

104TH CONGRESS
2^D SESSION

H. R. 1975

AN ACT

To improve the management of royalties from Federal and Outer Continental Shelf oil and gas leases, and for other purposes.

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To improve the management of royalties from Federal and Outer Continental Shelf oil and gas leases, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Federal Oil and Gas
3 Royalty Simplification and Fairness Act of 1996”.

4 **SEC. 2. DEFINITIONS.**

5 Section 3 of the Federal Oil and Gas Royalty Man-
6 agement Act of 1982 (30 U.S.C. 1701 et seq.) is amend-
7 ed—

8 (1) by amending paragraph (7) to read as fol-
9 lows:

10 “(7) ‘lessee’ means any person to whom the
11 United States issues an oil and gas lease or any per-
12 son to whom operating rights in a lease have been
13 assigned;” and

14 (2) by striking “and” at the end of paragraph
15 (15), by striking the period at the end of paragraph
16 (16) and inserting a semicolon, and by adding at the
17 end the following:

18 “(17) ‘adjustment’ means an amendment to a
19 previously filed report on an obligation, and any ad-
20 ditional payment or credit, if any, applicable thereto,
21 to rectify an underpayment or overpayment on an
22 obligation;

23 “(18) ‘administrative proceeding’ means any
24 Department of the Interior agency process in which
25 a demand, decision or order issued by the Secretary

1 or a delegated State is subject to appeal or has been
2 appealed;

3 “(19) ‘assessment’ means any fee or charge lev-
4 ied or imposed by the Secretary or a delegated State
5 other than—

6 “(A) the principal amount of any royalty,
7 minimum royalty, rental bonus, net profit share
8 or proceed of sale;

9 “(B) any interest; or

10 “(C) any civil or criminal penalty;

11 “(20) ‘commence’ means—

12 “(A) with respect to a judicial proceeding,
13 the service of a complaint, petition, counter-
14 claim, cross claim, or other pleading seeking af-
15 firmative relief or seeking credit or recoupment:
16 *Provided*, That if the Secretary commences a
17 judicial proceeding against a designee, the Sec-
18 retary shall give notice of that commencement
19 to the lessee who designated the designee, but
20 the Secretary is not required to give notice to
21 other lessees who may be liable pursuant to sec-
22 tion 102(a) of this Act, for the obligation that
23 is the subject of the judicial proceeding; or

24 “(B) with respect to a demand, the receipt
25 by the Secretary or a delegated State or a les-

1 see or its designee (with written notice to the
2 lessee who designated the designee) of the de-
3 mand;

4 “(21) ‘credit’ means the application of an over-
5 payment (in whole or in part) against an obligation
6 which has become due to discharge, cancel or reduce
7 the obligation;

8 “(22) ‘delegated State’ means a State which,
9 pursuant to an agreement or agreements under sec-
10 tion 205 of this Act, performs authorities, duties, re-
11 sponsibilities, or activities of the Secretary;

12 “(23) ‘demand’ means—

13 “(A) an order to pay issued by the Sec-
14 retary or the applicable delegated State to a les-
15 see or its designee (with written notice to the
16 lessee who designated the designee) that has a
17 reasonable basis to conclude that the obligation
18 in the amount of the demand is due and owing;
19 or

20 “(B) a separate written request by a lessee
21 or its designee which asserts an obligation due
22 the lessee or its designee that provides a rea-
23 sonable basis to conclude that the obligation in
24 the amount of the demand is due and owing,
25 but does not mean any royalty or production re-

1 port, or any information contained therein, re-
2 quired by the Secretary or a delegated State;

3 “(24) ‘designee’ means the person designated
4 by a lessee pursuant to section 102(a) of this Act,
5 with such written designation effective on the date
6 such designation is received by the Secretary and re-
7 maining in effect until the Secretary receives notice
8 in writing that the designation is modified or termi-
9 nated;

10 “(25) ‘obligation’ means—

11 “(A) any duty of the Secretary or, if appli-
12 cable, a delegated State—

13 “(i) to take oil or gas royalty in kind;

14 or

15 “(ii) to pay, refund, offset, or credit
16 monies including (but not limited to)—

17 “(I) the principal amount of any
18 royalty, minimum royalty, rental,
19 bonus, net profit share or proceed of
20 sale; or

21 “(II) any interest; and

22 “(B) any duty of a lessee or its designee
23 (subject to the provision of section 102(a) of
24 this Act)—

1 “(i) to deliver oil or gas royalty in
2 kind; or

3 “(ii) to pay, offset or credit monies in-
4 cluding (but not limited to)—

5 “(I) the principal amount of any
6 royalty, minimum royalty, rental,
7 bonus, net profit share or proceed of
8 sale;

9 “(II) any interest;

10 “(III) any penalty; or

11 “(IV) any assessment,

12 which arises from or relates to any lease
13 administered by the Secretary for, or any
14 mineral leasing law related to, the explo-
15 ration, production and development of oil
16 or gas on Federal lands or the Outer Con-
17 tinental Shelf;

18 “(26) ‘order to pay’ means a written order is-
19 sued by the Secretary or the applicable delegated
20 State to a lessee or its designee (with notice to the
21 lessee who designated the designee) which—

22 “(A) asserts a specific, definite, and quan-
23 tified obligation claimed to be due, and

24 “(B) specifically identifies the obligation by
25 lease, production month and monetary amount

1 of such obligation claimed to be due and or-
2 dered to be paid, as well as the reason or rea-
3 sons such obligation is claimed to be due, but
4 such term does not include any other commu-
5 nication or action by or on behalf of the Sec-
6 retary or a delegated State;

7 “(27) ‘overpayment’ means any payment by a
8 lessee or its designee in excess of an amount legally
9 required to be paid on an obligation and includes the
10 portion of any estimated payment for a production
11 month that is in excess of the royalties due for that
12 month;

13 “(28) ‘payment’ means satisfaction, in whole or
14 in part, of an obligation;

15 “(29) ‘penalty’ means a statutorily authorized
16 civil fine levied or imposed for a violation of this Act,
17 any mineral leasing law, or a term or provision of
18 a lease administered by the Secretary;

19 “(30) ‘refund’ means the return of an overpay-
20 ment;

21 “(31) ‘State concerned’ means, with respect to
22 a lease, a State which receives a portion of royalties
23 or other payments under the mineral leasing laws
24 from such lease;

1 “(32) ‘underpayment’ means any payment or
2 nonpayment by a lessee or its designee that is less
3 than the amount legally required to be paid on an
4 obligation; and

5 “(33) ‘United States’ means the United States
6 Government and any department, agency, or instru-
7 mentality thereof, the several States, the District of
8 Columbia, and the territories of the United States.”.

9 **SEC. 3. DELEGATION OF ROYALTY COLLECTIONS AND RE-**
10 **LATED ACTIVITIES.**

11 (a) GENERAL AUTHORITY.—Section 205 of the Fed-
12 eral Oil and Gas Royalty Management Act of 1982 (30
13 U.S.C. 1735) is amended to read as follows:

14 **“SEC. 205. DELEGATION OF ROYALTY COLLECTIONS AND**
15 **RELATED ACTIVITIES.**

16 “(a) Upon written request of any State, the
17 Secretary is authorized to delegate, in accordance
18 with the provisions of this section, all or part of the
19 authorities and responsibilities of the Secretary
20 under this Act to:

21 “(1) conduct inspections, audits, and investiga-
22 tions;

23 “(2) receive and process production and finan-
24 cial reports;

25 “(3) correct erroneous report data;

1 “(4) perform automated verification; and

2 “(5) issue demands, subpoenas, and orders to
3 perform restructured accounting, for royalty man-
4 agement enforcement purposes,
5 to any State with respect to all Federal land within the
6 State.

7 “(b) After notice and opportunity for a hearing, the
8 Secretary is authorized to delegate such authorities and
9 responsibilities granted under this section as the State has
10 requested, if the Secretary finds that—

11 “(1) it is likely that the State will provide ade-
12 quate resources to achieve the purposes of this Act;

13 “(2) the State has demonstrated that it will ef-
14 fectively and faithfully administer the rules and reg-
15 ulations of the Secretary under this Act in accord-
16 ance with the requirements of subsections (c) and
17 (d) of this section;

18 “(3) such delegation will not create an unrea-
19 sonable burden on any lessee;

20 “(4) the State agrees to adopt standardized re-
21 porting procedures prescribed by the Secretary for
22 royalty and production accounting purposes, unless
23 the State and all affected parties (including the Sec-
24 retary) otherwise agree;

1 “(5) the State agrees to follow and adhere to
2 regulations and guidelines issued by the Secretary
3 pursuant to the mineral leasing laws regarding valu-
4 ation of production; and

5 “(6) where necessary for a State to have au-
6 thority to carry out and enforce a delegated activity,
7 the State agrees to enact such laws and promulgate
8 such regulations as are consistent with relevant Fed-
9 eral laws and regulations
10 with respect to the Federal lands within the State.

11 “(c) After notice and opportunity for hearing, the
12 Secretary shall issue a ruling as to the consistency of a
13 State’s proposal with the provisions of this section and
14 regulations under subsection (d) within 90 days after sub-
15 mission of such proposal. In any unfavorable ruling, the
16 Secretary shall set forth the reasons therefor and state
17 whether the Secretary will agree to delegate to the State
18 if the State meets the conditions set forth in such ruling.

19 “(d) After consultation with State authorities, the
20 Secretary shall by rule promulgate, within 12 months after
21 the date of enactment of this section, standards and regu-
22 lations pertaining to the authorities and responsibilities to
23 be delegated under subsection (a), including standards
24 and regulations pertaining to—

25 “(1) audits to be performed;

1 “(2) records and accounts to be maintained;

2 “(3) reporting procedures to be required by
3 States under this section;

4 “(4) receipt and processing of production and
5 financial reports;

6 “(5) correction of erroneous report data;

7 “(6) performance of automated verification;

8 “(7) issuance of standards and guidelines in
9 order to avoid duplication of effort;

10 “(8) transmission of report data to the Sec-
11 retary; and

12 “(9) issuance of demands, subpoenas, and or-
13 ders to perform restructured accounting, for royalty
14 management enforcement purposes.

15 Such standards and regulations shall be designed to pro-
16 vide reasonable assurance that a uniform and effective
17 royalty management system will prevail among the States.

18 The records and accounts under paragraph (2) shall be
19 sufficient to allow the Secretary to monitor the perform-
20 ance of any State under this section.

21 “(e) If, after notice and opportunity for a hearing,
22 the Secretary finds that any State to which any authority
23 or responsibility of the Secretary has been delegated under
24 this section is in violation of any requirement of this sec-
25 tion or any rule thereunder, or that an affirmative finding

1 by the Secretary under subsection (b) can no longer be
2 made, the Secretary may revoke such delegation. If, after
3 providing written notice to a delegated State and a reason-
4 able opportunity to take corrective action requested by the
5 Secretary, the Secretary determines that the State has
6 failed to issue a demand or order to a Federal lessee with-
7 in the State, that such failure may result in an underpay-
8 ment of an obligation due the United States by such les-
9 see, and that such underpayment may be uncollected with-
10 out Secretarial intervention, the Secretary may issue such
11 demand or order in accordance with the provisions of this
12 Act prior to or absent the withdrawal of delegated author-
13 ity.

14 “(f) Subject to appropriations, the Secretary shall
15 compensate any State for those costs which may be nec-
16 essary to carry out the delegated activities under this Sec-
17 tion. Payment shall be made no less than every quarter
18 during the fiscal year. Compensation to a State may not
19 exceed the Secretary’s reasonably anticipated expenditure
20 for performance of such delegated activities by the Sec-
21 retary. Such costs shall be allocable for the purposes of
22 section 35(b) of the Act entitled ‘An act to promote the
23 mining of coal, phosphate, oil, oil shale, gas and sodium
24 on the public domain’, approved February 25, 1920 (com-
25 monly known as the Mineral Leasing Act) (30 U.S.C. 191

1 (b)) to the administration and enforcement of laws provid-
2 ing for the leasing of any onshore lands or interests in
3 land owned by the United States. Any further allocation
4 of costs under section 35(b) made by the Secretary for
5 oil and gas activities, other than those costs to compensate
6 States for delegated activities under this Act, shall be only
7 those costs associated with onshore oil and gas activities
8 and may not include any duplication of costs allocated
9 pursuant to the previous sentence. Nothing in this section
10 affects the Secretary's authority to make allocations under
11 section 35(b) for non-oil and gas mineral activities. All
12 moneys received from sales, bonuses, rentals, royalties, as-
13 sessments and interest, including money claimed to be due
14 and owing pursuant to a delegation under this section,
15 shall be payable and paid to the Treasury of the United
16 States.

17 “(g) Any action of the Secretary to approve or dis-
18 approve a proposal submitted by a State under this section
19 shall be subject to judicial review in the United States dis-
20 trict court which includes the capital of the State submit-
21 ting the proposal.

22 “(h) Any State operating pursuant to a delegation
23 existing on the date of enactment of this Act may continue
24 to operate under the terms and conditions of the delega-

1 tion, except to the extent that a revision of the existing
2 agreement is adopted pursuant to this section.”.

3 (b) CLERICAL AMENDMENT.—The item relating to
4 section 205 in the table of contents in section 1 of the
5 Federal Oil and Gas Royalty Management Act of 1982
6 (30 U.S.C. 1701) is amended to read as follows:

“Sec. 205. Delegation of royalty collections and related activities.”.

7 **SEC. 4. SECRETARIAL AND DELEGATED STATES’ ACTIONS**
8 **AND LIMITATION PERIODS.**

9 (a) IN GENERAL.—The Federal Oil and Gas Royalty
10 Management Act of 1982 (30 U.S.C. 1701 et seq.) is
11 amended by adding after section 114 the following new
12 section:

13 **“SEC. 115. SECRETARIAL AND DELEGATED STATES’ AC-**
14 **TIONS AND LIMITATION PERIODS.**

15 “(a) IN GENERAL.—The respective duties, respon-
16 sibilities, and activities with respect to a lease shall be per-
17 formed by the Secretary, delegated States, and lessees or
18 their designees in a timely manner.

19 “(b) LIMITATION PERIOD.—

20 “(1) IN GENERAL.—A judicial proceeding or de-
21 mand which arises from, or relates to an obligation,
22 shall be commenced within seven years from the
23 date on which the obligation becomes due and if not
24 so commenced shall be barred. If commencement of
25 a judicial proceeding or demand for an obligation is

1 barred by this section, the Secretary, a delegated
2 State, or a lessee or its designee (A) shall not take
3 any other or further action regarding that obliga-
4 tion, including (but not limited to) the issuance of
5 any order, request, demand or other communication
6 seeking any document, accounting, determination,
7 calculation, recalculation, payment, principal, inter-
8 est, assessment, or penalty or the initiation, pursuit
9 or completion of an audit with respect to that obliga-
10 tion; and (B) shall not pursue any other equitable or
11 legal remedy, whether under statute or common law,
12 with respect to an action on or an enforcement of
13 said obligation.

14 “(2) RULE OF CONSTRUCTION.—A judicial pro-
15 ceeding or demand that is timely commenced under
16 paragraph (1) against a designee shall be considered
17 timely commenced as to any lessee who is liable pur-
18 suant to section 102(a) of this Act for the obligation
19 that is the subject of the judicial proceeding or de-
20 mand.

21 “(3) APPLICATION OF CERTAIN LIMITATIONS.—
22 The limitations set forth in sections 2401, 2415,
23 2416, and 2462 of title 28, United States Code, and
24 section 42 of the Mineral Leasing Act (30 U.S.C.
25 226–2) shall not apply to any obligation to which

1 this Act applies. Section 3716 of title 31, United
2 States Code, may be applied to an obligation the en-
3 forcement of which is not barred by this Act, but
4 may not be applied to any obligation the enforce-
5 ment of which is barred by this Act.

6 “(c) OBLIGATION BECOMES DUE.—

7 “(1) IN GENERAL.—For purposes of this Act,
8 an obligation becomes due when the right to enforce
9 the obligation is fixed.

10 “(2) ROYALTY OBLIGATIONS.—The right to en-
11 force any royalty obligation for any given production
12 month for a lease is fixed for purposes of this Act
13 on the last day of the calendar month following the
14 month in which oil or gas is produced.

15 “(d) TOLLING OF LIMITATION PERIOD.—The run-
16 ning of the limitation period under subsection (b) shall
17 not be suspended, tolled, extended, or enlarged for any ob-
18 ligation for any reason by any action, including an action
19 by the Secretary or a delegated State, other than the fol-
20 lowing:

21 “(1) TOLLING AGREEMENT.—A written agree-
22 ment executed during the limitation period between
23 the Secretary or a delegated State and a lessee or
24 its designee (with notice to the lessee who designated
25 the designee) shall toll the limitation period for the

1 amount of time during which the agreement is in ef-
2 fect.

3 “(2) SUBPOENA.—

4 “(A) The issuance of a subpoena to a les-
5 see or its designee (with notice to the lessee
6 who designated the designee, which notice shall
7 not constitute a subpoena to the lessee) in ac-
8 cordance with the provisions of subparagraph
9 (B)(i) shall toll the limitation period with re-
10 spect to the obligation which is the subject of
11 a subpoena only for the period beginning on the
12 date the lessee or its designee receives the sub-
13 poena and ending on the date on which (i) the
14 lessee or its designee has produced such subpoe-
15 naed records for the subject obligation, (ii) the
16 Secretary or a delegated State receives written
17 notice that the subpoenaed records for the sub-
18 ject obligation are not in existence or are not in
19 the lessee’s or its designee’s possession or con-
20 trol, or (iii) a court has determined in a final
21 decision that such records are not required to
22 be produced, whichever occurs first.

23 “(B)(i) A subpoena for the purposes of
24 this section which requires a lessee or its des-
25 ignee to produce records necessary to determine

1 the proper reporting and payment of an obliga-
2 tion due the Secretary may be issued only by an
3 Assistant Secretary of the Interior or an Acting
4 Assistant Secretary of the Interior who is a
5 schedule C employee (as defined by section
6 213.3301 of title 5, Code of Federal Regula-
7 tions), or the Director or Acting Director of the
8 respective bureau or agency, and may not be
9 delegated to any other person. If a State has
10 been delegated authority pursuant to section
11 205, the State, acting through the highest State
12 official having ultimate authority over the col-
13 lection of royalties from leases on Federal lands
14 within the State, may issue such subpoena, but
15 may not delegate such authority to any other
16 person.

17 “(ii) A subpoena described in clause (i)
18 may only be issued against a lessee or its des-
19 ignee during the limitation period provided in
20 this section and only after the Secretary or a
21 delegated State has in writing requested the
22 records from the lessee or its designee related
23 to the obligation which is the subject of the
24 subpoena and has determined that—

1 “(I) the lessee or its designee has
2 failed to respond within a reasonable pe-
3 riod of time to the Secretary’s or the appli-
4 cable delegated State’s written request for
5 such records necessary for an audit, inves-
6 tigation or other inquiry made in accord-
7 ance with the Secretary’s or such delegated
8 State’s responsibilities under this Act; or

9 “(II) the lessee or its designee has in
10 writing denied the Secretary’s or the appli-
11 cable delegated State’s written request to
12 produce such records in the lessee’s or its
13 designee’s possession or control necessary
14 for an audit, investigation or other inquiry
15 made in accordance with the Secretary’s or
16 such delegated State’s responsibilities
17 under this Act; or

18 “(III) the lessee or its designee has
19 unreasonably delayed in producing records
20 necessary for an audit, investigation or
21 other inquiry made in accordance with the
22 Secretary’s or the applicable delegated
23 State’s responsibilities under this Act after
24 the Secretary’s or delegated State’s written
25 request.

1 “(C) In seeking records, the Secretary or
2 the applicable delegated State shall afford the
3 lessee or its designee a reasonable period of
4 time after a written request by the Secretary or
5 such delegated State in which to provide such
6 records prior to the issuance of any subpoena.

7 “(3) MISREPRESENTATION OR CONCEAL-
8 MENT.—The intentional misrepresentation or con-
9 cealment of a material fact for the purpose of evad-
10 ing the payment of an obligation in which case the
11 limitation period shall be tolled for the period of
12 such misrepresentation or such concealment.

13 “(4) ORDER TO PERFORM RESTRUCTURED AC-
14 COUNTING.—A)(i) The issuance of a notice under
15 subparagraph (D) that the lessee or its designee has
16 not substantially complied with the requirement to
17 perform a restructured accounting shall toll the limi-
18 tation period with respect to the obligation which is
19 the subject of the notice only for the period begin-
20 ning on the date the lessee or its designee receives
21 the notice and ending 120 days after the date on
22 which (I) the Secretary or the applicable delegated
23 State receives written notice that the accounting or
24 other requirement has been performed, or (II) a
25 court has determined in a final decision that the les-

1 see is not required to perform the accounting, which-
2 ever occurs first.

3 “(ii) If the lessee or its designee initiates an ad-
4 ministrative appeal or judicial proceeding to contest
5 an order to perform a restructured accounting is-
6 sued under subparagraph (B)(i), the limitation pe-
7 riod in subsection (b) shall be tolled from the date
8 the lessee or its designee received the order until a
9 final, nonappealable decision is issued in any such
10 proceeding.

11 “(B)(i) The Secretary or the applicable dele-
12 gated State may issue an order to perform a restruc-
13 tured accounting to a lessee or its designee when the
14 Secretary or such delegated State determines during
15 an audit of a lessee or its designee that the lessee
16 or its designee should recalculate royalty due on an
17 obligation based upon the Secretary’s or the dele-
18 gated State’s finding that the lessee or its designee
19 has made identified underpayments or overpayments
20 which are demonstrated by the Secretary or the dele-
21 gated State to be based upon repeated, systemic re-
22 porting errors for a significant number of leases or
23 a single lease for a significant number of reporting
24 months with the same type of error which con-
25 stitutes a pattern of violations and which are likely

1 to result in either significant underpayments or over-
2 payments.

3 “(ii) The power of the Secretary to issue an
4 order to perform a restructured accounting may not
5 be delegated below the most senior career profes-
6 sional position having responsibility for the royalty
7 management program, which position is currently
8 designated as the ‘Associate Director for Royalty
9 Management’, and may not be delegated to any
10 other person. If a State has been delegated authority
11 pursuant to section 205 of this Act, the State, act-
12 ing through the highest ranking State official having
13 ultimate authority over the collection of royalties
14 from leases on Federal lands within the State, may
15 issue such order to perform, which may not be dele-
16 gated to any other person. An order to perform a re-
17 structured accounting shall—

18 “(I) be issued within a reasonable period
19 of time from when the audit identifies the sys-
20 temic, reporting errors;

21 “(II) specify the reasons and factual bases
22 for such order;

23 “(III) be specifically identified as an ‘order
24 to perform a restructured accounting’;

1 “(IV) provide the lessee or its designee a
2 reasonable period of time (but not less than 60
3 days) within which to perform the restructured
4 accounting; and

5 “(V) provide the lessee or its designee 60
6 days within which to file an administrative ap-
7 peal of the order to perform a restructured ac-
8 counting.

9 “(C) An order to perform a restructured ac-
10 counting shall not mean or be construed to include
11 any other action by or on behalf of the Secretary or
12 a delegated State.

13 “(D) If a lessee or its designee fails to substan-
14 tially comply with the requirement to perform a re-
15 structured accounting pursuant to this subsection, a
16 notice shall be issued to the lessee or its designee
17 that the lessee or its designee has not substantially
18 complied with the requirements to perform a re-
19 structured accounting. A lessee or its designee shall
20 be given a reasonable time within which to perform
21 the restructured accounting. Such notice may be is-
22 sued under this section only by an Assistant Sec-
23 retary of the Interior or an acting Assistant Sec-
24 retary of the Interior who is a schedule C employee
25 (as defined by section 213.3301 of title 5, Code of

1 Federal Regulations) and may not be delegated to
2 any other person. If a State has been delegated au-
3 thority pursuant to section 205, the State, acting
4 through the highest State official having ultimate
5 authority over the collection of royalties from leases
6 on Federal lands within the State, may issue such
7 notice, which may not be delegated to any other per-
8 son.

9 “(e) TERMINATION OF LIMITATIONS PERIOD.—An
10 action or an enforcement of an obligation by the Secretary
11 or delegated State or a lessee or its designee shall be
12 barred under this section prior to the running of the
13 seven-year period provided in subsection (b) in the event—

14 “(1) the Secretary or a delegated State has no-
15 tified the lessee or its designee in writing that a time
16 period is closed to further audit; or

17 “(2) the Secretary or a delegated State and a
18 lessee or its designee have so agreed in writing.

19 For purposes of this subsection, notice to, or an agreement
20 by, the designee shall be binding on any lessee who is liable
21 pursuant to section 102(a) for obligations that are the
22 subject of the notice or agreement.

23 “(f) RECORDS REQUIRED FOR DETERMINING COL-
24 LECTIONS.—Records required pursuant to section 103 of
25 this Act by the Secretary or any delegated State for the

1 purpose of determining obligations due and compliance
2 with any applicable mineral leasing law, lease provision,
3 regulation or order with respect to oil and gas leases from
4 Federal lands or the Outer Continental Shelf shall be
5 maintained for the same period of time during which a
6 judicial proceeding or demand may be commenced under
7 subsection (b). If a judicial proceeding or demand is timely
8 commenced, the record holder shall maintain such records
9 until the final nonappealable decision in such judicial pro-
10 ceeding is made, or with respect to that demand is ren-
11 dered, unless the Secretary or the applicable delegated
12 State authorizes in writing an earlier release of the re-
13 quirement to maintain such records. Notwithstanding any-
14 thing herein to the contrary, under no circumstance shall
15 a record holder be required to maintain or produce any
16 record relating to an obligation for any time period which
17 is barred by the applicable limitation in this section. In
18 connection with any hearing, administrative proceeding,
19 inquiry, investigation, or audit by the Secretary or a dele-
20 gated State under this Act, the Secretary or the delegated
21 State shall minimize the submission of multiple or redun-
22 dant information and make a good faith effort to locate
23 records previously submitted by a lessee or a designee to
24 the Secretary or the delegated State, prior to requiring
25 the lessee or the designee to provide such records.

1 “(g) TIMELY COLLECTIONS.—In order to most effec-
2 tively utilize resources available to the Secretary to maxi-
3 mize the collection of oil and gas receipts from lease obli-
4 gations to the Treasury within the seven-year period of
5 limitations, and consequently to maximize the State share
6 of such receipts, the Secretary should not perform or re-
7 quire accounting, reporting, or audit activities if the Sec-
8 retary and the State concerned determine that the cost
9 of conducting or requiring the activity exceeds the ex-
10 pected amount to be collected by the activity, based on
11 the most current 12 months of activity. This subsection
12 shall not provide a defense to a demand or an order to
13 perform a restructured accounting. To the maximum ex-
14 tent possible, the Secretary and delegated States shall re-
15 duce costs to the United States Treasury and the States
16 by discontinuing requirements for unnecessary or duplica-
17 tive data and other information, such as separate allow-
18 ances and payor information, relating to obligations due.
19 If the Secretary and the State concerned determine that
20 collection will result sooner, the Secretary or the applicable
21 delegated State may waive or forego interest in whole or
22 in part.

23 “(h) APPEALS AND FINAL AGENCY ACTION.—

24 “(1) 33-MONTH PERIOD.—Demands or orders
25 issued by the Secretary or a delegated State are sub-

1 ject to administrative appeal in accordance with the
2 regulations of the Secretary. No State shall impose
3 any conditions which would hinder a lessee's or its
4 designee's immediate appeal of an order to the Sec-
5 retary or the Secretary's designee. The Secretary
6 shall issue a final decision in any administrative pro-
7 ceeding, including any administrative proceedings
8 pending on the date of enactment of this section,
9 within 33 months from the date such proceeding was
10 commenced or 33 months from the date of such en-
11 actment, whichever is later. The 33-month period
12 may be extended by any period of time agreed upon
13 in writing by the Secretary and the appellant.

14 “(2) EFFECT OF FAILURE TO ISSUE DECI-
15 SION.—If no such decision has been issued by the
16 Secretary within the 33-month period referred to in
17 paragraph (1)—

18 “(A) the Secretary shall be deemed to have
19 issued and granted a decision in favor of the
20 appellant as to any nonmonetary obligation and
21 any monetary obligation the principal amount
22 of which is less than \$10,000; and

23 “(B) the Secretary shall be deemed to have
24 issued a final decision in favor of the Secretary,
25 which decision shall be deemed to affirm those

1 issues for which the agency rendered a decision
2 prior to the end of such period, as to any mone-
3 tary obligation the principal amount of which is
4 \$10,000 or more, and the appellant shall have
5 a right to judicial review of such deemed final
6 decision in accordance with title 5 of the United
7 States Code.

8 “(i) COLLECTIONS OF DISPUTED AMOUNTS DUE.—
9 To expedite collections relating to disputed obligations due
10 within the seven-year period beginning on the date the ob-
11 ligation became due, the parties shall hold not less than
12 one settlement consultation and the Secretary and the
13 State concerned may take such action as is appropriate
14 to compromise and settle a disputed obligation, including
15 waiving or reducing interest and allowing offsetting of ob-
16 ligations among leases.

17 “(j) ENFORCEMENT OF A CLAIM FOR JUDICIAL RE-
18 VIEW.—In the event a demand subject to this section is
19 properly and timely commenced, the obligation which is
20 the subject of the demand may be enforced beyond the
21 seven-year limitations period without being barred by this
22 statute of limitations. In the event a demand subject to
23 this section is properly and timely commenced, a judicial
24 proceeding challenging the final agency action with respect
25 to such demand shall be deemed timely so long as such

1 judicial proceeding is commenced within 180 days from
2 receipt of notice by the lessee or its designee of the final
3 agency action.

4 “(k) IMPLEMENTATION OF FINAL DECISION.—In the
5 event a judicial proceeding or demand subject to this sec-
6 tion is timely commenced and thereafter the limitation pe-
7 riod in this section lapses during the pendency of such
8 proceeding, any party to such proceeding shall not be
9 barred from taking such action as is required or necessary
10 to implement a final unappealable judicial or administra-
11 tive decision, including any action required or necessary
12 to implement such decision by the recovery or recoupment
13 of an underpayment or overpayment by means of refund
14 or credit.

15 “(1) STAY OF PAYMENT OBLIGATION PENDING RE-
16 VIEW.—Any person ordered by the Secretary or a dele-
17 gated State to pay any obligation (other than an assess-
18 ment) shall be entitled to a stay of such payment without
19 bond or other surety instrument pending an administra-
20 tive or judicial proceeding if the person periodically dem-
21 onstrates to the satisfaction of the Secretary that such
22 person is financially solvent or otherwise able to pay the
23 obligation. In the event the person is not able to dem-
24 onstrate, the Secretary may require a bond or other surety
25 instrument satisfactory to cover the obligation. Any person

1 ordered by the Secretary or a delegated State to pay an
2 assessment shall be entitled to a stay without bond or
3 other surety instrument”.

4 (b) CLERICAL AMENDMENT.—The table of contents
5 in section 1 of the Federal Oil and Gas Royalty Manage-
6 ment Act of 1982 (30 U.S.C. 1701) is amended by insert-
7 ing after the item relating to section 114 the following
8 new item:

“Sec. 115. Secretarial and delegated States’ actions and limitation periods.”.

9 **SEC. 5 ADJUSTMENT AND REFUNDS.**

10 (a) IN GENERAL.—The Federal Oil and Gas Royalty
11 Management Act of 1982 (30 U.S.C. 1701 et seq.) is
12 amended by inserting after section 111 the following:

13 **“SEC. 111A. ADJUSTMENTS AND REFUNDS.**

14 “(a) ADJUSTMENTS TO ROYALTIES PAID TO THE
15 SECRETARY OR A DELEGATED STATE.—

16 “(1) If, during the adjustment period, a lessee
17 or its designee determines that an adjustment or re-
18 fund request is necessary to correct an underpay-
19 ment or overpayment of an obligation, the lessee or
20 its designee shall make such adjustment or request
21 a refund within a reasonable period of time and only
22 during the adjustment period. The filing of a royalty
23 report which reflects the underpayment or overpay-
24 ment of an obligation shall constitute prior written

1 notice to the Secretary or the applicable delegated
2 State of an adjustment.

3 “(2)(A) For any adjustment, the lessee or its
4 designee shall calculate and report the interest due
5 attributable to such adjustment at the same time the
6 lessee or its designee adjusts the principle amount of
7 the subject obligation, except as provided by sub-
8 paragraph (B).

9 “(B) In the case of a lessee or its designee who
10 determines that subparagraph (A) would impose a
11 hardship, the Secretary or such delegated State shall
12 calculate the interest due and notify the lessee or its
13 designee within a reasonable time of the amount of
14 interest due, unless such lessee or its designee elects
15 to calculate and report interest in accordance with
16 subparagraph (A).

17 “(3) An adjustment or a request for a refund
18 for an obligation may be made after the adjustment
19 period only upon written notice to and approval by
20 the Secretary or the applicable delegated State, as
21 appropriate, during an audit of the period which in-
22 cludes the production month for which the adjust-
23 ment is being made. If an overpayment is identified
24 during an audit, then the Secretary or the applicable

1 delegated State, as appropriate, shall allow a credit
2 or refund in the amount of the overpayment.

3 “(4) For purposes of this section, the adjust-
4 ment period for any obligation shall be the six-year
5 period following the date on which an obligation be-
6 came due. The adjustment period shall be sus-
7 pended, tolled, extended, enlarged, or terminated by
8 the same actions as the limitation period in section
9 115.

10 “(b) REFUNDS.—

11 “(1) IN GENERAL.—A request for refund is suf-
12 ficient if it—

13 “(A) is made in writing to the Secretary
14 and, for purposes of section 115, is specifically
15 identified as a demand;

16 “(B) identifies the person entitled to such
17 refund;

18 “(C) provides the Secretary information
19 that reasonably enables the Secretary to iden-
20 tify the overpayment for which such refund is
21 sought; and

22 “(D) provides the reasons why the pay-
23 ment was an overpayment.

24 “(2) PAYMENT BY SECRETARY OF THE TREAS-
25 URY.—The Secretary shall certify the amount of the

1 refund to be paid under paragraph (1) to the Sec-
2 retary of the Treasury who shall make such refund.
3 Such refund shall be paid from amounts received as
4 current receipts from sales, bonuses, royalties (in-
5 cluding interest charges collected under this section)
6 and rentals of the public lands and the Outer Con-
7 tinental Shelf under the provisions of the Mineral
8 Leasing Act and the Outer Continental Shelf Lands
9 Act, which are not payable to a State or the Rec-
10 lamation Fund. The portion of any such refund at-
11 tributable to any amounts previously disbursed to a
12 State, the Reclamation Fund, or any recipient pre-
13 scribed by law shall be deducted from the next dis-
14 bursements to that recipient made under the appli-
15 cable law. Such amounts deducted from subsequent
16 disbursements shall be credited to miscellaneous re-
17 ceipts in the Treasury.

18 “(3) PAYMENT PERIOD.—A refund under this
19 subsection shall be paid or denied (with an expla-
20 nation of the reasons for the denial) within 120 days
21 of the date on which the request for refund is re-
22 ceived by the Secretary. Such refund shall be subject
23 to later audit by the Secretary or the applicable dele-
24 gated State and subject to the provisions of this Act.

1 “(4) PROHIBITION AGAINST REDUCTION OF RE-
2 FUNDS OR CREDITS.—In no event shall the Sec-
3 retary or any delegated State directly or indirectly
4 claim or offset any amount or amounts against, or
5 reduce any refund or credit (or interest accrued
6 thereon) by the amount of any obligation the en-
7 forcement of which is barred by section 115 of this
8 Act.”.

9 (b) CLERICAL AMENDMENT.—The table of contents
10 in section 1 of the Federal Oil and Gas Royalty Manage-
11 ment Act of 1982 (30 U.S.C. 1701) is amended by insert-
12 ing after the item relating to section 111 the following
13 new item:

“Sec. 111A. Adjustments and refunds.”.

14 **SEC. 6. ROYALTY TERMS AND CONDITIONS, INTEREST, AND**
15 **PENALTIES.**

16 (a) LESSEE OR DESIGNEE INTEREST.—Section 111
17 of the Federal Oil and Gas Royalty Management Act of
18 1982 (30 U.S.C. 1721) is amended by adding after sub-
19 section (g) the following:

20 “(h) Interest shall be allowed and paid or credited
21 on any overpayment, with such interest to accrue from the
22 date such overpayment was made, at the rate obtained by
23 applying the provisions of subparagraphs (A) and (B) of
24 section 6621(a)(1) of the Internal Revenue Code of 1986,
25 but determined without regard to the sentence following

1 subparagraph (B) of section 6621(a)(1). Interest which
2 has accrued on any overpayment may be applied to reduce
3 an underpayment. This subsection applies to overpay-
4 ments made later than six months after the date of enact-
5 ment of this subsection or September 1, 1996, whichever
6 is later. Such interest shall be paid from amounts received
7 as current receipts from sales, bonuses, royalties (includ-
8 ing interest charges collected under this section) and rent-
9 als of the public lands and the Outer Continental Shelf
10 under the provisions of the Mineral Leasing Act, and the
11 Outer Continental Shelf Lands Act, which are not payable
12 to a State or the Reclamation Fund. The portion of any
13 such interest payment attributable to any amounts pre-
14 viously disbursed to a State, the Reclamation Fund, or
15 any other recipient designated by law shall be deducted
16 from the next disbursements to that recipient made under
17 the applicable law. Such amounts deducted from subse-
18 quent disbursements shall be credited to miscellaneous re-
19 ceipts in the Treasury.”.

20 (b) LIMITATION ON INTEREST.—Section 111 of the
21 Federal Oil and Gas Royalty Management Act of 1982,
22 as amended by subsection (a), is further amended by add-
23 ing at the end the following:

24 “(i) Upon a determination by the Secretary that an
25 excessive overpayment (based upon all obligations of a les-

1 see or its designee for a given reporting month) was made
2 for the sole purpose of receiving interest, interest shall be
3 paid on the excessive amount of such overpayment. For
4 purposes of this Act, an ‘excessive overpayment’ shall be
5 the amount that any overpayment a lessee or its designee
6 pays for a given reporting month (excluding payments for
7 demands for obligations determined to be due as a result
8 of judicial or administrative proceedings or agreed to be
9 paid pursuant to settlement agreements) for the aggregate
10 of all of its Federal leases exceeds 10 percent of the total
11 royalties paid that month for those leases.”.

12 (c) ESTIMATED PAYMENT.—Section 111 of the Fed-
13 eral Oil and Gas Royalty Management Act of 1982 (30
14 U.S.C. 1721), as amended by subsections (a) and (b), is
15 further amended by adding at the end the following:

16 “(j) A lessee or its designee may make a payment
17 for the approximate amount of royalties (hereinafter in
18 this subsection ‘estimated payment’) that would otherwise
19 be due for such lease by the rate royalties are due for
20 that lease. When an estimated payment is made, actual
21 royalties are payable at the end of the month following
22 the month in which the estimated payment is made. If
23 the estimated payment was less than the amount of actual
24 royalties due, interest is owned on the underpaid amount.
25 If the estimated payment exceeds the actual royalties due,

1 interest is owned on the overpayment. If the lessee or its
2 designee makes a payment for such actual royalties, the
3 lessee or its designee may apply the estimated payment
4 to future royalties. Any estimated payment may be ad-
5 justed, recouped, or reinstated at any time by the lessee
6 or its designee.”.

7 (d) VOLUME ALLOCATION OF OIL AND GAS PRODUC-
8 TION.—Section 111 of the Federal Oil and Gas Royalty
9 Management Act of 1982 (30 U.S.C. 1721), as amended
10 by subsections (a) through (c), is amended by adding at
11 the end the following:

12 “(k)(1) Except as otherwise provided by this sub-
13 section—

14 “(A) a lessee or its designee of a lease in a unit
15 or communitization agreement which contains only
16 Federal leases with the same royalty rate and funds
17 distribution shall report and pay royalties on oil and
18 gas production for each production month base on
19 the actual volume of production sold by or on behalf
20 of that lessee;

21 “(B) a lessee or its designee of a lease in any
22 other unit or communitization agreement shall re-
23 port and pay royalties on oil and gas production for
24 each production month based on the volume of oil
25 and gas produced from such agreement and allo-

1 cated to the lease in accordance with the terms of
2 the agreement; and

3 “(C) a lessee or its designee of a lease that is
4 not contained in a unit or communitization agree-
5 ment shall report and pay royalties on oil and gas
6 production for each production month based on the
7 actual volume of production sold by or on behalf of
8 that lessee.

9 “(2) This subsection applies only to requirements for
10 reporting and paying royalties. Nothing in this subsection
11 is intended to alter a lessee’s liability for royalties on oil
12 or gas production based on the share of production allo-
13 cated to the lease in accordance with the terms of the
14 lease, a unit or communitization agreement, or any other
15 agreement.

16 “(3) For any unit or communitization agreement if
17 all lessees contractually agree to an alternative method of
18 royalty reporting and payment, the lessees may submit
19 such alternative method to the Secretary or the delegated
20 State for approval and make payments in accordance with
21 such approved alternative method so long as such alter-
22 native method does not reduce the amount of the royalty
23 obligation.

24 “(4) The Secretary or the delegated State shall grant
25 an exception from the reporting and payment require-

1 ments for marginal properties by allowing for any calendar
2 year or portion thereof royalties to be paid each month
3 based on the volume of production sold. Interest shall not
4 accrue on the difference for the entire calendar year or
5 portion thereof between the amount of oil and gas actually
6 sold and the share of production allocated to the lease
7 until the beginning of the month following such calendar
8 year or portion thereof. Any additional royalties dues or
9 overpaid royalties and associated interest shall be paid, re-
10 funded, or credited within six months after the end of each
11 calendar year in which royalties are paid based on volumes
12 of production sold. For the purpose of this subsection, the
13 term ‘marginal property’ means a lease that produces on
14 average the combined equivalent of less than 15 barrels
15 of oil per well per day or 90 thousand cubic feet of gas
16 per well per day, or a combination thereof, determined by
17 dividing the average daily production of crude oil and nat-
18 ural gas from producing wells on such lease by the number
19 of such wells, unless the Secretary, together with the State
20 concerned, determines that a different production is more
21 appropriate.

22 “(5) Not later than two years after the date of the
23 enactment of this subsection, the Secretary shall issue any
24 appropriate demand for all outstanding royalty payment
25 disputes regarding who is required to report and pay roy-

1 alties on production from units and communitization
2 agreements outstanding on the date of the enactment of
3 this subsection, and collect royalty amounts owed on such
4 production.”.

5 (e) PRODUCTION ALLOCATION.—Section 111 of the
6 Federal Oil and Gas Royalty Management Act of 1982
7 (30 U.S.C. 1721), as amended by subsections (a) through
8 (d), is amended by adding at the end the following:

9 “(l) The Secretary shall issue all determinations of
10 allocations of production for units and communitization
11 agreements within 120 days of a request for determina-
12 tion. If the Secretary fails to issue a determination within
13 such 120-day period, the Secretary shall waive interest
14 due on obligations subject to the determination until the
15 end of the month following the month in which the deter-
16 mination is made.”.

17 (f) NEW ASSESSMENT TO ENCOURAGE PROPER ROY-
18 ALTY PAYMENTS.—

19 (1) IN GENERAL.—The Federal Oil and Gas
20 Royalty Management Act of 1982 (30 U.S.C. 1721),
21 as amended by section 4(a), is further amended by
22 adding at the end the following:

23 **“SEC. 116. ASSESSMENTS.**

24 “Beginning eighteen months after the date of enact-
25 ment of this section, to encourage proper royalty payment

1 the Secretary or the delegated State shall impose assess-
2 ments on a person who chronically submits erroneous re-
3 ports under this Act. Assessments under this Act may only
4 be issued as provided for in this section.”.

5 (2) CLERICAL AMENDMENT.—The table of con-
6 tents in section 1 of such Act (30 U.S.C. 1701) is
7 amended by adding after the item relating to section
8 115 the following new item:

“Sec. 116. Assessments.”.

9 (g) LIABILITY FOR ROYALTY PAYMENTS.—Section
10 102(a) of the Federal Oil and Gas Royalty Management
11 Act of 1982 (30 U.S.C. 1712(a)) is amended to read as
12 follows:

13 “(a) In order to increase receipts and achieve effec-
14 tive collections of royalty and other payments, a lessee who
15 is required to make any royalty or other payment under
16 a lease or under the mineral leasing laws, shall make such
17 payments in the time and manner as may be specified by
18 the Secretary or the applicable delegated State. A lessee
19 may designate a person to make all or part of the pay-
20 ments due under a lease on the lessee’s behalf and shall
21 notify the Secretary or the applicable delegated State in
22 writing of such designation, in which event said designated
23 person may, in its own name, pay, offset or credit monies,
24 make adjustments, request and receive refunds and sub-
25 mit reports with respect to payments required by the les-

1 see. Notwithstanding any other provision of this Act to
2 the contrary, a designee shall not be liable for any pay-
3 ment obligation under the lease. The person owning oper-
4 ating rights in a lease shall be primarily liable for its pro
5 rata share of payment obligations under the lease. If the
6 person owning the legal record title in a lease is other than
7 the operating rights owner, the person owning the legal
8 record title shall be secondarily liable for its pro rata share
9 of such payment obligations under the lease.”.

10 (h) CLERICAL AMENDMENTS.—(1) The heading of
11 section 111 of the Federal Oil and Gas Royalty manage-
12 ment Act of 1982 (30 U.S.C. 1721) is amended to read
13 as follows:

14 “ROYALTY TERMS AND CONDITIONS, INTEREST, AND
15 PENALTIES”.

16 (2) The item relating to section 111 in the table of
17 contents in section 1 of such Act (30 U.S.C. 1701) is
18 amended to read as follows:

“Sec. 111. Royalty terms and conditions, interest, and penalties.”.

19 **SEC. 7. ALTERNATIVES FOR MARGINAL PROPERTIES.**

20 (a) IN GENERAL.—The Federal Oil and Gas Royalty
21 Management Act of 1982 (30 U.S.C. 1701 et seq.), as
22 amended by section 6 of this Act, is further amended by
23 adding at the end the following:

1 **“SEC. 117. ALTERNATIVES FOR MARGINAL PROPERTIES.**

2 “(a) DETERMINATION OF BEST INTERESTS OF
3 STATE CONCERNED AND THE UNITED STATES.—The
4 Secretary and the State concerned, acting in the best in-
5 terests of the United States and the State concerned to
6 promote production, reduce administrative costs, and in-
7 crease net receipts to the United States and the States,
8 shall jointly determine, on a case by case basis, the
9 amount of what marginal production from a lease or leases
10 or well or wells, or parts thereof, shall be subject to a pre-
11 payment under subsection (b) or regulatory relief under
12 subsection (c). If the State concerned does not consent,
13 such prepayments or regulatory relief shall not be made
14 available under this section for such marginal production:
15 *Provided*, That if royalty payments from a lease or leases,
16 or well or wells are not shared with any State, such deter-
17 mination shall be made solely by the Secretary.

18 “(b) PREPAYMENT OF ROYALTY.—

19 “(1) IN GENERAL.—Notwithstanding the provi-
20 sions of any lease to the contrary, for any lease or
21 leases or well or wells identified by the Secretary
22 and the State concerned pursuant to subsection (a),
23 the Secretary is authorized to accept a prepayment
24 for royalties in lieu of monthly royalty payments
25 under the lease for the remainder of the lease term
26 if the affected lessee so agrees. Any prepayment

1 agreed to by the Secretary, State concerned and les-
2 see which is less than an average \$500 per month
3 in total royalties shall be effectuated under this sec-
4 tion not earlier than two years after the date of en-
5 actment of this section and, any prepayment which
6 is greater than an average \$500 per month in total
7 royalties shall be effectuated under this section not
8 earlier than three years after the date of enactment
9 of this section. The Secretary and the State con-
10 cerned may condition their acceptance of the prepay-
11 ment authorized under this section on the lessee's
12 agreeing to such terms and conditions as the Sec-
13 retary and the State concerned deem appropriate
14 and consistent with the purposes of this Act. Such
15 terms may—

16 “(A) provide for prepayment that does not
17 result in a loss of revenue to the United States
18 in present value terms;

19 “(B) include provisions for receiving addi-
20 tional prepayments or royalties for develop-
21 ments in the lease or leases or well or wells that
22 deviate significantly from the assumptions and
23 facts on which the valuation is determined; and

24 “(C) require the lessee or its designee to
25 provide such periodic production reports as may

1 be necessary to allow the Secretary and the
2 State concerned to monitor production for the
3 purposes of subparagraph (B).

4 “(2) STATE SHARE.—A prepayment under this
5 section shall be shared by the Secretary with any
6 State or other recipient to the same extent as any
7 royalty payment for such lease.

8 “(3) SATISFACTION OF OBLIGATION.—Except
9 as may be provided in the terms and conditions es-
10 tablished by the Secretary under subsection (b), a
11 lessee or its designee who makes a prepayment
12 under this section shall have satisfied in full the les-
13 see’s obligation to pay royalty on the production
14 stream sold from the lease or leases or well or wells.

15 “(c) ALTERNATIVE ACCOUNTING AND AUDITING RE-
16 QUIREMENTS.—Within one year after the date of the en-
17 actment of this section, the Secretary or the delegated
18 State shall provide accounting, reporting, and auditing re-
19 lief that will encourage lessees to continue to produce and
20 develop properties subject to subsection (a): *Provided*,
21 That such relief will only be available to lessees in a State
22 that concurs, which concurrence is not required if royalty
23 payments from the lease or leases or well or wells are not
24 shared with any State. Prior to granting such relief, the
25 Secretary and, if appropriate, the State concerned shall

1 agree that the type of marginal wells and relief provided
2 under this paragraph is in the best interest of the United
3 States and, if appropriate, the State concerned.”.

4 (b) CLERICAL AMENDMENT.—The table of contents
5 in section 1 of such Act (30 U.S.C. 1701) is amended by
6 adding after the item relating to section 116 the following
7 new item:

“Sec. 117. Alternatives for marginal properties.”.

8 **SEC. 8. APPLICABILITY.**

9 (a) FOGRMA.—With respect to Federal lands, sec-
10 tions 202 and 307 of the Federal Oil and Gas Royalty
11 Management Act of 1982 (30 U.S.C. 1732 and 1755), are
12 no longer applicable. The applicability of those sections to
13 Indian leases is not affected.

14 (b) OCSLA.—Effective on the date of the enactment
15 of this Act, section 10 of the Outer Continental Shelf
16 Lands Act (43 U.S.C. 1339) is repealed.

17 **SEC. 9. INDIAN LANDS.**

18 The amendments made by this Act shall not apply
19 with respect to Indian lands, and the provisions of the
20 Federal Oil and Gas Royalty Management Act of 1982
21 as in effect on the day before the date of enactment of
22 this Act shall continue to apply after such date with re-
23 spect to Indian lands.

1 **SEC. 10. PRIVATE LANDS.**

2 This Act shall not apply to any privately owned min-
3 erals.

4 **SEC. 11. EFFECTIVE DATE.**

5 Except as provided by section 115(h), section 111(h),
6 section 111(k)(5), and section 117 of the Federal Oil and
7 Gas Royalty Management Act of 1982 (as added by this
8 Act), this Act, and the amendments made by this Act,
9 shall apply with respect to the production of oil and gas
10 after the first day of the month following the date of the
11 enactment of this Act.

12 **SEC. 12. SAVINGS CLAUSE.**

13 Nothing in this Act shall be construed to give a State
14 a property right or interest in any Federal lease or land.

Passed the House of Representatives July 16, 1996.

Attest:

Clerk.