

Action	Gas (Mcf)	Oil (bbl)	Total
Divided by 12 months ²	+12
Average royalty due per month	\$ 73,626
Multiplied by est. interest rate	× .07
Interest on 1 mo. royalty for 1 yr.	5,153
Multiplied by 66/12 ³	× 66/12
Interest (time value) lost for yr. ⁴	28,341

¹ The royalty rate for Federal onshore leases is most often 12½ percent. However, many of these marginal properties may also qualify for lower royalty rates under the stripper oil royalty rate reduction program (30 CFR 216.57). Consequently, the royalty value in this calculation could be less.

² To simplify this calculation, we divided the total royalty due for the year by 12 months on the assumption that the royalties would be evenly produced throughout the year.

³ This factor reflects the fact that different amounts of interest would accrue for each production month, beginning with 1½ of 7 percent for the first month; 1½ of 7 percent for the second month; ¾ of 7 percent for the third month, etc. for a total of 66/12.

⁴ The New Mexico State share is 50 percent; the Federal share is 50 percent. We rounded each share to \$14,000.

As noted above, we calculated the time value of money lost for qualifying properties in New Mexico to be approximately \$28,000 annually (the New Mexico share is \$14,000 and the Federal government's share is \$14,000). Because New Mexico has 43 percent of all marginal properties producing 1,000 BOE or less per year, we extrapolated the total loss for qualifying properties in all States to be \$65,000 annually (\$28,000 ÷ .43 = \$65,000). The share of the lost time value of money for all States would be \$32,500 and the Federal government's share would be \$32,500.

C. Federal Government

(1) *Benefit—Notification-based relief—Processing fewer lines.* As noted in item 2.A.(2) above, lessees will report—and MMS will process—approximately 22,000 fewer lines under the cumulative reporting and payment relief option. We estimate that MMS will save approximately \$8,360 per year (22,000 lines X \$.38 processing cost per line). We determined the cost per line using cost data from OMB Control Number 1010-0140 (\$958,229 cost to MMS to process lines received from industry on the Form MMS-2014 divided by 2,496,000 expected lines per year).

(2) *Cost—Notification-based relief—Processing notifications.* In the first year, MMS expects to receive 1,000 notifications from lessees who wish to report annually on their marginal properties. We estimate that recording each notification in MMS's automated records will require 5 minutes per notice. Total time to record the notifications is 83 hours (1,000 notices X 5 minutes/notice 60 minutes/hour). Using an average cost of \$50 per hour, the total cost to the Government is estimated to be \$4,150.

In the second year and each year thereafter, MMS expects to receive only 100 notifications. Total time to record the notifications is 8 hours (100 notices X 5 minutes/notice 60 minutes/hour) or a total cost of \$400 (8 hours X \$50/hour).

(3) *Cost—Request-based relief—Evaluating requests for other relief.* As noted in item 2.A.(3) above, MMS expects to receive 10 individual accounting and auditing relief requests from lessees annually. We estimate that each request will require 40 hours to analyze for a total cost of \$20,000 (10 requests X 40 hours per request X \$50 per hour).

(4) *Benefit—Notification-based relief—Prolonging life of marginal wells.*

As discussed in item 2.A. above, 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. We cannot determine the length and dollar benefit of this additional well life at this time. The Federal government would generally receive 50 percent of the royalties collected on additional production. We believe the net benefit to the Federal government will be positive.

(5) *Cost—Notification-based relief—Lost time value of money.* The Federal government will lose the time value of money on sales made in the 11 months before the royalty payment is due. Generally, the Federal government receives 50 percent of the royalties collected for onshore leases. We believe the amount lost to the Federal government for the time value of money would be the same as for all States or \$32,500 annually (see item B.4. above for the calculation).

D. Summary of Costs and Benefits

Description	Benefit / <COST>	
	First Year	Subsequent Years
A. Industry		
(1) <Cost>—Notification-based relief—Submitting notifications	\$<100,000>	\$<10,000>
(2) Benefit—Notification-based relief—Reporting fewer lines	55,000	55,000
(3) Cost—Request-based relief—Requesting approval	<2,000>	<2,000>
(4) Benefit—Request-based relief—Taking request-based relief and prolonging the life of marginal wells	Unknown	Unknown
(5) Cost—Both types of relief—Notifying MMS that relief has ceased	<300>	<300>
B. State and Local Governments		
(1) Cost—Notification-based relief—Determining State participation	<8,000>	<8,000>
(2) Cost—Request-based relief—Consulting with MMS	<2,000>	<2,000>
(3) Benefit—Notification-based relief—Prolonging life of marginal wells	Unknown	Unknown
(4) Cost—Notification-based relief—Lost time value of money	<32,500>	<32,500>