

filed one time. However, we estimate that MMS will receive notifications for approximately 100 newly-qualifying properties in each subsequent year. The total estimated burden for each subsequent year is 200 hours (100 properties \times 2 hours) for a total cost of \$10,000 (200 hours \times \$50).

(2) *Benefit—Notification-based relief—Reporting fewer lines.* We estimate that an average of 1,000 properties (500 leases and 500 Agreements) will involve cumulative reporting and payment relief annually. This means that royalties on these properties will be reported and paid annually rather than monthly. We further estimate that lessees will submit 5,500 fewer lines for leases (1 line per month \times 11 months \times 500 leases) and 16,500 fewer lines for Agreements (3 lines per month \times 11 months \times 500 Agreements) on Form MMS-2014, each year for a total of 22,000 fewer lines per year. Because each line averages 3 minutes to submit, we estimate that lessees will save 1,100 burden hours (22,000 lines \times 3 minutes \div 60 minutes/hour) or a total of \$55,000 (1,100 hours \times \$50/hour) in the first year this rule is effective and for each year thereafter.

(3) *Cost—Request-based relief—Requesting approval.* MMS expects approximately 10 requests per year for other accounting and auditing relief. We estimate each request will require 4 hours for a lessee to prepare and submit. This estimate also includes providing information originally omitted from the request and lessee approval of MMS modifications, if any. The estimated cost to lessees to request other relief is approximately \$2,000 per year (10 requests \times 4 hours per request \times \$50 per hour).

(4) *Benefit—Request-based relief—Taking request-based relief.* We are unable to quantify the benefits of the request-based relief category at this time because we do not know what types of relief industry will request or how many MMS will approve.

(5) *Cost—Both types of relief—Notifying MMS that relief has ceased.* When a property ceases to qualify for previously granted relief, the lessee or designee is required to notify MMS. MMS expects that 24 properties will cease to qualify for relief each year and that each notification will require $\frac{1}{4}$ hour to prepare and submit. The

estimated cost to lessees for these notifications is approximately \$300 (24 properties \times .25 hours \times \$50).

Small Business Issues. Approximately 2,500 companies report and pay royalties to MMS. We estimate that over 97 percent of these companies are small businesses as defined by the U.S. Small Business Administration because they have 500 or fewer employees. We anticipate that most of the relief granted under this proposed rule will benefit small companies. Typically, as properties near the end of their productive life, larger companies with higher overhead, sell their marginal properties to small companies who can operate them more profitably. We expect most small companies will avail themselves of the cumulative reporting and payment relief option. Generally, larger companies may not use this option because of the expense of modifying their large, complex computer systems to report a few leases on an annual rather than a monthly basis. However, we expect that most request-based relief will be sought by larger companies having more sophisticated and complex accounting considerations. If any company, large or small, chooses not to take the accounting and auditing relief offered in this proposed rule, it will incur no additional expense or burden.

B. State and Local Governments

This rule will not impose any additional burden on local governments. MMS estimates that States impacted by this rule would incur costs and benefits as calculated below:

(1) *Cost—Notification-based relief—Determining State participation.* Burden hours for review and development of a blanket State policy on accounting and auditing relief is estimated to be 40 hours at the beginning of each year. Only 4 States have sufficient numbers of marginal properties to require an in-depth analysis of the economic impact of offering accounting and auditing relief. Consequently, we estimate the total annual burden to establish blanket policies for all States to be approximately 160 hours (4 primary States \times 40 hours) or a total cost of \$8,000 (160 hours \times \$50).

(2) *Cost—Request-based relief—Consulting with MMS.* Consultation with MMS on individual requests for

other accounting and auditing relief is estimated to be 4 hours per property. As noted previously, MMS expects approximately 10 requests for individual accounting and auditing relief each year for a total burden of 40 hours for all States (10 requests \times 4 hours per request) or a total cost of \$2,000 (40 hours \times \$50).

(3) *Benefit—Notification-based relief—Prolonging life of marginal wells.* As discussed in item 2.A., we estimate that after the first year, cumulative reporting will save industry approximately \$45,000 annually (\$55,000–\$10,000). We believe this reduced cost of operations will prolong the life of marginal wells. If the reporting relief encourages industry to continue to produce oil and gas from marginal properties, States will benefit in the additional receipts. The States generally would receive 50 percent of the royalties collected on additional production plus additional severance and ad valorem taxes. The States also would benefit from continued employment and economic activity resulting from production that would otherwise be abandoned. We cannot determine the length and dollar benefit of this additional well life at this time. However, we believe that if States choose to participate in this reporting relief, the net benefits to the States will be positive.

(4) *Cost—Notification-based relief—Lost time value of money.* Because payments would be made annually rather than monthly, States will lose the time value of money on sales made in the 11 months before the royalty payment is due. Generally, States receive 50 percent of the royalties collected for onshore leases.

For example, New Mexico has the largest number of properties qualifying for cumulative reporting and payment relief—approximately 1,280. Using a value of \$21 per barrel of oil and \$2.20 per Mcf of gas and a 7 percent interest rate, we estimate that if all 1,280 qualifying properties take cumulative reporting and payment relief, New Mexico would lose a maximum of \$14,000 annually in the time value of money. The calculation for New Mexico marginal properties producing 1,000 BOE per year or less is as follows:

Action	Gas (Mcf)	Oil (bbl)	Total
Total qualifying volume	1,741,829	154,101	
Multiplied by estimated unit value	\times \$2.20	\times \$21.00	
Total estimated value	\$3,832,023	\$3,236,121	\$7,068,144
Multiplied by royalty rate ¹			\times .125
Total royalty due for year			\$ 883,518