

Minerals Management Service

Minerals Revenue Management

Royalty Policy Committee

Status of Subcommittee Action Items

March 2002

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Subcommittee Name/ Dated Formed/ Chair/Vice Chair	Subcommittee/RPC Action	MRM Status
1. Royalty Reporting and Production Accounting September 13, 1995 David Blackmon	Report & Recommendations approved by RPC on June 4, 1996.	<ul style="list-style-type: none"> • The MRM developed detailed action plans for implementing recommendations for royalty and production reporting and the Payor Information Form during July 1996. • Incorporated long term recommendations in <u>Reengineering Business Processes and Support Systems for the 21st Century</u>, the Preliminary Design Concepts of the MRM Reengineering Team. <p style="text-align: right;">(Completed)</p>
2. Valuation September 13, 1995 Maurice Lierz	<ul style="list-style-type: none"> • Informed the RPC that the Subcommittee was unable to reach consensus on 8 issues and recommended it be disbanded. • RPC disbanded the Subcommittee on June 4, 1996. 	<p style="text-align: right;">(Completed)</p>

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3. Audit September 13, 1995 Perry Shirley Darrell Gingerich	<ul style="list-style-type: none"> • Report & Recommendations approved by RPC on June 4, 1996. • The Report excluded coal issues, which will be addressed by that subcommittee. 	The MRM presented a 12 point draft Audit Action Plan to the RPC during December 1996 addressing all recommendations and incorporated the changes as appropriate in the <u>Audit Manual</u> released 1-16-98. <p style="text-align: right;">(Completed)</p>

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<p>4. Appeals and Alternative Dispute Resolution September 13, 1995 Hugh Schaeffer</p>	<ul style="list-style-type: none"> • Interim report presented to the RPC on June 4, 1996. • Final Report & Recommendations approved by RPC on March 21, 1997. • In response to the May 1999 rule, the Subcommittee Chair presented a letter to the Land & Minerals Assistant Secretary at the June 16, 1999 meeting expressing extreme disappointment that the RPC recommendations had not been enacted. RPC endorsed Mr. Schaeffer's letter and sent a cover letter to the Department. • At the March 27, 2001 meeting the RPC voted to request the Secretary to consider the RPC appeals report and all related RPC actions. 	<ul style="list-style-type: none"> • The Secretary responded by letter accepting most of the recommendations; the RPC Report was included in the comments on the proposed appeals rule. • MRM published a proposed rulemaking on January 12, 1999, and finalized RSFA required appeal issues on May 13, 1999. MMS provided a status of appeals issues at the June 15, 1999, and February 4, 2000 meetings. • The Department decided to continue the two-step royalty appeals process on June 1, 2000. • MMS provided a appeals issues status at the September 7, 2000 and the March 27, 2001 meetings. The Acting MMS Director responded for the Secretary on August 7, 2001 to the RPC request for reconsideration of the appeals issues, stating that the Administration will take a fresh look at many of the processes, including appeals, after the arrival of a new MMS Director. The response was presented at the October 18, 2001 RPC meeting.

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5. Nonconventional Alternatives September 13, 1995 Larry Nichols	No subcommittee meetings were held and no actions taken. RPC disbanded the Subcommittee on January 20, 1999.	(Completed)
6. Disbursements (Including Net Receipt Sharing) September 13, 1995 Steve Reynolds	<ul style="list-style-type: none"> • Interim report presented to the RPC on June 4, 1996, March 21, 1997, September 25, 1997 and January 26, 1998. • The Subcommittee delayed action until it could review GAO and OIG reports. • A final report was presented to the RPC during the September 1998 meeting. The RPC forwarded the report without action to the three agencies for consideration on its own merit, with a request that the agencies respond to the legal and accounting issues which have been raised. 	<ul style="list-style-type: none"> • The Solicitor's Office memorandum to BLM dated April 14, 1998, concluded that pre-leasing costs must be included in NRS deductions. MRM completed NRS correction disbursements with interest in August 1999 as advised by the Solicitor's Office. • MRM responded to the recommendations during the January 20, 1999 RPC meeting and provided a status report during the June 16, 1999 meeting. • Congress repealed Net Receipts Sharing on October 30, 2000 (H.R. 2389/P.L. 106-393, § 501, Minerals Revenue Clarification Act of 2000). <p style="text-align: right;">(Completed)</p>

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<p>7. Coal September 13, 1995 Ron Cattany William Hartzler</p>	<ul style="list-style-type: none"> • The Subcommittee presented interim reports to the RPC on 6- 4-96, 3-21-97, 1-25-98, 9-22-98, 1-20-99, 6-16-99, 2- 4-00, 9 -7-00, 3-27-01, and on10-18-01. • On 3-21-1997 the RPC approved Subcommittee re-commendations to request MMS provide a memo on the application of RSFA to solids & geothermal leases. • On 9-25-97 the RPC re-commended that the MMS request a Solicitor’s Office opinion on the ownership of coal waste piles. RPC sent a letter to the Secretary on 9-7-00 again requesting this opinion. • The RPC approved the Subcommittee’s Coal Audits final report on 1-26-98. 	<ul style="list-style-type: none"> • Delegation cannot include solids and geothermal leases, but 205 audits can continue, according to the Solicitor’s Office. The delegation rule (62 FR 43076, August 12, 1997) incorporated this opinion. • The request for a legal opinion regarding ownership of coal waste piles was signed by the MMS Director on March 11, 1998, and forwarded to the Solicitor’s Office. • The MMS Director signed a letter to the RPC June 15, 1998 that implemented the Coal Audit Final Report. • The Solicitor’s Office issued a opinion on the ownership of coal waste piles and provided an explanation at the October 18, 2001 RPC meeting.

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<p>8. Phosphate, Trona and Leaseable Solid Minerals September 13, 1995 Reorganized September 25, 1997 Harold Kemp</p>	<ul style="list-style-type: none"> • Interim report presented to the RPC on June 4, 1996. The Final phosphate Report & Recommendations approved by RPC on March 21, 1997. • The Sodium/Potassium subgroup presented interim reports to the RPC on September 22, 1998, January 20, 1999 and June 16, 1999 and February 4, 2000. • Final minority and majority reports were presented at the September 7, 2000 meeting and tabled by the RPC. • At the March 27, 2001 meeting, the Subcommittee presented an interim report and invited RPC members to participate at its next meeting in June 2001. During the October 18, 2002, the Subcommittee requested and the RPC granted an additional 60 days to complete its work. 	<ul style="list-style-type: none"> • The Secretary of the Interior approved RPC's recommendations on October 16, 1997. • MRM published a notice in the <u>Federal Register</u> soliciting comments on a proposal to adopt a new method for phosphate value determination on March 24, 1998, using three indices. Subsequently, MRM was notified that one of these indices will no longer be available. MRM published a final notice in the <u>Federal Register</u> on March 26, 1999 providing a new method of determining the value of production used to compute royalties on phosphate ore produced from Federal leases on western public lands, effective April 26, 1999.
<p>9. Lessee-Designee Requirements September 25, 1997 Mary Stonecipher Brad Simpson</p>	<p>RPC discussed the issues on January 25, 1998. The Subcommittee's findings and recommendations were approved by the RPC September 22, 1998.</p>	<p>The MMS requested comments on the form MMS-4425--Designation of Royalty Payment Responsibility on November 13, 1998. MRM also responded to the recommendations during the January 20, 1999 RPC meeting.</p> <p style="text-align: right;">(Completed)</p>

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10. Freedom of Information Act June 16, 1999 David Harrison George Butler	No action taken to date.	
11. Accounting Relief for Marginal Properties June 16, 1999 John Clark Gary Carlson	The Subcommittee provided interim reports during the 2-4-00, 9-7-00, and 10-18-01 meetings. At the 3-27-01 meeting the Subcommittee presented a final conceptual report, which the RPC accepted and forwarded to the Secretary. At the meeting during January 2002 the Subcommittee completed deliberations on a proposed draft rule for royalty prepayment. The Subcommittee will submit its report to the RPC at the March 12, 2002 meeting.	By letter dated August 2, 2001, the MMS acting Director commended the Subcommittee for reaching a consensus on the report, and stated that MMS will carefully consider the recommendations prior to publishing a revised proposed rule.

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