Copies of the agenda are available free of charge at the hearing.

Cynthia E. Grigsby,

Chief, Regulations Unit, Assistant Chief Counsel (Corporate).

[FR Doc. 97–18443 Filed 7–14–97; 8:45 am]

BILLING CODE 4830–01–U

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[REG–252487–96]

RIN 1545–AU90

Inbound Grantor Trusts With Foreign Grantors; Correction

AGENCY: Internal Revenue Service, Treasury.

ACTION: Correction to a notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains corrections to the notice of proposed rulemaking and notice of public hearing (REG–252487–96), which was published in the **Federal Register** Thursday, June 5, 1997 (62 FR 30785), relating to the application of the grantor trust rules to certain trusts established by foreign persons.

FOR FURTHER INFORMATION CONTACT: James Quinn, (202) 622–3060 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking and notice of public hearing that is the subject of these corrections is under sections 643, 671 and 672 of the Internal Revenue Code.

Need for Correction

As published, REG–252487–96 contain errors which may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the notice of proposed rulemaking and notice of public hearing (REG–252487–96), which was the subject of FR Doc. 97–14735, is corrected as follows:

1. On page 30786, column 1, in the preamble under the paragraph heading "*1. Prior Law*", paragraph 2, line 5, the language "the grantor, a distribution of income" is corrected to read "the owner, a distribution of income".

2. On page 30787, column 2, in the preamble under the paragraph heading "*3. Section 1.672(f)–1: Foreign Persons Not Treated as Owners*", fourth full paragraph in the column, line 7, the language "basic grantor trust rules from treating a" is corrected to read "basic grantor trust rules from treating a foreign".

§ 1.672(f)–2 [Corrected]

3. On page 30793, column 1, § 1.672(f)–2 (d), *Example 3*, second line from the bottom of the column, the language "no deductions or losses for 199X. Under" is corrected to read "no deductions or losses for 1999. Under".

4. On page 30793, column 2, § 1.672(f)–2, paragraph (d) is correctly designated as paragraph (e).

§ 1.672(f)–3 [Corrected]

5. On page 30793, column 3, § 1.672(f)–3 (a)(3), *Example 1*, line 1, the paragraph heading "*Owner is grantor.*" is corrected to read "*Death of Grantor.*".

6. On page 30793, column 3, § 1.672(f)–3 (a)(3), *Example 2*, line 1, the paragraph heading "*Owner not grantor.*" is corrected to read "*Death of grantor.*".

§ 1.672(f)–4 [Corrected]

7. On page 30795, column 3, § 1.672(f)–4 (d), line 6, the language "value) to a person who is not a partner" is corrected to read "value, within the meaning of § 1.671–2 (e)(4)(i)(A)) to a person who is not a partner".

Cynthia E. Grigsby,

Chief, Regulations Unit, Assistant Chief Counsel (Corporate).

[FR Doc. 97–18444 Filed 7–14–97; 8:45 am]

BILLING CODE 4830–01–U

DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Part 250

RIN 1010–AC37

Blowout Preventer (BOP) Testing Requirements for Drilling and Completion Operations

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Proposed rule.

SUMMARY: MMS proposes to revise the testing requirements in its regulations for blowout preventer (BOP) systems used in drilling and completion operations. The revision would allow a lessee up to 14 days between BOP pressure tests. MMS bases this revision on the results of a recently completed study of BOP performance. This study concluded that no statistical difference exists in failure rates for BOP's tested between 0 and 7 day intervals and between 8- and 14-day intervals. MMS estimates that the revised testing timeframe could save industry $35 to $46 million a year without compromising safety.

DATES: MMS will consider all comments we receive by September 15, 1997. We will begin reviewing comments then and may not fully consider comments we receive after September 15, 1997.

ADDRESSES: Mail or hand-carry written comments to the Department of the Interior; Minerals Management Service; Mail Stop 4700; 381 Elden Street; Herndon, Virginia 20170–4817; Attention: Rules Processing Team.

FOR FURTHER INFORMATION CONTACT: Bill Hauser, Engineering and Research Division, (703) 787–1613.

SUPPLEMENTARY INFORMATION:

I. Background

In 1992, the offshore oil and gas industry asked MMS to revise its requirements for testing BOP systems and equipment. Specifically, industry requested an extension of the minimum testing frequency for BOP's and associated equipment to 14 days. Current regulations require lessees to test BOP systems at least once a week, but not to exceed 7 days between tests. After reviewing the information and data submitted by industry, MMS allowed lessees and operators to test BOP systems on a 14-day interval on a case-by-case basis. In addition, MMS decided that we must examine BOP performance on the OCS before revising the regulations.

MMS conducted two reviews of BOP performance. The initial review examined BOP test results collected during inspections of drilling activities in mid-1993. MMS inspectors reviewed BOP test charts and noted equipment failures. This review showed higher failure rates than those cited by industry. However, MMS decided this review did not accurately assess BOP performance and that a more comprehensive study was necessary.

The second review examined BOP test data from wells drilled during 1994. MMS collected this data from wells drilled between January and October 1994. Lessees submitted copies of BOP test data after drilling each well. Test data included BOP test charts, reports, and observations about problems during the tests. Results of this study also showed higher failure rates than those cited by industry. After discussing the results of the second review with industry, MMS decided another study of BOP performance was necessary. This study would have industry involvement

from the beginning and must provide sufficient information to make regulatory decisions.

Industry and MMS formed a technical assessment group to set the parameters for this performance study. This group would also select the contractor, provide funding, and monitor progress of the study. The following organizations participated in this group:

American Petroleum Institute
Independent Petroleum Association of America
International Association of Drilling Contractors
National Ocean Industries Association Offshore Operators Committee

The group hired Tetrahedron Incorporated on February 13, 1996, to conduct the study. After discussing data and study requirements with the group, Tetrahedron began collecting data and analyzing BOP performance data in April 1996. Tetrahedron completed the study in December 1996 and presented its findings at MMS' BOP workshop on January 15, 1997. The study found that no statistical difference in failure rates existed between BOP systems tested on a 0- to 7-day interval and those tested between an 8- to 14-day interval.

MMS determined that the study showed that BOP performance during a longer test interval statistically equaled the performance under the current requirement. Thus, this performance satisfied the criteria (described in 30 CFR 250.3, Performance requirements) for allowing the use of alternative procedures to those prescribed in the regulations. Based on this finding, MMS issued a Notice to Lessees and Operators (NTL) on January 31, 1997, informing lessees that they could begin testing BOP systems on intervals up to 14 days. The new timeframe applied to drilling, sidetrack, and completion activities.

II. Discussion of Proposed Rule

14-Day BOP Testing Timeframe

The major revision proposed by this rule allows a lessee up to 14 days between BOP pressure tests versus the weekly tests required by the current regulations. These proposed changes are contained in §§ 250.57(a)(3) and 250.86(a)(2). This revision applies only to drilling and completion operations. It does not apply to BOP testing during workover activities because MMS did not address workover rigs in the BOP performance study. MMS has determined that this new testing timeframe will continue to provide the same level of BOP performance and will not compromise the safety of drilling operations. As noted above, MMS has already informed lessees via NTL of this revision.

One of the major advantages of the new 14-day testing timeframe is improved drilling efficiency. Lessees can better plan the timing of BOP tests to coincide with drilling operations. Under the 7-day testing requirements, lessees often requested and received approval from District Supervisors to test 2 or more days beyond the weekly test to accommodate routine drilling operations. These operations included dulling a bit, drilling to a casing point or total depth, and well logging. Now lessees will have more time to fit BOP tests into the overall drilling and completion activities.

MMS policy will be to deny any requests to extend testing beyond the 14-day testing timeframe. The only exception to this policy will be if a lessee has well control problems and cannot safely test the system within the 14-day timeframe. The lessee must test the BOP system as soon as possible after resolving the problem and before resuming normal operations.

The proposed rule requires a lessee to begin testing the BOP system prior to 12 p.m. (midnight) on the 14th day following the conclusion of the previous test. This wording clearly tells lessees when they must begin testing.

Test Pressures

The proposed rule continues to require a lessee to test BOP components at their rated working pressures (70 percent for an annular preventer) or as otherwise approved by the District Supervisor. However, MMS is considering the use of maximum anticipated surface pressure (MASP) in determining appropriate BOP test pressures. For many wells, MMS has approved the use of MASP as the basis for determining test pressures through an application for permit to drill (APD).

District Supervisors base the approval of alternate test pressures on a comparison of the anticipated surface pressure calculations submitted with the APD to MASP calculations by MMS drilling engineers. If the two calculations compare favorably, then the District Supervisor approves the requested test pressures. If the calculations for anticipated surface pressure are less than those calculated by MMS, the District Supervisor advises the lessee of any necessary revisions to the APD.

A rule change to use MASP as the basis for setting test pressures may be more consistent with current industry practice than requiring testing at the rated working pressures. However, our main concern with using MASP is the many different methods used by operators to calculate anticipated surface pressures. If we use MASP as the basis for determining test pressures, the final rule will need to include appropriate guidelines. MMS requests comments on using MASP for establishing required BOP-test pressures and we may include the MASP requirements in the final rule if the comments support that approval. Comments should include methodologies and criteria for calculating an acceptable MASP.

Duration of a BOP Pressure Test

The proposed rule requires that each test must hold the required pressure for 5 minutes. This is a new provision, but MMS has used 5 minutes as the standard for holding the required pressure for many years. However, the rule allows a lessee to conduct a 3-minute test on surface BOP systems and surface equipment for a subsea system if the test is recorded on the outer most half of a 4-hour chart, on a 1-hour chart, or on a digital recorder. MMS will accept a 3-minute test on the outer half of the 4-hour chart or on a 1-hour chart because the length of the line on these charts is sufficient to determine if the tested component(s) held the required pressure. A 3-minute test using a digital recorder provides sufficient information to determine if the tested component held the required pressure. A 5-minute test is required for subsea BOP equipment because of the larger volume of fluid in the system. This use of a 3-minute test reflects the policy discussed in a Letter to Lessees issued by the Gulf of Mexico Region on January 14, 1994. These revisions apply to both drilling and completion operations (§§ 250.57 and 250.86).

BOP Testing at Casing and Liner Points

The proposed rule requires the lessee to test the BOP system before drilling out each string of casing or a liner. This is similar to the current requirement to test the system before drilling out each string. However, with the advancement of drilling technology and new procedures for installing casing strings, MMS agrees with industry comments that it is not necessary to test the BOP system at all casing or liner points.

MMS has identified one situation where a District Supervisor will likely allow a lessee to not test before drilling out the string. This situation occurs when the lessee does not remove the BOP stack to run the string and the required BOP-test pressures for the next section of the hole are not greater than the test pressures for the previous BOP test. Since there would be no

connections to test and test pressures do not increase, the test would not be necessary. To skip testing in these situations, the lessee must clearly indicate in its APD which casing strings and liners meet these criteria. Test pressures less than the equipment's rated working pressure must be approved by the District Supervisor (see discussion on test pressures above).

The lessee must continue to test the BOP system before 14 days have elapsed from the previous test. If a lessee runs casing or liner near the end of the 14-day interval, MMS recommends that the lessee test the BOP system at that time.

Weekly Actuation of Annular and Rams. The proposed rule requires a lessee to actuate the annular and rams preventers at least once each week. Weekly actuation will ensure that the preventers will function if needed. It takes minimal time to conduct this simple test. This requirement was unnecessary before because a lessee had to pressure test the entire system on a weekly basis. This revision applies to both drilling and completion operations (§§ 250.57 and 250.86).

Format of the Proposed Rule. We have written this proposed rule in a "plain English" format. We have tried to lay out these requirements in a straightforward and uncomplicated manner. The plain English format uses the term "you" which means that the lessee, or the approved designated party, is responsible for ensuring that all requirements are met. We encourage your comments on our use of the plain English format in this proposed rule as well as future rulemaking.

III. Procedural Matters

Executive Order (E.O.) 12866

This rule is not a significant rule under Executive Order 12866 and does not require Office of Management and Budget review. MMS estimates that this proposed rule will save the oil and gas industry $34.5 to $46 million per year. The savings result from having to conduct fewer BOP tests and increased drilling efficiency. Direct economic effects are reduced drilling costs for each well drilled on the OCS. The rule does not add any new costs to industry, and it will not reduce the level of safety to personnel or the environment. Since the rule will have an annual effect on the economy of less than $100 million, the rule does not have a significant economic effect as defined by Executive Order 12866.

The proposed rule will not affect the level of drilling activity on the OCS. It will reduce the number of BOP tests conducted, which should result in reduced drilling time for each well. Once the lessee completes a well, the rig will move on to the next well. This will not have any adverse effects on employment, investment, productivity, innovation, or on the ability of U.S.-based enterprises to compete with foreign-based enterprises in other markets because the economic effects are minor. The rule will have no effect on competition. Therefore, in accordance with Executive Order (E.O.) 12866, a review by the Office of Management and Budget (OMB) is not necessary.

Regulatory Flexibility Act

This proposed rule will not have any significant effects on a substantial number of small entities. The rule will not have a significant economic effect on any entities, small or large. This rule will affect only two groups that operate on the OCS: (1) Lessees that contract drilling operations and (2) drilling contractors. A lessee that qualifies as a small entity could see a minor economic benefit from this rule. The average annual cost savings per rig is from $240,000 to $340,000, spread among all lessees that drill wells. However, the savings would probably be offset by increased costs to contract a drilling rig. While the savings to lessees could represent lost income to contractors, the proposed rule should not have a significant economic effect on these businesses. Rig utilization rates are very high, leading to increased day rates for drilling rigs; therefore, the contractors are not expected to have declining income as a result of this proposed rule.

In general, entities that engage in offshore activities are not small due to technical and financial resources and experience needed to safely conduct such operations. Small entities are more likely to operate onshore or in State waters—areas not covered by this rule. When small entities do work in the OCS, they are likely to be contractors and not owner/operators of OCS platforms or drilling rigs.

Paperwork Reduction Act

This proposed rule contains collections of information which MMS has submitted to OMB for review and approval under section 3507(d) of the Paperwork Reduction Act of 1995. As part of our continuing effort to reduce paperwork and respondent burdens, MMS invites the public and other Federal agencies to comment on any aspect of the reporting burden. Submit your comments to the Office of Information and Regulatory Affairs; OMB; Attention: Desk Officer for the Department of the Interior (OMB control numbers 1010–0053 or 1010–0067); Washington, D.C. 20503. Send a copy of your comments to the Rules Processing Team; Mail Stop 4020; Minerals Management Service; 381 Elden Street; Herndon, Virginia 20170–4817. You may obtain a copy of the supporting statements for the collections of information by contacting the Bureau's Information Collection Clearance Officer at (202) 208–7744.

The Paperwork Reduction Act of 1995 provides that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. OMB is required to make a decision concerning the collection of information contained in these proposed regulations between 30 to 60 days after publication of this document in the **Federal Register**. Therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication. This does not affect the deadline for the public to comment to the Department on the proposed regulations.

The titles of the collections of information affected by this proposed rule are "30 CFR 250, Subpart D, Oil and Gas Drilling Operations" (OMB Control Number 1010-0053) and "30 CFR 250 Subpart E, Oil and Gas Well-Completion Operations" (OMB Control Number 1010–0067).

The collections of information in these subparts consist of reporting and recordkeeping requirements on the conditions of a drilling site and well-completion operations in the OCS. MMS uses the information to determine if lessees are properly providing for safe operations and protection of human life or health and the environment. The proposed rule does not actually revise any of the information collection requirements in the current regulation. However, it will reduce the recordkeeping burden by reducing the number of BOP tests that a lessee must conduct. Respondents are approximately 130 Federal OCS oil and gas or sulphur lessees. The frequency of response is on occasion and varies by section in the subparts. The requirement to respond is mandatory.

MMS estimates the total annual burden for subpart D (OMB control number 1010-0053) is 108,581 hours. This reflects a decrease of 12,499 recordkeeping hours as a result of the proposed rule. The total annual burden estimated for subpart E (OMB control number 1010–0067) is 4,841 hours. In developing the estimate for subpart E, MMS had to revise the method of calculating some of the burden

requirements. Although the proposed rule will result in a decrease of 2,563 recordkeeping hours, it is offset by the revised calculations.

In calculating the burdens, MMS assumed that respondents perform some of the requirements and maintain some of the records in the normal course of their activities. MMS considers these to be usual and customary and did not include them in the burden estimates. If commenters disagree with this assumption, they should provide more appropriate burden hours and costs.

MMS will summarize written responses to this notice and address them in the final rule. All comments will become a matter of public record.

1. MMS specifically solicits comments on the following questions:

(a) Is the proposed collection of information necessary for the proper performance of MMS's functions, and will it be useful?

(b) Are the estimates of the burden hours of the proposed collection reasonable?

(c) Do you have any suggestions that would enhance the quality, clarity, or usefulness of the information to be collected?

(d) Is there a way to minimize the information collection burden on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other forms of information technology?

2. In addition, the Paperwork Reduction Act of 1995 requires agencies to estimate the total annual cost burden to respondents or recordkeepers resulting from the collection of information. MMS needs your comments on this item. Your response should split the cost estimate into two components:

(a) Total capital and startup cost component and

(b) Annual operation, maintenance, and purchase of services component.

Your estimates should consider the costs to generate, maintain, and disclose or provide the information. You should describe the methods you use to estimate major cost factors, including system and technology acquisition, expected useful life of capital equipment, discount rate(s), and the period over which you incur costs. Capital and startup costs include, among other items, computers and software you purchase to prepare for collecting information; monitoring, sampling, drilling, and testing equipment; and record storage facilities. Generally, your estimates should not include equipment or services purchased: before October 1, 1995; to comply with requirements not associated with the information collection; for reasons other than to provide information or keep records for the Government; or as part of customary and usual business or private practices.

Takings Implication Assessment

DOI certifies that the proposed rule does not represent a governmental action capable of interference with constitutionally protected property rights. Thus, a Takings Implication Assessment need not be prepared pursuant to E.O. 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights.

Unfunded Mandates Reform Act of 1995

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 State, local, and tribal governments, or the private sector.

E.O. 12988

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, "Civil Justice Reform."

National Environmental Policy Act

DOI has also determined that this action does not constitute a major Federal action 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 statements, 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: July 2, 1997.

Bob Armstrong,

Assistant Secretary, Land and Minerals Management.

For the reasons stated in the preamble, MMS proposes to amend 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: U.S.C. 1334.

2. Section 250.57 is revised to read as follows:

§ 250.57 Blowout preventer (BOP) system tests, inspections, and maintenance.

(a) *BOP pressure testing timeframes.* You must pressure test your BOP system:

(1) When installed;

(2) Before 14 days have elapsed since your last BOP pressure test. You must begin to test your BOP system before 12 p.m. (midnight) on the 14th day following the conclusion of the previous test. However, the District Supervisor may require testing every 7 days if conditions or BOP performance warrant; and

(3) Before drilling out each string of casing or a liner.

(b) *BOP test pressures.* When you test the BOP system, you must conduct a low pressure and a high pressure test for each BOP component. Each individual pressure test must hold pressure long enough to demonstrate that the tested component(s) holds the required pressure. Required test pressures are as follows:

(1) All low pressure tests must be between 200 and 300 psi. Any initial pressure above 300 psi must be bled back to a pressure between 200 and 300 psi before starting the test. If the initial pressure exceeds 500 psi, you must bleed back to zero and reinitiate the test. You must conduct the low pressure test before the high pressure test.

(2) For ram-type BOP's, choke manifold, and other BOP equipment, the high pressure test must equal the rated working pressure of the equipment or the pressure otherwise approved by the District Supervisor; and

(3) For annular-type BOP's, the high pressure test must equal 70 percent of the rated working pressure of the equipment or the pressure otherwise approved by the District Supervisor.

(c) *Duration of pressure test.* Each test must hold the required pressure for 5 minutes.

(1) For surface BOP systems and surface equipment of a subsea BOP system, a 3-minute test duration is acceptable if you record your test pressures on the outermost half of a 4-hour chart; on a 1-hour chart; or on a digital recorder.

(2) If the equipment does not hold the required pressure during a test, you must remedy the problem and retest the affected component(s).

(d) *Additional BOP testing requirements.* You must:

(1) Use water to test a surface BOP system;

(2) Stump test a subsurface BOP system before installation. You must use water to stump test a subsea BOP system. You may use drilling fluids to conduct subsequent tests of a subsea BOP system;

(3) Alternate tests between control stations and pods. If a control station or pod is not functional, you must suspend further drilling operations until that station or pod is operable;

(4) Pressure test the blind or blind-shear ram during a stump test and at all casing points. In addition, you must test the blind or blind-shear ram at least once every 30 days;

(5) Function test annulars and rams every 7 days between pressure tests;

(6) Pressure-test variable bore-pipe rams against all sizes of pipe in use, excluding drill collars and bottom-hole tools;

(7) Test affected BOP components following the disconnection or repair of any well-pressure containment seal in the wellhead or BOP stack assembly;

(8) Actuate the casing safety valve before running casing; and

(9) Upon installation of casing rams, you must test the ram bonnet before running casing.

(e) *Postponing BOP tests.* You may postpone a BOP test if you have well-control problems such as lost circulation, formation fluid influx, or stuck drill pipe. If this occurs, you must conduct the required BOP test as soon as possible (i.e., first trip out of the hole) after the problem has been remedied. You must record the reason for postponing any test in the driller's report.

(f) *BOP inspections.* You must visually inspect your BOP system and marine riser at least once each day if weather and sea conditions permit. You may use television cameras to inspect this equipment. The District Supervisor may approve alternate methods and frequencies to inspect a marine riser. Casing risers on fixed structures and jackup rigs are not subject to the daily underwater inspections.

(g) *BOP maintenance.* You must maintain your BOP system to ensure that the equipment functions properly.

(h) *BOP test records.* You must record the time, date, and results of all pressure tests, actuations, and inspections of the BOP system, system components, and marine riser in the driller's report. In addition, you must:

(1) Record BOP test pressures on pressure charts;

(2) Have your onsite representative certify (sign and date) BOP test charts and reports as correct;

(3) Document the sequential order of BOP and auxiliary equipment testing and the pressure and duration of each test. You may reference a BOP test plan if it is available at the facility;

(4) Identify the control station or pod used during the test;

(5) Identify any problems or irregularities observed during BOP system testing and record actions taken to remedy the problems or irregularities;

(6) Retain all records, including pressure charts, driller's report, and referenced documents, pertaining to BOP tests, actuations, and inspections at the facility for the duration of drilling; and

(7) After drilling is completed, you must retain all the records listed in paragraph (h)(6) of this section for a period of two years at the facility, at the lessee's field office nearest the Outer Continental Shelf (OCS) facility, or at another location conveniently available to the District Supervisor.

(i) *Alternate methods.* The District Supervisor may require, or approve, more frequent testing, as well as different test pressures and inspection methods, or other practices.

3. Section 250.86 is revised to read as follows:

§ 250.86 Blowout preventer system tests, inspections, and maintenance.

(a) *BOP pressure testing timeframes.* You must pressure test your BOP system:

(1) When installed; and

(2) Before 14 days have elapsed since your last BOP pressure test. You must begin to test your BOP system before 12 p.m. (midnight) on the 14th day following the conclusion of the previous test. However, the District Supervisor may require testing every 7 days if conditions or BOP performance warrant.

(b) *BOP test pressures.* When you test the BOP system, you must conduct a low pressure and a high pressure test for each BOP component. Each individual pressure test must hold pressure long enough to demonstrate that the tested component(s) holds the required pressure. The District Supervisor may approve or require other test pressures or practices. Required test pressures are as follows:

(1) All low pressure tests must be between 200 and 300 psi. Any initial pressure above 300 psi must be bled back to a pressure between 200 and 300 psi before starting the test. If the initial pressure exceeds 500 psi, you must bleed back to zero and reinitiate the test. You must conduct the low pressure test before the high pressure test.

(2) For ram-type BOP's, choke manifold, and other BOP equipment, the high pressure test must equal the rated working pressure of the equipment.

(3) For annular-type BOP's, the high pressure test must equal 70 percent of the rated working pressure of the equipment.

(c) *Duration of pressure test.* Each test must hold the required pressure for 5 minutes.

(1) For surface BOP systems and surface equipment of a subsea BOP system, a 3-minute test duration is acceptable if you record your test pressures on the outermost half of a 4-hour chart; on a 1-hour chart; or on a digital recorder.

(2) If the equipment does not hold the required pressure during a test, you must remedy the problem and retest the affected component(s).

(d) *Additional BOP testing requirements.* You must:

(1) Use water to test the surface BOP system;

(2) Stump test a subsurface BOP system before installation. You must use water to stump test a subsea BOP system. You may use drilling or completion fluids to conduct subsequent tests of a subsea BOP system;

(3) Alternate tests between control stations and pods. If a control station or pod is not functional, you must suspend further completion operations until that station or pod is operable;

(4) Pressure test the blind or blind-shear ram at least every 30 days;

(5) Function test annulars and rams every 7 days;

(6) Pressure-test variable bore-pipe rams against all sizes of pipe in use, excluding drill collars and bottom-hole tools; and

(7) Test affected BOP components following the disconnection or repair of any well-pressure containment seal in the wellhead or BOP stack assembly;

(e) *Postponing BOP tests.* You may postpone a BOP test if you have well-control problems. You must conduct the required BOP test as soon as possible (i.e., first trip out of the hole) after the problem has been remedied. You must record the reason for postponing any test in the driller's report.

(f) *Weekly crew drills.* You must conduct a weekly drill to familiarize all personnel engaged in well-completion operations with appropriate safety measures.

(g) *BOP inspections.* You must visually inspect your BOP system and marine riser at least once each day if weather and sea conditions permit. You may use television cameras to inspect this equipment. The District Supervisor may approve alternate methods and frequencies to inspect a marine riser.

(h) *BOP maintenance.* You must maintain your BOP system to ensure that the equipment functions properly.

(i) *BOP test records.* You must record the time, date, and results of all pressure tests, actuations, crew drills, and inspections of the BOP system, system components, and marine riser in the driller's report. In addition, you must:

(1) Record BOP test pressures on pressure charts;

(2) Have your onsite representative certify (sign and date) BOP test charts and reports as correct;

(3) Document the sequential order of BOP and auxiliary equipment testing and the pressure and duration of each test. You may reference a BOP test plan if it is available at the facility;

(4) Identify the control station or pod used during the test;

(5) Identify any problems or irregularities observed during BOP system and equipment testing and record actions taken to remedy the problems or irregularities;

(6) Retain all records including pressure charts, driller's report, and referenced documents pertaining to BOP tests, actuations, and inspections at the facility for the duration of the completion activity; and

(7) After completion of the well, you must retain all the records listed in paragraph (i)(6) of this section for a period of two years at the facility, at the lessee's field office nearest the OCS facility, or at another location conveniently available to the District Supervisor.

(j) *Alternate methods.* The District Supervisor may require, or approve, more frequent testing, as well as different test pressures and inspection methods, or other practices.

[FR Doc. 97–18546 Filed 7–14–97; 8:45 am]

BILLING CODE 4310–MR–P

DEPARTMENT OF VETERANS AFFAIRS

38 CFR Part 36

RIN 2900–AH23

Loan Guaranty: VA Guaranteed Loans on the Automatic Basis, Withdrawal of Automatic Processing Authority, Record Retention Requirements, and Elimination of Late Reporting Waivers

AGENCY: Department of Veterans Affairs.

ACTION: Proposed rule.

SUMMARY: VA is proposing to amend its loan guaranty regulations in the areas of automatic-processing authority, loan reporting, and record-retention requirements. It is proposed that if a lender does not report the loan within 60 days following full disbursement, the lender no longer would have to provide a request for a waiver; but, as a condition of receiving an evidence of guaranty the lender must continue to provide the required explanation of why the lender was late in reporting the loan. This will have no impact on whether or not VA guarantees the loan but would help VA determine whether action should be taken against a lender.

VA also is proposing to amend its lender record-retention requirements. Currently, lenders are required to retain loan origination records for at least one year from the date of loan closing. VA is proposing to extend this to two years from the date of loan closing. This would improve VA's ability to monitor lender performance and conduct underwriting reviews.

Further, VA is proposing to amend its loan guaranty regulations regarding criteria used to approve non-supervised lenders to process VA guaranteed loans on the automatic basis. These changes would reduce the experience requirements for lenders and their underwriters, thereby making it easier for them to qualify for automatic-processing authority. High underwriting standards would be maintained by requiring that all VA-approved underwriters receive training in VA credit underwriting procedures. This document also requests Paperwork Reduction Act comments concerning the collections of information contained in this document.

DATES: Comments must be received on or before September 15, 1997.

ADDRESSES: Mail or hand deliver written comments to: Director, Office of Regulations Management (02D), Department of Veterans Affairs, 810 Vermont Avenue, NW, Room 1154, Washington, DC 20420. Comments should indicate that they are submitted in response to "RIN 2900–AH23." All written comments will be available for public inspection at the above address in the Office of Regulations Management, Room 1158, between the hours of 8 a.m. and 4:30 p.m., Monday through Friday (except holidays).

FOR FURTHER INFORMATION CONTACT: Ms. Judith Caden, Assistant Director for Loan Policy (264) Loan Guaranty Service, Veterans Benefits Administration, Department of Veterans Affairs, Washington, DC 20420, (202) 273–7368.

SUPPLEMENTARY INFORMATION: 38 CFR 36.4335 provides that, whenever a loan is not reported to VA for issuance of evidence of guaranty within 60 days of full disbursement, evidence of guaranty will be issued only if the timeliness requirement for reporting is formally waived by VA field station personnel. This waiver is essentially a formality and is routinely granted where the lender is able to certify that the loan is current and can provide VA with a valid explanation for the late reporting. The issuance of these waivers is a time-consuming process that appears to be no longer warranted. In order to improve efficiency, VA is proposing to insert a new paragraph (f) in 38 CFR 36.4303 to state that, upon receipt of a statement of the reasons for late reporting, evidence of guaranty will be issued. It is proposed that the statement of the reasons for late reporting continue to be submitted to VA so that these reasons could be considered in deciding if the lenders' personnel might need additional training or whether automatic lending authority should be withdrawn. Since the waiver procedure would be eliminated, 38 CFR 36.4335 (a) and (b), which provide for delegation of waiver authority to field stations, would also be eliminated as unnecessary.

38 CFR 36.4330 requires that lenders maintain loan origination records on VA-guaranteed home loans for a period of at least one year from the date of loan closing. This one-year retention requirement has not been long enough to enable VA monitoring unit audit teams to review loan records for as many lenders as necessary to properly administer the VA loan guaranty program. Moreover, industry standards, including Federal Housing Administration (FHA) regulations and the Equal Credit Opportunity Act (ECOA), require that lenders keep loan origination records for at least 24 months. This proposal would amend VA's record-retention requirement to require that lenders maintain loan origination records for at least 2 years from the date of loan closing. This not only would conform with industry standards but it also appears that it would improve VA's ability to monitor loan performance and to identify lenders who may be having particular trouble underwriting loans.

VA has completed a study of the criteria and process used to approve lenders to process VA loans on the automatic basis. In the course of conducting this review, VA reviewed procedures used by the FHA, the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). Based on this review it is proposed to amend the loan guaranty regulations. As explained