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[4310-T2]

DEPARTMENT OF THE INTERIOR

Office of Natural Resources Revenue

[Docket No. ONRR-2011-0002]

States' Decisions on Participating in Accounting and Auditing Relief for Federal Oil and Gas Marginal Properties

AGENCY: Office of Natural Resources Revenue, Interior.

ACTION: Notice.

SUMMARY: Final regulations that the Office of Natural Resources Revenue (ONRR) published September 13, 2004 (69 FR 55076), provide two types of accounting and auditing relief for Federal onshore or Outer Continental Shelf lease production from marginal properties. As the regulations require, ONRR provided a list of qualifying marginal Federal oil and gas properties to States that received a portion of Federal royalties. Each State then decided whether to participate in one or both relief options. For calendar year 2013, we provide in this notice the affected States' decisions to allow one or both types of relief.

DATE: Effective January 1, 2013.

FOR FURTHER INFORMATION CONTACT: Richard Adamski, Program Manager, Asset Valuation, at (303) 231-3410; or (303) 231-3744 via fax; or via e-mail to richard.adamski@onrr.gov.

SUPPLEMENTARY INFORMATION:

The regulations, codified at 30 CFR part 1204, subpart C, implement certain provisions of section 7 of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA) (30 U.S.C. 1726), which allows States to relieve the lessees of marginal properties from certain reporting, accounting, and auditing requirements. States make an annual determination of whether or not to allow relief. Two options for relief are provided: (1) Notification-based relief for annual reporting and (2) other requested relief, as industry proposed and ONRR and the affected State approved. The regulations require ONRR to publish by December 1 of each year a list of the States and their decisions regarding marginal property relief.

To qualify for the first relief option (notification-based relief) for calendar year 2013, properties must have produced less than 1,000 barrels-of-oil-equivalent (BOE) per year for the base period (July 1, 2011, through June 30, 2012). Annual reporting relief will begin January 1, 2013, with the annual report and payment due February 28, 2014, or March 31, 2014, if you have an estimated payment on file. To qualify for the second relief option (other requested relief), the combined equivalent production of the marginal properties during the base period must equal an average daily well production of less than 15 BOE per well, per day calculated under 30 CFR 1204.4(c).

The following table shows the States that have qualifying marginal properties and the States' decisions to allow one or both forms of relief.

| STATE | NOTIFICATION-BASED RELIEF (LESS THAN 1,000 BOE PER YEAR) | REQUEST-BASED RELIEF (LESS THAN 15 BOE PER WELL PER DAY) |
|--------------|---|---|
| Alabama | No | No |
| California | No | No |
| Colorado | No | No |
| Kansas | No | No |
| Louisiana | Yes | Yes |
| Michigan | Yes | Yes |
| Mississippi | No | No |
| Montana | No | No |
| Nebraska | No | No |
| Nevada | No | No |
| New Mexico | No | Yes |
| North Dakota | Yes | Yes |
| Oklahoma | No | No |
| South Dakota | No | No |
| Utah | No | No |
| Wyoming | No | No |

Federal oil and gas properties located in all other States where ONRR does not share a portion of Federal royalties with the State are eligible for relief if they qualify as marginal under the regulations (See section 117(c) of RSFA (30 U.S.C. 1726(c))). For information on how to obtain relief, please refer to 30 CFR 1204.205 or to the published rule, which you may view at www.onrr.gov/Laws_R_D/FRNotices/AC30.htm.

Unless the information that ONRR received is proprietary data, all correspondence, records, or information that we receive in response to this notice may be subject to disclosure under the Freedom of Information Act (FOIA) (5 U.S.C. 552 *et seq.*). If applicable, please highlight the proprietary portions, including any supporting documentation, or mark the page(s) that contain proprietary data. We protect the proprietary information under the Trade Secrets Act (18 U.S.C. 1905); FOIA, Exemption 4 (5 U.S.C. 552(b)(4)); and Department regulations (43 CFR part 2).

November 16, 2012_
Date

Gregory J. Gould
Director,
Office of Natural Resources Revenue

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