

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR 250, Subpart K, Oil and Gas Production Requirements
Forms MMS-126, MMS-127, MMS-128 and MMS-140
OMB Control Number 1010-0041 / Proposed Rulemaking
Current Expiration Date: August 31, 2008
Proposed Rulemaking Expiration: PENDING

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 employing statistical methods, 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.

Section 5(a) of the OCS Lands Act requires the Secretary to prescribe rules and regulations "to provide for the prevention of waste, and conservation of the natural resources of the Outer Continental Shelf, and the protection of correlative rights therein" and to include provisions "for the prompt and efficient exploration and development of a lease area."

Section 1334(g)(2) states ". . . the lessee shall produce such oil or gas, or both, at rates . . . to assure the maximum rate of production which may be sustained without loss of ultimate recovery of oil or gas, or both, under sound engineering and economic principles, and which is safe for the duration of the activity covered by the approved plan."

This information collection request (ICR) addresses a Notice of Proposed Rulemaking (NPR) to update our current regulations. This results in a complete rewrite and re-titling of our current regulations at 30 CFR 250, subpart K, Oil and Natural Gas Production Requirements. The currently approved information collection for this subpart (1010-0041) will be superseded by this collection when

final regulations take effect. We are submitting this request as a revision to the current subpart K collection.

In addition, MMS also issues various Notices to Lessees (NTLs) and Operators to clarify and provide additional guidance on some aspects of the regulations, as well as various forms to capture the data and information. The current subpart K regulations specify the use of forms MMS-126 (Well Potential Test Report), MMS-127 (Sensitive Reservoir Information Report), and MMS-128 (Semiannual Well Test Report), and MMS-140 (Bottomhole Pressure Survey Report). Form MMS-140 is used for submitting the results of static bottomhole pressure surveys required under § 250.1153.

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 information collected under subpart K is used in our efforts to conserve natural resources, prevent waste, and protect correlative rights, including the Government's royalty interest. Specifically, MMS uses the information to:

- evaluate requests to burn liquid hydrocarbons and vent and flare gas to ensure that these requests are appropriate;
- to determine if a maximum production or efficient rate is required; and,
- to review applications for downhole commingling to ensure that action does not result in harm to ultimate recovery.

Forms MMS-126, Well Potential Test Report; MMS-127, Sensitive Reservoir Information Report, MMS-128, Semiannual Well Test Report, and MMS-140, Bottomhole Pressure Survey Report have previously been submitted and approved by OMB. OMB approved these forms as part of information collection 1010-0041, expiration 08/31/08. This rulemaking does not change any information collection requirements on the OMB approved forms.

Form MMS-126, Well Potential Test Report

MMS uses this information for reservoir, reserves, and conservation analyses, including the determination of maximum production rates (MPRs) when necessary for certain oil and gas completions. This requirement implements the conservation provisions of the OCS Lands Act and 30 CFR 250. The information obtained from the well potential test is essential to determine if an MPR is necessary for a well and to establish the appropriate rate. It is not possible to specify an MPR in the absence of information about the production rate capability (potential) of the well. The form asks for, in either fill in the blanks or check marks:

- general information about the well and the company;
- pertinent information relating to the well test; and
- 24-hour rates pertaining to test production.

Form MMS-127, Sensitive Reservoir Information Report

MMS uses this information to determine whether a rate-sensitive reservoir is being prudently developed. This represents an essential control mechanism that MMS may use to regulate production rates from sensitive reservoirs. Occasionally, the information available on a reservoir, early in its producing life,

may indicate it to be non-sensitive, while later and more complete information would establish the reservoir as being sensitive. Production from a well completed in the gas cap of a sensitive reservoir requires approval from the Regional Supervisor. The information submitted on this form provides reservoir parameters that are revised at least annually or sooner if reservoir development results in a change in reservoir interpretation. The engineers and geologists use the information for rate control and reservoir studies. The form requests, in either fill in the blanks or check marks:

- general information about the reservoir and the company;
- volumetric data;
- fluid analysis data; and
- production data.

Form MMS-128, Semiannual Well Test Report

MMS uses this information to evaluate the results of well tests to determine if reservoirs are being depleted in a manner that will lead to the greatest ultimate recovery of hydrocarbons. This information is collected to determine the capability of hydrocarbon wells and to evaluate and verify an operator's approved maximum production rate if assigned. The form was designed to present current well data on a semiannual basis to permit the updating of permissible producing rates, and to provide the basis for estimates of currently remaining recoverable gas reserves. The form asks, for in either fill in the blanks or check marks:

- general information about the well;
- volumes;
- choke size;
- pressures;
- production method;
- API oil/condensate gravity; and
- date of test

Form MMS-140, Bottomhole Pressure Survey Report

MMS uses the information to effectively manage reservoirs in our efforts to conserve natural resources, prevent waste, and protect correlative rights, including the Government's royalty interest. Specifically, MMS uses the information in reservoir evaluations to determine maximum production and efficient rates; and to review applications for downhole commingling to ensure that action does not result in harm to ultimate recovery or undervalued royalties. The form requests such information as:

- general information relating to the well and operator;
- test data information such as shut-in time, bottomhole temperature, KB elevation; and,
- bottomhole pressure points that consist of measured depth(s), true vertical depth(s), pressure(s), and pressure gradient(s).

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].

Currently, 25 percent of all information is submitted electronically. Currently, respondents in the Pacific OCS Region (POCSR) and the Alaska Region (AKOCSR) have not opted to submit reports

electronically. MMS's 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.

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 Department of the Interior has several Memoranda of Understanding (MOU) with both the U.S. Coast Guard (USCG) and the Department of Transportation that define the responsibilities of each agency with respect to activities in the OCS. These MOU are effective in avoiding duplication of regulations and reporting requirements. In most cases, the information collected is unique and site specific to each operation and not available from other sources. Some respondents are under the control of local authorities, which require respondents to submit similar air-pollution information. When this is applicable, MMS will not require such reporting from those respondents, thereby avoiding duplication.

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. Any direct effects primarily impact the OCS lessees and operators. In general, companies need large technical and financial resources and experience to conduct offshore activities safely. However, 70 percent of the OCS lessees and operators may have less than 500 employees and would be considered small businesses as defined by the Small Business Administration. The hour burden on any small entity subject to these regulations cannot be reduced to accommodate them.

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 we did not collect the information, MMS could not carry out the mandate of the OCS Lands Act. Specifically:

Form MMS-126 - the result could be a waste of energy resources in the OCS by production at imprudent rates, jeopardizing the ultimate full recovery of hydrocarbons. If MMS did not require this information, respondents would still conduct initial potential tests for new completions to assess their producing capabilities and characteristics for use in well completion design evaluation, reservoir management, production equipment design, production allocation calculations, and other technical reviews and analyses. However, they might not report the results to MMS unless required to do so. Reports are submitted as a result of situations encountered. They are not submitted at any set frequency; therefore, the frequency is not applicable.

Form MMS-127 - we could not carry out the mandate of the OCS Lands Act, as amended, to assure maximum rate of production that may be sustained without loss of ultimate recovery of oil or gas (43 U.S.C. 1334(g)(2)) together with the waste prevention, natural resource conservation, and correlative rights protection provisions of the OCS Lands Act. Reports are submitted initially, and then annually or sooner at the option of the lessee. Reporting on less than an annual basis is not feasible and would not provide MMS with the current information to review the classification of producing reservoirs.

Form MMS-128 - the result could be a waste of energy resources in the OCS by production at imprudent rates, jeopardizing the ultimate full recovery of hydrocarbons. Reports are submitted on a semiannual basis. Less frequent reporting would not identify changes that can occur in the oil and gas reservoirs over a prolonged reporting period. This frequency of collection also conforms to the requirements of State regulatory agencies in the gulf coast producing areas.

Form MMS-140 - MMS could not carry out the mandate of the OCS Lands Act. Respondents generally submit reports as a result of situations encountered and not at any fixed or prescribed interval.

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.

The collection of information is consistent with all requirements except for Form MMS-140. When required by the Regional Supervisor, monthly reports are necessary to ensure proper reservoir management.

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

Form MMS-126 must be submitted to MMS within 15 days after the end of the 30-day test period. This gives operators 15 to 45 days to provide the written response, depending on when they run the test. This submission period has been in effect for many years without significant problems.

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

Form MMS-127 - Respondents submit four copies of this form: one for the file, one for the main vault, one copy to be returned to the company when appropriate, and one copy for the public. The copy for the public will not include proprietary data that is not subject to release.

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

The proposed rule contains requirements for respondents to compile, retain and make available to MMS for 6 years, the records detailing gas flaring or venting; the records detailing liquid hydrocarbon burning; and meter records. Retaining this information for 6 years is critical because these records are needed to demonstrate that payments of royalties are in compliance with lease terms, regulations, and orders. Therefore, these records are subject to recordkeeping requirements. They must be kept for 6 years unless the Secretary notifies the record holder of an audit or investigation involving the records and they must be maintained for a longer period.

(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 1320.11, MMS is providing the 60-day review and comment process in the preamble of the NPR. We will address comments received on the information collection in the final rulemaking. Also, 30 CFR 250.199 and the Paperwork Reduction Act statement on all the forms explain that the 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.

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

We will not provide payment or gifts 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), and 30 CFR 250.197, "Data and information to be made available to the public," 30 CFR part 252, "OCS Oil and Gas Information Program," and the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2). Proprietary information concerning geological and geophysical data will be protected according to 43 U.S.C. 1352.

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

No, the collection does not include sensitive 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.

(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.

Form MMS-126 - The frequency of response is on occasion, but not less than annual. We estimate 130 respondents (Federal OCS lessees and operators) submit approximately 1,325 forms each year. The average burden is 3 hour per form for a total reporting hour burden of 3,975 hours. Based on \$50 per hour, the hour burden cost to respondents is \$198,750. The burden for submitting this information does not include the time to test the well or the pre-stabilization period, but includes the time the geologists need to prepare the map. As stated in section A.2, respondents would conduct this initial test for new completions regardless of whether it is required by regulations.

Form MMS-127 - We estimate 130 respondents (Federal OCS lessees and operators) submit approximately 2,189 forms each year. The average burden is 2.2 hours per form for a total reporting hour burden of 4,816 hours. Based on \$50 per hour, the hour burden cost to respondents is \$240,800.

*Form MMS-128 - The burden for submitting semiannual well test reports does not include the time to test the well or the pre-stabilization period. As stated in section A.2, respondents generally conduct tests even more frequently than required by our regulations. We only consider the burden to be the time to submit the information to MMS. We estimate 130 respondents (Federal OCS lessees and operators) submit the results of approximately 13,000 well tests each year in the GOMR, about 600 in the POCSR, with an estimated total annual hour burden of 1,336 hours. Based on \$50 per hour, the hour burden cost to respondents is \$66,800. The burden varies only slightly for electronic versus paper form submission, and is calculated as follows:

In the GOMR:

25% of 13,000 well tests via electronic submission = 3,250 reports x 5 minutes/60 = 271 hours
 75% of 13,000 via paper form/average 5 wells/form = 1,950 forms x 30 minutes/60 = 975 hours

In the POCSR:

100% of 600 well tests via paper form/average 20 wells/form = 30 forms x 3 hours = 90 hours

In the AKOCSR:

100% of 10 well tests via paper form/average 5 wells/form = 2 forms x 1 hours = 2 hours

Form MMS-140 - Bottomhole Pressure Survey Report - We estimate 130 respondents (Federal OCS lessees and operators) submit approximately 1,270 forms each year. This includes the time for lining up the test, performing the test, etc. The average burden is 14 hours per form for a total reporting hour burden of 17,780 hours. Based on \$50 per hour, the hour burden cost to respondents is \$889,000.

The proposed rule imposes minor changes to the information collection burden. The changes are:

- Report to Minerals Revenue Management (MRM) measured gas flaring or venting and liquid hydrocarbon burning. Submit periodic reports of volumes of oil, gas, or other substances injected, produced, or produced for a second time. Both requirements and burdens are now reported to MRM and their respective burdens are covered under OMB Control Number 1010-0139 (-154 burden hours);
 - Request Regional Supervisor approval for emitting more than 15 lbs. of SO₂ (+10 burden hours);
 - Submit to Regional Supervisor air quality modeling analysis report. The proposed burden hours represent an adjustment to a current requirement for information that was not previously collected (+40 burden hours);
 - For Alaska Region Only: Submit to Regional Supervisor annual reservoir management report and supporting information. (At this time, the state requires the same information and MMS receives a copy). Alaska has started producing in state waters. If new development occurs in Federal waters, a minimal burden for submitting an annual reservoir management report, and burden hours for annual revisions are being added (+161 burden hours).
 - Maintain meter records for detailing gas flaring or venting, and liquid hydrocarbon burning for 6 years. These new requirements do not add additional burden hours.
 - General departure or alternative compliance requests (+5 burden hours).

In the rewrite of subpart K, there are approximately 130 respondents (Federal oil and gas OCS lessees). We estimate the total annual burden is 31,800 reporting hours and 11,327 recordkeeping hours, for a total burden of 43,127 hours. Based on a cost factor of \$50 per hour, we estimate the total annual cost to industry is \$2,156,350 (\$50 x 43,127 hours = \$2,156,350). Refer to the chart below for a breakdown of the burden.

HOUR and FEE BURDEN BREAKDOWN

30 CFR 250 Subpart K and NTL(s)	Reporting & Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours
		Fee/Non-Hour Cost		
Well Tests and Surveys				
1151(a), (c); 1155; 1165;	Submit form MMS-126 and supporting information.	3	1,325 forms.	3,975

30 CFR 250 Subpart K and NTL(s)	Reporting & Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours
		Fee/Non-Hour Cost		
1166(c); 1167	Submit form MMS-127 and supporting information.	2.2	2,189 forms.	4,816
	Submit form MMS-128 and supporting information.	0.1 — 3	13,000 GOM forms.	1,336*
	600 POCS forms.			
1151(b)	Request extension of time to submit results of semiannual well test.	0.5	37 requests.	19
1152(b), (c);	Obtain Regional Supervisor approval to conduct well testing using alternative procedures; conduct tests/retests to establish proper MPR or MER; conduct multipoint backpressure test for open flow potential.	0.5	37 requests.	19
1152(d)	Provide advance notice of time and date of well tests.	0.5	10 notices.	5
1153	Submit results of all static bottomhole pressure surveys obtained by lessee using form MMS-140. Request departure requirement w/justification to Regional Supervisor; submit with Form MMS-140 and supporting information.	14	1,270 surveys.	17,780
		1	120 survey waivers.	120
Classifying Reservoirs				
1154; 1167	Request reclassification of reservoir for Regional Supervisor approval and submit supporting information.	6	20 requests.	120
Approvals Prior to Production				
1156; 1167	Request approval to produce within 500 feet of a unit or lease line and submit supporting information; notify operators; provide proof of date to Regional Supervisor.	5	50 requests.	250
		\$3,300 x 50 requests = \$165,000		
1157; 1167	Request approval to produce gas cap of a sensitive reservoir and submit supporting information; obtain approval to produce gas from an oil reservoir with an associated gas cap.	12	125 requests.	1,500
		\$4,200 x 125 requests = \$525,000		
1158; 1167	Submit request to downhole commingle hydrocarbons and supporting information; notify operators; provide proof of date to Regional Supervisor.	6	119 applications.	714
		\$4,900 x 119 applications = \$583,100		
Flaring, Venting, and Burning Hydrocarbons				
1160; 1161	Request Regional Supervisor approval/inform to flare or vent oil-well gas or gas-well gas/exceed volume; submit documentation.	0.5	1,007 requests.	504
1162; 1163(e)	Request approval to burn produced liquid hydrocarbons; submit documentation.	0.5	60 requests.	30
NEW 1163	Initial purchase and install gas meters to measure the amount of gas flared or vented. This is a non-hour cost burden.	0	112	0
		112 meters @ \$77,000 ea = \$8,624,000		
NEW 1163(b); 1165(c)	Report to MRM measured gas flaring or venting and liquid hydrocarbon burning—burden covered under 1010-0139.			0

30 CFR 250 Subpart K and NTL(s)	Reporting & Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours
		Fee/Non-Hour Cost		
NEW 1164(b)(1)	Request Regional Supervisor approval for emitting more than 15 lbs. of SO ₂ .	0.5	20 requests.	10
1164(b)(2)	H ₂ S Contingency, Exploration, or Development and Production Plans--burden covered under 1010-0141 and 1010-0151.			0
NEW 1164(b)(3)	Submit to Regional Supervisor air quality modeling analysis.	40	1 modeling analysis.	40
1164(c)	Submit monthly reports of flared or vented gas containing H ₂ S.	2	3 operators x 12 mos. = 36	72
Enhanced Recovery				
1165	Submit proposed plan for enhanced recovery operations.	12	27 plans.	324
1165(c)	Submit periodic reports of volumes of oil, gas, or other substances injected, produced, or produced for a second time--burden covered under OMB approval 1010-0139.			0
Special Alaska OCS Region Requirements				
NEW 1166	Alaska Region only: submit to Regional Supervisor annual reservoir management report and supporting information.	1 100 20	1 (required by State, MMS gets copy). 1 new development not State lands. 3 annual revisions.	1 100 60
NEW 1150-1167	General departure or alternative compliance requests not specifically covered elsewhere in subpart K.	1	5	5
Reporting Subtotal			20,175	31,800
1163(c), (d)	Maintain records for 6 years detailing gas flaring or venting; maintain meter records and provide copies if requested.	13	869 platforms.	11,297
1163(c)	Maintain records for 6 years detailing liquid hydrocarbon burning; maintain meter records and provide copies if requested.	0.5	60 occurrences.	30
Recordkeeping Subtotal			929	11,327
TOTAL BURDEN			21,104 Responses	43,127 Hours
			\$9,897,100	

*Reporting burden for this form is estimated to average 0.1 to 3 hours per form depending on the number of well tests reported, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. See breakdown for form MMS-128 above.

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.

MMS has identified four “non-hour cost” burdens. Section 1163 requires respondents to purchase and install gas meters to measure the amount of gas flared or vented. The initial expenditure is significant, but we expect the cost to be minimal in future years since the expense will only affect new facilities, and facilities that increase production, that process more than 2,000 BOPD.

The next three fees are all filing fees. Respondents are required to submit filing fees to recover the Federal Government’s processing costs. The filing fees consists of: section 1156 requires a filing fee when submitting a request for approval to produce within 500 feet of a unit or lease line, section 1157 requires a filing fee when submitting a request for approval to produce gas cap of a sensitive reservoir, and section 1158 requires a filing fee for submitting applications to request downhole commingle hydrocarbons. We have not identified any other “non-hour cost” burdens associated with this collection of information. We estimate a total “non-hour cost” burden of \$9,897,100.

- a. 112 gas meters @ \$77,000 = \$8,624,000
- b. filing fees
 - 50 requests to produce within 500 ft @ \$3,300 = \$165,000
 - 125 requests to produce gas cap of sensitive reservoir @ \$4,200 = \$525,000
 - 119 applications to downhole commingle hydrocarbons @ \$4,900 = \$583,100

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 respondents submit for subpart K, we estimate the Government will spend an average of approximately 1 hour for each hour spent by lessees for a total of 43,127 hours. Based on a cost factor of \$50 per hour, the total annual burden on the Government is \$2,156,350 (43,127 hours x 1 hour = 43,127 hours x \$50 = \$2,156,350). However, this cost is offset by the amount

of revenues received from the filing fees discussed in item A.13. The total estimated cost to the Government is \$883,250 ($\$2,156,350 - \$1,273,100 = \$883,250$).

Form MMS-126 – 0.8 hour to review and analyze each of the 1,325 forms received annually for a total of 1,060 hours. Based on a cost factor of \$50 per hour, the total annualized cost to the Government is \$53,000 ($1,325 \text{ forms per year} \times 0.8 \text{ hour per form} = 1,060 \text{ hours} \times \$50 \text{ per hour} = \$53,000$).

Form MMS-127 – 2 hours to review and analyze each of the 2,189 forms received annually for a total of 4,378 hours. Based on a cost factor of \$50 per hour, the total annualized cost to the Government is \$218,900 ($2,189 \text{ forms per year} \times 2 \text{ hours per form} = 4,378 \text{ hours} \times \$50 \text{ per hour} = \$218,900$).

Form MMS-128 – 1 hour for every five well tests reported. Approximately 3,250 well test reports are now submitted electronically, eliminating government data entry of the submitted information. Based on a cost factor of \$50 per hour, the total annualized cost to the government is estimated to be \$136,000 ($13,600/5 \text{ well tests} \times 1 \text{ hour} = 2,720 \text{ hours} \times \$50 = \$136,000$).

Form MMS-140 – 1 hour to review and analyze each of the 1,270 surveys submitted annually for a total of 1,270 hours. Based on a cost factor of \$50 per hour, the total annual estimated burden on the Government is \$63,500 ($1,270 \text{ hours} \times 1 \text{ hour} = 1,270 \text{ hours} \times \$50 = \$63,500$).

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

(a) This submission requests 43,127 hours as the total burden. However, the net increase over the approved burden for current regulations and related NTLs is estimated at only 62 burden hours for the new or expanded sections in the proposed regulations (program increase of 216 hours and an adjustment decrease of 154 hours). As stated in item A.1, when final regulations take effect, this collection will supersede collection 1010-0041.

(b) Currently approved OMB filing fees represent \$1,273,220. This rulemaking adds a one-time, non-hour program change of \$8,624,000, that represents purchasing and installing gas meters to measure the amount of gas flared or vented for companies that produce more than 2,000 BOPD. We expect the cost for the gas meters to be minimal in future years since the expense will only affect new facilities, and/or facilities that increase production, that process more than 2,000 BOPD. Therefore, this total submission requests \$9,897,100.

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.

MMS will display the OMB approval expiration date on forms MMS-126, MMS-127, MMS-128, and MMS-140. The remainder of this collection concerns regulatory requirements.

18. Explain each exception to the certification statement, “Certification for Paperwork Reduction Act Submissions.”

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 statistical methods are employed, 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.