

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR 250, Subpart L, Oil and Gas Production Measurement,
Surface Commingling, and Security
OMB Control Number 1010-0051
OMB Expiration Date: July 31, 2010

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, then 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 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. The Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1701, *et seq.*) at section 1712(b)(2) prescribes that an operator will "develop and comply with such minimum site security measures as the Secretary deems appropriate, to protect oil or gas produced or stored on a lease site or on the Outer Continental Shelf from theft."

These authorities and responsibilities are among those delegated to the Minerals Management Service (MMS). This information collection request addresses the regulations at 30 CFR part 250, subpart L, Oil and Gas Production Measurement, Surface Commingling, and Security, and the associated supplementary notices to lessees and operators (NTLs) intended to provide clarification, description, or explanation of these regulations.

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 collected under subpart L to ensure that the volumes of hydrocarbons produced are measured accurately, and royalties are paid on the proper volumes. Specifically, MMS needs the information to:

- Determine if measurement equipment is properly installed, provides accurate measurement of production on which royalty is due, and is operating properly;
- Obtain rates of production data in allocating the volumes of production measured at royalty sales meters, which can be examined during field inspections;
- Ascertain if all removals of oil and condensate from the lease are reported;
- Determine the amount of oil that was shipped when measurements are taken by gauging the tanks rather than being measured by a meter;
- Ensure that the sales location is secure and production cannot be removed without the volumes being recorded;
- Review proving reports to verify that data on run tickets are calculated and reported accurately;
- Review gas volume statements and compare them with the Oil and Gas Operations Reports to verify accuracy.

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, MMS receives 55 percent of all information pertaining to this collection electronically. This includes 85 percent of electronic submissions of run tickets, proving reports, and gas volume statements and 25 percent of commingling applications submitted electronically.

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 lease, and similar information is not available from other sources. The Department of the Interior and the US Coast Guard has a Memorandum of Understanding that defines the responsibilities of their agencies with respect to activities in the OCS. These are effective in avoiding duplication of regulations and reporting requirements.

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

This collection of information does not have a significant economic effect on a substantial number of small entities. In general, companies need large technical and financial resources and experience to safely conduct offshore activities. Approximately, 70 percent of the OCS lessees and operators have less than 500 employees and are 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 without sacrificing accurate production measurement and royalty reporting.

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

If MMS did not collect the information, we could not carry out the mandates of the OCS Lands Act and

the Federal Oil and Gas Royalty Management Act. Specifically, MMS could not review applications for commingling to ensure that royalties are properly measured; review reports of meter malfunctions to ensure that proper corrective action is being taken; review meter proving reports as the need arises to verify the accuracy of measurements; verify wire-seal numbers, as necessary, to ensure security of hydrocarbons; review reports of theft or mishandling to determine corrective action to be taken; etc. If MMS collected the information less frequently, it would not provide sufficient checks on the accuracy of production measurement and royalty reporting.

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.

Respondents are required to submit copies of some data on a monthly basis (refer to Section A.12). If respondents submitted the information less frequently, it would not provide sufficient checks on the accuracy of production measurement and royalty reporting. The burden is minimal as respondents submit copies of readily available data.

(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 retain certain records for more than 3 years. Under § 250.1202(1)(3), respondents must retain calibration charts for inventory tanks for as long as the tanks are in use. The history of calibration is necessary for MMS to ensure that tanks are properly measured and calibrated. The tanks are calibrated when they are new and whenever changes are made. Under § 250.1203(f)(4), respondents must retain documentation on measuring or estimating the volume of gas lost or used on a lease for a minimum of 7 years. The extended document retention period is necessary because those documents may be required during audit and the audit cycle is 7 years.

(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 3, 2009 (74 FR 56858). Also, 30 CFR 250.199 explains that MMS will accept comments at any time on the information collection requirements and burdens of our 30 CFR part 250 regulations and associated forms. We display the OMB control numbers and provide the address for sending comments to MMS. No comments were received in response to the Federal Register notice and we received no unsolicited comments.

During the comment period, MMS regional offices consulted with the respondents listed below on the burden of collecting this information. The hour burden respondents report for some requirements varies from one end of the spectrum to the other. Due to the nature of the operator's and/or lessee's oil production and number of wells involved in production, reported hour burdens can vary from 11 hours to 40 hours; from 30 minutes to 12 hours for the same requirement. Therefore, their input has been averaged (see table in A.12), reflecting a large increase in the burden hour total for this collection of information. Those consulted provided no input as to the clarity of instructions, availability of data, frequency of collection, or data format.

Anadarko Petroleum, Lynn Moffett, Human Resource Advisor
(832) 636-2707, P.O. Box 1330, Houston, Texas 77251-1330

Shell Exploration and Production Co., Tracey P. Burger, Regulatory Affairs Coordinator
(504)728-6307, P.O. Box 61933, New Orleans, LA 70161-1933

BP, Linda Onstott, Sr. Regulatory Compliance Advisor
(281) 366-0219, 200 Westlake Park Boulevard, Houston, Texas 77079

Chevron U.S.A. Production Company, Dan Cortelyou, Regulatory Affairs
(337) 989-3454, 100 Northpark Blvd., Covington, LA 70443

ExxonMobil, Leslie Rucker, Revenue Accountant
(713) 680-7268, P. O. Box 4721, Houston, TX 77210-4721

ExxonMobil, Jerome Walker, Regulatory Specialist, (281) 654-3770
P. O. Box 4358, Houston, TX 77210

BP Exploration (Alaska) Inc, Anne Fielder, Production Analyst
(907) 564-5826, 900 E. Benson Blvd., Anchorage, AK 99516-6612

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

The MMS 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 proprietary information according to the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2), 30 CFR 250.197, Data and information to be made available to the public or for limited inspection, and 30 CFR part 252, OCS Oil and Gas Information Program.

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.

The MMS estimates there are approximately 130 Federal oil and gas or sulphur lessees and/or operators that may respond to this collection of information. It should be noted that not all of the potential respondents will submit information in any given year and some may submit multiple times. The frequency of response varies by section. We estimate the annual paperwork burden is 32,957 burden hours. Refer to the chart below for a breakdown of the burden hours and fees.

BURDEN BREAKDOWN

Citation 30 CFR 250 Subpart L	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Non-Hour Cost Burdens		
Liquid Hydrocarbon Measurement				
1202(a)(1), (b) (1); 1203(b)(1); 1204(a)(1)	Submit application for liquid hydrocarbon or gas measurement procedures or changes; or for commingling of production or changes.	24.5	196 applications.	4,802
Simple		\$1,271 simple fee x 55 applications = \$69,905		
Complex		\$3,760 complex fee x 141 applications = \$530,160		
No fee	Submit meter status and replacement notifications.	5	412 notifications	2,060
1202(a)(4)	Copy & send pipeline (retrograde) condensate volumes upon request.	1.2	40 volumes.	48
1202(c)(1), (2); 1202(e)(4); 1202(h)(1), (2), (3), (4); 1202(i) (1)(iv), (2)(iii); 1202(j)	Record observed data, correction factors & net standard volume on royalty meter and tank run tickets. Record master meter calibration runs. Record mechanical-displacement prover, master meter, or tank prover proof runs. Record liquid hydrocarbon royalty meter malfunction and repair or adjustment on proving report; record unregistered production on run ticket. List Cpl and Ctl factors on run tickets.	Respondents record these items as part of normal business records & practices to verify accuracy of production measured for sale purposes.		0
1202(c)(4)*	Copy & send all liquid hydrocarbon run tickets monthly.	10 minutes	20,034 tickets.	3,339
1202(d)(4); 1204(b)(1)	Request approval for proving on a schedule other than monthly; request approval for well testing on a schedule other than every 60 days.	2	550 requests.	1,100
1202(d)(5)*	Copy & submit liquid hydrocarbon royalty meter proving reports monthly & request waiver as needed.	15 minutes	8,867 reports/ requests.	2,217
1202(f)(2)*	Copy & submit mechanical-displacement prover & tank prover calibration reports.	16.5 minutes	74 reports.	20
1202(l)(2)*	Copy & submit royalty tank calibration charts before using for royalty measurement.	45 minutes	8 charts.	6
1202(l)(3)*	Copy & submit inventory tank calibration charts upon request; retain charts for as long as tanks are in use.	45 minutes 10 minutes	5 charts. 82 charts.	4 14
Subtotal			30,268 responses	13,610 hours
			\$600,065 non-hour cost burdens	
Gas Measurement				
1203(b)(6), (8), (9)*	Copy & submit gas quality and volume statements monthly or as requested (most will be routine; few will take longer).	15 minutes	21,792 Statements	5,448
		36 minutes	48	29
1203(c)(1)	Request approval for proving on a schedule other than monthly.	1.2	546 requests.	655
1203(c)(4)*	Copy & submit gas meter calibration reports upon request; retain for 2 years.	13 minutes 7.5 minutes	44 reports. 19,290 reports.	10 2,411

Citation 30 CFR 250 Subpart L	Reporting or Recordkeeping Requirement	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
		Non-Hour Cost Burdens		
1203(e)(1)*	Copy & submit gas processing plant records upon request.	1.2	4 records.	5
1203(f)(5)	Copy & submit measuring records of gas lost or used on lease upon request.	42 minutes	24 records.	17
		Subtotal	41,748 responses	8,575 hours
Surface Commingling				
1204(a)(2)	Provide state production volumetric and/or fractional analysis data upon request.	6	1 report.	6
1205(a)(2)	Post signs at royalty or inventory tank used in royalty determination process.	2	85 signs.	170
1205(a)(4)	Report security problems (telephone).	18 minutes	2 calls.	1
		Subtotal	88 responses	177 hours
Miscellaneous and Recordkeeping				
1200 thru 1205	General departure and alternative compliance requests not specifically covered elsewhere in subpart L.	1.3	60 requests.	78
1202(e)(6)	Retain master meter calibration reports for 2 years.	23 minutes	1,420	544
1202(k)(5)	Retain liquid hydrocarbon allocation meter proving reports for 2 years.	10 minutes	10,875	1,813
1203(f)(4)	Document & retain measurement records on gas lost or used on lease for 2 years at field location and minimum 7 years at location of respondent's choice.	15 minutes	4,045	1,011
1204(b)(3)	Retain well test data for 2 years.	6.7 minutes	57,400	6,410
1205(b)(3), (4)	Retain seal number lists for 2 years.	5 minutes	8,870	739
		Subtotal	82,670 responses	10,595 hours
Total Burden			154,774 responses	32,957 hours
			\$600,065 Non-Hour Cost Burdens	

*Respondents gather this information as part of their normal business practices. The MMS only requires copies of readily available documents. There is no burden for testing, meter reading, etc.

(c) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.

The average respondent cost is \$55/hour. This cost is broken out in the below table using actual position titles, levels, and hourly pay rates from the companies who supplied the information in A.8.

Position	Level	Hourly Pay rate (\$/hour estimate)	Hourly rate including benefits (1.4* x \$/hour)	Percent of time spent on collection	Weighted Average (\$/hour)
Platform Operator	III	\$37	\$52	5%	\$3

Platform Team Lead	N/A	\$45	\$63	5%	\$3
Engineer	II	\$47	\$66	40%	\$26
Production Accountant	II	\$32	\$45	45%	\$20
Regulatory Analyst	N/A	\$43	\$60	5%	\$3
Weighted Average (\$/hour)					\$55

* A multiplier of 1.4 (as implied by BLS news release USDL 10-0283, March 10, 2010 (see <http://www.bls.gov/news.release/ecec.nr0.htm>)) was added for benefits.

Based on a cost factor of \$55 per hour, we estimate the total annual cost to industry is \$1,812,635 (\$55 x 32,957 hours = \$1,812,635).

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 estimate that the non-hour cost burden for this information collection is \$600,065 (see table in A.12). These cost burdens are for filing fees associated with submitting requests for approval of:

- simple applications (applications to temporarily reroute production for a duration not to exceed 6 months; production tests prior to pipeline construction; departures related to meter proving, well testing, or sampling frequency (\$1,271 per application)).
- complex applications (creation of new facility measurement points (FMPs); association of leases or units with existing FMPs; inclusion of production from additional structures; meter updates which add buyback gas meters or pigging meters; other applications which request deviations from the approved allocation procedures (\$3,760 per application)).

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 L, the Government spends an average of 1 hour for each hour spent by respondents. The total estimated Government time is 32,956 hours.

The average government cost is \$56/hour. This cost is broken out in the below table using the current Office of Personnel Management salary data for the REST OF THE UNITED STATES (<http://www.opm.gov/oca/10tables/>).

Position	Grade	Hourly Pay rate (\$/hour estimate)	Hourly rate including benefits (1.5* x \$/hour)	Percent of time spent on collection	Weighted Average (\$/hour)
Petroleum Engineer	GS-9/5	\$26	\$39	45%	\$18
Petroleum Engineer	GS-13/5	\$44	\$66	45%	\$30
Petroleum Engineer	GS-14/5	\$53	\$80	10%	\$8
Weighted Average (\$/hour)					\$56

* A multiplier of 1.5 (as implied by BLS news release USDL 10-0283, March 10, 2010 (see <http://www.bls.gov/news.release/ecec.nr0.htm>)) was added for benefits.

Based on a cost factor of \$56 per hour, the total annual estimated burden on the Government is \$1,845,592 (32,957 hours x 1 hour = 32,957 hours x \$56 = \$1,845,592).

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

For this collection of information, the currently approved OMB inventory includes:

- 8,533 burden hours. This submission requests 32,957 burden hours. The adjustment increase of 24,424 hours is due to re-estimating the average number of annual responses and the amount of time required to respond based on consultations. It needs to be noted that due to the nature of the operator's and/or lessee's oil production and number of wells involved in production, reported hour burdens for some requirements can vary from 18 hours to 40 hours; from 30 minutes to 4 hours for the same requirement. The 32,957 burden hours represents industry's averaged input.
- \$1,154,700 for non-hour cost burdens. This submission requests \$600,065. The adjustment decrease of \$554,635 is due to re-estimating the average number of annual responses that have associated cost recovery fees. Applications, which are associated with the fees, have been down during the last 3-year period.

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.

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.

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 Submission.