

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR 216.57, Stripper Royalty Rate Reduction Notification
Form MMS-4377, Stripper Royalty Rate Reduction Notification
OMB Control Number 1010-0090
Current Expiration Date: October 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.*

General Background

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 an Indian 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 Indian trust responsibility.

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 royalties are paid appropriately.

Information Specific to this Information Collection Request

The Stripper Royalty Rate Reduction Program was established by the Bureau of Land Management (BLM), the surface management agency for Federal onshore leases, under 43 CFR 3103.4-2 (Attachment 1), codified for MMS at 30 CFR 216.57 (Attachment 2). The BLM approved royalty rate reductions for operators of stripper oil properties for applicable sales periods from October 1, 1992, through January 31, 2006. The BLM terminated the benefits under this program, effective February 1, 2006 (Attachment 3). However, MMS continues to verify previously submitted notifications and may require the operator to submit an amended Form MMS-4377.

Upcoming rulemaking (1010-AD20, Reporting Amendments) will change the reference for this requirement from 30 CFR 216.57 to 210.155. The rulemaking may be simultaneous with this renewal. Once the rule becomes effective, we will transfer this burden to 210.155 under collection 1010-0139.

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.]

Reporters used Form MMS-4377, Stripper Royalty Rate Reduction Notification (Attachment 4), to notify MMS of royalty rate changes for production through January 31, 2006. Operators submitted an initial Form MMS-4377 when a new property qualified as a stripper oil property. Reporters submitted Form MMS-4377 to notify MMS of a royalty rate reduction that was lower than the initial royalty rate reduction on an existing stripper oil property (out-year notification). The decision to request an initial royalty rate reduction was voluntary; however, failure to timely submit the out-year notification resulted in the royalty rate change being denied.

Although BLM terminated the benefits of the program, effective February 1, 2006, MMS continues to verify previously submitted notifications. An operator may be required to submit an amended notification for production through January 31, 2006.

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 Minerals Revenue Management (MRM) program is implementing the Government Paperwork Elimination Act with our reengineered business processes. However, currently the

benefits of the royalty rate reduction program are terminated; and MMS will not be developing further capability for electronic submissions. The MMS continues to verify previously submitted notifications. Operators may submit an amended Form MMS-4377 to MMS via e-mail.

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 MMS has several Memoranda of Understanding (MOU) with BLM that define the responsibilities of each branch/division with respect to activities in MRM. 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. Information on royalty rate reductions on stripper oil properties is not available from any other agency or source. Production records required for the calculation of royalty rate reductions are unique to each property and are maintained by the operator. Although the benefits of the program were terminated, an operator may be required to submit an amended notification for production through January 31, 2006.

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. Large oil companies generally sell low-producing and less-profitable wells to small companies; therefore, this collection of information usually involves small operations.

Although the benefits of the program were terminated by BLM, MMS continues to verify past submissions of Form MMS-4377. Operators use production data from their records to verify calculations prior to January 31, 2006. The MMS has a toll-free telephone number to provide assistance to operators who may be required to submit an amended form.

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 benefits of the program were terminated on January 31, 2006, by BLM. However, MMS needs to be able to collect the information until all notifications submitted prior to February 1, 2006, have been verified, and any necessary amendments are submitted and verified. Not collecting this information would limit the Secretary's ability to discharge his duties and may also result in loss of royalty payments.

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.

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), 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 *Federal Register* on November 6, 2006 (71 FR 64978) (Attachment 5). We received no comments in response to this notice.

The benefits of this program were terminated on January 31, 2006. Therefore, we did not contact companies regarding their comments on the burden hours. The MMS continues to collect the information only if we find an error in a previously submitted form.

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.*

Commercial or financial information provided to MMS relative to minerals removed from Federal and Indian leases may be proprietary. Trade secrets and proprietary and other information are protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982, as amended (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and Department regulations (43 CFR 2). The Indian Mineral Development Act of 1982 (25 U.S.C. 2103) provides that all information related to any Indian minerals agreement covered by the Act in the possession of the Department shall be held as privileged proprietary information. Storage of proprietary information and access to it are controlled by strict security measures.

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.

The benefits of the Stripper Royalty Rate Reduction Program were terminated on January 31, 2006; however, operators may still be required to submit an amended Form MMS-4377. We estimate that there will be approximately 150 respondents (Federal oil and gas operators) who may be required to submit an amended form. We estimate the total annual burden is 180 hours. The burden estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

(b) If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.

Not applicable to this information collection. There is only one form with this information collection.

(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 the total annual cost to respondents is \$11,700 based on a cost factor of \$65 per hour ($\$65 \times 180 \text{ hours} = \$11,700$). There are no additional recordkeeping costs.

Section A. 12 Burden Breakdown

30 CFR 216 Subpart B	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
216.57	<p>Stripper royalty rate reduction notification.</p> <p>In accordance with its regulations at 43 CFR 3103.4-1, titled "Waiver, suspension, or reduction of rental, royalty, or minimum royalty," the Bureau of Land Management (BLM) may grant reduced royalty rates to operators of low producing oil leases to encourage continued production. Operators who have been granted a reduced royalty rate(s) by BLM must submit a Stripper Royalty Rate Reduction Notification (Form MMS-4377) to MMS for each 12-month qualifying period that a reduced royalty rate(s) is granted.</p> <p>[58 FR 64903, Dec. 10, 1993]</p> <p>Please note the BLM citation and title changed to 43 CFR 3103.4-2 Stripper well royalty reductions.</p>	1.2	150	180
TOTAL BURDEN			150	180

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.

Not applicable in this collection.

(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.

Not applicable in this collection.

(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.

We identified no reporting and recordkeeping non-hour cost burdens for this collection of information.

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.

Based on the previous renewal, we estimate the Federal Government will spend 5.2 hours per response. We estimate approximately 150 responses requiring verification of forms submitted prior to February 1, 2006, and amended forms. Therefore, we estimate the Federal Government will need 780 hours (150 responses x 5.2 hours per response) to analyze and review the required information. Based on \$55 per hour, the annualized cost to the Federal Government is \$42,900 (780 hours x \$55 per hour).

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

The current OMB inventory is 1,080 burden hours for this information collection. Our current burden hour estimate is 180 hours. The decrease of 900 burden hours is due to a program change that was effective when BLM terminated the benefits of the Stripper Royalty Rate Reduction Program on February 1, 2006. The MMS continues to verify forms submitted before that date, and operators may be required to submit an amended form.

There is no annual reporting and recordkeeping cost burden associated with this information collection.

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 tabulate or publish the data for statistical use.

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.

The MMS will display the OMB-approved expiration date on Form MMS-4377.

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

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

B. Collection of Information Employing Statistical Methods

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