th bonus for all high bids to the appropriate United States Treasury account. Attachments 1, Fedwire Deposit System, and 2, Automated Clearing House, provide the specific instructions and message formats for the payments.
- (C) The EFT payment for 1/5th of the sum of the high bids must be received in the appropriate United States Treasury account no later than 2:00 p.m., Eastern time, on the day after bid opening. One EFT payment can be made to secure the high bids on several blocks.
- (D) If the EFT payments are not received by the MMS by 2:00 p.m., Eastern time or are deficient in amount, interest penalties will be assessed on the outstanding balance. If payment is not received by 5:00 p.m., Eastern time, on the second business day following bid opening, the MMS may consider the bidder in official default. Any and all blocks (at the MMS's discretion) for which the bidder submitted the highest valid bid are



(G) MMS Royalty Management contacts for EFT matters:

- Mr. David Menard (303) 231-3574
- Ms. Kathy Jarrett (303) 231-3669
- Telefax (303) 231 3501

(H) Bidders are reminded that the MMS considers the signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including depositing the 1/5th bonus on all high bids. The MMS may consider any bid not containing this statement to be an invalid bid. For bids by current federal OCS leaseholders exempt from supplemental bond requirements, the EFT payments will be secured only by the bid form which acts as a contractual agreement between the bidder and the MMS. Otherwise, EFT 1/5th bonus payments must be secured by one of the following three methods: (1) a \$3 million areawide development bond with provisions to cover pre-lease obligations, (2) a letter of credit, or (3) a lump sum check. The MMS will consider any and all bids not appropriately secured with one of the financial instruments as described in Items (1), (2), and (3) below, as invalid.

- (1) The \$3 million areawide development bond securing EFT 1/5th bonus payments must be amended 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 shall remain unchanged. The Rider must be notarized and must be in effect prior to submitting bids for OCS Lease Sale 169. If the \$3 million areawide development coverage is through a U.S. Treasury Note, a notarized letter from the bidder agreeing to the terms that the Treasury Note may be used to cover pre-lease obligations must be approved by the MMS prior to bid submission for Sale 169. That provision must remain in effect until the EFT deposit is made.

Should the bidder default on the 1/5th bonus payment by EFT (see Item D), the bond/Treasury Note will be called to cover the delinquent payment.

- (2) Bidders opting to use a Letter of Credit (LOC) to secure EFT 1/5th bonus payments must use the enclosed sample clean, stand-by, irrevocable LOC (Attachment 3) with no modifications. [A clean LOC carries all provisions in itself; a stand-by LOC deals only with the payment of the documented sums within the stated periods; and an irrevocable LOC requires consent of both the MMS and the bidder for changes to be made.] Each company serving as an EFT coordinator must submit in a separate sealed envelope accompanying the bids, a LOC for at least the 1/5th of the sum of all bids submitted by that EFT coordinator for an OCS lease sale, including joint bids. The LOC must have a minimum coverage period of 120 days. The LOC must be from a bank that has a minimum Thomson BankWatch rating of: "C" for an LOC of less than \$1 million; "B/C" for an LOC between \$1 million to \$10



# Fedwire Deposit System

## FUNDS TRANSFER MESSAGE FORMAT

(1)	(2)	
021030004		
(3)	(4)	(5)
(6)		
(7)	(8)	(9)
TREAS NYC/CTR/BNF = /AC-14170001 RFB = DOI,MMS		
(10)		
OBI =		

<u>Field</u>	<u>Content</u>
--------------	----------------

- |   |   |
|---|---|
| 1 | <u>RECEIVER-DFI#</u> - Treasury's ABA (American Bankers Association) number for deposit messages is 021030004. This number remains constant and is required for all your funds transfer messages sent to the U.S. Treasury for Minerals Management Service. |
| 2 | <u>TYPE-SUBTYPE-CD</u> - The type and subtype code will be provided by the sending bank.  |
| 3 | <u>SENDER-DFI#</u> - This 9-digit number will be provided by the sending bank.  |
| 4 | <u>SENDER-REF#</u> - The 16-character reference number is inserted by the sending bank at its option.   |
| 5 | <u>AMOUNT</u> - The transfer amount must be punctuated with commas and decimal point; use of the "\$" is optional. This item will be provided by the payor.   |
| 6 | <u>SENDER-DFI-NAME</u> - This information is automatically inserted by the Federal Reserve Bank.  |

**Fedwire Deposit System**  
*(For Illustration Purposes Only)*

**1/5 BID** SAMPLE MESSAGE FORMAT

Example of Fedwire Payment information for Bogus Oil & Gas payment of \$5,432,000.60 for OCS Sale 101. The OCS Qualification Number assigned to Bogus Oil&Gas is 1999. Bogus Oil&Gas is high bidder on 23 leases.

(1)	021030004	(2)
(3)	(4)	(5)
(6)		\$5,432,000.60
(7)	(8)	(9)
	TREAS NYC/CTR/BNF = /AC-14170001 RFB = DOI,MMS	
(10)	OBI = Sale 101;#1999 BOGUS OIL&GAS;One Fifth bid	
	23 leases	



# 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 amounts. The following payment record format is for an ACH CCD+ (Cash Concentration and Disbursement plus Addendum).

### Payment Record Format

Data Element Name	Contents	Size	Position
Record Type Code	'6'	1	01-01
Transaction Code	'22'	2	02-03
Receiving ABA	'05103670'	8	04-11
Check Digit	'6'	1	12-12
Account Number	'312011'	17	13-29
Payment Amount	\$\$\$\$\$\$\$\$\$C	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

Attachment 3  
Letter of Credit



**BANK LETTERHEAD**

Bank Address

**Letter of Credit**

Bank \_\_\_\_\_

Bank Address \_\_\_\_\_

Bank ABA Number \_\_\_\_\_

Clean, Stand-by, Irrevocable Letter of Credit No. \_\_\_\_\_

This Letter of Credit is effective March 18, 1998.

Expiration date is at the close of business on July 16, 1998.

Beneficiary:

Minerals Management Service  
Royalty Management Program  
Denver, Colorado 80225

Sir or Madam:

We hereby establish our clean, stand-by, irrevocable Letter of Credit in your favor and authorize drawing(s) on (Bank) \_\_\_\_\_ by order(s) and for account of (GOM Company Number, Company Name, Address) \_\_\_\_\_

\_\_\_\_\_ up to an aggregate amount of \$ \_\_\_\_\_ available by your drafts at sight.

The amount of the accompanying sight draft will be due and payable to the Minerals Management Service of the U.S. Department of the Interior as a result of deficient electronic funds transfer payment of 1/5th of the sum of high bids submitted for Sale 169 on (Date) March 18, 1998 and further that (GOM Company Number, Company Name) \_\_\_\_\_ has for a period of more than 2 business days neglected, failed, or refused to pay the sufficient amount although notified to do so by the Minerals Management Service of the U.S. Department of the Interior.

The payment is available upon sight draft.

Partial drawings are permitted under this Letter of Credit, and it is expressly provided herein that there may be more than a single drawing on this Letter of Credit, so long as the sum of the amounts drawn does not exceed the full amount of the Letter of Credit. Any partial drawings will reduce pro tanto the remaining aggregate balance available to be drawn. The beneficiary may draw hereunder by manner of a sight draft, an amount not to exceed the unused balance of this Letter of Credit.

We certify that the amount of the credit herein established will not be reduced for any reason during the period of this instrument without your written consent.

Except as expressly stated herein, this Letter of Credit is the individual obligation of the bank and is not subject to any condition or qualification and is not contingent on the ability of the bank to perfect a lien, security interest, or any other reimbursement. This credit cannot be modified or revoked without the consent of the beneficiary.



We hereby engage with the beneficiary that draft(s) drawn under and in compliance with the terms of this Letter of Credit will be duly honored when presented in person or delivered by registered mail or courier service at \_\_\_\_\_ (name of Bank and its address) if such presentment or delivery is made on or before the expiration date shown above.

We will promptly notify you of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.

In the event the Bank becomes unable to fulfill our obligations under this Letter of Credit for any reason, notice shall be given immediately to the beneficiary.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500. If this Letter of Credit expires during an interruption of business as described in Article 17 of said Publication No. 500, the bank hereby specifically agrees to effect payment if this Letter of Credit is drawn against within 30 days after the resumption of business.

IN WITNESS WHEREOF, the bank has hereunto set its signature and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
(Issuing Bank)

\_\_\_\_\_  
(Authorized Officer)

**ACKNOWLEDGMENT**

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, a Notary Public in and for the County of \_\_\_\_\_, in the State of \_\_\_\_\_, appeared \_\_\_\_\_ to me personally known who, being by me duly sworn, did say that he/she is \_\_\_\_\_ of \_\_\_\_\_, the bank named in and which executed the within instrument, and that the seal affixed to said instrument is the seal of said Bank, and that said instrument was signed, sealed and delivered in behalf of said Bank by authority of its Board of Directors, and he/she, as such, offer acknowledged said instrument to be the free act and deed set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day, month and year aforesaid.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for said  
County and State

\_\_\_\_\_  
Date



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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 'YK999'

3- The words "OneFifth Bonus for \_\_\_ leases" The number of leases Bogus is high bidder 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 #1999. The Payment Amount (see Payment Record format) of the ACH transfer is \$1,235,000.60. Bogus is high bidder on 15 leases.

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

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







FIELDS 7, 8, AND 9 ARE CRITICALLY IMPORTANT. THESE ITEMS MUST APPEAR ON THE FUNDS TRANSFER DEPOSIT MESSAGE IN THE PRECISE MANNER AS STATED TO ALLOW FOR THE AUTOMATED PROCESSING AND CLASSIFICATION OF THE FUNDS TRANSFER MESSAGE TO THE AGENCY LOCATION CODE (ALC) OF THE MINERALS MANAGEMENT SERVICE.

<u>Field</u>	<u>Content</u>
7	<u>RECEIVER-DFI-NAME</u> - Treasury's name for deposit messages is "TREAS NYC/".
8	<u>PRODUCT CODE</u> - A product code of "CTR" for customer transfer must be used in the RECEIVER - TEXT field. A slash, "/", must be entered after the product code.
9	<u>AGENCY LOCATION CODE AND AGENCY NAME</u> - The ALC refers to the eight-digit numeric symbols used to identify MMS. The MMS's unique code, "14170001", must be specified in the funds transfer message for the funds to be correctly credited to MMS. The ALC identification sequence includes the beneficiary code field tag, "BNF=", and identifier code, "/AC-", followed by the appropriate ALC number. After the ALC, the agency name is needed. This is done by using "RFB=" followed by the abbreviations "DOI, MMS". These abbreviations will facilitate the research process should problems arise. Fields 7, 8, and 9 should be in the following format:

**TREAS NYC/CTR/BNF=/AC-14170001 RFB=DOI,MMS;**

10 PAYMENT INFORMATION - The detailed information in this field must include:

**OBI=**

Lease sale number, for example SALE 101

Company name and OCS Qualification Number for the bidder who makes the payment

**1/5 Bid Submission-** The words "One Fifth Bid for \_\_\_\_ leases". The number of leases company is high bidder on will go in the blank.

Field 10 is limited to 220 characters. If field limit is exceeded, multiple wire transfers will be necessary. Samples of funds transfer messages are included on the following pages.



million; or "B" for an LOC over \$10 million. The EFT coordinator is responsible for verifying that the bank provides a current rating to the MMS. This rating must be submitted with each LOC. If the issuing bank's rating falls below the minimum acceptable level, a satisfactory replacement surety must be submitted 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 replacement surety is not found, the MMS may consider the bids to not be appropriately secured and therefore invalid.

Once the appropriate EFT deposit is made, the LOC will be returned to the bidder. Alternatively, the EFT coordinator may pick up the LOC from the Gulf of Mexico Regional Office.

Should the bidder default on the 1/5th bonus payment by EFT (see Item D), the LOC will be called to cover the delinquent payment.

- (3) Bidders opting to use a lump sum check to secure EFT 1/5th bonus payments must submit in a separate sealed envelope accompanying the bids, a payment for at least 1/5th of the sum of all bids submitted by that EFT coordinator for an OCS lease sale, including joint bids. Multiple checks are acceptable by bidding combines. The lump sum payment(s) in the sealed envelope must be by cashier's check, bank draft, or certified check, payable to the order of the U.S. Department of the Interior--Minerals Management Service.

Once the appropriate EFT deposit is made, the lump sum check will be returned to the bidder. Alternatively, the EFT coordinator may pick up the lump sum check from the Gulf of Mexico Regional Office.

Should the bidder default on the 1/5th bonus payment by EFT (see Item D), the lump sum payments accompanying the bids will be deposited into the appropriate United States Treasury account. Should these payments (which secure high bids and unsuccessful bids) require a refund to the bidders, those refunds, without interest, will be accomplished through EFT as soon as practicable.



potentially jeopardized by a deficient EFT payment. Interest penalties will accrue (on a daily basis) from 2:00 p.m., Eastern time, the day after bid opening until the EFT payment is received. The MMS will collect deficient EFT 1/5th bonus payments plus interest by drawing on the instrument used to secure the EFT payment (see Item H below), and/or use other available means to ensure payment.

- (E) On the Phone Numbers/Addresses of Bidders Form submitted with the bids to the MMS OCS Regional Office, the EFT coordinator will provide the following:

The name and telephone and fax numbers (including the area code) of both its EFT contact and an alternate contact (using the name line provided in Section I of the Form). The MMS will contact that person to resolve any EFT problems. **Please note:** the EFT contact refers to an individual within a company, partnership, or corporation, or an individual named by a citizen working on the citizen's behalf; and the EFT coordinator refers to the company, partnership, corporation or individual citizen submitting the bid(s).

- (F) The EFT coordinator will assure that its bank makes payment on time. The EFT coordinator is also held responsible for accurate EFT deposits. This responsibility extends to any bank payment message coding error which prevents the payment from reaching the appropriate MMS account. The EFT coordinator will immediately contact the MMS Royalty Management Program if the bank is unable to complete the EFT due to mechanical or any EFT systems failure. Should any such third party errors arise and not be corrected by 2:00 p.m., Eastern time, the day following bid opening, interest penalties (to a maximum of two days interest) will accrue until the time the payment plus interest is deposited into the appropriate United States Treasury account.

The EFT coordinator will not be held responsible for any reasonable delays caused by MMS errors. For example, if the MMS supplies the EFT coordinator with an erroneous account code, the EFT coordinator is not held responsible for any reasonable delays that this may cause. When the error is identified, the bidder must immediately contact the MMS Royalty Management Program to resolve the error and deposit the 1/5th bonus payment into the appropriate United States Treasury account.