

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR Part 1218, Collection of Monies Due the Federal Government
(Form ONRR-4425, Designation Form for Royalty Payment Responsibility)
OMB Control Number 1012-0008
Current Expiration Date: November 30, 2011

Terms of Clearance: None.

General Instructions

The 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. The Office of Management and Budget (OMB) reserves the right to require the submission of additional information with respect to any request for approval.

Specific Instructions

A. Justification

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

The Secretary of the U.S. Department of the Interior is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands. The Secretary is required by various laws (see below) to manage mineral resources production on Federal and Indian lands, collect the royalties due, and distribute the funds in accordance with those laws. The Secretary also has a trust responsibility to manage Indian lands and seek advice and information from Indian beneficiaries. The Office of Natural Resources Revenue (ONRR), formerly the Minerals Revenue Management (MRM), a program of the former Minerals Management Service (MMS), performs the minerals revenue management functions for the Secretary and assists the Secretary in carrying out the Department's trust responsibility for Indian lands.

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

Applicable citations of the laws pertaining to mineral leases include the following:

- Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (Pub. L. 97-451—Jan. 12, 1983)
- Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA) (Pub. L. 104-185—Aug. 13, 1996, as corrected by Pub. L. 104-200—Sept. 22, 1996)
- Indian Mineral Development Act of 1982 (Pub. L. 97-382—Dec. 22, 1982)

Public laws pertaining to mineral revenues are on our website at http://www.onrr.gov/Laws_R_D/PublicLawsAMR.htm.

This ICR covers the following unique reporting circumstances:

- Cross-lease netting in calculation of late-payment interest
- Designation of a designee
- Tribal permission for recoupment on Indian oil and gas leases

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.]

- **Cross-Lease Netting in Calculation of Late-Payment Interest**

Regulations at 30 CFR 1218.54 require ONRR to assess interest on unpaid or underpaid amounts. We distribute these interest revenues to states, Indian tribes, and the U.S. Treasury, based on financial lease distribution information. Current regulations at 30 CFR 1218.42 provide that an overpayment on a lease or leases may be offset against an underpayment on a different lease or leases to determine the net payment subject to interest, when certain conditions are met. This is called cross-lease netting. However, RSFA sections 6(a), (b), and (c) require ONRR to pay interest on lessees' Federal oil and gas overpayments made on or after February 13, 1997 (6 months after the August 13, 1996, enactment of RSFA). We implemented this RSFA provision in 1997 and began calculating interest on both underpayments and overpayments for Federal oil and gas leases, making the cross-lease netting provisions at 30 CFR 1218.42 no longer applicable for these leases. Lessees must comply with the provisions at 30 CFR 1218.42(b) and (c) for Indian tribal leases or Federal leases other than oil and gas. They must demonstrate that cross-lease netting is correct by submitting production reports, pipeline allocation reports, or other similar documentary evidence. This information is necessary for ONRR to determine the correct amount of interest the lessee owes and to ensure that we collect in full all monies owed the Federal Government.

- **Designation of a Designee**

Requirements of RSFA established that owners of, primarily, operating rights or, secondarily, lease record title (both referred to as “lessees”) are responsible for making royalty and related payments on Federal oil and gas leases (see 30 CFR 1218.52). It is common, however, for a payor rather than a lessee to make these payments. When a payor makes payments on behalf of a lessee, RSFA section 6(g) requires that the lessee designate the payor as its designee and notify ONRR of this arrangement in writing. We designed Form ONRR-4425, Designation Form for Royalty Payment Responsibility, to request all the information necessary for lessees to comply with these RSFA requirements when choosing to designate an agent to pay for them. We require this information to ensure proper mineral revenue collection.

- **Tribal Permission for Recoupment on Indian Oil and Gas Leases**

In order to report cross-lease netting on Indian oil and gas leases, lessees must also comply with regulations at 30 CFR 1218.53(b), allowing only lessees with written permission from the tribe to recoup overpayments on one lease against a different lease for which the tribe is the lessor. The payor must provide ONRR with a copy of the tribe’s written permission. Generally, a payor may recoup an overpayment against the current month’s royalties or other revenues owed on the same tribal lease. For any month, a payor may not recoup more than 50 percent of the royalties or other revenues owed in that month, under an individual allotted lease, or more than 100 percent of the royalties or other revenues owed in that month, under a tribal lease. Lessees report oil and gas lease recoupments on Form MMS-2014, Report of Sales and Royalty Remittance (which will be renumbered as Form ONRR-2014, as we update our forms and form numbers in the regulations). The burden hours are covered under ICR 1012-0004.

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].

- **Cross-Lease Netting in Calculation of Late-Payment Interest**

Lessees may submit by e-mail documentation required to support allowance of cross-lease netting. We have a reasonable expectation that 5 percent of respondents may use the e-mail option.

- **Designation of a Designee**

The ONRR continues to strive for full implementation of the Government Paperwork Elimination Act. We offer electronic copies of Form ONRR-4425 on our website for respondents to print and complete. They may also submit the form electronically as an e-

mail attachment. During the current renewal period, no companies have used the e-mail attachment option to request to designate a designee; however, we have a reasonable expectation that 5 percent may use the e-mail option.

- **Tribal Permission for Recoupment on Indian Oil and Gas Leases**

Submission of written tribal permission to recoup overpayments varies in format according to each tribe. However, a copy can be sent electronically as an attachment via e-mail. During the current renewal period, no companies have used the e-mail attachment option to recoup overpayments; however, we have a reasonable expectation that 5 percent may use the e-mail option.

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.

- **Cross-Lease Netting in Calculation of Late-Payment Interest**

The documentation required to support ONRR's allowance of cross-lease netting is unique to each situation and is not available through other sources.

- **Designation of a Designee**

The Bureau of Land Management (BLM) and the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) for Federal onshore and offshore leases respectively, maintain information on operating rights owners and lease record title owners. However, the information maintained by BLM and BOEMRE does not provide the specific information required by RSFA—designation of payment responsibility. Therefore, the information submitted on Form ONRR-4425 is unique.

- **Tribal Permission for Recoupment on Indian Oil and Gas Leases**

Tribal written permission allowing payors to recoup overpayments on a lease is a situation unique to ONRR. Each submission requires a letter from the tribe related to the specific lease and production month.

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

Small businesses are among potential respondents, and as such, ONRR carefully analyzed its requirements to ensure the information requested is the minimum necessary to accomplish our mission and to place the least burden on industry. Training is offered on a regular basis, and toll-free telephone assistance is available during business hours. Additionally, the Secretary established the Royalty Policy Committee (RPC), made up of state, tribal, and industry representatives, to advise ONRR on ways to decrease the burden on industry.

Situations requiring written permission from the tribes to allow payors to recoup overpayments on a different lease rarely, if ever, impact small businesses.

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

- **Cross-Lease Netting in Calculation of Late-Payment Interest**

By delegation of the Secretary's trust responsibilities under Indian lease terms, ONRR is responsible for ensuring the proper valuation of production from Indian leases. Not collecting the information would limit the Secretary's ability to discharge the fiduciary duties of the office and also may result in loss of royalty payments to Indian lessors if ONRR does not collect royalties on prices received under higher priced sales contracts.

- **Designation of a Designee**

The information requested on Form ONRR-4425 is necessary for ONRR and the oil and gas industry to comply with RSFA, which clearly establishes the lessee as responsible for making royalty and related payments on Federal leases. Under RSFA, the operating rights owners are primarily liable for payments to ONRR, and the owners of lease record title are secondarily liable.

- **Tribal Permission for Recoupment on Indian Oil and Gas Leases**

Situations requiring written permission from the tribes to allow payors to recoup overpayments against a different lease are infrequent. Payors could not always recoup overpayments if this exception were not allowed.

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.

Form ONRR-4425 respondents may be required to report information to us more often than quarterly. For example, if a lessee designates a new/different payor for a given lease, then the lessee must immediately complete and submit a designation form.

(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.

Indian Oil and Gas Records—In accordance with 30 U.S.C. 1713(b), Indian oil and gas records must be maintained for 6 years after the records are generated unless the Secretary notifies the record holder that such records must be maintained for a longer period due to an ongoing audit or investigation.

Federal Records—RSFA section 4(f) requires that Federal lessees maintain records for 7 years after the obligation becomes due.

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

Not applicable in this collection.

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

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

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

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

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

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), ONRR published a 60-day review and comment notice in the *Federal Register*. We did not receive any comments in response to this notice, published on May 4, 2011 (76 FR 25370).

We also contacted the companies (listed below) regarding the burden hour estimates and the clarity of the regulations requiring this collection of information. Program staff reported the following:

Contacts made / comments received:

1. Robert Wilkinson, ConocoPhillips 918-661-4381
Oral comment provided 10/5/2011: We spoke about the referenced Federal Register notice. Bob did not submit comments because cross lease netting and tribal recoupment requests are rarely granted so didn't want to spend time on items with little value. I asked about hour burden associated with Form MMS-4425. Bob indicated that he has no dispute with the estimate, has no information to counter that the time estimate is unrealistic.
2. Marvinette Ponder, Devon Energy 405-552-4722
Left Message 10/5/2011, Sent email request 10/6/2011, email response received 10/10/2011: 40 minutes appears to be a sufficient time estimate to gather information, specially the designee's payor code and tax identification number, and to complete the form.
3. Pamela Williams, Shell Exploration & Production Company 832-337-2592
Telephone number not good.
4. George Edwards, ExxonMobil 713-680-7450
Left message 10/5/2011, Sent email request 10/5/2011, email response received 10/10/2011: Based on a review of the attached MMS Form 4425, we concurred with the data burden hour estimate of .72 hours for Form MMS-4425 preparation.
5. Renee Crosby, Chevron USA Inc 713-432-6887
Left Message 10/5/2011, Sent email request 10/6/2011, email response received 10/10/2011: I have reviewed the information collection request regarding cross lease netting, designation of a designee and tribal recoupment and have no information that would indicate the time estimates as stated to be unrealistic.

We accept comments at any time on the information collection and the burden hour estimates, as explained in the PRA statement at the bottom of Form ONRR-4425. We have not received any comments on the form or the burden hour estimates. The ONRR also maintains regular, ongoing contact with companies. We provide toll-free telephone assistance and encourage customer feedback as we respond to questions regarding requirements. We address issues as they come up and continually improve our processes.

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 ONRR, 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), and the Freedom of Information Act (5 U.S.C. 552(b)(4)) and its implementing regulations (43 CFR 2).

In addition, 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.

(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.

Summary of Information Collections

Information Collections (and 30 CFR Reference*)	Requirement to Respond	Frequency of Response	Number of Annual Responses	Annual Burden Hours
Cross-Lease Netting in Calculation of Late-Payment Interest 1218.42(b) and (c)	Required to obtain a benefit	On occasion	25	50
Designation of a Designee 1218.52(a), (c), and (d)	Required to obtain a benefit	On occasion	1,600	1,200
Tribal Permission for Recoupment on Indian Oil and Gas Leases 1218.53(b)	Required to obtain a benefit	On occasion	5	5
TOTAL			1,630	1,255

There are approximately 1,630 respondents (Federal and Indian lessees). We receive responses on occasion. We estimate the total annual burden is 1,255 reporting hours (there are no recordkeeping hours). We used tables from the Bureau of Labor Statistics (BLS) to estimate the hourly cost for industry accountants in a metropolitan area. We used a multiplier of 1.4 for benefits. Based on this information, we estimate the hourly cost for an industry accountant would be \$46, calculated as follows:

$$\$32.83 \text{ [mean hourly wage]} \times 1.4 \text{ [benefits cost factor]} = \$45.96 \text{ [rounded to } \$46/\text{hr]}$$

The estimated annual cost to industry would be \$57,730, calculated as follows:

$$1,255 \text{ [reporting hours]} \times \$46/\text{hr [for industry accountants]} = \$57,730$$

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. The following chart shows the estimated burden hours by CFR section and paragraph:

SECTION A.12 BURDEN BREAKDOWN

Citation 30 CFR 1218	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
Subpart A—General Provisions— Cross-lease netting in calculation of late-payment interest.				
1218.42(b) and (c)	Cross-lease netting in calculation of late-payment interest. (b) Royalties attributed to production from a lease or leases which should have been attributed to production from a different lease or leases may be offset * * * if * * * the payor submits production reports, pipeline allocation reports, or other similar documentary evidence pertaining to the specific production involved which verifies the correct production information * * *. (c) If ONRR assesses late-payment interest and the payor asserts that some or all of the interest is not owed * * * the burden is on the payor to demonstrate that the exception applies * * *.	2	25	50

Citation 30 CFR 1218	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
Subpart B—Oil and Gas, General—How does a lessee designate a Designee?				
1218.52(a), (c), and (d)	<p>How does a lessee designate a Designee?</p> <p>(a) If you are a lessee under 30 U.S.C. 1701(7), and you want to designate a person to make all or part of the payments due under a lease on your behalf * * * you must notify ONRR * * * in writing of such designation. * * *</p> <p>(c) If you want to terminate a designation * * * you must provide [the following] to ONRR in writing * * *.</p> <p>(d) ONRR may require you to provide notice when there is a change in the percentage of your record title or operating rights ownership.</p> <p>The ONRR currently uses Form ONRR-4425, Designation Form for Royalty Payment Responsibility to collect this information.</p>	0.75	1,600	1,200
Subpart B—Oil and Gas, General—Recoupment of overpayments on Indian mineral leases.				
1218.53(b)	<p>Recoupment of overpayments on Indian mineral leases. (b) With written permission authorized by tribal statute or resolution, a payor may recoup an overpayment against royalties or other revenues owed * * * under other leases * * *. A copy of the tribe's written permission must be furnished to ONRR * * *.</p>	1	5	5
TOTAL BURDEN			1,630	1,255

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 “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.

We estimate that a Federal employee will spend approximately 5.5 hours per year to process the information collected. This task requires only filing. An employee paid at the United States 2011 General Schedule, Grade 7/Step 5 pay-scale level currently performs the work. The 2011 salary tables for the Denver, Colorado, area are located at http://www.opm.gov/oca/11tables/html/den_h.asp. We used a multiplier of 1.5 for benefits. Based on this information, we estimate the hourly cost for a Federal employee to perform the work would be \$34, calculated as follows:

$$\text{\$22.61 [GS-7/5]} \times 1.5 \text{ [benefits cost factor]} = \text{\$33.92 [rounded to \$34/hr]}$$

The estimated annual cost to the Federal Government is \$187, calculated as follows:

$$5.5 \text{ hrs/year [estimated time]} \times \text{\$34/hr [for Federal employee]} = \text{\$187}$$

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

There are no program changes.

The current OMB inventory is 1,219 burden hours. We are requesting OMB's approval of 1,255 burden hours. Therefore, we have an adjustment increase of 36 hours.

We averaged our responses over the 3-year period since the last renewal to obtain an annual estimate of the burden hours. Actual inspection of our files shows that the number of responses has increased, and, correspondingly, the burden hours also have increased.

There is no annual 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 ONRR will not publish the data.

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

The ONRR will display the OMB approval expiration date on Form ONRR-4425. The remainder of this collection concerns regulatory requirements.

18. Explain each exception to the certification statement identified in Item 19, "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

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