DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Parts 210 and 216

RIN 1010–AC40

Electronic Reporting

AGENCY: Minerals Management Service, Interior.

ACTION: Final rule.

SUMMARY: The Minerals Management Service (MMS) is amending its regulations to require reporters to submit selected royalty and production reports electronically, to extend the due date for production reports filed electronically, and to eliminate the reporting of most wells that are in drilling status. This rulemaking provides electronic reporting exceptions for reporters who meet certain criteria. These amendments will reduce administrative costs and increase operating efficiencies for industry and MMS.

EFFECTIVE DATES: This final rule will be effective on November 1, 1999.

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SUPPLEMENTARY INFORMATION: The principal authors of this rule are Mary Williams, Ralph Spencer, Barbara Lambert, Tim Allard, and Gail Solaas of the Royalty Management Program (RMP), MMS.

I. Background

MMS published a proposed rulemaking entitled ''Electronic Reporting'' on April 8, 1998 (63 FR 17133). The proposed rulemaking provided a 60-day public comment period which ended on June 8, 1998. We have analyzed the comments we received and amended our proposed rule to meet public concerns when prudent and necessary.

II. Comments on Proposed Rule

General Comments

Comment—One industry trade association commented that it does not believe MMS has a legal basis for requiring electronic reporting. The commenter stated that the proposed rule has only a vague reference to various mandates to use new technologies to improve programs. The commenter recommended MMS withdraw the proposed rule.

Response—Our authorities for issuing this rule are cited at the beginning of each part. One of the primary purposes of this rule is to comply with 44 U.S.C. 3506 which requires Federal agencies to carry out information management activities efficiently, effectively, and economically. The Secretary of the Interior can also prescribe necessary and proper rules and regulations to administer mineral leases in accordance with 30 U.S.C. 189 and 1701. We believe we have the legal authority to require electronic reporting; therefore, we have no reason to withdraw the rule.

Comment—One industry association commented that because the majority of lines are already reported to MMS electronically and MMS will be revising reporting formats in the near future, MMS should not mandate electronic reporting at this time. The commenter suggested that MMS use other methods to encourage electronic reporting.

Response—We agree with the commenter that a majority of our lines—80 percent of our royalty lines and 60 percent of our production lines—are reported electronically. However, the electronic lines are submitted primarily by very large companies and are a small number of our total reports. We continue to receive over 20,000 paper reports monthly, generally from small reporters. These paper reports must be manually keyed, filed, boxed, and stored until they can be destroyed in accordance with Federal record disposal requirements. These manual tasks are costly for the Government and taxpayers.

We also agree with the commenter that our royalty and production reports may be revised as a result of reengineering efforts that are currently ongoing. One of the most important reengineering proposals is to eliminate the Form MMS–3160, Report of Monthly Operations, within 2 years. Because we are proposing to eliminate the Form MMS-3160 in 2 years, we have decided to remove the requirement contained in § 210.20 of our proposed rule to report the Form MMS–3160 electronically. We are also eliminating all other references to mandatory electronic reporting of Form MMS–3160 in this final rulemaking.

The proposal to eliminate the Form MMS–3160 was published in the **Federal Register**, along with other production reporting changes, on February 23, 1999 (64 FR 8844). Most operators of onshore properties report production on Form MMS–3160, although they have the option of reporting on Form MMS–4054, Oil and Gas Operations Report. All offshore operators, however, must report their production on Form MMS–4054. Consequently, MMS and those operators having both onshore and offshore production must maintain and support two separate reporting systems—one for the Form MMS–3160 and one for the Form MMS–4054. We are proposing that operators use one form, a revised Form MMS–4054, to report both onshore and offshore production because we believe it is more efficient for MMS and industry.

With respect to the commenter's suggestion that MMS use other means to encourage electronic reporting, we have promoted electronic reporting for many years by offering various options other than this rule. However, we have numerous indicators—such as cost savings from less data to key manually, fewer reporting errors to correct, and less paper records to file and store—that show electronic reporting is more accurate, efficient, and economical than paper reporting. Companies reporting electronically also experience cost and time savings over paper reporting. Moreover, technology is currently available to easily expand the use of electronic reporting and reduce or eliminate paper reporting. This rulemaking enables us to take greater advantage of electronic reporting and storage technologies that will save time and money for both MMS and industry.

For all the reasons discussed above, we believe there is no justification for delaying the requirement for electronic reporting of Forms MMS–2014 and MMS–4054.

Comment—Two companies commented on the need to file paper reports for adjustments or adding lines after an electronic report is ready to send. One company stated they would have to build an elaborate reporting system costing tens of thousands of dollars. One company wanted a ''grandfather'' clause for adjustments prior to the implementation date.

Response—We currently receive manual adjusting reports from many companies who report most or all of their initial data electronically. Typically, these manual reports are facsimiles generated from a computer. Facsimile reporting indicates that the company is entering the data into a computer but is unable to convert these adjustments into an electronic format. In these cases, we suggest the company use one of our other electronic reporting options to convert these adjusting entries so they can be filed electronically. For example, many companies use a Microsoft Excel spreadsheet which can be easily converted to a Comma Separated Values format and sent via e-mail or diskette. We recognize that the electronic format for adjustments under this scenario would be different from the format for the current month's report. However, MMS systems have the flexibility to accept different electronic formats for the same time period. We do not believe that this simple conversion would cost tens of thousands of dollars because the data is already compiled in a company's computer. For these reasons, we did not modify the final rule to ''grandfather'' adjustments for periods prior to the effective date.

Comment—One commenter was concerned with the statement in the background section that ''Reporters who use electronic reports experience few problems with converting or submitting their monthly reports.'' The company stated that they have experienced problems with generating the Electronic Data Interchange (EDI) transmission, with MMS receiving the transmission, and with sending large volumes of data. When these problems occurred, MMS required submission by tape. The company had also experienced an increase in the costs of reporting via EDI versus magnetic or cartridge tape.

Response—MMS was not aware of the problems this company encountered when generating a ''live'' EDI transmission. We usually discover and correct EDI transmission problems during sample testing and subsequent EDI files are generated without difficulties.

Regarding large volume transmissions, the Value Added Network (VAN) service provider MMS currently uses is unable to receive EDI transmissions containing file sizes larger than 10 megabytes. Although it is unusual to exceed this file size, the following solutions to this problem are available to reporters:

1. The reporter can ask MMS to assist in the creation of smaller reports for multiple EDI transmissions, which do not increase the reporter's cost;
2. The reporter can ask the VAN service provider to suggest unique solutions on an individual basis; and
3. Reporters can submit data in a magnetic tape format.

Regarding MMS's request that the reporter submit data by tape, we do not mandate a specific primary method of transmission. However, we strongly recommend that a reporter have a backup method available in case its primary method fails as apparently happened in this instance. MMS technical staff can assist reporters in resolving implementation problems with any method they choose.

We agree with the commenter that reporting via EDI has higher initial costs. In an effort to reduce VAN charges, we eliminated some reference data elements when we initially established the EDI format. However, both Government and industry benefit from standardized reporting inputs, improved data integrity, proven VAN reliability, and the enhanced confidentiality and security.

Specific Comments

Section 210.20(b)(2)(i)—now § 210.21(a)(2)(i)—One commenter requested additional information to determine if electronic reporting would be helpful. The commenter's questions are: Has the MMS improved the Monthly Report of Operations, Form MMS–3160, software? Does it now print single-page versions of the report? What do the printed Form MMS–2014 reports look like? Are the Form MMS–3160 and Form MMS–2014 reports integrated in any way? Can the templates be incorporated into our Lotus 1–2–3 worksheets?

Response—As noted earlier, we have removed the requirement that reporters submit the Form MMS–3160 electronically from this final rule. However, if reporters should voluntarily choose to submit the Form MMS–3160 electronically, we offer the following information.

MMS has not changed the Form MMS–3160 template software. This software prints the Form MMS–3160 on two pages as it always has. The printed Form MMS–2014 reports generated by our new 2014 template software mirrors the paper Form MMS-2014. The Forms MMS–2014 and MMS–3160 are not integrated in any way. Neither of these templates can be incorporated into any spreadsheet or database software applications. However, if reporters have stored their report data electronically, it is a relatively easy process to download the required information into either a Comma Separated Values (CSV) or ASCII format once you have the appropriate MMS-approved record layouts in your possession. You may find these record layouts on our Internet site at http://www.rmp.mms.gov, Customer Services, Publication Services, Forms.

Section 210.20(d)—now § 210.21(c)—One industry commenter wanted to know about the electronic reporting guidelines, getting samples approved, electronic commerce agreements and security measures. What are they? How cumbersome will they be to implement? How will we prove that our reports have been electronically filed on time? When the MMS sends out error notices with their accompanying bills for penalties, how do you prove what was submitted?

Response—To answer most of these questions, we have published our EDI Handbook, Template User Guide, and Floppy Diskette and Magnetic Tape Reporting instructions on our Internet site at http://www.rmp.mms.gov under Customer Services, Publication Services, Handbooks. We can also mail a paper copy of these guides to any company interested in converting to electronic reporting. The user guides provide detailed instructions on how to use the two template reporting options currently available to reporters. Additional reporting information can be found at http://www.rmp.mms.gov, see Customer Services, Publication Services, Forms, Electronic Commerce Information. Reporters may be particularly interested in the Electronic Commerce Brochure found at this last site. This 2-page document details all the electronic reporting options currently available at MMS.

MMS will approve a sample electronic report in 3 to 5 working days, depending upon the date during the month the sample is received. This process is a simple one in which MMS will notify a reporter that either the sample report is acceptable and approved for live processing, or that the sample report must be changed in one or more fields and re-submitted. Thereafter, each reporter submitting an electronic report will receive an electronic acknowledgment from MMS stating the date and time a report was received. Reporters can use this acknowledgment as proof that they submitted the report timely.

We maintain a record of each company's original report to support any bills for erroneous reporting. We will continue to contact any company whose lines are rejected and corrected within our Auditing and Financial System. Our error correction process will not change simply because we receive reports electronically.

With respect to security measures, we believe security is an integral part of electronic reporting. For example, reporters selecting the EDI reporting option must utilize a VAN to process their transmissions to MMS. VANs are private networks that provide confidentiality and security through user authentication, non-repudiation, and data encryption. For e-mail transmissions over the Internet, all users must register with RMP to establish themselves as an authorized reporter. MMS will not process data files submitted by reporters who have not registered. Additionally, e-mail files are compressed using PKZip software with a password for added security. This compression measure prevents others from seeing actual report data. Both the reporter and MMS must use the correct

PKZip password before actual data becomes available for processing.

With respect to the Electronic Commerce Agreement (ECA), the information about electronic reporting contained in an ECA is now contained in this rule. Also, as discussed above, the passwords used in electronic reporting will ensure the confidentiality of information formerly contained in the ECA. Thus, we decided to eliminate the ECA which was required under proposed § 210.20(d)(2). We want to make reporting electronically to MMS as simple and easy as possible.

Section 210.20(f)—now § 210.22(a)—One commenter is unclear on how much time payors will be given to make the appropriate system changes, have reports approved, sign electronic commerce agreements, etc. The 90 days allowed for a new reporter, as noted in this section, would appear inadequate for initial development and implementation.

Response—The 90-day timeframe (equivalent to 3 months) for new reporters assumes that most new reporters will be using an automated system to account for their production and sales or, at the very least, have a computer. We have two templates available upon request. One requires a 386 computer using Microsoft Windows 3.1 or better, while the other requires a 486 computer and Microsoft Windows 95. We have several other electronic reporting options available and are developing an Internet application for the near future.

The approval process is not time-consuming. For example, we try to use the sample electronic report as the actual report for the month submitted unless we encounter problems that we cannot resolve over the telephone. On average, a company can select one of the templates or any of our other electronic reporting options and receive approval within 30 days. As noted earlier, we have eliminated the requirement to file an ECA in an effort to simplify and speed the process.

Given the various reporting options that are available and the quick approval process, we believe 3 months are sufficient for a new reporter to begin electronic reporting. Current reporters submitting 6 lines or more will have until November 1, 1999—the effective date of this rule—to convert to electronic reporting. See § 210.20 and 210.22 for electronic reporting conversion dates and exceptions, respectively.

Section 210.20(g)—now eliminated—One commenter was concerned with occasional equipment/electrical failure and what MMS thinks is ''reasonable'' in terms of a fixed fee per report line for noncompliance. The commenter suggested MMS include a clause to cover exceptions for occasional equipment/electrical failure. Another commenter stated that the proposed rule is unclear about whether the provision for the fee applies only to new reporters or to current reporters who fail to comply. The commenter also questioned the need to assess a fee for noncompliance. Because MMS is already processing paper reports and this proposal will encourage reporters to switch to electronic reporting, the Government cost to process paper reports will decrease, rather than increase. Also, under RMP's reengineering initiative, the data entry burden should be further reduced.

Response—We have eliminated proposed § 210.20(g) which stated that we would assess a fee if a reporter did not convert to electronic reporting. We remind reporters, however, that they are subject to civil penalty procedures under 30 CFR part 241 if they fail to comply with any MMS regulation. These penalty procedures would pertain to reporters who do not comply with the scheduled conversion dates provided in § 210.20(a). In addition, we have extended the effective date of this rule from December 31, 1998 to November 1, 1999, to allow reporters sufficient time to convert to electronic reporting. Over the next few months, we will be working very hard to help reporters convert to electronic reporting as soon as possible.

Section 210.52—One commenter wanted clarification on the statement ''You must submit a completed Report of Sales and Royalty Remittance (Form MMS–2014) with all payments * * *.'' The commenter wants to know if reporters can submit the Form MMS–2014 electronically independent of the electronic payments.

Response—Yes, the Form MMS–2014 can be submitted electronically independent of the electronic payment. The payor assigned document number is used to link reports and payments. Many companies currently send electronic and paper reports and a single electronic payment. We allow reporters to send their electronic payment on the due date and their electronic reports a few days before the payment. These independent submissions provide flexibility to meet individual company needs.

Section 216.50(c)—One company commented that extending the due date for production reports by 10 days to the 25th of the second month following production will place them in jeopardy of meeting the Form MMS–2014 due date of the last day of the second month for making estimated royalty payments to MMS. The company reports and pays royalties for 12 clients. They recommend that we change the due date to a 5-day extension for production reports or extend the due date for the Form MMS–2014 by 5 days.

Response—The extended due date assists in reducing the number of amended production reports without impacting the timeliness of data we must process and send to States, tribes, and other Federal agencies. Because automated reports are entered into our computer system the same day they are received, they take less time to process than paper documents. We piloted the 10-day extension for 1 year and received no information indicating that companies were dependent upon the production report to complete the Form MMS–2014. Royalty is typically calculated using run tickets for liquids, meter readings for gas, and other documents that are provided by lease operators. We believe you should use the information on these documents to prepare the Form MMS–2014, not the production report. We cannot change the due date of the Form MMS–2014 and the associated royalty payment because of lease terms and requirements in the Federal Oil and Gas Royalty Management Act of 1982, 30 U.S.C. 1711 *et seq.* We must have the Form MMS–2014 in order to distribute royalty payments timely to the proper Federal, State, and Indian recipients. MMS will continue the 10-day extension of the production reporting due date not only as an incentive for electronic reporting but also to reduce the number of amended reports.

III. Section-by-Section Analysis

The following paragraphs summarize the most significant changes we made to our proposed rule that was published on April 8, 1998 (63 FR 17133):

Section 210.20

We eliminated the requirement to file the Form MMS–3160 electronically.

Section 210.20(a)

We added a timetable to § 210.20(a) which phases small reporters into electronic reporting over the next 2¼ years. We added the timetable in order to: (1) Minimize the impacts, if any, on small businesses; and (2) give small businesses time to make any operational changes necessary to comply with our electronic reporting requirements. In addition to the table, we added a new paragraph (b) to clarify what we mean by ''line'' and a new paragraph (c) to clarify what we mean by ''form'' because both terms are referred to in the timetable in paragraph (a). For purposes of this part, multiple submissions of the same form in one month equals one form. For example, if you submitted 10 Form MMS–4054's containing 3 lines each, MMS would consider that to be one form with 30 lines.

Section 210.20(b)

We moved proposed § 210.20(b) to new § 210.21(a) for clarity purposes.

Section 210.20(c)

We moved proposed § 210.20(c) to new § 210.21(b) and added the phrase ''or by accessing our Internet site at www.rmp.mms.gov'' to provide reporters with an additional source for our electronic commerce brochure.

Section 210.20(d)

We moved proposed § 210.20(d) to new § 210.21(c) and deleted § 210.20(d)(2) which required reporters to submit an Electronic Commerce Agreement.

Section 210.20(e)

We combined the provisions in this proposed § 210.20(e) with new § 210.21(c) for further clarification.

Section 210.20(f)

We removed proposed § 210.20(f) and included the 3-month grace period for new reporters in new § 210.22(a).

Section 210.20(g)

We deleted this proposed § 210.20(g) which stated that we would assess a fee if a reporter did not convert to electronic reporting. For further information, see our response to public comments under § 210.20(g).

New § 210.22

We added new § 210.22 which provides two grace periods and two exclusions to our electronic reporting requirements.

- The first grace period MMS will allow is if you become a new MMS reporter after any of the required conversion dates. In such cases, MMS will allow you 3 months from the day your first report is due to begin reporting electronically (this grace period was originally contained in proposed § 210.20(f) and defined as 90 days). For example, if you become an MMS reporter by leasing 6 new producing properties (equivalent to 6 lines) on April 16, 2000, your first Form MMS–2014 for April 2000 sales will be due May 31, 2000. You will have 3 months—or until August 31, 2000—to begin submitting the Form MMS–2014 electronically. MMS will continue to accept paper forms during the grace period.
- The second grace period is for when you exceed the maximum number of lines you are allowed to report on paper under § 210.20(a). In that case, you have 3 months from the last day of the month in which you exceeded the line limit to begin reporting electronically. For example, assume that you currently report 5 lines per month on your Form MMS–2014. On June 8, 2000 (7 months after the 6-line conversion date of November 1, 1999), you lease two new producing properties (equivalent to 2 new lines per month). You will have 3 months from the last day of the month in which you exceeded the 6-line limit—or until September 30, 2000—to begin submitting the Form MMS–2014 electronically. MMS will continue to accept paper forms during the grace period.

The two exceptions to our electronic reporting requirements provided in § 210.22 are as follows:

- You do not have to report electronically if you report only rent, minimum royalty, or other annual obligations on the Form MMS–2014; and
- You do not have to report electronically if you are a small business as defined by the U.S. Small Business Administration, and you have no computer, no resources to purchase a computer or contract with an electronic reporting service, nor access to a computer at a local library or other public facility.

The two exceptions to our electronic reporting requirements which we added to this final rule are directed primarily at small reporters who might suffer financial hardship if forced to comply with this rule. For a detailed explanation of these exceptions, see our discussion of small business issues under the Regulatory Flexibility Act section of the preamble in caption IV. Procedural Matters.

Section 216.50(a)

We added a sentence to this paragraph to clarify that you may submit the Form MMS–3160 electronically.

Section 216.50(c)(1) and (2)

We clarified that you will have a 10-day extension from the 15th to the 25th day of the second month following the month for which you are reporting if you voluntarily choose to submit the Form MMS–3160, Monthly Report of Operations, electronically.

Section 216.53(c)(1) and (2)

We clarified that you will have a 10-day extension from the 15th to the 25th day of the second month following the month for which you are reporting if you submit the Form MMS–4054, Oil and Gas Operations Report, electronically.

Section 216.55(c)(1) and (2)

We clarified that you will have a 10-day extension from the 15th to the 25th day of the second month following the month for which you are reporting to submit your Form MMS–4056, Gas Plant Operations Report, on paper if you submit the Form MMS–4054, Oil and Gas Operations Report, electronically.

Section 216.56(c)(1) and (2)

We clarified that you will have a 10-day extension from the 15th to the 25th day of the second month following the month for which you are reporting to submit your Form MMS–4058, Production Allocation Schedule Report, on paper if you submit the Form MMS–4054, Oil and Gas Operations Report, electronically.

IV. Procedural Matters

Regulatory Planning and Review (Executive Order 12866)

This document is not a significant rule and is not subject to review by the Office of Management and Budget under E.O. 12866. Generally, this rule will require many Federal and Indian mineral revenue and production reporters to convert from paper to electronic reporting by November 1, 2001. MMS uses the reports to account for and distribute Federal and Indian mineral revenues. This rule will not affect the timeliness of revenue distribution to recipients or information dissemination to other Federal agencies. Based on this and other information detailed below, we conclude:

(1) This rule will not have an effect of $100 million or more on the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.

Governments

This rule will have no effect on tribal governments but will have positive effects on the amount of revenues shared with States and possibly local governments. We expect net receipts sharing costs to States—that is, the MMS operating costs deducted from States' shares of royalty revenue—to decrease as MMS realizes savings from electronic reporting. We estimate the total annual savings to States to be

$33,000 in the first year and $134,000 each year thereafter.

Private Sector

(1) This rule establishes the type of media that reporters in the oil and gas industry must use to report mineral revenues and production to MMS. We estimate that electronic reporting will generate net savings to industry of $1.2 million in the first year and $1.8 million each year thereafter;

(2) This rule will not create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) This rule does not alter the budgetary effects or entitlements, grants, user fees, or loan programs or the rights or obligations of their recipients; and

(4) This rule does not raise novel legal or policy issues.

Regulatory Flexibility Act

In our April 8, 1998, proposed rule (63 FR 17133), we concluded that the rule would not have a significant economic impact on small businesses primarily because of the various low-cost electronic reporting options available to reporters. We received several public comments that disagreed with our conclusion. In response to those comments, we modified the rule substantially to minimize the negative impact on the largest number of small businesses and still increase the number of reports received electronically.

Comments Received on Small Business Impact

One industry trade group and three companies disagreed with our conclusion that the impact of requiring electronic reporting for small reporters would not be significant. They were concerned that: (1) MMS was shifting data entry costs to the small reporters; (2) many companies do not have a computer and cannot afford to buy one or pay someone else to report electronically for them; and (3) this rule would require a significant change in the way their business is conducted.

Additionally, the industry trade group disputed our conclusion that reporting electronically will reduce the reporting burden for companies who report only a few lines each month. The trade group believes it will be a costly, time-consuming burden to convert to electronic reporting. The industry trade group is concerned that MMS permits no exception to the proposed rule, especially for small lessees who are trying to produce from marginal wells in a time of extremely low prices.

The industry trade group and one company recommended that we establish a reasonable threshold by number of lines or royalties paid per year. The industry trade group also recommended that MMS establish a means by which reporters could request an exemption to the rule based on various circumstances or hardships. One company also recommended that, for the few non-electronic reporters remaining, MMS reduce the reporting burden for both MMS and the reporter by developing an abbreviated paper report.

MMS Response to Comments

It is not our intent to cause economic hardship for any small business by requiring electronic reporting. We devoted substantial time and effort to identify the possible negative economic impacts of this rule on small businesses and to take steps to eliminate or lessen adverse impacts whenever possible. The following are examples of the many actions we took to mitigate negative economic impacts and still increase the number of reports submitted electronically:

• *Free software.* We developed template software (see response to § 210.20(b)(2)(i) under specific comments) primarily for those small companies that report only a few lines each month. We provide this software at no charge to reporters. If a company should choose to purchase a computer to use the software, the minimum software requirements permit the company to purchase a very inexpensive model.

The template software is easy to install, requires no programming or computer expertise, and provides companies with the static or reference data that must be reported each month. This software also permits companies to save the report to a file which they can use to amend their report later, if necessary.

This software has significant benefits for both MMS and industry. It could ultimately allow us to cease printing and mailing over 4,000 model paper reports each month. The model contains the static or reference data contained in our system for each reporter. This process is very costly to MMS and, in many cases, companies are not using the model to report but only as a reference. The model report is also cumbersome to industry because each company must wait for the model to be received, complete the model with the current month's data, make copies, and mail the report back to MMS. With electronic reporting, companies can complete the report anytime during the month and easily amend prior reports if necessary;

• *Internet filing.* We are also developing an Internet application that will permit small companies that do not have computers to submit reports from remote locations, such as public libraries, without purchasing a computer. We anticipate this alternative to be available before the effective date of this rule. This alternative will eliminate the need to purchase a computer;

• *Advice and assistance.* We offer advice and assistance to the hundreds of small companies that currently use a computer-generated paper facsimile to report each month to help them transition to electronic reporting. Our goal is to eliminate as much data entry as possible for both the companies and MMS. For example, a company may enter data in its automated system and possibly again on its facsimile reports. Subsequently, MMS must manually enter the data from the paper copy into our system. Electronic reporting will eliminate these two stages of manual data entry without shifting costs. One of the commenting companies uses Lotus 1–2–3 for its accounting functions. The Lotus spreadsheet can be converted to an ASCII format (based upon an ASCII record layout we provide) and sent to MMS via e-mail or diskette. While Lotus does not offer a direct file conversion to a Comma Separated Values (CSV) format, a user can compose a macro that saves Lotus files in a CSV format. We will provide any reporter with a CSV and/or ASCII record layout for both production and royalty reports upon request;

• *Elimination of the requirement to file the Form MMS–3160, Monthly Report of Operations, electronically.* As part of our reengineering efforts, MMS is proposing to eliminate the Form MMS–3160 and replace it with a revised Form MMS–4054. Consequently, we determined that it would not be cost effective to require reporters to convert to electronic reporting of the Form MMS–3160 at this time;

• *Phased compliance over 2¼ years.* In § 210.20(a), we established a timetable that phases the smallest reporters into electronic reporting over 2¼ years. These extended compliance dates will allow additional time for small businesses to obtain computer equipment or contract with an electronic reporting service to comply with our electronic reporting requirements; and

• *Exceptions to electronic reporting.* In response to public comments, MMS will allow some exceptions to the electronic reporting requirements in this final rule. The exceptions at § 210.22 are directed primarily at small reporters who might suffer financial hardship if forced to comply with this rule. The two exceptions to electronic reporting are as follows:

(1) *You do not have to report electronically if you report only rent, minimum royalty, or other annual obligations on the Form MMS–2014.* This category covers reporters who submit one line per lease per year for any number of leases. We determined that it would not be economically feasible for a reporter to develop an electronic reporting method for this very limited reporting situation; and

(2) *You do not have to report electronically if you are a small business as defined by the U.S. Small Business Administration, and you have no computer, no resources to purchase a computer or contract with an electronic reporting service, nor access to a computer at a local library or other public facility.* This exception will allow any small business facing severe financial hardship to continue submitting paper reports rather than convert to electronic reporting. Excluding these small payors and reporters from electronic reporting requirements will avoid causing undue financial hardship for the smallest companies.

We did not choose to develop an abbreviated paper report in addition to the current forms as one commenter suggested because this action would not further our goal to eliminate paper reporting. One of the significant advantages of electronic reporting is that a company can store and submit only those data elements that are required for its operation. Maintaining two different reporting forms or data collection instruments is duplicative and confusing for MMS and reporters. In addition, MMS is in the process of reengineering our systems and attempting to reduce or modify the data elements currently required. However, we probably will not complete this effort for several years.

Conclusion. Based on the numerous mitigating actions we have taken in response to public comments, the Department of the Interior certifies that this rule will not have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). This rule will have no effect on tribal governments or other small governmental jurisdictions.

Your comments are important. The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions in this rule, call 1–888–734–3247.

Small Business Regulatory Enforcement Fairness Act (SBREFA)

This rule is not a major rule under 5 U.S.C. 804(2), the Small Business Regulatory Enforcement Fairness Act. This rule:

a. Does not have an annual effect on the economy of $100 million or more. Net revenues distributed to States may increase $33,000 in the first year and $134,000 each year thereafter due to cost savings realized by MMS through increased electronic reporting. Net savings to industry from converting to electronic reporting is estimated to be $1.2 million in the first year and $1.8 million each year thereafter.

b. Will not cause a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions. See discussion under Regulatory Flexibility Act.

c. Does not have significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of U.S.-based enterprises to compete with foreign-based enterprises. See discussion under Regulatory Flexibility Act.

Unfunded Mandates Reform Act of 1995

This rule does not impose an unfunded mandate on State, local, or tribal governments or the private sector of more than $100 million per year. This rule does not have a significant or unique effect on State, local, or tribal governments or the private sector. A statement containing the information required by the Unfunded Mandates Reform Act (2 U.S.C. 1531 *et seq.*) is not required.

Governments. This rule does not affect local or tribal governments. States that request to perform the delegable function of processing royalty and production reports under 30 CFR part 227 are required to accept multiple forms of electronic media from reporters as specified by MMS. States are compensated for the costs of performing delegable functions up to the amount it would reasonably cost MMS to perform the same function. We conclude that this rule would not impose an unfunded mandate on States.

Private sector. This rule establishes the type of media that reporters in the oil and gas industry must use to report mineral revenues and production to MMS. We estimate net savings to industry from converting to electronic reporting to be $1.2 million in the first year and $1.8 million each year thereafter.

Takings (E.O. 12630)

In accordance with E.O. 12630, this rule does not have significant takings implications. This rule does not impose conditions or limitations on the use of any private property; consequently, a takings implication assessment is not required.

Federalism (E.O. 12612)

In accordance with Executive Order 12612, this rule does not have sufficient federalism implications to warrant the preparation of a Federalism Assessment. This rule does not impose any requirements on oil and gas reports submitted to States or limit State policymaking discretion in any way; consequently, a Federalism Assessment is not required.

Civil Justice Reform (E.O. 12988)

In accordance with Executive Order 12988, the Office of the Solicitor has determined that this rule does not unduly burden the judicial system and meets the requirements of sections 3(a) and 3(b)(2) of the Order.

Paperwork Reduction Act

In our April 8, 1998, proposed rule (63 FR 17133), we stated that this rule will reduce burden hours associated with two existing information collections approved by the Office of Management and Budget (OMB):

(1) OMB Control Number 1010–0022, Report of Sales and Royalty Remittance (Form MMS–2014); and

(2) OMB Control Number 1010–0040, Production Accounting and Auditing System (PAAS) Reports (Facility and Measurement Information Form (FMIF), Form MMS–4051; Oil and Gas Operations Report (OGOR), Form MMS–4054; Gas Analysis Report (GAR), Form MMS–4055; Gas Plant Operations Report (GPOR), Form MMS–4056; Monthly Report of Operations (MRO), Form MMS–3160; and Production Allocation Schedule Report (PASR), Form MMS–4058)].

One industry commenter believes that if a free-form layout is allowed using existing spreadsheet software (for example, Microsoft Excel), it would take closer to the 7 minutes per line to complete the Form MMS–2014 (similar to the paper submission) versus 2 minutes for electronic reporting. The commenter believes the 2 minutes per line, the burden estimate we used in our OMB submission, could only be realized if such data were systematically loaded on the spreadsheet. The commenter is currently submitting his adjustments on paper.

Our estimate of 2 minutes per line is based on the assumption that a company is already using spreadsheet software or other automated options to submit its Form MMS–2014 or similar State reports. We also offer electronic alternatives to facilitate compatibility with a company's system, including submission of ASCII files on diskette or submission of regular reports on magnetic tape with adjustments on a diskette. We will work with any company to determine the simplest, most efficient alternative for reporting electronically.

On May 30, 1998, OMB approved the reduction in burden which we estimated in the proposed rule for both of the above-referenced information collections (OMB Control Numbers 1010–0022 and 1010–0040). Both collections have an expiration date of August 31, 2001.

As part of our continuing effort to reduce paperwork and respondent burden, we invite the public and other Federal agencies to comment on any aspect of the reporting burdens associated with these information collections. Submit your comments to the Office of Information and Regulatory Affairs, OMB, Attention Desk Officer for the Department of the Interior, Washington, D.C. 20503. Send copies of your comments to Minerals Management Service, Royalty Management Program, Rules and Publications Staff, P.O. Box 25165, MS 3021, Denver, Colorado 80225–0165; courier address is Building 85, Denver Federal Center, Denver, Colorado 80225; e-mail address is RMP.comments@mms.gov.

The Paperwork Reduction Act of 1995 provides 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.

National Environmental Policy Act of 1969

This rule does not constitute a major Federal Action significantly affecting the quality of the human environment. A detailed statement under the National Environmental Policy Act of 1969 is not required.

List of Subjects

30 CFR part 210

Coal, Continental shelf, Geothermal energy, Government contracts, Indian lands, Mineral royalties, Natural gas, Petroleum, Public lands—mineral resources, Reporting and recordkeeping requirements.

30 CFR part 216

Coal, Continental shelf, Geothermal energy, Government contracts, Indian lands, Mineral royalties, Natural gas, Penalties, Petroleum, Public lands—mineral resources, Reporting and recordkeeping requirements.

Dated: June 30, 1999.

Sylvia V. Baca,

Acting Assistant Secretary—Land and Minerals Management.

For the reasons stated in the preamble, MMS amends 30 CFR parts 210 and 216 as follows:

PART 210—FORMS AND REPORTS

1. The authority citation for part 210 is revised to read as follows:

Authority: 5 U.S.C. 301 *et seq.*; 25 U.S.C. 396, 2107; 30 U.S.C. 189, 190, 359, 1023, 1751(a); 31 U.S.C. 3716, 9701; 43 U.S.C. 1334, 1801 *et seq.*; and 44 U.S.C. 3506(a).

2. Section 210.10 paragraphs (c)(1), (c)(2), (c)(7), and (d) are revised to read as follows:

§ 210.10 Information collection.

* * * * *

(c) * * *

(1) *MMS–2014*—Used monthly to report lease-related transactions essential for royalty management to determine the correct royalty amount due, reconcile or audit data, and distribute payments to appropriate accounts. Public reporting burden for paper submission is estimated to average 7 minutes to complete each line item on the form, including the time necessary to assemble data, calculate value and royalty, and enter data on the form. Companies reporting electronically may average 2 minutes to complete each line item on the form. Comments submitted relative to this information collection should reference the information collection titled Report of Sales and Royalty Remittance, OMB Control Number 1010–0022.

(2) *MMS–3160*—Used by onshore oil and gas lease operators to report monthly oil and gas production to MMS. Public reporting burden for paper submission is estimated to average 15 minutes per form, including the time necessary to assemble data, ensure that production and disposition numbers are accurate, and enter data on the form. Companies reporting electronically may average 7.5 minutes per month to complete the form. Comments submitted relative to this information collection should reference the information collection titled PAAS Oil and Gas Reports, OMB Control Number 1010–0040.

* * * * *

(7) *MMS–4054*—This three-part form identifies all oil and gas lease production from Federal and Indian lands. MMS uses information from this form to track oil and gas from the point of production to the point of first sale or other disposition. Respondents will generally not use all three parts of the form. Public reporting burden for paper submission is estimated to average 30 minutes per month, including the time necessary to assemble data, ensure that production and disposition numbers are accurate, and enter data on the form. Companies reporting electronically may average 15 minutes per month to complete the form. Comments submitted relative to this information collection should reference the information collection titled PAAS Oil and Gas Reports, OMB Control Number 1010–0040.

* * * * *

(d) *Comments on burden estimates.* Send comments on the accuracy of this burden estimate or suggestions on reducing this burden to the Information Collection Clearance Officer, MS 4230, MMS, 1849 C Street, NW, Washington, DC 20240 and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention: Desk Officer for the U.S. Department of the Interior, OMB Control Number 1010–________ (insert appropriate OMB Control Number), Washington, DC 20503. 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.

3. Sections 210.20–210.22 are added to subpart A to read as follows:

§ 210.20 When is electronic reporting required?

(a) You must submit Forms MMS–2014 and MMS–4054 to MMS electronically. You must begin reporting electronically according to the following timetable unless you qualify for the exceptions to electronic reporting listed in § 210.22:

If you report the following number of lines each month on a required form . . .	Then, you must submit that form electronically beginning . . .
(1) 6 or more	November 1, 1999.
(2) 4–5	November 1, 2000.
(3) 1–3	November 1, 2001.

(b) See § 218.40(c) for the definition of a royalty report line on Form MMS–2014 and § 216.40(c) for the definition of a production report line on Form MMS–4054; and

(c) For purposes of this part, multiple submissions of the same form in one month equals one form.

§ 210.21 How do you report electronically?

(a) You may use any of the following electronic media types, unless MMS instructs you differently:

(1) Electronic Data Interchange (EDI)[1]—The inter-organizational, computer-to-computer exchange of structured information in a standard, machine-processable format;

(2) Electronic Mail (e-mail)[1]—Any communication service used to electronically transmit and store messages and attach files. MMS has three electronic file options:

(i) Template—MMS-provided software that generates blank forms on a personal computer to assist companies in preparing MMS regulatory reports (this option is not available for Form MMS–4054);

(ii) Comma Separated Values (CSV)—A file format where attribute fields are separated by commas; and

(iii) American Standard Code for Information Interchange (ASCII)—A file format of fixed-length records with fixed-length attribute fields;

(3) Reporter-Prepared Diskette (3½ inch)—A data storage medium used to transmit report data using one of the following file formats:

(i) Template;

(ii) CSV; and

(iii) ASCII;

(4) Magnetic or Cartridge Tape—A data storage medium used to transmit report data in an ASCII file format.

(b) MMS prefers that you use the media types in the order presented in paragraph (a) of this section to the extent it is cost effective and practical. As technology changes, MMS will consider other media types and the order of MMS preference may change. Refer to our electronic commerce brochure for the most current reporting options. You can receive a copy of our brochure by calling your MMS representative or by accessing our Internet site at www.rmp.mms.gov.

(c) Before you may begin reporting electronically:

(1) You must submit an electronic sample of your report for MMS approval using the MMS-supplied electronic reporting guidelines;

(2) MMS must notify you that your sample report has been approved;

(3) MMS must assign you a sender identification number and security code for any EDI transmissions; and

(4) MMS must assign you an originating address and compression software password for any e-mail transmissions.

§ 210.22 What are the exceptions to the electronic reporting requirements?

MMS will allow the following grace periods and exceptions to the electronic reporting requirements in § 210.20:

(a) If you become a new MMS reporter after any of the dates you are required to submit electronic reports under § 210.20(a), you have 3 months from the day your first report is due to begin reporting electronically;

(b) If you exceed the maximum number of lines you are allowed to report on paper under § 210.20(a), you have 3 months from the last day of the month in which you exceeded the line limit to begin reporting electronically;

(c) You are not required to report electronically if you report only rent, minimum royalty, or other annual obligations on the Form MMS–2014; and

(d) You are not required to report electronically if you are a small business as defined by the U.S. Small Business Administration, and you have no computer, no resources to purchase a computer or contract with an electronic reporting service, nor access to a computer at a local library or other public facility.

4. Section 210.52 is revised to read as follows:

§ 210.52 Report of sales and royalty remittance.

(a) You must submit a completed Form MMS–2014 (Report of Sales and Royalty Remittance) to MMS with:

(1) All royalty payments; and,

(2) Rents on nonproducing leases, where specified.

(b) When you submit Form MMS–2014 data electronically, you must not submit the form itself.

(c) Completed Forms MMS–2014 for royalty payments are due by the end of the month following the production month.

(d) Where applicable, completed Forms MMS–2014 for rental payments are due no later than the anniversary date of the lease.

(e) This section does not prohibit you from making early payments voluntarily.

PART 216—PRODUCTION ACCOUNTING

5. The authority citation for part 216 is revised to read as follows:

Authority: 5 U.S.C. 301 *et seq.*; 25 U.S.C. 396, 2107; 30 U.S.C. 189, 190, 359, 1023, 1751(a); 31 U.S.C. 3716, 9701; 43 U.S.C. 1334, 1801 *et seq.*; and 44 U.S.C. 3506(a).

Subpart A—General Provisions

6. Add § 216.11 to subpart A to read as follows:

§ 216.11 Electronic reporting.

You must submit your Oil and Gas Operations Report, Form MMS–4054, in accordance with electronic reporting requirements in 30 CFR part 210.

Subpart B—Oil and Gas, General

7. Section 216.50 is added by redesignating paragraphs (b) through (d) as paragraphs (f) through (h), revising paragraph (a), and adding new paragraphs (b) through (e) to read as follows:

§ 216.50 Monthly report of operations.

(a) You must submit a Monthly Report of Operations, Form MMS–3160, if you operate either an onshore Federal or Indian lease or an onshore federally-approved agreement that contains one or more wells that are not permanently plugged and abandoned. You may submit Form MMS–3160 electronically.

(b) You must submit a Form MMS–3160 for each well for each calendar month, beginning with the month in which you complete drilling, unless you have only test production from a drilling well or MMS tells you in writing to do otherwise.

(c) MMS must receive your completed Form MMS–3160 according to the following table:

If you submit your form . . .	We must receive it by . . .
(1) Electronically	The 25th day of the second month following the month for which you are reporting.
(2) Other than electronically.	The 15th day of the second month following the month for which you are reporting.

(d) You must continue reporting until either:

(1) BLM approves all wells as permanently plugged or abandoned and you dispose of all inventory; or

(2) The lease or agreement is terminated.

(e) You are not required to submit Form MMS–3160 if:

(1) You are authorized to submit an Oil and Gas Operations Report, Form MMS–4054, instead of a Form MMS–3160; or

[1] MMS has developed security measures, authentication procedures, and automated acknowledgments for this electronic media type.

(2) You operate a gas storage agreement. You must report gas storage agreements to the appropriate BLM office.

* * * * *

8. Section 216.53 is revised to read as follows:

§ 216.53 Oil and gas operations report.

(a) You must file an Oil and Gas Operations Report, Form MMS–4054, if you operate one of the following that contains one or more wells that are not permanently plugged or abandoned:

(1) An OCS lease or federally-approved agreement; or

(2) An onshore Federal or Indian lease or federally-approved agreement for which you elected to report on a Form MMS–4054 instead of a Form MMS–3160.

(b) You must submit a Form MMS–4054 for each well for each calendar month, beginning with the month in which you complete drilling, unless you have only test production from a drilling well or MMS tells you in writing to do otherwise.

(c) MMS must receive your completed Form MMS–4054 according to the following table:

If you submit your form . . .	We must receive it by . . .
(1) Electronically	The 25th day of the second month following the month for which you are reporting.
(2) Other than electronically.	The 15th day of the second month following the month for which you are reporting.

(d) You must continue reporting until either:

(1) BLM or MMS approves all wells as permanently plugged or abandoned and you dispose of all inventory; or

(2) The lease or agreement is terminated.

9. Section 216.55 is revised to read as follows:

§ 216.55 Gas plant operations report.

(a) You must submit a Gas Plant Operations Report, Form MMS–4056, if you operate either:

(1) A gas plant that processes gas originating from an OCS lease or federally-approved agreement before the point of final royalty determination; or

(2) A gas plant that processes gas from an onshore Federal or Indian lease or federally-approved agreement before the point of final royalty determination, and MMS has asked you to submit a Form MMS–4056.

(b) You must submit a Form MMS–4056 for each calendar month beginning with the month gas processing is initiated.

(c) MMS must receive your completed Form MMS–4056 according to the following table:

If you submit your Form MMS–4054 . . .	We must receive your Form MMS–4056 by . . .
(1) Electronically	The 25th day of the second month following the month for which you are reporting.
(2) Other than electronically.	The 15th day of the second month following the month for which you are reporting.

(d) Your report must show 100 percent of the gas.

(e) You are not required to file a Form MMS–4056 if:

(1) Your plant has not processed gas that originated from a Federal onshore, OCS, or Indian lease, or federally-approved agreement before the point of final royalty determination for 6 months; and

(2) You notified MMS in writing within 30 days after the end of the 6-month period.

(f) You must file a Form MMS–4056 when your plant resumes processing gas that originated from a Federal onshore, OCS, or Indian lease, or federally-approved agreement before the point of final royalty determination.

10. Section 216.56 is amended by revising paragraph (b) and adding paragraph (c) to read as follows:

§ 216.56 Production allocation schedule report.

* * * * *

(b) You must submit a Production Allocation Schedule Report, Form MMS–4058, for each calendar month beginning with the month in which you first handle production covered by this section.

(c) MMS must receive your Form MMS–4058 according to the following table:

If you submit your Form MMS–4054 . . .	We must receive your Form MMS–4058 by . . .
(1) Electronically	The 25th day of the second month following the month for which you are reporting.
(2) Other than electronically.	The 15th day of the second month following the month for which you are reporting.

[FR Doc. 99–18005 Filed 7–14–99; 8:45 am]

BILLING CODE 4310–MR–P

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 306

General Regulations Governing U.S. Securities

AGENCY: Bureau of the Public Debt, Fiscal Service, Treasury.

ACTION: Final rule.

SUMMARY: We're publishing a final rule to eliminate the reissuance of bearer securities and to eliminate provisions relating to the handling of definitive securities by Federal Reserve Banks.

DATES: Effective July 15, 1999.

ADDRESSES: You can download this final rule at the following World Wide Web address: <http://www.publicdebt.treas.gov>. You may also inspect and copy this final rule at: Treasury Department Library, Freedom of Information Act (FOIA) Collection, Room 5030, Main Treasury Building, 1500 Pennsylvania Ave., NW., Washington, DC 20220.

Before visiting, you must call (202) 622–0990 for an appointment.

FOR FURTHER INFORMATION CONTACT:

- Maureen Parker, Director, Division of Securities Systems, Office of Securities and Accounting Services, Bureau of the Public Debt, at (304) 480–7761 or <mparker@bpd.treas.gov>.
- Susan J. Klimas, Attorney-Adviser, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480–3688 or <sklimas@bpd.treas.gov>.
- Edward C. Gronseth, Deputy Chief Counsel, Bureau of the Public Debt, at (304)480–5192 or <egronset@bpd.treas.gov>.

SUPPLEMENTARY INFORMATION: This rule eliminates the reissue of bearer securities. We have removed language referring to the reissue of bearer securities in various sections of part 306. We have added specific language:

- to § 306.17 to eliminate the reissue of registered securities into bearer form;
- To § 306.19 to eliminate denominational exchange of bearer securities; and