

## Supporting Statement A

### Federal Oil and Gas Valuation– 30 CFR Parts 1202, 1204, and 1206

OMB Control Number 1012-0005

**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. 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 Secretary of the United States Department of the Interior is responsible for overseeing mineral resource development on Federal and Indian lands and the Outer Continental Shelf (OCS). The Secretary's responsibility, under various laws, is to manage mineral resource production from Federal and Indian lands and the OCS, collect the royalties and other mineral revenues due, and distribute the funds collected under those laws.

When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share in a value of production from the leased lands. The mineral lease laws require the lessee, or his designee, to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information that we collect includes data necessary to ensure that royalties are valued correctly. The information collections that we cover in this Information Collection Request (ICR) are found in the following parts of title 30 of the *Code of Federal Regulations* (CFR):

- Part 1202, subparts C and D
- Part 1204, subpart C
- Part 1206, subparts C and D

We have posted the laws, listed below, pertaining to mineral leases on Federal and Indian lands and the OCS at [http://www.onrr.gov/Laws\\_R\\_D/PublicLawsAMR.htm](http://www.onrr.gov/Laws_R_D/PublicLawsAMR.htm):

- 30 U.S.C. 1701, Chapter 29—Federal Oil and Gas Royalty Management Act of 1982
- 30 U.S.C. 1702, Chapter 29—Federal Oil and Gas Royalty Management Act of 1980
- 30 U.S.C. 181et seq.— The Mineral Leasing Act of 1920
- 43 U.S.C. 1353, Chapter 29— Outer Continental Shelf Lands Act of 1953
- 30 U.S.C. 189, Chapter 3A—Leases and Prospecting Permits
- 30 U.S.C. 359, Chapter 7—Lease of Mineral Deposits within Acquired Lands

**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.**

We use the information collected in this ICR to ensure that lessees accurately value and appropriately pay royalties on oil and gas produced from Federal onshore and offshore leases. Please refer to the chart in Item 12 for all reporting requirements and associated burden hours. All data submitted is subject to subsequent audit and adjustment.

### **Federal Oil and Gas Valuation Regulations**

The valuation regulations at 30 CFR part 1206, subparts C and D, mandate that lessees collect and/or submit information used to value their Federal oil and gas, including (1) transportation and processing allowances and (2) regulatory allowance limit information. Lessees report certain data on form ONRR-2014, [*Report of Sales and Royalty Remittance*] (OMB Control Number 1012-0004). The information that we request is the minimum necessary to carry out our mission and places the least possible burden on respondents. If ONRR does not collect this information, both Federal and State governments may incur a loss of royalties.

**Transportation and Processing Regulatory Allowance Limits:** Lessees may deduct the reasonable, actual costs of transportation and processing from Federal royalties. The lessees report these allowances on form ONRR-2014.

**Regulatory Allowance Limit for Transportation:** Under certain circumstances, regulations authorize lessees to deduct from royalty payments the reasonable, actual costs of transporting the royalty portion of produced oil and gas from the lease to a processing or sales point not in the immediate lease area. For oil and gas, regulations establish the allowable limit on transportation allowance deductions at 50 percent of the value of the oil or gas.

**Regulatory Allowance Limit for Processing:** When gas is processed for the recovery of gas plant products, lessees may claim a processing allowance. Regulations establish the allowable limit on processing allowance deductions at 66⅔ percent of the value of each gas plant product.

**Request to Exceed Regulatory Allowance Limitation, Form ONRR-4393:** Lessees may request to exceed regulatory limitations. Upon proper application from the lessee, ONRR may approve oil or gas transportation allowance in excess of 50 percent or gas processing allowance in excess of 66⅔ percent on Federal leases. To request permission to exceed a regulatory allowance limit, lessees must complete and submit form ONRR-4393, including a letter and supporting documentation, to ONRR explaining why a higher allowance limit is necessary. On form ONRR-4393, lessees must provide us with the data necessary to identify the properties and time periods for which the lessee is requesting to exceed the regulatory limits. ONRR verifies that these costs actually exceed regulatory allowance limits. Lessees report supporting information on form ONRR-4393 for both Federal and Indian leases. We include burden hours for completion of form ONRR-4393 for Indian leases in OMB Control Number 1012-0002, Indian Oil and Gas Valuation.

### **Accounting and Auditing Relief for Marginal Properties**

In 2004, we amended our regulations to comply with RSFA section 7. The regulations provide guidance for lessees and designees seeking accounting and auditing relief for qualifying Federal marginal properties. There are two types of relief: (1) cumulative royalty reports and payments relief, and (2) other relief. Under 30 CFR 1204.202, ONRR requires notification from lessees who request to take the cumulative royalty reporting and payment relief option. Under 30 CFR 1204.203, ONRR also requires a relief request from lessees who want to obtain any other type of accounting and auditing relief. The regulations require lessees who choose to obtain relief to supply this information, in order to obtain these benefits.

A State may decide in advance if it will allow either one or both relief options for each particular year and must notify the ONRR Director, in writing, of its decision. If a State does not notify ONRR, in writing, then ONRR will deem that the State has decided not to allow either or both relief options. After consulting with the State concerned, ONRR will approve, deny, or modify requests, in writing. Under the regulations, both ONRR and the State concerned must approve any accounting and auditing relief granted for a marginal property. Therefore, ONRR and the State concerned must determine that the relief is in the best interest of the Federal Government and the State.

**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.**

Our Government Paperwork Elimination Act Plan indicates that we evaluate such transactions for electronic submission. We offer an electronic copy of form ONRR-4393 on our website at <https://www.onrr.gov/ReportPay/PDFDocs/4393.pdf>; lessees may complete forms and submit electronically as an email attachment. We have a reasonable expectation that 10 percent may use the email option in the future.

For accounting and auditing relief, we will accept responses by electronic mail and expect to receive an average of 95 percent of the responses electronically. Submission by electronic mail is the most efficient and immediate means for submission of the notification or relief request. The information requested of the lessee in its notification or relief request is the minimum information necessary to efficiently process the lessee's notification or request for accounting and auditing relief.

Since BLM terminated the stripper oil royalty rate reduction program, ONRR will not develop further capability for electronic submissions. Operators may submit an amended form ONRR-4377 to ONRR via email. ONRR will complete verifying previously submitted notifications through December 31, 2013, and effective January 1, 2014, ONRR will discontinue the information collection requirements of the Stripper Oil royalty rate reductions in this ICR.

***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.***

This information is not available from any other source, nor is there any other Federal Government agency currently collecting similar information for other purposes that could serve our needs. We ensure that the lessee's burden is minimized and not duplicated.

The valuation and allowance information that we collect is unique and specific to valuing and paying royalties derived from oil and gas from Federal leases. The marginal property accounting and auditing relief program is also unique; the lessee's decision to participate in the relief comes only from the lessee or designee. ONRR makes every effort to avoid duplication of the information collection.

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

ONRR determined that this collection of information has an insignificant economic effect on small businesses or other small entities as potential respondents. However, this collection, which includes 30 CFR parts 1202, 1204, and 1206 regulatory requirements, does impact small entities. ONRR carefully analyzed its valuation, allowances, and marginal property relief requirements to ensure that the information we request is the minimum necessary and places the least possible burden on industry. ONRR has a long-standing policy to restrict the amount of information that we collect to the minimum necessary to efficiently (1) accomplish our mission and (2) fulfill our responsibilities.

ONRR also determined that this collection of information has no special reporting provisions on small businesses or other small entities differently than larger entities. However, small businesses would likely have less information to report than a larger entity would. Respondents, including small businesses or other small entities, have the flexibility to submit information to us electronically or in hardcopy.

ONRR provides toll-free telephone assistance at 1-800-525-0309 and periodic training (free of charge) to all respondents in various geographic areas. This training assist them in complying with valuation, reporting, and marginal property relief requirements. We encourage all respondents to contact us to better familiarize themselves with the reporting requirements. We also maintain ongoing contact with respondents to resolve questions as they arise. Both industry and the Federal Government benefit from this exchange of information.

**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.**

Collecting this necessary information allows ONRR to fulfill its mission in a timely manner. In this ICR, there are no technical obstacles to reduce the burden; however, the legal obstacles are substantive.

The information that we collect provides a critical link to establishing the proper value of oil and gas from Federal lands. If ONRR does not collect the valuation and allowances information, this would limit the Secretary's ability to discharge fiduciary duties. We also could not accomplish our mandated mission, which may result in a loss of royalties for both Federal and State governments. The request to exceed a regulatory allowance limit is voluntary and results in a benefit to the lessee.

If ONRR does not receive the information concerning marginal property relief, the lessees and its designees cannot obtain the accounting and auditing relief that RSFA section 7 offers. Wells on marginal properties may be prematurely abandoned, resulting in a permanent loss of royalty revenues to the Federal Government and the State concerned, as well as a loss of production revenues to the lessee or designee.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

- **requiring respondents to report information to the agency more often than quarterly.**

This item is not applicable in this collection because (1) the lessees will notify ONRR occasionally and when needed, concerning the allowance request; and (2) the States will notify ONRR annually of their intent to allow or not allow one or both of the relief

options. The Federal lessees and designees will file a one-time notification or request for relief with ONRR, and then again only if any changes occur.

- ***requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.***

According to 30 CFR 1204.208(c), State(s) will notify ONRR if the former will or will not allow one or both of the relief options within 30 days after October 1<sup>st</sup> for the next calendar year.

- ***requiring respondents to submit more than an original and two copies of any document.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(iii).

- ***requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years.***

RSFA section 4(f) requires that Federal oil and gas lessees maintain records for seven years after the obligation becomes due.

- ***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.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v).

- ***requiring the use of statistical data classification that OMB has not reviewed and approved.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(vi) as this collection is not a statistical survey and does not use statistical data classification.

- ***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.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(vii) as this collection does not include a pledge of confidentiality not supported by statute or regulation.

- ***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.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(viii) as this collection does not require proprietary, trade secret, or other confidential information not protected by agency procedures. We protect this information 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 three years, and describe the agency's actions taken 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 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 three years—even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.*

As required in 5 CFR 1320.8(d), ONRR published a 60-day notice in the *Federal Register* on April 14, 2016 (81 FR 22106). We did not receive any comments in response to the *Federal Register* notice from [www.regulations.gov](http://www.regulations.gov).

ONRR maintains regular, ongoing contact with lessees and States concerned regarding Federal properties. We also provide toll-free telephone assistance and encourage customer feedback as we answer questions regarding valuation, allowances, and accounting and auditing relief requirements and other concerns related to qualified Federal properties. In addition, we explain in the Paperwork Reduction Act (PRA) statement on form ONRR-4393 that we accept comments on the information collected and the burden estimate at any time. In this statement, we also display the OMB control number and provide the address to send comments to ONRR.

**Contacts made / comments received:**

**1.** Creel and Associates  
Houston, TX

**Comment:** “We agree with ONRRs estimated time burden for most of the items covered in the document you provided. We do have a few comments that address some concerns we have below:

- 1206.156(c)(3) Transportation Factor-The new valuation rules will not allow producers to reduce the price by a transportation factor. Producers will be required to gross up the price for any deductions related to transportation. This will take some time to review for the initial change in the producers system. Additionally approval from ONRR for a transportation allowance exceeding 50% will no longer apply. We estimate the time to review contracts and make these changes for each metering point will be substantial. Possible 1-2 hours per metering point.
- 1206.158(c)(3) Processing allowances-The new valuation rules will not allow producers to take a processing allowance in excess of the 66 2/3 threshold. Unbundling each meter point will most likely take 40-80 hours.”

**ONRR Response:** We are pleased that Creel and Associates agree with the burden hours for this ICR. They also provided feedback for the burden to industry on the proposed new rule. ONRR appreciates the commenter’s burden hours for the new rule. As the unbundling process evolves under the new valuation regulations, we will continue to monitor industry feedback on burden hour estimates and construct the burden hours accordingly.

**2. ConocoPhillips  
Bartlesville, OK 74004**

**Comment:** “...as stated at the meeting on July 12 in Denver with API/COPAS and ONRR, we do not believe this or any other ONRR Information Collection Request accounts for the effort/burden associated with unbundling 3rd party transportation systems or processing plants. Therefore, the burden identified by ONRR for the reporting of royalties on the ONRR-2014 is understated by this effort.”

**ONRR Response:** The requirement to account for the burden to industry from Federal royalty calculation and accounting occurs every three years and thus, due to the evolution of unbundling, we have not captured it in past burden estimates. We will continue to meet with respondents, collectively and individually, to discuss requirements and implementation strategies as new production technologies, and reporting requirements evolve. ONRR will include the language for unbundling for arm’s-length and non-arm’s length transportation found at § 1206.157 (a)(1)(i) and 1206.157(b)(1). Additionally, ONRR will include the language for both arm’s and non-arm’s length processing found at 1206.159(a)(1)(i) and 1206.159 (b)(1). ONRR will also continue to monitor and provide an updated listing which will include avenues for industry to comment on and report their burden hours for unbundling.

**2. Industry Consulting  
Sacramento, CA**

**Comment:** “We are providing adjustments to the following Parts and Sections of the Estimated Annual Burden Hours Chart:



1206.107(a) - How do I request a value determination? – Burden hours to industry should be adjusted to 80 hours.

1206.153(g) - Processed gas - 1206.153(g) the lessee may request a value - 100 hours determination from ONRR . . . The lessee shall submit all available data relevant to its proposal . . .” Burden hours to industry should be adjusted to 100 hours.”

**ONRR Response:** You may request a value determination from ONRR. The estimated burden hour adjustments provided by the commenter are within a reasonable range and not far away from the estimated burden hour chart, which is an average for the industry. Per industry recommendation, we are increasing the burden hours for both 1206.107(a) and 1206.153(g) by 40 and 20 hours respectively.

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

ONRR will not provide any payment or gift to respondents in this collection.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

Companies may provide proprietary commercial or financial information, relating to minerals they removed from Federal and Indian leases, to ONRR. The FOGRMA, as amended (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552 (b)(4)), and its implementing regulations establish standards to protect trade secrets and other proprietary information. In addition, ONRR has strict security measures in place for 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 does not include sensitive or private questions.

**12. Provide estimates of the hour burden of the collection of information. The statement should:**

- **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.***

For Federal oil and gas valuation requirements, we estimate approximately 120 Federal lessees/designees and 7 States concerned who may submit the required information annually and on occasion. We estimated the average number of responses that ONRR will receive is 143 per year, and the total reporting burden to both lessees and States concerned is 10,018 hours per year. 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 States concerned require an annual in-depth analysis to inform ONRR of their decision to participate or not participate in the accounting and auditing relief.

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

**Summary of Information Collections**

<b>Information Collections</b>	<b>Requirement to Respond</b>	<b>Frequency of Response</b>	<b>Number of Annual Responses</b>	<b>Annual Burden Hours</b>	<b>Annual Cost (\$51/hr.)</b>
<i>Oil and Gas Valuation (Part 1206 not including Sections 1206.109, 1206.156, and 1206.158(c)(3) below)</i>	Mandatory	On occasion	114	8,396	\$428,196
<i>Request to Exceed Regulatory Allowance Limitation (Form ONRR-4393) (Sections 1206.109, 1206.156, and 1206.158(c)(3))</i>	Required to obtain a benefit	On occasion	19	1,096	\$55,896
<i>Accounting and Auditing Relief for Marginal Properties—Industry (Sections 1204.202(b)(1), 1204.203(b), 1204.205(a) &amp; (b), and 1204.206(a)(3)(i), (b)(1), &amp; 1204.209(b).</i>	Required to obtain a benefit	Annually	3	246	\$12,546
<i>Accounting and Auditing Relief for Marginal Properties—States (Section 1204.208(c)(1), (d)(1), &amp; (e))</i>	Required to obtain a benefit	Annually	7	280	\$14,280
<b>TOTAL</b>			<b>143</b>	<b>10,018</b>	<b>\$510,918</b>

- ***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.**

We expect that an industry accountant, in a metropolitan area, will perform all the work. We estimate the total annual reporting burden is 10,018 hours. We used Bureau of Labor Statistics (BLS) National Occupational Employment and Wage Estimates (available at <http://www.bls.gov/oes/current/oes132011.htm>) to estimate the hourly cost for industry accountants in the Denver-Lakewood metropolitan area. We used a multiplier of 1.4 for benefits, based on this information; we estimate the hourly cost for an industry accountant would be \$51, calculated as follows:

$$\$36.19 \text{ [mean hourly wage]} \times 1.4 \text{ [benefits cost factor]} = \$50.66 \text{ [rounded to } \$51/\text{hr.]}$$

We estimate the total annual cost to industry is \$510,918 as follows:

$$10,018 \text{ hours [reporting hours]} \times \$51 \text{ [for industry accountants]} = \$510,918$$

There are no additional recordkeeping costs. The following chart shows the estimated burden hours by CFR section and paragraph:

We have not included in our estimates certain requirements performed in the normal course of business and considered usual and customary. The following table shows the estimated burden hours by CFR section and paragraph:

**RESPONDENTS' ESTIMATED ANNUAL BURDEN HOURS**

<b>30 CFR 1202,1204, and 1206</b>	<b>Reporting and Recordkeeping Requirement</b>	<b>Hour Burden</b>	<b>Average Number of Annual Responses</b>	<b>Annual Burden Hours</b>
<b>PART 1202—ROYALTIES</b>				
<b>Subpart C—Federal and Indian Oil</b>				
1202.101	<b>Standards for reporting and paying royalties.</b> Oil volumes are to be reported in barrels of clean oil of 42 standard U.S. gallons (231 cubic inches each) at 60 °F. . . .	Burden covered under OMB Control Number 1012-0004.		
<b>Subpart D—Federal Gas</b>				
1202.152(a) and (b)	<b>Standards for reporting and paying royalties on gas.</b> (a)(1) If you are responsible for reporting production or royalties you must: (i) Report gas volumes and British thermal unit (Btu) heating values, if applicable, under the same degree of water	Burden covered under OMB Control Number 1012-0004.		

	<p>saturation;</p> <p>(ii) Report gas volumes in units of 1,000 cubic feet (mcf); and</p> <p>(iii) Report gas volumes and Btu heating value at a standard pressure base of 14.73 pounds per square inch absolute (psia) and a standard temperature base of 60 °F . . .</p> <p>(b) Residue gas and gas plant product volumes shall be reported as specified in this paragraph. . . .</p>			
<b>PART 1204—ALTERNATIVES FOR MARGINAL PROPERTIES</b>				
<b>Subpart C—Accounting and Auditing Relief</b>				
1204.202(b)(1)	<p><b>What is the cumulative royalty reports and payments relief option?</b></p> <p>(b) To use the cumulative royalty reports and payments relief option, you must do all of the following:</p> <p>(1) Notify ONRR in writing by January 31 of the calendar year for which you begin taking your relief. . . .</p>	40	1	40
1204.202(b)(2) and (b)(3)	<p>(b)(2) Submit your royalty report and payment . . . by the end of February of the year following the calendar year for which you reported annually. . . . If you have an estimated payment on file, you must submit your royalty report and payment by the end of March of the year following the calendar year for which you reported annually; (3) Use the sales month prior to the month that you submit your annual report and payment . . . for the entire previous calendar year's production for which you are paying annually. . . .</p>	Burden covered under OMB Control Number 1012-0004.		
1204.202(b)(4), (b)(5), (c), (d)(1), (d)(2), (e)(1), and (e)(2)	<p>(b)(4) Report one line of cumulative royalty information on Form ONRR-2014 for the calendar year . . . And</p> <p>(5) Report allowances on Form ONRR-2014 on the same annual basis as the royalties for your marginal property production.</p> <p>(c) If you do not pay your royalty by the date due in</p>	Burden covered under OMB Control Number 1012-0004.		

	<p>paragraph (b) of this section, you will owe late payment interest . . . from the date your payment was due under this section until the date ONRR receives it. . . .</p> <p>(d) If you take relief you are not qualified for, you may be liable for civil penalties. Also you must: (1) Pay ONRR late payment interest determined under 30 CFR 1218.54 . . .(2) Amend your Form ONRR-2014 . . .</p> <p>(e) If you dispose of your ownership interest in a marginal property for which you have taken relief . . . you must:</p> <p>(1) Report and pay royalties for the portion of the calendar year for which you had an ownership interest; and</p> <p>(2) Make the report and payment by the end of the month after you dispose of the ownership interest in the marginal property. If you do not report and pay timely, you will owe interest . . . from the date the payment was due. . . .</p>			
1204.203(b), 1204.205(a) and (b), and 1204.206(a)(3) (i) and (b)(1)	<p><b>What is the other relief option?</b></p> <p>(b) You must request approval from ONRR . . . before taking relief under this option.</p>	200	1	200
1204.208 (c) (1), (d)(1), and (e)	<p><b>May a State decide that it will or will not allow one or both of the relief options under this subpart?</b></p> <p>(c) If a State decides . . . that it will or will not allow one or both of the relief options . . . within 30 days . . . the State must: (1) Notify the Director for Office of Natural Resources Revenue, in writing, of its intent to allow or not allow one or both of the relief options . . .</p> <p>(d) If a State decides in advance . . . that it will not allow one or both of the relief options . . . the State must: (1) Notify the Director for Office of</p>	40	7	280

	<p>Natural Resources Revenue, in writing, of its intent to allow one or both of the relief options . . .</p> <p>(e) If a State does not notify ONRR . . . the State will be deemed to have decided not to allow either of the relief options...</p>			
1204.209(b)	<p><b>What if a property ceases to qualify for relief obtained under this subpart?</b></p> <p>(b) If a property is no longer eligible for relief . . . the relief for the property terminates as of December 31 of that calendar year. You must notify ONRR in writing by December 31 that the relief for the property has terminated. . .</p>	6	1	6
1204.210(c) and (d)	<p><b>What if a property is approved as part of a nonqualifying agreement?</b></p> <p>(c) . . . the volumes on which you report and pay royalty . . . must be amended to reflect all volumes produced on or allocated to your lease under the nonqualifying agreement as modified by BLM. . . . Report and pay royalties for your production using the procedures in §1204.202(b).</p> <p>(d) If you owe additional royalties based on the retroactive agreement approval and do not pay your royalty by the date due in §1204.202(b), you will owe late payment interest determined under §1218.54 from the date your payment was due under §1204.202(b)(2) until the date ONRR receives it.</p>	Burden covered under OMB Control Number 1012-0004.		
1204.214(b)(1) and (b)(2)	<p><b>Is minimum royalty due on a property for which I took relief?</b></p> <p>(b) If you pay minimum royalty on production from a marginal property during a calendar year for which you are taking cumulative royalty reports and payment relief, and:</p> <p>(1) The annual payment you owe under this subpart is greater than the minimum</p>	Burden covered under OMB Control Number 1012-0004.		

	royalty you paid, you must pay the difference between the minimum royalty you paid and your annual payment due under this subpart; or (2) The annual payment you owe under this subpart is less than the minimum royalty you paid, you are not entitled to a credit because you must pay at least the minimum royalty amount on your lease each year.			
<b>Accounting and Auditing Relief Subtotal</b>		<b>10</b>	<b>526</b>	
<b>Part 1206—Product Valuation</b>				
<b>Subpart C—Federal Oil</b>				
1206.102(e)(1)	<b>How do I calculate royalty value for oil that I or my affiliate sell(s) under an arm's-length contract?</b> (e) If you value oil under paragraph (a) of this section: (1) ONRR may require you to certify that your or your affiliate's arm's-length contract provisions include all of the consideration the buyer must pay, either directly or indirectly, for the oil.	AUDIT PROCESS. See note.		
1206.103 (a)(1), (a)(2), and (a)(3)	<b>How do I value oil that is not sold under an arm's-length contract?</b> This section explains how to value oil that you may not value under §1206.102 or that you elect under §1206.102(d) to value under this section. First determine whether paragraph (a), (b), or (c) of this section applies to production from your lease, or whether you may apply paragraph (d) or (e) with ONRR approval. (a) Production from leases in California or Alaska. Value is the average of the daily mean ANS spot prices published in any ONRR-approved publication during the trading month most concurrent with the production month. . . . (1) To calculate the daily mean spot price . . . (2) Use only the days . . . (3) You must adjust the value...	45	5	225

1206.103(a)(4)	(a)(4) After you select an ONRR-approved publication, you may not select a different publication more often than once every 2 years, . . .	8	2	16
1206.103(b)(1)	(b) <i>Production from leases in the Rocky Mountain Region. . . .</i> (1) If you have an ONRR-approved tendering program, you must value oil . . .	Burden covered under 1206.103(b)(1)(ii)		
1206.103(b)(1)(ii)	(b)(1)(ii) If you do not have an ONRR-approved tendering program, you may elect to value your oil under either paragraph (b)(2) or (b)(3) of this section....	400	2	800
1206.103(b)(4)	(4) If you demonstrate to ONRR's satisfaction that paragraphs (b)(1) through (b)(3) of this section result in an unreasonable value for your production as a result of circumstances regarding that production, the ONRR Director may establish an alternative valuation method.	400	2	800
1206.103(c)(1)	(c) <i>Production from leases not located in California, Alaska or the Rocky Mountain Region.</i> (1) Value is the NYMEX price, plus the roll, adjusted for applicable location and quality differentials and transportation costs under §1206.112.	50	10	500
1206.103(e)(1) and (e)(2)	(e) <i>Production delivered to your refinery and the NYMEX price or ANS spot price is an unreasonable value.</i> (1) . . . you may apply to the ONRR Director to establish a value (2) You must provide adequate documentation and evidence demonstrating the market value at the refinery. . . . representing the market at the refinery if: . . .	330	2	660
1206.105	<b>What records must I keep to support my calculations of value under this subpart?</b> If you determine the value of your oil under this subpart, you must retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.107(a)	<b>How do I request a value determination?</b> (a) You may request a value	80	10	800



	determination from ONRR . . .			
1206.109(c)(2)	<p><b>When may I take a transportation allowance in determining value?</b></p> <p>(c) Limits on transportation allowances. (2) You may ask ONRR to approve a transportation allowance in excess of the limitation in paragraph (c)(1) of this section. . . . Your application for exception (using Form ONRR-4393, Request to Exceed Regulatory Allowance Limitation) must contain all relevant and supporting documentation necessary for ONRR to make a determination . . .</p>	8	2	16
1206.110(a)	<p><b>How do I determine a transportation allowance under an arm's-length transportation contract?</b></p> <p>(a) . . . You must be able to demonstrate that your or your affiliate's contract is at arm's length. . . .</p>	AUDIT PROCESS. See note.		
1206.110 (d)(3)	<p>(d) If your arm's-length transportation contract includes more than one liquid product, and the transportation costs attributable to each product cannot be determined . . .</p> <p>(3) You may propose to ONRR a cost allocation method . . .</p>	20	2	40
1206.110(e)	<p>(e) If your arm's-length transportation contract includes both gaseous and liquid products, and the transportation costs attributable to each product cannot be determined from the contract, then you must propose an allocation procedure to ONRR.</p>	20	1	20
1206.110 (e)(1) and (e) (2)	<p>(e)(1) . . . If ONRR rejects your cost allocation, you must amend your Form ONRR-2014 . . .</p> <p>(2) You must submit your initial proposal, including all available data, within 3 months after first claiming the allocated deductions on Form ONRR-2014.</p>	Burden covered under OMB Control Number 1012-0004.		
1206.110 (g)(2)	<p>(g) If your arm's-length sales contract includes a provision reducing the contract price by a</p>	5	1	5

	transportation factor, . . . (2) You must obtain ONRR approval before claiming a transportation factor in excess of 50 percent of the base price of the product.			
1206.111(g)	<b>How do I determine a transportation allowance if I do not have an arm's-length transportation contract or arm's-length tariff?</b> (g) To compute depreciation, you may elect to use either . . . After you make an election, you may not change methods without ONRR approval. . . .	30	1	30
1206.111(k)(2)	(k)(2) You may propose to ONRR a cost allocation method on the basis of the values. . .	30	1	30
1206.111(l)(1) and (l)(3)	(l)(1) Where you transport both gaseous and liquid products through the same transportation system, you must propose a cost allocation procedure to ONRR. . . . (3) You must submit your initial proposal, including all available data, within 3 months after first claiming the allocated deductions on Form ONRR-2014.	20	1	20
1206.111(l)(2)	(l)(2) . . . If ONRR rejects your cost allocation, you must amend your Form ONRR-2104 for the months that you used the rejected method and pay any additional royalty and interest due.	Burden covered under OMB Control Number 1012-0004.		
1206.112 (a)(1)(ii)	<b>What adjustments and transportation allowances apply when I value oil production from my lease using NYMEX prices or ANS spot prices?</b> (a)(1)(ii) . . . under an exchange agreement that is not at arm's length, you must obtain approval from ONRR for a location and quality differential....	80	1	80
1206.112 (a)(1)(ii)	(a)(1)(ii) . . . If ONRR prescribes a different differential, you must apply. . . . You must pay any additional royalties owed . . . plus the late payment interest	20	2	40

	from the original royalty due date, or you may report a credit...			
1206.112 (a)(3) and (a) (4)	(a)(3) If you transport or exchange at arm's length (or both transport and exchange) at least 20 percent, but not all, of your oil produced from the lease to a market center, determine the adjustment between the lease and the market center for the oil that is not transported or exchanged (or both transported and exchanged) to or through a market center as follows: . . . (4) If you transport or exchange (or both transport and exchange) less than 20 percent of your crude oil produced from the lease between the lease and a market center, you must propose to ONRR an adjustment between the lease and the market center for the portion of the oil that you do not transport or exchange (or both transport and exchange) to a market center. . . . If ONRR prescribes a different adjustment. . . . You must pay any additional royalties owed . . . plus the late payment interest from the original royalty due date, or you may report a credit...	80	4	320
1206.112 (b)(3)	(b)(3) . . . you may propose an alternative differential to ONRR. . . . If ONRR prescribes a different differential. . . . You must pay any additional royalties owed . . . plus the late payment interest from the original royalty due date, or you may report a credit . . .	80	4	320
1206.112(c)(2)	(c)(2) . . . If quality bank adjustments do not incorporate or provide for adjustments for sulfur content, you may make sulfur adjustments, based on the quality of the representative crude oil at the market center, of 5.0 cents per one-tenth percent difference in sulfur content, unless ONRR approves a higher adjustment.	80	2	160

1206.114	<b>What are my reporting requirements under an arm's-length transportation contract?</b>			
	You or your affiliate must use a separate entry on Form ONRR-2014 to notify ONRR of an allowance based on transportation costs you or your affiliate incur.	Burden covered under OMB Control Number 1012-0004.		
	ONRR may require you or your affiliate to submit arm's-length transportation contracts, production agreements, operating agreements, and related documents. . . .	AUDIT PROCESS. See note.		
1206.115(a)	<b>What are my reporting requirements under a non-arm's-length transportation arrangement?</b> (a) You or your affiliate must use a separate entry on Form ONRR-2014 to notify ONRR of an allowance based on transportation costs you or your affiliate incur.	Burden covered under OMB Control Number 1012-0004.		
1206.115(c)	(c) ONRR may require you or your affiliate to submit all data used to calculate the allowance deduction. . . .	AUDIT PROCESS. See note.		
<b>Subpart D—Federal Gas</b>				
1206.152 (b)(1)(i) and (b)(1)(iii)	<b>Valuation standards--unprocessed gas.</b> (b)(1)(i) . . . The lessee shall have the burden of demonstrating that its contract is arm's-length. . . . (iii) . . . When ONRR determines that the value may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's value.	AUDIT PROCESS. See note.		
1206.152 (b)(2)	(b)(2) . . . The lessee must request a value determination in accordance with paragraph (g) of this section for gas sold pursuant to a warranty contract;...	80	1	80
1206.152 (b)(3)	(b)(3) ONRR may require a lessee to certify that its arm's-length contract provisions include all of the consideration to be paid by the buyer, either directly or indirectly, for the gas.	AUDIT PROCESS. See note.		

1206.152 (e)(1)	(e)(1) Where the value is determined pursuant to paragraph (c) of this section, the lessee shall retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.152 (e)(2)	Any Federal lessee will make available upon request to the authorized ONRR or State representatives, to the Office of the Inspector General of the department of the Interior, or other person authorized to receive such information, arm's-length sales and volume data for like-quality production sold, purchased or otherwise obtained by the lessee from the field or area or from nearby fields or areas.	AUDIT PROCESS. See note.		
1206.152 (e)(3)	(e)(3) A lessee shall notify ONRR if it has determined value pursuant to paragraph (c) (2) or (c)(3) of this section. . . .	10	10	100
1206.152(g)	(g) The lessee may request a value determination from ONRR. . . . The lessee shall submit all available data relevant to its proposal. . . .	40	5	200
1206.153 (b)(1)(i) and (b)(1)(iii)	<b>Valuation standards-- processed gas.</b> (b)(1)(i) . . . The lessee shall have the burden of demonstrating that its contract is arm's-length. . . . (iii) . . . When ONRR determines that the value may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's value.	AUDIT PROCESS. See note.		
1206.153 (b)(2)	(b)(2) . . . The lessee must request a value determination in accordance with paragraph (g) of this section for gas sold pursuant to a warranty contract;...	80	1	80

1206.153 (b)(3)	(b)(3) ONRR may require a lessee to certify that its arm's-length contract provisions include all of the consideration to be paid by the buyer, either directly or indirectly, for the residue gas or gas plant product.	AUDIT PROCESS. See note.		
1206.153 (e)(1)	(e)(1) Where the value is determined pursuant to paragraph (c) of this section, the lessee shall retain all data relevant to the determination of royalty value. . . .	Burden covered under OMB Control Number 1012-0004.		
1206.153 (e)(2)	(e)(2) Any Federal lessee will make available upon request to the authorized ONRR or State representatives, to the Office of the Inspector General of the Department of the Interior, or other persons authorized to receive such information, arm's-length sales and volume data for like-quality residue gas and gas plant products sold, purchased or otherwise obtained by the lessee from the same processing plant or from nearby processing plants.	AUDIT PROCESS. See note.		
1206.153 (e)(3)	(e)(2) A lessee shall notify ONRR if it has determined any value pursuant to paragraph (c) (2) or (c)(3) of this section. . .	10	2	20
1206.153(g)	206.153(g) The lessee may request a value determination from ONRR. . . The lessee shall submit all available data relevant to its proposal. . . .	100	15	1500
1206.154(c)(4)	<b>Determination of quantities and qualities for computing royalties.</b> (c)(4) . . . A lessee may request ONRR approval of other methods for determining the quantity of residue gas and gas plant products allocable to each lease. . . .	40	1	40
1206.156(c)(3)	<b>Transportation allowances--general.</b> (c)(3) Upon request of a lessee, ONRR may approve a transportation allowance deduction in excess of the limitation prescribed by paragraphs (c)(1) and (c)(2) of	40	7	280

	<p>this section. . . . An application for exception (using Form ONRR-4393, Request to Exceed Regulatory Allowance Limitation) must contain all relevant and supporting documentation necessary for ONRR to make a determination. . . .</p>			
1206.157 (a)(1)(i).	<p><b>Determination of transportation allowances.</b></p> <p>a) <i>Arm's-length transportation contracts.</i> (1)(i) For transportation costs incurred by a lessee under an arm's-length contract, the transportation allowance shall be the reasonable, actual costs incurred by the lessee for transporting the unprocessed gas, residue gas and/or gas plant products under that contract, except as provided in paragraphs (a)(1)(ii) and (a)(1)(iii) of this section, subject to monitoring, review, audit, and adjustment. The lessee shall have the burden of demonstrating that its contract is arm's-length. ONRR's prior approval is not required before a lessee may deduct costs incurred under an arm's-length contract. Such allowances shall be subject to the provisions of paragraph (f) of this section. The lessee must claim a transportation allowance by reporting it as a separate entry on the form ONRR 2014.</p>	40	3	120
1206.157 (a)(1)(iii)	<p>(a)(1)(iii) . . . When ONRR determines that the value of the transportation may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's transportation costs.</p>	AUDIT PROCESS. See note.		
1206.157 (a)(2)(ii)	<p>(a)(2)(ii) . . . the lessee may propose to ONRR a cost allocation method on the basis of the values of the products transported. . . .</p>	40	1	40
1206.157 (a)(3)	<p>(a)(3) If an arm's-length transportation contract includes both gaseous and liquid</p>	40	1	40

	products and the transportation costs attributable to each cannot be determined from the contract, the lessee shall propose an allocation procedure to ONRR. . . . The lessee shall submit all relevant data to support its proposal. . . .			
1206.157 (a)(5)	(a)(5) . . . The transportation factor may not exceed 50 percent of the base price of the product without ONRR approval.	10	3	30
1206.157 (b)(1)	(b) <i>Non-arm's-length or no contract.</i> (1) If a lessee has a non-arm's-length transportation contract or has no contract, including those situations where the lessee performs transportation services for itself, the transportation allowance will be based upon the lessee's reasonable, actual costs as provided in this paragraph. All transportation allowances deducted under a non-arms-length or no-contract situation are subject to monitoring, review, audit, and adjustment. Before any estimated or actual deduction may be taken, the lessee must submit a completed . Form ONRR-4110 in its entirety in accordance with paragraph (c) (2) of his section. A transportation allowance may be claimed retroactively for a period of not more than 3 months prior to the first day of the month that Form ONRR-4110 is filed with ONRR, unless ONRR approves a longer period upon a showing of good cause by the lessee. ONRR will monitor the allowance deductions to determine whether lessees are taking deductions that are reasonable and allowable. When necessary or appropriate, ONRR may direct a lessee to modify its actual transportation allowance deduction.	40	2	80
1206.157 (b)(2)(iv) and	(b)(2)(iv) . . . After a lessee has elected to use either method for	100	1	100



(b)(2)(iv)(A)	a transportation system, the lessee may not later elect to change to the other alternative without approval of the ONRR. (A) . . . After an election is made, the lessee may not change methods without ONRR approval. . . .			
1206.157 (b)(3)(i)	(b)(3)(i) . . . Except as provided in this paragraph, the lessee may not take an allowance for transporting a product which is not royalty bearing without ONRR approval.	100	1	100
1206.157 (b)(3)(ii)	(b)(3)(ii) . . . the lessee may propose to the ONRR a cost allocation method on the basis of the values of the products transported. . . .	100	1	100
1206.157 (b)(4)	(b)(4) Where both gaseous and liquid products are transported through the same transportation system, the lessee shall propose a cost allocation procedure to ONRR. . . . The lessee shall submit all relevant data to support its proposal. . . .	100	1	100
1206.157 (b)(5)	(b)(5) You may apply for an exception from the requirement to compute actual costs under paragraphs (b)(1) through (b)(4) of this section.	100	1	100
1206.157 (c)(1)(i)	(c) <i>Reporting Requirements.</i> (1) <i>Arm's-length contracts.</i> (i) You must use a separate entry on Form ONRR-2014 to notify ONRR of a transportation allowance.	Burden covered under OMB Control Number 1012-0004.		
1206.157 (c)(1)(ii)	(c)(1)(ii) ONRR may require you to submit arm's-length transportation contracts, production agreements, operating agreements, and related documents. . . .	AUDIT PROCESS. See note.		
1206.157 (c)(2)(i)	(c)(2) <i>Non-arm's-length or no contract.</i> (i) You must use a separate entry on Form ONRR-2014 to notify ONRR of a transportation allowance.	Burden covered under OMB Control Number 1012-0004.		
1206.157 (c)(2)(iii)	(c)(2)(iii) ONRR may require you to submit all data used to calculate the allowance deduction. . . .	AUDIT PROCESS. See note.		
1206.157 (e)(2), (e)(3),	(e) <i>Adjustments.</i> (2) For lessees transporting production from	Burden covered under OMB Control Number 1012-0004.		

and (f)(1)	<p>onshore Federal leases, the lessee must submit a corrected Form ONRR-2014 to reflect actual costs, together with any payment, in accordance with instructions provided by ONRR.</p> <p>(3) For lessees transporting gas production from leases on the OCS, if the lessee's estimated transportation allowance exceeds the allowance based on actual costs, the lessee must submit a corrected Form ONRR-2014 to reflect actual costs, together with its payments, in accordance with instructions provided by ONRR....</p> <p>(f) Allowable costs in determining transportation allowances. . . . (1) Firm demand charges paid to pipelines. . . . if you receive a payment or credit from the pipeline for penalty refunds, rate case refunds, or other reasons, you must reduce the firm demand charge claimed on the Form ONRR-2014 by the amount of that payment. You must modify Form ONRR-2014 by the amount received or credited for the affected reporting period and pay any resulting royalty and late payment interest due;...</p>			
1206.158(c)(3)	<p><b>Processing allowances--general.</b></p> <p>(c)(3) Upon request of a lessee, ONRR may approve a processing allowance in excess of the limitation prescribed by paragraph (c)(2) of this section. . . . An application for exception (using Form ONRR-4393, Request to Exceed Regulatory Allowance Limitation) shall contain all relevant and supporting documentation for ONRR to make a determination....</p>	80	10	800
1206.158 (d)(2)(i)	<p>(d)(2)(i) If the lessee incurs extraordinary costs for processing gas production from a gas production operation, it may apply to ONRR for an</p>	80	1	80

	allowance for those costs. . .			
1206.158 (d)(2)(ii)	(d)(2)(ii) . . . to retain the authority to deduct the allowance the lessee must report the deduction to ONRR in a form and manner prescribed by ONRR.	Burden covered under OMB Control Number 1012-0004.		
1206.159 (a)(1)(i)	<b>Determination of processing allowances.</b> (a) <i>Arm's-length processing contracts.</i> (1)(i) For processing costs incurred by a lessee under an arm's-length contract, the processing allowance shall be the reasonable actual costs incurred by the lessee for processing the gas under that contract, except as provided in paragraphs (a)(1)(ii) and (a)(1)(iii) of this section, subject to monitoring, review, audit, and adjustment. The lessee shall have the burden of demonstrating that its contract is arm's-length. ONRR' prior approval is not required before a lessee may deduct costs incurred under an arm's-length contract. The lessee must claim a processing allowance by reporting it as a separate entry on the Form ONRR-2014.	80	3	240
	The lessee must claim a processing allowance by reporting it on a separate line entry on the Form ONRR-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.159 (a)(1)(iii)	(a)(1)(iii) . . . When ONRR determines that the value of the processing may be unreasonable, ONRR will notify the lessee and give the lessee an opportunity to provide written information justifying the lessee's processing costs.	AUDIT PROCESS. See note.		
1206.159 (a)(3)	(a)(3) If an arm's-length processing contract includes more than one gas plant product and the processing costs attributable to each product cannot be determined from the contract, the lessee shall propose an allocation procedure to ONRR. . . The lessee shall submit all relevant data to support its proposal. . . .	20	1	20

1206.159 (b)(1)	(b) <i>Non-arm's-length or no contract.</i> (1) If a lessee has a non-arm's-length processing contract or has no contract, including those situations where the lessee performs processing for itself, the processing allowance will be based upon the lessee's reasonable actual costs as provided in this paragraph. All processing allowances deducted under a non-arm's-length or no-contract situation are subject to monitoring, review, audit, and adjustment. The lessee must claim a processing allowance by reflecting it as a separate entry on the Form ONRR-2014. When necessary or appropriate, ONRR may direct a lessee to modify its estimated or actual processing allowance.	80	2	160
1206.159 (b)(2)(iv) and (b)(2)(iv)(A)	(b)(2)(iv) . . . When a lessee has elected to use either method for a processing plant, the lessee may not later elect to change to the alternative without approval of the ONRR. (A) . . . After an election is made, the lessee may not change methods without ONRR approval . . .	100	1	100
1206.159 (b)(4)	(b)(4) A lessee may apply to ONRR for an exception from the requirements that it compute actual costs in accordance with paragraphs (b)(1) through (b)(3) of this section. . . .	100	1	100
1206.159 (c)(1)(i)	(c) <i>Reporting requirements</i> —(1) <i>Arm's-length contracts.</i> (i) The lessee must notify ONRR of an allowance based on incurred costs by using a separate line entry on the Form ONRR-2014.	Burden covered under OMB Control Number 1012-0004.		
1206.159 (c)(1)(ii)	(c)(1)(ii) ONRR may require that a lessee submit arm's-length processing contracts and related documents. . . .	AUDIT PROCESS. See note.		
1206.159 (c)(2)(i)	(c)(2) <i>Non-arm's-length or no contract.</i> (i) The lessee must notify ONRR of an allowance based on incurred costs by using a separate line entry on	Burden covered under OMB Control Number 1012-0004.		

	the Form ONRR-2014.		
1206.159 (c)(2)(iii)	(c)(2)(iii) Upon request by ONRR, the lessee shall submit all data used to prepare the allowance deduction. . . .	AUDIT PROCESS. See note.	
1206.159 (e)(2) and (e) (3)	(e) <i>Adjustments...</i> (2) For lessees processing production from onshore Federal leases, the lessee must submit a corrected Form ONRR-2014 to reflect actual costs, together with any payment, in accordance with instructions provided by ONRR. (3) For lessees processing gas production from leases on the OCS, if the lessee's estimated processing allowance exceeds the allowance based on actual costs, the lessee must submit a corrected Form ONRR-2014 to reflect actual costs, together with its payment, in accordance with instructions provided by ONRR . . .	Burden covered under OMB Control Number 1012-0004.	
<b>Oil and Gas Valuation Subtotal</b>		<b>133</b>	<b>9,492</b>
<b>TOTAL</b>		<b>143</b>	<b>10,018</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.

**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 Items 12).**

- ***The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) 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.***
- ***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.*

- *Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.*

We have identified no “non-hour” cost burdens for this collection of information.

**14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.**

We estimate the annualized cost to the Federal Government is \$661,188 [\$66 per hour x 10,018 hours = \$661,188].

We estimate approximately 120 respondents and 7 States annually. We estimate that the total annual reporting burden for industry is 10,018 hours, and that the Federal Government will require 1 hour of a Government accountant’s time for each burden hour for industry to complete all data gathering requirements and to analyze form ONRR-4393.

We expect that a Government accountant will perform the work at the United States 2016 General Schedule, Grade 12/Step 5, pay scale for the Denver, Colorado area. We used a multiplier of 1.6 for benefits. We estimate the hourly labor cost is \$66 (\$41.46 per hour x 1.6 benefit cost factor = \$66.336, rounded to \$66).

**15. Explain the reasons for any program changes or adjustments in hour or cost burden.**

(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 Hour</b>
9,198	0	+820	10,018

There is an adjustment increase of +820 burden hours. This adjustment is based on analyzed historical data since the last renewal for 1206.153(g), 1206.156(c)(3), 1206.157(a)(1)(i), 1206.157(b)(1), 1206.158(c)(3), 1206.159(a)(1)(i), and 1206.159(b)(1); this also includes addressing industry's comments.

(b) Annual Cost Burden.

There is no cost burden for this collection.

**16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

ONRR will not publish the data.

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

ONRR will display the OMB approval expiration date on form ONRR-4393.

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

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