

**FOR FURTHER INFORMATION CONTACT:**

Mark Struble, Public Affairs Officer,  
BLM Carson City Field Office, 5665  
Morgan Mill Road, Carson City, NV  
89701. Telephone: (775) 885-6107. E-  
mail: [mstruble@nv.blm.gov](mailto:mstruble@nv.blm.gov)

Dated: February 24, 2003.

**John O. Singlaub,**

Field Manager, Carson City Field Office.

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**DEPARTMENT OF THE INTERIOR****Minerals Management Service****Agency Information Collection****Activities: Proposed Collection,  
Comment Request**

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Notice of an extension and revision of a currently approved information collection (OMB Control Number 1010-0138).

**SUMMARY:** To comply with the Paperwork Reduction Act (PRA) of 1995, we are inviting comments on an information collection request (ICR) that we will submit to the Office of Management and Budget (OMB) for review and approval. The ICR is titled "30 CFR part 206, Subpart B, Establishing Oil Value on Royalty Due on Indian Leases".

**DATES:** Submit written comments on or before April 29, 2003.

**ADDRESSES:** Submit written comments directly to Sharron L. Gebhardt, Regulatory Specialist, Minerals Management Service, Minerals Revenue Management, P.O. Box 25165, MS 320B2, Denver, CO, 80225. If you use overnight courier, the address is Building 85, Room A614, Denver Federal Center, Denver, Colorado 80225. You may also email your comments to [mrm.comments@mms.gov](mailto:mrm.comments@mms.gov). Include the title of the information collection and the OMB control number in the "Attention" line of your comment. Also include your name and return address. Submit electronic comments as an ASCII file avoiding the use of special characters and any form of encryption. If you do not receive a confirmation we have received your e-mail, contact Ms. Gebhardt at (303) 231-3211.

**FOR FURTHER INFORMATION CONTACT:** Sharron L. Gebhardt, telephone (303) 231-3211, FAX (303) 231-3385, e-mail [sharron.gebhardt@mms.gov](mailto:sharron.gebhardt@mms.gov).

**SUPPLEMENTARY INFORMATION:**

Title: 30 CFR Part 206 Subpart B, Establishing Oil Value on Royalty Due on Indian Leases.

OMB Control Number: 1010-0138.

Abstract: 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. MMS performs the royalty management functions and assists the Secretary in carrying out DOI's Indian trust responsibility.

On December 20, 1995, 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 rule on February 12, 1998 (63 FR 7089), 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.

Then, MMS proposed further changes to its proposed rule regarding the valuation, for royalty purposes, of crude oil produced from Indian leases by publishing a supplementary proposed rule on January 5, 2000 (65 FR 403).

This supplementary proposed rule established a new form—Form MMS-4416, Indian Crude Oil Valuation Report, for collecting value and value differential data. OMB approved the use of this proposed Form MMS-4416 and assigned OMB Control Number 1010-0113. Currently, MMS is seeking OMB's approval to renew the reporting requirements for this form until a final rule is published.

MMS is now requesting OMB to renew its approval for the reporting requirements under the proposed and supplementary proposed rules until a final rule is published. We are also

seeking OMB's approval for the existing requirements in 30 CFR part 206, Subpart B, that were overlooked. This notice gives the public an opportunity to comment on the reporting requirements in the proposed and supplementary proposed rules that OMB approved on February 2, 2000, and to also comment on the existing requirements that were inadvertently overlooked and not included in an OMB-approved ICR.

MMS has announced in the **Federal Register** on February 12, 2003 (68 FR 7086), the dates, places, and times for workshops on issues related to the existing rules published March 15, 2000, effective June 1, 2000, governing the valuation for royalty purposes of crude oil produced from Federal leases. The workshops will address, among other things, issues related to calculation of transportation allowances (including the rate of return allowed for calculating actual costs under non-arm's-length transportation arrangements), timing and application of published index prices, and calculation of location and quality differentials under certain circumstances.

Because of the substantive overlap between these issues and issues involved in the proposed rule on Indian oil valuation, and to give persons interested in Indian lease issues an opportunity to participate in the workshops, MMS is reopening the comment period for 60 days on the proposed rule on Indian oil valuation so it can include in the record any relevant comments received. MMS can then consider those comments as they might apply to the Indian oil valuation rule.

*Frequency of Response:* Annually and monthly.

*Estimated Number and Description of Respondents:* 236 Companies paying royalties on oil produced from tribal and allotted Indian leases.

- 225 respondents under proposed and supplementary proposed rules, and
- 11 respondents under current regulations.

*Estimated Annual Reporting and Recordkeeping "Hour" Burden:* 6,980 Hours

- 6,680 hours under proposed and supplementary proposed rules, and
- 300 hours under current regulations.

*Estimated Annual Reporting and Recordkeeping "Non-Hour" Cost Burden:* We have identified no "non-hour" cost burdens.

The following chart details the individual components and estimated hour burdens for the proposed rule, supplementary proposed rule, and the

current reporting requirements under 30 CFR part 206, Subpart B. In calculating the burdens, we assumed that

respondents perform certain requirements in the normal course of their activities. Therefore, we consider

these to be usual and customary and took that into account in estimating the burden.

**BURDEN HOUR CHART FOR PROPOSED AND SUPPLEMENTARY PROPOSED REPORTING REQUIREMENTS**

Proposed 30 CFR 206, subpart B	Reporting requirement	Burden hours per response	Annual number of responses	Annual burden hours
Proposed § 206.52 .....	You must determine the value of oil using the method that yields the highest value.	2	2,700	5,400
Proposed § 206.52(d) .....	On Form MMS–2014, you must initially report and pay the value of production at the higher of the indexed or gross proceeds-based values * * * You must file this report * * * you must submit an amended Form MMS–2014 with the higher value within 30 days after you receive notice from MMS of the major portion value.	Burden covered under OMB Control Number 1010–0140.		
Proposed § 206.53(a) and (b) .....	On request, you must make available sales and volume data for production you sold, purchased, or obtained from the designated area or from nearby fields or areas * * * You must make this data available to the authorized MMS * * *. You must retain all data relevant to the determination of royalty value.	Normal records retention for targeted audit purposes—exempt from the Paperwork Reduction Act.		
Proposed § 206.54 .....	You may ask MMS for guidance in determining value. You may propose a value method to MMS. Submit all available data related to your proposal and any additional information MMS deems necessary.	400	2	800
Proposed/Supplementary § 206.60(b)(2).	Proposed You may ask MMS to approve a transportation allowance deduction * * * You must demonstrate that the transportation costs incurred were reasonable, actual, and necessary. Your application for exception (using Form MMS–4393, Request to Exceed Regulatory Allowance Limitation) must contain all relevant supporting documentation * * *.	Burden covered under OMB Control Number 1010–0095		
Proposed/Supplementary § 206.61 (c)(3)(i), (ii), (iii), and (iv).	Proposed If an MMS-calculated differential * * * does not apply to your oil, either due to location or quality differences, you must request MMS to calculate a differential for you * * * After MMS publishes its annual listing of location/quality differentials, you must file your request in writing with MMS for an MMS-calculated differential. You must demonstrate why the published differential does not adequately reflect your circumstances. * * * If you file a request for an MMS-calculated differential within 30 days after MMS publishes its annual listing of location/quality differentials, * * * Send your request to: Minerals Management Service * * *.	40	12	480
Proposed/Supplementary § 206.61(d)(4).	Proposed You must report transportation allowances, location differentials, and quality differentials as separate lines on Form MMS–2014.	Burden covered under OMB Control Number 1010–0140.		
Proposed/Supplementary § 206.61(d)(5).	Proposed You must submit information on Form MMS–4416 * * * you must file a new form each time you execute a new exchange or sales contract involving the production of oil from an Indian lease.	Burden covered under OMB Control Number 1010–0113.		
Total .....			2714	6,680

**BURDEN HOUR CHART FOR EXISTING REPORTING REQUIREMENTS IN 30 CFR PART 206, SUBPART B**

Current 30 CFR 206, subpart B	Reporting or recordkeeping requirement	Burden hours per response	Annual number of responses	Annual burden hours
<b>Valuation Standards</b>				
§ 206.52(e)(1) and (2) .....	* * * the lessee shall retain all data relevant to the determination of royalty value * * * A lessee shall notify MMS if it has determined value * * * The notification shall be by letter to MMS * * * The letter shall identify the valuation method to be used and contain a brief description of the procedure to be followed.	20	1	20

## BURDEN HOUR CHART FOR EXISTING REPORTING REQUIREMENTS IN 30 CFR PART 206, SUBPART B—Continued

Current 30 CFR 206, subpart B	Reporting or recordkeeping requirement	Burden hours per response	Annual number of responses	Annual burden hours
§ 206.52(g) .....	The lessee may request a value determination from MMS * * * the lessee shall propose to MMS a value determination method * * * The lessee shall submit all available data relevant to its proposal.	40	1	40
<b>Transportation Allowances</b>				
§ 206.54(b)(2) .....	Upon request of a lessee, MMS may approve a transportation allowance deduction * * * The lessee must demonstrate that the transportation costs incurred in excess of the limitation * * * were reasonable, actual, and necessary. An application for exception (using Form MMS-4393, Request to Exceed Regulatory Allowance Limitation) shall contain all relevant and support documentation necessary for MMS to make a determination.	Burden covered under OMB Control Number 1010-0095.		
§ 206.55(a)(1)(i) .....	* * * the lessee must submit a completed page one of Form MMS-4110 (and Schedule 1), Oil Transportation Allowance Report, * * *.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(a)(2)(i) .....	* * * 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) .....	* * * 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)(1) .....	* * * the lessee must submit a completed Form MMS-4110 * * * A transportation allowance may be claimed retroactively for a period of not more than 3 months prior to the first day of the month that Form MMS-4110 is filed with MMS * * * MMS may direct a lessee to modify its actual transportation allowance deduction.	Burden covered under OMB Control Numbers 1010-0061 and 1010-0140.		
§ 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) .....	* * * 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) .....	* * * 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 * * *.	20	1	20
§ 206.55(c)(1)(i) .....	* * * the lessee shall submit page one of the initial Form MMS-4110 (and Schedule 1), Oil Transportation Allowance Report, prior to, or at the same time as, the transportation allowance determined, under an arm's-length contract, is reported on Form MMS-2014, Report of Sales and Royalty Remittance.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(c)(1)(iii) .....	* * * lessees must submit page one of Form MMS-4410 (and Schedule 1) within 3 months after the applicable contract or rate terminates or is modified or amended, * * *.	Burden covered under OMB Control Number 1010-0061.		

BURDEN HOUR CHART FOR EXISTING REPORTING REQUIREMENTS IN 30 CFR PART 206, SUBPART B—Continued

Current 30 CFR 206, subpart B	Reporting or recordkeeping requirement	Burden hours per response	Annual number of responses	Annual burden hours
§ 206.55(c)(2)(i) .....	* * * the lessee shall submit an initial Form MMS-4110 prior to, or at the same time as, the transportation allowance determined under a non-arm's-length contract or no-contract situation is reported on Form MMS-2014 * * *.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(c)(2)(iii) .....	* * * the lessee shall submit a completed Form 4110 containing the actual costs for the previous reporting period * * * the lessee shall include on Form MMS-4110 its estimated costs for the next calendar year * * * MMS must receive the Form MMS-4110 within 3 months after the end of the previous reporting period * * *.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(c)(2)(iv) .....	For new transportation facilities or arrangements, the lessee's initial Form MMS-4110 shall include estimates of the allowable oil transportation costs for the applicable period.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(c)(2)(vi) .....	Upon request by MMS, the lessee shall submit all data used to prepare its Form MMS-4410.	Burden covered under OMB Control Number 1010-0061.		
§ 206.55(c)(4) .....	Transportation allowances must be reported as a separate line item on Form MMS-2014 * * *.	Burden covered under OMB Control Number 1010-0140.		
§ 206.55(e)(2) .....	For lessees transporting production from Indian leases, the lessee must submit a corrected Form MMS-2014 to reflect actual costs * * *.	Burden covered under OMB Control Number 1010-0140.		
		Total	11	300

Comments: The PRA (44 U.S.C. 3501, et seq.) provides that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Before submitting an ICR to OMB, PRA section 3506(c)(2)(A) requires each agency “\* \* \* to provide notice \* \* \* and otherwise consult with members of the public and affected agencies concerning each proposed collection of information \* \* \*.” Agencies must specifically solicit comments to: (a) Evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency’s estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

The PRA also requires agencies to estimate the total annual reporting “non-hour cost” burden to respondents or recordkeepers resulting from the collection of information. We have not identified non-hour cost burdens for this information collection. If you have costs to generate, maintain, and disclose this information, you should comment and provide your total capital and

startup cost components or annual operation, maintenance, and purchase of service components. You should describe the methods you use to estimate major cost factors, including system and technology acquisition, expected useful life of capital equipment, discount rate(s), and the period over which you incur costs. Capital and startup costs include, among other items, computers and software you purchase to prepare for collecting information; monitoring, sampling, testing equipment; and record storage facilities. Generally, your estimates should not include equipment or services purchased: (i) Before October 1, 1995; (ii) to comply with requirements not associated with the information collection; (iii) for reasons other than to provide information or keep records for the Government; or (iv) as part of customary and usual business or private practices.

We will summarize written responses to this notice and address them in our ICR submission for OMB approval, including appropriate adjustments to the estimated burden. We will provide a copy of the ICR to you without charge upon request and the ICR will also be posted on our Web site at [http://www.mrm.mms.gov/Laws\\_R\\_D/FRNotices/FRInfColl.htm](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRInfColl.htm).

Public Comment Policy: We will post all comments in response to this notice on our Web site at [http://](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRInfColl.htm)

[www.mrm.mms.gov/Laws\\_R\\_D/FRNotices/FRInfColl.htm](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRInfColl.htm). We will also make copies of the comments available for public review, including names and addresses of respondents, during regular business hours at our offices in Lakewood, Colorado. Individual respondents may request we withhold their home address from the public record, which we will honor to the extent allowable by law. There also may be circumstances in which we would withhold from the rulemaking record a respondent’s identity, as allowable by law. If you request that we withhold your name and/or address, state this prominently at the beginning of your comment. However, we will not consider anonymous comments. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public inspection in their entirety.

MMS Information Collection Clearance Officer: Jo Ann Lauterbach (202) 208-7744.

Dated: February 26, 2003.

**Cathy J. Hamilton,**

Acting Associate Director for Minerals Revenue Management.

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