

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR Part 203, Royalty Relief – Ultra-Deep Gas Wells and Deep Gas Wells
on Outer Continental Shelf (OCS) Oil and Gas Leases;
Extension of Royalty Relief Provisions to OCS Leases Offshore of Alaska
OMB Control Number 1010-NEW
Expiration Date: NEW

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. If you plan to employ statistical methods, then 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.

Section 344 of the Energy Policy Act of 2005, P.L. No. 109-58, 119 Stat. 594, 702, enacted on August 8, 2005, provides incentives to producers in the form of royalty relief for production of certain deep gas from offshore Federal oil and gas leases in the shallow waters of the Gulf of Mexico (GOM) wholly west of 87 degrees, 30 minutes West longitude. This statutorily-mandated relief supplements categorical royalty relief MMS previously provided by regulation. As with the current regulation, notifications when qualifying activities occur are necessary to insure timely, accurate, and complete implementation of relief to all members of the category.

Section 344 requires MMS to adopt regulations providing for additional categories of royalty relief for GOM leases wholly west of 87 degrees, 30 minutes West longitude. First, section 344(a) provides that for certain “ultra-deep” wells in less than 400 meters of water (defined in section 344(a)(3)(A) as wells with a perforated interval the top of which is at least 20,000 feet TVD SS), agency rules must provide for a royalty suspension volume (RSV) of not less than 35 BCF.

Second, section 344(b) requires MMS to provide the same level of royalty relief for deep gas wells on leases in 200-400 meters of water as it does in the existing regulations at 30 CFR Part 203 for leases in less than 200 meters of water.

In addition, section 346 of the Energy Policy Act, 119 Stat. 704, amended section 8(a)(3)(B) of the Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. § 1337(a)(3)(B), to extend MMS’s discretionary authority to grant royalty relief to leases offshore of Alaska.

The OCSLA, as amended by P.L. 104-58, Deep Water Royalty Relief Act (DWRRA), gives the Secretary of the Interior (Secretary) the authority to reduce or eliminate royalty or any net profit share specified in OCS oil and gas leases to promote increased production. The DWRRA also authorized the Secretary to suspend royalties when necessary to promote development or recovery of marginal resources on producing or non-producing leases in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude. As in the current regulation, collection of geologic, engineering, and economic information on a proposed project in Alaska is necessary to determine whether relief is necessary to promote development.

This information collection request (ICR) addresses a Notice of Proposed Rulemaking (NPR) to modify portions of 30 CFR Part 203. As part of this NPR process, when this ICR is approved by Office of Management and Budget (OMB) we will merge these burdens into their primary collection for 30 CFR Part 203, 1010-0071.

The modifications in this NPR implement the statutory directives; expand on the definition of “wells”, where previously they had been defined as just “deep wells” that term is now being separated into “ultra-deep wells” and “deep wells”, and includes wells in more water depths; extends the applicability of royalty relief authority to leases offshore of Alaska; allows lessees to request a refund or recoup royalties paid on production from qualified deep and ultra-deep wells that is subject to application of a royalty suspension volume (RSV) under § 203.31 or § 203.41; and lessees may request to extend a deadline for beginning production for up to 1 year.

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 to confirm that wells and leases meet the conditions to qualify for royalty relief. Also, MMS will use the information to make decisions on the economic viability of leases requesting royalty relief. These decisions have monetary impact on both the lessee and the Federal Government. We could not make an informed decision without the collection of information required by 30 CFR Part 203.

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].

Based on previous experience with issues relating to 30 CFR Part 203, we believe that 50 percent of respondents will submit their requests electronically. 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.

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 collected is unique to each lessee. Similar information is not available from other sources. The lessee must submit information on its particular lease and or a request for a refund. This will ensure that MMS has the current information from the lessee's viewpoint for each individual request to make an informed decision. The information needed to make a determination is not collected by any other organization. If identical data and information are available from prior requests, MMS would not require the submission of duplicate data or information.

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

The regulations have a positive economic effect on both large and small entities by raising profits on deep gas production. The relief is categorical, meaning if it fits into a specific category, the relief is automatic, so little effort is required of operators to receive it.

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 must administer a balanced, focused program of royalty relief designed to increase production of natural gas and oil, while minimizing lost royalty and tax revenues for the Federal Government. This serves to insure only qualified leases get royalty relief, may ask for an extension, and to notify both operators and regulators that they may request a refund to recoup royalties paid on production from qualified wells. Without such notice, mistakes in approving relief and requesting a refund are more likely resulting in unnecessary administrative expenses by regulators and possibly discouraging the activities the incentive is designed to foster.

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 1320.11, 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 process.

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.

The MMS will protect information considered proprietary under applicable law and under regulations at 30 CFR Part 203.63, “Does my application have to include all leases in the field?”, and 30 CFR Part 250.196, “Data and information to be made available to the public”.

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.

(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.

Respondents are those from the approximately 130 Federal oil and gas lessees who may apply for royalty relief. Responses to this collection are required to obtain benefits. The frequency of response is on occasion. The burden estimates include the time for submitting a request to MMS for review. We estimate a total of 3 annual burden hours. Based on \$50 an hour, the estimated annual hour burden is \$150 (\$50 x 3 hours = \$150). Refer to the chart below for a breakdown of the burden.

BURDEN BREAKDOWN

Citation 30 CFR 203 Subpart B	Reporting & Recordkeeping Requirement	Hour Burden	Average No. Annual Responses	Annual Burden Hours
31(d)	Request a refund of or recoup royalties from qualified ultra-deep wells.	1	1	1
41(e)	Request a refund of or recoup royalties from qualified wells >200 meters but <400 meters.	1	1	1
35(d); 44(e)	Request to extend the deadline for beginning production.	1	1	1
TOTAL BURDEN			3	3

The collection of information required by the current 30 CFR part 203 regulations was approved under

OMB Control Number 1010-0071 (expiration 12/31/06, currently under renewal with OMB). The currently approved burden (8,911 total annual burden hours) covers the requirements for respondents to:

- notify MMS of their intent to drill, and to notify MMS when production actually begins along with the royalty suspension volume confirmation size; request extension for production start. Due to statutory changes enacted in section 344 of the Energy Policy Act of 2005, these proposed regulations differentiate these notifications into “deep” and “ultra-deep” well drilling categories. This change, however, does not affect the approved burdens for these requirements.
- apply for royalty relief in the Gulf of Mexico Region (GOMR). Due to statutory changes enacted in section 344 of the Energy Policy Act, proposed requirements will extend royalty relief to the Alaska Region (AKOCSR) as well, but will not change the currently approved burdens. The hour burdens for the required applications relating to royalty relief for either the GOMR or the AKOCSR are still estimated to be the same. In the 11 years that MMS has had this regulatory requirement pertaining to GOMR, only 9 lessees have submitted applications. We feel that the approved hour burden estimate is adequate for both regions for information collection requirements in both proposed requirements and current regulations.

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.

We have identified no paperwork 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.

To analyze and review the information, the Government spends an average of 1 hour for each hour spent by respondents. The total estimated Government time is 3 hours. Based on a cost factor of \$50 per hour, the total annual estimated burden on the Government is \$150 (3 responses x 1 hour = 3 annual burden hours x \$50 = \$150).

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

As this is a new collection for a proposed rulemaking, section 13 requests a program increase of 3 hours. As stated in item A.I, when final regulations take effect, we will ultimately merge these burdens into their primary subpart, 30 CFR Part 203—1010-0071. There is no section 14 cost burden requested.

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 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

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. If this collection of information employs statistical methods, then 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.