

(ii) The FHWA reserves the right to conduct final inspections on all ER projects. The Division Administrator has the discretion to undertake final inspections on ER projects as deemed appropriate.

(2) \* \* \*

(3) Emergency repair meets the criteria for categorical exclusions pursuant to 23 CFR 771.117 and normally does not require any further NEPA approvals.

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## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Chapter II

#### Review of Existing Regulations

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Review of regulations; request for comment.

**SUMMARY:** MMS has been performing annual reviews of its significant regulations and asking the public to participate in these reviews since 1994. The purpose of the reviews is to identify and eliminate regulations that are obsolete, ineffective, or burdensome. In addition, the reviews are meant to identify essential regulations that should be revised because they are either unclear, inefficient, or interfere with normal market conditions. As MMS moves towards performance based regulations, we are looking at ways to offer regulatory relief to industry for exceptional performance. We request your comments and suggestions with respect to which regulations could be more performance based and less prescriptive.

The purpose of this document is twofold. First, we want to provide the public an opportunity to comment on MMS regulations that should be eliminated or revised, or could be more performance based. Second, we are providing a status update of the actions MMS has taken on comments previously received from the public in response to documents published March 1, 1994, March 28, 1995, May 20, 1996, April 24, 1997, and June 12, 1998. We will only include in this document status updates on comments which have not been closed or implemented in the five previous status update documents listed above.

**DATES:** Written comments must be received by August 6, 1999.

**ADDRESSES:** Mail written comments to Department of the Interior; Minerals Management Service; Mail Stop 4230; 1849 C Street NW; Washington, DC 20240; Attention: Bettine Montgomery, MMS Regulatory Coordinator, Policy and Management Improvement.

**FOR FURTHER INFORMATION CONTACT:** Bettine Montgomery, Policy and Management Improvement, telephone: (202) 208-3976; Fax: (202) 208-4891; and E-Mail: Elizabeth.Montgomery@mms.gov.

**SUPPLEMENTARY INFORMATION:** MMS began a review of its regulations in early 1994 under the directives contained in the President's Executive Order 12866. The Executive Order calls for periodic regulatory reviews to ensure that all significant regulations are efficient and effective, impose the least possible burden upon the public, and are tailored no broader than necessary to meet the agency's objectives and Presidential priorities.

We invited the public to participate in the regulatory review. The invitation was sent out via different media, namely a **Federal Register** document dated March 1, 1994 (59 FR 9718); MMS and independent publications; and public speeches by MMS officials during that time.

MMS received approximately 40 public comments which were almost equally divided between its Royalty Management and Offshore Minerals Management Programs. We acknowledged the comments in a July 15, 1994 (59 FR 36108), document and set forth our planned actions to address the comments, along with an estimated timetable for these actions.

In the **Federal Register** notices published March 28, 1995 (60 FR 15888); May 20, 1996 (61 FR 25160); April 24, 1997 (62 FR 19961); and June 12, 1998 (63 FR 32166), MMS: (a) asked for further public comments on its regulations, and (b) provided a status update of actions it had taken on the major public comments received to date. We received 10 responses from the 1995 document, 5 responses from the 1996 document, 2 responses from the 1997 document, and 3 responses from the 1998 document. A number of the commentators expressed appreciation for our streamlining efforts and responsiveness to suggestions from our regulated customers.

This document updates our planned actions and related timetables on the major comments received to date. It also solicits additional comments from the public concerning regulations that should be either eliminated or revised, or could be more performance based.

Since some of the public responses received in response to prior documents contained comments on very specific and detailed parts of the regulations, this document does not address every one received. For information on any comment submitted which is not addressed in this document, please contact Mrs. Montgomery at the number and location stated in the forward sections of this document.

MMS regulations are found at Title 30 in the Code of Federal Regulations. Parts 201 through 243 contain regulations applicable to MMS's Royalty Management Program; Parts 250 through 282 are applicable to MMS's Offshore Minerals Management; and Part 290 is applicable to Administrative Appeals.

#### Status Report

The following is a status report by program area on the comments MMS has received, to date, on its regulations.

##### A. Offshore Minerals Management (OMM) Program

OMM is currently reviewing the following 10 sections of OMM regulations:

1. Regulations Governing Conservation of Resources and Diligence (30 CFR 250, Subpart A)

*Comments Received*—(a) "Revise Determination of Well Producibility to make wireline testing and/or mud logging analysis optional \* \* \*." (b) "\* \* \* consider comments from the 11/30/95 MMS sponsored workshop to formulate policy for granting SOP (suspension of production) approvals based on host capacity delays, non-contiguous unitization, and market conditions/economic viability."

*Action Taken or Planned*—For (a) above, a proposed rule, "Postlease Operations," revising Subpart A was published on February 13, 1998 (63 FR 7335). This revision addressed the determination of well producibility, and the public was invited to comment on this and all areas of the proposed rule. The comment period closed on July 17, 1998. For (b) above, MMS did consider the comments from the November 30, 1995, workshop on granting suspensions of production when preparing the proposed rule. A final rule is being prepared for publication.

*Timetable*—We plan to publish the final rule by mid-summer of 1999.

2. Regulations Applicable to Directional Surveys (30 CFR 250.401, Subpart D)

*Comments Received*—"Revise directional survey requirements to allow a composite measurement-while-drilling

directional survey to be acceptable \* \* \*."

*Action Taken or Planned*—We are rewriting the regulations governing Oil and Gas Drilling Operations, found in 30 CFR Part 250, Subpart D, in plain English. During this rewrite, we are making appropriate revisions to the regulations. Updating the requirements for directional survey requirements is one of the revisions planned for this rewrite.

*Timetable*—We plan to publish a Notice of Proposed Rulemaking in the fall of 1999.

### 3. Approval and Reporting Processes for Well-Completion Operations (30 CFR 250.513)

*Comments Received*—"\* \* \* a recompletion operation requires that a Well Summary Report MMS-125 be filed within 30 days. Much of this data is repetitious of data previously submitted on the Sundry Notice MMS-124. The process could be changed to provide only data that has changed."

*Action Taken or Planned*—We don't plan to change these reporting requirements at this time. We're working on plans to implement electronic reporting, which will streamline the process and increase reporting efficiency.

*Timetable*—No plans to change reporting requirements.

### 4. Safety System Design and Installation (30 CFR 250.122)

*Comments Received*—"We believe that the (Safety and Environmental Management Program) SEMP/RP 75 Performance Measure process of alternative compliance for operators who voluntarily implement RP 75 and have "good" performance should allow those operators to periodically update drawings and other documents of production safety system installations and routine modifications instead of receiving required MMS approval of these documents before any modifications are performed (Comment #14 of our July 17, 1996 letter). This is one example of the alternative compliance process that we suggest."

*Action Taken or Planned*—This comment expresses an interest for regulatory relief in exchange for "compliance" with API RP75. This industry standard captures the essence of SEMP. On August 13, 1997, MMS published a **Federal Register** notice on SEMP (62 FR 43345). This notice publicly relayed our intent to continue collaborative efforts with the U.S. offshore oil and gas industry to promote the non-regulatory (i.e., voluntary) adoption of SEMP; it simultaneously

relayed our intent to increasingly focus on operator performance in the field. We made this decision after extensive review of the industry's actions to adopt RP75. We have seen important strides made in the development of SEMP programs by the majority of OCS operators. We have, however, still not seen widespread implementation of these programs on offshore installations. In the most recent SEMP notice, we asked senior company officers to notify MMS when they had "fully" implemented SEMP at the field level. In our view, "fully" means that an operator has developed their SEMP plan and has implemented it at enough of their offshore installations to commence continuous improvement efforts (e.g., SEMP audits). At the end of April 1999, we had received such notifications from only eight OCS operators. This fact leads us to conclude that SEMP is not yet broadly implemented at the field level. Therefore, any requests for regulatory relief in exchange for SEMP implementation will need to be made to MMS on an ad hoc basis by operators who are prepared to demonstrate, and have us verify, both the extent of their SEMP implementation and their field-level performance.

We have begun the process of revising 30 CFR Part 250, Subpart H. The process changes suggested will be considered internally during preparation of the Notice of Proposed Rulemaking.

*Timetable*—We expect to publish for comment the Notice of Proposed Rulemaking for a revised 30 CFR Part 250, Subpart H, at the end of 1999.

### 5. Regulations Applicable to Production on the Outer Continental Shelf (30 CFR Part 250, Subpart H)

*Comments Received—Production Safety System Testing and Records (30 CFR 250.124)*—"OOC (Offshore Operators Committee) is very much interested in working with MMS on a research project beginning in 1997 to consider appropriate leak rate tolerances for critical safety devices (Comment #11 of our July 17, 1996 letter) as well as testing frequencies of accurate and reliable new generation safety devices (Comment #13 of our July 17, 1996 letter)."

*Action Taken or Planned*—MMS initiated a research project in September 1997 with Southwest Research Institute which investigated the question of leak rate tolerances for critical safety devices. Final results from the study should become available to the public in June 1999. We have also initiated the rulemaking process to revise all of Subpart H. As part of this process, we will discuss internally testing

frequencies for safety devices. Any proposed changes to testing frequencies will appear in the Notice of Proposed Rulemaking for Subpart H.

*Timetable*—We expect the Notice of Proposed Rulemaking for a revised Subpart H to appear in the **Federal Register** for comment at the end of 1999.

### 6. Regulations Governing Safety and Pollution Prevention Equipment (SPPE) (30 CFR Part 250.126, Subpart H)

*Comments Received*—"Revise regulations governing Safety Valves to increase time between test and allowable leakage rates."

*Action Taken or Planned*—As discussed under Item No. 5, MMS contracted with Southwest Research Institute in September 1997 to study leakage rates for surface and subsurface safety valves.

*Timetable*—As noted previously, the final results of the Southwest Research Institute Study will be made available this June. Any changes to our regulations as a result of this study will be incorporated into the Notice of Proposed Rulemaking for 30 CFR 250, Subpart H, projected to be published for comment by the end of 1999.

### 7. Regulations Regarding Construction and Removal of Platforms and Structures (30 CFR 250, Subpart I)

*Comments Received*—(a) "Modify platform design wave return period calculation by placing a cap of 100 years on the field life calculation \* \* \*." (b) "Adopt API RP2A (20th edition) Section 14, Surveys, in its entirety \* \* \*." (c) "Revise site clearance requirements \* \* \*." (d) "Revise requirements for placing protective domes over well stubs \* \* \*," etc.

*Action Taken or Planned*—For (a), (c), and (d) above, the proceedings for the International Workshop on Offshore Lease Abandonment and Platform Disposal held in April 1996 were published in 1997. We will be considering the comments we received from the proceedings in drafting a proposed rule on decommissioning. For (b) above, Notice to Lessees (NTL 98-4N) was issued on March 4, 1998. It contains interim guidance for applying "Simplified Fatigue Analysis" Procedure from American Petroleum Institute (API) Recommended Practice 2A (RP2A), Planning, Designing, and Constructing Fixed Offshore Platforms, Nineteenth Edition (August 1, 1991), and Twentieth Edition (July 1, 1993), and its supplement 1 (February 1, 1997). When the Twenty-First Edition is published, we will be reviewing it to decide whether or not MMS will adopt it.

*Timetable*—For (a), (c), and (d) above, we plan to publish for comment a Notice of Proposed Rulemaking on decommissioning by December 1999. For (b) above, COMPLETED.

#### 8. Regulations Applicable to Pipelines and Pipeline Rights-of-Way (30 CFR 250, Subpart J)

*Comments Received*—Revise regulations to avoid duplication of requirements between the Department of the Interior (DOI) and the Department of Transportation (DOT). The following comments were submitted on the proposed rule on regulating pipelines which was published October 2, 1997 (62 FR 51614): Commentators raised concerns about the Notice of Proposed Rulemaking involving technical issues affecting the applicability of the rule to producer-operated pipelines. The pipelines were either previously subject to DOT regulation under terms of the former 1976 Memorandum of Understanding between DOI and DOT, or cross into State waters without first connecting to a transporting operator's pipeline on the Outer Continental Shelf as described in the 1996 Memorandum of Understanding.

*Action Taken or Planned*—As stated in our previous Notice, "Reviewing Existing Regulations" (June 12, 1998), a Memorandum of Understanding on the pipeline issue between DOI and DOT became effective December 10, 1996, and was published in the **Federal Register** on February 14, 1997 (62 FR 7037). Since then, we have published a final rule on August 17, 1998 (63 FR 43876) clarifying regulatory jurisdiction of producer-operated pipelines that connect to transportation pipelines on the Outer Continental Shelf. We are now proceeding with a proposed rule that will clarify and resolve the technical issues concerning producer-operated pipelines that cross into State waters without first connecting to transportation pipelines on the Outer Continental Shelf.

*Timetable*—We plan to publish the Notice of Proposed Rulemaking incorporating comments on the earlier proposed rule by mid-summer 1999.

#### 9. Shallow Hazards Requirements (NTL No. 83-3)

*Comments Received*—" \* \* \* revise (Notice to Lessees) NTL No. 83-3 which relates to shallow hazards requirements. Industry has requested that MMS allow use of navigational positioning equipment in lieu of buoying pipelines."

*Action Taken or Planned*—Notice to Lessees (NTL) No. 83-3 has been superseded by NTL No. 98-20. In NTL

No. 98-20, however, we did not address this comment on navigational positioning equipment. We are planning to revise NTL No. 98-20, and are in the process of developing guidance for navigational positioning equipment technology. In the planned revision of NTL No. 98-20, industry may still use buoying, but if they choose not to use buoying, the NTL will require the use of state-of-the-art navigational systems. This will assure the accuracy and safety of anchoring operations in the vicinity of pipelines.

*Timetable*—Ongoing.

#### 10. Regulations Applicable to Production Safety System Training (30 CFR 250.214, Subpart O)

*Comments Received*—In response to a June 10, 1997, workshop on the development of a performance based training rule, MMS received a variety of comments from the oil and gas industry and MMS accredited training schools. These comments include: (a) "Continue to implement the current Subpart O training system." (b) "Develop a dual training system incorporating elements from both a performance based program and MMS's current system." (c) "Companies may neglect training under a performance based system." (d) "MMS should use caution when changing from the current prescriptive training system \* \* \*." (e) " \* \* \* use of a written MMS test may cause employees stress that would lead to poor performance on the exams." (f) " \* \* \* hands-on simulator testing is an excellent and realistic means of gauging performance. \* \* \* MMS may not have the expertise or equipment to properly conduct simulator tests." (g) "Hands-on testing should only be conducted onshore, not offshore." (h) "How will MMS react to a company that does not train its employees but has a good safety record \* \* \*." (i) "This may not be the right time to move towards a performance system because of the increase in OCS activity and the shortage of trained and experienced workers."

*Activity Taken or Planned*—On April 20, 1999, we published for comment a proposed rule on a performance based training program which relies on industry to design its training programs (64 FR 19318). In this proposed rule, "Training of Lessee and Contractor Employees Engaged in Oil and Gas and Sulphur Operations in the Outer Continental Shelf," we propose to monitor the program through tests and audits. The comment period ends July 17, 1999. We have scheduled a public workshop on this proposed rule in Houston on June 10, 1999 (64 FR 23029).

*Timetable*—We plan to publish the final rule in the spring of the year 2000.

#### Overview of MMS/Offshore Minerals Management Regulatory Actions

The Offshore Minerals Management Program has scheduled an ambitious program in the coming year for rewriting current rules into Plain English and updating them to reflect changing conditions in the energy industry. We want to summarize some of the highlights of this rule rewriting effort.

- *Postlease Operations Safety* (30 CFR 250, Subpart A)—Final rule to be published by mid-summer of 1999. The rule includes various interrelated topics all dealing with postlease operations.

- *Coastal Zone Consistency Review of Exploration Plans and Development and Production Plans* (30 CFR Parts 250 and 204)—Final rule to be published by the end of 1999.

- *Leasing of Sulphur or Oil and Gas in the Outer Continental Shelf—Bonus Payments with Bids* (30 CFR Part 256)—Final rule to be published by the fall of 1999. This rule allows MMS to require a specific payment method for 1/5 of the bonus payment due when we hold a sale to lease Federal offshore Outer Continental Shelf lands.

- *Producer-Operated Outer Continental Shelf Pipelines that Cross Directly into State Waters* (30 CFR 250)—Proposed rule to be published by summer of 1999. This rule proposes to implement a provision of the December 10, 1996, Memorandum of Understanding between the Departments of the Interior and Transportation regarding Outer Continental Shelf Pipelines.

- *Prospecting for Minerals Other Than Oil, Gas, and Sulphur in the Outer Continental Shelf* (30 CFR Part 280)—Proposed rule to be published in the summer of 1999. This rule proposes to specify how to conduct Geological and Geophysical prospecting and research for minerals other than oil, gas, and sulphur in the Outer Continental Shelf under a permit.

- *End of Life Royalty Relief for Oil and Gas Leases on the Outer Continental Shelf* (30 CFR Part 203)—Proposed rule to be published by the end of 1999. This rule avoids continuance of royalty relief in the presence of noticeable improvement in lease economics and market conditions. The rule applies only to new applications and approvals, not to existing arrangements.

- *Exploration and Development and Production Plans* (30 CFR Part 250 Subpart B)—Proposed rule to be published by the end of 1999. The

rewrite for this proposed rule will include other plans such as Deep Water Operations Plan, Development Operations Coordination Document, and Conservation Information Documents.

- *Oil and Gas and Drilling Operations* (30 CFR Part 250 Subpart D)—Proposed rule to be published by the end of 1999. This rule proposes to restructure the requirements for oil and gas drilling operations on the Outer Continental Shelf, remove overly prescriptive requirements, and update requirements to reflect changes in drilling technology.

- *Abandonment of Wells* (30 CFR Part 250 Subpart G)—Proposed rule to be published by the end of 1999. This proposed rule on decommissioning platforms will consider the comments received on the proceedings from the International Workshop on Offshore Lease Abandonment and Platform disposal held in April 1996.

- *Oil and Gas Production Safety Systems* (30 CFR Part 250 Subpart H)—Proposed rule to be published by the spring of the year 2000. We will write this proposed rule in Plain English and update the requirements to reflect current practice in the offshore energy industry.

#### B. Royalty Management Program (RMP)

RMP is reviewing regulations in the following 14 subject areas:

##### 1. Statute of Limitations and Record Retention

*Comments Received*—(a) “Statute of limitations is unclear.” (b) “Establish a reciprocal 5-year statute of limitations from the date an obligation becomes due.” (c) “Absence of a record retention program creates some confusion. Regulations should require record retention to coincide with the 5-year statute of limitations.” (d) “the MMS is changing processes, developing implementation plans, and preparing regulatory changes,” in doing so, the congressional intent of FOGRSFA should be followed to provide certainty and simplicity to lessees.

*Action Taken or Planned*—The Federal Oil and Gas Royalty Simplification and Fairness Act (FOGRSFA) was signed into law on August 13, 1996. FOGRSFA contains language to implement a 7-year statute of limitations for MMS processes. We are changing processes, developing implementation plans, and preparing regulatory changes to comply with the requirements of FOGRSFA.

*Timetable*—Ongoing.

##### 2. Interest on Overpayments

*Comment received*—(a) “Interest accrual should be equitable between the

agency and industry.” (b) “the MMS should be mindful of the congressional intent of simplicity and certainty in promulgating any regulations to implement these provisions of FOGRSFA.”

*Action Taken or Planned*—FOGRSFA provides for the payment of interest on overpayments for oil and gas leases on Federal lands. On March 31, 1997, we issued a Dear Payor letter about FOGRSFA’s provisions involving interest issues. We issued another Dear Payor letter on October 1, 1997, explaining interest calculations and interest reporting requirements. MMS is designing system changes to implement the requirements of FOGRSFA and preparing regulations to be published.

*Timetable*—We will publish for comment in late 1999, or early next year, a Notice of Proposed Rulemaking providing for interest on overpayments and underpayments.

##### 3. Interest Assessments

*Comments Received*—(a) “A de minimis provision should be established for the assessment of interest.” (b) “\* \* \* MMS should enhance their existing interest assessment system to allow for the offsetting of prior period adjustments made on the MMS Form 2014 before calculating applicable interest.”

*Action Taken or Planned*—FOGRSFA not only provides for the payment of interest on overpayments for oil and gas leases on Federal lands, but allows industry to calculate the correct interest assessment. Also, FOGRSFA allows interest that has accrued on overpayments to be applied to reduce underpayments. We have included billing thresholds in our interest system to prevent bills for de minimis amounts. In May 1997, we started sending interest statements instead of interest bills, and the statements contain totals for interest that MMS owes and for interest owed to MMS. MMS is implementing system changes to conform with the requirements of FOGRSFA and preparing regulations.

*Timetable*—As noted under Item 2, Timetable, we plan to publish a Notice of Proposed Rulemaking for comment on payment of interest late in 1999 or early next year.

##### 4. Gas Valuation

*Comments received*—(a) “Define gross proceeds more equitably and clearly in this ever changing gas marketing environment.” (b) “It is important that the Federal Gas Valuation Rule final rule not discriminate against producers which are affiliated with marketing companies and are party to non-arms-

length contracts.” (c) “\* \* \* commends the MMS on their use of negotiated rulemaking process to address the valuation of gas. Rule should result in administrative cost savings for all parties.” (d) “If the Takes vs. Entitlements policy stays in effect, MMS should strictly enforce reporting on actual quantities taken for all industry participants.” (e) “Eliminate Transportation and Processing Allowance Forms for Indians.” (f) “MMS, States, and industry \* \* \* devoted considerable time and expense during the REGNEG process and \* \* \* is disappointed that the strong commitment of all the respective parties did not result in a valuation methodology that MMS can endorse.”

*Action Taken or Planned*—For (a) above, on December 16, 1997, MMS published a final rule clarifying what deductions may be taken from gross proceeds for the costs of transportation under Federal Energy Regulatory Commission (FERC) Order No. 636. The rule was effective February 1, 1998 (63 FR 65753). For (a), (b), (c) and (f) above, the Federal Gas Valuation proposed rule was published in the **Federal Register** on November 6, 1995 (60 FR 56007), and the comment period closed on February 5, 1996. In light of the comments received from 44 entities, on May 21, 1996, MMS reopened the public comment period and asked for public comment on five options for proceeding with further rulemaking (61 FR 25241). The reopened public comment period closed August 19, 1996. MMS reconvened the Federal Gas Valuation Negotiated Rulemaking Committee on June 12–14, 1996, and asked the Committee to provide input into the five options.

MMS performed a cost benefit analysis on three viable options for proceeding with gas valuation regulations. Given the results of the cost benefit analysis (\$20 million annual loss in royalties) and changes occurring in the gas market, MMS withdrew the proposed rulemaking on April 22, 1997 (62 FR 19536).

For (d) above, FOGRSFA contains language requiring “takes” reporting for stand alone leases and agreements containing 100 percent Federal leases. FOGRSFA also requires “entitlements” reporting for so-called mixed agreements (agreements containing Federal, State, Indian, and/or fee leases) with an exception to use “takes” reporting for marginal properties. We are changing processes, developing implementation plans, and preparing regulatory changes to comply with the requirements of FOGRSFA.

For (e) above, a proposed rule developed by the Indian Gas Valuation Negotiated Rulemaking Committee was published on September 23, 1996 (61 FR 49894). The Indian Valuation Negotiated Rulemaking Committee was reconvened on March 26, 1997. This rule addressed the valuation for royalty purposes of natural gas produced from Indian leases. The rule proposes to reduce substantially the transportation and allowance reporting forms for gas from Indian leases. The proposed rule would add a methodology to calculate the major portion value and an alternative methodology for dual accounting as required by Indian lease terms. The proposed rulemaking would simplify and add certainty to the valuation of production from Indian leases.

*Timetable*—We plan to publish for comment a Notice of Proposed Rulemaking on takes vs. entitlements in 1999. Also in 1999, we plan to publish a final rule on Valuation of Gas From Indian Leases.

#### 5. Reporting Procedures and Threshold

*Comments Received*—(a) “Eliminate or streamline MMS Form 2014 reporting.”

(b) “Report prior period adjustments on a ‘net’ basis.”

(c) “Change estimated payment from lease level to payor level.”

(d) “Assess interest at the payor level—for the Indian leases on the basis of each Indian Tribe.”

(e) “Eliminate Payor Information Form (PIF) Filings. This is an unnecessary and costly reporting requirement.”

(f) “MMS should modify the regulations and system tolerances/thresholds so that only those exceptions that are cost beneficial for MMS to pursue are generated.”

(g) “Set thresholds or tolerances for regulations to save costs to both MMS and industry. (Example: Invoices are sent for less than \$1.00.)”

(h) “MMS should not implement regulations until its systems are programmed to handle the new regulations.”

(i) “\* \* \* the prompt implementation of the recommendations of the Royalty Policy Committee Audit and Royalty Reporting and Production Accounting Subcommittees will achieve those simplification and streamlining goals \* \* \*”

(j) The RMP Reengineering Team has recommended 32 reporting changes to reduce and simplify reporting and reduce administrative costs for both MMS and lessees. MMS should proceed diligently to implement these changes.

(k) We recommend that MMS immediately implement at least a one dollar threshold or higher thresholds which would alleviate tremendous burden and cost to the government and lessees.

*Action Taken or Planned*—Building upon the Royalty Policy Committee’s earlier study, the RMP Reengineering Team (Team) analyzed current information reporting requirements to determine the data necessary for future RMP processes. The Team identified opportunities for easing reporting burden, avoiding data duplication, decreasing error rates, and increasing processing efficiency. The Team developed 32 reporting changes that are in their report titled “Preliminary Design Concepts of the RMP Reengineering Team.” If these changes are implemented, they will significantly reduce the volume of lines reported and processed, minimize errors and related error correction workload, simplify reporting, and lower costs for both reporters and RMP. The Team’s changes generally incorporate or exceed the Royalty Policy Committee’s recommendations.

On February 23, 1999 (64 FR 8844), we published a notice of information collection solicitation and public meetings for changes to the royalty and production accounting reports. At the public meetings, which were held in March, we consulted with industry representatives on the proposed reporting changes.

In addition to our reengineering work, we continue to pursue shorter range reporting improvements not requiring significant system changes. For example, the Payor Information Form MMS-4025 is being streamlined to eliminate numerous data fields. Also, many production reporting changes are being implemented where redundant or unnecessary data collection is identified. We have revised our billing thresholds to \$100 for bills due on Federal leases and \$25 for bills due on Indian leases.

On April 14, 1998 (63 FR 17133), we published a proposed rule requesting that all reports be submitted electronically by December 31, 1998. Electronic submission significantly reduces the amount of time necessary for a company to complete the monthly reports and MMS processing time, since no manual entry is required.

*Timetable*—Ongoing.

#### 6. Refunds Due to Industry Which Are Controlled by Section 10 of the Outer Continental Shelf Lands Act

*Comments Received*—(a) “Section 10 refund requirements should be

eliminated. The refund process used for onshore properties should be established for offshore properties.” (b) “\* \* \* we would urge the MMS to facilitate elimination of the Section 10 recoupment procedures in its entirety. The current practice is administratively burdensome and not cost effective for the industry or MMS.” (c) “Eliminate documentation requirements for refund requests over \$250M (million); and/or increase this threshold to \$500M; raise the refund request limit to \$5M. Exempt pure accounting adjustments for items such as production date adjustments and incorrect AID (Accounting Identification) numbers; exempt unit revisions because these revisions are often made more than 2 years after the date of production; establish a time limit on MMS for review of a refund request to expedite the process; and overpayments on OCS properties should be allowed to be offset against any OCS underpayment.”

*Action Taken or Planned*—FOGRSFA repeals the Section 10 refund procedures of the OCS Lands Act. On November 25, 1996, we mailed a Dear Payor letter with guidelines on refund procedures. We are presently developing a proposed rule implementing the new refund procedures.

*Timetable*—Ongoing.

#### 7. Electronic Data Exchange

*Comments Received*—(a) “\* \* \* MMS (should) continue their ongoing effort to exchange data by electronic means rather than hard copy thereby enabling the industry to adjust the data elements to integrate with each company’s systems.” (b) “\* \* \* is looking forward to working with MMS to develop an electronic reporting and funds transfer system that is both cost effective and efficient for all parties.”

*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. On April 22, 1997 (62 FR 19497), we published a final rule specifying how payments are made for mineral royalties, rentals, and bonuses that requires all payments to be made electronically to the extent it is cost effective and practical. We also published on April 8, 1998 (63 FR 17133), a proposed rule to require reporters to submit royalty and production reports electronically. Another way we publicize electronic

reporting is on the MMS/Royalty Management Program Internet website.

*Timetable*—Reporter and Payor Training sessions are planned for the summer of 1999. We plan to publish a final rule on Electronic Reporting in 1999.

#### 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. In our reengineering effort, we are looking at streamlined reporting for short- and long-term benefits for MMS and industry.

*Timetable*—Ongoing.

#### 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.”

*Action Taken or Planned*—We are in the process of finalizing the Indian gas valuation rule. As for the final Federal gas valuation rule, on April 22, 1997, we published a Notice in the **Federal Register** (62 FR 19536) that withdrew the proposed rule because of changes occurring in the gas market.

New language in FOGRSFA will cause a number of changes in the Payor Liability rule and the Administrative Offset and Limitations on Credit Adjustments rule. We are working to incorporate the effects of FOGRSFA in these rules.

*Timetable*—Ongoing.

#### 10. The Appeals Process

*Comments Received*—“Current appeals process is too long.”

*Action Taken or Planned*—FOGRSFA 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, 1997.

The Royalty Policy Committee, a Federal Advisory Committee reporting to the Secretary, established a subcommittee of State, Indian, and industry representatives to study the appeals process. The Royalty Policy Committee reported its recommendations to the Secretary in March 1997, and the Secretary accepted the recommendations, with minor changes, in September 1997. The Department published a proposed rule on January 12, 1999 (64 FR 1930), to implement these recommendations.

*Timetable*—We published a final rule on May 13, 1999 (64 FR 26240), to implement the provisions of FOGRSFA related to the 33-month time limit to decide oil and gas appeals on Federal leases. We are currently reviewing comments on other parts of the proposed rule.

#### 11. Valuation of Coal From Federal Leases

*Comments Received*—(a) “\* \* \* amending this section to allow the use of the lessee’s arm’s length contracts to support the value for a nonarm’s-length contract would make this section more effective and also eliminate the need to use third-party proprietary information in many instances.” (b) “\* \* \* the use of the lessee’s arm’s-length contracts is the best evidence of the comparable value of any nonarm’s-length sales by the lessee.”

*Action Taken or Planned*—The Royalty Policy Committee’s Coal Subcommittee is reviewing issues related to coal valuation, and we will use the Royalty Policy Committee’s recommendations to make improvements to the coal royalty valuation and reporting procedures and associated regulations.

*Timetable*—Ongoing.

#### 12. Royalty-in-Kind Alternative

*Comments Received*—“urges the MMS to pursue implementation of a RIK program as a cost effective alternative.”

*Action Taken or Planned*—In 1997 MMS conducted a Feasibility Study which examined a series of Royalty-in-

Kind (RIK) options, both offshore and onshore. Under RIK, the government accepts its royalty share in the form of production rather than in value (cash). Based on the Study’s recommendations, we are presently conducting three pilot projects to study the concept.

Two of the pilot projects are underway. Pilot I is in the State of Wyoming where Federal and State crude oil is being taken in kind and sold on the open market. Pilot II uses Federal leases in the Gulf of Mexico, Texas 8(g) zone (Federal offshore leases adjacent to State waters), where natural gas is being taken in kind and part of it sold to the General Services Administration (GSA) under an interagency agreement for use by Federal agencies. The rest of the gas is being marketed in partnership with the Texas General Land office through a Cooperative Agreement with the State of Texas. Both these pilots will last a minimum of 2 years. Pilot III is scheduled to begin this fall and will take RIK gas from offshore Federal leases in the Gulf of Mexico. This Pilot will involve the largest volume of the three pilots. We expect to sell up to 800 million cubic feet of gas per day, or one third of the Federal royalty share of production in the Gulf. As in Pilot II, a portion of this gas will be transferred to GSA, and the rest sold competitively on the open market.

We will analyze the results of these three pilots to determine if, and under what circumstances, the RIK option can reduce administrative costs for government and industry while producing at least as much revenue as our current method of collecting royalties in value.

*Timetable*—Ongoing.

#### 13. Lessee/Designee

*Comments Received*—MMS published an interim final rule on August 5, 1997 (62 FR 42062), to implement the designation of royalty payment responsibility provision of FOGRSFA. Generally, we support the need for lessees to submit designations pursuant to FOGRSFA, however they take issue with MMS’s overall approach to implementing these very important provisions of FOGRSFA. Specifically, they object to the need for MMS to collect some of the information sought, the level of detailed information required by this rule, the burdensomeness of information required, and the ability of MMS and the Bureau of Land Management (BLM) to utilize information that these bureaus already have and maintain. Also, they take issue with MMS’s authority to collect the information required under the rule from designees (payors).

**Action Taken or Planned**—When the payor remits royalties on behalf of the lessee, FOGRSFA requires that the lessee designate the paying party as their designee for each lease. The interim final rule published on August 5, 1997, implements the requirements of FOGRSFA. We have worked with BLM to set up a process to identify operating rights owners and changes to operating rights ownership.

**Timetable**—Ongoing.

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

**Comments Received**—(a) “In order to craft a reasonable, fair, and proper (oil valuation) rule, it is imperative that MMS publicly address all critical issues prior to the issuance of any final rule so that affected persons can participate meaningfully in the rulemaking process.”

(b) “Congress pushed for delegation of royalty management functions to states as a means of streamlining and simplifying the process of collection and payment of federal royalties. Despite Congress’ clear intent however, the final regulations published on August 12, 1997 and the standards for delegation published on September 8, 1997 in no way attempt to achieve that purpose.”

**Action Taken or Planned**—The regulations for the Delegation of Royalty Management Functions to States were developed in consultation with State government representatives and industry. The final rule was published on August 12, 1997 (62 FR 43076), and included responses to comments we received on the proposed rule. On February 10, 1999 (64 FR 6586), we published a proposed rule that would allow States which choose to assume duties to do so for less than all of the Federal mineral leases within the State or leases offshore of the State, subject to section 8(g), of the Outer Continental Shelf Lands Act. We plan to issue a final rule in 1999.

On January 24, 1997, we published a proposed rule on Valuation of Oil From Federal Leases (62 FR 3742), and on February 12, 1998, we published a proposed rule on Valuation of Oil From Indian Leases (63 FR 7089). We’ve held numerous public meetings regarding the proposed oil valuation rules, and in response to the many comments received in the meetings and through the mail, we published the following in the **Federal Register** on the proposed rule, Valuation of Oil on Federal Leases:

- Supplementary Proposed Rule (July 3, 1997–62 FR 36030);

- Reopened Public Comment Period and Offered Alternatives (September 22, 1997–62 FR 49460);

- Supplementary Proposed Rule (February 6, 1998–63 FR 6113);

- Supplementary Proposed Rule (July 16, 1998–63 FR 38355); and

- Reopened Comment Period and Offered Three Workshops in Houston, TX; Albuquerque, NM; and Washington, DC (March 12, 1999–64 FR 12267).

We are also preparing a Supplementary Proposed Rule for the Valuation of Oil From Indian Leases, and plan to publish it in 1999.

#### Conclusion

We invite you to comment on our existing regulations and also the actions we have taken in response to comments and enacted legislation. And, we invite you to 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: May 28, 1999.

**Lucy Querques Denett,**

*Director, Minerals Management Service.*

[FR Doc. 99–14346 Filed 6–4–99; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Coast Guard

#### 33 CFR Part 100

[CGD07–99–019]

RIN 2115–AE46

#### Special Local Regulations; Charleston Harbor Grand Prix, Charleston, SC

**AGENCY:** Coast Guard, DOT.

**ACTION:** Supplemental notice of proposed rulemaking.

**SUMMARY:** The Coast Guard amends its earlier notice that proposed to establish temporary special local regulations in the coastal waters off Isle of Palms, SC, for the Charleston Harbor Grand Prix. The Coast Guard recently received an amended permit application that moves the regulated area an additional mile offshore. The two day race will occur on August 14 and 15, 1999, between the hours of 12 p.m. and 3 p.m. each day, Eastern Daylight Time (EDT), in an offshore area northeast of Breach Inlet. The regulations are necessary to provide for the safety of life on navigable waters during the event.

**DATES:** Comments must be received on or before July 9, 1999.

**ADDRESSES:** Comments may be mailed to Commander, U.S. Coast Guard Group

Charleston, 196 Tradd Street, Charleston, SC 29401, or may be delivered to the Operations Office at the same address between 7:30 a.m. and 3:30 p.m. Monday through Friday, except federal holidays. The telephone number is (843) 724–7628.

**FOR FURTHER INFORMATION CONTACT:** LTJG S. S. Brisco, (843) 734–7628, Project Manager, Coast Guard Group Charleston, SC.

#### SUPPLEMENTARY INFORMATION:

#### Regulatory History

On May 10, 1999, the Coast Guard published a Notice of Proposed Rulemaking (64 FR 24980) to establish temporary special local regulations for the Charleston Harbor Grand Prix to be held on August 14 and 15, 1999. This NPRM had a 60-day comment period. As of May 26, 1999, the Coast Guard received eight (08) comments on the NPRM. The Coast Guard also forwarded several letters it received from the public about the notice of proposed rulemaking to the sponsor. In response to these letters and comments, the event sponsor amended the marine permit application to move the event further offshore.

#### Request for Comments

The Coast Guard encourages interested persons to participate in this rulemaking by submitting written data, views, or arguments. Persons submitting comments should include their name and address, identify this rulemaking (CGD07–99–019) and the specific section of this proposal to which each comment applies, and give a reason for each comment.

The Coast Guard will consider all comments received during the comment period. It may change this proposal in the view of the comments. The Coast Guard plans no public hearing. Persons may request a public hearing by writing to the address under **ADDRESSES**. The request should include the reasons why a hearing would be beneficial. If the Coast Guard determines that the opportunity for oral presentations will aid this rulemaking, it will hold a public hearing at the time and place announced by a notice in the **Federal Register**.

#### Background and Purpose

As a result of comments received on the initial NPRM, the sponsor of the race amended the marine event permit application to move the race course, and therefore this regulated area, one mile further offshore. The proposed amended regulations are needed to provide for the safety of life during the Charleston Harbor Grand Prix by promoting safe