

## Escheat Procedures

### What is Escheat?

Escheat is the reversion of property to a state when that property is lacking claimants or heirs. In the oil & gas industry, the property is usually an unclaimed oil and gas royalty or override payment. The property can be unclaimed for several reasons, but most often it is because the address of the owner is unknown.

### What is Land Administration's role in Escheat?

Land Administration is responsible for the due diligence portion of escheat. This involves researching and making decisions regarding what funds are eligible for escheat. Land Administration is responsible for preparing the packets to be sent to each state. Land Administration is also responsible for sending negative "0" reports to states.

What is Revenue Accounting's role in Escheat?

Revenue Accounting is responsible for cutting the checks to be sent to the states and sending the reports to the states.

### Reporting Deadlines

The due date for Fall reporting is November 1<sup>st</sup>. Spring reporting deadlines range from March 1<sup>st</sup> to May 1<sup>st</sup>. Allow time to conduct the appropriate research on owners in question. The escheat process is a time consuming, labor-intensive task. Research should begin at least 3 months prior to the reporting deadline. This will allow enough time for due diligence and reporting.

### The Escheat Process

#### 1. REV286 and Initial Review

Land Administration is responsible for running the REV286 report. This duty will be designated to the group lead or the Escheat Project Coordinator.

- The REV286 reports will be generated for each BU by individual state. **NOTE: Verify with Accounting that the COM990 has the most current information on dormancy period for each state; otherwise your report will be incorrect.**
- Go through each worksheet to identify the owners who are in **ES and IA** suspense codes.
- Owners in ES paycode:

In cases where the owner is already in ES because we did not escheat their entire balance, there may not be a need to go through the extensive due diligence process.

- Check escheat list for prior escheated owners and those approved for future escheat on the shared drive.
- Verify that there is a due diligence letter in the file for this owner.
- Use Equifax to verify the address we have on file and the address reported through Equifax is the same.

If the above conditions have been satisfied, no further research is required for this owner. Place this owner on the escheat list. If the above conditions have not been satisfied, due diligence research may be required for the owner in question.

- Owners in IA paycode

Owners in IA paycode will need to go through the due diligence process outlined in Step 2.

- Negative Balances

If any owner only reflects a negative balance, this owner cannot be escheated. Negative balances are not reported to the states. The analyst for the area in which the property with negative balance resides should be notified for further research.

- The REV286 should be saved to the appropriate folder on the shared drive so that anyone working on the escheat process will have easy access to the information. For auditing purposes, an untouched copy of the original REV286 should be saved. Updates should be made to a second copy.

## 2. Due Diligence

[Company Name] has a duty to make a diligent attempt to locate the owners of the property. The due diligence process involves researching an owner using internal and external sources of information.

### A) Explore all internal sources.

- Check the Excalibur Name and Address Master (COM100) and JDE Address Book to see if the owner has multiple address book entries.

If additional address book entries exist, check to see if the additional entries are in an M pay code on any other properties. Investigate and contact the analyst for the area in which the properties lie. If the owner is locatable and information is verified, the analyst should make the necessary changes and the owner will be released from suspense.

- Research well files
  - Check the pay code status of the owner in question. This can be done in different ways.
    - A REV210 report can be run on the owner for all properties and all dates. This can provide a history of the wells and dates an owner has been paid for as well as what pay code the owner was in for those dates.
    - An AdHoc Query may be run to compare the owners in suspense against the current pay deck to verify when unreleased back suspense is listed on the escheat record.
    - If the owner is currently being paid on property, forward the information obtained thus far to the analyst for that area and request the analyst release suspense for the located owner.
  - Check WellMaster to verify the status of the property in question.
    - If the well has been sold, research the circumstances of the sale. If research is unsuccessful, contact the accountant for the area. It is possible that the money in suspense from a sold well should have been cleared in the post closing adjustments of a sale. It is also possible that the sold well may be creating a phantom suspense.
  - Look for documents pertaining to the owner in question in DocVue/LiveLink. There may be clues

as to the whereabouts of an owner hidden in correspondence, DOI files, etc.

- Run LDO900 to see if any mass changes have been processed on this owner before.
  - It is possible that a mass change was done on the owner number, but the well on the REV286 left off that change. This would also lead to a situation where the analyst for the area could release the owner from suspense.

B) Explore external sources of information

- Use the Internet to locate a current address for the owner or to find out if the owner is deceased. The following are useful tools in searching for owners:

- [www.equifax.com](http://www.equifax.com)
- [www.ssdi.rootsweb.com](http://www.ssdi.rootsweb.com)
- [www.daplus.us](http://www.daplus.us)
- [www.zabasearch.com](http://www.zabasearch.com)

C) Analyze the information that has been gathered. Decide which owners have new addresses, which owners are deceased and which owners have been located.

D) Certified Letters

- \*Once the owners who need due diligence letters sent have been identified by the analyst, the analyst will provide information to the BU escheat project manager for further handling.
- Make a copy of the due diligence letters before sending them out. It is important to keep track of the letters sent.
- Allow the owners 30 days to return their letter.
- Provide a business reply envelope with attention to you with the due diligence letter.
- Wait for the letter to be returned by the owner.

- \*If a letter is not returned by the deadline, advise the appropriate analyst that you did not receive a response back from the owner and verify that the owner needs to be escheated. If verified, add owner to list on shared drive.
- \*If the letter is returned as undeliverable, confirm with the analyst for that area that it is ok to escheat the owner. If verified, add owner to list (from Due Diligence Letter List) of letters returned as undeliverable (for owners to be escheated).
- If the letter is returned and signed by the owner, advise the analyst for that area where the owner's properties reside. Suspense should be released upon further review. Notify JDE Address Book of the address change and copy the analyst for that area on that email. Escheat responsibilities for located owners end here for each BU doing the due diligence for the state where the owner resides. .

### 3. Analysis

A) Review REV286 for the amount to be escheated. Specifically review the dormancy period dollars to determine how much needs to be escheated (if anything at all). The dormancy period differs by state.

- \*For the SRBU - Contact the state to find out if funds within the dormancy period should be reported or if all funds (up to current) should be reported. CO, CT, DE, AR, IN and AZ will allow us to report up to current. CA and GA will not accept the current balance.
- For states that allow reporting current balances there is no need to be concerned with the dormancy period or the last activity date. Report the totals that are on the REV286 report. These are the amounts that will be entered in the HRS Pro software.

- \*If the state advises that only funds within the dormancy period should be reported, calculate the amounts on the spreadsheet. Only the appropriate dollar amount will be escheated. These will be the dollars entered in the HRS Pro software.
- Not all properties will fall under the dormancy period. If this happens, we will escheat the appropriate amount for this year and the owner will pop up again in an ES paycode on future reports. The exception will be if the state asks us to report to current.
  - There are cases where the owner will show up on REV286 reports multiple years in a row. This occurs because the owner's entire balance was not escheated in the previous year. Since the owner was previously placed in an ES pay code, he or she should already be on the spreadsheet of owners to be escheated on the shared drive. Include the owner's balance for the current year's dormancy period in the current year's escheat. It is not necessary to go through the due diligence process for these owners. They can be escheated.

#### 4. Pay code changes

- The pay code for all owners to be escheated should be changed to ES. For all owners, process mass changes to transfer their pay code from IA (or any other suspense code) to ES suspense.
  - Before processing a mass change to ES for an owner, confirm with the analyst for that area that it is okay to escheat the owners funds. This should have been verified in Step 2: Due Diligence.
  - **Be mindful of the revenue close date.**
  - The BU responsible for reporting to the state in which the owner's property resides is responsible for making paycode changes to ES.
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- Run a REV236, then process through LDO (LDO300). Then run REV236 again to verify LDO paycode changes. If any paycode remain unchanged because the well reside in REV only, run REV117, to process the remaining paycode changes. If the paycodes for the suspended funds cannot be changed through either process listed above, then Accounting, who will be responsible for making the paycode changes to those funds, should be notified.

## 5. Reporting

- The data for all owners being escheated must be entered into the NAUPA standard electronic file format, which can be downloaded at <http://www.unclaimed.org/mainframe.asp?VisitorType=professional>
- When you download the HRS Pro software a help guide will automatically be saved to your desktop. The software license expires. Download a new version (using the link above) for each reporting period. Install the software to the same location to prevent losing data.
- Use the amounts totaled from the REV286 report as the numbers you input in HRS Pro.
- If you are reporting the current balance for a property, the REV286 report should be used to input the amounts to be entered on the HRS Pro software.
- After all the properties have been entered into HRS Pro, print a non-validated unclaimed property detail listing and verify that all the information has been entered correctly. It is good to have someone else review the report.
- \*After the data entered into HRS Pro has been verified, a copy of the unclaimed property detail listing from HRS Pro along with REV286 report should be given to the Revenue Accountant assisting with escheat reporting. **Reports should be provided to Revenue Accounting by the 1<sup>st</sup> date of the month prior to**

**reporting deadline** so that accounting has time to review and process. For example, if the report is due to the state by November 1<sup>st</sup>, provide Revenue Accounting with the appropriate reports by October 1<sup>st</sup>. Revenue Accounting will cut the checks to be sent to the state with the next Revenue Close.

- Request that Revenue Accounting scan the completed packets with the checks included and email a copy to the person responsible for the escheat process. This packet should consist of:
  - The state required holder cover page. The requirements vary from state to state (see state requirements spreadsheet). For all states, the cover page should be signed off on by an Attorney-in-fact for [Company Name].
  - The check
  - The holder verification report. Most states will accept the validated HRS Pro unclaimed property detail listing.
  - **A cover letter.**

#### 6. Negative Reporting

- For states with \$0 to report, it is good practice to send a “negative report.” The negative, or zero, report should include the required negative

#### 7. Records Retention

- Hard copy records of REV286 reports, research documents and the completed reporting packets should be retained for a minimum of ten years.
- Copies of scanned documents related to any owner change of address or confirmation of address to owner’s record in JDE Address book.
- For future reference, a list should be kept on the shared drive of the owners placed in an ES paycode with funds that have been approved to escheat.
- Scanned copies of the packets sent to each state should be saved to S:\Land\_Administration\LandAdmin\_Shared\Escheat under the applicable reporting year.

**Special Notes:**

Even though a property is in a specific business unit, each business unit is responsible for reviewing escheat based on which business unit has been assigned to a particular state. The states are assigned as follows:

SRBU – States beginning with A-I, plus U  
NRBU – States beginning with J-Q, less L & O, plus W  
MCBU – States beginning with R-Z, less W and U, plus L & O

\*Give the analysts a deadline for researching their owners to determine if the owner needs to be escheated. 2-2 1/2 weeks should suffice.

Unclaimed property is to be reported to the state of the owner's last known address. If there is no address listed the property needs to be reported to the holder's state of incorporation. For [Company Name], that is Delaware.

\*For NRBU – Escheat only the dormancy period and any dates before.

CA does not accept Fall reporting checks.

Washington DC and Puerto Rico require unclaimed property reporting.



\*Suggested Timeline for Escheat:

<b>Cycle</b>	<b>Date</b>	<b>Activity</b>
Spring Fall	December 1 <sup>st</sup> June 1 <sup>st</sup>	<b><u>Data output</u></b> - Run REV286 Report
Spring Fall	December 15 <sup>th</sup> June 15 <sup>th</sup>	<b><u>Preliminary Review of Data</u></b> Analyze records in accordance with state matrix and escheat laws. Compare report to prior State Filings to ensure all owners previously reported and needing to be listed are included. Distribute Lists to Analysts for Review
Spring Fall	January 1 <sup>st</sup> July 1 <sup>st</sup>	<b><u>Start Due Diligence Mail Process</u></b> – Prepare and send due diligence letters, receive responses and edit records accordingly.
Spring Fall	February 1 <sup>st</sup> August 1 <sup>st</sup>	<b><u>End Due Diligence Process</u></b> - Copy all documents for Escheat records, place copies of due diligence responses for owners in Land Energy Address Book for permanent record. Forward originals of letters to Analysts for further handling (changing address and releasing, processing transfers, etc.)
Spring Fall	February 15 <sup>th</sup> August 15 <sup>th</sup>	<b><u>Property Reconciliation</u></b> – Prepare preliminary state reports, reconcile Rev286 and Rev 210 to report. Add or delete records from report based on Analyst request. Remove late due

		diligence respondents or last minute changes. For states with dormancy period reporting, finalized REV210 report should be run.
Spring Fall	March 1 <sup>st</sup> September 1 <sup>st</sup>	<b><u>Property remittance reports</u></b> – Preparation of final draft report and check pull request for Accounting to allow for inclusion of checks in September or March check run if possible or second special check run if necessary. For states with current reporting, most recent REV210 report should be run to update check amounts.

Spring Fall	March 20 <sup>th</sup> September 20 <sup>th</sup>	<b><u>Compare Checks to Reports</u></b> reconcile and correct where necessary.
Spring Fall	April 1 <sup>st</sup> October 1 <sup>st</sup>	<b><u>Property Remittance</u></b> – Preparation and deliver of state abandoned property data files. Preparation and deliver of verification and checklist reports. Delivery of abandoned monies to state governments. (scan copies before mailing to states)
Spring Fall	April 15 <sup>th</sup> October 15 <sup>th</sup>	<b><u>Final Reports</u></b> – Placing of scanned copies of reports in appropriate data files on S:/ Drive. Preparation of list of owners to be included in next Escheat process (owners reported and who will need to be included the following

		year, owners who were included too late for Escheat report, and those who did not make the dormancy period for inclusion.) Review process and problems encountered for resolution or preplanning to avoid in future escheat processing activities.
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\* May vary between business units.

