



4310-VH-P

DEPARTMENT OF THE INTERIOR

Bureau of Safety and Environmental Enforcement

[Docket ID BSEE-2012-0009; OMB Control Number 1014-0005]

Information Collection Activities: Relief or Reduction in Royalty Rates; Proposed Collection; Comment Request

ACTION: 60-day Notice.

SUMMARY: To comply with the Paperwork Reduction Act of 1995 (PRA), BSEE is inviting comments on a collection of information that we will submit to the Office of Management and Budget (OMB) for review and approval. The information collection request (ICR) concerns a renewal to the paperwork requirements in the regulations under 30 CFR 203, Relief or Reduction in Royalty Rates.

DATE: You must submit comments by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments by either of the following methods listed below.

- Electronically: go to <http://www.regulations.gov>. In the entry titled “Enter Keyword or ID,” enter BSEE-2012-0009 then click search. Follow the instructions to submit public comments and view all related materials. We will post all comments.
- Email nicole.mason@bsee.gov. Mail or hand-carry comments to the Department of the Interior; Bureau of Safety and Environmental Enforcement; Regulations Development Branch; Attention: Nicole Mason; 381 Elden Street, HE-3313; Herndon,

Virginia 20170-4817. Please reference ICR 1014-0005 in your comment and include your name and return address.

FOR FURTHER INFORMATION CONTACT: Nicole Mason, Regulations Development Branch at (703) 787-1605 to request additional information about this ICR.

SUPPLEMENTARY INFORMATION:

Title: 30 CFR 203, Relief or Reduction in Royalty Rates.

OMB Control Number: 1014-0005.

Abstract: The Outer Continental Shelf (OCS) Lands Act, as amended by Pub. L. 104-58, Deep Water Royalty Relief Act (DWRRA), 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 to be 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, the Independent Offices Appropriations Act (31 U.S.C. 9701), the Omnibus Appropriations Bill (Pub. L. 104-133, 110 Stat. 1321, April 26, 1996), and OMB Circular A-25, authorize Federal agencies to recover the full cost of services that confer special benefits. Under the Department of the Interior's (DOI) implementing policy, BSEE is required to charge fees for services that provide special benefits or privileges to an identifiable non-Federal recipient above and beyond those which accrue to the public at large.

Regulations at 30 CFR part 203 implement these statutes and policy and require respondents to pay a fee to request royalty relief. Section 30 CFR 203.3 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."

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 impacts to 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 government that they might not otherwise receive. We could not make an informed decision without the collection of information required by 30 CFR 203.

We will protect information from respondents considered proprietary under the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2) and under regulations at 30 CFR 203.63, *Does my application have to include all leases in the field*, and 30 CFR 250.197, *Data and information to be made available to the public or for limited inspection*. No items of a sensitive nature are collected.

Responses are mandatory or are required to obtain or retain a benefit.

Frequency: On occasion.

Description of Respondents: Potential respondents comprise Federal oil, gas, or sulphur lessees and/or operators.

Estimated Reporting and Recordkeeping Hour Burden: The currently approved annual reporting burden for this collection is 2,635 hours. The following table details the individual components and respective hour burden estimates of this ICR. In calculating the burdens, we assumed that respondents perform certain requirements in the normal course of their activities. We consider these to be usual and customary and took that into account in estimating the burden.

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement	Hour Burden
		Application Fees
2(b); 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
35(d); 44(e)	Request to extend the deadline for beginning production with required supporting documentation.	4
41(d)	Request a refund of or recoup royalties from qualified wells >200 meters but <400 meters.	1
35(a); 44(a); 47(a)	Notify BSEE of intent to begin drilling.	1
35(c), (d); 44(b), (d), (e)	Notify BSEE that production has begun, request confirmation of the size of RSV, provide supporting documentation.	2

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement	Hour Burden
		Application Fees
46	Provide data from well to confirm and attest well drilled was an unsuccessful certified well with supporting documentation and request supplement.	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. Note: BSEE SOL requires that this reg text stay for legacy purposes only. Last time any respondent could use was 2004; hence, no burden.	0
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.	100
		Application = \$8,000 Audit = \$12,500
52	Demonstrate ability to qualify for royalty relief or to re-qualify.	1
55	Renounce relief arrangement (end-of-life) (seldom, if ever will be used; minimal burden to prepare letter).	1
80 NTL	Application—apart from formal programs for royalty relief for marginal producing lease (Special Case Relief); required supporting documentation.	250
		Application = \$8,000** Audit = \$12,500
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.	1,000
		Application = \$19,500** Audit = \$18,750
CPA Report		
81; 83-90	Required reports; extension justification.	Burden included with applications.
		1 CPA report x \$45,000
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.	900
		Application = \$28,500
62; 64; 65; 71; 83; 85-89	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.	2,000
		Application = \$19,500
62; 64; 65; 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.	2,000
		Application = \$34,000* Audit = \$12,500
70; 81; 90; 91	Submit fabricator’s confirmation report; extension justification.	20
70; 81; 90; 92; NTL	Submit post-production development report; extension justification. # Reserve right to audit (1 audit every 6 years) after production starts to confirm cost estimates of the application.	50
		Audit = \$18,750
74; 75; NTL	Redetermination and required supporting documentation.	500
		Application =

Citation 30 CFR 203 and related NTL(s)	Reporting or Recordkeeping Requirement	Hour Burden
		Application Fees
		\$16,000*
77	Renounce relief arrangement (deep water) (seldom, if ever will be used; minimal burden to prepare letter).	1
79(a)	Request reconsideration of BSEE field designation. This was a regulatory requirement for leases issued prior to 1995.	0
79(c)	Request extension of deadline to start construction.	2
83; NTL	Application – short form to add or assign pre-Act lease and required supporting documentation.	40
		Application = \$1,000
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

* 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.

Estimated Reporting and Recordkeeping Non-Hour Cost Burden: There are non-hour costs associated with this information collection. The currently approved non-hour cost burden is \$122,024. This estimate is based on:

(a) Applications and audit fees. The total annual estimated cost burden for these fees is \$77,024 (refer to the table).

(b) The cost of report(s) prepared by independent certified public accountants.

Under § 203.81, a report prepared by an independent certified public accountant 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 approximately one report submitted at an average cost of

\$45,000 per report. We have not identified any other non-hour cost burdens for this collection.

Comments: Before submitting an ICR to OMB, PRA section 3506(c)(2)(A) requires each agency “. . . to provide notice . . . and otherwise consult with members of the public and affected agencies concerning each proposed collection of information . . .”.

Agencies must specifically solicit comments to: (a) evaluate whether the collection is necessary or useful; (b) evaluate the accuracy of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of technology.

Agencies must also estimate the non-hour paperwork cost burdens to respondents or recordkeepers resulting from the collection of information. Therefore, if you have other than hour burden costs to generate, maintain, and disclose this information, you should comment and provide your total capital and startup cost components or annual operation, maintenance, and purchase of service components. For further information on this burden, refer to 5 CFR 1320.3(b)(1) and (2), or contact the Bureau representative listed previously in this notice.

We will summarize written responses to this notice and address them in our submission for OMB approval. As a result of your comments, we will make any necessary adjustments to the burden in our submission to OMB.

Public Comment Procedures: Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made

publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

Acting BSEE Information Collection Clearance Officer: Cheryl Blundon (703) 787-1607.

May 15, 2012

Dated:

Robert W. Middleton,
Acting Chief,
Office of Offshore Regulatory Programs.

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