



# United States Department of the Interior

MINERALS MANAGEMENT SERVICE  
Washington, DC 20240

AUG 14 1997

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Dear Payor:

On August 13, 1996, the Federal Oil and Gas Royalty Simplification and Fairness Act (RSFA) of 1996 was signed into law. The RSFA provides that owners of operating rights in a Federal oil and gas lease are primarily liable for royalty payments on their portions of their leases and that owners of record title for such leases are secondarily liable. Lessee(s) under the RSFA are defined as record title owners and/or operating rights (working interest) owners. The RSFA provides for a lessee to designate another party (defined as designee) to pay royalties on their behalf by sending written notice to the Minerals Management Service (MMS). Under RSFA, parties so designated are not liable for any lease payment obligations. To clarify, if you pay on your own interest, you are a lessee. If you pay for a working interest on a lease you do not own you are a designee. A payor may be a designee, a lessee, or both.

In anticipation of implementing this provision of RSFA, MMS sent letters to existing oil and gas payors requesting that they provide information on owners of operating rights for which the payors were reporting and making payments to MMS. This information request was dated January 9, 1997.

In sending the information request to payors, MMS inadvertently failed to follow requirements contained in the Paperwork Reduction Act (PRA), 44 U.S.C. § 3512. The PRA states 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. To correct this oversight, MMS prepared an information collection for OMB approval. In addition, MMS published an interim final rulemaking entitled "Designation of Payor Record Keeping" in the Federal Register on August 5, 1997. This interim final rule mandates the submission of this information to MMS. The OMB control number for the information collection contained in the interim final rule is 1010-0107 and this approval expires on January 31, 1998.

If you complied with our January 9, 1997, data collection request, you have satisfied the initial requirement of the new rule and no further action is necessary at this time. If you **did not** respond to that request, please submit the data identified in our January letter no later than 60 days after your receipt of this letter. As an alternative, the Model Report of Sales and Royalty Remittance (Form MMS-2014) lists the same royalty lines as the January 1997 list provided to you. You may use the Form 2014 as a basis for your response and add the appropriate rent and minimum royalty lines for which you are the lessee or designee.

We estimate that the burden to each payor to provide this information to us is a half hour per

original data line and that an average payor will have 48 original data lines (one original data line will result in multiple lines of data when the payor is the designee and is reporting for multiple lessees). Comments on the accuracy of this burden estimate or suggestions on reducing this burden should be directed to the Information Collection Clearance Officer, Mail Stop 4230, Minerals Management Service, U.S. Department of the Interior, 1849 C Street, NW, Washington, D.C. 20240. This collection of information is mandatory and responses are considered proprietary (30 CFR 250.18).

We appreciate your efforts to provide the information required by the interim final rule in a timely manner. Please contact Mr. Larry Gratz at 1-800-525-9167 or 303-231-3427 for further assistance.

Sincerely,

  
Lucy Querques Denett  
Associate Director for  
Royalty Management