



**DEPARTMENT OF THE INTERIOR**

**Bureau of Land Management**

**43 CFR Part 3160**

**[16X.LLWO310000.L13100000.PP0000]**

**RIN:** 1004-AE46

**Onshore Oil and Gas Operations—Civil Penalties Inflation Adjustments**

**AGENCY:** Bureau of Land Management, Interior.

**ACTION:** Interim final rule.

**SUMMARY:** This rule adjusts the level of civil monetary penalties contained in the Bureau of Land Management’s regulations governing onshore oil and gas operations as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the “Act”). The adjustments made by this interim final rule constitute the initial catch-up adjustments contemplated by the Act, and are consistent with applicable Office of Management and Budget (OMB) guidance.

**DATES:** As required by the Act, this rule is effective on [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]. Comments will be accepted until [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit comments by any of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Search for 1004-AE46 and follow the instructions for submitting comments.
- *Mail:* Director (630), Bureau of Land Management, U.S. Department of the Interior, 1849 C St., NW., Washington, DC 20240, Attention: 1004-AE46.

- *Hand Delivery, or Courier:* U.S. Department of the Interior, Bureau of Land Management, 20 M St., SE., Room 2134LM, Attention: Regulatory Affairs, Washington, DC 20003.

**FOR FURTHER INFORMATION CONTACT:** Steven Wells, Division Chief, Fluid Minerals Division, 202-912-7143, for information regarding the BLM’s Fluid Minerals Program. For questions relating to regulatory process issues, please contact Jennifer Noe, Division of Regulatory Affairs, at 202-912-7442. Persons who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339, 24 hours a day, seven days a week to contact the above individuals.

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**I. Background**

On November 2, 2015, the President signed the Act into law (Sec. 701 of Public Law 114-74). It requires all Federal agencies to review their existing regulations and adjust the level of civil monetary penalties found in those regulations for inflation. The Act contemplates two adjustments – an initial “catch-up” adjustment through rulemaking from the date the penalty in

question was established to present day, and annual adjustments for inflation thereafter. The purpose of these adjustments is to maintain the deterrent effect of civil penalties found in existing regulations, in order to further the policy goals of the underlying statutes. The BLM has reviewed its existing regulations and determined that only the civil monetary penalties found at 43 CFR 3163.2 are subject to the Act’s requirements.

Once penalties subject to the Act have been identified, the Act specifies the formula and format to be used to adjust those amounts. (Section 701(b)) The adjustments contemplated by the Act are based on the percent change between the Consumer Price Index for all Urban Consumers (CPI-U) for the month of October in 1987, the year the penalties were established by regulation, and the October 2015 CPI-U,so the catch-up adjustment multiplier is 2.06278 for all penalties. The Act caps adjustments at 150 percent, and Section 701(b)(1)(D) of the Act specifically requires that adjustments be promulgated as an interim final rule. The Act does not provide BLM with discretion with respect to either of these provisions.

The adjustments made by this interim final rule constitute the initial “catch-up” adjustment contemplated by the Act and subsequent guidance from OMB, and include the following changes to the penalties provided by existing regulations:

CFR Citation	Description of the Penalty	Current Penalty	Catchup Adjustment	Adjusted Penalty
43 CFR 3163.2(a)	Failure to comply	\$500	\$531	\$1,031
43 CFR 3163.2(b)	If corrective action is not taken	\$5,000	\$5,314	\$10,314
43 CFR 3163.2(d)	If transporter fails to permit inspection for documentation	\$500	\$531	\$1,031
43 CFR 3163.2(e)	Failure to permit inspection, failure to notify	\$10,000	\$10,628	\$20,628
43 CFR 3163.2(f)	False or inaccurate documents; unlawful transfer or purchase	\$25,000	\$26,570	\$51,570
43 CFR 3163.2(g)(1)	Initial penalty under 43 CFR 3163.2(a) for a major violation	\$500	\$531	\$1,031

43 CFR 3163.2(g)(1)	Maximum penalty under 43 CFR 3163.2(a) for a major violation	\$1,000	\$1,063	\$2,063
43 CFR 3163.2(g)(1)	Initial penalty under 43 CFR 3163.2(b) for a major violation	\$5,000	\$5,314	\$10,314
43 CFR 3163.2(g)(1)	Maximum penalty under 43 CFR 3163.2(b) for a major violation	\$10,000	\$10,628	\$20,628
43 CFR 3163.2(g)(1)	Penalty under 43 CFR 3163.2(d) for a major violation	\$500	\$531	\$1,031
43 CFR 3163.2(g)(1)	Penalty under 43 CFR 3163.2(e) for a major violation	\$10,000	\$10,628	\$20,628
43 CFR 3163.2(g)(1)	Penalty under 43 CFR 3163.2(f) for a major violation	\$25,000	\$26,570	\$51,570
43 CFR 3163.2(g)(2)(iii)	Initial penalty under 43 CFR 3163.2(a) for a minor violation	\$50	\$53	\$103
43 CFR 3163.2(g)(2)(iii)	Initial penalty under 43 CFR 3163.2(b) for a minor violation	\$500	\$531	\$1,031
43 CFR 3163.2(g)(2)(iii)	Maximum penalty under 43 CFR 3163.2(a) for a minor violation	\$100	\$106	\$206
43 CFR 3163.2(g)(2)(iii)	Maximum penalty under 43 CFR 3163.2(b) for a minor violation	\$1,000	\$1,063	\$2,063

## II. Calculation of Adjustment

OMB issued guidance on calculating the catch-up adjustment in accordance with the Act. See February 24, 2016, Memorandum for the Heads of Executive Departments and Agencies, from Shaun Donovan, Director, Office of Management and Budget, re: *Implementation of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*. Under this guidance, the Department of the Interior has identified applicable civil monetary penalties and calculated the catch-up adjustment. A civil monetary penalty is any assessment with a dollar amount that is levied for a violation of a Federal civil statute or regulation, and is assessed or enforceable through a civil action in Federal court or an administrative proceeding. A civil

monetary penalty does not include a penalty levied for violation of a criminal statute, or fees for services, licenses, permits, or other regulatory review. The calculated catch-up adjustment is based on the percent change between the Consumer Price Index for all Urban Consumers (CPI-U) for the month of October in the year of the previous adjustment (or in the year of establishment, if no adjustment has been made) and the October 2015 CPI-U.

### **III. Procedural Requirements**

#### **A. Regulatory Planning and Review (E.O. 12866 and 13563)**

Executive Order 12866 provides that the Office of Information and Regulatory Affairs in the Office of Management and Budget will review all significant rules. The Office of Information and Regulatory Affairs has determined that this rule is not significant. Executive Order 13563 reaffirms the principles of E.O. 12866 while calling for improvements in the nation's regulatory system to promote predictability, to reduce uncertainty, and to use the best, most innovative, and least burdensome tools for achieving regulatory ends. The executive order directs agencies to consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public where these approaches are relevant, feasible, and consistent with regulatory objectives. E.O. 13563 emphasizes further that regulations must be based on the best available science, and that the rulemaking process must allow for public participation and an open exchange of ideas. We have developed this rule in a manner consistent with these requirements.

#### **B. Regulatory Flexibility Act**

The Regulatory Flexibility Act (RFA) requires an agency to prepare a regulatory flexibility analysis for rules unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. The RFA applies only to rules for

which an agency is required to first publish a proposed rule. See 5 U.S.C. 603(a) and 604(a).

The Act requires agencies to adjust civil penalties with an initial catch-up adjustment through an interim final rule. Since an interim final rule does not include first publishing a proposed rule, the RFA does not apply to this final rule.

### **C. Small Business Regulatory Enforcement Fairness Act**

This rule is not a major rule under 5 U.S.C. 804(2), the Small Business Regulatory Enforcement Fairness Act. This rule:

(a) Does not have an annual effect on the economy of \$100 million or more.

(b) Will not cause a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions.

(c) Does not have significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of U.S.-based enterprises to compete with foreign-based enterprises.

This rule will potentially affect individuals and companies who hold leases on Federal or Indian lands. The BLM believes that the vast majority of potentially affected entities will be small businesses as defined by the Small Business Administration. However, the BLM does not believe the rule will pose a significant economic impact on the industry, including any small entities, for two reasons. First, any lessee can avoid being assessed civil penalties by operating in compliance with BLM rules and regulations. Second, payments for penalties adjusted as a result of this rule will be negligible compared with the \$23 billion worth of crude oil and natural gas produced from Federal and Indian leases last year.

### **D. Unfunded Mandates Reform Act**

This rule does not impose an unfunded mandate on State, local, or tribal governments, or the private sector of more than \$100 million per year. The rule does not have a significant or unique effect on State, local, or tribal governments or the private sector. A statement containing the information required by the Unfunded Mandates Reform Act (2 U.S.C. 1531 *et seq.*) is not required.

**E. Takings (E.O. 12630)**

This rule does not effect a taking of private property or otherwise have takings implications under Executive Order 12630. A takings implication assessment is not required.

**F. Federalism (E.O. 13132)**

Under the criteria in section 1 of Executive Order 13132, this rule does not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement. A federalism summary impact statement is not required.

**G. Civil Justice Reform (E.O. 12988)**

This rule complies with the requirements of Executive Order 12988. Specifically, this rule:

(a) Meets the criteria of section 3(a) requiring that all regulations be reviewed to eliminate errors and ambiguity and be written to minimize litigation; and

(b) Meets the criteria of section 3(b)(2) requiring that all regulations be written in clear language and contain clear legal standards.

**H. Consultation with Indian Tribes (E.O. 13175 and Departmental policy)**

The Department of the Interior strives to strengthen its government-to-government relationship with Indian tribes through a commitment to consultation with Indian tribes and recognition of their right to self-governance and tribal sovereignty. We have evaluated this rule

under the Department's consultation policy and under the criteria in Executive Order 13175 and have determined that it has no substantial direct effects on federally recognized Indian tribes and that consultation under the Department's tribal consultation policy is not required.

#### **I. Paperwork Reduction Act**

This rule does not contain information collection requirements, and a submission to OMB under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) is not required. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid OMB control number.

#### **J. National Environmental Policy Act**

A detailed statement under the National Environmental Policy Act of 1969 (NEPA) is not required because the rule is covered by a categorical exclusion. This rule is excluded from the requirement to prepare a detailed statement because it is a regulation of an administrative nature. (For further information see 43 CFR 46.210(i).) We have also determined that the rule does not involve any of the extraordinary circumstances listed in 43 CFR 46.215 that would require further analysis under NEPA.

#### **K. Effects on the Energy Supply (E.O. 13211)**

This rule is not a significant energy action under the definition in Executive Order 13211. Therefore, a Statement of Energy Effects is not required.

#### **L. Clarity of this Regulation**

We are required by Executive Orders 12866 (section 1(b)(12)), 12988 (section 3(b)(1)(B)), and 13563 (section 1(a)), and by the Presidential Memorandum of June 1, 1998, to write all rules in plain language. This means that each rule we publish must:

- (a) Be logically organized;
- (b) Use the active voice to address readers directly;



- (c) Use common, everyday words and clear language rather than jargon;
- (d) Be divided into short sections and sentences; and
- (e) Use lists and tables wherever possible.

If you feel that we have not met these requirements, send us comments by one of the methods listed in the “ADDRESSES” section. To better help us revise the rule, your comments should be as specific as possible. For example, you should tell us the numbers of the sections or paragraphs that you find unclear, which sections or sentences are too long, the sections where you feel lists or tables would be useful.

#### **M. Administrative Procedure Act**

The Act requires agencies to publish interim final rules by July 1, 2016, with an effective date for the adjusted penalties no later than August 1, 2016. To comply with the Act, we are issuing these regulations as an interim final rule and are requesting comments post-promulgation. Section 553(b) of the Administrative Procedure Act (APA) provides that, when an agency for good cause finds that “notice and public procedure...are impracticable, unnecessary, or contrary to the public interest,” the agency may issue a rule without providing notice and an opportunity for prior public comment.

The BLM is promulgating this rule as an interim final rule because the Act expressly directs us to do so by July 1, 2016. The BLM also finds that there is good cause to promulgate this rule without notice and public procedure for two reasons. First, it would not be possible to meet the deadlines imposed by the Act if the BLM were first to publish a proposed rule, allow the public sufficient time to submit comments, and analyze those comments, before publishing a final rule. Also, since the Act does not give the BLM any discretion to vary the amount of the adjustment for any given penalty to reflect any views or suggestions provided by commenters, it

would serve no purpose to provide an opportunity for pre-promulgation public comment on this rule. Thus, pre-promulgation notice and public comment is impracticable and unnecessary.

### **List of Subjects in 43 CFR Part 3160**

Administrative practice and procedure, Government contracts, Indians-lands, Mineral royalties, Oil and gas exploration, Penalties, Public lands-mineral resources, Reporting and recordkeeping requirements.

For the reasons given in the preamble, the BLM amends Chapter II of Title 43 of the Code of Federal Regulations as follows:

### **PART 3160 – ONSHORE OIL AND GAS OPERATIONS**

1. The authority citation for part 3160 is revised to read as follows:

**Authority:** 25 U.S.C. 396d and 2107; 30 U.S.C. 189, 306, 359, and 1751; 43 U.S.C. 1732(b), 1733, 1740; and Sec. 107, Pub. L. 114-74, 129 Stat. 599, unless otherwise noted.

### **Subpart 3163 – Noncompliance, Assessments, and Penalties**

#### **§ 3163.2 [Amended]**

2. In § 3163.2:

- a. In paragraph (a), remove “\$500” and add in its place “\$1,031”.
- b. In paragraph (b), remove “\$5,000” and add in its place “\$10,314”.
- c. In paragraph (d), remove “\$500” and add in its place “\$1,031”.
- d. In paragraph (e) introductory text, remove “\$10,000” and add in its place “\$20,628”.
- e. In paragraph (f) introductory text, remove “\$25,000” and add in its place “\$51,570”.
- f. In paragraph (g)(1), remove “\$500” each place that it occurs and add in its place “\$1,031”; remove “\$5,000” and add in its place “\$10,314”; remove “\$1,000” each place that it occurs and

add in its place “\$2,063”; remove “\$10,000” each place that it occurs and add in its place “\$20,628”; remove “\$25,000” and add in its place “\$51,570”.

g. In paragraph (g)(2)(iii), remove “\$50” and add in its place “\$103”; remove “\$500” and add in its place “\$1,031”; remove “\$100” and add in its place “\$206”; remove “\$1,000” and add in its place “\$2,063”.

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Land and Minerals Management

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