

under this section, section 1732 of this title, and section 1339 of Title 43] may be cited as the ‘Federal Oil and Gas Royalty Simplification and Fairness Act of 1996’.”

#### SHORT TITLE

Pub. L. 97-451, §1, Jan. 12, 1983, 96 Stat. 2447, provided that: “This Act [enacting this chapter, amending sections 188 and 191 of this title, and enacting provisions set out as notes under this section and sections 1714 and 1752 of this title] may be cited as the ‘Federal Oil and Gas Royalty Management Act of 1982’.”

#### APPLICABILITY OF 1996 AMENDMENT

Pub. L. 104-185, §9, Aug. 13, 1996, 110 Stat. 1717, provided that: “The amendments made by this Act [see Short Title of 1996 Amendment note above] shall not apply with respect to Indian lands, and the provisions of the Federal Oil and Gas Royalty Management Act of 1982 [30 U.S.C. 1701 et seq.] as in effect on the day before the date of enactment of this Act [Aug. 13, 1996] shall continue to apply after such date with respect to Indian lands.”

Pub. L. 104-185, §10, Aug. 13, 1996, 110 Stat. 1717, provided that: “This Act [see Short Title of 1996 Amendment note above] shall not apply to any privately owned minerals.”

#### CONSTRUCTION OF 1996 AMENDMENT

Pub. L. 104-185, §12, Aug. 13, 1996, 110 Stat. 1717, provided that: “Nothing in this Act [see Short Title of 1996 Amendment note above] shall be construed to give a State a property right or interest in any Federal lease or land.”

### § 1702. Definitions

For the purposes of this chapter, the term—

(1) “Federal land” means all land and interests in land owned by the United States which are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate;

(2) “Indian allottee” means any Indian for whom land or an interest in land is held in trust by the United States or who holds title subject to Federal restriction against alienation;

(3) “Indian lands” means any lands or interest in lands of an Indian tribe or an Indian allottee held in trust by the United States or which is subject to Federal restriction against alienation or which is administered by the United States pursuant to section 1613(g) of title 43, including mineral resources and mineral estates reserved to an Indian tribe or an Indian allottee in the conveyance of a surface or nonmineral estate, except that such term does not include any lands subject to the provisions of section 3 of the Act of June 28, 1906 (34 Stat. 539);

(4) “Indian tribe” means any Indian tribe, band, nation, pueblo, community, rancheria, colony, or other group of Indians, including the Metlakatla Indian Community of Annette Island Reserve, for which any land or interest in land is held by the United States in trust or which is subject to Federal restriction against alienation or which is administered by the United States pursuant to section 1613(g) of title 43;

(5) “lease” means any contract, profit-share arrangement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes

exploration for, extraction of, or removal of oil or gas;

(6) “lease site” means any lands or submerged lands, including the surface of a severed mineral estate, on which exploration for, or extraction or removal of, oil or gas is authorized pursuant to a lease;

(7) “lessee” means any person to whom the United States issues an oil and gas lease or any person to whom operating rights in a lease have been assigned;

(8) “mineral leasing law” means any Federal law administered by the Secretary authorizing the disposition under lease of oil or gas;

(9) “oil or gas” means any oil or gas originating from, or allocated to, the Outer Continental Shelf, Federal, or Indian lands;

(10) “Outer Continental Shelf” has the same meaning as provided in the Outer Continental Shelf Lands Act (Public Law 95-372);

(11) “operator” means any person, including a lessee, who has control of, or who manages operations on, an oil and gas lease site on Federal or Indian lands or on the Outer Continental Shelf;

(12) “person” means any individual, firm, corporation, association, partnership, consortium, or joint venture;

(13) “production” means those activities which take place for the removal of oil or gas, including such removal, field operations, transfer of oil or gas off the lease site, operation monitoring, maintenance, and workover drilling;

(14) “royalty” means any payment based on the value or volume of production which is due to the United States or an Indian tribe or an Indian allottee on production of oil or gas from the Outer Continental Shelf, Federal, or Indian lands, or any minimum royalty owed to the United States or an Indian tribe or an Indian allottee under any provision of a lease;

(15) “Secretary” means the Secretary of the Interior or his designee;

(16) “State” means the several States of the Union, the District of Columbia, Puerto Rico, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands;

(17) “adjustment” means an amendment to a previously filed report on an obligation, and any additional payment or credit, if any, applicable thereto, to rectify an underpayment or overpayment on an obligation;

(18) “administrative proceeding” means any Department of the Interior agency process in which a demand, decision or order issued by the Secretary or a delegated State is subject to appeal or has been appealed;

(19) “assessment” means any fee or charge levied or imposed by the Secretary or a delegated State other than—

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

(B) any interest; or

(C) any civil or criminal penalty;

(20) “commence” means—

(A) with respect to a judicial proceeding, the service of a complaint, petition, counter-claim, cross claim, or other pleading seeking

affirmative relief or seeking credit or recoupment: *Provided*, That if the Secretary commences a judicial proceeding against a designee, the Secretary shall give notice of that commencement to the lessee who designated the designee, but the Secretary is not required to give notice to other lessees who may be liable pursuant to section 1712(a) of this title, for the obligation that is the subject of the judicial proceeding; or

(B) with respect to a demand, the receipt by the Secretary or a delegated State or a lessee or its designee (with written notice to the lessee who designated the designee) of the demand;

(21) “credit” means the application of an overpayment (in whole or in part) against an obligation which has become due to discharge, cancel or reduce the obligation;

(22) “delegated State” means a State which, pursuant to an agreement or agreements under section 1735 of this title, performs authorities, duties, responsibilities, or activities of the Secretary;

(23) “demand” means—

(A) an order to pay issued by the Secretary or the applicable delegated State to a lessee or its designee (with written notice to the lessee who designated the designee) that has a reasonable basis to conclude that the obligation in the amount of the demand is due and owing; or

(B) a separate written request by a lessee or its designee which asserts an obligation due the lessee or its designee that provides a reasonable basis to conclude that the obligation in the amount of the demand is due and owing, but does not mean any royalty or production report, or any information contained therein, required by the Secretary or a delegated State;

(24) “designee” means the person designated by a lessee pursuant to section 1712(a) of this title, with such written designation effective on the date such designation is received by the Secretary and remaining in effect until the Secretary receives notice in writing that the designation is modified or terminated;

(25) “obligation” means—

(A) any duty of the Secretary or, if applicable, a delegated State—

(i) to take oil or gas royalty in kind; or  
(ii) to pay, refund, offset, or credit monies including (but not limited to)—

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

(II) any interest; and

(B) any duty of a lessee or its designee (subject to the provisions of section 1712(a) of this title)—

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

(ii) to pay, offset or credit monies including (but not limited to)—

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

(II) any interest;

(III) any penalty; or

(IV) any assessment,

which arises from or relates to any lease administered by the Secretary for, or any mineral leasing law related to, the exploration, production and development of oil or gas on Federal lands or the Outer Continental Shelf;

(26) “order to pay” means a written order issued by the Secretary or the applicable delegated State to a lessee or its designee (with notice to the lessee who designated the designee) which—

(A) asserts a specific, definite, and quantified obligation claimed to be due, and

(B) specifically identifies the obligation by lease, production month and monetary amount of such obligation claimed to be due and ordered to be paid, as well as the reason or reasons such obligation is claimed to be due, but such term does not include any other communication or action by or on behalf of the Secretary or a delegated State;

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

(28) “payment” means satisfaction, in whole or in part, of an obligation;

(29) “penalty” means a statutorily authorized civil fine levied or imposed for a violation of this chapter, any mineral leasing law, or a term or provision of a lease administered by the Secretary;

(30) “refund” means the return of an overpayment;

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

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

(33) “United States” means the United States Government and any department, agency, or instrumentality thereof, the several States, the District of Columbia, and the territories of the United States.

(Pub. L. 97-451, § 3, Jan. 12, 1983, 96 Stat. 2448; Pub. L. 92-203, § 29(f)(1), as added Pub. L. 100-241, § 15, Feb. 3, 1988, 101 Stat. 1813; Pub. L. 104-185, § 2, Aug. 13, 1996, 110 Stat. 1700; Pub. L. 104-200, § 1(1), Sept. 22, 1996, 110 Stat. 2421.)

#### Editorial Notes

#### REFERENCES IN TEXT

Section 3 of the Act of June 28, 1906 (34 Stat. 539), referred to in par. (3), is not classified to the Code.

“Outer Continental Shelf” as provided in the Outer Continental Shelf Lands Act (Public Law 95-372), referred to in par. (10), is defined in section 1331(a) of Title 43, Public Lands.

#### AMENDMENTS

1996—Par. (7). Pub. L. 104-185, § 2(1), amended par. (7) generally. Prior to amendment, par. (7) read as follows: “lessee” means any person to whom the United States,

an Indian tribe, or an Indian allottee, issues a lease, or any person who has been assigned an obligation to make royalty or other payments required by the lease;”.

Pars. (17) to (25). Pub. L. 104-185, §2(2), added pars. (17) to (25).

Par. (25)(B). Pub. L. 104-200, substituted “provisions of section 1712(a)” for “provision of section 1712(a)” in introductory provisions.

Pars. (26) to (33). Pub. L. 104-185, §2(2), added pars. (26) to (33).

1988—Pars. (3), (4). Pub. L. 92-203 inserted “or which is administered by the United States pursuant to section 1613(g) of title 43” after “alienation”.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-185 applicable with respect to production of oil and gas after the first day of the month following Aug. 13, 1996, see section 11 of Pub. L. 104-185, set out as a note under section 1701 of this title.

##### EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 92-203, §29(f)(2), as added by Pub. L. 100-241, §15, Feb. 3, 1988, 101 Stat. 1813, provided that: “The amendment made by paragraph (1) [amending this section] shall be effective as if originally included in section 3 of Public Law 97-451 [this section].”

##### APPLICABILITY OF 1996 AMENDMENT

Amendment by Pub. L. 104-185 not applicable to any privately owned minerals or with respect to Indian lands, see sections 9 and 10 of Pub. L. 104-185, set out as a note under section 1701 of this title.

#### Executive Documents

##### TERMINATION OF TRUST TERRITORY OF THE PACIFIC ISLANDS

For termination of Trust Territory of the Pacific Islands, see note set out preceding section 1681 of Title 48, Territories and Insular Possessions.

#### SUBCHAPTER I—FEDERAL ROYALTY MANAGEMENT AND ENFORCEMENT

##### § 1711. Duties of Secretary

###### (a) Establishment of inspection, collection, and accounting and auditing system

The Secretary shall establish a comprehensive inspection, collection and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect and account for such amounts in a timely manner.

###### (b) Annual inspection of lease sites; training

The Secretary shall—

(1) establish procedures to ensure that authorized and properly identified representatives of the Secretary will inspect at least once annually each lease site producing or expected to produce significant quantities of oil or gas in any year or which has a history of noncompliance with applicable provisions of law or regulations; and

(2) establish and maintain adequate programs providing for the training of all such authorized representatives in methods and techniques of inspection and accounting that will be used in the implementation of this chapter.

###### (c) Audit and reconciliation of lease accounts; contracts with certified public accountants; availability of books, accounts, records, etc., necessary for audit

(1) The Secretary shall audit and reconcile, to the extent practicable, all current and past lease accounts for leases of oil or gas and take appropriate actions to make additional collections or refunds as warranted. The Secretary shall conduct audits and reconciliations of lease accounts in conformity with the business practices and recordkeeping systems which were required of the lessee by the Secretary for the period covered by the audit. The Secretary shall give priority to auditing those lease accounts identified by a State or Indian tribe as having significant potential for underpayment. The Secretary may also audit accounts and records of selected lessees and operators.

(2) The Secretary may enter into contracts or other appropriate arrangements with independent certified public accountants to undertake audits of accounts and records of any lessee or operator relating to the lease of oil or gas. Selection of such independent certified public accountants shall be by competitive bidding in accordance with chapters 1 to 11 of title 40 and division C (except sections 3302, 3307(e), 3501(b), 3509, 3906, 4710, and 4711) of subtitle I of title 41, except that the Secretary may not enter into a contract or other arrangement with any independent certified public accountant to audit any lessee or operator where such lessee or operator is a primary audit client of such certified public accountant.

(3) All books, accounts, financial records, reports, files, and other papers of the Secretary, or used by the Secretary, which are reasonably necessary to facilitate the audits required under this section shall be made available to any person or governmental entity conducting audits under this chapter.

(Pub. L. 97-451, title I, §101, Jan. 12, 1983, 96 Stat. 2449.)

#### Editorial Notes

##### CODIFICATION

In subsec. (c)(2), “chapters 1 to 11 of title 40 and division C (except sections 3302, 3307(e), 3501(b), 3509, 3906, 4710, and 4711) of subtitle I of title 41” substituted for “the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 252)” on authority of Pub. L. 107-217, §5(c), Aug. 21, 2002, 116 Stat. 1303, which Act enacted Title 40, Public Buildings, Property, and Works, and Pub. L. 111-350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

##### § 1712. Duties of lessees, operators, and motor vehicle transporters

###### (a) Liability for royalty payments

In order to increase receipts and achieve effective collections of royalty and other payments, a lessee who is required to make any royalty or other payment under a lease or under the mineral leasing laws, shall make such payments in the time and manner as may be specified by the Secretary or the applicable delegated State. A lessee may designate a person to make all or part of the payments due under a lease on the lessee's behalf and shall notify the Secretary or