

**Supporting Statement for Paperwork Reduction Act Submissions**  
**30 CFR Part 1205, Takes vs. Entitlements**  
**OMB Control Number 1012-NEW**

**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. 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 lands. The Secretary is required by various laws to manage mineral resources production on Federal lands, collect the royalties due, and distribute the funds in accordance with those laws. The Office of Natural Resources Revenue (ONRR) [formerly Minerals Revenue Management (MRM), a program of the predecessor organization, Minerals Management Service (MMS)] performs the minerals revenue management functions for the Secretary.

Minerals produced from Federal leases vary greatly in the nature of occurrence, markets served, and production and processing methods. When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal lands, that company or individual agrees to pay the lessor a share of the value (royalty) received from production from the leased lands. The information ONRR collects includes data necessary to ensure that companies appropriately pay the royalties. The ONRR is responsible for ensuring that all revenues from Federal mineral leases are accurately collected, accounted for, and disbursed to recipients.

The ONRR proposes to amend its regulations to provide guidance to lessees and designees for the purposes of reporting royalties on the required volume allocations of Federal oil and gas production. On August 13, 1996, Congress enacted the Federal Oil and Gas Royalty

Simplification and Fairness Act (RSFA), Pub. L. 104-185, as corrected by Pub. L. 104-200—Sept. 22, 1996. The RSFA amends portions of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), 30 U.S.C. 1701 *et seq.*

The proposed rule, RIN 1012-AA02, would remove Federal leases from 30 CFR 1202.100(e)(2), establish a new part 1205 containing new information collections, and make a technical amendment to the table at §1210.10 by adding the OMB control number for the new ICR. This new information collection request (ICR) would collect information necessary to implement section 6(d) of RSFA and change the way all lessees and designees report and pay on the required volume allocations of Federal oil and gas production. The ONRR submits this ICR to OMB for review and approval as required by the Paperwork Reduction Act of 1995 (PRA).

Section 6(d) of RSFA requires lessees or designees of a 100-percent Federal unit or communitization agreement to report on the basis of takes (based on the actual volume of production sold by, or on behalf of, the lessee). It also requires a lessee or designee of a mixed unit or communitization agreement to report on the basis of entitlements (based on the volume of oil and gas produced from such agreement and allocated to the lease in accordance with the terms of the agreement). Further, it allows a lessee to submit a request for an alternative method of royalty reporting and payment for units or communitization agreements, provided that all lessees contractually agree to such method and as long as such alternative method does not reduce the amount of the royalty obligation to the Federal Government. Finally, section 6(d) provides for a marginal property reporting exception that would allow lessees to report and pay on their take volume each month and adjust to their entitled volume after the end of the calendar year rather than reporting and paying based on their entitled volume each month.

Applicable citations pertaining to the taking and selling of the Federal Government's royalty share of mineral leases include:

- 30 U.S.C. 1701 *et seq.*—Jan. 12, 1983 (FOGRMA);
- Public Law 104-185—Aug. 13, 1996 (RSFA);
- The Mineral Leasing Act of 1920, Section 36, as amended (30 U.S.C. 192);
- Outer Continental Shelf Lands Act of 1953, Section 27, as amended (43 U.S.C. 1353);
- 30 U.S.C. 189 pertaining to Public Lands; and
- 30 U.S.C. 359 pertaining to Acquired Lands.

These citations can be viewed at [http://www.onrr.gov/Laws\\_R\\_D/PublicLawsAMR.htm](http://www.onrr.gov/Laws_R_D/PublicLawsAMR.htm). Relevant regulations from title 30 of the *Code of Federal Regulations* (CFR) include parts 1202, 1205, and 1210. [Note that ONRR's regulations were moved from 30 CFR chapter II to chapter XII, effective October 1, 2010.]

**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.]**

Under the proposed regulations, ONRR would require a request from a lessee of a 100-percent Federal agreement in order to use an alternative method of royalty reporting and payment and to certify that all lessees agree to the alternative method of royalty reporting and payment. Based on the information in the request, we would determine whether to allow the lessee to use the alternative method. We would require requests only from lessees of Federal agreements for which the lessees or designees want to obtain approval for an alternative method of royalty reporting and payment. We would require lessees to submit a similar request when they wished to discontinue reporting under the alternative method.

If a lessee of a Federal agreement, with concurrence of all lessees, desires to request or discontinue an alternative method of royalty reporting and payment, the lessee would submit the written request to ONRR requesting to begin or discontinue this alternative method of royalty reporting and payment. The lessee would submit the following: (1) company name, address, phone number, and contact name; (2) agreement number of the property being considered for beginning or terminating the alternative method of royalty reporting and payment; and (3) documentation of the concurrence of all lessees to begin or terminate such alternative method. The lessee also would submit a description of the alternative method and documentation that demonstrated the alternative method would not reduce the amount of royalty obligation.

The ONRR would review the information provided by the lessee, consulting with the delegated state, if applicable, prior to making a decision. We would use the information the lessee of an agreement provided in the request for an alternative method to report and pay in order to: (1) identify the company that makes the request; (2) identify the agreement to which the alternative method of royalty reporting and payment would apply; (3) determine if all lessees of the agreement contractually agree to such alternative method; (4) determine if the alternative method would reduce the royalty obligation; (5) determine whether ONRR should approve or deny the alternative method; and (6) update ONRR's records to reflect any alternative method of reporting and payment it approved.

If ONRR approved the request, lessees would begin using the alternative method of royalty reporting and payment for the production month after they received written approval from ONRR. Likewise, if we approved the request to stop using the approved alternative method, lessees would stop using the method beginning with the production month after they receive written notice of ONRR's approval to return to using the reporting and payment requirements under §1205.101(a)(2).

***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 Government Paperwork Elimination Act Plan indicates that we should evaluate our information collection requests for electronic submission. However, the information ONRR would require a lessee of a Federal agreement to include in a request for an alternative method of royalty reporting and payment would not be standardized. To minimize the burden, lessees of Federal agreements could e-mail or fax their requests, as long as they provided all required information. For the alternative method of royalty reporting and payment, we would accept responses by electronic mail and expect to receive, on an average, 25 percent of the responses electronically. Submission by electronic mail is the most efficient and immediate means for submission of the notification or relief request.

***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 would be unique. The ONRR would need the information to accurately collect and distribute royalties. The proposed information collection would be the minimum information necessary to efficiently process the lessee's request for an alternative method of royalty reporting and payment. Moreover, there is no other source of this information available, nor is there any other Government agency currently collecting similar information for other purposes that would serve our needs. No duplication of information is proposed.

We would not require information from the lessees to use the marginal property reporting exception.

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

The information collection would have an insignificant economic effect on small businesses, or other small entities. The ONRR has carefully analyzed the new information collection requirements to ensure that the information requested would be the minimum necessary and would place the least possible burden on industry. The information we requested would be the minimum necessary to efficiently (1) carry out our mission to fulfill our responsibility and (2) process the lessees' requests for an alternative method of royalty reporting and payment. Respondents, including small businesses or other small entities, would have the flexibility to submit information to us by way of hard copy or electronic submission by e-mail.

The ONRR expects the majority of the alternative method requests would be from larger entities having more sophisticated and complex accounting considerations. These entities may desire to keep their agreement reporting consistent between the 100-percent Federal and the mixed agreements to avoid major system revisions. It would be in a company's best interest to request the alternative method since, if approved, it would prevent the associated lessees and designees from making costly system changes or preparing manual royalty reports to comply with RSFA-mandated takes and entitlements 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.**

In this ICR, there would be no technical obstacles to reducing the burden. However, the legal obstacles would be substantial.

If ONRR did not collect the requested information as proposed, we could not determine whether to approve lessees' and designees' requests for an alternative method of royalty reporting and payment as required under RSFA section 6(d)(3). Not collecting the information also would limit the Secretary's ability to discharge the fiduciary duties of the Office and could result in loss of royalty payments. Moreover, lessees and designees could incur additional system costs in order to convert their systems to comply with RSFA-mandated takes and entitlements reporting requirements, which could create an economic hardship for smaller entities.

Since ONRR's approval of a request for an alternative method of royalty reporting and payment would continue until terminated, the lessee would file the request only once.

**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.***

Section 4(f) of RSFA, 30 U.S.C. 1724(f), requires that Federal oil and gas lessees/operators maintain records for 7 years after the royalty obligation becomes due. When ONRR approves the lessees' alternative method of reporting and payment request, which applies to all periods from the date of approval until such time the alternative method terminated, we would require lessees to keep all records pertaining to the request for an alternative method until 7 years after termination of the alternative method.

***(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 would be no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii) as the collection would not be a statistical survey and would 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 would 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 would not require proprietary, trade secret, or other confidential information not protected by agency procedures. The information would be protected under the standards identified in Item 10 below.

***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 would publish a proposed rulemaking notice for review and comment in the *Federal Register*. We would address any comments from the public in the final rulemaking.

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

We would 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 leases, could be proprietary. Trade secrets and proprietary and other information would be protected under the Trade Secrets (18 U.S.C. 1905), FOGRMA, as amended (30 U.S.C. 1733), and Freedom of Information Act [5 U.S.C. 552(b)(4)]; and its implementing regulations (43 CFR 2). In addition, ONRR would have strict security measures in place regarding the storage of, and access to, proprietary information.

***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.***

This information collection would 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.*

*Summary of Information Collections*

<b>Information Collections</b>	<b>Number of Respondents</b>	<b>Number of Responses</b>
1. Request for alternative method of reporting and payment. [§1205.202]	250	250
2. Termination of alternative method of reporting and payment [§1205.206]	2	2
<b>TOTAL</b>	<b>252</b>	<b>252</b>

We estimate approximately 250 lessees would request an alternative method of royalty reporting and payment on agreements (200 offshore and 50 onshore Federal). We estimate that the lessees would submit 250 responses, allowing lessees to continue to report on an entitlements basis rather than changing to a takes-reporting basis as required by RSFA. In future years, we would expect the number of requests to decrease annually, thus lowering the cost to industry. We also estimate that two lessees would submit annually one termination request each for their alternative method.

Responses generally would be on occasion, weekly, monthly, or annually. The frequency of responses would vary at times, as necessary.

We estimate lessees would take approximately 10 hours to complete the submission of each request and would incur an additional one-quarter hour for recordkeeping. We estimate the lessees' annual burden for the alternative method would be 2,563 reporting and recordkeeping hours = (250 requests x 10 reporting hours) + (250 requests x 0.25 recordkeeping hours).

We also estimate the lessees' annual burden for the termination requests would be 21 reporting and recordkeeping hours = (2 requests x 10 reporting hours) + (2 requests x 0.25 recordkeeping hours).

Therefore, the total annual burden would be 2,584 hours = 2,563 + 21.

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

There would be no form for 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 expect approximately 252 responses in the first year, including 2 termination requests. We estimate the total annual burden hours would be 2,584 hours. We estimate the total industry costs for requests for alternative reporting and payment and terminations would be \$118,864 = 2,584 hours x \$46 per hour [cost for industry accountant]. The industry labor cost factor for accountants would be approximately \$46 per hour (\$32.83 [mean hourly wage] x 1.4 [benefits cost factor]). We used tables from the Bureau of Labor Statistics to estimate the hourly cost of \$46 per hour for industry accountants in a metropolitan area. We used a multiplier of 1.4 for industry benefits.

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

### SECTION A.12 BURDEN BREAKDOWN

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
<b>PART 1205—REPORTING AND PAYING ROYALTIES ON FEDERAL LEASES</b>				
<b>Subpart B—Reporting and Paying Royalties on Federal Leases</b>				
1205.101 (a)(1), (a)(2), and (a)(3)	(a) Unless you qualify for the exceptions in subparts C and D of this part, you must report and pay royalties . . . .	Hour burden covered under OMB Control No. 1012-0004 (formerly 1010-0139).		
1205.105 (a)	The volume allocated to a lease or agreement under a BLM or BSEE commingling approval is the volume on which you and all other lessees must report and pay under §1205.101(a)(1) through (3).			
1205.106 (a) and (b)	There are two exceptions to the reporting and payment requirements in this subpart: (a) You may qualify for an alternative to the royalty reporting and payment requirements for 100-percent Federal agreements under §1205.101(a)(2) if you meet certain requirements. The requirements for alternative reporting are explained in subpart C; or (b) You may qualify to report on your take volume rather than entitled volume, with appropriate adjustments after year-end, if your mixed agreement is a marginal property. Requirements for the marginal property reporting exception are explained in subpart D.	AUDIT PROCESS. See note.		

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
<b>Subpart C—Reporting and Paying Royalties on Federal Leases Under an Alternative Method for a 100-percent Federal Agreement</b>				
1205.201 (a)	You may qualify for an alternative to the royalty reporting and payment requirements for agreements under subpart B if: (a) You are in a 100-percent Federal agreement;	AUDIT PROCESS. See note.		
1205.201 (b)	(b) You and all other lessees in the agreement concur in writing to the alternative method; and	Hour burden covered under 30 CFR 1205.202.		
1205.201 (c)	(c) The alternative does not reduce the total monthly royalty obligation reported and paid to ONRR.	AUDIT PROCESS. See note.		

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
1205.202 (a), (b), and (c)	<p>(a) To obtain approval to use an alternative method of royalty reporting and payment, you must submit one written request to ONRR on behalf of all lessees of leases in the agreement.</p> <p>(b) The request you submit under paragraph (a) of this section must contain the following documents and information:</p> <p>(1) A description of the proposed alternative reporting and payment method.</p> <p>(2) The agreement number and a list of the leases in the agreement.</p> <p>(3) A list of all lessees and their ownership interest in the leases in the agreement.</p> <p>(4) A copy of the lessees' written concurrence to the alternative method required under §1205.201(b).</p> <p>(5) Documentation showing that the proposed alternative method does not reduce the total monthly royalty obligation reported and paid to ONRR for the leases in the agreement.</p> <p>(6) A non-refundable processing fee of \$2,400 for each request you make for an agreement under this section:</p> <p>(i) You must pay the processing fee to ONRR following the requirements for making payments found in 30 CFR 1218.51. You are not required to use Electronic Funds Transfer (EFT) for these payments.</p> <p>(ii) If you do not remit the full amount of the processing fee with your request, ONRR will return your request unprocessed. If ONRR returns your unprocessed request for failure to pay the fee, you may not appeal the return of your request.</p> <p>(iii) The ONRR may adjust the processing fee by providing notice in the <i>Federal Register</i>.</p> <p>(c) You must retain all records pertaining to your request for an alternative method for 7 years after termination of the alternative method.</p>	10.25	250	2,563
1205.204 (a)	<p>When ONRR receives your request for alternative reporting and payment under §1205.202, ONRR will notify you in writing as follows:</p> <p>(a) If your request for alternative reporting and payment is complete, ONRR may approve, deny, or modify your request in writing. . . .</p>	AUDIT PROCESS. See note.		

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
1205.204 (b)(1) and (4)	(b) If your request for alternative reporting and payment is not complete, ONRR will notify you in writing that your request is incomplete and identify any missing information. (1) You must submit the missing information within 60 days of your receipt of ONRR's notice. . . . (4) You may submit a new request . . . .	Hour burden covered under 30 CFR 1205.202.		
1205.205 (a) and (b)	(a) If you are a lessee for a lease in an agreement when you submit a request under §1205.202, you must begin using the alternative method of royalty reporting and payment for the production month after you receive written approval from ONRR. (b) If you become a lessee for a lease in an agreement for which there is an approved alternative method of royalty reporting and payment, you must begin reporting under the alternative method for the production month in which you become a lessee.	Hour burden covered under OMB Control No. 1012-0004.		
1205.206 (a) and (b)	If you want to stop using the approved alternative method of royalty reporting and payment, you must: (a) Obtain written concurrence from all lessees in the agreement to stop using the alternative method; and (b) Provide a copy of the written concurrence to ONRR and the delegated state, if applicable.	10.25	2	21
1205.207 (a) and (b)	(a) If you request to stop using the approved alternative method under §1205.206, then you must stop using the approved alternative method of royalty reporting and payment beginning with the production month after you provide a copy of the written concurrence to ONRR and the delegated state, if applicable. (b) You must stop using the approved alternative method of royalty reporting and payment within 60 days after you receive written notice from BLM or BSEE notifying you that a non-Federal tract or a tract with a different royalty rate or funds distribution has been added to your agreement.			

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours			
<b>Subpart D—Reporting and Paying Royalties on Marginal Properties</b>							
1205.301 (a), (b), and (c)	<p>(a) The marginal property exception allows you to report and pay on your take volume each month and adjust to your entitled volume after the end of the calendar year rather than reporting and paying based on your entitled volume each month as required under §1205.101(a)(3).</p> <p>(b) You may use the marginal property exception if:</p> <p>(1) Your lease is in a mixed agreement; and</p> <p>(2) The mixed agreement qualifies as a marginal property under this subpart.</p> <p>(c) You may report and pay using the marginal property exception regardless of whether any other lessee or designee who pays royalties for that marginal property uses the exception.</p>	Hour burden covered under OMB Control No. 1012-0004.					
1205.305 (a)	(a) If you start using the marginal property exception. . . then you must report and pay. . . .						
1205.306 (a) and (b)	<p>If you want to report and pay under the marginal property exception, you must:</p> <p>(a) First, determine your take volume from the qualifying marginal property under §1205.102.</p> <p>(b) Second, report and pay for each of your Federal leases in the qualifying marginal property by allocating the take volume determined in paragraph (a) of this section to all of your leases in the agreement based on the approved agreement allocation schedule.</p>						

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
1205.307 (a), (b), and (c)	<p>If the take volume you reported under §1205.306(b) does not equal your entitled volume for the calendar year, for each of your Federal leases in the qualifying marginal property, you must:</p> <p>(a) Calculate the difference between the take volume you reported under the marginal property exception and your entitled volume for the calendar year in which you used the exception; and</p> <p>(b) Report the difference calculated in paragraph (a) of this section:</p> <p>(1) On Form MMS-2014, Report of Sales and Royalty Remittance.</p> <p>(2) By June 30 of the calendar year immediately following the calendar year for which you used the marginal property exception.</p> <p>(3) As a positive amount on Form MMS-2014 when your total takes are less than your entitlements, or a negative amount on Form MMS-2014 when your total takes exceed your entitlements.</p> <p>(4) As a single-line entry for each lease and product from the lease.</p> <p>(5) Using the correct adjustment reason code for reporting under this section.</p> <p>(6) Using the December sales month of the calendar year for which you used the marginal property exception.</p> <p>(c) Do not adjust the monthly royalty lines you reported under §1205.306(b) if the take volumes you reported were accurate.</p>	Hour burden covered under OMB Control No. 1012-0004.		
1205.309 (a) and (b)	<p>If the difference you report under §1205.307 is positive and you underpaid royalties for the qualifying marginal property, then you:</p> <p>(a) Must pay the additional royalty owed when you report the difference under §1205.307; and</p> <p>(b) Will owe interest on the additional royalty you reported and paid under paragraph (a) of this section at the rate prescribed under part 1218 of this title. You will owe interest beginning January 1 of the calendar year following the calendar year for which you used the marginal property exception until the date you paid the additional royalties due.</p>			

30 CFR	Reporting and Recordkeeping Requirement	Hour Burden	Average Number of Annual Responses	Annual Burden Hours
1205.311 (a), (b), and (c)	If you erroneously report using the marginal property exception on a property that is not a qualified marginal property, you: (a) Must amend all erroneously submitted Form MMS-2014s to report your entitled volume for each calendar month; (b) Will owe any associated interest calculated under part 1218 of this title; and (c) May be subject to civil penalties under part 1241 of this title.	Hour burden covered under OMB Control No. 1012-0004.		
1205.312 (a), (b), and (c)	(a) Your property must qualify for the marginal property exception under this subpart for each calendar year based on production during the base period. (b) If you find that your property is no longer eligible for the marginal property exception because production increased in the most recent base period, you must stop using the exception as of December 31 of the year in which the most recent base period ends. (c) If you do not stop using the marginal property exception as required under paragraph (b) of this section, then you: (1) Will owe late payment interest determined under part 1218 of this title from the date you were required to stop using the exception under paragraph (b). (2) May be subject to civil penalties under part 1241 of this title.	AUDIT PROCESS. See note.		
<b>BURDEN HOUR TOTAL</b>			<b>252</b>	<b>2,584</b>

**NOTE:** AUDIT PROCESS—The Office of Regulatory Affairs determined that the audit process is exempt from the Paperwork Reduction Act of 1995 because ONRR staff asks non-standard questions to resolve exceptions (5 CFR 1320.4(a)(2)).

***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 would collect a fee of \$2,400 each time to process a request for the alternative method of royalty reporting and payment. We estimate that industry would submit 250 requests for this alternative method. Therefore, the total estimated “non-hour” cost to these 250 Federal lessees would be \$600,000 = 250 x \$2,400.

***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 information, the Federal Government would spend an average of 40 hours for each request submitted by a lessee for the alternative method of reporting and payment. Based on first-year cost estimates, the total estimated Federal Government time burden would be 10,000 hours = 250 requests x 40 hours, based on time or effort needed to handle, review, confirm, and approve 250 requests for the alternative method of reporting and payment. Most of the requirements are performed by a Government accountant at the Grade 12 level. Based on the United States 2011 General Schedule, Grade 12, Step 5, pay scale for a Government accountant in the Denver, Colorado, area, the estimated hourly labor cost is \$60 (\$40.10 per hour x 1.5 benefit cost factor = \$60.15, rounded to \$60). We used a multiplier of 1.5 for Federal benefits. The total estimated cost burden to the Federal Government would be \$600,000 = 10,000 hours x \$60 per hour. The costs of processing termination requests would be miniscule.

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

*(a) Annual Hour Burden*

<b>Currently Approved OMB Burden Hour Inventory</b>	<b>Program Change Estimated Burden Hours</b>	<b>Adjustment Change Estimated Burden Hours</b>	<b>Total Estimated Burden Hours</b>
0	2,584	0	2,584

There would be a program change increase of 2,584 hours because of the new requirements we are adding to 30 CFR in the new part 1205.

*(b) Annual Cost Burden:* The non-hour cost burden would be a program increase of \$600,000.

**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 data collected would not be tabulated and published for statistical use. The ONRR would not use any complex analytical techniques.

**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.**

This is not applicable to this information collection. This collection would concern regulatory requirements.

**18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions.”**

To the extent that topics apply to this collection of information, we would not be making any exceptions to the “Certification for Paperwork Reduction Act Submissions.”