

**Action Taken or Planned**—We continue to encourage the exchange of data electronically. Our Reporter and Payor Training sessions stress the benefits of electronic reporting and provide reporters and payors with options for reporting by electronic data interchange, diskette, or magnetic tape. We also publicize electronic reporting on the MMS/Royalty Management Program internet website.

**Timetable**—Reporter and Payor Training sessions are planned for the summer of 1997, and Royalty Management Program's redesigned website went online in March 1997.

#### 8. Parameters for Identifying Improper MMS Form 2014 Adjustments

**Comments Received**—"The MMS currently inquires as to any variances between any Form 2014 adjustments and its original Form 2014 entry that exceed \$1.00, which is an insignificant amount. It is suggested that the MMS's review should be relevant to the amount of the adjustment such as a given percentage."

**Action Taken or Planned**—At this time, MMS does not plan to make changes in this procedure. We need to ensure accuracy and integrity in the accounting systems, and retain precise records for the auditors.

#### 9. Publish Final Rules Expeditiously

**Comments Received**—"\* \* \* primary recommendation is the expeditious completion and publication of pending final rules, for example, the proposed rules on administrative offset and limitations on credit adjustments, and the proposed rule on payor liability. \* \* \* Certainly, publication of the final federal (and Indian) gas valuation rule should be facilitated to the maximum extent possible."

—"\* \* \* it would be extremely beneficial for MMS to publish its proposed rule implementing the Federal Energy Regulatory Commission's (FERC) Order 636 as soon as possible because of its impact on and relationship to the federal gas valuation rule."

**Action Taken or Planned**—We are in the process of reviewing the comments and determining how to proceed on the two valuation rules—Gas Valuation of Production from Federal Leases and Gas Valuation of Production from Indian Leases.

We are also in the process of reviewing the comments and preparing a final rule to implement FERC Order 636.

New language in the Act will cause a number of changes in the Payor Liability

rule and the Administrative Offset and Limitations on Credit Adjustments rule. We are in the process of studying the effects of the Act on these rules before we publish them as final rules.

**Timetable**—We plan to come to a decision on the two valuation rules by the end of 1997. The FERC Order 636 rule will be published as a final rule by fall of 1997. Work on the other two rules is ongoing.

#### 10. The Appeals Process

**Comments Received**—"Current appeals process is too long."

**Action Taken or Planned**—The Act imposed a 33-month time frame for the Department of the Interior to decide appeals involving royalties on Federal oil and gas leases. This deadline does not apply to appeals on royalties involving Indian leases and Federal leases for minerals other than oil and gas.

On October 28, 1996 (61 FR 55607), MMS published a proposed rule establishing a 16-month deadline for MMS to decide all appeals to the Director, including Indian leases and appeals for royalties on minerals other than oil and gas. After MMS' decision, the appellants can further appeal to the Interior Board of Land Appeals. The comment period for this proposed rule ended on March 27.

The Royalty Policy Committee established a subcommittee to study the appeals process. The report they presented to the Committee on March 21 was accepted with only minor changes. This report proposes even further changes to the appeals process. The Department and MMS will be studying the proposals to determine what areas we will incorporate in our final rulemaking.

**Timetable**—We plan to finalize the Administrative Appeals Process rule by early 1998.

#### 11. Other MMS/Royalty Management Program Regulatory Actions

The Act expanded the authorities and responsibilities that the Secretary of the Interior may delegate to the States. To implement this, we are planning to publish a proposed rule in April 1997 on Delegation of Royalty Management Functions to the States.

We invite you to comment on our existing regulations and also the actions we have taken in response to comments and recently enacted legislation. And, we invite you stay further informed on many of the topics discussed in this status report by visiting the MMS Internet Website at [www.mms.gov](http://www.mms.gov).

Dated: April 17, 1997.

**Cynthia Quarterman,**  
Director.

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## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Parts 206 and 208

RIN 1010-AC09

### Establishing Oil Value for Royalty Due on Federal Leases, and on Sale of Federal Royalty Oil

**AGENCY:** Minerals Management Service, Interior.

**ACTION:** Proposed rule; notice of extension of public comment period.

**SUMMARY:** The Minerals Management Service (MMS) hereby gives notice that it is extending the public comment period on a Notice of proposed rule, which was published in the **Federal Register** on January 24, 1997, (62 FR 3742). The proposed rule would amend the regulations governing the valuation for royalty purposes of oil produced from Federal leases. In response to requests for additional time, MMS will extend the comment period from April 28, 1997, to May 28, 1997.

**DATES:** Comments must be submitted on or before May 28, 1997.

**ADDRESSES:** Written comments, suggestions, or objections regarding this proposed amendment should be sent to the following addresses.

For comments sent via the U.S. Postal Service use: Minerals Management Service, Royalty Management Program, Rules and Publications Staff, P.O. Box 25165, MS 3101, Denver, Colorado 80225-0165.

For comments via courier or overnight delivery service use: Minerals Management Service, Royalty Management Program, Rules and Publications Staff, MS 3101, Building 85, Denver Federal Center, Room A-212, Denver, Colorado 80225-0165.

**FOR FURTHER INFORMATION CONTACT:** David S. Guzy, Chief, Rules and Publications Staff, phone (303) 231-3432, FAX (303) 231-3194, e-Mail [David\\_Guzy@smtp.mms.gov](mailto:David_Guzy@smtp.mms.gov).

**SUPPLEMENTARY INFORMATION:** By mail and at the recent public meetings in Denver and Houston, MMS received many requests to extend the comment period. This time extension is in response to these requests in order to provide commentors with adequate time to provide detailed comments that MMS

can use to proceed in the rulemaking. After MMS reviews the comments submitted by May 28, 1997, the comment period may be reopened and additional public meetings may be scheduled to obtain clarifications on the comments submitted.

Dated: April 18, 1997.

**Lucy R. Querques,**

*Associate Director for Royalty Management.*

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## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Parts 227, 228, and 229

RIN 1010-AC25

#### Delegation of Royalty Management Functions to States

**AGENCY:** Minerals Management Service, Interior.

**ACTION:** Proposed rulemaking.

**SUMMARY:** The Minerals Management Service (MMS) proposes to add part 227 which authorizes the delegation of several Federal royalty management functions to States.

Also, MMS proposes to amend its regulations at parts 228 and 229 to remove references to cooperative agreements and delegations for Federal lands under those parts. As a result, those parts would apply only to Indian cooperative agreements and delegation agreements with States for Indian lands within the State.

**DATES:** MMS will consider all comments received by May 27, 1997. We will begin reviewing comments at that time and may not fully consider comments we receive after May 27, 1997.

**ADDRESSES:** Comments should be sent to: David S. Guzy, Chief, Rules and Procedures Staff, Royalty Management Program, Minerals Management Service, PO Box 25165, MS 3101, Denver, Colorado 80225-0165, courier delivery to Building 85, Denver Federal Center, Denver, Colorado 80225, or e-Mail David\_Guzy@smtp.mms.gov.

**FOR FURTHER INFORMATION CONTACT:** David S. Guzy, Chief, Rules and Procedures Staff, Royalty Management Program, Minerals Management Service, telephone (303) 231-3432, Fax (303) 231-3194, e-Mail David\_Guzy@smtp.mms.gov.

**SUPPLEMENTARY INFORMATION:** The principal authors of this proposed rulemaking are Larry Cobb, Jim Detlefs, Clare Onstad, Robert Prael, Todd McCutcheon, John Russo, Dave Steiber,

Cecelia Williams, and Sam Wilson, MMS; and Peter Schaumberg and Sarah Inderbitzin of the Office of the Solicitor.

Because section 3(d) of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 requires the Secretary to promulgate standards and regulations "pertaining to authorities and responsibilities to be delegated [to States] \* \* \*" within 12 months of its enactment, *i.e.* by August 13, 1997, MMS is specifying a deadline for comments that is less than the 60 days recommended in Executive Order 12866. MMS has determined that it is not feasible to allow the 60-day comment period referred to in section 6(a)(1) of Executive Order 12866 because a comment period of that length would make it very difficult to comply with the 12 month statutory deadline. MMS also believes that a 30-day comment period is appropriate in this instance because it previously provided both States and industry with the opportunity to comment during the numerous outreach meetings discussed above. Although MMS will consider late-filed comments to the greatest extent practicable, RSFA's requirement that a final rule be issued within 12 months of enactment will make it extremely difficult for MMS to consider comments received after the 30-day period. Thus, MMS believes that for these reasons, a 30-day comment period is sufficiently long to allow the public a meaningful opportunity to comment on the proposed rule in accordance with Executive Order 12866.

#### I. General

On August 13, 1996, Congress enacted the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, Pub. L. 104-185, as corrected by Pub. L. 104-200 (RSFA). The RSFA amends portions of the Federal Oil and Gas Royalty 33 Management Act of 1982 (FOGRMA), 30 U.S.C. 1701 *et seq.* Prior to the RSFA enactment, section 205 of FOGRMA, 30 U.S.C. 1735, provided for the delegation of only audits, inspections, and investigations to the States. The RSFA amendments to section 205 now provide that the MMS may delegate other Federal royalty management functions to requesting States.

The royalty management functions MMS may delegate under the RSFA amendments are:

- (1) Conducting audits and investigations;
- (2) Receiving and processing production and royalty reports;
- (3) Correcting erroneous report data;
- (4) Performing automated verification; and

(5) Issuing demands, subpoenas (except for solid mineral and geothermal leases), orders to perform restructured accounting, and related tolling agreements and notices to lessees or their designees.

The RSFA amendments to section 205(d) also provide that within 12 months after the date of enactment, after consultation with the States, the Secretary must issue standards and regulations pertaining to delegable functions and other relevant responsibilities, including:

- (1) Audits to be performed;
- (2) Records and accounts to be maintained;
- (3) Reporting procedures to be required by the States under this section;
- (4) Receipt and processing of production and royalty reports;
- (5) Correction of erroneous report data;
- (6) Performance of automated verification;
- (7) Issuance of standards and guidelines in order to avoid duplication of effort;
- (8) Transmission of report data to the Secretary; and
- (9) Issuance of demands, subpoenas, and orders to perform restructured accounting, for royalty accounting purposes.

In response to the section 205 RSFA amendments, MMS formed the 205 Consultation Team, comprised of MMS, interested States, representatives from State associations, and a representative of the Bureau of Land Management (BLM) to discuss how to implement the delegation provisions of the RSFA. In 1996, the 205 Consultation Team met on October 2, October 10-11, and October 23-24. The result was the development of an initial regulatory framework that MMS used to discuss the regulation at three outreach meetings with States and to write the proposed regulation. The 205 Consultation Team members agreed to the regulatory framework in a teleconference held on December 2, 1996.

During the initial meetings with the 205 Consultation Team, State representatives sought delegated functions in addition to those provided in RSFA. These additional functions included collecting and disbursing funds, processing and deciding appeals, and issuing civil penalties. However, the Act does not allow MMS to delegate these functions. Thus, MMS has reserved such functions because they are necessary for uniform administration of the applicable statutes, regulations, and policies and therefore are reserved, among other