

**Supporting Statement for
Royalty-in-Kind (RIK) Small Refiner Sale Program
(OMB Control Number 1010-0135)**

A. Justification.

1. What circumstances make this collection of information necessary?

The regulation at 30 CFR ' 208.11(a) (Attachment 1) provides that:

The eligible purchaser, prior to execution of the contract, shall furnish an "MMS-specified surety instrument."

The Minerals Management Service (MMS) periodically holds small refiner royalty-in-kind (RIK) sales and announces such sales in the Federal Register. In order to qualify for these sales, small refiners must submit a Letter of Credit, Form MMS-4071, and a Royalty-In-Kind Contract Surety Bond, Form MMS-4072 (Attachment 2).

2. How, by whom, and for what purpose will the information be used?

Small refiners submit Forms MMS-4071 or MMS-4072 as part of their bidding application to qualify for the RIK sale. MMS uses the information submitted to collect money from financial institutions if the small refiners do not report and pay.

These forms are similar to the forms approved under OMB Control Number 1010-0122 which relates to Appeals of MMS Orders. Small changes were made to Forms MMS-4071 and MMS-4072 to account for the fact that the surety coverage required by the small refiner RIK program covers an RIK contract and not an assessment that is being appealed.

3. Does the collection of information involve the use of information technology?

No, an electronic or telefax copy is not acceptable. Refiners need to provide a hardcopy surety. This is due to requirements of the bonding and banking industry that original documents be submitted if draw down is necessary. However, the forms are available on MMS's Royalty Management Program (RMP) website at <http://www.rmp.mms.gov> prior to small refiner RIK sales.

4. Is the information duplicated by any other Federal agency, and can similar information be used or modified for this collection?

The information required on these forms from small refiners is unique and does not duplicate any other information available from other Federal agencies.

5. What methods are used to minimize the burden on small businesses or other small entities?

This collection of information will impact "small businesses" because the RIK program, by definition, involves **small**, independent refiners. Eligible refiners are defined at 30 CFR § 208.2 which states:

(1) For the purchase of royalty oil from **onshore leases**, it means a refiner that has an operating refinery and qualifies as a small and independent refiner as those terms are defined in Sections 3(3) and 3(4) of the Emergency Petroleum Allocation Act, 15 U.S.C. 751 *et seq.* A refiner that, together with all persons controlled by, in control of, under common control with, or otherwise affiliated with the refiner, inputs domestic crude oil from its own production exceeding 30 percent of total refinery input is ineligible to participate in royalty sales under this part. (In other words, to be eligible under this part, the refiner must receive at least 70 percent of his feeder stocks from unaffiliated sources.) Crude oil received in exchange for the refiner's own production is considered to be part of that refiner's own production for purposes of this section.

(2) For the purchase of royalty oil from **offshore leases**, it means a refiner that has an operating refinery and qualifies as a small business enterprise under the rules of the Small Business Administration (SBA) (13 CFR Part 121). The SBA standard for a small business within the Petroleum Refining Industry is less than or equal to 75,000 bbl per day, and less than or equal to 1,500 employees.

6. What are the consequences if the collection is not conducted or is conducted less frequently? Are there technical or legal obstacles to reducing the burden?

Without the surety protection, the Government can loose money if a refiner does not pay for oil he has received.

7. Are there any special circumstances that require exceptions to 5 CFR 1320.5(d)(2)?

There are no special circumstances that require exceptions to 5 CFR 1320.5(d)(2).

8. Describe efforts to consult with the public and a representative sample of respondents?

MMS published a 60-day Federal Register Notice on November 30, 1999 (64 FR 66930), soliciting comments on the continued use of Forms MMS-4071 and 4072 (Attachment 3). No comments were received.

MMS held two small refiner RIK sales on October 28, 1999, (9 bidders) and February 9, 2000, (6 bidders). The bidders successfully retrieved the required surety forms from MMS's RMP website. The bidders had no problems to report in using these forms.

9. Will payment or gifts be provided to respondents?

There will be no payment or gifts to respondents.

10. What assurance of confidentiality is provided to respondents?

This information collection contains confidential information. Trade secrets and proprietary information are protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and Department of the Interior regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures.

11. Does the information collected include any questions of a sensitive nature?

This information does not include questions of a sensitive nature.

12. What is the estimated reporting and recordkeeping hour burden of the collection of information.

We estimate that approximately 25 refiners will submit Forms MMS-4071 and 4072 for future small refiner RIK sales. We estimate small refiners will spend approximately 1 hour a year completing these forms for a total burden of 25 hours.

Reporting & Recordkeeping Requirements	Frequency	Number of Respondents	Burden	Annual Burden Hours
Complete and submit Forms MMS-4071 and MMS-4072	yearly	25	25 x 1 hours	25 hours

We estimate the burden hour cost to respondents will be \$1,250 (25 hours x \$50 per hour).

13. What is the estimated reporting and recordkeeping cost burden of the collection of information.

This collection requires no capital and start-up costs by small refiners.

14. What is the estimated annualized cost to the Federal Government.

We estimate the total cost to the Federal Government is \$683 as shown below. The estimated burden to the Government is based on time/effort needed to review and file the surety forms.

1 GS-12, Step 10, FTE: 25 hrs. x \$27.33 per hr. = \$683

15. Are there any program changes or adjustments requested?

No. The burden hours in OMB's Inventory remain unchanged at 25 hours.

16. Are there plans for tabulation and publication of the results of the information collection?

Total surety coverage is published in the MMS annual financial reports. Surety amounts by refiner are not published.

17. Is the agency seeking approval to not display the expiration date for OMB approval of the information collection?

MMS is not seeking an exemption to display the expiration date of the OMB approval.

18. Are there exceptions to the certification statement in Item 19 of Form OMB 83-I?

Collection of this information complies with Item 19, "Certification for Paperwork Reduction Act Submissions," on Form OMB 83-I.

B. Collection of Information Employing Statistical Methods.

This section is not applicable. We will not employ statistical methods in this information collection.