

Supporting Statement for Paperwork Reduction Act Submissions
30 CFR 250, Subpart M, Unitization
OMB Control Number 1010-0068
Current Expiration Date: 31 August 2008

Terms of Clearance: None

General Instructions

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the Federal Register, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When statistical items are employed, Section B of the Supporting Statement must be completed. The Office of Management and Budget (OMB) reserves the right to require the submission of additional information with respect to any request for approval.

Specific Instructions

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Outer Continental Shelf (OCS) Lands Act, as amended (43 U.S.C. 1331 et seq. and 43 U.S.C. 1801 et seq.), authorizes the Secretary of the Interior (Secretary) to prescribe rules and regulations to administer leasing of the OCS. Such rules and regulations will apply to all operations conducted under a lease. Operations on the OCS must preserve, protect, and develop oil and natural gas resources in a manner that is consistent with the need to make such resources available to meet the Nation's energy needs as rapidly as possible; to balance orderly energy resource development with protection of human, marine, and coastal environments; to ensure the public a fair and equitable return on the resources of the OCS; and to preserve and maintain free enterprise competition. Section 1334(a) specifies that the Secretary "provide for the prevention of waste and conservation of the natural resources of the [O]uter Continental Shelf, and the protection of correlative rights therein" and include provisions for "unitization, pooling, and drilling agreements."

This information collection request (ICR) concerns the regulations at 30 CFR 250, subpart M, Unitization.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. [Be specific. If this collection is a form or a questionnaire, every question needs to be justified.]

The MMS Regional Supervisor must approve any lessee's proposal to enter an agreement to unitize operations under two or more leases. We must also approve modification of a unit agreement when changes in circumstances warrant. We encourage unitization of operations on OCS leases where

unitized operations will further exploration of prospective geological structures; increase the ultimate recovery of oil and gas or sulphur reserves; lead to more efficient operation of leases and reservoirs; and/or is necessary to protect correlative rights. Unitization can be particularly beneficial in high-cost, high-risk OCS areas. Lessees submit consolidated Exploration Plans and Development and Production Plans for a unit area. We use the information to ensure that operations under the proposed unit agreement will result in preventing waste, conserving natural resources, and protecting correlative rights including the government's interests. We need to review all pertinent data before determining competitiveness of a reservoir or deciding that compelling unitization will achieve the desired results.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden [and specifically how this collection meets GPEA requirements].

Currently, no respondents submit information using electronic technology.

A previous Office of Management and Budget (OMB) approval of this collection of information attached a term of clearance specifying “. . . the Agency shall describe the outcome of efforts currently underway to accommodate the electronic submission of data and to what extent those efforts have decreased burden.” Unitization submittals are legal documents requiring original signatures. Also, some of the information submitted under subpart M is proprietary data and would not, at this time, be secure if submitted electronically.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Each unit proposal is unique to two or more specific leases, and there is no duplication. Other Federal departments/agencies are not involved with the unitization of operations on OCS leases.

5. If the collection of information impacts small businesses or other small, describe any methods used to minimize burden.

This collection of information does not have a significant economic effect on a substantial number of small entities. Any direct effects primarily impact the OCS lessees and operators. In general, companies need large technical and financial resources and experience to conduct offshore activities safely. However, approximately 70 percent of the OCS lessees and operators may have less than 500 employees and would be considered small businesses as defined by the Small Business Administration. The hour burden on any small entity subject to these regulations cannot be reduced to accommodate them. It should be noted, that MMS approval of voluntary unitization applications for business - small or large - results in various benefits as discussed in Section A.2. These can include holding the lease in effect without having to drill unnecessary wells, as well as other financial benefits during continued activities.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The number of reservoirs that are susceptible to exploration, development, and production under a unit agreement determines frequency of submission. If we did not collect the information, we could not ensure that unitization proposals will achieve the desired purpose. We could not monitor operations without lessees submitting annual updated operating plans.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

(a) requiring respondents to report information to the agency more often than quarterly.

The MMS must be able to approve all types of modification(s)/revisions to Unit Agreement(s), Unit Operating Agreement(s), plan(s) of operation, change of unit operator(s) etc., when changes in circumstances warrant, so frequency is on occasion.

(b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.

Not applicable in this collection.

(c) requiring respondents to submit more than an original and two copies of any document.

Not applicable in this collection.

(d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than 3 years.

Not applicable in this collection.

(e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.

Not applicable in this collection.

(f) requiring the use of statistical data classification that has been reviewed and approved by OMB.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii) as the collection is not a statistical survey and does not use statistical data classification.

(g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.

This collection does not include a pledge of confidentiality not supported by statute or regulation.

(h) requiring respondents to submit proprietary trade secrets or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

This collection does not require proprietary, trade secret, or other confidential information not protected by agency procedures.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information

collection prior to submission to OMB. Summarize public comments received in response to that notice [and in response to the PRA statement associated with the collection over the past 3 years] and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. [Please list the names, titles, addresses, and phone numbers of persons contacted.] Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

As required in 5 CFR 1320.8(d), MMS published the required 60-day notice in the Federal Register (72 FR 73041, December 26, 2007). Also, 30 CFR 250.199 explains that MMS will accept comments at any time on the information collection burden of our 30 CFR 250 regulations. We display the OMB control number where appropriate and provide the address for sending comments to MMS. We received one comment in response to the notice or unsolicited comments from respondents covered under these regulations. The comment received was from a private citizen, B. Sachau, and it was not germane to the paperwork burden of this ICR.

During the comment period, MMS requested input from several respondents on the burden of collecting this information. The burden estimates in Section A.12 reflect their input. The following respondents were contacted:

Exxon Mobil Corporation – Ronald Castenell – Regulatory Specialist – (281) 654-1086
Post Office Box 4358, Houston, Texas 77210

Newfield Exploration Company – Christina Linscomb – Landman – (281) 847-6074
363 North Sam Houston Parkway East, Suite 2020, Houston, Texas 77060

W&T Offshore, Inc. – Brian Harvey – Land Manager (713) 624-7378
Nine E Greenway Plaza, Suite 300, Houston, Texas 77046

BHP Billiton Petroleum (Deepwater) Inc. – Dwight Pickle – Senior Staff Negotiator – (713) 961-8437
1360 Post Oak Boulevard, Suite 150, Houston, Texas 77056-3020

BP Exploration and Production Inc. – Wayne Fletcher – Commercial Negotiator – (281) 366-4437
200 Westlake Park Boulevard, Houston, Texas 77079

Pacific Energy Resources LTD – Jeevan Anand, PE – Vice President (562) 628-1526
111 West Ocean Boulevard, Suite #1240, Long Beach, CA 90802

Plains E & P Company – Tom Goers – Operations Manager (805) 567-1604
17100 Calle Mariposa Road, Goleta, CA 93117

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

The MMS will not provide payment or gifts to respondents in this collection.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

We protect proprietary information according to the Freedom of Information Act (5 U.S.C. 552) and its implementing regulations (43 CFR 2), and 30 CFR 250.197, “Data and information to be made available to the public or for limited inspection,” and 30 CFR Part 252, “OCS Oil and Gas Information Program.”

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

The collection does not include sensitive or private questions.

12. Provide estimates of the hour burden of the collection of information. The statement should:

(a) Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.

(b) If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.

There are approximately 130 potential respondents (Federal oil and gas OCS lessees). We estimate the total annual burden is 4,913 reporting hours. Responses are generally on occasion and required to obtain or retain a benefit. Refer to the burden breakdown chart for a break out of the burden.

BURDEN BREAKDOWN

Citation 30 CFR 250 subpart M	Reporting Requirement	Hour Burden	Average No. Annual Responses	Annual Burden Hours
		Non-Hour Cost Burdens		
Requests				
1301(d), (f)(3), (g)(1), (g)(2) (ii)	Request suspension of production or operations.	Burden covered in 1010-0114.		0
1302(b)	Request preliminary determination on	39	1 request	39

Citation 30 CFR 250 subpart M	Reporting Requirement	Hour Burden	Average No. Annual Responses	Annual Burden Hours
		Non-Hour Cost Burdens		
	competitive reservoir.			
1304(b)	Request compulsory unitization, including submitting unit agreement, unit operating agreement, initial plan of operation, and supporting data; serving non-consenting lessees with documents.	161	1 request	161
1304(d)	Request hearing on required unitization.	1	1 request	1
		Subtotal	3 responses	201 hours
Submittals				
1302(b)	Submit concurrence or objection on competitiveness with supporting evidence.	39	1 request	39
1302(c), (d)	Submit joint plan of operations, supplemental plans, or a separate plan if agreement cannot be reached.	39	1 plan	39
1303; 1304	*Submit revisions or modifications to unit agreement, unit operating agreement, plan of operation, change of unit operator, etc.	8	54 revs/mods	432
		\$760 fees x 54 revisions/modifications = \$41,040		
1303; 1304	*Submit initial, and revisions to, participating area.	48	24 submissions	1,152
1304(e)	Submit statement at hearing on compulsory unitization.	5	1 statement	5
1304(e)	Pay for and submit three copies of verbatim transcript of hearing.	1	1 submission	1
		Court reporter and 3 transcript copies for 1 hearing = \$500		
		82 responses		1,668 hours
Subtotal		\$41,540 non-hour cost burdens		
General				
1301	General description of requirements.	Burden included in the following sections.		0
1303	Apply for voluntary unitization, including submitting unit agreement, unit operating agreement, initial plan of operation, and supporting data; request for variance from model agreement and other related requirements.	169	18 apps / plans	3,042
		\$10,700 fee x 18 applications/plans = \$192,600		
		Due to ongoing litigation in the Pacific Region, respondents did not submit burden data.		
1304(f)	Appeal final order of compulsory unitization.	Exempt as defined in 5 CFR 1320.4(a)(2), (c).		0
1300-1304	General departure and alternative compliance requests not specifically covered elsewhere in subpart M regulations.	1	2 requests	2

Citation 30 CFR 250 subpart M	Reporting Requirement	Hour Burden	Average No. Annual Responses	Annual Burden Hours
		Non-Hour Cost Burdens		
Subtotal		20 responses		3,044 hours
		\$192,600 non-hour cost burden		
Total Burden		105 responses		4,913 hours
		\$234,140 Non-Hour Cost Burdens		

* These requirements are specified in each Unit Agreement.

(c) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.

The average respondent cost is \$88/hour (rounded). This cost is broken out in the below table using the Bureau of Labor Statistics data for the Houston, TX area. See BLS website: <http://www.bls.gov/bls/wages.htm>.

Position	Level	Hourly Pay rate (\$/hour estimate)	Hourly rate including benefits (1.4** x \$/hour)	Percent of time spent on collection	Weighted Average (\$/hour)
General Office Clerk	7	\$21	\$29	5%	\$1
Petroleum Engineer/Geologist	13	\$66	\$92	75%	\$69
Supv. Petroleum Engineer/Geologist	15	\$66	\$92	20%	\$18
Weighted Average (\$/hour)					\$88

* Please note that this BLS source reflects their last update from July 2004.

** A multiplier of 1.4 (as implied by BLS news release USDL 07-1883, December 11, 2007) was added for benefits.

Based on a cost factor of \$88 per hour, we estimate the total annual cost to industry is \$432,344 (\$88 x 4,913 hours = \$432,344).

13. Provide an estimate of the total annual [non-hour] cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

(a) The cost estimate should be split into two components: (1) a total capital and start-up cost component (annualized over its expected useful life) and (2) a total operation and maintenance and

purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information [including filing fees paid]. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.

(b) If cost estimates are expected to vary widely, agencies should present ranges of cost burden and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

(c) Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

We have identified three non-hour cost burdens associated with this information collection. Section 250.1303 requires respondents to pay filing fees when applying for a voluntary unitization proposal or unit expansion, as well as a unitization revision. The filing fees are required to recover the Federal Government's processing costs. Section 250.1304(d) provides an opportunity for parties notified of compulsory unitization to request a hearing. Section 250.1304(e) requires the party seeking the compulsory unitization to pay for the court reporter and three copies of the verbatim transcript of the hearing. It should be noted there have been no such hearings in the recent past, and none are expected in the near future. We have not identified any other “non-hour cost” burdens associated with this collection of information, and we estimate a total reporting “non-hour cost” burden of \$234,140. Refer to the chart in Section A.12 of this supporting statement for the specific fee breakdown.

14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

To analyze and review the information required by 30 CFR Part 250, Subpart M, Unitization, we estimate the government will spend an average of 1 hour for each hour spent by respondents for a total of 4,913 burden hours. The average Federal cost is \$59 per hour. This cost is broken out in the below table using the Office of Personnel Management pay schedule for New Orleans, LA, as of January 2008.

Position	Grade	Hourly Pay rate (\$/hour estimate)	Hourly rate including benefits (1.5* x \$/hour)	Percent of time spent on collection	Weighted Average (\$/hour)
Clerical	GS-7/5	\$18	\$27	5%	\$1

Petroleum Engineer	GS-13/5	\$37	\$56	75%	\$42
Supv. Petroleum Engineer	GS-15/5	\$52	\$78	18%	\$14
Executive	SES (\$148K)	\$71	\$107	2%	\$2
Weighted Average (\$/hour)					\$59

* A multiplier of 1.5 (as implied by BLS news release USDL 07-1883, December 11, 2007) was added for benefits.

Based on a cost factor of \$59 per hour, we estimate the total gross annualized cost to the Government is \$289,867 (4,913 hours x 1 hour = 4,913 hours x \$59 = \$289,867).

15. Explain the reasons for any program changes or adjustments.

The currently approved OMB inventory is 5,884 burden hours for this collection of information. This submission requests 4,913 burden hours. The adjustment decrease of 971 hours is due to decreases in the average number of annual responses based on consultations.

The currently approved OMB non-hour cost burden is \$377,801. This submission requests \$234,140. The adjustment decrease of \$143,661 is a result of re-estimating the number of annual responses.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The MMS will not tabulate or publish the data.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Not applicable, as this collection of information concerns requirements in regulations.

18. Explain each exception to the certification statement, “Certification for Paperwork Reduction Act Submissions.”

To the extent that the topics apply to this collection of information, we are not making any exceptions to the “Certification for Paperwork Reduction Act Submissions.”