26, 1997, for Proposed Exchange N–59006. The land will be opened to the operation of the public land laws, including location and entry under the mining laws, subject to valid existing rights.

EFFECTIVE DATE: July 21, 1999.

FOR FURTHER INFORMATION CONTACT: Mary Figarelle, Realty Specialist, Winnemucca Field Office, 5100 E. Winnemucca Blvd., Winnemucca, Nevada 89445, or 775–623–1500.

SUPPLEMENTARY INFORMATION: Upon notation to the public land office records, on March 25, 1997, the public lands described below were segregated from all other forms of appropriation under the public land laws including location and entry under the mining laws. On June 21, 1999, the exchange proponent notified the Bureau of Land Management, that he no longer wanted to pursue the proposed exchange. The segregation is hereby terminated on the following described lands:

Mount Diablo Meridian, Nevada

T. 43 N., R. 32 E.,
Sec. 4: SE¼SW¼;
Sec. 9: NE¼NE¼, S½NE¼, NW¼NW¼, E½SW¼, SE¼;
Sec. 17: NW¼SW¼;
Sec. 18: SE¼NE¼SE¼, NE¼NE¼SE¼;
Sec. 31: SE¼NE¼, SE¼SW¼NE¼, NE¼SW¼NE¼.
T. 47 N., R. 31 E.,
Sec. 21: E½NE½, SE¼NW¼, E½SW¼, NE¼SE¼, SW¼SE¼;
Sec. 22: W½SW¼;
Sec. 26: S½NW¼, E½SW¼;
Sec. 27: SE¼NE¼, NE¼NW¼;
Sec. 28: NW¼NE¼;
Sec. 35: NW¼NE¼, NE¼NW¼.

Totalling 1,280 acres in Humboldt County.

At 9 a.m. on July 21, 1999, the land encumbered by Proposed Exchange N–59006, will be opened to the operation of the public land laws, including location and entry under the mining laws, subject to valid existing rights, the provisions of existing withdrawals, other segregations of record, and the requirements of applicable law. All valid applications received at or prior to 9 a.m. on July 21, 1999, shall be considered as simultaneously filed at that time. Those received thereafter shall be considered in the order of filing. Appropriation of any of the land described in this order under the general mining laws prior to the date and time of restoration is unauthorized. Any such attempted adverse possession under 30 U.S.C. 38 (1988), shall vest no rights against the United States. Acts required to establish a location and to initiate a right of possession are governed by State law where not in conflict with Federal law. The Bureau of Land Management will not intervene in disputes between rival locators over possessory rights since Congress has provided for such determinations in local courts.

Dated: June 30, 1999.

Terry A. Reed,

Field Manager, Winnemucca.

[FR Doc. 99–17683 Filed 7–12–99; 8:45 am]

BILLING CODE 4310–HC–P

DEPARTMENT OF THE INTERIOR

Minerals Management Service

Federal Oil and Gas Royalty-in-Kind Pilot Programs

AGENCY: Minerals Management Service, Interior.

ACTION: Notice of intent.

SUMMARY: This is to give notice that the Minerals Management Service (MMS) intends to adhere to certain practices in exercising the options available to the Secretary of the Interior to take the government's royalty share of production in kind from Federal oil and gas leases. In particular, we would like to set forth the background and a general outline of how we are proceeding and what is expected of lessees and operators in connection with MMS's royalty-in-kind (RIK) projects. The purpose of these projects is to test the feasibility and examine the revenue effects of different ways of taking and disposing of RIK production. We welcome any comments you may have on the information provided in this Notice.

DATES: Comments must be submitted on or before September 13, 1999.

ADDRESSES: If you wish to comment, you may submit your comments by any one of several methods. You may mail comments to Bonn Macy, Special Assistant to the Director, Minerals Management Service, 1849 C Street, NW, MS 4230, Washington, DC 20225. You may also comment via the Internet (E-mail) to Bonn.Macy@mms.gov. Please submit Internet comments as a WordPerfect 6.0 or an MS Word 97 document (earlier versions of these formats are acceptable) avoiding the use of special characters and any form of encryption. Please also include your name and return address and phone number in your Internet message. If you do not receive a confirmation from the system that we have received your Internet message, contact Bonn Macy directly at (202) 208–3827.

FOR FURTHER INFORMATION CONTACT: Mr. Bonn J. Macy, Minerals Management Service, 1849 C Street, NW, MS 4230, Washington, D.C. 20240–0001; telephone number (202) 208–3827; fax (202) 208–3918; e-mail Bonn.Macy@mms.gov.

COMMENTS: Written comments on this notice should be addressed to Mr. Bonn J. Macy at the address given in the Addresses section of the notice.

SUPPLEMENTARY INFORMATION: The contents of this Notice will be discussed at a Public meeting held on July 20, 1999, in Houston, Texas. Please refer to the **Federal Register** Notice published July 1, 1999, for further information. We will post public comments after the comment period closes on the Internet at http://www.rmp.mms.gov. You may arrange to view paper copies of the comments by contacting Bonn Macy, Special Assistant to the Director, Minerals Management Service, (202) 208–3827, FAX (202) 208–3918.

Background

The Department of the Interior has managed mineral leasing on Federal lands since the Mineral Leasing Act was passed in 1920 (30 U.S.C. 181, *et seq.* (1994) (MLA). Under the terms of standard Federal oil and gas leases, the government is entitled to a share (royalty) of production removed or sold from the lease. The terms ''in value'' and ''in kind'' refer to the manner in which a mineral owner (lessor) receives the royalty share from the producer (lessee). Like most other royalty owners, the U.S. Government has, for the most part, historically received its royalty share ''in value,'' that is, in cash as a percentage of the sales proceeds received by the lessee.

For most onshore Federal leases, the MLA provides in relevant part at 30 U.S.C. 192 that all royalty accruing to the United States under any oil or gas lease or permit under this chapter on demand of the Secretary of the Interior shall be paid in oil or gas.

For most offshore leases, the Outer Continental Shelf Lands Act, as amended (OCSLA) provides in relevant part at 43 U.S.C. 1353(a)(1) (1994) that, with some minor exceptions, all royalties or net profit shares, or both, accruing to the United States under any oil and gas lease issued or maintained in accordance with this subchapter, shall, on demand of the Secretary, be paid in oil or gas.

Section 2 of a typical onshore Federal lease form provides in part that ''Lessor reserves the right to specify whether royalty is to be paid in value or in kind.'' (October 1992, Form BLM–3100–11). By section 6 of the offshore lease form, the lessor reserves ''the right to

determine whether royalty will be taken in the amount or the value of production.'' (February 1971, Form MMS–2005, and subsequent versions).

Over the years, the Secretary's authority to take RIK has rarely been used. One exception has been the ongoing RIK program that MMS currently operates for certain ''eligible refiners'' as authorized by specific provisions of the MLA at 30 U.S.C. 192 (1994) and the OCSLA at 43 U.S.C. 1353(b)(2) (1994). Also, during Calendar Year 1995, MMS operated a voluntary RIK pilot in which we took and sold by competitive bid at the lease approximately 45.6 billion cubic feet of natural gas from 14 lessees covering 79 leases in the Gulf of Mexico. This initial pilot provided valuable experience with the operational aspects of working with producers and marketers, as well as useful information on the revenue implications of taking gas in kind.

As a general matter, the collection of royalties in cash as a percentage of the value of production has worked well in most cases. However, as will be discussed below, there are a number of reasons that make it worthwhile now to examine whether the government should receive at least some of its royalties ''in kind'' by taking physical volumes of oil or gas for sale to the public or for transfer to other Federal agencies.

First, dramatic changes in the energy industry have been occurring over the past 10 to 15 years that may present opportunities for MMS to provide greater certainty and simplify its royalty management programs. Rapidly changing market structures over this period have resulted in product price volatilities and the expansion of active trading in markets across the country with the corresponding development of representative spot prices.

Traditional long-term contracts between producers and pipeline and refiner purchasers have been increasingly replaced by short-term trading by new market participants, such as brokers and resellers. Further, many sellers now regularly use futures markets for risk management and obtain real-time market information directly using personal computers and telecommunications links.

For natural gas, these structural changes have been facilitated by the Federal Energy Regulatory Commission's deregulation of the natural gas transportation industry and the evolving deregulation of retail natural gas and electricity markets.

The challenges presented by these evolving market structures, the ''unbundling'' of gas transportation services, and changing business practices overall present unique opportunities for us to reexamine the way we manage the revenues earned from the public's oil and gas assets.

Members of Congress, representatives from industry, the public, and State and other Federal agencies have urged MMS over the last few years to consider the potential advantages that might be achieved by taking Federal oil and gas royalties in kind. Over this time, MMS's own examination of RIK suggests that these potential benefits may exist in select cases where conditions favorable to RIK exist.

MMS's stakeholders have focused on a number of possible benefits. As an alternative to the royalty system based on the percent of proceeds, a successfully targeted RIK program might provide improved certainty, administrative efficiencies, and other cost savings. Fulfillment of the royalty obligation by the delivery of physical volumes of oil or gas could decrease the need for extensive reporting, verification, and auditing of lessee sales proceeds. This could benefit industry as well as government and the public. A second possible benefit is that, in select circumstances, taking product in kind and selling to the market directly might yield more revenues for the public than taking a percentage of a given lessee's sale price. In other cases, we might be able to take RIK and transfer it for direct consumption in other Federal agencies and realize real savings in Federal energy costs.

In response to these possibilities and the interest in them, MMS has structured several pilot projects to demonstrate whether taking royalties in kind can actually deliver the potential benefits to the taxpayer. The agency has solicited participation from affected States and consulted with industry in their development.

Currently, we have an oil RIK program operating in conjunction with the State of Wyoming involving 3400 bbls. of royalty crude oil per day, and a small pilot underway with the State of Texas General Land Office (GLO). The GLO program uses production from natural gas leases in the 8(g) zone off the coast of Texas in the Gulf of Mexico. A natural gas pilot in the Federal waters of the Gulf of Mexico will begin in October 1999 and could involve as much as 800 million cubic feet of gas per day over a 3-to 4-year period. Through the experience gained by these pilot projects, we hope to acquire a better understanding of the key factors that determine RIK success.

For example, the pilots could demonstrate that the RIK option works best where leases have certain production characteristics, and where regional markets or transportation arrangements are particularly suited to RIK, as well as demonstrate which methods used to market the RIK production provide the greatest benefit. Depending on the logistics and efficiencies involved, certain production may be more attractive if consumed directly by the government.

Hands-on experience with these pilot projects should give us a good basis for determining whether or not RIK is viable for the Federal Government, and, if so, how, when, and where it makes sense to exercise the Secretary's RIK option.

The authorizing provisions of the MLA and the OCSLA and the relevant lease provisions effectively give the Secretary complete discretion to elect to take the royalty share of production from an oil and gas lease in kind.

Both the MLA and the OCSLA provide that RIK production so taken may either be sold to the public (including to eligible refiners) under certain prescribed terms or be retained or transferred to agencies of the Federal Government.

Public sales of onshore RIK production must be made by an offer for sale ''upon notice and advertisement on sealed bids or at public auction'' (30 U.S.C. 192 (1998)) and offshore RIK production must be sold ''by competitive bidding for * * * not less than its fair market value.''(43 U.S.C. 1353 (b)(1) and (b)(2) (1998)).

Public Auctions and Competitive Bidding

One objective of the pilots is to evaluate the relative merits of different bidding methods so we can identify the most effective and appropriate ways for the government to secure a competitive market price for our public assets, as we are required to do by law. In offering RIK production for sale to the public, we intend to consider using any bidding procedure or format that brings us the best return in open and competitive sales.

To assure conformity with the statutory terms ''public auction'' and ''competitive bidding,'' we would require a bidding format that affords equal access for all qualified potential purchasers and leads to sales made in response to the highest or best bid.

In most cases, we intend to announce the availability of royalty production for sale by advertisement of a ''notice of availability.'' Over the past several years, MMS has found that use of its Internet Home Page is an effective means to rapidly disseminate

information to the oil and gas industry and to the public at large. We continue to use this communication method as well as placing public notices in industry trade journals, on commercial electronic bulletin boards, and other media. In certain cases, especially for sales of natural gas, MMS may invite companies to apply for prequalification as a potential purchaser. Subsequent notices of availability would be sent to prequalified companies.

A notice of availability will identify the production to be made available to the public, the general terms and procedures for any sale, and will include bidder qualification information to determine who may bid in a given sale. Ordinarily, any person would be permitted to bid who is eligible under the terms and conditions specific to the particular bid offering at hand. In this regard, we expect that each notice of availability or solicitation to prequalify as a potential purchaser will prescribe certain minimum financial qualifications for participation in the bidding, and indicate the procedure for prequalifying as a buyer before any sale. Potential buyers may prequalify at any time, but must be prequalified in order to bid for RIK production.

Lessee/Operator Responsibilities

In any situation involving the taking of RIK production, the managing operator of the property will be an active participant in the transaction.

Essentially, the lessee or operator is required to satisfy its royalty obligation by delivery of a volume of ''royalty production''—that is, the royalty share to which the Federal Government is entitled to take as a royalty—in the form of physical volumes. The amount of royalty oil, gas, or other products that MMS takes in kind in partial or full satisfaction of a lessee's royalty or net profit share obligations will be determined by whatever lease interest the lessee holds under an applicable mineral leasing law. Generally, royalty production equals that portion of production from or allocated to a Federal lease multiplied by that lease's royalty rate.

When we decide to take RIK from a property, we will give the lessee and operator adequate advance notice sufficient to minimize disruption to the operator's planning for transportation and sales of its share of the production stream. This will generally mean a 30-day prior written notice before we would begin taking or stop taking RIK production from a property.

Unless further experience dictates otherwise, it is our present intention that where we decide to take a lease's royalty production in kind, we will take all such royalty production from the lease in kind until we give notice to the contrary.

In the pilots operated to date, we have set out the terms under which we expect to conduct specific RIK transactions in a ''Dear Operator Letter'' to all affected parties. The ''Dear Operator Letter'' generally prescribes terms of delivery, methods for resolving imbalances, and lessee reporting and communication requirements. This approach, together with public meetings held in advance of particular sales and close coordination with operators, has worked well by anticipating and resolving specific problems.

A primary responsibility of the operator will be to deliver the royalty production to MMS in ''marketable condition'' as is currently required by the lease and regulations for payment of royalties in value. Accordingly, royalty production delivered by an operator must be in a condition that would be accepted by a purchaser under a sales contract typical for the field or area. This has long been considered an obligation imposed by the terms of Federal leases and is reflected in the royalty value regulations at 30 CFR Part 206, including the definition of ''marketable condition'' set forth at 30 CFR 206.151. It will continue to be the lessee's obligation to perform and bear all costs of gathering, dehydration, separation, compression, sweetening, or other processes that MMS will require in connection with the delivery of RIK production.

It is also expected that the operator will deliver royalty production to the lessor at the same frequency that it is produced and moved through the royalty meter, without interruption, unless specifically approved by MMS.

In general, natural gas taken in kind must be delivered on a daily basis, unless other arrangements are approved by MMS. This is consistent with industry practice so that purchasers are able to make necessary transportation and other arrangements. Approval for less than daily delivery of natural gas may be provided on a case-by-case basis. We do recognize that in some cases, it may be necessary to delay delivery of crude oil for as long as a month to permit aggregation of saleable quantities of production from lower-producing properties.

Operators are also expected to use the same measurement and reporting standards applicable to the payment and reporting of royalties in value as prescribed in the existing regulations at 30 CFR 202 for RIK oil and gas.

It is also expected that lessees, operators, or others dealing in royalty production would retain all related records for a period of 7 years after the records are generated unless MMS notifies the record holder that a longer retention period is required. That is the same period currently applicable to lessees paying royalties as a percentage of value under 30 U.S.C. 1724(f).

Offshore Fair Market Value

The RIK provisions of the OCSLA direct that the public sale of offshore RIK production must be made for not less than its ''fair market value.''

As a generic term, ''fair market value'' is generally considered by economists to be the price received by a willing and knowledgeable seller not obligated to sell from a willing and knowledgeable buyer not obligated to buy. For offshore RIK sales, however, the OCSLA prescribes a very specific definition of that term. Section 1331(o) of 43 U.S.C. (1994) defines ''fair market value'' for purposes of RIK sales to be essentially the average unit price received for production from the same lease or, in some circumstances, from leases sold in the same region during the period.

The 43 U.S.C. 1331(o) (1994) definition states that the term ''fair market value'' means the value of any mineral (1) computed at a unit price equivalent to the average unit price at which such mineral was sold pursuant to a lease during the period for which any royalty or net profit share is accrued or reserved to the United States pursuant to such lease, or (2) if there were no such sales, or if the Secretary finds that there were an insufficient number of such sales to equitably determine such value, computed at the average unit price at which such mineral was sold pursuant to other leases in the same region of the Outer Continental Shelf during such period, or (3) if there were no sales of such mineral from such region during such period, or if the Secretary finds that there are an insufficient number of such sales to equitably determine such value, at an appropriate price determined by the Secretary.

Under this statutory definition, the first applicable paragraph (1) of the provision seems to require that offshore RIK production taken by the Secretary must be sold for at least as much as the average unit price for which the lessee sold the nonroyalty share of production from that lease.

In cases where there were no other sales from the same lease or where the Secretary finds that there were an insufficient number of such sales to equitably determine such a value, the

fair market value floor may be computed under the next paragraph, paragraph (2). That paragraph provides that fair market value may be computed with reference to average unit prices in sales from ''other leases in the same region.'' Finally if a value cannot be equitably determined under paragraphs (1) or (2), an appropriate price may be determined by the Secretary. In operating the RIK pilot projects that involve public sales of offshore production, we intend to comply with the OCSLA requirement not to sell RIK production for less than its fair market value as defined by that statute. However, we anticipate that there may well be instances in which it may be impractical or otherwise inequitable to determine actual average prices from a lease or region during the same period in which an RIK sale is to be made. Strict conformance with paragraph (1) of the definition would require knowing at the time of the RIK sale what the lessees' actual concurrent sales prices were for the nonroyalty share of production from the lease. Applying paragraph (2) of the definition would also require instantaneous knowledge of the sales prices of other lessees in the region.

In theory, we could require that all RIK purchase prices be subject to post-sale adjustments when the lease price information becomes available to MMS. In our view, this would be excessively burdensome to all concerned and would effectively discourage, if not eliminate, participation in RIK sales. If bidders did participate, they would necessarily bid a lower price for the royalty production than they would otherwise because of the risk of post-sale adjustment, particularly if this adjustment could be made well after the actual sale. It is clear that such a process would not only be inequitable to potential purchasers, but could not effectively capture a fair market value as that term is intended and conventionally understood.

In those instances where it is not possible, practical, or equitable to determine—contemporaneous with an RIK sale—average prices from a lease or the region, we believe we can reliably estimate these values very closely. These close estimates would allow us to proceed under paragraph (3) of the OCSLA ''fair market value'' definition to ''determine such value, at an appropriate price determined by the Secretary'' in a way that assures consistency with the intent not to sell RIK production for less than the price obtained by the lessee for its share.

In preparation for each sale of royalty oil or gas from identified Federal leases, MMS would develop a reference price for each specific lease that is consistent with the OCSLA ''fair market value'' requirement. To establish this reference price, MMS would analyze the pricing relationships for sales in the area and/or market centers appropriate for sales of production from those leases. One source of data for the analysis would be actual historical prices for royalty purposes for the identified leases, or if none are available, from leases in the same area. Other data used in the analysis could include published index prices and bids MMS may have received on other offerings of its royalty oil or gas from that area, as well as the many other factors that could influence the determination of fair market value. These might include: responses to other sales of similar Federal royalty production, seasonality, infrastructural changes (temporary and permanent), and other variable market conditions.

Our analysis of pricing relationships in the market would produce an estimate of the price the lessee will receive. This would form the basis for the lease's reference price. During a sale, this lease reference price would serve as our reserve price, below which bids to purchase RIK production from the lease would be considered inadequate.

To verify that the pricing relationship between lessees' sales prices and the market continues, MMS will require occasional reporting by lessees of sales prices on leases from which MMS is taking production in kind. These reported prices would only be used for information and analytical purposes, are necessary to assure that we continue to receive fair market value for RIK sales, and will not be available for any other use.

Transfer of RIK Oil and Gas to Other Federal Agencies

As authorized by statute, we also plan to transfer royalty production taken in kind to other Federal agencies for direct consumption by the government. The Federal Government's energy requirements are large and are in excess of its royalty share of oil and gas production.

While geography and logistics prevent efficient implementation in all locations where oil and gas are consumed, there are enormous opportunities to build energy supply relationships within the Federal Government. These internal supply relationships have the potential to generate significant synergies and lower the total cost of energy consumed by the Federal Government.

For onshore, the MLA provides in 30 U.S.C. 192 that the Secretary may offer RIK for sale ''except whenever in his judgment it is desirable to retain the same for the use of the United States * * *'' The OCSLA provides specific authority to the Secretary at 43 U.S.C. 1353(a)(3) to transfer RIK production to other Federal agencies, stating that, title to any royalty, net profit share, or purchased oil or gas may be transferred, upon request, by the Secretary to the Secretary of Defense, to the Administrator of the General Services Administration, or to the Secretary of Energy, for disposal within the Federal Government.

We have already developed and implemented innovative arrangements involving the transfer of RIK crude oil to the Department of Energy for the Strategic Petroleum Reserve and transfer of natural gas to the General Services Administration (GSA) for use in Federal facilities. We plan to further explore the potential associated with direct, internal consumption of royalty oil and gas production taken in kind, and expand our relationship with GSA and other Federal agencies as appropriate.

The general principles set forth here are intended to allow flexible operation of RIK programs to adapt the technique efficiently to the wide range of conditions that exist in Federal oil and gas producing areas. MMS firmly believes our approach is market-responsive, consistent with best industry practices, economically and administratively efficient, and minimally disruptive to lessees and operators. We welcome comments from the public on any and all aspects of this notice.

Dated: July 8, 1999.

Walter D. Cruickshank,

Associate Director for Policy and Management Improvement.

[FR Doc. 99–17788 Filed 7–12–99; 8:45 am]

BILLING CODE 4310–MR–P

DEPARTMENT OF LABOR

Office of the Secretary

Submission for OMB Review; Comment Request

July 6, 1999.

The Department of Labor (DOL) has submitted the following public information collection requests (ICRs) to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995 (Pub. L. 104–13, 44 U.S.C. Chapter 35). A copy of each individual ICR, with applicable supporting documentation, may be obtained by calling the Department of Labor, Departmental Clearance Officer, Ira Mills ({202} 219–5096 ext. 143) or by E-Mail to Mills-Ira@dol.gov.