

Supporting Statement A

30 CFR Part 203, Relief or Reduction in Royalty Rates

OMB Control Number 1014-0005
Expiration Date: December 31, 2015

Terms of Clearance None

General Instructions

A completed Supporting Statement A 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 below. If an item is not applicable, provide a brief explanation. When the question, "Does this information collection request (ICR) contain surveys, censuses, or employ statistical methods?" is checked "Yes," then a Supporting Statement B 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.

The Outer Continental Shelf (OCS) Lands Act, 43 U.S.C. 1337, as amended by the OCS Deep Water Royalty Relief Act (DWRRA), Public Law 104-58 and the Energy Policy Act of 2005, Public Law 109-058, gives the Secretary of the Interior (Secretary) the authority to reduce or eliminate royalty or any net profit share specified in OCS oil and gas leases to promote increased production. The DWRRA also authorized the Secretary to suspend royalties when necessary to promote development or recovery of marginal resources on producing or non-producing leases in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude.

Section 302 of the DWRRA provides that new production from a lease in existence on November 28, 1995, in a water depth of at least 200 meters, and in the GOM west of 87 degrees, 30 minutes West longitude qualifies for royalty suspension in certain situations. To grant a royalty suspension, the Secretary must determine that the new production or development would not be economic in the absence of royalty relief. The Secretary must then determine the volume of production on which no royalty would be due in order to make the new production from the lease economically viable. This determination is done on a case-by-case basis. Production from leases in the same water depth and area issued after November 28, 2000, also can qualify for royalty suspension in addition to any that may be included in their lease terms.

In addition, Federal policy and statute require us to recover the cost of services that confer special benefits to identifiable non-Federal recipients. The Independent Offices Appropriation Act (31 U.S.C. 9701), Office of Management and Budget (OMB) Circular A-25, and the Omnibus Appropriations Bill (Pub. L. 104-134, 110 Stat. 1321, April 26, 1996) authorize the Bureau of Safety and Environmental

Enforcement (BSEE) to collect these fees to reimburse us for the cost to process applications or assessments.

Regulations at 30 CFR Part 203 implement these statutes and policy and require respondents to pay a fee to request royalty relief. OMB approved the information collection burden under this collection 1014-0005. Section 203.3(a) states that, “We will specify the necessary fees for each of the types of royalty-relief applications and possible BSEE audits in a Notice to Lessees. We will periodically update the fees to reflect changes in costs, as well as provide other information necessary to administer royalty relief.”

This authority and responsibility are among those delegated BSEE. The regulations at 30 CFR part 203, are the subject of this collection. This request also covers the related Notices to Lessees and Operators (NTLs) that BSEE issues to clarify, supplement, or provide additional guidance on some aspects of our 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.

BSEE uses the information to make decisions on the economic viability of leases requesting a suspension or elimination of royalty or net profit share. These decisions have enormous monetary impact on both the lessee and the Federal Government. Royalty relief can lead to increased production of natural gas and oil, creating profits for lessees, and royalty and tax revenues for the Federal Government that they might not otherwise receive. We could not make an informed decision without the collection of information required by 30 CFR part 203.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden and specifically how this collection meets GPEA requirements.

Approximately 80 percent of the geological and geophysical data (which includes all of the raw data) would be submitted electronically. Electronic submission represents approximately 60 percent of the total information collected. The lessees may submit the information electronically, using prescribed formats for spreadsheets, databases, etc. For deep water royalty relief applications, BSEE provides an internet-accessible program for inputting financial and operational cost data (model inputs).

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.

To determine whether royalty relief is truly needed, lessees must provide BSEE their detailed geological, geophysical, reservoir data, and the lessee’s interpretation of the data and details on how they propose to produce the new resources. While BSEE may have some of these data, the lessee must submit all data (and corresponding interpretations) used to support the request. This will ensure that BSEE has the current information from the lessee's viewpoint for each individual project to make an informed decision. The other information needed to make a determination is not collected by any other organization. Lessees hold closely the required data and information that are not available from other

sources. If identical data and information are available from prior requests, BSEE would not require the submission of duplicate data or information.

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

The regulations have a positive economic effect on some small entities. The regulations set the terms and conditions for granting royalty relief under the provisions of section 8(a)(3)(A) of the OCS Lands Act. These terms reduce costs for end-of-life operations by 6 to 10 percent, more than doubling profits. This significantly prolongs operations on marginally economic leases. We estimate that small entity operators account for under 10 percent of production from OCS leases.

The regulations also set terms and conditions for granting royalty-suspension volumes under the DWRRA for certain deep water leases on the OCS in the GOM. The conditions limit these terms to the rare situations in which royalty costs are the difference between unprofitable and profitable development. Four of the nine applications we have processed to date (since 1997) have been from small entities, indicating that our application process does not place those entities at a disadvantage. There have been no applications approved in the last 14 years.

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.*

BSEE must administer a balanced, focused program of royalty relief designed to increase production of natural gas and oil, while increasing profits for lessees and royalty and tax revenues for the Federal Government. At the same time, we must implement these provisions in conjunction with our stewardship and trust responsibilities for the sound management of public lands. This includes obtaining a fair return to the public on OCS resources and ensuring that all OCS development is safe and consistent with sound environmental standards and procedures. To do this, we collect sufficient information to determine the need to reduce, suspend, or eliminate royalty or net profit share. The lessee must file an application to request relief. It must contain sufficient scientific, geological, engineering, and financial information to allow BSEE to evaluate the need for and amount of relief. If we approve a request for relief for a project that is economically viable without royalty relief, Federal revenues will be unnecessarily reduced and the lessee will gain a windfall. Alternatively, if we deny relief to a lease that is not economically viable, premature abandonment of resources and a corresponding loss of revenues could result. Lessees respond on their own initiative to obtain a benefit and, therefore, frequency is not applicable.

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;***
- b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;***
- (c) requiring respondents to submit more than an original and two copies of any document;***
- (d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than 3 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;***

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

(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; or

(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.

Not applicable in this collection.

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.

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 by 5 CFR 1320.8(d), BSEE published a 60-day notice in the *Federal Register* on May 22, 2015 (80 FR 29740). Also, 30 CFR 203.82 explains that BSEE will accept comments at any time on the information collected and the burden. We display the OMB control number and provide the address for sending comments to BSEE. We received no comments in response to the *Federal Register* notice.

There are currently no royalty relief applications in the OCS and none planned in the near future. Because of this, there are no companies to contact for information pertaining to this ICR. As there are no active respondents, the hour burden estimates were verified by in-house experts who previously worked in private industry doing similar functions.

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

BSEE 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.

BSEE will protect information from respondents considered proprietary under the Freedom of Information Act (5 U.S.C. 552) and DOI's implementing regulations (43 CFR 2) and under regulations

at 30 CFR 203.61, *How do I assess my chances for getting relief?* and 30 CFR 250.197, *Data and information to be made available to the public or for limited inspection.*

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.

Potential respondents include Federal OCS oil, gas, and sulphur lessees. Responses are mandatory and are required to obtain or retain benefits for royalty relief. 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 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 frequency of response is on occasion. There have been no applications submitted in the last several years under our formal programs for deepwater royalty relief or end of life, so their estimated number of submittals is one every 10 years. Therefore, we estimate a total of 724 annual burden hours.

HOUR/FEE BURDEN BREAKDOWN

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
				Application/Audit Fees (rounded)
2; 3; 4; 70	These sections contain general references to submitting reports, applications, requests, copies, demonstrating qualifications, for BSEE approval – burdens covered under specific requirements.			0
Royalty Relief for Ultra-Deep Gas Wells and Deep Gas Wells on Shallow Water Leases				
31(c)	Request a refund of or recoup royalties from qualified ultra-deep wells.	1	1 request.	1
35(a); 44(a); 47	Notify BSEE of intent to begin drilling and depth of target.	1	2 notifications.	2
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV - provide any/all supporting documentation.	2	2 notifications.	4

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
35(d); 44(e)	Request to extend the deadline for beginning production with required supporting documentation.	4	1 request.	4
41(d)	Request a refund of or recoup royalties from qualified wells >200 meters but <400 meters.	1	1 request.	1
35(a); 44(a); 47(a)	Notify BSEE of intent to begin drilling.	1	2 notifications.	2
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV, provide any/all supporting documentation (<i>i.e.</i> , request to extend deadline, credible activity schedule, etc).	2	2 notifications.	4
46	Provide data from well to confirm and attest well drilled was an unsuccessful certified well with supporting documentation and request supplement (RSS).	8	1 response.	8
49(b)	Notify BSEE or decision to exercise option to replace one set of deep gas royalty suspension terms for another set of such terms.	BSEE SOL requires that this reg text stay for legacy purposes only. Last time any respondent could use was 2004; hence, no burden.		
		Subtotal	8 responses	20 hours
End of Life and Special Royalty Relief*				
51; 83; 84; NTL	Application—leases that generate earnings that cannot sustain continued production (end-of-life lease); required supporting documentation; include payment confirmation receipt.	100	1 application every 10 years.	10
		application 1/10 x \$8,000 = \$800* audit 1/10 x \$12,500 = \$1,250		
52	Demonstrate ability to qualify/requalify for royalty relief or to re-qualify.	1	1 response.	1
55	Renounce relief arrangement (end-of-life) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 10 years.	1
80; NTL	Application—apart from formal programs for royalty relief for marginal producing lease (Special Case Relief); required supporting documentation; include payment confirmation receipt.	250	1 application every 10 years.	25
		application 1/10 x \$8,000** = \$ 800 audit 1/10 x \$12,500 = \$1,250		
80; NTL	Application—apart from formal programs for royalty relief for marginal expansion project or marginal non-producing lease (Special Case Relief); required supporting documentation; include payment confirmation receipt.		1 application every 10 years.	100
		application 1/10 x \$19,500** = \$ 1,950 audit 1/10 x \$18,750 = \$1,875		
		Subtotal	2 responses (rounded)	137 hours
CPA Report				
81; 83-90; 63	Required reports; extension justification.	Burden included with applications.		0
		1 CPA report x \$45,000/10 each report = \$4,500		
		Subtotal	1 response	\$4,500
Deep Water Royalty Relief Act (DWRAA)				
61; 62; 64; 65; 71; 83; 85-89; NTL	Application—preview assessment (seldom if ever will be used as applicants generally opt for binding determination by BSEE instead) and required supporting documentation; include payment confirmation receipt.		1 application every 10 years.	90
		application 1/10 x \$28,500 = \$2,850		

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement+	Hour Burden	Average No. of Annual Responses	Annual Burden Hours (rounded)
				Application/Audit Fees (rounded)
62; 64; 65; 71; 83; 85- 89; NTL	Application—leases in designated areas of GOM deep water acquired in lease sale before 11/28/95 or after 11/28/00 and are producing (deep water expansion project); required supporting documentation; include payment confirmation receipt.	2,000	1 application every 10 years.	200
				application 1/10 x \$19,500 = \$1,950
62; 64; 65; 203.71; 81; 83; 85-89; NTL	Application—leases in designated areas of deep water GOM, acquired in lease sale before 11/28/95 or after 11/28/00 that have not produced (pre-act or post-2000 deep water leases); required supporting documentation; include payment confirmation receipt.	2,000	1 application every 10 years.	200
				application 1/10 x \$34,000 = \$3,400* audit 1/10 x \$37,500 = \$3,750
69; NTL	Application – short form to add or assign pre-Act lease and required supporting documentation; include payment confirmation receipt.	40	1 application every 10 years.	4
				application 1/10 x \$1,000 = \$100
70; 81; 90; 76(c), (e); NTL	Submit post-production development report; extension justification. # Reserve right to audit (1 audit every 10 years) after production starts to confirm cost estimates of the application; include payment confirmation receipt.	50	1 report* every 10 years.	5
				# 1 audit 1/10 x \$18,750 = \$1,875
74; 75; 76(d); NTL	Redetermination and required supporting documentation; include payment confirmation receipt.	500	1 redetermination every 10 years.	50
				application 1/10 x \$16,000 = \$1,600*
77	Renounce relief arrangement (deep water) (seldom, if ever will be used; minimal burden to prepare letter).	1	1 letter every 10 years.	1
79	Request reconsideration of BSEE field designation.	This was a regulatory requirement for leases issued prior to 1995.		0
79(c); 76(b)	Request extension of deadline to start construction.	2	1 request every 10 years.	1
81; 83-90	Required reports; extension justification.	Burden included with applications.		0
Subtotal			3 responses	551 hours
			\$15,525 fees	
Recordkeeping				
81(d)	Retain supporting cost records for post-production development/fabrication reports (records retained as usual/customary business practice; minimal burden to make available at BSEE request).	8	2 recordkeepers.	16
Subtotal			2 recordkeepers	16 hours
			16 Responses	724 Hours
Total Annual Burden			\$27,950 Fees	

+ In the future, BSEE may require electronic filing of some submissions.

* CPA certification expense burden also imposed on applicant.

** These applications currently do not have a set fee since they are done on a case-by-case basis.

NOTE: Applications include numerous items such as: transmittal letters, letters of request, modifications to applications, reapplications, 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 \$115/hour (rounded). This cost is broken out in the below table using the Society of Petroleum Engineers Salary Survey. See SPE.org website: <http://www.spe.org/industry/docs/14SalarySurveyHighlights.pdf>

Position	Base Pay Hourly Rate (\$/hr)	Hourly Rate including Benefits (1.4* x \$/hr)	Percent of time spent on collection	Weighted Average (\$/hour/ rounded)
Technical	\$65	\$91	15%	\$14
Engineers - Drilling	\$86	\$120	63%	\$76
Geologist	\$82	\$114	22%	\$25
Weighted Average (\$/hour)				\$115

*A multiplier of 1.4 (as implied by BLS news release USDL 15-1132, June 10, 2015, (see <http://www.bls.gov/news.release/ecec.nr0.htm>)) was added for benefits.

Based on \$115 an hour, we estimate the hour burden as a dollar equivalent is \$83,260 (\$115 x 724 hours = \$83,260).

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 already reflected in Item 12).

(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 for form processing). 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.

Under § 203.3, we charge lessees (respondents) applying for royalty relief an amount that covers the cost of processing their applications and auditing financial data when necessary to determine the proposed development’s economic situation. As discussed in section A.1, these fees may be revised as necessary to recover our costs in processing royalty relief applications.

This submission includes these audits and their associated fees. Since there have been no applications approved in the last 14 years under our formal programs for deepwater royalty relief or end of life, so their estimated number of submittals is one every 10 years; but we include the audit and their respective fees due to the potential situation arising.

We estimate this cost burden to be approximately \$23,450 annually. Refer to the chart in Section A.12 of this supporting statement for a breakdown.

(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.

Under § 203.81, a report prepared by an independent certified public accountant (CPA) must accompany the application and post-production report (expansion project, short form, and preview assessment applications are excluded). The OCS Lands Act applications will require this report only once; the DWRRA applications will require this report at two stages—with the application and post-production development report for successful applicants. We estimate an average cost for a report is \$45,000 and that one CPA certification, during the information collection extension period, will be necessary if the applications are approved. This annual cost burden is \$45,000 / 10 years = \$4,500.

Therefore, the total of the two burdens under Section A.13 (a) and (b) is estimated at \$27,950.

(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.

This collection does not require purchases of equipment and/or services.

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.

To analyze and review the information required by 30 CFR 203, we estimate the Government will spend an average of approximately .75 hour for each hour spent by the respondents for a total of 543 hours.

The average government cost is \$67/hour (rounded). This cost is broken out in the below table using the Office of Personnel Management salary data for the REST OF THE UNITED STATES (<http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2015/general-schedule/>).

Position	Grade	Hourly Pay rate (\$/hour estimate)	Hourly rate including benefits (1.5* x \$/hour)	Percent of time spent on collection	Weighted Average (\$/hour rounded)
Clerical	GS-7/5	\$21	\$32	10%	\$3
Petroleum Engineer	GS-13/5	\$45	\$68	70%	\$48
Supv. Petroleum Engineer	GS-14/5	\$54	\$81	20%	\$16
Weighted Average (\$/hour)					\$67

*A multiplier of 1.5 (as implied by BLS news release USDL 15-1132, June 10, 2015) was added for benefits.

Based on a cost factor of \$67 per hour, the total the cost to the Government is \$36,381 (724 hours x 0.75 = 543 hours x \$67 = \$36,381).

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

a. The currently approved annual hour burden is 2,329 hours. This submission requests 724 hours. The difference is an adjustment decrease of 1,605 hours as a result of re-estimating the amount of time required to respond and lowering the response, for the most part, to once every 10 years.

b. The currently approved cost burden is \$117,441. This submission requests \$27,950 representing an adjustment decrease of \$89,491 resulting from re-estimating the annual number of applications/responses and associated costs (application/audit fees and CPA certification report(s)). There are currently no royalty relief applications in the OCS and none planned in the near future. As there are no active respondents, the non-hour cost burdens were estimated as once every 10 years.

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.

Not applicable. BSEE 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.

Not applicable. BSEE is not seeking a waiver from the requirement to display the expiration date of the OMB approved IC.

18. Explain each exception to the topics of the certification statement identified in, "Certification for Paperwork Reduction Act Submission."

Not applicable. To the extent that the topics apply to this collection of information, BSEE is not making any exceptions to the Certification for Paperwork Reduction Act Submissions.