Supporting Statement for Paperwork Reduction Act Submissions 30 CFR Part 256, Leasing of Sulphur or Oil and Gas in the OCS OMB Control Number 1010-0006 (Forms MMS-150, MMS-151, MMS-152, MMS-2028, 2028A) Expiration Date: March 31, 2007

Terms of Clearance: None

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 statistical methods are employed, 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 Outer Continental Shelf (OCS) Lands Act, as amended (43 U.S.C. 1331 et seq. and 43 U.S.C. 1801 et seq.), authorizes the Secretary of the Interior (Secretary) to prescribe rules and regulations to administer leasing of the OCS. Such rules and regulations will apply to all operations conducted under a lease. Operations on the OCS must preserve, protect, and develop oil and natural gas resources in a manner that is consistent with the need to make such resources available to meet the Nation's energy needs as rapidly as possible; to balance orderly energy resource development with protection of human, marine, and coastal environments; to ensure the public a fair and equitable return on the resources of the OCS; and to preserve and maintain free enterprise competition. Also, the Energy Policy and Conservation Act of 1975 (EPCA) prohibits certain lease bidding arrangements (42 U.S.C. 6213 (c)).

The Independent Offices Appropriations Act of 1952 (IOAA), 31 U.S.C. 9701, authorizes Federal agencies to recover the full cost of services that provide special benefits. Under the Department of the Interior's (DOI) policy implementing the IOAA, the Minerals Management Service (MMS) is required to charge the full cost for services that provide special benefits or privileges to an identifiable non-Federal recipient above and beyond those that accrue to the public at large. Instruments of transfer of a lease or interest are subject to cost recovery, and MMS regulations specify the filing fee for these transfer applications.

These authorities and responsibilities are among those delegated to the MMS under which we issue regulations governing oil and gas and sulphur operations in the OCS. This information collection request (ICR) addresses the regulations at 30 CFR 256, Leasing of Sulphur or Oil and Gas in the OCS, and the associated supplementary Notices to Lessees (NTLs) and operators intended to provide

clarification, description, or explanation of these regulations. This ICR also concerns the use of forms to process bonds per subpart I, Bonding, the transfer of interest in leases per subpart J, Assignments, Transfers and Extensions, and the filing of relinquishments per subpart K, Termination of Leases. The forms are:

- MMS-2028, OCS Mineral Lessee's and Operator's Bond,
- MMS-2028A, OCS Mineral Lessee's and Operator's Supplemental Plugging and Abandonment Bond,
- MMS-150, Assignment of Record Title Interest in Federal OCS Oil and Gas Lease,
- MMS-151, Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease,
- MMS-152, Relinquishment of Federal OCS Oil and Gas Lease.

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 MMS uses the information required by 30 CFR part 256 to determine if applicants are qualified to hold leases in the OCS. Specifically, MMS uses the information to:

- Verify the qualifications of a bidder on an OCS lease sale. Once the required information is filed with MMS, a qualification number is assigned to the bidder so that duplicate information is not required on subsequent filings.
- Develop the semiannual List of Restricted Joint Bidders. This identifies parties ineligible to bid jointly with each other on OCS lease sales, under limitations established by the EPCA.
- Ensure the qualification of assignees and track operators on leaseholds. Once a lease is awarded,
 the transfer of a lessee's interest to another qualified party must be approved by an MMS
 regional director, regional supervisor, or regional manager (Pacific Region only). Also, a lessee
 may designate an operator to act on the lessee's behalf. This designation must be approved by
 MMS before the designated operator may begin operations.
- Document that a leasehold or geographical subdivision has been surrendered by the record title holder.

The MMS will use this information to update the corporate database which is used to determine what leases are available for a lease sale and the ownership of all OCS leases. Non-proprietary information is also publicly available from the MMS corporate database via the internet.

The MMS uses the information required by subpart J, Assignments, Transfers and Extensions, to track the ownership of leases as to record title, operating rights, and pipeline right-of-ways.

The MMS also uses various forms relating to this subpart. The forms allow lessees to submit the required information in a standardized format that helps MMS process the data in a more timely and efficient manner. There are five forms associated with this ICR.

The MMS supplies to the respondent the same instruction sheet, for two of the forms below –

MMS-150, and MMS-151. It is important for respondents to follow the instruction sheet guidelines so that they provide all the pertinent information to MMS. If all pertinent information is not provided, the assignment may not be approved.

<u>MMS-150 – Assignment of Record Title Interest in Federal OCS Oil and Gas Lease</u> <u>MMS-151 – Assignment of Operating Rights Interest in Federal OCS Oil and Gas Lease</u>

These forms ask the lessee to fill in:

Part A - Assignment

- the legal description of the item being assigned (e.g., operating rights, pipeline ROW, or land/area),
- what specifically the lessee is selling, assigning, or transferring,
- the company name and number of each assignor and assignee,
- the percentage interest conveyed, and
- the percentage interest received.

Part B – Certification and Acceptance

- assignor name, title,
- assignee name, title.

The MMS has a brief statement on each form explaining that once this form is filed, the lessee has executed their assignment in the lease. The MMS then signs and dates the form if it has been approved.

Under subpart K, Termination of Leases, this information will be used to track the lease status as to ownership and whether the lease has been relinquished and available for the next lease sale. A company may relinquish a lease when a company determines that it no longer wishes to hold an interest in same.

Lease ownership and status information are extremely important to the oil and gas industry as they strategize long-range planning for oil and gas development and the sharing of the expense and liabilities of OCS offshore drilling and development.

MMS-152 – Relinquishment of Federal OCS Oil and Gas Lease Form

The form asks the respondent for:

- a legal description in aliquots of the lease/officially designated subdivision being relinquished to be described,
- company name and number of each lessee.

MMS has a brief statement on the form explaining that once this form is filed, the lessee has relinquished their interest in the lease. When the form has been filed in the appropriate MMS office, it will become effective on that date.

MMS-2028 - Outer Continental Shelf (OCS) Minerals Lessee's and Operator's Bond

The form asks the respondent for:

- the surety company information,
- the principal's name and address for whom the bond is issued,
- the areas and leases covered by the bond,
- what obligations the surety accepts, and
- principal and surety signature information and witnessed.

MMS 2028A – Outer Continental Shelf (OCS) Mineral Lessee's and Operator's Supplemental Plugging and Abandonment Bond

The form asks the respondent for:

- the surety company information,
- the principal's name and address for whom the bond is issued,
- the areas and leases covered by the bond,
- what obligations the surety accepts, and
- principal and surety signature information and witnessed.

The MMS uses these last two forms to hold the surety libel for the obligations and liability of the principal/lessee or operator.

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].

The MMS Offshore Minerals Management (OMM) program is moving to fully implement the Government Paperwork Elimination Act with re-engineered business processes. Re-engineering the OMM full complement of business processes and related information collection burdens will take place incrementally beginning with the pre-implementation effort in FY 2002 and continuing through FY 2008. The first component was the Public Commenting System implemented in July 2004.

The required information is unique to each situation. Most does not exist in a form that is compatible to information transfer using improved technology to reduce the burden. The MMS is considering ways in which to provide for electronic filing of lease assignments, bonds, permit applications, etc., especially in the Gulf Region, but, this is still in the planning stage.

Because of the small number of responses the Pacific Region receives, the Region is currently able to collect about 95 percent of its information electronically by email. However, the Gulf Region, with the majority of responses, does not for reasons stated above and because of the volume and expanse of responses.

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.

No similar information pertaining to leasing in the OCS is collected by the DOI or other Federal agencies. Qualification and application files are maintained in regional offices to avoid duplicative information collection from respondents who have already filed evidence of their qualifications.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

This collection of information does not have a significant economic effect on a substantial number of small entities. In general, companies need large technical and financial resources and experience to conduct offshore activities safely. However, approximately 65 percent of the lessees and operators may have less than 500 employees and would be considered small businesses. The burden on any small entity subject to these regulations cannot be reduced to accommodate them, and the potential benefit of obtaining and retaining a lease far outweighs the burden.

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.

If MMS did not collect the information, we could not carry out the mandates of the OCS Lands Act and the EPCA. In the case of information regarding the individual sale proposals, the time lapse between actions is sufficient for circumstances to change and for new data to become applicable. We request qualification papers only in conjunction with a scheduled sale. Corporate information must be up-to-date for each action for MMS to determine the qualification of bidders. Information is not available to use in lieu of that supplied for each action. Information pertaining to the initiation of sales is requested annually in the central and western Gulf of Mexico planning areas and every 2 to 5 years in the other regional planning areas. If MMS collected the information less frequently, the OCS leasing program would not be able to adequately provide for the interests of potential lessees and of other users of the OCS.

- 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. Not applicable in this collection.
- (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.

 Not applicable in this collection.
- (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) as 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.

This collection does not require proprietary, trade secret, or other confidential information not 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 published a 60-day review and comment notice in the <u>Federal Register</u> on August 16, 2006 (71 FR 47243). Also, 30 CFR 256.0 and the Paperwork Reduction Act statement on the MMS forms explain that MMS will accept comments at any time on the information collection requirements and burdens. We display the OMB control numbers and provide the address for sending comments to MMS. We received one comment in response to the <u>Federal Register</u> notice or unsolicited comments from respondents covered under these regulations or who submit these forms. The comment was not germane to the paperwork burden of this IC.

During the comment period, MMS regional offices consulted with several respondents on the burden of collecting this information. The burden estimates in section A.12 reflects their input. The following companies were contacted:

ChevronTexaco, Mr. James G. Larre, Sr. Landman, (504) 592-6439, 935 Gravier Street, New Orleans, LA 70112

Shell Exploration & Production Company, Mr. Kent Abadie, Manager, Development of Production (504) 728-4325, One Shell Square, 701 Poydras Street, New Orleans, LA 70161

Stone Energy Corporation, Mr. E.J. Louviere, Vice President, Land, (337) 237-0410, PO Box 52807, Lafayette, LA 70508

Anadarko Petroleum Corporation, Mr. Charles Hughes, Manager, (832) 636-8715, 1201 Lake Robbins Drive, The Woodlands, TX 78217

Kerr-McGee Oil & Gas Corporation, Mr. Dave Christian, Vice President of Land and Marketing, (281) 618-6310, 16666 Northchase, Houston, TX 77060

Area Energy LLC, Mr. J. C. Boyd, Attorney-in-Fact, (805) 665-5330, 10000 Ming Avenue, Bakersfield, CA 93311

Dos Cuadras Offshore Resource LLC, Mr. W. M. Templeton, Manager, (805) 576-1249 6267 Carpinteria Ave., Suite #250, Carpinteria, CA 93013

Plains Exploration & Production Company, Mr. Gregg R. Maynard, Assistant Secretary, (703) 579-6000, 700 Milam, Suite #3100, Houston, TX 77002

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

We will not provide payments or gifts to respondents.

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

The individual responses to Calls for Information are the only information collected involving the protection of confidentiality. The MMS will protect specific individual replies from disclosure as proprietary information according to section 26 of the OCS Lands Act, the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR part 2), and § 256.10(d).

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 questions of a sensitive nature.

- 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.
- (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.

The MMS estimates there are approximately 256 respondents (Federal oil and gas or sulphur lessees). The frequency of response is mostly on occasion. We estimate the total annual burden is 17,058 reporting hours and recordkeeping hours. Due to the fact that a lot of the requirements submitted to MMS require the President, Vice President, etc., signatures along with witnesses for surety guarantees, we raised industry's cost to \$125 per hour for this IC. Therefore, based on a cost factor of \$125 per hour, we estimate the total annual cost to industry is \$2,132,250 (\$125 x 17,058 hours = \$2,132,250). Responses are generally on occasion. Refer to the chart below for a breakdown of the burden.

HOUR and FEE BURDEN BREAKDOWN

Citation 30 CFR Part 256	Reporting Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours	
1 111 250		Fees			
Subparts A, C, E, H, L, M	None.	Not applicable.	0		
Subparts G, H, I, J: 37; 53; 68; 70; 71; 72; 73	Request approval for various operations or submit plans or applications.	Burden include approved colle Part 250 (1010 0141, 1010-01- 1010-0151).	0		
Subpart B: All sections	Submit suggestions and relevant information in response to request for comments on proposed 5-year leasing program, including information from States/local governments.	4	1 response	4	
Subpart D: All sections	Submit response to Call for Information and Nominations on areas for leasing of minerals in specified areas in accordance with an approved leasing program, including information from States/local governments.	4	1 response	4	
Subpart F: 31	States or local governments submit comments/recommendations on size, timing or location of proposed lease sale.	4	10 responses	40	
Subpart G : 35; 46(d), (e)	Establish a Company File for qualification; submit updated information, submit qualifications for lessee/bidder, request exception.	2	104 responses	208	
41; 43; 46(g)	Submit qualification of bidders for joint bids and statement or report of production/appeal.	2	100 responses	200	
44; 46	Submit bids and required information.	5	2,000 bids	10,000	
47(c)	File agreement to accept joint lease on tie bids.	3½	2 agreements	7	
47(e)(1), (e)(3)	Request for reconsideration of bid rejection.	Exempt as defi 1320.3(h)(9).	0		
47(f), (i); 50	Execute lease (includes submission of evidence of authorized agent and request for dating of leases).	1	852 leases	852	
Subpart I:	Submit authority for Regional Director to sell Treasury or	2	10 submissions	20	

Citation 30 CFR Part 256	Reporting Requirement	Hour Burden	l of /		Annual Burden Hours	
Part 250		Fees				
52(f)(2), (g)(2)	alternate type of securities.					
53(a), 53(b); 54	OCS Mineral Lessee's and Operator's Bond (Form MMS-2028).	1/4	124 re	sponses	31	
53(c), (d), (f); 54(d), 54(e)	Demonstrate financial worth/ability to carry out present and future financial obligations, request approval of another form of security, or request reduction in amount of supplemental bond required.	3½	165 submis	ssions	578 (rounded)	
54	OCS Mineral Lessee's and Operator's Supplemental Plugging & Abandonment Bond (Form MMS-2028A).	1/4	136 responses		34	
55	Notify MMS of any lapse in previous bond/action filed alleging lessee, surety, or guarantor is insolvent or bankrupt.	1	3 notices		3	
56	Provide plan/instructions to fund lease-specific abandonment account and related information; request approval to withdraw funds.	12	1 submissions		12	
57	Provide third-party guarantee, indemnity agreement, financial information, related notices, reports, and annual update; notify MMS if guarantor becomes unqualified.	19	45 submissions		855	
57(d)(3); 58	Notice of and request approval to terminate period of liability, cancel bond, or other security.	1/2	378 requests		189	
59(c)(2)	Provide information to demonstrate lease will be brought into compliance.	16	5 responses		80	
Subpart J: 62; 63; 64; 65; 67	File application and required information for assignment or transfer for approval/comment on filing fee (Forms MMS-150 and MMS-151).	2 forms @ 30 min ea = 1 hr	min ea = applications		3,000	
		3,000 Title/Rights (Transfer) fee @ \$170 - \$510,000				
63; 64(a)(8)	Submit non-required documents, for record purposes, which respondents want MMS to file with the lease document.	Accepted on b	0			
64(a)(7)	File required instruments creating or transferring working interests, etc., for record purposes.	1	ng fees @ \$25 ea = 5		700	
Subpart K: 76	File written request for relinquishment (Form MMS-152).	1	240 relinquish- ments		240	
77(c)	Comment on lease cancellation (MMS expects 1 in 10 years).	1	1		1	
TOTAL REPORTING		- 1		<u> </u>	17,058 Hours	
		\$603,125 Fees				

- 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.

Sections 256.62 and 256.64(a) require respondents to pay filing fees when submitting a request for assignment or transfer, and to file documents for record purposes. The application filing fees are required to recover the Federal Government's processing costs. We have not identified any other "non-hour cost" burdens associated with this collection of information, and we estimate a total reporting "non-hour cost" burden of \$603,125. Refer to the chart in Section A.12 of this supporting statement for the specific fee breakdown.

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.

To analyze and review the information, the Government spends an average of 1.5 hours for each hour spent by respondents. The total estimated Government time is 25,587 hours. Based on a cost factor of \$55 per hour, the total annual estimated burden on the Government is \$1,407,285 (17,058 hours x 1.5 hours x \$55 = \$1,407,285). However, this cost is offset by the amount of revenues received from the filing fees discussed in item A.13. Therefore, the total estimated cost to the Government is \$804,160 (\$1,407,285 - \$603,125 = \$804,160).

15. Explain the reasons for any program changes or adjustments reported.

This ICR requests adjustments to both the hour burden and the non-hour cost burdens.

- (a) Hour Burden: The currently approved OMB inventory is 21,080 burden hours. This submission requests an adjustment **decrease** of 4,022 burden hours for a total of 17,058 hours, as a result of reestimating the number of annual responses and re-estimating some of the burden hours based on consultations with respondents.
- (b) Non-Hour Cost Burdens: The currently approved OMB inventory is \$537,000 in non-hour burden costs. This submission requests an adjustment **increase** of \$66,125 for a total of \$603,125, because the number of annual responses with fees increased.

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.

MMS will not tabulate or 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, as this collection of information concerns requirements in regulations.

18. Explain each exception to the certification statement, "Certification for Paperwork Reduction Act Submission."

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

The agency should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results. When employing statistical methods, the following documentation should be included in the Supporting Statement to the extent that it applies to the methods proposed.

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