

**SECTION 205 DELEGABLE FUNCTIONS TEAM MINUTES  
OCTOBER 2, 1996**

**PARTICIPANTS:**

Jim Carter, Western Governors' Association  
Jim Detlefs, MMS  
Paul Kruse, Wyoming  
Maurice Lierz, Western States Land Commissioners Association  
Clare Onstad, MMS  
Kerry Overton, Western States Land Commissioners Association  
Bob Prael, MMS  
John Russo, MMS  
Jim Shaw, MMS  
Dave Steiber, MMS  
Sherri Thompson, BLM  
Cecilia Williams, MMS  
Sam Wilson, MMS

**Recorder: Sam Wilson**

**INTRODUCTION AND SCOPE OF THE WORK: Jim Shaw**

- Goal for a draft regulation is December 31, 1996.

**PROCESS DISCUSSION: Jim Detlefs**

- Provided copies of FOGRMA, Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), and 30 CFR Part 229-Delegation to States.

**MMS ROYALTY OVERVIEW**

Reporting Procedures/Reports: Bob Prael

Error Correction: Bob Prael

Automated Verification: Dave Steiber

- These presentations resulted in a lot of discussion on legal, systems, and coordination implications of delegation. And, how to allow flexibility in delegated functions but still meet RSFA uniformity requirements. Handouts were provided by each presenter. Handouts were also provided on the audit function and RSFA changes to audit procedures.

**State and Industry Involvement**

- All States having Federal leases will be given the opportunity to participate in the regulatory development process. The Team's discussion recognized that some States have more than one elected official and some have coordinating offices responsible for

land and mineral resources and royalty. Letters to Governors' Offices, other elected officials, and coordinating offices will be prepared following the Team's October 10-11, 1996, meeting.

- Industry will be kept informed of the progress and allowed to comment. The industry association representatives who attended the October 1, 1996 MMS meeting will be the primary contacts for keeping industry informed. A letter to industry associations will be prepared following the next Team meeting.

A brief announcement of the project may be appropriate at some of the upcoming State and industry meetings. A list of such meetings is attached.

### **BLM Involvement**

- The BLM is currently writing regulation on the delegation of inspections. Inspection is listed as a delegable function in the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996. Questions concerning BLM/MMS coordination and interaction will be discussed again at our next meeting.

### **SOL Involvement**

- Early involvement with the Team's deliberations is needed and clarification of what functions can be delegated. A list of questionable functions is attached.

### **Policy and Issue Questions**

- A number of items were discussed and questions poised. A list is attached.

### **Action Items**

- Extent of BLM involvement in RSFA regulation development -- Sherri Thompson
- SOL coordination and involvement -- C. Williams
- Mailing Lists for State Governors, other elected officials, State coordinating offices and Industry -- C. Onstad  
(Note to all participants: If you have such lists or can obtain such lists, please bring them to next weeks meeting.)
- Preliminary Time Table and Best Case Example (Deep Water Regulation) -- J. Detlefs and J. Russo
- Legislative History for Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 -- C. Williams
- Minutes -- S. Wilson
- Agenda for October 10 and 11 -- J. Detlefs and S. Wilson (The agenda is attached.)

## **STATE AND INDUSTRY MEETINGS**

New Mexico Oil and Gas Association -- October 7, 1996 -- Santa Fe  
M. Lierz  
IPAA -- October 8, 1996 -- Denver  
IPAA -- October 9, 1996 -- Salt Lake City  
IPAA -- October 28, 1996 -- Houston  
Ben Dillion  
RMOGA -- (date and location ?)  
Clair Mosley  
COPAS -- October 21, 1996 -- (location ?)  
Mary Stonecipher  
IOGCC -- December 8-10, 1996 -- Las Vegas  
Jim Carter  
API -- November 12-13, 1996 -- Austin  
IPAA Annual Meeting -- November 14-15, 1996 -- San Antonio  
Western States Land Commission -- November 14-15, 1996 -- Austin  
M. Lierz

## **SOL QUESTIONS**

1. Did the RSFA impact solid mineral royalty processes and procedures in any way? Can solid mineral royalty/production processes and procedures be delegated? Were current solid mineral audit delegations effected?
2. Are 8G lease royalty functions delegable?
3. Is the royalty collection function delegable?
4. Are acquired land lease royalty functions delegable?
5. Are States who have been delegated royalty reporting and error correction functions entitled to interest on late royalty disbursements even if their late error correction caused the delay?
6. Can States choose RIK contracting for Federal production within their boundaries?
7. To what extent can States use State enforcement procedures rather than Federal enforcement procedures?

## **POLICY AND ISSUE ITEMS**

1. Reference Data Bases (OMM, BLM, BIA, Industry) -- Who and how to access, maintain and update.
2. Cash Reports and Sales Reports -- Who and how to reconcile.
3. Error Correction and Follow-up -- Reference Data, Cash Reports, Sales Reports, Production Reports.
4. Indian Royalty Processing -- State delegation will exclude unless the State and Tribe have an agreement acceptable to DOI.

5. Are States who have been delegated royalty reporting/error correction functions entitled to interest on late royalty disbursements even if their late error correction caused the delay.
6. Over and under payment interest calculations -- Milt Dial's team will address.
7. Performing and coordinating payor and operator training by States accepting delegation.
8. Hard copy and Mag Tape vs. Electronic Transfer -- Goal is to mandate electronic reporting.
9. Stripper Royalty Rate Program -- BLM Issue -- Some States are concerned about the effectiveness of the program. Studies may show that reduced royalties are not recovered by increased production.
10. BLM/MMS Inspection Coordination -- What did the RSFA intend? Define inspections.

**SECTION 205 DELEGABLE FUNCTIONS TEAM  
MEETING AGENDA  
OCTOBER 10-11, 1996**

1. Old Business
  - Designate Recorder
  - Approve/revise minutes from last meeting
  - Audit Presentation (if necessary)
  - Enforcement-Appeals Presentation (if necessary)
2. Follow-up on Action Items
  - Letter to Governors - BLM/MMS (joint or not)
  - SOL Coordination/Clarification - C. Williams
  - Legislative History - C. Williams
  - Preliminary Time Table - J. Detlefs and J. Russo
  - Mailing Lists - C. Onstad
3. New Business
  - Discuss assumptions
  - Develop objectives
  - Begin developing standards
4. Discuss content and outline of letters to Governors and Industry Associations
5. Discuss Team participation in State and industry association meetings.
6. Summarize results of the meeting - include action items.
7. Schedule next meeting