

records adequate for the Departments' verification of the creditable portion.

\* \* \* \* \*

(b) \* \* \*

(3) *ITA-340 "Permit to Enter Watches and Watch Movements into the Customs Territory of the United States."* This form may be obtained, by producers holding a valid license, from the territorial government or may be produced by the licensee in an approved computerized format or any other medium or format approved by the Departments of Commerce and the Interior. The completed form authorizes duty-free entry of a specified amount of watches or watch movements at a specified U.S. Customs port.

\* \* \* \* \*

5. In § 303.2, paragraph (b)(4) is removed and paragraphs (b)(5) and (b)(6) are redesignated as paragraphs (b)(4) and (b)(5).

#### § 303.6 [Amended]

6. Section 303.6(f) introductory text is amended at the beginning of the second sentence by removing "The" and adding "At the request of a producer, the"; and in the middle of the fourth sentence by removing "invited" and adding "considered".

7. In § 303.6, the concluding text of paragraph (f) is removed.

#### § 303.7 [Amended]

8. Section 303.7 is amended by revising paragraph (b) to read as follows:

#### § 303.7 Issuance of licenses and shipment permits.

\* \* \* \* \*

(b) *Shipment Permit Requirements (ITA-340).* (1) Producers may obtain shipment permits from the territorial government officials designated by the Governor. Permits may also be produced in any computerized or other format or medium approved by the Departments. The permit is for use against a producer's valid duty-exemption license and a permit must be completed for every duty-free shipment.

(2) Each permit must specify the license and permit number, the number of watches and watch movements included in the shipment, the unused balance remaining on the producer's license, pertinent shipping information and must have the certification statement signed by an official of the licensee's company. A copy of the completed permit must be sent electronically or taken to the designated territorial government officials, no later than the day of shipment, for confirmation that the producer's duty-exemption license has not been

exceeded and that the permit is properly completed.

(3) The permit (form ITA-340) shall be filed with Customs along with the other required entry documents to receive duty-free treatment unless the importer or its representative clears the documentation through Customs' automated broker interface. Entries made electronically do not require the submission of a permit to Customs, but the shipment data must be maintained as part of a producer's recordkeeping responsibilities for the period prescribed by Customs' recordkeeping regulations. U.S. Customs Service Import Specialists may request the documentation they deem appropriate to substantiate claims for duty-free treatment, allowing a reasonable amount of time for the importer to produce the permit.

#### § 303.8 [Amended]

9. In § 303.8, paragraph (c)(2) is revised to read as follows:

#### § 303.8 Maintenance of duty-exemption entitlements.

\* \* \* \* \*

(c) \* \* \*

(2) Reallocate the allocation or part thereof to a new entrant applicant; or

\* \* \* \* \*

#### § 303.10 [Removed and Reserved]

10. Section 303.10 is removed and reserved.

#### § 303.11 [Removed and Reserved]

11. Section 303.11 is removed and reserved.

#### § 303.12 [Amended]

12. Section 303.12(b)(3) introductory text is amended by adding, after the word "registered", the words ", certified or express carrier mail".

13. Section 303.12(c)(1) is amended by removing from the first sentence "§ 303.2(b)(6)" and adding in its place "§ 303.2(b)(5)".

14. Section 303.12(c)(2) is amended at the end of the first sentence by removing the period and adding ", as amended by Public Law 103-465."

#### § 303.14 [Amended]

15. In § 303.14, the heading of paragraph (b) and paragraph (b)(1) and (b)(3) are revised and paragraph (b)(4) is added to read as follows:

#### § 303.14 Allocation factors and miscellaneous provisions.

\* \* \* \* \*

(b) *Minimum assembly requirements and prohibition of preferential supply relationship.* (1) No insular watch movement or watch may be entered free

of duty into the customs territory of the United States unless the producer used 30 or more discrete parts and components to assemble a mechanical watch movement and 33 or more discrete parts and components to assemble a mechanical watch.

\* \* \* \* \*

(3) Watch movements and watches assembled from components with a value of more than \$35 for watch movements and \$200 for watches shall not be eligible for duty-exemption upon entry into the U.S. Customs territory. Value means the value of the merchandise plus all charges and costs incurred up to the last point of shipment (i.e., prior to entry of the parts and components into the territory).

(4) No producer shall accept from any watch parts and components supplier advantages and preferences which might result in a more favorable competitive position for itself vis-a-vis other territorial producers relying on the same supplier. Disputes under this paragraph may be resolved under the appeals procedures contained in § 303.13(b).

\* \* \* \* \*

16. Section 303.14(c)(1)(iv) is amended by removing "65%" and adding "75%".

17. Section 303.14(c)(2) is amended by removing "§ 303.10(c)(2)" and adding in its place "§ 303.5(c)".

18. Section 303.14(c)(3) is removed.

19. Section 303.14(e) is amended by removing "3,600,000" and adding in its place "3,100,000".

Robert S. LaRussa,

*Acting Assistant Secretary for Import Administration, International Trade Administration, Department of Commerce.*

Allen Stayman,

*Director, Office of Insular Affairs, Department of the Interior.*

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BILLING CODE 3510-DS-P; 4310-93-P

## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Part 250

#### RIN 1010-AC07

### Allow Lessees More Flexibility in Keeping Leases in Force Beyond Their Primary Term

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

**ACTION:** Final rule.

**SUMMARY:** This final rule amends regulations that specify how Outer

Continental Shelf (OCS) lessees can continue their leases beyond their primary term. Changes in industry exploration practices have increased the time necessary to collect and analyze data associated with operations. The changes increase from 90 to 180 days the time allowed between operations for a lease continued beyond its primary term.

**EFFECTIVE DATE:** November 29, 1996.

**FOR FURTHER INFORMATION CONTACT:**

Lawrence H. Ake or John Mirabella, Engineering and Standards Branch, telephone (703) 787-1600.

**SUPPLEMENTARY INFORMATION:**

**I. Background and Purpose**

On March 1, 1994, the Department of the Interior (DOI) published a notice in the Federal Register (59 FR 9718-9719), requesting comments and suggestions on DOI agency regulations. In its notice, DOI announced its intention to periodically review its regulations and asked the public to participate in the review. Over 40 responses were received concerning MMS regulations from the public, industry, and Government.

Several letters suggested that MMS make changes to Subpart A of 30 CFR Part 250. These comments proposed allowing 180 days between drilling, well-reworking, or other operations in order to keep a lease in effect beyond its primary term.

Commenters told MMS that although many OCS operations can be ended and recommenced within the present 90-day time allowance, many require considerably more time. The comments went on to say that the search for oil and gas resources in the OCS has reached a mature phase. Most of the easily found resources have been produced. Industry is now focusing its efforts in deeper waters, on subsalt projects, and other areas of extremely complex geology. The changes these commenters proposed would allow more time for efficient and expedient production, drilling, and well-reworking operations.

MMS held a public meeting in New Orleans on June 12, 1995, to discuss this and other issues. Based on the comments heard at that meeting, as well as those previously received, a notice of proposed rulemaking (NPR) was prepared for public comment. On April 25, 1996, an NPR was published in the Federal Register (61 FR 18309) which proposed to increase from 90 to 180 days the time allowed between operations for a lease continued beyond its primary term.

**II. Discussion of the Rule**

Under current MMS regulations (30 CFR 250.13 and 256.37(b)), if no production, drilling, or well-reworking activities occur on the lease during the last 90 days prior to lease expiration and no suspension of operations or production is in effect on the lease, the lease expires by law and lease term.

Current § 250.13 gives lessees several methods to keep leases in effect beyond their primary term. The most common method is through production of resources and payment of a royalty. Continuous drilling or well-reworking activities without a break of more than 90 days will also keep a lease in effect beyond its primary term. Other methods for extending a lease include receiving a suspension of production (30 CFR 250.10); a suspension of operations (30 CFR 250.10); or participation in a unit which has another lease that is being held beyond its primary term by one of these operations (30 CFR 250.190 (e) and (f)).

With this rulemaking, MMS increases from 90 to 180 days the time allowed between production, drilling, or well-reworking operations for leases continued beyond their primary term. For example, under the current rule if a lessee ceases production, drilling or well-reworking operations on a lease 60 days before the lease expiration date, he must resume operations within 90 days (i.e., within 30 days after the original lease expiration date). In this example, the new rule would allow the lessee 180 days (i.e., 120 days after the original lease expiration date) within which to resume operations.

Leases that have been continued past their primary term will remain in force as long as the break in operations is no longer than 180 days. This contrasts with 90 days provided by the current rule.

**III. Discussion of Comments**

*Comment:* MMS received 21 letters commenting on the NPR. Seventeen of the letters received were supportive of the proposed rule. Many of these comments cited how the extra time allowed would allow for better analysis of geological, geophysical, and engineering data. Others noted that the additional time would provide relief when analyzing subsalt or deepwater prospects. Still others spoke of the beneficial effects the rule would have when confronting time-consuming projects, such as working out cost-sharing arrangements with other operators or analyzing 3D seismic data.

Four letters provided comments that were critical of some aspect of the

proposed rule. Two of these commenters supported the need of lessees and operators for more flexibility to keep their leases in effect, but felt that the extension of time to 180 days should be handled on a case-by-case basis. These commenters were concerned that the proposed rule could unnecessarily tie up some untested OCS acreage and thus slow the discovery of additional resources. One commenter opposed any open-ended authority for the Regional Supervisor to extend time limits beyond those in the proposed rule. Still another noted that the rule provides no assurance that the additional time granted to lessees will result in additional operations on the lease.

*Response:* One of the primary missions of the MMS is ensuring the orderly and expeditious exploration and development of the OCS. With this rule, we attempt to strike a balance between encouraging diligent operations and allowing proper time for lessees to evaluate their exploratory and development options. We agree with the majority of commenters that this rule change recognizes a need of industry. This extra time is frequently needed for detailed analysis of geological, geophysical, or engineering data. It also provides operators an opportunity to better evaluate deep-water and subsalt drilling prospects. However, the rule specifically states that any drilling or well-reworking program must be part of a plan that has as its objective continuous production on the lease. MMS intends to closely monitor the actions of lessees to ensure that this objective is met. MMS also fully expects that the 180 day timeframe will provide sufficient time for all but extraordinary delays. MMS will closely scrutinize all requests for more than 180 days between operations on leases beyond their primary term.

*Comment:* Another commenter suggested that a lease be extended for 180 days past the expiration date of the lease term if operations were conducted at any time during the last 180 days of the lease term. This commenter felt that this change would simplify the rule and help to avoid any misunderstanding of the time remaining on the lease.

*Response:* This comment was not accepted. MMS feels that the rule should be applied consistently, whether the lease is just passing its primary term or has previously been extended through continuous operations.

*Comment:* One of the comments was more editorial in nature. This comment pointed out that the wording in § 250.13(a)(2) of the NPR was ambiguous. The commenter also stressed that by changing to a "plain

English" format, MMS may sacrifice clarity.

*Response:* The cited wording has been changed. MMS will attempt to write all of its rules as clearly as possible.

#### Executive Order (E.O.) 12866

This is a significant rule under E.O. 12866 and has been reviewed by the Office of Management and Budget (OMB).

#### Regulatory Flexibility Act

The DOI determined that this rule will not have a significant effect on a substantial number of small entities. In general, the entities that engage in offshore activities are not considered small due to the technical and financial resources and experience necessary to safely conduct such activities. Small entities are more likely to operate onshore or in State waters—areas not covered by this regulation. When small entities work in the OCS, they are more likely to be contractors than operators. For example, a company that collects geologic and geophysical data might be a small entity. While these contractors must follow the rules governing OCS operations, we are not changing the rules that govern the actual operations on a lease. We are only modifying the rules governing the extension of a lease beyond the primary term. The rule could have a secondary effect. By extending the time available to the lessee, more leases may be active and this could result in an increase in opportunities for small entities to collect data or perform other services. The added time could also work to benefit smaller companies who may have slower computers and could benefit from a longer time period for review of data.

#### Paperwork Reduction Act

This rule has been examined under the Paperwork Reduction Act of 1995 and has been found to contain no reporting and information collection requirements.

#### Takings Implication Assessment

The DOI determined that this rule does not represent a governmental action capable of interference with constitutionally protected property rights. Thus, DOI does not need to prepare a Takings Implication Assessment pursuant to E.O. 12630, Government Action prepare a Takings Implication Assessment pursuant to E.O. 12630, Government Action and Interference with Constitutionally Protected Property Rights.

#### Executive Order (E.O.) 12988

The DOI has certified to OMB that the rule meets the applicable reform standards provided in Sections 3(a) and 3(b)(2) of E.O. 12988.

#### Unfunded Mandate Reform Act of 1995

The DOI has determined and certifies according to the Unfunded Mandates Reform Act, 2 U.S.C. 1502 *et seq.*, that this rule will not impose a cost of \$100 million or more in any given year on local, tribal, State governments, or the private sector.

#### National Environmental Policy Act

The DOI determined that this action does not constitute a major Federal action significantly affecting the quality of the human environment; therefore, an Environmental Impact Statement is not required.

#### List of Subjects in 30 CFR Part 250

Continental shelf, Environmental impact statement, Environmental protection, Government contracts, Incorporation by reference, Investigations, Mineral royalties, Oil and gas development and production, Oil and gas exploration, Oil and gas reserves, Penalties, Pipelines, Public lands—mineral resources, Public lands—rights-of-way, Reporting and recordkeeping requirements, Sulphur development and production, Sulphur exploration, Surety bonds.

Dated: October 2, 1996.

Sylvia V. Baca,

*Deputy Assistant Secretary, Land and Minerals Management.*

For the reasons set forth in the preamble, Minerals Management Service (MMS) amends 30 CFR Part 250 as follows:

### **PART 250—OIL AND GAS AND SULPHUR OPERATIONS IN THE OUTER CONTINENTAL SHELF**

1. The authority citation for part 250 continues to read as follows:

Authority: 43 U.S.C. 1334.

2. Section 150.13 is revised to read as follows:

#### **§ 250.13 How Does Production, Drilling, or Well-reworking Affect Your Lease Term?**

(a) Your lease expires at the end of its primary term unless you are producing or conducting drilling or well-reworking operations on your lease. See § 256.37(b) of this title. Also, any drilling or well-reworking program must be part of a plan that has as its objective continuous production on the lease. For purposes of this section, the term "operations"

means production, drilling, or well-reworking.

(b) If you stop conducting operations during the last 180 days of the primary lease term, your lease will remain in effect beyond the primary term only if you:

(1) Resume operations on the lease no later than 180 days after the operations ended; or

(2) Ask MMS for a suspension of operations or production under 30 CFR 150.10 before the 180th day after you stop operations, and thereafter receive the Regional Supervisor's approval; or

(3) Receive a directed suspension of operations or production from the Regional Supervisor under 30 CFR 250.10 before the 180th day after you stop operations.

(c) If you stop conducting operations on a lease that has continued beyond its primary term, then your lease will expire unless you comply with either paragraph (b)(1), (b)(2), or (b)(3) of this section.

(d) You may ask the Regional Supervisor to allow you more than 180 days to resume operations on a lease continued beyond its primary term when operating conditions warrant. The request must be writing and explain the operating conditions that warrant a longer period. In allowing additional time, the Regional Supervisor must determine that the longer period is in the national interest and that it conserves resources, prevents waste, or protects correlative rights.

[FR Doc. 96-27783 Filed 10-29-96; 8:45 am]

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### **30 CFR Part 256**

#### **RIN 1010-AC15**

#### **Outer Continental Shelf Lease Terms**

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

**ACTION:** Final rule.

**SUMMARY:** This rule amends the regulations governing the term for certain leases on the Outer Continental Shelf (OCS) based on water depth. This rule changes the current depth margins for 8-year leases from 400 to 900 meters to 400 to 800 meters while retaining the mandatory 5-year drilling requirement for all 8-year leases. The amendment allows the Minerals Management Service (MMS) to set lease terms of 8 to 10 years in water depths ranging from 800 to 900 meters. The intended effect of this rule is to simplify administration of OCS leases for the MMS and the lessees.