Supporting Statement for
30 CFR 206, Subpart B
Establishing Oil Value for Royalty Due on Indian Leases
(OMB Control Number 1010-0138)
(Expiration Date: April 30, 2003)

A. Justification

1. What circumstances make this collection of information necessary?

The Secretary of the U.S. Department of the Interior (DOI) is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands. The Secretary is required by various laws to manage mineral resources production on Federal and Indian lands, collect the royalties due, and distribute the funds in accordance with those laws. The Secretary also has an Indian Trust responsibility to manage Indian lands and seek advice and information from Indian beneficiaries. The Minerals Management Service (MMS) performs the royalty management functions and assists the Secretary in carrying out the DOI Indian trust responsibility.

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 (royalty) of the value received from production from the leased lands. The lease creates a business relationship between the lessor and the lessee. The lessee is required to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is similar to data reported to private and public mineral interest owners and is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information collected includes data necessary to assure the royalties are paid appropriately.

On December 20, 1995, Minerals Management Service (MMS) published an Advance Notice of Proposed Rulemaking (60 FR 65610) regarding valuation of oil from Federal and Indian leases. In the notice, we asked all interested parties to submit and/or comment on alternate methodologies for valuing oil production. Additionally, we asked for comments related to "significant quantities" in valuation determinations.

Although industry generally had no comments due to pending litigation on this issue, many States and Indian organizations generally believed the current system is outdated and a new system based on either the New York Mercantile Exchange (NYMEX) or spot prices would be more appropriate. In response to these concerns, we published a proposed rulemaking on February 12, 1998 (63 FR 7089, Attachment 1) revising the current Indian oil valuation regulations. This proposed rule "Establishing Oil Value for Royalty Due on Indian Leases", added more certainty to valuation of oil produced from Indian lands and eliminated any direct reliance on posted prices.

This proposed Indian Oil rule established a new form, “Indian Crude Oil Valuation Report” (Form MMS-4416) for collecting value and value differential data. In April 1998, the Office of Management and Budget (OMB) approved the use of this proposed Form MMS-4416 and assigned OMB Control Number 1010-0138.

In the February 12, 1998 (65 FR 7089) proposed rule, we identified an information collection requirement not previously addressed. In addition, we identified two new information collection requirements in the January 5, 2000 (65 FR 403, Attachment 2) supplementary proposed rule, not previously addressed.

We will also address additional information collections under the current Indian Oil Valuation Regulations at 30 CFR 206.

New Information Collections

These three new information collection requirements for 30 CFR are as follows:

Proposed Rule (63 FR 7089, February 12, 1998)

- 30 CFR § 206.54 allows lessees to ask MMS for valuation guidance. The lessee may develop and propose a valuation method to MMS. The lessee would submit all available data related to their proposal and any additional information MMS deems necessary. MMS would promptly review the proposal and provide the requested guidance.

Supplementary Proposed Rule (65 FR 403, January 5, 2000)

- 30 CFR § 206.52 explains how Indian lessees must determine the value of oil produced from Indian leases. For royalty purposes, the value of oil produced from leases subject to 30 CFR Section 206 Subpart B - - Indian Oil is the value calculated under this section with applicable adjustments determined under this subpart. The lessee must report to MMS the higher of either their gross proceeds for the sale of its oil under an arm=s-length contract or an applicable adjusted spot price. The lessee may be required to revise its initial report and remit additional consideration if the MMS-calculated major portion price is above the initially reported value.

- 30 CFR § 206.61(c)(3) states if an MMS-calculated differential under paragraph (c)(1)(ii) of this section does not apply to the lessee=s oil, either due to location or quality differences, the lessee must file a written request for MMS to calculate the differential. This request must demonstrate why the published differential does not adequately address the lessee=s specific circumstances. MMS will calculate the differential for the lessee as required under this proposed section.

MMS published a Federal Register notice on February 18, 2000 (65 FR 8442) soliciting comments on the additional information collection requirements (Attachment 3). We will review and carefully consider any comments received specific to these requirements, including any comments received from a public meeting which was held on February 8, 2000, in Denver, Colorado. We will summarize and address all comments in the final rule.

Additional Information Collections
In the current Indian Oil Valuation Regulations published on March 1, 1988, information collections were inadvertently overlooked. These additional information collections under the current rules covered primarily collections that would be necessary in rare and unusual circumstances where the standard valuation procedures in the Indian oil valuation rule may not be applicable.

2. How, by whom, and for what purpose will the information be used?

New Information Collections
The supplementary proposed rule at 30 CFR § 206.52 explains how lessees must determine the value of oil produced from Indian leases. Two oil valuation methods are available (gross proceeds under an arm's-length contract and the adjusted spot value), and lessees must determine the value of oil using the method yielding the highest value. MMS will calculate and publish the value under the third method (major portion value). If the third method yields a higher value than the first two methods, the lessee must adjust the value from their initial calculation.

MMS will use the reported information when the lessee initially submits the higher of either gross proceeds or the adjusted spot value. This information forms the basis for a major portion calculation that may require the lessee to adjust their value from their initial calculation.
The supplementary proposed rule at 30 CFR § 206.61(c)(3) allows lessees to provide MMS with a request to calculate a differential when the published differential does not adequately address the specific situation. The proposed rule at 30 CFR § 206.54 allows lessees to develop and propose a valuation method to MMS. The information submitted to MMS will be used to evaluate these circumstances and provide guidance where appropriate.

Additional Information Collections
The current regulations governing Indian oil at 30 CFR § 206.52(e)(2) require a lessee to inform MMS in writing if it determines oil value under the fourth or fifth valuation benchmark at 30 CFR § 206.52(c)(4) or (c)(5). The benchmarks are a prioritized system for determining value where production is not sold an under arm's-length contract.

The current regulations at 30 CFR § 206.52(g) allow a lessee to request a value determination from MMS and the lessee must propose a valuation methodology to MMS. The lessee must also submit all available data relevant to its proposal.

The current regulations at 30 CFR §§ 206.55(a)(2)(i) (arm's-length) and 206.55(b)(3)(i) (non-arm's-length) prohibit a lessee from taking an allowance for transporting a product that is not royalty bearing without requesting approval from MMS. MMS believes that the cost of transporting non-royalty-bearing substances should not be shared by the lessor except in very rare situations that require individual review and approval.

The current regulations at 30 CFR §§ 206.55(a)(2)(ii) and 206.55(b)(3)(ii) allow the lessee to submit an alternative cost allocation proposal based on the values of the products transported. In 30 CFR §§ 206.55(a)(2)(i) and 206.55(b)(3)(i), MMS requires lessees to allocate transportation costs to products based on the proportion of each product's volume to the total volume of all the products transported. In the rare situation where volume-based allocations are not appropriate, MMS believes it is advantageous to have the lessee submit an allocation proposal for review and approval.

The current regulations at 30 CFR § 206.55(a)(3) require lessees to propose an allocation procedure when an arm's-length transportation contract includes both gaseous and liquid products and the transportation costs attributable to each cannot be determined from the contract. In situations involving the transportation of both gaseous and liquid products, it is difficult for MMS to provide standard guidance on acceptable allocation methods because of the many different circumstances that exist. MMS believes it is advantageous to have the lessee submit an allocation proposal to MMS in these situations for review and approval.

The current regulations at 30 CFR § 206.55(b)(2)(iv) prohibit lessees from changing methods between depreciation and return on depreciable capital investment without requesting approval from MMS. These provisions are necessary to ensure that the Government will not bear the cost of capitalization for a transportation system more than once.

The current regulations at 30 CFR § 206.55(b)(2)(iv)(A) prohibit lessees from changing the deprecation method without MMS approval. To compute the depreciation, lessees must use either the straight-line depreciation method or a unit of production method.

The current regulations at 30 CFR § 206.55(b)(4) require lessees to propose a cost allocation procedure when a transportation contract is not arm's-length and it includes both gaseous and liquid products transported through the same system. In situations involving the transportation of both gaseous and liquid products, it is difficult for MMS to provide standard guidance on acceptable allocation methods because of the many different circumstances that exist. MMS believes it is advantageous to have the lessee submit an allocation proposal to MMS in these situations for review and approval.

The current regulations at 30 CFR § 206.55(b)(5) allow lessees to apply for an exception from computing their actual transportation costs using 30 CFR § 206.55(b)(1) through (b)(4) of this section. MMS will grant the exception only if the lessee has a tariff for the transportation system approved by the Federal Energy Regulatory Commission for Indian leases.

3. Does the collection involve the use of information technology, does it reduce the burden, and to what extent?

New Information Collections
MMS will provide an electronic version of Form MMS-4416 on our internet web site. Respondents may print this form, then complete and submit it to MMS. Our Government Paperwork Elimination Act Plan indicates that we will evaluate this form for full conversion at some future date if the rule is finalized as currently written.

Additional Information Collections
The use of improved information technology is not applicable for these information collections. The requested information is, for the most part, completed to fulfill specific requirements in our Indian oil valuation regulations. Because most of the information collections in this request apply to exceptions to standard procedures, they are relatively few, infrequent, and non-standard and, therefore, not conducive to electronic submission.

4. Is the information duplicated by any other Federal agency, and can similar information be used or modified for this collection?

New Information Collections
The information is unique and specific to properly valuing oil from Indian leases for royalty purposes. There is no other source of this information available nor is there any other Government agency currently collecting similar information for other purposes to serve our needs.

Additional Information Collections
The use of the remaining information collection is unique to our mission, and no other adequate information is available to determine royalties.

5. What is the agency doing to minimize the burden on small businesses or other small entities?

The collection of information will impact individual lessees as well as purchasers who are not lessees. This includes both small businesses as well as the largest of corporations. Currently, there are no special provisions to provide relief for small businesses. However, MMS has carefully analyzed its proposed requirements to ensure the information requested is the minimum necessary and places the least possible burden on industry.

6. What are the consequences to the Federal program or policy activity if the information is not collected or is collected less frequently; and are there any technical or legal obstacles to reducing the burden?

The information requested from the companies provides for the proper valuation of oil from Indian lands. If the information is not collected, it may result in a loss of royalties for Indian tribes and allottees.

Also, if the request for an MMS-calculated location/quality differential or valuation guidance is not filed with us, we would not be aware of the issue and, therefore, unable to resolve it. This, too, could result in a loss of royalties for tribes and allottees.

7. Are there any special circumstances that require exceptions to 5 CFR 1320.5(d)(2) requiring respondents to: (i) report more often than quarterly, (ii) prepare written responses in fewer than 30 days after receipt, (iii) submit more than an original and two copies of any document, or (iv) retain records for more than 3 years?

This information collection operates under several circumstances requiring inconsistent reporting with guidelines of 5 CFR § 1320.5 as follows:

a. This supplementary proposed rulemaking contains provisions for proper valuation of Indian oil. Companies would calculate oil value under 30 CFR § 206.52. Calculations are performed monthly to coincide with monthly royalty reporting.

b. Respondents are required by 30 CFR § 212.50 to maintain records for 6 years, or for longer periods if notified in writing. When an audit or investigation is underway, records must be maintained until released by written notice.

c. Some commercial information submitted by operators to MMS about Indian lease activity might be proprietary. MMS procedures provide strict security measures to control the use, storage, and access to such information.

There are no special circumstances with respect to 5 CFR § 1320.5(d)(2)(v) through (viii), as the collection is not a statistical survey and does not use statistical data classifications; nor does it include a pledge of confidentiality not supported by statute or regulation or require proprietary, trade secret, or other confidential information not protected by agency procedures.

8. What efforts did the agency make to consult with the public and a representative sample of respondents?

As required in 5 CFR § 1320.8(d), MMS published a 60-day review and comment notice on February 18, 2000, (65 FR 8442) in the Federal Register (Attachment 3).

On January 5, 2000, MMS published a supplementary proposed rule. The intent of the proposed rule is to add more certainty to the valuation of oil produced from Indian lands, eliminate reliance on oil posted prices, and assure we address the unique terms of Indian leases -- specifically, the "major portion" provision. This provision states that value is the highest price paid or offered at the time of production for the major portion of oil production from the same field. The public has an opportunity to comment on the information collection requirements contained in this proposed rule.

MMS is also publishing another Federal Register Notice to solicit public comments on additional information collection requirements not originally identified in the January 5, 2000, supplementary proposed rule and the February 12, 1998, proposed rule.

MMS also held a public meeting on February 8, 2000, with representatives from industry and Indian tribes to obtain additional comments on the supplementary proposed rule.

We will review and carefully consider any comments received specific to these new collections, including any comments received in the public meeting. We will summarize and address all such comments in the final rule.

9. Will payment or gifts be provided to respondents?

No payments or gifts will be provided to the respondents.

10. What assurance of confidentiality is provided to respondents?

Commercial or financial information submitted to DOI relative to minerals removed from Federal and Indian leases may be proprietary. Trade secrets and proprietary information are protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982, as amended (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and Department regulations (43 § CFR 2). The Indian Minerals Development Act of 1982 (25 U.S.C. 2103) provides for all information related to any Indian minerals agreement covered by the Act in the possession of the Department shall be held as privileged proprietary information. Storage of such information and access to it is controlled by strict security measures.

11. Does the information collected include any questions of a sensitive nature?

None of the information requested is considered sensitive.

12. What is the estimated reporting and recordkeeping hour burden of the information collection?

New Information Collections

For the new information collections under the proposed and supplementary proposed rules, we estimate the total cost to respondents is $334,000. We estimate there are approximately 225 respondents. We estimate the annual proposed burden is 6,680 hours at an hourly rate of $50. However, the frequency of response varies within three unique areas duscussed under a through c below.

Estimates associated with the three unique areas are shown below.

a. Determine the value of oil produced from Indian leases.

We estimate the cost to respondents is $270,000. This estimate is based on 5400 burden hours at an hourly rate of $50. There are no additional record keeping costs associated with this information collection. See the following chart for a breakdown of the burden estimate by CFR section and paragraph.

30 CFR Section Subpart B	Reporting Requirement	Burden Hours per Response	Annual Number of Responses	Annual Burden Hours
206.52	Calculate value based on method yielding the highest value.	2	2700	5400
		Total	**2700**	**5400**

The provisions of the proposed rule require the lessee to report the greater of either their gross proceeds under an arm=s-length contract or the appropriate adjusted spot price. This calculation will be performed monthly.

A lessee will compare their arm=s-length gross proceeds against the average of the daily high spot values in an approved publication adjusted for transportation and quality. While some lessees will spend some considerable amount of time sifting through multiple sales contracts, others will have only one contract to examine. On average, we estimate this procedure will take a lessee approximately 2 hours each month. This calculation over the 225 payors each month amounts to a monthly burden of 450 hours and an annual burden of 5,400 hours, including record keeping. Using an estimate of $50 per hour, this amounts to an annual burden for respondents of $270,000.

b. Request an MMS-calculated location/quality differential.

We estimate the cost to respondents is $24,000. This estimate is based on 480 burden hours at an hourly rate of $50. There are no additional record keeping costs associated with this information collection.

See the following chart for a breakdown of the burden estimate by CFR section and paragraph.

30 CFR Section Subpart B	Reporting Requirement	Burden Hours per Response	Annual Number of Responses	Annual Burden Hours
206.61 (c) (3)	Request MMS to calculate a differential adequately addressing unique circumstances	40	12	480
	Total		**12**	**480**

The supplementary proposed rule allows the lessee to request an MMS-calculated location/quality differential if the published differential does not adequately reflect the Indian lessee=s circumstances. Such a request would have to:

1. Be in writing; and
2. Demonstrate why the published differential does not adequately reflect the lessee=s circumstance.

For the reporting requirements requesting an MMS-calculated location/quality differential, we estimate there will be 12 respondents annually. We estimate the burden is 480 hours, including record keeping. Based on a per-hour cost of $50, we estimate the cost to respondents is $24, 000.

c. Request MMS-calculated valuation guidance.

We estimate the cost to respondents is $40,000. This estimate is based on 800 burden hours at a rate of $50. There are no additional record keeping costs associated with this information collection.

See the following chart for a breakdown of the burden estimate by CFR section and paragraph.

30 CFR Section Subpart B	Reporting Requirement	Burden Hours per Response	Annual Number of Responses	Annual Burden Hours
206.54	Request an individual valuation determination from MMS.	400	2	800
	Total		**2**	**800**

Similar to the request outlined above, the request for valuation guidance must

1. Be in writing; and
2. Demonstrate why the published valuation methodologies do not adequately address the lessee=s circumstance.

In order to estimate the impact of this provision, we anticipate a lessee will undertake the following three steps in the formulation of specifics surrounding a request for valuation guidance.

1. Formulation of valuation methodology:		100 hours
2. Evaluation of methodology; this includes internal economic and legal reviews:		250 hours
3. Presentation to MMS:		50 hours
	Total	400 hours

For the reporting requirements in requesting valuation guidance from MMS, we estimate there will be 2 respondents annually for a total of 800 burden hours at an hourly rate of $50 for a total cost of $40,000.

Additional Information Collections

For the additional information collections under the current Indian oil valuation regulations, we estimate the total cost to respondents is $15,000. There are over 470 lessees paying royalties on approximately 3,400 tribal and allotted Indian leases. We estimate there are approximately 11 respondents. On the average, we estimate that the additional information collection to be approximately 27 hous per respondent. We estimate the annual proposed burden is 300 hours at an hourly rate of $50. However, the frequency of response varies within two unique areas:

a) Valuation standards,
b) Transportation allowances..

a) Valuation Standards

Use of the fourth of fifth valuation benchmark
30 CFR § 206.52(e)(2)

The estimated annual reporting burden for this information collection is 20 hours. At an hourly rate of $50, the total estimated cost to respondents is $1,000. We estimate that one lessee will submit a notification and that 20 hours are required to complete and submit the letter. There are no additional record keeping costs associated with this information collection.

Lessees must inform MMS in writing if they determine oil value under the fourth or fifth valuation benchmark at 30 CFR § 206.52(c)4 or (c)5.

Requests for Approval of Valuation Methodology
30 CFR § 206.52(g)

The estimated annual reporting burden for this information collection is 40 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $2,000. We estimate that one lessee will submit a request and that 40 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

Lessees may request a value determination from MMS and may propose an alternative valuation methodology to MMS.

b) Transportation Allowances

30 CFR §§ 206.55(a)(2)(i) (arm's-length) and 206.55(b)(3)(i) (non-arm's-length)
The estimated annual reporting burden for this information collection is 40 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $2,000 for arm's-length and non-arm's-length situations. We estimate that one lessee will submit a request (one request per section under the regulations at 30 CFR §§ 206.55(a)(2)(i) and 206.55(b)(3)(i)) and that 40 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

Lessees may not claim an allowance for transporting a product that is not royalty bearing without MMS approval.

30 CFR §§ 206.55(a)(2)(ii) (arm's-length) and 206.55(b)(3)(ii) (non-arm's-length)
The estimated annual reporting burden for this information collection is 20 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $1,000 for arm's-length and non-arm's-length situations. We estimate that one lessee will submit a proposal (one proposal per section under the regulations at 30 CFR §§ 206.55(a)(2)(ii) and 206.55(b)(3)(ii)) and that 20 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

If the transportation contract is for transporting more than one liquid product, lessees may propose an alternative cost allocation method based on the values of the products transported.

30 CFR § 206.55(a)(3)
The estimated annual reporting burden for this information collection is 40 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $2,000. We estimate that one lessee will submit a proposal and that 40 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

If the lessees arm's-length transportation contract is for transporting both gaseous and liquid products, and the transportation costs attributable to each product can't be determined from the contract, the lessee must propose an alternative cost allocation procedure to MMS.
30 CFR § 206.55(b)(2)(iv)

The estimated annual reporting burden for this information collection is 20 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $1,000. We estimate that one lessee will submit a request and that 20 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

To determine actual transportation costs under a non-arm's-length transportation contract, lessees must elect to use one of two methods to determine the costs of the transportation system (depreciation with a return on undepreciated capital investment or a return on depreciable capital investment). Lessees may not later elect to change to the other alternative without MMS approval.

30 CFR § 206.55(b)(2)(iv)(A)
The estimated annual reporting burden for this information collection is 20 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $1,000. We estimate that one lessee will submit a request to change methods and that 20 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

To compute the depreciation, lessees must use either the straight-line method or a unit of production method and they may not change methods without MMS approval.

30 CFR § 206.55(b)(4)
The estimated annual reporting burden for this information collection is 20 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $1,000. We estimate that one lessee will submit a request to change methods and that 20 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

Indian lessees must propose a cost allocation procedure when a transportation contract is not arm's-length and it includes both gaseous and liquid products transported through the same system.

30 CFR § 206.55(b)(5)
The estimated annual reporting burden for this information collection is 20 hours including gathering pertinent data for submission to MMS. At an hourly rate of $50, the total estimated cost to respondents is $1,000. We estimate that one lessee will submit a request to change methods and that 20 hours are required to complete and submit the request. There are no additional record keeping costs associated with this information collection.

Lessees may apply for an exception from computing their actual transportation costs using 30 CFR § 206.55(b)(1) through (b)(4).

Section	Reporting or Record Keeping Requirement	Burden Hours Per Response	Annual Number of Responses	Annual Burden Hours
	Valuation Standards			
§ 206.52(e)(2)	A lessee shall notify MMS if it has determined value under paragraph (c)(4) or (c)(5) of this section. . . The letter shall identify the valuation method to be used and contain a brief description of the procedure to be followed.	20	1	20
§ 206.52(g)	The lessee may request a value determination from MMS...The lessee shall submit all available data relevant to its proposal.	40	1	40
	Transportation Allowances			
§ 206.55 (a)(2)(i)	Except as provided in this paragraph, no allowance may be taken for the costs of transporting lease production which is not royalty bearing without MMS approval.	40	1	40
§ 206.55 (a)(2)(ii)	Notwithstanding the requirements of paragraph (i), the lessee may propose to MMS a cost allocation method on the basis of the values of the products transported.	20	1	20
§ 206.55 (a)(3)	If an 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, the lessee shall propose an allocation procedure to MMS. The lessee shall submit all available data to support its proposal.	40	1	40
§ 206.55 (b)(2)(iv)	After a lessee has elected to use either method for a transportation system, the lessee may not later elect to change to the other alternative without approval of MMS.	20	1	20
§ 206.55 (b)(2)(iv)(A)	After an election is made, the lessee may not change methods without MMS approval.	20	1	20
§ 206.55 (b)(3)(i)	Except as provided in this paragraph, the lessee may not take an allowance for transporting lease production which is not royalty bearing without MMS approval.	40	1	40
§ 206.55 (b)(3)(ii)	Notwithstanding the requirements of paragraph (i), the lessee may propose to MMS a cost allocation method on the basis of the values of the products transported.	20	1	20
§ 206.55 (b)(4)	Where both gaseous and liquid products are transported through the same transportation system, the lessee shall propose a cost allocation procedure to MMS. The lessee shall submit all available data to support its proposal.	20	1	20
§ 206.55 (b)(5)	A lessee may apply to MMS for an exception from the requirement that it compute actual costs in accordance with paragraphs (b)(1) through (b)(4) of this section.	20	1	20
	Total	300	11	300

Note: 30 CFR § 206.53 references an area exempt from the Paperwork Reduction Act of 1995 requirements. This section requires a lessee to make available sales and volume data for production sold, purchased, or obtained from the designated area or from nearby fields or areas. This includes sales and volume data from fee and State leases within the designated area or from nearby fields or areas. This data must be made available to the authorized MMS or Indian representatives, the Office of the Inspector General of the Department of the Interior, or other persons authorized to receive such information.

13. What is the estimated reporting and record keeping "non-hour" cost burden of the collection of this information, excluding any costs identified in Items 12 and 14?

We have identified no reporting or record keeping "non-hour" cost burdens for this collection of information.

14. What is the estimated annualized cost to the Federal Government?

<u>New Information Collections</u>
For the new information collections under the proposed and supplementary proposed rule, the total annualized cost to the Federal Government is approximately $64,000. Cost is detailed as follows:

a. Determine the value of oil produced from Indian leases.

MMS would incur minimal additional expense in this area. Much of the work necessary to verify industry calculations would be done in the course of normal audit. MMS expects minimal increase in audit workload or verification.

b. Request an MMS-calculated location/quality differential (480 burden hours at $50/hour), and
c. Request MMS-calculated valuation guidance (800 burden hours at $50/hour).

The cost is estimated at $64,000. MMS expects to incur a burden similar to industry's because it is likely a similar formulation and evaluation will be needed to ensure the proposed location/quality differential or proposed valuation method is acceptable. Much of the same economic analysis and legal review is necessary on the Federal Government's part. Additionally, any further dialog should result in equal effort and burden for both parties. See number 12 above for further detail.

<u>Additional Information Collections</u>
For the additional information collections under the current Indian oil regulations, the total annualized cost to the Federal Government is approximately $13,400. Cost is detailed as follows:

Use of the fourth of fifth valuation benchmark
30 CFR § 206.52(e)(2)

We estimate that one lessee will submit a request and that our analysis of the request will take 20 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $1,000. There are no additional record keeping costs associated with this information collection.

Requests for Approval of Valuation Methodology
30 CFR § 206.52(g)

We estimate that one lessee will submit a formal written request for a valuation determination and that our analysis of the request will take 40 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $2,000. There are no additional record keeping costs associated with this information collection.

Transportation Allowances

30 CFR §§ 206.55(a)(2)(i) (arm's-length) and 206.55(b)(3)(i) (non-arm's-length)
We estimate that we will receive two requests (one request per section of the regulations under 30 CFR §§ 206.55(a)(2)(ii) and 206.55(b)(3)(ii)) to claim an allowance for transporting a product that is not royalty bearing. To analyze and respond to the requests will take 8 hours each. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $800. There are no additional record keeping costs associated with this information collection.

30 CFR §§ 206.55(a)(2)(ii) and 206.55(b)(3)(ii)
We estimate that we will receive two proposals (one each) to use an alternative cost allocation method based on the values of the products transported in lieu of the procedures at 30 CFR §§ 206.55(a)(2)(i) or 206.55(b)(3)(i). Lessees are required to submit all relevant data. To analyze the alternative cost allocation method will take 20 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $2,000. There are no additional record keeping costs associated with this information collection.

30 CFR § 206.55(a)(3)
We estimate that one lessee will submit a request for an alternative allocation method and that our analysis of the request will take 40 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $2,000. There are no additional record keeping costs associated with this information collection.

30 CFR § 206.55(b)(2)(iv)

We estimate that we will receive one request to change from one of the two depreciation methods (depreciation with a return on undepreciated capital investment or a return on depreciable capital investment). To analyze and respond to the request will take 16 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $800. There are no additional record keeping costs associated with this information collection.

30 CFR § 206.55(b)(2)(iv)(A)
We estimate that we will receive one request to change from one of the two methods to compute depreciation (straight-line method or a unit of production method). To analyze and respond to the request will take 16 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $800. There are no additional record keeping costs associated with this information collection.

30 CFR § 206.55(b)(4)
We estimate that one lessee will submit a request for an alternative allocation method for non-arm's-length transportation situations and that our analysis of the request will take 40 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $2,000. There are no additional record keeping costs associated with this information collection.

30 CFR § 206.55(b)(5)
We estimate that one lessee will submit a request for an exception from computing their actual transportation costs using 30 CFR §§ 206.55(b)(1) through (b)(4) and that our analysis of the request will take 40 hours. Using a cost of $50 per hour, we estimate that the annualized cost to the Federal Government is $2,000. There are no additional record keeping costs associated with this information collection.

A detailed chart of the costs to the Federal Government of the additional information collections is below:

Section	**Reporting or Record Keeping Requirement**	**MMS Processing Time/Request**	**Annual Number of Requests**	**Total MMS Processing Time**
	Valuation Standards			
§ 206.52 (e)(2)	A lessee shall notify MMS if it has determined value under paragraph (c)(4) or (c)(5) of this section. . . The letter shall identify the valuation method to be used and contain a brief description of the procedure to be followed.	20	1	20
§ 206.52(g)	The lessee may request a value determination from MMS...The lessee shall submit all available data relevant to its proposal.	40	1	40
	Transportation Allowances			

Section	Reporting or Record Keeping Requirement	MMS Processing Time/Request	Annual Number of Requests	Total MMS Processing Time
§ 206.55 (a)(2)(i)	Except as provided in this paragraph, no allowance may be taken for the costs of transporting lease production which is not royalty bearing without MMS approval.	8	1	8
§ 206.55 (a)(2)(ii)	Notwithstanding the requirements of paragraph (i), the lessee may propose to MMS a cost allocation method on the basis of the values of the products transported.	20	1	20
§ 206.55(a)(3)	If an 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, the lessee shall propose an allocation procedure to MMS. The lessee shall submit all available data to support its proposal.	40	1	40
§ 206.55 (b)(2)(iv)	After a lessee has elected to use either method for a transportation system, the lessee may not later elect to change to the other alternative without approval of MMS.	16	1	16
§ 206.55 (b)(2)(iv)(A)	After an election is made, the lessee may not change methods without MMS approval.	16	1	16
§ 206.55 (b)(3)(i)	Except as provided in this paragraph, the lessee may not take an allowance for transporting lease production which is not royalty bearing without MMS approval.	8	1	8
§ 206.55 (b)(3)(ii)	Notwithstanding the requirements of paragraph (i), the lessee may propose to MMS a cost allocation method on the basis of the values of the products transported.	20	1	20
§ 206.55(b)(4)	Where both gaseous and liquid products are transported through the same transportation system, the lessee shall propose a cost allocation procedure to MMS. The lessee shall submit all available data to support its proposal.	40	1	40
§ 206.55(b)(5)	A lessee may apply to MMS for an exception from the requirement that it compute actual costs in accordance with paragraphs (b)(1) through (b)(4) of this section.	40	1	40
	Total	268	11	268

15. Is the agency requesting any program changes or adjustments reported in Items 13 and 14 of the Form OMB 83-I?

The current OMB inventory is adjusted upwards 6,680 annual burden hours as a result of a program change regarding this supplementary proposed rulemaking.

16. Are there plans for tabulation and publication of the results of the information collection?

The data collected will not be tabulated and published for statistical use.

17. Is the agency seeking approval to not display the OMB expiration date?

No. We will display the expiration date of the OMB approval.

18. Is the agency requesting exceptions to the certification statement in Item 19 of Form OMB 83-I?

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

B. Collections of Information Employing Statistical Methods

This section is not applicable. We will not employ statistical methods in this information collection.