

**Supporting Statement for Paperwork Reduction Act Submissions**  
**30 CFR 210—Forms and Reports**  
**Form MMS-2014, Report of Sales and Royalty Remittance**  
**OMB Control Number 1010-0140**  
**Current Expiration Date: October 31, 2006**

**General Instructions**

A supporting statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the *Federal Register*, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 of the OMB Form 83-I is checked “Yes,” Section B of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

**Specific Instructions**

**A. Justification**

***1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.***

The Secretary of the U.S. Department of the Interior is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands. The Secretary is required by various laws to manage mineral resources production on Federal and Indian lands, collect the royalties due, and distribute the funds in accordance with those laws.

The Secretary also has a trust responsibility to manage Indian lands and seek advice and information from Indian beneficiaries. The Minerals Management Service (MMS) performs the royalty management functions and assists the Secretary in carrying out the Department’s trust responsibility for Indian lands.

When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share (royalty) of the value received from production from the leased lands. The lease creates a business relationship between the lessor and the lessee. The lessee is required to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is similar to data reported to private and public mineral interest owners and is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information collected includes data necessary to ensure that the royalties are accurately valued and appropriately paid.

The Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982, 30 U.S.C. 1701 *et seq.*, states in Section 101(a) that the Secretary “. . . shall establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect and account for such amounts in a timely manner.” The persons or entities described at 30 U.S.C. 1713 are required to make reports and provide reasonable information as defined by the Secretary. The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), Public Law 104-185, as corrected by Public Law 104-200, authorizes the Secretary or the delegated state, on a case-by-case basis, to provide accounting, reporting, and auditing relief for specific marginal properties.

In addition to FOGRMA and RSFA, other applicable citations include the following: 30 U.S.C. 189 pertaining to Public Lands; 30 U.S.C. 359 pertaining to Acquired Lands; 25 U.S.C. 396d pertaining to Indian Lands; and 43 U.S.C. 1334 pertaining to Outer Continental Shelf Lands. The Code of Federal Regulations (CFR) citations referenced in this information collection request (ICR) are covered under 30 CFR part 210. Public laws pertaining to mineral royalties are located on our website at [http://www.mrm.mms.gov/Laws\\_R\\_D/PublicLawsAMR.htm](http://www.mrm.mms.gov/Laws_R_D/PublicLawsAMR.htm).

***2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. [Be specific. If this collection is a form or a questionnaire, every question needs to be justified.]***

The Report of Sales and Royalty Remittance, Form MMS-2014, is the only document used for reporting oil and gas royalties, certain rents, and other lease-related transactions to MMS (e.g., transportation and processing allowances, lease adjustments, and quality and location differentials). The MMS’s Minerals Revenue Management (MRM) relies on data reported by payors on Form MMS-2014 for the majority of our business processes. In addition to accounting for royalties reported by payors, our system (using data from Form MMS-2014) performs numerous other functions:

- Monthly distribution of mineral revenues to state, Indian, and U.S. Treasury accounts,
- Explanation of Payments (EOP) reporting as required by FOGRMA,
- Royalty accounting and statistical information to states, Indians, and others who have a need for such information, and
- Identifying under-reporting and nonreporting so MMS can promptly collect revenues. Sales and royalty information is compared with production data. This comparison provides MMS with valuable cross-check capability for verification of production with reported sales.

If MRM did not collect the information provided by Form MMS-2014, it would be impossible to ensure that MMS is collecting and disbursing the full value of royalties received from production of leased lands. Collection of royalties directly impacts the amount of funds made available to the U.S. Treasury, state governments, Indian tribes, and individual Indian mineral owners.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden [and specifically how this collection meets GPEA requirements].**

More than 99 percent of Form MMS-2014 lines are reported to MMS electronically. The MMS has contracted with an electronic commerce vendor who assists reporters in converting to one of our electronic reporting options. Once the system is converted, the availability of extensive online helptext minimizes the reporting burden. Upfront edits further reduce the reporting burden.

It is advantageous to both payors and MMS to report by electronic media. Companies maintain nearly all information required for sales and royalty reporting in their computer data base. Fewer errors are made using electronic reporting, and errors that do occur when reporting electronically are easier to trace and correct. It requires less time for a company to draw data from its own files, enter a line of data, and generate the electronic report than to manually complete a line of reporting. Certain Form MMS-2014 data fields are the same on every report, and payors can create reporting templates of the static information, which can be used every month.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

The information necessary to accomplish the royalty management functions required by FOGRMA is not collected by any other governmental agency. The information is readily available only in the files of the reporters who are required to fill out Form MMS-2014.

**5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.**

Small businesses or other small entities are among potential respondents. We have analyzed Form MMS-2014 requirements to ensure that the information requested is the minimum necessary and places the least possible burden on respondents. To minimize the burden of reporting for small businesses, we routinely conduct training sessions to assist payors in completing Form MMS-2014. In addition, we provide toll-free telephone assistance when payors have questions related to our handbook instructions and form filing requirements. Extensive online helptext is available to assist in reporting electronically. Electronic reporters also have the capability of creating templates of information that is static from month to month, simplifying the reporting effort.

Regulations at 30 CFR 210.20 require most reporters to submit royalty and selected production reports electronically. However, the regulations also include several exceptions designed to minimize the impact that electronic reporting might have on small businesses.

**6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

The MMS is required by law to collect and disburse funds. The information on Form MMS-2014 identifies the revenue recipient, which enables MMS to make proper disbursement of funds. It also provides all the additional data needed for the associated EOP. The information on Form MMS-2014 is collected monthly for the majority of leases. If Form MMS-2014 information were not collected monthly, MMS would not be able to meet these requirements nor comply with FOGRMA. It would be impossible to ensure that the full value of royalties is received. However, Form MMS-2014 can be submitted on less than a monthly basis for specific marginal properties if authorized, as provided by RSFA, for accounting, reporting, and auditing relief. Collection of royalties directly impacts the amount of funds made available to the U.S. Treasury, state governments, Indian tribes, and individual Indian mineral owners.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

***(a) requiring respondents to report information to the agency more often than quarterly.***

This information collection operates under special circumstances, which sometime require reporting inconsistent with the guidelines of 5 CFR 1320.5(d)(2) as follows: FOGRMA requires funds derived from Federal and Indian leases to be distributed on a monthly basis. Failure to collect production information monthly would preclude verification that amounts collected and distributed were the amounts actually due and payable. Further, reports on oil and gas production are required monthly by the terms of most leases.

***(b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.***

Not applicable in this collection.

***(c) requiring respondents to submit more than an original and two copies of any document.***

Not applicable in this collection.

***(d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than 3 years.***

Respondents must maintain records for 6 years as provided by 30 U.S.C. 1713 or for a longer period if an audit has been initiated.

***(e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.***

Not applicable in this collection.

***(f) requiring the use of statistical data classification that has been reviewed and approved by OMB.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii) because the collection is not a statistical survey and does not use statistical data classification.

***(g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.***

This collection does not include a pledge of confidentiality not supported by statute or regulation.

***(h) requiring respondents to submit proprietary trade secrets or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.***

Any proprietary, trade secret, or other confidential information submitted is protected by agency procedures.

***8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice [and in response to the PRA statement associated with the collection over the past 3 years] and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.***

***Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. [Please list the names, titles, addresses, and phone numbers of persons contacted.] Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.***

As required in 5 CFR 1320.8(d), MMS provided a 60-day notice in the *Federal Register* on November 21, 2005 (70 FR 70092). Also, the Paperwork Reduction Act statement on Form MMS-2014 explains that MMS will accept comments at any time on the information collected

and the burden. We display the OMB control number and provide the address for sending comments to MMS.

We did not receive any comments in response to the *Federal Register* notice regarding this routine renewal. We did not receive any unsolicited comments from potential respondents covered under these regulations, or any unsolicited comments from anyone who submits Form MMS-2014. However, we did solicit input from several companies regarding our burden hour estimates and any other areas of concern. The companies listed below responded to our request. Neither company had any disagreement with our burden estimates of 3 minutes per line for electronic reporting. Both companies commented that electronic reporting and upfront edits save time.

Encore Operating, Inc.  
(Roxanna Flores, 817-339-0912)  
777 Main Street, Suite 1400  
Ft. Worth, TX 76102

Encana Oil and Gas (USA), Inc.  
(Carol Stahl, 720-876-5150)  
370 17th Street, Suite 1700  
Denver, CO 80202

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

We will not provide any payment or gift to respondents in this collection.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

We protect proprietary information according to the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2).

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

The collection does not include sensitive or private questions.

**12. Provide estimates of the hour burden of the collection of information. The statement should:**

*(a) Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.*

*(b) If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.*

*(c) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.*

We estimate approximately 2,070 respondents (oil and gas lessees) and 3,134,611 responses. We estimate the total annual burden is 158,821 reporting hours. Based on a cost factor of \$50 per hour, we estimate the total annual cost to industry is \$7,941,050 (\$50 x 158,821). Responses are monthly and as required. Refer to the chart below for the burden hours by CFR citation.

**SECTION A.12 BURDEN BREAKDOWN**

<b>30 CFR Part 210</b>	<b>Reporting and Recordkeeping Requirement</b>	<b>Hour Burden</b>	<b>Average Number of Annual Responses</b>	<b>Annual Burden Hours</b>
210.20(a); 210.21(c)(1); 210.50; 210.52(a)(1), (a)(2), (b), (c), and (d); and 210.354	<b>210.20 When is electronic reporting required?</b> (a) You must submit Form MMS-2014 . . . to MMS electronically. . . .  <b>210.21 How do you report electronically?</b> (c)(1) You must submit an electronic sample of your report for MMS approval . . .  <b>210.50 Required recordkeeping.</b> . . . Records may be maintained in microfilm, microfiche, or other recorded media . . .  <b>210.52 Report of sales and royalty remittance.</b> (a) You must submit a completed Form MMS-2014 (Report of Sales and Royalty Remittance) to MMS with: (1) All royalty payments; and,	<b>Electronic (99 percent)</b>		
		0.05 (3 minutes)	3,103,265	155,163
		<b>Manual (1 percent)</b>		
		0.1167 (7 minutes)	31,346	3,658

30 CFR Part 210	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
	<p>(2) Rents on nonproducing leases . . .</p> <p>(b) When you submit Form MMS-2014 data electronically, you must not submit the form itself.</p> <p>(c) Completed Forms MMS-2014 for royalty payments are due by the end of the month following the production month.</p> <p>(d) . . . completed Forms MMS-2014 for rental payments are due no later than the anniversary date of the lease.</p> <p><b>210.354 Monthly report of sales and royalty.</b> A completed . . . (Form MMS-2014) must be submitted each month once sales or utilization of production occur . . . This report is due on or before the last day of the month following the month in which production was sold or utilized . . .</p>			
210.351	<p><b>210.351 Required recordkeeping.</b> . . . Records may be maintained on microfilm, microfiche, or other recorded media that are easily reproducible and readable. . . .</p>	Burden hours covered under § 210.354 above.		
<b>BURDEN HOUR TOTAL</b>			<b>3,134,611</b>	<b>158,821</b>

NOTE: Each line is considered one response/report.

We estimate the time needed to generate and submit the data electronically is 3 minutes per line. We estimate the time needed to manually complete one line of Form MMS-2014 reporting is 7 minutes. Average time includes data assembly, value and royalty calculations, and entering data on the form. The total time involved varies considerably, from a small company reporting only one or two leases to a large company reporting multiple leases.

**13. Provide an estimate of the total annual [non-hour] cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).**

*(a) The cost estimate should be split into two components: (1) a total capital and start-up cost component (annualized over its expected useful life) and (2) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information [including filing fees paid]. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment,*



*the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.*

*(b) If cost estimates are expected to vary widely, agencies should present ranges of cost burden and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.*

*(c) Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.*

Companies experienced initial start-up costs for developing reporting systems for the reengineering conversion. Now that those reporting systems are complete, there are no additional “non-hour” cost burdens. Companies maintain an Internet service provider, which is considered a customary and usual business practice.

***14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.***

The annualized cost to the Federal Government is estimated at \$1,473,267, based on a cost per line of \$0.47, which we base on historical data from the 2003 renewal.

#### 2003 Costs

Estimated annual cost to the Federal Government in 2003 was \$1,167,900, calculated as follows:

- Total number of lines = 2,484,000
- \$1,167,900/2,484,000 lines = \$0.47 per line

## 2006 Costs

Estimated annual cost to the Federal Government in 2006 is \$1,473,267, calculated as follows:

- Total number of lines = 3,134,611
- 3,134,611 lines x \$0.47 = \$1,473,267

### ***15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.***

The current OMB inventory is 126,144 hours. We are increasing the burden hours to 158,821. The total increase of 32,677 burden hours is explained as follows:

Program Change: The decrease of 288 burden hours is due to a requirement in the proposed Federal oil rule (68 FR 50087) [proposed 210.53(c)(1) and (2)], which was inadvertently kept on the records. The citation was eliminated in the final rulemaking (69 FR 24959), and MMS never collected the information.

Adjustment Change: The increase of 32,965 burden hours is due to an increase in the number of responses.

The total increase is calculated as follows:  $32,965 - 288 = 32,677$ .

There is no cost burden to report. Reporters require access to the Internet through a subscription to an Internet provider service. The annual subscription is estimated at \$240 per reporter; however, this expense is considered to be a usual and customary expense of doing business.

### ***16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.***

The MMS will not publish the data.

### ***17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.***

Not applicable.

### ***18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.***

To the extent that the topics apply to this collection of information, we are not making any exceptions to the "Certification for Paperwork Reduction Act Submissions."

**B. Collection of Information Employing Statistical Methods**

This section is not applicable for this collection. We will not employ statistical methods in this information collection.