UNITED STATES
DEPARTMENT OF THE INTERIOR
BUDGET JUSTIFICATIONS, F.Y. 1996

MINERALS MANAGEMENT SERVICE

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MINERALS MANAGEMENT SERVICE

Budget Justification FY 1996

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MINERALS MANAGEMENT SERVICE

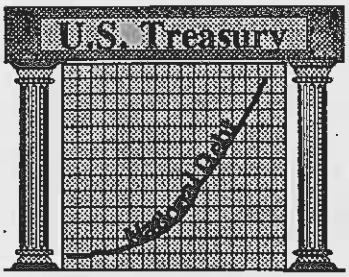
FY 1996 PRESIDENT'S BUDGET

The Minerals Management Service (MMS) provides major fiscal and energy benefits to taxpayers, States, and the Indian community. The MMS' programs provide benefits of *national significance*. In FY 1996, the MMS will account for an estimated $5.2 billion in Federal receipts, including $4.0 billion from OCS rents, bonuses, royalties, and escrow payout and interest, and $1.2 billion in onshore receipts. From a taxpayer's perspective, that converts to $3.6 billion deposited to the General Fund of the Treasury to pay for Federal programs and reduce the deficit. Of *local significance* are the mineral revenue payments made to onshore States that total $562.5 million; and the $1.0 billion that is transferred to the National Park Service for the Land and Water Conservation and Historic Preservation Funds. Additionally, coastal States will receive $75 million in shared mineral revenue receipts.

Our Budget Resources	
FY 1996 proposed operating Appropriations *dollars in thousands*	
Royalty and Offshore Minerals Management	$193,348
Oil Spill Research	$7,892
Total	**$201,240**

MM$

where the money goes



U.S. Treasury

MMS operations will contribute over $3 billion to the general fund of the U.S. Treasury. Approximately two thirds of this amount come from OCS royalties. In total OCS revenues have provided over $105 billion for the U.S. Treasury.

Land & Water Conservation Fund

OCS gas and oil receipts will provide almost 100 percent of total funding for LWCF ($900 million). The LWCF provides funding for the acquisition of Federal, State and local recreation lands.

National Historic Preservation Fund

The $150 million in receipts from OCS gas and oil activities are the sole source of funding for the National Historic Preservation Fund. The fund provides grants to States and the National Trust for Historic Preservation.

Indian Tribes

In the past MMS has monitored over $1.6 billion in Indian mineral revenues. In FY 1996, MMS's Royalty Management Program expects to disburse $35-$40 million to Indian Tribes & allottees, as well as monitoring about $130 million transferred directly to Tribes by royalty payers.

States

MMS will collect & disbursed an estimated $563 million to 38 onshore states and $75 million to coastal states. In addition, the MMS provides approximately $10 million annually in research funds for State universities.

Minerals Management Service

The MMS was created based on recommendations by the Linowes Commission, an independent commission tasked with studying alleged improprieties in the Nation's royalty collection programs and alleged oil thefts of several hundred million dollars a year. The Commission recognized that the *proper fiscal accountability and management of the public's mineral resources necessitates an independent agency devoted solely to minerals management.*

Consistent with the recommendations of the Linowes Commission, as well as numerous other commissions and panels, the MMS was created on January 19, 1982. The MMS consolidated the formerly fragmented royalty management functions of the Department, as well as all Departmental offshore leasing and lease management functions and elevated those functions to a higher level of management focus and oversight.

Over the past decade, MMS has developed systems, policies, and procedures to meet the mandates of the Federal Oil and Gas Royalty Management Act, the OCS Lands Act, and other statues, as well as the expectations of oversight organizations and its constituents. It has achieved significant program improvements in the areas of mineral revenue accounting and compliance, and offshore policies. MMS collects and disburses *$3-4 billion annually in mineral revenues* and oversees 23 percent and 14 percent of our Nation's natural gas and oil production, respectively.

Mission

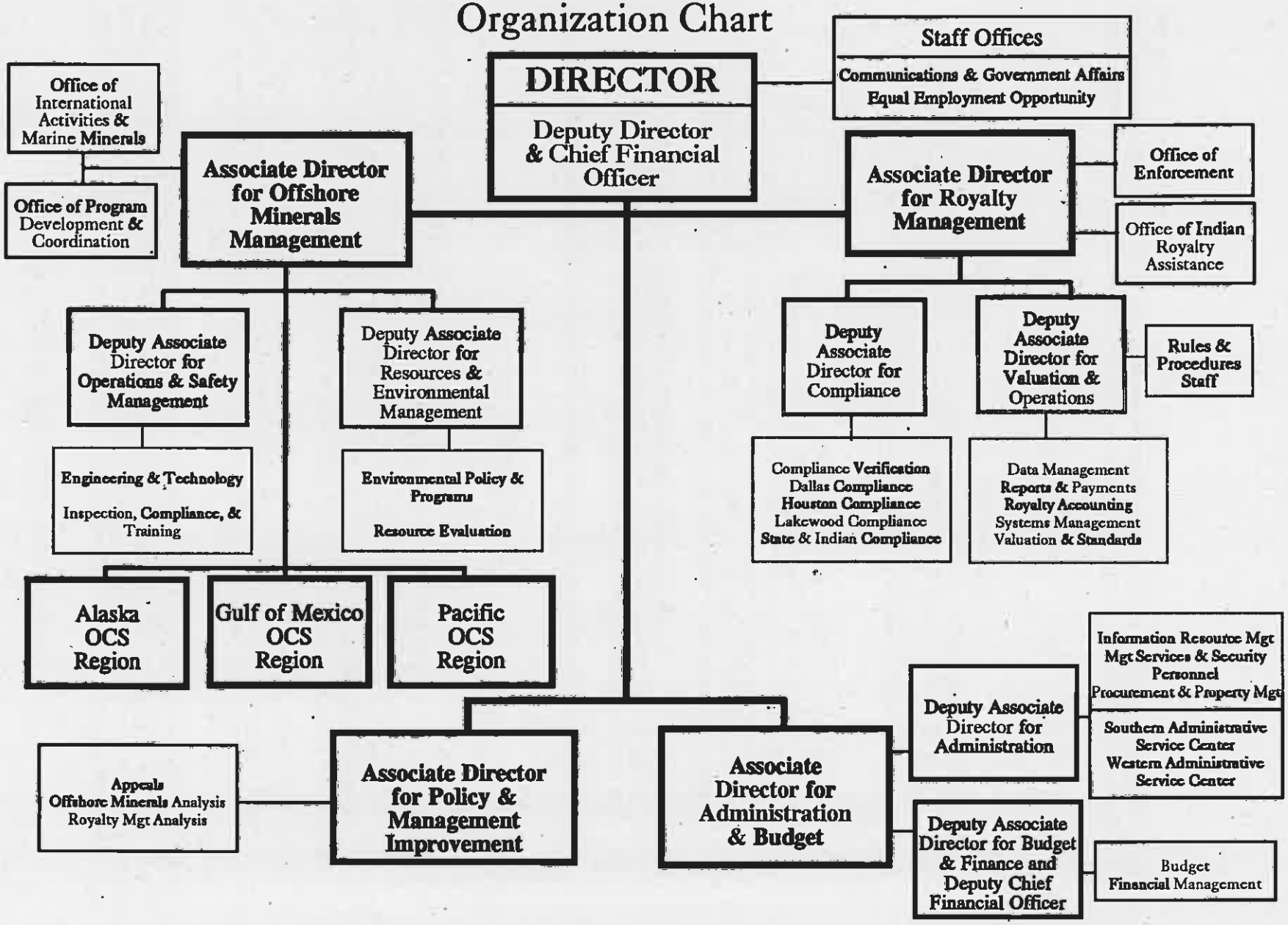
MMS's mission statement reflects the recommendations of the Commission and its constituents:

> The MMS' primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.
>
> Moreover, in working to meet its responsibilities, the Offshore Minerals Management Program administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil, and other mineral resources. The MMS Royalty Management Program meets its responsibilities by ensuring the efficient, timely, and accurate, collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States, and the U.S. Treasury.
>
> The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties; and (2) carrying out its program with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.

Major Activities

The MMS has three major budget activities: the OCS Program, (funded through the Royalty and Minerals Management Program, and the Oil Spill Research appropriations), the Royalty Management Program (RMP), and General Administration.

M M S
Organization Chart



Royalty Management Program (RMP)

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) mandates that "the Secretary shall establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties".

Over the years, RMP has fulfilled its original mandate by establishing accounting and production verification systems, an audit strategy, and compliance/enforcement programs. RMP is responsible for timely and accurate collecting and disbursing of mineral revenues from all Federal onshore and OCS mineral leases, and many producing Indian leases. The program is a clearing-house for the administration, collection, and distribution of a major source of revenue for the Federal Government, Indian Tribes and allottees, and those States that receive a statutory share of Federal mineral revenues.

Since 1982, RMP has collected over $67.7 billion in Federal onshore, OCS, and Indian mineral revenues. Of that, over $1.4 billion was generated from RMP audit and compliance verification efforts. These programs have rates of return ranging from 6:1 to 13:1.

Outer Continental Shelf Lands (OCS) Program:

As manager of the Nation's OCS energy and nonenergy mineral resources, MMS' long-term strategy for the OCS is to assess those resources to determine if they can be developed in an environmentally sound manner and then to offer the appropriate areas for lease. This long-term strategy affects the way MMS manages OCS resources and the way MMS faces the challenges of maintaining a balance between providing energy benefits and protecting the Nation's marine environment. Since leasing began on the OCS in 1954, over 115 lease sales have been conducted, generating over $105 billion in rents, bonuses, and royalties. An emerging program area is the marine minerals program. Under recent legislation, States and local governments can acquire sand and gravel resources for beach restoration and erosion control through negotiated agreements rather than competitive lease arrangements.

General Administration

General Administration provides management, executive and administrative direction and support to all MMS programs. Included are such essential functions as budget, finance, personnel, contract negotiations, property management, etc. With input from local and State governments, Federal Bureaus, and other constituent groups, this group provides policy, guidance, and evaluation to ensure the most efficient, cost-beneficial management possible of all MMS program areas. Additionally, this program area provides Bureau-wide infrastructural support of all MMS programs (i.e. rent, telephone services, unemployment compensation, etc.).

MMS Constituents

As collector, auditor, and disbursement agent for the Nation's mineral revenues and as manager of the OCS natural gas and oil program, the MMS has an extensive list of constituents.

In the broadest sense, every American taxpayer is a constituent of MMS. The OCS program not only manages the production of significant energy resources but generates an average $3-$4 billion annually that goes into the Federal Treasury. The revenues generated from MMS activities help reduce the size of the Federal deficit.

The OCS Program has many constituencies. Examples include:

- ☛ coastal States and communities;
- ☛ national and local level environmental groups;

- Other nations;
- State university systems and research organizations;
- industry representatives in the fields of natural gas, oil and solid minerals;
- fisheries;
- several miscellaneous industrial groups such as utilities, transportation, plastics, chemicals, and agriculture.

The constituencies for the RMP Program include:

- 38 other states receiving royalty revenue;
- 25 Indian Tribes, of which eight receive in excess of $1,000,000 annually;
- Western States Land Commissioners;
- Indian Allottee Associations. and
- industry

Recent Rightsizing

Responsibilities of the MMS have been extremely dynamic since FY 1992. MMS's emphasis has shifted to the management of mature operations or to areas with the potentional for environmentally safe development in the near future. States and Tribes have expressed continued interest in the source, amount, and timeliness of their income. General Administration has been directly affected by varying support requirements from the OCS and Royalty programs and Executive Orders targeting administrative streamlining as a high priority.

OCS Program

The OCS program budget has been reduced in certain areas and has been redirected in response to existing Congressional and Presidential moratoria and increased in regulatory responsibility.

Headquarters

- Total reductions of 24 percent

Atlantic OCS Region

- Decision to close made in FY 1993; closure completed in FY 1995.

Pacific OCS Region

- All prelease functions have been eliminated. The Region now concentrates on environmentally sound and safe development of its current leases and close consultations with the local community;
- Concurrently, production has increased from leases in the Region by 80 percent over the last two years
- Reduced staffing level by 23 percent over the past two years (50 percent reduction in past five years).

Alaska OCS Region

- Reduced staffing level by 54 positions from FY 1993 to FY 1994;
- In FY 1995 an additional 26 positions are targeted for abolishment for a total staff reduction of 50 percent from the FY 1993 level; and
- Six potential lease sales will be handled by reduced staff.

Gulf of Mexico Region

Streamlining efficiencies, such as sampling, have enabled the Gulf of Mexico Region to address additional workload requirements while maintaining its FY 1993 FTE ceiling. Additional workload requirements result from:

- the increase in small operators,
- end-of-lease supplemental bonding, and
- the increase in lease assignments.
- The move toward deepwater development will ultimately result in additional workload for the Gulf.

In addition to the workloads mentioned above, the Oil Pollution Act of 1990 (OPA 90) created new responsibilities for the MMS. In FY 1995, Congress approved an increase of 16 FTE to work in the areas of regional oil spill plan review, oil spill prevention and response planning, inspections, spill investigations, civil penalties programs, and financial responsibility. Thirteen of the 16 FTE were allocated to the Gulf of Mexico.

Royalty Management Program

RMP has increased emphasis on compliance activities, and to the improvement of services to Indian Tribes and allottees. The following specific actions have been taken:

- An Office of Indian Royalty Assistance has been established in Oklahoma City, Oklahoma and Farmington, New Mexico. The Farmington facility, which co-locates staff from the MMS, Bureau of Land Management, and the Bureau of Indian Affairs, is currently a National Performance Review laboratory to provide better service to Indian allottee mineral owners.

- RMP has moved staff from Operations to Compliance to pursue royalties due on Contract Settlement in the natural gas industry, which are anticipated to generate about $250 million in additional revenues.

- Additional staff have been dedicated to compliance functions as a result of improvements in processes and royalty accounting computer systems. These systems improvements, known as the Business Systems Planning Improvements (BSPI) initiative, were achieved after long-term automated data processing (ADP) and strategic planning efforts.

General Administration

Administrative Operations hase been able to reduce program support functions in response to a lower level of support required by the OCS program. Specifically:

- staffing levels in the Alaska Administrative Service Center have been reduced, and the office has been changed to a satellite office status;

- staffing levels in the Pacific Administrative Service Center have been reduced, and the office has been changed to a satellite office status; and

- staffing levels in the Southern and Western Service Centers have been evaluated. As vacancies in certain administrative areas, such as personnel, have arisen, workloads have been restructured and the vacant position abolished. From FY 1992 through FY 1994, a total of 18 positions have been abolished, representing 20 percent of staffing at the Service Centers.

Future Streamlining/Reinvention Efforts

Reductions in programmatic activities, streamlining initiatives, and Executive Orders have caused administrative support functions to be scrutinized for further opportunities for improvement.

- While developing the MMS' Streamlining Plan, MMS applied four philosophical tests to its operations. These tests are now routinely applied to all functions. These "litmus" tests are:

  1 Does the function need to be done? If it does would the function be more appropriately placed at a programmatic level (if administrative) or lower operating level (if programmatic), and if so, is it feasible to do so?

  2 Can existing computing technology be harnessed and/or processes be re-engineered to improve efficiency?

  3 Are the servicing ratios appropriate, and can a larger aggregation of these services be performed with increased economies?

  4 Are MMS' customers' needs and concerns being properly addressed within existing operations? If not, what can MMS do to accommodate those requirements?

The following are examples of initiatives, organized by the above litmus test criteria, which demonstrate how MMS is making significant inroads in improving customer service, cutting red tape, and reshaping a Government bureau to work better and cost less.

1 Is the function at the appropriate programmatic or administrative level?

- Human resource functions, such as recruitment and training, have been automated and delegated to the program office, thereby affording program officials the opportunity to independently assess their needs, available resources, and scheduling requirements.

- Financial plan development is labor intensive and extremely dynamic during execution, frequently requiring reallocation of resources within object classes or offices. An automated budget module currently being utilized by the Office of Surface Mining Reclamation and Enforcement, is being adapted to MMS requirements. This will enable program offices, with electronic concurrence from the Budget Office, to change financial plans as often as necessary within the confines of reprogramming requirements.

- Expanded use of the purchase card is authorized in the Federal Acquisition Streamlining Act. Micropurchases, utilizing Government-wide commercial purchase cards, will be utilized more. Authority to make purchases of supplies and services will be delegated to the Branch Chief level. This will eliminate several paperwork requirements, allowing program officials to dedicate more of their time toward programmatic issues and less on justifying the need for certain routine items.

2 Efficiencies through ADP technology and process reengineering

- On January 1, 1995, MMS' Gas Marketing **Pilot Project** got underway. It will test, for the first time, the concept of MMS taking the Federal Government's royalty share of gas production from offshore Federal leases and immediately selling it at the market price to competitively chosen gas marketing companies. The independent marketers, in turn, will deliver the gas to their customers in a free market environment. The pilot will run for a year and will finish during FY 1996, at which point MMS will evaluate its results.

  The pilot is an innovative project that tests a less burdensome means of collecting royalties by selling the gas in the marketplace. The Federal Government's compliance and audit efforts will be limited to production volumes thereby perhaps reducing the frequent litigation issues over the value and pricing of the natural resource.

  The MMS also expects a savings in administrative costs for both the Government and industry because of the simplification of the royalty collection process. The MMS believes this pilot could result in significant improvements in the way the Bureau carries out its mission.

- As directed by Executive Order 12861, MMS is **reducing internal regulations** and has already eliminated 50 percent of the regulations in its Administrative Manual and expects to either eliminate or streamline numerous other non-administrative procedural regulations within the Bureau's Programs by the end of FY 1996.

- To meet the requirements of Executive Order 12866, MMS has developed a plan for reviewing and either reducing or improving **external regulations**. Part of the plan calls for asking the public to tell MMS which regulations need revision or are candidates for elimination. The MMS intends to make annual reviews of its significant regulations through FY 1996 and beyond.

- The MMS has encouraged and is using **negotiated rulemaking** to write regulations that demonstrate consensus among affected parties. Revisions to the Federal Gas Valuation regulations are being examined. Similarly, a rulemaking related to negotiated valuation of Gas from Indian Leases is in the planning stages.

- Bureau-wide, MMS has set out to examine its conflicts and the potential to broadly implement **Alternative Dispute Resolution** (ADR) methodologies. The MMS ADR program has been approved and initially implemented as the Department's first comprehensive agency ADR program.

- After a comprehensive review of the appeals process, MMS delegated decision-making for a significant portion of the appeals cases, those related to late, erroneous, or non-reporting penalties, to the appropriate RMP division. This allows the Appeals Division to focus on more complicated appeals issues and allows the routine appeals to be resolved faster.

  Currently, MMS is piloting several procedures to expedite the processing time of appeals and to reduce expenses. Examples include changing the appeals report formatting, and use of Alternate Dispute Resolution techniques.

- Through a more focused OCS program, the Offshore Minerals Management program plans to further reduce oversight and control and transfer additional responsibilities to "front-line" organizations. Offshore headquarters functions are currently being examined and several proposals are being developed to determine if they can be transferred. As positions in Headquarters become vacant, either through buyouts or other attrition, they will be targeted for abolishment or reengineering.

  Since FY 1993, the OCS program has achieved a 19.4 percent reduction in Headquarters and will achieve an overall reduction of approximately 50 percent by FY 1999.

- **Improved RMP Systems and Processes** have allowed RMP to redirect staff from non-revenue generating functions (certain error correction, database maintenance, and accounting functions) to revenue generating functions (audit and verification application programs). As part of its National Performance Review (NPR) Reinvention Laboratory efforts, RMP will continue in this direction. Current NPR lab groups are evaluating the:

  - ✓ Requited royalty reporting forms and RMP's database to determine how to ease reporting burdens and achieve savings;

  - ✓ The joint BLM, MMS, BIA Farmington, NM office to improve serviceto the Indian community; and

  - ✓ Increased use of Electronic Data Interchange (EDI) and Funds Transfer (EFT) to implement the exchange of all reports, data, and payments that will reduce certain errors and may achieve some cost-savings. Based on successful "pilot" studies, MMS recently signed electronic commerce agreements with Chevron and Amoco.

- **Electronic commerce** (EC) was developed to simplify and streamline the purchasing process between the private sector and the Federal Government. Long-range EC implementation plans initially focused on small purchases but have now been expanded to include electronic payments and document interchange. Implementation is anticipated in summer 1995.

- The **property management system** is being redesigned to provide full integration with other existing subsystems. These systems will have an automated interface with the Interior Department Electronic Acquisition System (IDEAS), the MMS financial system, and the Federal Personnel/Payroll System. This will eliminate redundancy and reduce program costs, while standardizing property management automation and reducing regulations.

3 Can savings be achieved through appropriate servicing ratios?

- **Personnel Servicing Ratios** have been reviewed and will be reduced to a ratio of one personnelist to one hundred employees (1:100). This effort is nearly completed and will be fully achieved by the end of FY 1996.

- The concept of **shared administrative services** is being tested with a clustering agreement between MMS and the U.S. Geological Survey (USGS). At present the USGS and the Bureau of Reclamation are providing MMS with payroll data services. Other possibilities under an initiative called Washington Area Support Service are: Performance Management; Space Utilization and Management; Mail Management; and Labor Management Partnerships, to name just a few.

- Cooperative agreement between the Office of the Secretary, the Office of Surface Mining, and the Minerals Management Service to develop standard ABACIS financial management procedures and operations.

4 Are MMS' customers needs and concerns being meet and incorporated into our operations?

- To determine customer satisfaction, in FY 1994, MMS led the Department's **pilot opinion research** efforts with employees and external customers. The MMS also led the way as the first Bureau in the Department to obtain clearance from OMB to conduct customer satisfaction surveys.

- The Customer Service Plan established **Customer Service Standards** which were published on September 8, 1994. The Plan will guide program efforts to improve customer service through FY 1996 and beyond and will help MMS to identify processes that need to be either improved or eliminated in order to better serve our customers.

- Examples of MMS' efforts to ensure that our customers' concerns are incorporated into our existing operations include:

  - ✓ RMP's implementation of **multiconstituent royalty policy teams** when dealing with contentious royalty issues such as the Allowance Study Group and the Federal and Indian Gas Valuation Negotiated Rulemaking Committees. RMP was the first bureau in the Department to include non-Government members on its NPR laboratory teams. Additionally, RMP has evaluated the concept of **"One Stop Shopping,"** where cross functional teams resolve complex royalty accounting questions raised by external customers.

  - ✓ The **California Offshore Oil and Gas Energy Resources** (COOGER) in the tricounty areas of San Luis Obispo, Santa Barbara, and Ventura counties has moved the OCS program into a proactive relationship with its customers. By having State and local governments sit down with energy industry representatives and MMS, we have helped to facilitate better understanding of all the issues and concerns of the affected parties. COOGER was recognized by the Los Angeles Federal Executive Board with a "Heroes of Reinvention" award for this initiative.

  - ✓ MMS efforts to bring about agreements between the California oil and gas industry and local fishermen

Congressional Interests and Concerns

The Appropriation Subcommittee on Interior and Related Agencies has, through report language, requested the MMS to address certain issues. A status of these requests or a response follows.

Oil Pollution Act Financial Responsibility

Developing regulations to implement the oil spill financial responsibility requirements of the Oil Pollution Act of 1990.

- The MMS continued to review and analyze the comments received and the verbatim transcripts of the five public meetings. A draft report was prepared and sent to Congress which summarized the major issues and identified possible options.

- Meetings were held with various representatives of the marine insurance industry to discuss potential insurance alternatives. Meetings were also held with the Department of the Interior Solicitor concerning legal interpretations. MMS is drafting new regulations implementing the OPA 90 requirements for oil spill financial responsibility for offshore facilities. MMS will wait for the Subcommittee recommendations before continuing.

- The MMS published an Advance Notice of Proposed Rulemaking (ANPR) in the Federal Register on August 25, 1993, to initiate public review of the oil spill financial responsibility implementation issues. More than 1,700 written comments were received before the comment period closed, and approximately 200 written comments were received after the comment period closed. The MMS also received letters from 135 members of Congress representing 40 States highlighting constituent concerns about the issues raised in the ANPR.

- The MMS conducted five meetings around the country between November 2, 1993, and February 16, 1994, to help the public and MMS understand the potential implications of the OPA oil spill financial responsibility requirements. The meeting transcripts were made part of the ANPR administrative record.

- MMS officials testified before the House Committee on Merchant Marine and Fisheries in the Fall of 1993, regarding the ANPR and the issues raised.

- The Department of the Interior's Solicitor issued a formal opinion on November 29, 1994, which holds that the MMS has little flexibility in interpreting which facilities are covered by the OPA oil spill financial responsibility requirements, how much financial responsibility must be evidenced, and whether exemptions are allowable for minimum risk facilities.

- The OCS Policy Committee approved on November 2, 1994, the establishment of a subcommittee to assist the Secretary of the Interior and the MMS in resolving issues related to implementing the OPA oil spill financial responsibility requirements. MMS has worked to ensure the subcommittee has representation from all potentially affected stakeholders; non-traditional parties such as marina and boating interests, environmental groups, all levels of State and local government, and all affiliated industry groups.

- The subcommittee met on January 19 and 20, 1995. The subcommittee will report its findings and recommendations to the full OCS Policy committee in May 1995.

Oil Pollution Act Inspection in State Waters

The OPA 90 extends MMS inspection jurisdiction to offshore platforms in State coastal waters. In meeting its OPA obligations, MMS is working closely with coastal States to minimize duplication and leverage resources. Memorandaes of Understanding (MOUs) with Texas, Louisiana, and Alaska have already been executed. The MMS is working on an MOU with California and is also working with States to strengthen their state programs, in an effort to minimize MMS regulation of State water activities. A more detailed discussion of MMS oil spill research is provided under the Oil Spill Research Section.

Offshore Management Support

The Offshore Office of Management Support (OMS) has been and will continue to downsize, streamline and reinvent itself. Since FY 1992, OMS has achieved a 23% decrease in actual FTE usage.

An example of how OMS is used to achieve efficiencies in Offshore is the 1994 consolidation of the Headquarters LANs and graphics support functions into OMS. Prior to the consolidation, 9 people were performing these functions throughout Offshore Headquarters. Only 5 FTE were transferred to OMS with the consolidation, thus achieving a net decrease of 4 FTE in Offshore Headquarters.

In FY 1995, the $500,000 decrease will be accomplished through reduced support to TIMS development and streamlining of the offshore-wide budget and administrative processes. As administrative functions from General Administration are delegated to program offices, they will be further delegated within Offshore or centralized within OMS, depending on which method will achieve the greatest efficiency for Offshore. Thus, the functions and size of OMS will continue to be examined and reinvented in response to Offshore-wide responsibilities.

Environmental Study Cooperation with the USGS

In keeping with the desire to control costs and minimize duplication of Federal programs, the MMS and the USGS are working cooperatively to identify complementary environmental studies plans. In a September, 1994, USGS-MMS coordination meeting, scientists from the USGS and MMS were tasked with developing a process that would identify MMS environmental research needs which USGS could conduct with in-house expertise in a cost-effective manner. One of the main objectives of the process is to ensure that the USGS has ample opportunity to provide research expertise before MMS looks to outside sources for research. A "Schedule of Events," delineating a forward-looking 2-year planning process, was developed by USGS and MMS scientific staff for interaction and cooperation on environmental studies. In addition, the process includes steps to ensure that MMS also will be apprised of USGS research plans in a timely fashion. This approach will facilitate opportunities for identifying research areas of mutual interest for cooperative, cost-sharing ventures.

The first 2-year cycle is being initiated in FY 1995 and will lead to identification and conduct of studies in FY 1997. MMS and USGS will work very closely to identify potential studies which USGS could conduct for MMS in FY 1995 - FY 1996 as well as to identify planned or ongoing USGS studies that could be enhanced or modified to provide information of use to MMS. One benefit already achieved by these cooperative efforts has been the identification of satellite data analysis expertise in the USGS St. Petersburg, Florida laboratory that will aid MMS studies. MMS and USGS are developing an interagency agreement to utilize that expertise for a northeast Gulf of Mexico satellite oceanography study in FY 1995.

Marine Minerals Program Cooperation with the USGS

The USGS and MMS have Collaborated on State/Federal marine mineral task force efforts since 1984. Discussions are in progress to identify specific Projects in which USGS expertise in physical oceanography can be further utilized to meet Marine Minerals Program needs.

California Royalty Undervaluation

Background: The State of California (State) and the City of Long Beach (City) began litigation in 1975 against seven major integrated oil companies. They alleged that the majors had conspired to keep oil posted prices low and thus damaged the State and City because their oil revenues from State leases depended on posted prices.

In 1991, after many years of litigation, Shell, Chevron, Mobil, Texaco, and Unocal ended the court actions by settling with the State and City. ARCO settled separtely in 1984. Their motives for settling are unclear and issues other than valuation were involved. A seventh defendant, Exxon, went to trial and was exonerated. That case is under appeal.

MMS Investigations: In 1986, as the litigation continued, MMS contacted State of California officials and others to obtain information to review allegations of improper valuation. After reviewing this information, MMS concluded that posted prices fairly represented market value.

At about the same time, the United States General Accounting Office, Internal Revenue Service, Department of Energy, and Justice Department conducted similar studies. None of the studies contained conclusive evidence of illegal activities or undervaluation.

The MMS decided to reevaluate the issue in late 1993. In light of recent settlements, the MMS evaluated the amount of potential underpayments based on the State's estimate of undervaluation to determine whether a major reevaluation was warranted. MMS estimated a maximum underpayment of about $400 million for 1960-1992.

In early 1994 MMS examined the public information available on California oil prices for the period 1986-1992. The MMS reached preliminary conclusions in April 1994. Since MMS works closely with the State of California's Controller's Office in auditing mineral revenues in California, MMS shared the draft report with them. Both agreed that MMS should obtain additional input from other agencies and examine data under court seal before ending its evaluation.

Interagency Review: In June 1994, to reach a final determination on California/Federal crude oil royalty values, MMS formed an interagency team with the Departments of Commerce, Energy, and Justice.

The team has accomplished two of its major objectives. In November 1994, the team gained access to documents sealed by the U.S. District Court from the Long Beach litigation. These documents had previously not been available to MMS. In early December, 1994, members of the team met with staff from the California State Controller's office and discussed audits the State has done on Federal leases under MMS authority.

After examining the work done by the State and documents from the Long Beach litigation, the team formulated some ideas for a special audit of this issue program. The team met in Washington, D.C., on December 13, 1994, to present findings of their trip to California to management. The Assistant Secretary for Land and Minerals Management, the Acting Director of MMS, and the Associate Director for Royalty Management attended the meeting.

At the December 13 meeting, the participants agreed that MMS audit staff would coordinate with the California State Controller's office to jointly construct an audit plan specifically tailored to address allegations of oil underpricing and thus royalty underpayment. The interagency team met in mid-January to consider the audit proposal and provide input. The audit will likely be limited to a specific company for certain timeframes. Depending on results of the initial phase, MMS may expand the audit to other companies statewide. The initial phase is targeted for completion around the end of FY 1995.

Conclusion: The Department of the Interior takes its responsibility to manage public resources very seriously. If MMS finds clear evidence of undervaluation, it will aggressively take all measures needed to collect additional monies.

☛ Royalty Annual Audit Plan and Quarterly Reports

The Annual Audit Plan, as in the past, is being combined with the first quarterly report which will be submitted to Congress in early March 1995. Additionally, information on FY 1995 and 1996 audit activities is detailed in the RMP budget narrative.

☛ Arts and Artifacts Preservation

In FY 1992 MMS received funding and an FTE for "accounting for and preserving arts and artifacts held within MMS."

A position has been staffed and arts and artifacts held within MMS have been identified, and entered into the MMS property management system. This initiative has now matured and is an ongoing programmatic effort.

☛ Office of Communications and Governmental Affairs

The Congress requested a detailed personnel review to ensure that the size of the office and grades of the positions is justified. The office was reorganized in May 1994. Since that time, staffing has been reduced from 17 FTE to 11 FTE. As vacancies occur, position grade levels will be reviewed.

Government Performance and Results Act
MMS Performance Measures

The 1990's
Strategic Goals and Measures

On August 3, 1993, Congress enacted P.L. 103-62, the Government Performance and Results Act (GPRA), to improve the efficiency and effectiveness of Federal programs by establishing a system to set goals for program performance and to measure results. Steps include: setting strategic plans and goals, developing performance measures for these goals and establishing systems to measure results. This legislation is designed to change the way Government does business; to focus on program results and outcomes rather than just inputs as the measures of performance and effectiveness in serving the public. To help the Federal Government make the transition from the existing evaluation system to the new, the GPRA authorizes three sets of pilot projects over the next several years: Annual Performance Plans, Managerial Flexibility, and Performance Budgeting. Later, performance budgeting will be implemented. Government-wide implementation will be phased in over several years with pilot projects underway throughout the Government.

OCS Lands Program

The OCS Lands Act provides funds to manage the Nation's offshore resources. The goal is to manage the program in the best interest of the taxpayers. The program provides energy and revenues to the Nation. Sometimes it is in the Nation's best interest to forgo development and income for environmental or other reasons.

The principal performance measure for the OCS Lands program is whether decisions and policies involving the OCS are in the national interest and are based on the best available information and analyses concerning the various "balancing" considerations. It is the job of MMS to efficiently provide decisionmakers the best available information and analysis for these decisions, to assure the public receives fair market value from industry for the Nation's OCS resources, and to properly manage operations to implement MMS environmental and safety regulations.

In FY 1994, this program generated:

- $3.001 billion in receipts
- 4.8 trillion cubic feet of natural gas
- 250.2 million barrels of crude oil

Measures of a few of the activities required to produce the above are: (1) Environmental Reviews and Assessments; (2) Fair Market Value Determinations; and (3) Inspections.

Environmental Reviews and Environmental Assessments

The number of environmental reviews and assessments, while generally predictable, is solely dependent on the other activities which precede that phase of the "environmental process." The MMS' compliance with the provisions of the National Environmental Policy Act (NEPA) and the Oil Pollution Act specifically dictate a variety of procedural activities which must take place to ensure environmental compliance for all oil and gas activities on the OCS. Accordingly, as a performance measure of the agency's success, environmental reviews and assessments should be reviewed in light of the whole environmental process the agency performs.

The MMS was recognized by the President's Council on Environmental Quality and the National Association of Environmental Professionals when it received the 1994 Federal Environmental Quality Award. This award was received not for a single product, but rather for the comprehensive integration of the NEPA into every action the agency takes regarding offshore leasing, exploration, and development.

The term, environmental reviews, includes a host of different types of reviews which are written for the systematic phases involved in the exploration, drilling, development, and production activities as required by statute and regulatory authority. The reviews conducted beginning in FY 1994 include an additional array of scientific activities for oil and gas activities in coastal State waters (air quality, archeological, biological, and oil spill plan reviews). This additional effort is required by the OPA 90.

Environmental Assessments are decision-related documents which identify environmental protective measures required by NEPA. The level of effort expended by MMS ensures adequate scientific and technically-based analyses.

Number of Products/FTE			
	1994 Actual	1995 Estimate	1996 Estimate
Environmental Reviews (Inclusive)*	2,939/26	3,204/28	3,259/28
Environmental Assessments	200/19	245/19	222/19

*These data do not include Categorical Exclusion Reviews (CER's) which are also a type of NEPA process documents.

Fair Market Value Determinations

To ensure receipt of fair market value, MMS collects and analyzes geological and geophysical (G&G) data to determine major areas of hydrocarbon potential and performs detailed analyses of individual OCS tracts for tract evaluation purposes. In addition, resource assessment functions, such as play identification, play analysis, resource model simulations, and detailed reserves analyses, are performed to establish the framework for tract evaluation work. Sale-specific economic studies, such as bidding system design, cost estimates, and price forecasts, are used in the evaluation process. A two-phase bid adequacy process, involving market data and geotechnical information, has been performed on roughly 500 tracts receiving bids in any given year for the past 5 years.

In FY 1994, 532 tracts in two sales were evaluated, 316 of which received both phase 1 and phase 2 evaluations. Over 1,563 blocks of 3-D seismic data and 25,480 line-miles of 2-D seismic data were acquired in FY 1993 in preparation for these sales.

Inspections

The inspection program is the last line of defense for ensuring human safety and environmental protection. An inspection can range from 2 hours in duration by a single inspector to several days by two or three inspectors depending on the operation being inspected (drilling, production, workover, well completion, and measurement, etc.) and the complexity of the facility. An unannounced inspection is usually not a complete inspection, and therefore is of shorter duration than a complete inspection. A single well caisson (approximately 36 percent of the production facilities are in this category) contains an average of about eight devices to be inspected. A "super" platform may contain about 1,200 devices to be inspected. The single well facility can be inspected in a short time, while the super facility may take several days. However, the super platform has a heliport which makes it easily accessible. The single well facility is, generally, only accessible by boat which increases travel time greatly. The inspection program is not just a matter of conducting

inspections, but includes the transportation to and from the facilities and the planning of inspections in order to use the resources most efficiently.

In FY 1994, 10,621 inspections were conducted. Inspections are expected to continue at about the same level in FY 1995 and FY 1996.

Royalty Management Program

FY 1994 RMP Performance Measures

The Royalty Management Program (RMP) is one of two Departmental bureaus' programs nominated to participate in the Annual Performance Plan pilot. Beginning in FY 1994, RMP prepares annual performance goal plans and annual reports of actual performance compared to its continuous improvement goal. In May 1997, OMB will submit a report to Congress assessing the benefits, costs, and usefulness of the plans and reports, and any difficulties experienced during the pilot phase.

Under the pilot, RMP is tracking the following performance indicators it established in its 1994 plan:

Measure	Targets
Reporting accuracy Percentage of report lines industry submitted correctly *(lines that clear critical RMP computer edits during initial processing)*	**Future:** Continuous improvement **Actual:** FY 94: 96.4 percent of lines cleared critical edits. FY 93: 96.2 percent of lines cleared critical edits. FY 92: 95.3 percent of lines cleared critical edits.
Late disbursement interest Accrued Federal interest expense for late disbursements to States	**Future:** Continuous decrease **Actual:** FY 94: $ 58,000 FY 93: $ 95,700 FY 92: $153,600
NOTE: Late disbursement interest is influenced by conditions external to RMP, especially the economy, including short-term interest rates and international and domestic oil and gas prices.	

We will submit the pilot annual performance report to the appropriations committee.

FY 1996 RMP Performance Measures

The RMP strategy is to continuously increase the percentage of mineral revenues paid both timely and correctly. A useful measurement of RMP's overall performance would be a compliance index:

$$\frac{\text{actual voluntary royalty payments}}{\text{expected royalty payments}}$$

Historically, we have not determined a single reliable method to calculate the degree of voluntary compliance for royalty payments. In 1994, as a part of the Compliance Action Plan, a team of MMS employees working with a contractor developed a statistically valid method to estimate such a compliance index. We believe, through refinement, the compliance index can give important information over time on whether we are being successful.

Automated compliance index calculations in calendar year 1992 are shown below. We plan to calculate the index for 1993 and beyond.

Actual Calendar Year 1992 Compliance Index	Compliance Index Target
.95 *(95% confidence level)*	1.00

We will continuously analyze this measurement tool and experiment with ways to strengthen its validity. In FY 1996, RMP will begin to seek enhanced accuracy of automated calculations of this index by incorporating random lease sample selections in some major audits. As we gain experience measuring the compliance index, our goal is to increase its utility and to determine the optimal audit resources necessary to support it, while continuing to maintain quality audit coverage to monitor compliance.

While the overall compliance index measurement will provide trend analysis on whether we are getting better or worse (how well we are progressing toward our target), it does not tell us why. Other types of measurements are critical in guiding the Program. These measures identify processes needing adjustment to improve the compliance index.

- **Sub-measures** - Key sub-measures provide important information on our success in achieving our vision. Used alone they provide limited information, but together they provide important Program feedback. These sub-measures include the two 1994 measures detailed above. Additional FY 1996 sub-measures are detailed below.

- **Tactical measures** - In support of our strategic business goals, each Program area developed a set of tactical plans and corresponding measures. These measures provide the feedback necessary to keep RMP business processes on track. While used alone they provide limited information, when used collectively they provide important Program information. These detailed measures are not included in this document.

- **Customer measures** - We receive periodic survey feedback from our constituents (including States and Indians) about how well our Program is serving their needs. This feedback is valuable when used in conjunction with RMP sub-measures and tactical measures. These measures are not included in this document, but are addressed in a separate RMP Customer Service Plan.

FY 1996 RMP Sub-Measures

Our vision is to increase industry's voluntary compliance rate. The RMP FY 1996 sub-measures that indicate how well we are achieving our vision are discussed below. We will continue to refine these sub-measures, as we become more experienced with how they tie to the overall compliance index measure.

In the long term, we believe increased use of electronic commerce will reduce paper report volumes, reduce errors, expedite error correction, and provide a more current database.

FY 1996 Sub-Measure	Target
Use of Electronic Commerce Percentage of royalty and production report lines received electronically	Future: In the long term, we believe increased use of electronic commerce will reduce paper report volumes, reduce errors, expedite error correction, and provide a more current data base.

The compliance activities include audits, system-based verification routines, valuation orders, and enforcement activities. Revenues collected through these activities represent non-compliance with lease terms or inaccurate royalty payments.

FY 1996 Sub-Measures	Target
Amount of late-payment interest charged (net) to industry	Outcome: Continually decrease as timeliness of voluntary reporting improves
Percentage of revenues covered by audits and number of contract settlement reviews completed	Outcome: Additional revenues collected from audit functions
Verification Activities	Outcome: Additional revenues collected from verification functions
NOTE: In the long term we will increase efficiency and effectiveness of our compliance resources by refining our audit and verification selection techniques and enhancing our system capabilities.	

We serve many Indian mineral owners. Performance measures of how well we perform our trust responsibility:

FY 1996 Sub-Measures	Target
Percentage of Indian revenues covered by audits	Outcome: Additional revenue collected
Percentage of Indian Leases that RMP calculates major portion analysis	Outcome: Additional revenue collected
Level of Indian mineral owner outreach and number of contacts	Future: Continuous contact

Budget Overview

The total FY 1996 budget for the MMS is $763.8 million, an increase of $18.5 million over the FY 1995 enacted level. For current appropriations, the request is $201.2 million, an increase of $6.1 million from FY 1995. Current authority will be funded through two appropriations, the Royalty and Offshore Minerals Management and Oil Spill Research accounts. Three permanent appropriations, totaling $562.5 million, provide States' their statutory shares of mineral leasing revenues generated on Federal lands.

Royalty and Offshore Minerals Management Appropriation

The President's request for appropriations in this account is $193.3 million, an increase of $4.6 million over the FY 1995 enacted level.

OCS Lands Program

The MMS continues to stress the responsible development of the Nation's offshore energy resources, especially natural gas. Natural gas from the Federal OCS represents 25 percent of U.S. production and 32percent percent of current total MMS revenue receipts. The FY 1996 request of $88.097 millionreflects the Department's interest in programs of *local significance*: assessments of sand and gravel resources for local communities' beach restoration and erosion control; increased involvement of communities in OCS decision-making; and funding to university communities for environmental studies. Requested increases of $3 million are netted against offsetting collections for a total net program decrease.

Royalty Management Program

The Royalty Management Program (RMP) continues to place top priority on the accurate and timely collection and processing of mineral revenues on behalf of Indian Tribes, allottees, States and the U.S. Treasury. Because RMP has ongoing strategic planning efforts to continuously expand and improve the collection of mineral revenues, the RMP was chosen to be included in many National Performance Review activities. RMP's FY 1996 budget request of $71.5 million, an increase of $3.5 million, will provide benefits of *local significance* in the form of ADP improvements which will allow RMP, State, and Tribal royalty data systems users easier access to RMP data for their individual analytical needs, increased cooperative audit program funding for States and Tribes, and training and other assistance to encourage Indian Tribes in achieving self determination and governance capabilities of their royalty resources.

General Administration

This activity will be funded at $33.7 million, a net increase of $0.4 million. The increase consists of various ADP systems enhancements which will facilitate streamlining efforts in FY 1996 and beyond.

Oil Spill Research Appropriation

The FY 1996 request for this appropriation is $7.9 million, an increase of $1.4 million. Of local significance is the proposed increase to provide for the development and implementation of OPA-90 inspection and enforcement programs in coastal State waters in the form of cooperative agreements with States.

Comparison of FY 1996 Request with FY 1995 Enacted *dollars in thousands*				
Appropriations		FY 1995 Enacted	FY 1996 Request	Change from 1995
Current				
Royalty and Offshore Minerals Management	$	188,695	193,348	4,653
	FTE	1,890	1,863	-27[1]
Oil Spill Research	$	6,440	7,892	1,452
	FTE	26	26	0
Subtotal Current	$	195,135	201,240	6,105
	FTE	1,916	1,889	-27
Permanent				
Mineral Leasing and Associated Payments	$	547,509	559,911	12,402
Payments to States from Acquired Forest Lands	$	1,764	1,765	1
Payments to States from Flood Control Act Lands	$	836	844	8
Subtotal Permanent	$	550,109	562,520	12,411
Total MMS	$	745,244	763,760	18,516
	FTE	1,916	1,889	-27

[1] *Reflects correction for FTE included in 1995 ceiling but for which funding was not enacted (hardrock royalty)*

The programs and missions of the MMS are conducted by the major components shown in the organizational chart in the preceding section and described in detail in the following program narrative sections.

Highlights of FY 1996 Request

Current Appropriations

Uncontrollable Changes

A net increase of $ 2.119 million and a reduction of 12 FTE from the FY 1995 enacted level will enable MMS to meet the goal of reducing Federal staff and streamlining its operations, as well as increased pay and other fixed costs while maintaining a high level of program integrity and performance. Uncontrollable changes are discussed in detail in the Justification of Uncontrollable Cost Changes.

Programmatic Changes

The following table synopsizes the programmatic changes in the FY 1996 request from the FY 1995 enacted level. Any remaining difference is due to uncontrollable cost changes. Further detail on programmatic changes are provided in the individual program narratives.

Programmatic Changes *dollars in thousands*			
	1995 Enacted to Date	1996 Request	Description Any remaining difference between 1995 & 1996 levels is due to uncontrollable cost changes.
Royalty & Offshore Minerals Management			
OCS Leasing & Environmental	27,581	29,532	+$1.526M for ESP to fund Coastal Marine Institutes and University Initiatives to ensure, to the maximum extent possible, that decisions are rooted in a strong scientific framework. A +$100K increase for Leasing and Environmental Assessment to support cooperative work between US and Mexican scientists to exchange information on coastal and marine environmental issues.
OCS Resource Evaluation Program	16,710	17,636	+600K to allow MMS to meet the requirements of recently enacted Intermodal Surface Transportation Efficiency Act and amendment to section 8(k) of the OCS Lands Act. These Acts make OCS sand & gravel a very realistic source of material for beach restoration and erosion control projects.
OCS Regulatory Program	33,218	34,520	Increase will provide funding for an Alternative Dispute Resolution forum (+$500K) to collaborate with constituent groups on a wide variety of issues and for the establishment of improved air quality monitoring, inspecting, and permitting practices (+$267K).
OCS Information Management Program	9,858	6,409	A $3.6 million decrease is based on proposed appropriation authority to retain a greater proportion of offsetting collections to fund the ADP modernization effort, the Technical Information Management Systems (TIMS).
Total OCS Lands	87,367	88,097	
RMP Revenues Valuation and Operations	34,214	36,162	The increase would support significant ADP improvements (+1.330 million) which will provide benefits to Federal, State, and Indian royalty data users and a growing need for greater constituency input into MMS' endeavors to simplify and reinvent the royalty process (+$100K).
RMP Revenue Compliance	33,806	35,352	Will allow MMS to 1) work with interested Tribes to develop techniques to assist them in managing their own royalty resources as authorized by the Indian Self Determination and improve outreach efforts (+$440K), and 2) to provide greater funding for the State and Tribal Audit Agreement program (+$500K).
RMP Late Disbursement Interest	—	—	Difficult to estimate. $58K in FY 1994. Will re-program during year to meet needs.
Refund on Behalf of Allottees	15	15	
Total RMP	68,035	71,529	
G. Admin - Executive Direction	3,416	3,484	

Programmatic Changes *dollars in thousands*			
	1995 Enacted to Date	1996 Request	Description Any remaining difference between 1995 & 1996 levels is due to uncontrollable cost changes.
G. Admin - Policy & Mgt. Improvements	3,812	3,886	
G. Admin - Admin Operations	11,242	11,671	A +$606K increase for infrastructural improvements: upgrade of administrative systems computer, operation of Interior Department Electronic Acquisition System (IDEAS), and to develop enhanced IRM capabilities to facilitate streamlining efforts.
G. Admin - General Support Services	14,823	14,681	An increase of $205K to support the increased operation and maintenance of the Wide Area Network system based on the greater use of bureau-wide e:mail, files transfer, data communications, and integration of DOI administrative systems onto the WAN.
Total Gen Admin.	33,293	33,722	
Total ROMM	188,695	193,348	
Oil Spill Research	6,440	7,892	A +$1.412 million increase to fund a cooperative grants program with States for the development and implementation of OPA-90 inspections and enforcement programs in coastal state waters.
Total MMS Current	195,135	201,240	

Permanent Appropriations

The following table synopsizes the changes in the FY 1996 request from FY 1995 enacted levels.

Summary of Change *dollars in thousands*			
	1995 Enacted	1996 Request	Description
Mineral Leasing & Associated Payments	547,509	559,911	Increase to mainly to increased coal bonuses and royalties. Small increase in gas royalties.
Payments to States from Acquired Forest Lands	1,764	1,765	
Payments to States from Flood Control Act Lands	836	844	
Total Permanents	550,109	562,520	

Appropriation Language Sheet

ROYALTY AND OFFSHORE MINERALS MANAGEMENT

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [$189,056,000] [, of which not less than $68,184,000 shall be available for royalty management activities] $193,348,000 and an amount not to exceed [$8,800,000] for the Technical Information Management System of the OCS Lands Activity, to be credited to this appropriation and to remain available until expended, from additions to receipts resulting from increases to rates in effect on August 5, 1993, from rate increases to fee collections for OCS administrative activities performed by the Minerals Management Service over and above the rates in effect on September 30, 1993, and from additional fees for OCS administrative activities established after September 30, 1993: $12,400,000 Provided, That $1,500,000 for computer acquisitions shall remain available until September 30, [1996]1997: Provided further, That funds appropriated under this Act shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d): Provided further, That not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities; Provided further, That, notwithstanding any other provision of law, $15,000 under this head shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service concurred with the claimed refund due [;Provided further,] that the Secretary shall take appropriate action to collect unpaid and underpaid royalties and late payment interest owed by Federal and Indian mineral lessees and other royalty payors on amounts received in settlement or other resolution of disputes under, and for partial or complete termination of, sales agreements for minerals from Federal and Indian leases: [That the fifth proviso under the heading "Leasing and Royalty Management" for the Minerals Management Service in Public Law 102-512 (104 Stat. 1926) is amended by striking the words "or payment of civil penalty" after the words "result of the forfeiture of a bond or other security" and striking the words "or

Provided, that beginning in FY 1996 and thereafter, fees for royalty rate relief applications shall be established (and revised as needed) in Notice to Lessees, and shall be credited to this account in the program areas performing the function, and remain available until expended for the costs of administering the royalty rate relief provisions authorized by 43 U.S.C. 1337 (a)(3)

,to pay amounts owed to Indian allottees or Tribes, or to correct prior unrecoverable erroneous payments; Provided further, that beginning in the fiscal year 1996 and thereafter,

imposition of the civil penalty" after the words "rendered necessary by the action or inaction that led to the forfeiture": Provided further, That where the account title "Leasing and Royalty Management" appears in any public law, the words "Leasing and Royalty Management" beginning in fiscal year 1995 and thereafter shall be construed to mean "Royalty and Offshore Minerals Management"].

OIL SPILL RESEARCH

For necessary expenses to carry out the purposes of title I, section 1016, and title IV, sections 4202 and 4303, title VII, and title VIII, section 8201 of the Oil Pollution Act of 1990, [$6,452,000] which shall be $7,892,000
derived from the Oil Spill Liability Trust Fund, to
[be] available until expended. remain

Justification of Proposed Language Changes
Royalty and Offshore Minerals Management

1. **Deletion:** "of which not less than $68,184,000 shall be available for royalty management activities"

   The language proposed for deletion restricts the MMS from committing fiscal resources to critical areas of need. The deletion is proposed to enhance MMS's ability to manage its resources in an effective and efficient manner. Current reprogramming requirements provide appropriate levels of notification to the Congressional Committees while permitting reasonable management latitude for sound program operations.

2. **Addition:** "fees for royalty rate relief applications shall be established (and revised as needed) in Notice to Lessees, and shall be credited to this account in the program areas performing the function, and remain available until expended for the costs of administering the royalty rate relief provisions authorized by 43 U.S.C. 1337 (a)(3):"

   Proposal would allow MMS to retain the application fees for the program areas involved in royalty rate relief program administration (OMM, RMP, and General Administrative support costs) instead of funding the TIMS effort. The proposal will allow MMS to charge fees to cover the user costs of evaluating requests from lessees for royalty relief. Additionally, by having fees set through Notice to Lessees rather than the regulatory process, cost charges will be more current.

3. **Addition:** "to pay amounts owed to Indian allottees or Tribes, or to correct prior unrecoverable erroneous payments;"

   Proposal would allow MMS to use appropriated funds to pay underpaid Tribes and allottees and to make adjustments to accounts for prior unrecoverable erroneous payments.

4. **Deletion:** "[That the fifth proviso under the heading "Leasing and Royalty Management" for the Minerals Management Service in Public Law 102-512 (104 Stat. 1926) is amended by striking the words "or payment of civil penalty" after the words "result of the forfeiture of a bond or other security" and striking the words "or imposition of the civil penalty" after the words "rendered necessary by the action or inaction that led to the forfeiture": Provided further, That where the account title "Leasing and Royalty Management" appears in any public law, the words "Leasing and Royalty Management" beginning in fiscal year 1995 and thereafter shall be construed to mean "Royalty and Offshore Minerals Management"]"

   Provision permanently enacted; language not required.

Oil Spill Research

1. **Clarification:** Change "to be available until" to "to remain available".

Royalty and Offshore Minerals Management
Activity/Subactivity Change Crosswalk - FY 1996 Budget

	Format of FY 1995 Congressional Budget	FY 1995 Enacted to Date		Format of FY 1996 Congressional Budget	FY 1995 Enacted to Date
	Outer Continental Shelf Lands			**Outer Continental Shelf Lands**	
1	Leasing & Environmental Program FTE: 210	27,581	1	Leasing & Environmental Program *FTE: 210*	27,581
2	Resource Evaluation Program *FTE: 212*	16,710	2	Resource Evaluation Program *FTE: 212*	16,710
3	Regulatory Program *FTE: 348*	33,218	3	Regulatory Program *FTE: 348*	33,218
4	Information Management Program *FTE: 98*	9,858	4	Information Management Program *FTE: 98*	9,858
	Total OCS	87,367		**Total OCS**	87,367
	Royalty Management Program			**Royalty Management Program**	
1	Mineral Revenue Operations *FTE: 277*	30,481	1	Mineral Revenue Operations *FTE:*	
2	Mineral Revenue Valuation & Operations *FTE:*		2	Mineral Revenue Valuation & Operations *FTE: 366*	34,214
3	Mineral Revenue Compliance *FTE: 166*	12,596	3	Mineral Revenue Compliance *FTE: 393*	33,806
4	Mineral Revenue Audit *FTE: 286*	24,838	4	Mineral Revenue Audit *FTE:*	
5	Indian Allottee Refunds	15	5	Late Disbursement Interest	
			6	Allottee Refunds	15
	Total RMP	67,930		**Total RMP**	68,035
	General Administration			**General Administration**	
1	Executive Direction *FTE: 42*	3,416	1	Executive Direction *FTE: 42*	3,416
2	Policy & Management Improvement *FTE: 48*	3,917	2	Policy & Management Improvement *FTE: 48*	3,812
3	Administrative Operations *FTE: 204*	11,242	3	Administrative Operations *FTE: 204*	11,242
4	General Support Services	14,823	4	General Support Services	14,823
	Total Gen. Admin	33,398		Total Gen. Admin	33,293
	Total ROMM	188,695		**Total ROMM**	188,695

Royalty and Offshore Minerals Management
Activity/Subactivity Change Crosswalk - FY 1996 Budget

	Format of FY 1996 Congressional Budget	FY 1996 Pres. Budget		Format of FY 1996 Congressional Budget	FY1996 Pres. Budget
	Outer Continental Shelf Lands			**Outer Continental Shelf Lands**	
1	Leasing & Environmental Program *FTE: 210*	29,532	1	Leasing & Environmental Program *FTE: 210*	29,532
2	Resource Evaluation Program *FTE: 212*	17,636	2	Resource Evaluation Program *FTE: 212*	17,636
3	Regulatory Program *FTE: 348*	34,520	3	Regulatory Program *FTE: 348*	34,520
4	Information Management Program *FTE: 98*	6,409	4	Information Management Program *FTE: 98*	6,409
	Total OCS	**88,097**		**Total OCS**	**88,097**
	Royalty Management Program			**Royalty Management Program**	
1	Mineral Revenue Operations *FTE: 277*	32,338	1	Mineral Revenue Operations *FTE:*	
2	Mineral Revenue Valuation & Operations *FTE:*		2	Mineral Revenue Valuation & Operations *FTE: 366*	36,162
3	Mineral Revenue Compliance *FTE: 166*	13,295	3	Mineral Revenue Compliance *FTE: 393*	35,352
4	Mineral Revenue Audit *FTE: 286*	25,776	4	Mineral Revenue Audit *FTE:*	
5	Indian Allottee Refunds	15	5	Late Disbursement Interest	
			6	Allottee Refunds	15
	Total RMP	**71,424**		**Total RMP**	**71,529**
	General Administration			**General Administration**	
1	Executive Direction *FTE: 42*	3,484	1	Executive Direction *FTE: 42*	3,484
2	Policy & Management Improvement *FTE: 48*	3,991	2	Policy & Management Improvement *FTE: 48*	3,886
3	Administrative Operations *FTE: 204*	11,671	3	Administrative Operations *FTE: 204*	11,671
4	General Support Services	14,681	4	General Support Services	14,681
	Total Gen. Admin	**33,827**		**Total Gen. Admin**	**33,722**
	Total ROMM	**193,348**		**Total ROMM**	**193,348**

Justification of Crosswalk Changes

The crosswalks reflect the changes in the Royalty Management Program's (RMP) organizational and budget structure as approved by Congress in the spring of 1994. To meet the challenges of streamlining initiatives, RMP consolidated its program under two, instead of the three, Deputy Associate Directors.

This consolidation was achieved by consolidating the:

- Rulemaking and valuation functions of the DAD for Mineral Revenue Compliance under the new DAD for Mineral Revenue Valuation and Operations
- Verification functions of the DAD for Mineral Revenue Compliance under the new DAD for Compliance.

Additionally, one FTE and associated support costs have been moved from Policy, Management and Improvement to RMP, reflecting the completion of some Compliance Action Plan efforts.

Summary of Requirements

Appropriation Royalty and Offshore Minerals Management *dollars in thousands*				
Uncontrollable Cost Changes	FTE	Amount	FTE	Amount
FY 1995 Enacted to Date	——	——	1,890	188,695
Changes				
Buyout Surcharge (all Activities)		155		
Rental Payments *(General Support Services)*		287		
Working Capital Fund *(General Support Services)*		140		
One-more Paid Day (all activities)		400		
Cost in 1996 of the January, 1995 payraise (all activities)		487		
Cost in 1996 of the January, 1996 payraise (all activities)		1,916		
Federal Workforce Restructuring Act (Admin. Operations)		-532		
Administrative Streamlining - Executive Order 12837 (General Support Services)		-774		
Total Adjustments	**-12**	**2,079**		
FY 1996 Base Budget, ROMM			**-12**	**190,774**

Summary of Requirements

Royalty and Offshore Minerals Management												
Comparison by Activity/Subactivity	FY 1994 Final Enacted		FY 1995 Enacted to Date		Uncontrollable Changes		Programmatic Changes		FY 1996 Request		Change from 1995	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
OCS Lands												
Leasing & Environmental	227	26,903	210	27,581	—	325	—	1,626	210	29,532	—	1,951
Resource Evaluation	238	19,407	212	16,710	—	326	—	600	212	17,636	—	926
Regulatory	360	35,023	348	33,218	—	535	—	767	348	34,520	—	1,302
Information Management	109	12,249	98	9,858	—	151	—	-3,600	98	6,409	—	-3,449
subtotal	934	93,582	868	87,367	—	1,337	—	-607	868	88,097	—	730
Royalty Management												
Valuations & Operations	311	34,100	336	34,214	—	518	—	1,430	316	36,162	-20[1]	1,948
Compliance	366	31,638	393	33,806	—	606	5	940	398	35,352	5	1,546
Late Disb. Interest	—	58		—	—	—	—	—		—		—
Indian Allottee Refunds	—	—		15	—	—	—	—		15		—
subtotal	677	65,796	729	68,035	—	1,124	5	2,370	714	71,529	-15	3,494
General Administration												
Executive Direction	41	3,553	42	3,416	—	68	—	—	42	3,484	—	68
Policy & Mgmt. Improvement	44	3,683	47	3,812	—	74	—	—	47	3,886	—	74
Administrative Operations	212	11,767	204	11,242	-12	-177	—	606	192	11,671	-12	429
General Support Services	—	15,316	—	14,823	—	-347	—	205	—	14,681	—	-142
subtotal	297	34,319	293	33,293	-12	-382	—	811	281	33,722	-12	429
Total ROMM Requirements	1,908	193,697	1,890	188,695	-12	2,079	5	2,574	1,863	193,348	-27	4,653

[1] -20 FTE decrease is a technical correction. FY 1995 FTE ceiling includes those FTE for unfunded hardrock royalty program.

Summary of Requirements

Appropriation Oil Spill Research dollars in thousands				
Uncontrollable Cost Changes	FTE	Amount	FTE	Amount
FY 1995 Enacted to Date			26	6,440
Changes				
Cost in 1996 of the January, 1995 payraise		6		
Cost in 1996 of the January, 1996 payraise		26		
One-more Paid Day in 1996		6		
Buyout Surcharge of $80 per capita		2		
Total Adjustments			—	40
FY 1996 Base Budget			26	6,480

Oil Spill Research *dollars in thousands*									
Comparison by Activity/ Subactivity	FY 1994 Actual		FY 1995		Uncontrollable Changes	Program Changes	FY 1996 Request		Change from 1995
	FTE	Amount	FTE	Amount	Amount	Amount	FTE	Amount	Amount
Oil Spill Research	10	5,331	26	6,440	40	1,412	26	7,892	1,452
Total OSR Requirements	10	5,331	26	6,440	40	1,412	26	7,892	1,452

Summary of Requirements

Appropriation All Permanent Special Funds (Payments to States) *dollars in thousands*				
Summary of Base Requirements	FTE	Amount	FTE	Amount
FY 1995 Enacted to Date			—	550,109
Base Adjustments	—	—	—	
FY 1996 Base Budget			—	

All Permanent Special Funds (Payments to States) *dollars in thousands*						
Comparison by Activity/ Subactivity	FY 1994 Actual	FY 1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1996 Request	Change from 1995
Permanents						
Mineral Leasing and Associated Payments	519,636	547,509	—	12,402	559,911	12,402
National Forest Fund, Payments to States	2,228	1,764	—	1	1,765	1
Receipts from lands acquired for Flood Control, navigation and allied purposes	1,229	836	—	8	844	8
Total Requirements	523,093	550,109	—	12,411	562,520	12,411

All Appropriations

Justification of Uncontrollable Cost Changes *dollars in thousands*		
Increase/Decrease	1995 Estimate	1996 Change
Buyout Surcharge *(all appropriations, all activities)*		157
Required by the Federal Employment Restructuring Act. An $80 per capita charge (employees on board as of March 31st of each year. FY 1996 is first budget year since enactment; first year incorporated in request		
Rental Payments *(General Support Services)*	10,750	287
The adjustment is for changes in the costs payable to GSA resulting from changes in rates for office and non-office space. This change includes the Office of Management and Budget/General Service Administration initiative to control 1995 space cost increase.		
Working Capital Fund *(General Support Services)*	404	140
The change is for increases in the customary administrative services provided on a Department-wide basis. The 1996 request reflects slight increases in printing/reproduction; telecommunications management; safety and health training; etc. and a large increase to support DOINET.		
One-More Paid Day in Fiscal Year 1996 *(all appropriations, all activities)*		406
The adjustment reflects the fact that FY 1996 has one more paid day than FY 1995.		
Cost in FY 1996 of the January, 1995 payraise *(all appropriations, all activities)*		493
The adjustment is for an additional amount in 1996 to fund a nationwide pay increase of 1.6% effective in January 1995		
Cost in FY 1996 of the January, 1996 payraise *(all appropriations, all activities)*		1,940
Provides for three-quarters of the estimated payraise of 2.4%		
FTE Usage Reduction - Federal Restructuring Act *(Administrative Operations)*		-532 -12 FTE
Reduction based on ADP enhancements proposed for 1996 (see Administrative Operations and General Support Services increase statements) and process reengineering. Many personnel and procurement processes are being redesigned/simplified to be less staff intensive. With certain technology improvements to the bureau's administrative systems and WAN, fewer staff can accomplish the same financial management, personnel/payroll, and property/procurement workloads.		
Administrative Streamlining - Executive Order 12837 *(General Support Services). Reflects reduced GSA rental space requirements due to recent downsizing.*		-774
The decrease is based on reduced space requirements caused by downsizing of the OCS program - most of the change is in Alaska office space with some decrease in Washington DC area space.		
Total Uncontrollable Cost Changes		2,119 -12 FTE

Department of the Interior
Minerals Management Service
Royalty and Offshore Minerals Management
Program and Financing

dollars in thousands

14-1917-0-302		FY 1994 Actual	FY 1995 Enacted	FY 1996 Estimate
Program by activities:				
Direct Program:				
00.0101	Outer Continental Shelf Lands	93,991	87,367	88,097
00.0201	Royalty Management	65,573	68,035	71,529
00.0301	General Administration	33,604	33,293	33,722
00.9101	Total direct program	193,168	188,695	193,348
01.0101	Reimbursable program	2,913	10,350	13,950
10.0001	Total obligations	196,081	199,045	207,298
Financing:				
21.4001	Unobligated Balance Available,Start of Year	-5,206	-5,682	-5,682
24.4001	Unobligated Balance Available, End of Year	5,682	5,682	5,682
25.0001	Unobligated balance expiring	3,776	—	—
39.0001	Budget Authority	200,333	199,045	207,298
Budget Authority:				
Current:				
40.0001	Appropriation	193,197	189,056	193,348
40.0078	Reduction per PL 103-332		-361	
42.0000	Transferred from other accounts	500		
43.0001	Appropriation (total)	193,697	188,695	193,348
68.0001	Spending authority from offsetting collections	6,636	10,350	13,350
Relation of obligations to outlays:				
71.0001	Total obligations	196,081	199,045	207,298
72.4001	Obligated balance, start of year	69,219	58,944	59,713
74.4001	Obligated balance, end of year	-58,944	-59,713	-62,130
77.0001	Adjustment in Expired Accounts	-3,060	—	—
87.0001	Outlays (gross)	203,296	198,276	204,881
Adjustments to budget authority and outlays				
Deductions for offsetting collections:				
88.0001	Federal funds	-1,636	-1,550	-1,550
88.4001	Non-Federal sources	-5,000	-8,800	-12,400
88.9001	Total, offsetting collections	-6,636	-10,350	-13,350
89.0001	**Budget authority (net)**	**193,697**	**188,695**	**193,348**
90.0001	Outlays (net)	196,660	187,926	190,931

Minerals Management Service
Royalty and Offshore Minerals Management
Object Classification

dollars in thousands

14-1917-0-1-302		FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Direct Obligations:				
Personnel compensation				
111.10	Full-time permanent	89,270	89,667	92,369
111.30	Other than full-time permanent	1,259	1,260	1,260
111.50	Other personnel compensation	2,098	2,100	2,100
111.80	Special personal services payments	40	40	40
111.90	Total personnel compensation	92,667	93,067	95,769
112.10	Civilian personnel benefits	19,402	19,291	19,253
113.00	Benefits for former personnel	1,372	1,965	2,122
121.00	Travel and transportation of persons	3,160	2,948	3,471
122.00	Transportation of things	278	260	275
123.10	Rental payments to GSA	10,516	10,750	10,262
123.20	Rental payments to others	60	55	55
123.30	Communications, utilities and miscellaneous charges	2,377	2,217	2,489
124.00	Printing and Reproduction	452	421	423
125.10	Other services	32	30	30
125.20	Other services	59,953	50,306	51,053
126.00	Supplies and materials	3,160	2,948	3,247
131.00	Equipment	4,681	4,366	4,826
141.00	Grants, subsidies, and contributions	58	54	54
144.00	Refunds	—	15	15
199.00	Subtotal, direct obligations	193,168	188,695	193,348
Reimbursable Obligations:				
211.10	Full-time permanen	166	166	166
211.30	Other than full-time permanent	4	4	4
211.50	Other personal compensation	4	4	4
211.80	Special personal services payments	2	2	2
212.10	Civilian personnel benefits	135	153	153
221.00	Travel of Persons	195	195	195
222.00	Transportation of Things	14	14	14
223.30	Comm, Utilities & Msc Chrgs.	4	4	4
225.20	Other services	2,317	9,000	11,858
226.00	Supplies & Materials	8	308	600
231.00	Equipment	64	500	950
299.00	Subtotal, reimbursable obligations	2,913	10,350	13,950
999.90	Total Obligations	196,081	199,045	207,298

Department of the Interior
Minerals Management Service
Oil Spill Research
Program and Financing

dollars in thousands

14-8370-0-302		FY 1994 Actual	FY 1995 Enacted	FY 1996 Estimate
Program by activities:				
Direct Program:				
00.9101	Total direct program	5,288	6,440	7,892
01.0101	Reimbursable program	265	260	260
10.0001	Total obligations	5,553	6,700	8,152
Financing:				
21.4001	Unobligated Balance Available, Start of Year	-167	-210	-210
24.4001	Unobligated Balance Available, End of Year	210	210	210
25.0001	Unobligated balance expiring	—	—	—
39.0001	Budget Authority	5,331	6,440	7,892
Budget Authority:				
Current:				
40.0001	Appropriation	5,331	6,452	7,892
40.0078	Reduction per PL 103-332		-12	
43.0001	Appropriation (total)	5,331	6,440	7,892
68.0001	Spending authority from offsetting collections	265	260	260
Relation of obligations to outlays:				
71.0001	Total obligations	5,553	6,700	8,152
72.4001	Obligated balance, start of year	1,203	2,093	1,926
74.4001	Obligated balance, end of year	-2,093	-1,926	-2,444
87.0001	Outlays (gross)	4,664	6,867	7,634
Adjustments to budget authority and outlays				
Deductions for offsetting collections:				
88.9001	Total, offsetting collections	-265	-260	-260
89.0001	Budget authority (net)	5,331	6,440	7,892
90.0001	Outlays (net)	4,399	6,607	7,374

Minerals Management Service
Oil Spill Research
Object Classification
dollars in thousands

14-8370-0-1-302		FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Direct Obligations:				
Personnel compensation				
111.10	Full-time permanent	505	1,526	1,564
111.50	Other personnel compensation	7	7	7
111.90	Total personnel compensation	512	1,533	1,571
112.10	Civilian personnel benefits	82	352	256
113.00	Benefits for former personnel	25	25	
121.00	Travel and transportation of persons	41	42	42
123.30	Communications, utilities and miscellaneous charges	8	8	8
124.00	Printing and Reproduction	1	1	1
125.20	Other services	4,609	4,463	5,998
126.00	Supplies and materials	10	10	10
131.00	Equipment	—	6	6
199.00	Subtotal, direct obligations	5,288	6,440	7,892
Reimbursable Obligations:				
225.20	Other services	265	260	260
999.90	Total Obligations	5,553	6,700	8,152

Department of the Interior
Minerals Management Service
All Appropriations
Personnel Summary

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Direct Funds:			
Full-time equivalent employment	1,918	1,916	1,889
Full-time equivalent of overtime and holiday hours	5	5	5
Reimbursable Funds:			
Full-time equivalent employment	1	—	—
Full-time equivalent of overtime and holiday hours	—	—	—

The FY 1995 estimate has not been adjusted to exclude FTE associated with denied hardrock royalty request. The FY 1996 estimate incorporates this correction.

Department of the Interior
Minerals Management Service
All Appropriations
Employee Count by Grade

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
ES-6	3	3	3
ES-5	5	4	4
ES-4	4	4	4
ES-3	3	2	2
ES-2	1	1	1
ES-1	1	1	1
Subtotal	**17**	**15**	**15**
GS-15	76	70	68
GS-14	182	178	176
GS-13	416	416	414
GS-12	514	516	513
GS-11	220	220	215
GS-10	7	7	6
GS-9	60	66	56
GS-8	43	41	41
GS-7	131	138	133
GS-6	109	109	110
GS-5	83	82	84
GS-4	44	44	44
GS-3	7	6	6
GS-2	3	2	2
GS-1	6	6	6
Subtotal	**1,901**	**1,901**	**1,874**
Total employment (actual/projected), end of fiscal year	1,918	1,916	1,889

Outer Continental Shelf Lands

Strategic Plan

As the manager of the nation's OCS energy and non-energy mineral resources, the MMS's long-term strategy is to assess those resources, in consultation with affected parties, to determine if they can be developed in an environmentally sound manner and, if leased, to regulate activities to ensure safety and protect the environment. This long-term strategy affects the way MMS manages the OCS resources and the way MMS faces the challenge of maintaining a balance between providing energy and protecting the Nation's unique and sensitive environments and other natural resources.

Mission

The Outer Continental Shelf Lands (OCS) Program significantly contributes to national energy, economic, and environmental policy. The OCS Lands Act directs that the program:

- ✓ Help meet the nation's energy needs;
- ✓ Provide for environmentally sound exploration and development of OCS mineral resources; and
- ✓ "Balance" the various environmental and resource issues and concerns of affected parties.

Impact of the Program

About 14 percent of domestic oil and 23 percent of domestic natural gas are supplied from the OCS. About 33 percent of undiscovered oil and gas resources underlay these areas. Over $100 billion in federal revenues have been collected from this program with further billions generated in direct benefits to the national economy, including hundreds of thousands of jobs.

Performance Measurement

The low record of oil spills and the overall preference for natural gas has led many to support the OCS as a sound environmental alternative to other energy sources. On the other hand, some State and local governments have raised concerns about environmental issues and requested further environmental analyses. Whether the program is supported or not does not negate the fact that decisions and policies concerning the OCS involve significant national issues.

Though difficult to assess, the principal performance measure for the program is whether decisions and policies involving the OCS are in the national interest, and are based on the best available information and analyses concerning the various "balancing" considerations. In other words, are these lands being managed and are activities regulated efficiently and to the benefit of national goals? It is the job of MMS to efficiently provide decisionmakers the best available information and analyses for these decisions, and to properly and efficiently manage operations to implement MMS environmental and safety regulations.

Reinvention and Streamlining Accomplishments

From FY 1985 through FY 1995, the OCS program's FTE has been reduced by 281 (24 percent). This has been accomplished by: (1) reengineering the program in response to national interest and industry activities; and (2) streamlining organizations and processes.

The OCS program has shifted its emphasis from pre-lease activities in broad leasing areas to a more focused program concentrating on sound and safe development of resources from current leases and pre-lease activities

only in Alaska and the Gulf of Mexico. This has resulted in the elimination of the Atlantic Regional Office, elimination of pre-lease activities in the Pacific Region, and significant downsizing of the Alaska Regional Office.

The program continues to stress the responsible development of the Nation's offshore energy resources, especially natural gas. Information management, pursuit of good science, safety, and pollution-free operations are emphasized. Special attention is being devoted to increased consultative initiatives, and meeting new responsibilities imposed by legislation such as the 1990 Clean Air Act Amendments and the Oil Pollution Act of 1990.

Organization and Budget Structure

The OCS Lands budget activity is divided into four subactivities: (1) Leasing and Environmental Program; (2) Resource Evaluation Program; (3) Regulatory Program; and (4) Information Management Program. The Leasing and Environmental Program and the Regulatory Program are further subdivided into program elements.

Offshore Minerals Management (OMM) is the organization in MMS that directly manages the OCS Lands budget activity. Its offices are located in several geographic areas to promote efficiency and to be near major OCS activity. The headquarters offices are in the Washington, D.C. area, and the three regional offices are in: Anchorage, Alaska; Camarillo, California; and New Orleans, Louisiana. The OCS Mapping and Survey Staff is located in Denver, Colorado.

The Offshore organizational structure does not parallel the budget structure. Offshore organizations receive funding from the various program elements of the Royalty and Offshore Minerals Management (ROMM) and Oil Spill Research (OSR) appropriations. Organizational activities that can be clearly charged to a particular program element (e.g. inspections in the Gulf of Mexico Region) are charged directly to that program element. The majority of Offshore activities are directly related to a specific program element. However, some activities benefit multiple program elements and, to simplify accounting, are charged to an internal program element called Executive Direction and Program Support (ED/PS). Obligations against ED/PS are allocated back to the OCS Lands program elements at the end of each fiscal year.

Offshore offices that provide policy guidance and program direction (Associate Director, Regional Directors), coordination of program activities (OCS Advisory Board support), and support activities (Office of Management Support, Regional Program Offices) are charged to the ED/PS program element. The alternative to funding these offices this way is to split charges several ways in each of the Regions and Headquarters for positions like the Regional Director and services like copy centers, supply stores, cartographic and editorial support, budgetary support, document distribution, etc., creating a substantial workload, both internal and external to Offshore.

The Office of Management Support (OMS) is funded from the Information Management Program and the ED/PS program elements. This office provides nationwide coordination and standardization for Offshore's ADP operations, provides systems development support for TIMS, maintains the Headquarters Local Area Network, develops and administers Offshore's internal budget processes, coordinates and consolidates nationwide administrative requirements, maintains the information resources center, and provides centralized document distribution, editorial, and graphics services. OMS also funds an account to which supplies, movers, copy services, etc. for headquarter organizations are charged. In the absence of OMS, each program would have to absorb, monitor and account for these costs individually.

In FY 1994, OMS obligated $3.8M. The FY 1995 allocation is $.5M less, or $3.3M. This reduction is being accomplished through reduced support to TIMS development and streamlining of the offshore-wide budget and administrative processes.

Leasing and Environmental Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Environmental Studies	$	13,419	—	1,526	14,945	1,526
	FTE	—	—	—	—	—
Leasing & Environmental Assessment	$	14,162	325	100	14,587	425
	FTE	210	0	0	210	0
Total	$	27,581	325	1,626	29,532	1,951
	FTE	210	0	0	210	0

Environmental Program

General Description

The Minerals Management Service (MMS) environmental program is comprised of two principal program areas, the Environmental Studies Program (ESP) and the Environmental Assessment Program. Both components directly support all MMS activities (the Regulatory, Resource Evaluation, and Leasing Programs) which manage the nation's Outer Continental Shelf (OCS) energy and non-energy mineral resources. Thus, environmental staff are involved in all phases of OCS activity, from the 5-Year Comprehensive Program (5 Year Plan) through platform removals. A special goal of the Environmental Program is to develop workable solutions for those industry activities that could adversely affect environmental resources. This allows development to continue while the environment is safeguarded. As a result of this holistic approach, ***the Council on Environmental Quality (CEQ) and the National Association of Environmental Professionals named MMS as the 1994 winner of its Federal Environmental Quality Award.***

Objectives

- ✓ Provide the best available scientific and technical information to support decisions on the offshore gas, oil and hard minerals program which may have the potential to affect environmental, social and economic conditions.
- ✓ Monitor post-lease mineral resource development to determine the extent and duration of environmental effects and potential mitigation measures that can be used to minimize impacts.
- ✓ Collect and make available to the public information needed to analyze, discuss and guide future decisions on exploration, development, and production and lease sales proposed for the 5-year Comprehensive Program.
- ✓ Increase access to, and usefulness of, information on the environmental, social and economic effects of industry activities on exploration and development of OCS resources.
- ✓ To support MMS and other agencies on environmental rulemaking affecting OCS activities.

All environmental assessment, compliance and study activities also help MMS meet obligations required by numerous legislative authorities, such as the Outer Continental Shelf Lands Act , the National Environmental Policy Act, the Endangered Species Act, the Clean Air Act, and the Oil Pollution Act.

One key method of developing workable solutions is multi-disciplinary problem solving with close coordination and cooperation with numerous public, private business, and government interests. For example, the MMS is developing a cooperative program with the Fish and Wildlife Service, EPA, and several Gulf of Mexico states and industry to assess air quality impacts from OCS activities on the Breton National Wildlife Refuge (NWR) located in the Gulf of Mexico. Likewise, MMS has worked with NMFS and industry to develop reasonable safeguards for endangered turtles during removal of platforms in the Gulf of Mexico. In the area of oil spill analysis, MMS uses sophisticated ocean circulation modeling to analyze the potential risks of oil spills from OCS activities. Through this modeling, the MMS has supported the U.S. Coast Guard in its analyses required by the Oil Pollution Act of 1990 regarding tanker transportation off U.S. coasts.

In the upcoming years the environmental program will continue to stress the need to obtain high-quality, defensible scientific information that can then be used as a basis for making OCS Program and environmental compliance decisions on OCS activities.

Environmental Studies Program

Description of Program

The Environmental Studies Program (ESP) was established by the Outer Continental Shelf Lands Act as a principal element of a program designed to provide for the safe and environmentally-sound exploration, development, and production of offshore natural gas, oil, and other mineral resources. The ESP ensures that environmental, social, and economic information needed for evaluating potential effects of development of the Nation's offshore mineral resources is available to its primary customers including Minerals Management Service (MMS) decisionmakers, the public, States, and other government agencies. The ESP-sponsored projects collect and organize the large amount of environmental, social, and economic information needed to guide the numerous decisions on the Nation's offshore mineral resources.

Since its beginning in 1973, the ESP has completed more than 1,200 studies which have contributed significantly to expanding the knowledge of the marine environment and species in the Nation's coastal oceans. These studies in the physical, socioeconomic, and biological sciences have helped to develop the information base needed for assessing the potential risks of offshore mineral development. They have also provided the information needed to develop workable mitigation to minimize adverse impacts on the environment. Current ESP research efforts focus primarily on information needed for decisions on development/production activities. Such information can be illustrated by several ongoing studies in the Gulf of Mexico, the Pacific, and Alaska Regions. (See discussion below.)

At the request of MMS, the National Research Council (NRC) completed a review of the ESP in 1993. The NRC pointed out many accomplishments of the program and concluded that:

> *"the ESP's studies have provided important and useful information to informed decisions about OCS oil and gas leasing and, in the process, have contributed significantly to the accumulation of knowledge about the continental shelf areas of the United States."*

In addition, the ESP plays a vital role in ensuring that MMS actions and decisions are in compliance with the National Environmental Policy Act (NEPA) and a wide range of other environmental laws such as the Marine Mammal Protection Act, the Clean Air Act and the Endangered Species Act. The ESP was a key factor in MMS receiving the Council on Environmental Quality's NEPA environment award.

Cooperative Research Efforts with Others:

MMS has actively sought out partners in OCS research, both for their expertise, and for joint funding of projects. Stakeholder participation has been emphasized through the University Research Initiative and more recently the establishment of Coastal Marine Institutes (CMI) at the Louisiana State University, the University of California at Santa Barbara, and the University of Alaska at Fairbanks. A major goal of these agreements is to have more research done by State scientists in the States most likely to be affected by activity. This will enhance the credibility of the research results with the parties most directly concerned with OCS development proposals. A second major goal is to create an "MMS-State" partnership in which OCS issues and concerns of mutual interest are addressed cooperatively. These programs were purposely established in areas with ongoing OCS activity so that they could study actual effects, such as drilling discharges and socioeconomic impacts. In recognition of the mutual need for critical scientific information for resource management decisions, the CMI program leverages MMS funds with State funds so that more research can be done. With one to one matching, CMI leveraging enhances program capabilities by $3.5 million annually.

In addition to leveraged agreements, MMS has numerous other studies ongoing with State institutions. Not only do the State and MMS get the benefit of the research, but many university students participate. Major physical oceanography research is being conducted in the Gulf of Mexico by Texas A&M University and Louisiana State University. Scripps Institute of Oceanography is conducting physical oceanographic research in the Santa Barbara Channel area off California. The University of Southwest Louisiana, the University of New Orleans, and the State of Alaska are conducting various socioeconomic studies.

With the recent creation of the National Biological Survey (NBS) within the Department of the Interior and the transfer of responsibilities and $4.5 million of appropriated ESP base funds for the conduct of studies to address many of MMS's biological information needs, MMS has intensified efforts to interact with that bureau. In order to ensure that NBS's marine research provides both timely and appropriately targeted

Examples of ESP Research Applications:

Research conducted by the ESP is designed specifically to address information needed to make management decisions for the OCS minerals program. For example, MMS environmental studies on the Flower Garden Banks, 120 miles off the Texas coast, provide information essential to sound management of these valuable coral reefs which are a National Marine Sanctuary. It has allowed natural gas and oil development to occur close by, with the appropriate lease stipulations, and was used again to evaluate a proposal to run a pipeline through the reefs. Research indicated the latter to be environmentally unacceptable, and the pipeline was successfully routed around the Sanctuary instead. The National Oceanic and Atmospheric Administration (NOAA) recently presented the MMS with an award in recognition of its valuable environmental research on the Texas Flower Garden Banks.

Another example which illustrates research focused on postlease decisions is the monitoring of Bowhead whales in the Beaufort Sea to identify their migration routes and seasonal behavior. This information provides industry with "windows" for conducting seismic activities and exploratory drilling while at the same time minimizes any negative impacts to the Bowhead whales.

Some research is used primarily in the sale planning stages. Concerns for coastal and shoreline habitats always arise, and ESP research findings are used to evaluate the possibility of damage to these resources, to identify preventative measures and stipulations if necessary, to identify areas which could not sustain any damage, and to identify those areas where no leasing can occur. For example, ESP research results are used to develop hypothetical oil spill trajectories in the various proposed leasing areas. Research results from physical oceanographic and water quality studies are used extensively for developing and running these models. ESP information not only helps to minimize risks, it also helps to identify and protect valuable ecological resources and rehabilitate

affected animals and areas if a spill should occur. The above-mentioned oil-spill trajectory models also help spill-response teams in deployment of

continued on next page

data, cooperation and communication must be both frequent and effective. In keeping the desire to control costs and minimize duplication of Federal programs, MMS has increased its level of coordination with the U.S. Geological Survey (USGS). MMS and the USGS have established a process for identification of MMS planned research efforts which could be conducted by USGS scientists in a timely and cost effective manner to provide environmental information for MMS's decision needs.

MMS directs its research to those organizations which are best qualified to provide the information in a manner which is cost-effective for the government. Several federal agencies have relevant mandates and established capabilities and are utilized by MMS to meet its information requirements to support OCS development resource management decisions. Work continues with the Department of Energy on a study of effluent discharges in the Gulf of Mexico (MMS contributed $200,000 to become part of a $4 million effort). MMS has several ongoing efforts with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS) on various marine mammal, sea turtle, fish, seabird, and polar bear studies. MMS is working with the Environmental Protection Agency on air quality studies and with the Navy on ocean circulation modeling in the Gulf of Mexico. MMS supports meteorological data buoys off the Pacific and Gulf of Mexico coasts through NOAA's National Data Buoy Center. The data from these buoys are used by the National Weather Service as well as by MMS.

Plans for Fiscal Year (FY) 1996:

The ESP must continue to seek leveraging opportunities to conduct the research needed for ongoing and planned marine minerals development activities. Collaboration with other federal agencies, and cooperative agreements with State, local government, and industry will all be considered in the research planning activity.

ESP plans for FY 1996 will continue to emphasize collection of scientific information to assist management decisions for safe and environmentally sound production activities in the Gulf of Mexico. The Coastal Marine Institute at LSU will enter its fifth year, providing MMS with focused research on OCS

continued from previous page

containment booms and with shore protection strategies. The information collected is an important component of MMS' review of oil spill contingency plans.

A good portion of the ESP research has long-term payback. For example, oil-following-drifter research being conducted under the ESP is furthering our technology by developing and field testing satellite tracked oil-following drifting buoys which mimic the behavior of spilled oil. The NOAA Hazardous Materials Response team used the MMS drifters successfully in clean-up of accidental spills off Puerto Rico and Tampa Bay. The buoy data assists both spill modelers and actual oil spill responders to better estimate spill pathways, critical information for oil spill contingency planning and on-the-scene spill response.

In addition, some research is designed to lay the foundation for an environmentally sound offshore sand and gravel program. Studies are underway which will provide information on the nature and duration of disruption to seabed marine life as a result of proposed marine mining activities. results of these scientific studies are essential to program planning activities and prudent decisionmaking.

Some ESP research has unexpected benefits to local communities. The Bowhead Whale monitoring study has an unplanned spinoff in that the monitoring data are used by local Alaska natives in their subsistence hunting. Also, fisheries investigations in the Gulf of Mexico have shown that offshore activities often have a positive effect on the local economy. For example, recreational fishing is excellent around the offshore platforms because fish are attracted to and some fish populations are possibly enhanced by the structures, as if they were reefs. And finally, some MMS air quality data for Southern California is used by Santa Barbara and Ventura counties in formulating their local air quality models, an EPA requirement.

Because MMS research focuses in part on oil spill related impacts, some research findings have been particularly relevant for accident remediation. For example, findings from ESP-sponsored research on oil-cleaning techniques for sea birds and marine mammals and on remediation techniques were used by workers in the Exxon Valdez oil-spill cleanup operation.

issues in the marine and socioeconomic sciences. The CMI has been particularly successful in establishing a strong State-Federal partnership with one-to-one sharing of costs with the State. Continued emphasis will be placed on collection of physical oceanographic data which supports several MMS functions, and collection of air quality data to determine OCS contributions, if any, to onshore air pollution.

Another program focus is to improve understanding of socioeconomic impacts in areas that have experienced or are projected for future OCS activities. Such research will be carried out in each of the regions. In the Pacific Region some of this work will be focused through partnerships with the State and local governments, and through the CMI at the University of California at Santa Barbara. Additional partnerships in the Pacific Region with Scripps Institute of Oceanography and the Office of Naval Research will allow the collection of needed information on physical oceanographic processes and the physical fates of oil in the marine environment.

Studies in the Alaska Region will be designed to provide information for management decisions associated with the Arctic and Cook Inlet plans for lease sales and exploration. Physical oceanographic data will be collected and much-needed research on the fates and effects of oil in the arctic marine environment will be carried out through the highly-leveraged CMI at the University of Alaska at Fairbanks. Additionally, the arctic studies will be designed so that the information can be applied to the proposed simultaneous lease sale with Russia.

The National Program office will continue to focus on research efforts associated with the Oil Spill Research (OPA 90) funds. Sharing of costs and technical requirements with the Office of Naval Research will allow conduct of important research of coastal ocean mixing and additional physical processes associated with coastal and oceanic circulation. Collaboration will continue with the USGS to determine cost-effectiveness and technical capability for performance of additional studies by USGS. Biological studies to be conducted by the NBS for the MMS OCS Program will include important new efforts on marine mammals and sea turtles and the continuation of several other projects, mostly in the Gulf of Mexico.

The FY 1996 ESP will focus on OCS areas that are currently experiencing OCS activities and those OCS areas scheduled to have lease sales. No studies are planned for initiation in areas that do not have any activity or likelihood of activity in the near future.

Justification of Program Change
Environmental Studies Program
dollars in thousands

	1995 Enacted	1996 Request	Change
$	13,419	14,945	1,526
FTE			

Increasing the Studies budget by $1.526 million will restore the Program to its FY 1993 base. At this level, Environmental Studies will be able to fully fund its three Coastal Marine Institutes in Louisiana, Alaska, and California, fund continuing studies ($7,444,000), and initiate some of the highest priority new studies. Fiscal flexibility is needed to be able to respond to new needs identified during development of the latest 5-Year Gas and Oil Program, to meet the changing needs of post-lease activities, particularly in the Gulf of Mexico, and to investigate more fully the social and economic effects of OCS activities on local communities, both in the Gulf of Mexico and in Southern California. Additional work on the long-term cumulative effects of offshore activities on marine ecosystems is also needed in the Gulf of Mexico, and Southern California. Information and data derived from environmental studies research contracts are used directly by decision-makers in critical OCS program decisions to ensure defensible policies, and safe, environmentally sound activities.

Leasing and Environmental Assessment

Environmental Assessment

Offshore Environmental Assessment activities support the Comprehensive OCS Leasing Program (5-Year Plan), the Regulatory Program, and Resource Evaluation Program, including the geologic & geophysical permitting process, and leasing activities.

Objectives

- ✓ To manage the Environmental Studies Program;
- ✓ To evaluate the potential environmental effects of proposed and permitted OCS activities; and
- ✓ To support MMS and other agencies on environmental rulemakings affecting OCS activities.

1. Management of the Environmental Studies Program:

Major workloads associated with the management of the Environmental Studies Program are:

Evaluating Information Needs — Identifying the critical information and data required at different decision steps in the OCS pre- and postlease program activities continues to be central to the studies planning process. While the research is primarily driven by internal MMS decisionmaking needs, State and local government, and public concerns are incorporated when practicable. Existing information resources are reviewed and used when possible.

Designing and Contracting Environmental Studies Research — Research projects must be conceptualized and carefully designed to ensure, not only integrity of the research, but applicability of the data for MMS decisions. Staff develop Statements of Work and other contractual documents, conduct proposal evaluations for costs, scope and scientific integrity, or create cooperative agreements for non-competitive studies. Recent years have seen a shift to more cooperative agreements and fewer competitively bid contracts. ESP's collaboration with National Biological Survey and the Geological Survey exemplify this.

Management of Studies Contracts and Research Products — Oversight, monitoring, and evaluation of ongoing research efforts is critical to ensure cost containment, timeliness and quality of research. These efforts constitute one of the ESP staff's major roles. Leveraging research monies by means of Coastal Marine Institutes has increased the number of individual projects with a corresponding need for increased oversight.

Making ESP Information Available — Making research products available to MMS decisionmakers, States, local governments, industry, and the public in a timely fashion is an important part of the ESP mission. Information must be cataloged, formatted and entered in databases. Announcements, bibliographies and technical summaries are produced and disseminated. Data is exchanged with interested parties, and submitted to other Federal agencies. Presentations are given at scientific conferences and MMS's own Information Transfer Meetings, and public inquiries are processed. Under current development, as a TIMS information system module, is the automated ESP Information System (ESPIS) which will contain ESP research results and be available on-line to Federal decisionmakers, States, local governments, and the public. Recent years have seen increased emphasis by outside groups such as the National Research Council on improving dissemination of ESP research, and ESP is enhancing this element.

Collaboration with State, Local, Other Federal, and Academic Institutions — This element has increased in recent years as efforts with other Federal offices such as Geological Survey and National Biological Service have become part of the ESP research program. The ESP historically has supported collaborative efforts with other organizations, but as research budgets declined, this approach has become an important way to leverage research monies and to involve regional and national stakeholders in the

process. The three Coastal Management Institutes in Louisiana, Alaska, and California exemplify ESP's efforts in this regard. A good portion of ESP's research budget is now spent on collaborative efforts requiring an increased level of staff effort in this area.

ESP Executive and Administrative Support — Management of the direction and quality of the overall Program, in addition to management of ESP staff, and administrative activities are in this element, together with operation and coordination of the MMS Advisory Board's Scientific Committee. Producing briefings, summaries, and responses to Bureau, Departmental, and Congressional exercises and inquiries, as well as work on agency and interagency working groups, legal proceedings, and other discovery efforts has increased in recent years.

2. Evaluation of Potential Environmental Effects of OCS Activities (both proposed industry activity and MMS lease sales).

This includes preparation and analysis for all MMS Environmental Impact Statements (EIS) and Environmental Assessments (EA) for:

- MMS Lease Sales;
- Industry Geologic and Geophysical Permits;
- Industry Exploration and Development and Production Plans;
- Industry platform removals;
- The review of oil spill contingency plans in State waters;
- Oil spill analyses;
- Coordinating with other agencies and the public on proposed OCS activities; and
- Monitoring industry activities (such as geological and geophysical exploration activities, exploration and development/production plans, pipelines, and rights-of-way) for compliance with MMS's and other environmental regulations.

Before a decision can be made on whether industry or MMS activity should proceed, the environmental effects of the proposed activity must be assessed. If effects are deemed to be adverse, a decision on whether to proceed and/or plans to mitigate these effects must be developed. MMS environmental staff review proposed plans and prepare the necessary National Environmental Policy Act (NEPA) documentation which describes to the decisionmaker the environmental effects the project may cause. If adverse effects are likely, the activity may not proceed, or the staff actively participates in developing workable mitigation. This directly supports the Regulatory and Resource Evaluation Programs (approval of plans and permits) as well as the Leasing Program (lease sales). Workloads associated with these reviews and assessments of industry activity primarily include Environmental Assessments and Categorical Exclusion Reviews.

Environmental Assessments are NEPA documents which analyze the environmental impacts of proposed actions, examine appropriate mitigating actions for use in MMS decisionmaking, and determine if the action significantly affects the human environment (if so, the preparation of an EIS is required). Most EA's are brief analytical documents requiring about 2 weeks of staff time to prepare.

Categorical Exclusion Reviews (CER) are analytical reviews of individual actions to determine if they may be categorized by the agency according to Council on Environmental Quality (CEQ) guidelines as

actions normally excluded from NEPA requirements. CER's are very brief documents, requiring less than 1 week of staff time.

MMS prepares **Environmental Impact Statements (EIS's)** to support OCS program development and OCS lease sales in all areas. MMS will also prepare an EIS if industry proposes development outside of the Western or Central Gulf of Mexico. About 15 analysts in the Gulf of Mexico Region, with additional staff support, prepare a lease sale EIS (draft and final) in approximately 20 months. Lease sale EIS's in the Alaska Region require about 30 months to prepare. EIS's are often 750 pages in length, and for controversial sales an EIS may exceed 1,000 pages. Over 50 staff from Headquarters and the Regions contribute in some manner to preparation of a 5-Year Program EIS.

Oil spill analyses are done for all lease sales and for various post lease activities such as exploration and development plans. Consultation with other Agencies and the public occur for all these activities.

Ongoing Workloads
numbers

	1994 Actual	1995 Estimate	1996 Estimate
Environmental Assessments	200	245	222
Categorical Exclusion Reviews	1,147	1,074	1,143
Environmental Reports/ Informational Reviews	360	410	460
Air Quality Reviews	1,148	1,268	1,268
Archeology Reviews	648	663	663
Biological Reviews	31	41	46
Oil Spill Reviews	752	822	822
Oil Spill Risk Analyses Modeling & OPA'90 Support to USCG	5	4	5
Section 7 ESA Consultations	5	7	3
Draft EISs in Preparation	5	8	4
Final EISs in Preparation	2	3	7
Federal Agency Coord.	569	621	621
State/Local Coordination	655	715	708
Public Consultation	377	455	459

Environmental Assessments. In FY 1994, 200 environmental assessments were prepared to assess industry activity in the Gulf of Mexico, Pacific and Alaska regions. The need for environmental assessments is expected to increase in FY 1995 and change only slightly in FY 1996. Aging offshore gas/oil platforms in the Gulf of Mexico are expected to be removed in FY 1995 and FY 1996. EAs are prepared and mitigation developed when platforms are removed with explosives that have the potential to harm marine turtles or marine mammals.

Categorical Exclusion Reviews. MMS prepares CER's to review industry activity that historically had little potential for significant environmental effects. This includes most exploration and development plans in the Gulf of Mexico and most G&G permit reviews. Such reviews streamline the MMS workload while still assessing whether environmental effects could occur. (If significant effects are even a possibility, an EA must

be prepared in accordance with NEPA.) In FY 1994, 1,147 CERs were prepared by MMS. CERs are expected to decrease slightly in FY 1995 and then increase again in FY 1996 for platform removals in the Gulf of Mexico, again due to the number of aging platforms.

Environmental Reports/Informational Reviews/Other Reviews. During FY 1994, MMS reviewed industry plans of exploration, development, and production, in addition to Development Operations Coordination Documents (DOCD's) from states with coastal zone management programs in the Gulf of Mexico. Permitting operations reviews were also conducted providing information to the states for CZMA consistency determinations and also for use by MMS for NEPA responsibilities. In addition, air quality, biological sciences, and archeological discipline-specific reviews were conducted on all plans or pipeline proposals for leases and rights-of-way, site specific and regional. Oil spill contingency reviews are also an ongoing activity for both OPA '90 compliance and for all industry-submitted plans. In FY 1995 and FY 1996, the level of effort is expected to increase slightly consistent with the planned activities of industry in the Gulf of Mexico Region.

Oil Spill Risk Analyses Modeling. Oil spills and where they potentially could go are a major public concern and must be assessed. Thus MMS prepares oil spill risk analyses for all sales and for selected exploration and development plans. In several cases, ocean circulation models were developed in-house by MMS at a cost of approximately $70,000; previously, such work was contracted out at a cost of over $1 million per study area. Historic spill occurrence research is used to estimate the likelihood of future occurrences of large spills. In FY 1994, MMS prepared a report on worldwide occurrence of large tanker spills. In FY 1995, MMS published research on comparative spill occurrence rates for large spills from platforms, pipelines, tankers, and barges. In FY 1996, MMS will continue to collect data and update information on large spill occurrences.

In FY 1994, MMS performed analyses for Gulf of Mexico Lease Sales 157 and 161, Cook Inlet Sale 149, and Gulf of Alaska/Yakutat Sale 158. In FY 1995, analyses were performed for Gulf of Mexico Lease Sales 166 and UWGS, and Beaufort Sea Sale 144. Risk contours were developed for the Gulf of Mexico Region's analysis of the sensitive area near the Flower Garden Banks. In FY 1996, analyses will be performed for the next Central and Western Gulf of Mexico sales, and for St. George Basin Sale 153 and/or Hope Basin Sale 159. Also, at least one oil spill risk analysis is likely to be performed to support a Development and Production Plan submitted for the Eastern Gulf of Mexico.

OPA '90 Support to USCG. Due to MMS expertise in oil spill modeling, the U.S. Coast Guard (USCG) has asked MMS for assistance to support several OPA projects. In FY 1994, MMS prepared two oil spill trajectory analyses to support USCG's review of oil lightering in the Central and Western Gulf of Mexico. Also, risk contours were developed to support the USCG's analysis of tanker-free zones off the Pacific coast. In FY 1995, risk contours were developed to support the USCG's analysis of tanker-free zones off the Atlantic coast and eastern Gulf of Mexico. In FY 1996, risk contours may be developed to support the USCG's further analyses of tanker-free zones.

Draft EIS's. In FY 1994, MMS staff prepared 4 draft EIS's for proposed lease sales in the Gulf of Mexico and Alaska Regions. The draft EISs scheduled for preparation in FY 1995 and FY 1996 are for sales on the 1992-1997 Comprehensive Program lease sale schedule. EISs are prepared to help assess the effects that the sales and resulting activity may have on environmental resources, and to develop alternatives to the project. To help identify issues and concerns, consultation with the public, States, and local communities occurs while the draft EIS is being prepared. This can lead to changes in the project or alternatives. For example, the Shelikof Strait portion of the Cook Inlet Planning Area was removed from proposed Sale 149 during preparation of the draft EIS.

Final EIS's. After receiving formal public comment, a final EIS is prepared which responds to the comments and provides final conclusions about the environmental effects the sale and resulting activity may have. This assists the Department in making final decisions on the size of the sale and any sale specific conditions under which industry must operate. In FY 1994, MMS prepared two final EISs for lease sales in the Gulf of Mexico Region. The final EISs scheduled for preparation in FY 1995 and FY 1996 are for sales on

the 1992-1997 lease sale schedule. Due to an increase in the number of lease sale planned the final EIS workload will increase in the next two years compared to FY 1994.

Interagency Coordination. In FY 1994, MMS held approximately 600 formal and informal meetings with other federal agencies to coordinate work where activities and jurisdiction overlapped. An increased level of effort is anticipated for FY 1995 and FY 1996. During FY 1995 and FY 1996 MMS and the Environmental Protection Agency will continue to carry out agreements whereby the two agencies cooperate in the preparation of EISs for proposed lease sales in the Gulf of Mexico and Alaska Regions. During this period, MMS will seek the cooperation of EPA and other Federal agencies for the preparation of the EIS for the 1997-2002 OCS Program. Pursuant to Section 7 of the Endangered Species Act, MMS conducts formal and informal consultations with the National Marine Fisheries Service and the U.S. Fish and Wildlife Service on leasing and regulatory actions deemed to affect an endangered or threatened species and/or its critical habitats. In FY 1994, 5 formal and numerous informal consultations were conducted for both leasing decisions and postlease regulatory actions in the Gulf of Mexico and Alaska Regions. Sales currently proposed will require slightly increased formal and informal leasing decision consultations. For FY 1995 and FY 1996, there will be an increase in the number of platform removals and related consultations in the Gulf of Mexico.

Beginning in FY 1993, as required under the National Marine Sanctuaries Program Amendments Act of 1992, MMS carried out formal consultations with the Department of Commerce on activities affecting designated National Marine Sanctuaries (NMS). This includes any activity near the Flower Gardens NMS in the Gulf of Mexico, the Channel Islands NMS off California, and the U.S.S. Monitor NMS off North Carolina. Required consultations will add to the overall increase in this workload.

Federal-State/Local Coordination. To understand issues of concern to the States, in FY 1994, MMS held approximately 700 formal and informal meetings with state and local agencies in Alaska, California, North Carolina and several Gulf Coast states. Reports by the OCS Policy Committee and the National Research Council recommend that MMS consult more with the States, local governments, and the public. Thus an increased level of effort is anticipated for FY 1995 and FY 1996. The level of coordination with state agencies and local governments in Alaska will remain high to address environmental issues concerning proposed lease sales in Cook Inlet, the Gulf of Alaska, and the Beaufort and Chukchi Seas. Increased coordination in Florida and Alabama is expected for Development and Production Plan (DPP) EIS planning. Extensive consultation will continue in California, especially with the counties bordering the Santa Barbara Channel and Santa Maria basin. MMS holds scoping meetings, public hearings, information transfer meetings, workshops, and other public forums to receive public input for the preparation of lease sale EIS's, postlease assessments, and the collection and dissemination of environmental information. The level of effort needed to accomplish this public participation will be greater in FY 1995 and FY 1996 than in FY 1994.

Planning And Review. Planning and review for the 1997-2002 OCS Program will require an increased level of effort by headquarters and the Regions in FY 1995 and again in FY 1996. In FY 1994, as required by OCSLA Section 20(e), MMS initiated Departmental review of the Cumulative Effects Report on OCS activities during 1987 through 1991. This report will be submitted to Congress in FY 1995. Also, in FY 1995, MMS began preparing the next report covering the period 1992 through 1994 and plans to submit it to Congress in FY 1996. In FY 1994, environmental compliance reviews were conducted on industry activities in the Pacific region with several hundred special conditions applied to the operators monitored. Monitoring of bowhead whales was carried out in the Beaufort and Chukchi Seas. These review and monitoring activities are expected to continue in FY 1995 and FY 1996.

3 .Support of MMS and other Agencies on Environmental Rulemakings Affecting OCS Activities.

This includes:

- Support to MMS's Regulatory Program in developing regulations and supporting NEPA evaluations.

- Review of environmental laws and regulations prepared by other Federal Agencies.

Major workloads associated with this element are:

Support for MMS Regulations.

The Environmental Assessment Program provides policy direction for OCS activities connected with environmental laws, such as air and water quality, endangered species, and historic sites. This entails reviews of MMS rulemaking and regulatory activities for compliance with the National Environmental Policy Act, and the delivery of technical assistance and environmental oversight for MMS program activities required under the Nation's environmental laws such as the Endangered Species Act, the National Historic Preservation Act, the Clean Air Act, and the Clean Water Act. In FY 1993, the program assisted in the development of an MMS rules handbook and implementation manual for the OCS Civil/Criminal Penalties Program. In addition, NEPA reviews and technical support were provided for MMS rulemaking governing hydrogen sulfide operations, oil spill response plans for offshore facilities, non-energy minerals mining and archaeological surveys. Environmental program staff also developed instructional materials for international training, assessments concerning naturally occurring radioactive materials (NORM), and assessments on air emissions in GOM.

In fiscal years 1995 and 1996, it is estimated that demand for technical support from ongoing MMS regulatory programs will be similar to FY 1994. An increase in this workload may occur in responding to issues concerning NORM on the OCS and MMS's involvement in the London Convention amendments regarding discharge of low-level radioactive materials into the ocean or seabed. Work continues on revisions to MMS's air quality regulations for the Gulf of Mexico in line with the Clean Air Act Amendments. Support for environmental review and analyses will be needed for MMS rulemaking governing oil spill response in State waters, prospecting for hard minerals, shutdown valves and cranes on platforms and other requirements.

Review of Federal Environmental Legislation, Rulemaking, and Major Decisions.

The Environmental Assessment Program staff review and prepare technical comments and information in response to congressional legislative activities, significant proposed Federal rulemaking and decisions that affect and impact MMS programs and missions. Such reviews are needed to help other agencies in developing workable rules and programs for relevant OCS activities. In FY 1994, MMS worked with EPA, NOAA (NOS and NMFS), FWS, and USCG on various rulemaking and legislative proposals concerning air/water quality, coastal zone management, marine sanctuaries, endangered/threatened species, and oil pollution control/recovery. Specific examples include extensive work and coordination activities with: (1) EPA on its new source performance standard (water quality) rules for ocean discharges and air quality rulemaking for offshore California and the rest of the OCS; (2) NOAA/NOS on several coastal zone management consistency appeals by the oil/gas industry; and (3) NOAA/NMFS and DOI/FWS on practical implementation of the Endangered Species Act and for rules for incidental take of endangered/threatened species. As a part of the above activities, a substantial number of background/briefing papers designed to develop DOI policies were prepared for MMS and Departmental management on topics including air/water quality, coastal zone management consistency appeals, endangered & threatened species, and national marine sanctuaries. These activities will continue at a similar pace in FY 1995 and FY 1996.

In FY 1994, the Environmental Program staff continued to work with other Federal agencies on their ongoing environmental rulemaking and major decisionmaking activities that impact MMS missions. These ongoing rulemaking and decisionmaking activities include EPA's air quality rules and NPDES permits (general and specific areas), NOAA/NOS's coastal zone management rulemaking and consistency appeals, and NOAA/NMFS's and DOI/FWS's rulemaking for endangered and threatened species. The program staff may also be involved in reviews and other relevant activities for the possible reauthorization of the Endangered Species Act.

Leasing

The following discussion on the leasing activities is organized by 1) program planning and pre-lease (5-YEAR PLAN, AEDP, POSTSALE) and 2) post-lease workloads.

Objectives:

- ✓ Conduct Policy Analyses and Dialogue with Constituencies to develop the 1997-2002 5-Year Program
- ✓ Implement the Area Evaluation and Decision Process (AEDP) for lease sales scheduled in the 1992-1997 5-Year Program
- ✓ Conduct Alternative Dispute Resolution (ADR) to resolve conflicts and build consensus

4. Five-Year Program.

Section 18 of the OCS Lands Act (OCSLA) requires the Secretary of the Interior to prepare and maintain an oil and gas leasing program that indicates the size, timing, and location of leasing activity determined to best meet national energy needs, and other objectives directed by the OCSLA, for the 5-year period following its approval. Development of a 5-year program allows an efficient allocation of planning resources by all concerned: Federal agencies, the coastal States, the oil and gas industry, and other stakeholders. The current 5-year program covers the period from July 1992 to July 1997. Preparation of a new 5-year program (1997-2002) was initiated by a Federal Register notice published in November 1994. For each of the three major drafts specified in the OCSLA for preparation of the next 5-year program, the decision information consists of a program decision document and a memorandum presenting options for Secretarial decisions. A draft Environmental Impact Statement (EIS) and final EIS are also prepared.

The 5-Year Program is tailored to fit the different characteristics of the Nation's coastal regions and to respond to the views expressed by States, local governments, and the public. In 1995-1996, work will proceed on preliminary planning and analysis for development of the next 5-Year Program. The draft proposed program for 1997-2002 is scheduled to be issued in the summer of 1995 and the proposed program would be issued in FY 1996. The proposed final program would be issued in FY 1997.

Key Steps in the 5-Year Program Development Process			
	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Solicit [Comments Section 18 (c)(1)] from public via FR notice		■	
Comment Period		■	
Analysis & Preparation of the Draft Proposed Program		■	
Issue Draft Proposed Program [Section 18(c)(2)]		■	
Comment Period		■	
Analysis & Preparation of the Proposed Program			■
Issue Proposed ProgramSection 18(c)(3) and (d)(2)] and Final EIS			■
Comment Period			■
Analysis & Preparation of the Proposed Final Program			
Issue Proposed Final Program[Section 18(d)(2)] Final EIS			
Notification of President/Congress			
Approve Program			
Not all steps will happen during 1994-1996			

5. *The Area Evaluation and Decision Process.*

The Area Evaluation and Decision Process (AEDP) includes extensive consultation with States, coastal communities and other concerned parties to develop leasing proposals. During FY 1996 major lease sale planning activities shall continue to include:

- Continued implementation of the AEDP for the 1992-1997 5-Year Program.
- Consideration of a more efficient replacement for the AEDP to coordinate and implement the OCS leasing activity.

In the next few years, a great majority of the leasing workload will be determined by the timing of the proposed lease sales as follows:

Proposed Lease Sales Schedule

Sale Number, Area	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
152 - Central GOM	■				
155 - Western GOM	■				
149 - Cook Inlet		■			
157 - Central GOM		■			
161 - Western GOM		■			
158 - Gulf of Alaska/Yakutat		■			
144 - Beaufort Sea			■		
166 - Central GOM			■		
Western GOM			■		
Central GOM				■	
Western GOM				■	
148 - Chuckchi Sea				■	
159 - Hope Basin				■	
Central GOM					■
Western GOM					■

Note: The amount and timing of the receipts from these sales is discussed later in the Receipts section

Efforts have begun to review and modify the sale planning process. In the Central and Western Gulf of Mexico, the process will be more tailored to the annual pace of sales. In the remainder of the OCS, major sale planning steps may be modified, renamed or moved to other positions in the process. Until the new processes are adopted, the following is a brief description of the current AEDP sale planning process and the workload associated with each element:

- **Information Base Review (IBR).** The AEDP begins with an early MMS assessment of the information to be used in developing decisions on leasing. Data in MMS files, in academic institutions, and new information provided as a result of public requests is reviewed. An annual IBR will be conducted for the Central and Western Gulf of Mexico sales in 1995 and 1996.

- **Call for Information and Nominations and Notice of Intent (Call/NOI) to Prepare an Environmental Impact Statement (EIS).** The Call/NOI is the next step. It is prepared if, as a result of the IBR, no reason to stop or delay the leasing process is discovered. The Call/NOI invites interested bidders to nominate areas for leasing within a large planning area. It also asks all interested parties to submit written comments on any issues of concern. The Call/NOI is published in the Federal Register with a 45-day comment period. The EIS is also discussed under Environmental Support. A combined Call/NOI is scheduled to obtain comments on an annual pair of Central and Western Gulf of Mexico sales each year (1994, 1995, 1996).

- **Proposed Action and Alternatives Memorandum (PAAM) and Area Identification.** A PAAM is prepared for the decision on the Area Identification. If a decision is made to proceed with the proposed action, an Area Identification (AI) is made and announced through a Press Release, along with an announcement regarding the scope of the draft EIS. The EIS is required by the National Environmental Policy Act. One PAAM and Area ID is prepared each year for the Central and Western Gulf of Mexico sales.

- **Proposed Notice of Sale (PNS).** In preparing the draft PNS, MMS considers all the information gathered at both the IBR and the Call/NOI steps. The PNS provides information to the public on the size, timing, and terms and conditions of the leases. The MMS files the draft EIS with the Environmental Protection Agency (EPA). MMS tells the public that the PNS and the draft EIS are available for review through Notices of Availability (NOA) published in the Federal Register. In the Gulf of Mexico, two PNSs are prepared each year, one for a Central and one for a Western Gulf Sale. Three PNSs are scheduled in 1995 for Alaska, Sale 149 (Cook Inlet), Sale 158 (Gulf of Alaska/Yakutat), and Sale 144 (Beaufort Sea). A pair of PNSs are scheduled for 1996 for combined Sales 148/159 (Chukchi/Hope Basin) to be held concurrently with a Russian sale.

- **Section 19 Letters.** Under requirements of Section 19 of the OCSLA, Governors of the affected States are sent copies of the PNS for their review and recommendations regarding the size, timing, and/or location of a proposed lease sale. This step is known as the Section 19 Letters step. In the Gulf of Mexico, 4 letters are prepared for a Central Gulf Sale, and 2 for a Western Gulf sale each year. In Alaska in 1995, three letters will be prepared for Sales 149, 158, and 144. In 1996, two letters will be prepared for the Alaska governor for combined sales 148/159.

- **Public Hearings.** Public Hearings are held during the 90-day comment period following publication of the NOA of the draft EIS and the PNS, allowing interested parties to discuss issues of concern. In addition to the Public Hearings, MMS may schedule other meetings or workshops. Hearings are held after the release of each EIS. One set (in multiple cities) are held each year in the Gulf of Mexico for Central and Western Gulf sales. In Alaska in 1995, three sets will be held on EISs for Sales 149, 158, and 144. In Alaska in 1996, one set will be held covering the EIS on Sales 148/159.

- **Final EIS and Consistency Determination (CD).** After receipt and analysis of comments on the draft EIS and the proposed Notice (and consideration of reviews required by other environmental laws such as the Endangered Species Act), MMS decides whether to start preparation of a final EIS and a CD. The CD is required by the Coastal Zone Act Reauthorization Amendments of 1990. The CD's are sent to the appropriate State agencies to agree/disagree within 45-60 days of their receipt as to whether the proposed sale is consistent with the State's Coastal Zone Management Plan. In the Gulf of Mexico, three CD's were prepared for Central Gulf sales in 1994, four will be prepared in 1995 and 1996 assuming approval of the Texas CZM plan. One CD was prepared for the Western Gulf sale in 1994, but

two each will be prepared for the 1995 and 1996 sales. In Alaska three CD's will be prepared in 1996, one each for Sales 149, 158, and 144.

- **Balancing Letters.** When the Secretary decides on the terms and conditions of the lease sale, taking into consideration comments of affected States, the Governors are informed in writing whether their recommendations were accepted or rejected. In the Gulf of Mexico, four letters are prepared each year for Central Gulf sales, and two letters for Western Gulf sales. In Alaska, two letters will be prepared, one each for Sales 149 and 158.

- **Final Notice of Sale (FNS).** A minimum of thirty days before a Sale is held, a FNS is published in the Federal Register. The FNS includes the date, time, and location of the bid opening, the blocks offered, and the terms and conditions of the sale. In the Gulf of Mexico, two FNS's are produced each year, one for the Central Gulf sale and one for the Western Gulf sale. In Alaska, 2 FNS's will be prepared in 1996, one each for Sales 149 and 158.

- **Sale.** Sales of Federal offshore leases are conducted under competitive sealed bidding procedures. Bids submitted for a specific lease sale are opened and read in public. MMS adjudicates each apparent high bid to assure that it complies with the submitting company's legal authorizations which are on file, and for compliance with various regulations and legal notices. Upon verification, the highest valid bid for each block is evaluated to determine if it meets or exceeds bid adequacy criteria. Two sales are held each year in the Gulf of Mexico, one in the Central Gulf and one in the Western Gulf. Two sales will be held in Alaska in 1996, Sales 149 and 158.

  A bid specific data base is developed which details each bid submitted, companies participating individually and as joint ventures, percentages of interest by company by bid, bids by lease term and royalty rate, etc. Several post-sale data reports are generated and communicated on sale day to both the Department of Justice and the Federal Trade Commission for antitrust review purposes. Clearance from both agencies is required before leases can be issued.

  Bid adequacy is determined in two phases. Phase one has a 3-day time limit. Bids not meeting phase one criteria are technically and economically reviewed in detail during phase two which, by regulation, must be completed within 90 days of sale.

- **Conflict Management.** ADR encompasses a spectrum of ways to resolve conflicts in lieu of litigation, including informal discussions and negotiated rulemakings. The Offshore program is expanding an ADR approach of collaborating with local interests directly affected by OCS development, including environmental groups and State and local governments. This expanded approach includes the establishment of subcommittees of the OCS Policy Committee as well as the expansion of that committee as an MMS-wide ADR forum. An Alaska Stakeholders Taskforce has been established to develop recommendations for the new 5-year program.

6. *Post-Lease Adjudication Process.*

Once leases are issued, records relating to assignment of record title interest, operating rights, mortgages, and production status must be maintained for the life of the lease. Leases issued during the late 1940s and early 1950s are still in a producing status. As of December 1994, the Gulf of Mexico (GOM) Region had 5,123 active leases. As the major oil companies slow their domestic operations and/or shift operations overseas, an increasing number of federal oil and gas leases are being assigned to smaller independent stateside operators. This industry transition has resulted in an ever-increasing adjudicative workload to document record title, operating interest, and designated operators.

During the lease assignment process, supplemental bond compliance often is the primary MMS prerequisite to approval. Such a requirement is necessary where a lease has existing oil and gas facilities and none of the post-assignment record title holders has been deemed supplemental bond exempt. The transfer of producing leases (with major production facilities) from large to small companies increases the risk of a bankruptcy. The prospect of incurring costs into the millions of dollars for abandonment and cleanup has resulted in MMS requiring additional security.

The supplemental bond process initially requires a determination of supplemental bond eligibility. The exact amount of the supplemental bond requirement also must be determined. Official notification of this amount is made to the operator. Discussions between the operator/lessee representative and MMS regarding the supplemental bond requirement are conducted. MMS carefully reviews changes requested by the operator/lessee representative. Final MMS notification of the requirement is provided to the operator.

Upon sufficient proof of compliance, including coordination with the Federal Reserve Bank, and completion of other adjudication procedures, the assignment is eligible for approval. In the absence of supplemental bond compliance, the assignment is returned to the submitter unapproved. The entire process may take 4 weeks to a year. As of November 1994, there were 61 supplemental bonds on file with MMS with a value of $91.5 million. In addition, there are pending MMS requests for 29 supplemental bonds with a value of $40.7 million.

Ongoing Workload Number			
	1994 Actual	1995 Estimate	1996 Estimate
Active Leases	5,132	5,200	5,300
Assignments	1,837	2,000	2,200
New Companies Qualifying	74	80	85
Qualification Updates	474	500	525
Lease/Pipeline Relinquishments	242	275	300
Lease/Pipeline Terminations/Expirations	440	475	500
Surety Bonds	193	225	250
Supplemental Bonds	35	40	50
Non-required Filings	3,198	3,500	4,000
Customer Calls for Information/Assistance	8,314	8,500	9,000
Customer Visits	1,404	1,500	1,500
Surety Bond Cancellations/ Replacement	50	75	100

Active Lease. Any lease that is within its initial or primary term or a lease that has drilling or production activity.

Assignment. Transfer of specified interest or title of an active lease from one company to another.

New Company Qualifying. The necessary documentation to substantiate that a company is authorized to own/operate leases.

Qualifications Update. Changes to the initial qualifying company information, such as signing authority, changes of company name, or merger of one company into another.

Lease Relinquishment. A statement filed by an active leaseholder giving up all rights, title, and interest in the lease.

Lease Termination/Expiration. A lease that fails to meet or maintain required activity is terminated by the MMS. An active lease within its primary term which has never had any activity expires at the end of the primary term. A producing lease terminates after 90 days of no production.

Surety Bonds. MMS regulations require lessees to furnish lease specific surety bonds conditioned on compliance with all the terms and conditions of the lease. Lessees have the option to furnish, in lieu of separate lease bonds, a corporate surety bond for all oil and gas and sulphur leases held by the company. Holders of pipeline rights-of-way are required to furnish a separate $300,000 corporate surety. Some small companies opt to meet surety bond requirements by pledging U.S. Treasury Notes as security.

Supplemental/Additional Bonds. The Regional Director has authority to require additional security for liabilities associated with a specific lease. Some small companies opt to meet this requirement by pledging U.S. Treasury Notes as security.

Non-required Filings. Industry has increased non-required filings of documents indicating items such as the placement of or release from loans secured by the borrower's interest in the lease. Increased activities may be due to several reasons:

- filing with MMS is becoming more of an accepted practice with industry even though it is not required;
- some parish filing fees are high and industry may be saving significant dollars by filing with MMS only once versus several parishes; and
- industry is finding that MMS filings provide a coordinated reference source for title searches.

Customer Calls. Numerous phone calls are received requesting information or assistance. There is an expected increase in customer calls during FY 1996 for several reasons (e.g., a computerized assignment tracking system will allow quicker handling of customer questions, and high turnover of industry people has resulted in a loss of experienced industry representatives).

Customer Visits. Industry representatives often walk into the regional offices for assistance in several different functional areas such as: the official record title lineage of a lease; company qualification information as to who in a company has been granted specific authorities; who owns/operates specific leases; what operating rights have been assigned to whom; etc. The number of visitors may decrease in FY 1996 after a proposed computer dial-in system comes on line. This system will enable a person to dial in and view various fields of information, thus eliminating the need for a visit.

7. Other Activities.

Leasing Area Maps and Diagrams

Ongoing Workloads			
	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Protraction Diagrams			
NAD 27	47	10	0
NAD 83	133	150	150
Official Block Diagrams			
NAD 27			
State Seaward BDY and Limit of 8(g) Zone	574	0	0
**Block BDY Blocks	1,192	300	0
NAD 83			
State Seaward BDY and Limit of 8(g) Zone	505	0	0
**Block & BDY Blocks	0	300	0
Special Block Diagrams	0	150	150
Data Base Development	3 FTE	4 FTE	4 FTE
Baseline Point Development	1,300	7,000	10,000
A-16 Coordination	1 FTE	1 FTE	1 FTE

*Differences are attributed to the implementation of NAD 83, the phaseout of NAD 27 and the development of a corporate offshore data base.

** A Block and Boundary Block is defined as a block generated in order to populate the B&B data base with historic data.

The Outer Continental Shelf (OCS) must be accurately defined to assure that only Federal lands are offered for lease by the Federal Government. This coordinate infrastructure is referred to as the official offshore cadastre. It is being updated to reflect the Agency's efforts to implement the National Oceanic and Atmospheric Administration's June 14, 1989, Federal Register Notice (54 FR 25318) mandating implementation of the North American Datum of 1983 (NAD 83). The official MMS NAD 83 Implementation Plan was published in the Federal Register on May 1, 1991.

Official offshore coordinate data must be developed for areas not currently offered for lease. This work is necessary to comply with new statutory and regulatory requirements including:

- Oil Pollution Act of 1990;
- Office of Management and Budget (OMB) Circular A-16, Coordination of Surveying, Mapping, and Related Spatial Data Activities;
- Executive Order 12770, July 25, 1991, Metric Usage in Federal Government Programs;

- Executive Order 12906, April 11, 1994, Coordinating Geographic Data Acquisition and Access: The National Spatial Data Infrastructure; and

- Article 76 of the 1982 United Nations Law of the Sea Convention and Department of State request to define the fullest extent of U.S. jurisdiction for the entire U.S. coast and that of its territories.

The NAD 83 effort will require the MMS to redefine approximately 500 existing Official Protraction Diagrams (OPD's) and Leasing Maps (LM's) and 15,500 Supplemental Official OCS Block Diagrams (SOBD's) on the new datum. A number of new official output products will be required in order to define existing NAD 27 leases on the NAD 83 datum, to depict ambulatory leasing boundaries, and to delimit the U.S. Exclusive Economic Zone (EEZ) and international maritime boundaries. Complete offshore cadastre coverage of all relevant areas may generate as many as 200,000 diagrams.

The Block and Boundary component of the Technical Information Management System (TIMS) defines and maintains the official offshore cadastre. The cadastre uses geographic coordinates to provide accurate legal definitions of the OCS for administrative, jurisdictional, and leasing purposes. Accordingly, the Block and Boundary component is integral to the development of numerous other TIMS components.

The MMS Mapping and Survey Staff is working with coastal states (including Alaska, Texas, Louisiana, Mississippi, Alabama, and Florida) to jointly develop and fix by decree of the U.S. Supreme Court the Federal/State offshore Submerged Lands Act (SLA) boundaries. These collaborative efforts reduce the extent of costly and time-consuming Federal/State jurisdictional disputes. Jurisdictional disputes that are not resolved have the potential for delaying and/or reducing the leasable areas proposed for Federal and State offshore natural gas and oil development.

Advisory Board Coordination

The OCS Advisory Board was established in 1975 to provide advice to the Secretary and other officers of the DOI in performing discretionary functions of the OCS Lands Act (OCSLA). The OCSLA requires that Interior consult with affected States and other interested parties on all aspects of leasing, exploration, development, and protection of the resources of the OCS. The Advisory Board provides a formal mechanism for this consultation. It directly influences the program by providing a unique forum for conflict resolution and policy development for this critical national energy program. The board was renamed the Minerals Management Advisory Board in 1994 to enable it to address royalty-related issues. The new board, the Minerals Management Advisory Board, is comprised of:

- an OCS Policy Committee;
- a Gulf of Mexico Offshore Advisory Committee (GOMOAC);
- an OCS Scientific Committee; and
- a Royalty Policy Committee.

The OCS Policy Committee advises the Secretary on the national policy implications of managing the OCS resources. The GOMOAC advises the Regional Director, Gulf of Mexico (GOM) Region, on all aspects of OCS development. The OCS Scientific Committee advises MMS on the feasibility, appropriateness, and scientific value of the Environmental Studies Program. It reviews the relevance of data being produced by the program and recommends changes in its scope, direction, and emphasis. The Royalty Policy Committee advises MMS on royalty management and other mineral related policies. The purpose of the OCS committees did not change with revisions that allow royalty issues to be addressed by the Board.

The members are appointed by the Secretary and provide advice to officials within the DOI. The membership is balanced as required by the Federal Advisory Committee Act (FACA) to ensure that all interested constituencies, including the coastal States, are adequately represented. The Advisory Board committees convene several times a year and have distinct purposes as explained in their charters.

The Advisory Board committees frequently appoint subcommittees for in-depth analyses of specific issues, and their findings are reported back to the standing committees. These subcommittees are dissolved after they have given their report to the standing committee. Subcommittees are frequently appointed at one meeting and dissolved at the next biannual meeting. The members are appointed by the Chairman of the OCS Policy Committee and usually have between five and ten members.

The OCS Policy Committee created four subcommittees in 1994 to address legislative, mineral, oil spill financial responsibility, and regional issues. The subcommittees are:

- the OCS Legislative subcommittee;
- the Hard Minerals subcommittee;
- the Subcommittee on the Oil Pollution Act of 1990; and
- the Regional Stakeholders Task Force.

The MMS provides support for all the Advisory Board committees, including the service of an Executive Secretary. Such support includes travel expenses for non-Federal committee members, planning and paying for committee and subcommittee meetings, and producing meeting records as required by the FACA.

Justification of Program Change
International Activities

dollars in thousands

	1995 Enacted	1996 Request	Change
$	—	+100	+100
FTE	—	—	—

The increase in funding supports a DOI initiative dealing with U.S./Mexican border environmental issues. As part of the DOI Field Coordinating Committee and the Environmental Education Subcommittee, the MMS has been designated to coordinate a "Coastal and Marine Binational Information Transfer Workshop" for U.S. and Mexican interdisciplinary scientists in Corpus Christi, Texas, in the summer of 1996. Topics of mutual interest which will be investigated during the workshop include:

- Safety and regulation;
- Oil spill contingency planning;
- Physical oceanography;
- Biological concerns; and
- Mapping.

At the workshop, scientists from both countries will discuss issues, define opportunities to enhance information and data sharing, explore the possibility of cooperative research projects, and identify training opportunities related to offshore and onshore gas and oil exploration, development and production activities of interest to both nations.

Resource Evaluation Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Resource Evaluation Program	$	16,710	+326	+600	17,636	+926
	FTE	212	0	0	212	0

Program Description

The RE program acquires and analyzes geologic, geophysical, and other geoscientific data and information essential to support OCS program decisions and ensures that the Government receives fair market value (FMV) for mineral rights to OCS lands. The program responsibilities encompass all cycles of OCS program activities: identification of broad areas of the OCS thought to be most promising to contain natural gas and oil; determination of specific values for individual tracts offered for sale; and ensuring that eventual discoveries are developed and produced in accordance with the goals and provisions of the OCS Lands Act and Amendments. Current known reserves of 3 billion barrels of oil and more than 30 trillion cubic feet of natural gas will produce several billion dollars in future royalty payments as well as contributing approximately 25 percent of the Nation's natural gas production and more than 12 percent of the Nation's oil production. Additionally, 100-200 trillion cubic feet of natural gas and 10-30 billion barrels of crude oil are estimated to be discoverable on OCS lands and may make substantial contributions in meeting the Nation's natural gas and crude oil needs in the future as well as providing billions of dollars to the U.S. Treasury through bonus bids, rentals, and production royalties if leasing occurs.

The majority of the RE program activities are performed by geologists, geophysicists, petroleum engineers, and other technical and

Objectives

The main objectives of the Resource Evaluation (RE) program are to:

- ✓ Obtain and analyze proprietary geological and geophysical (G&G) data and information, and conduct resource and reserves studies of OCS lands to determine: (1) whether geologic conditions for energy or non-energy minerals exist, (2) where potential concentrations of resources and reserves are located, (3) the size of the accumulations and the likely amount of resources those accumulations may contain, and (4) the economic value of the resources and reserves.
- ✓ Advise Department and Bureau management on matters related to the OCS leasing and regulatory programs and issues from a petroleum geology and resource economic perspective.
- ✓ Collect economic data/conduct studies necessary to support the development of a comprehensive 5-year leasing program and ensure that the public obtains fair market value from individual lease sales under that program.
- ✓ Conduct continuing investigations of OCS lands necessary to estimate current discovered crude oil and natural gas reserves by fields and undiscovered crude oil and natural gas resources (including speculative resources).

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- ✓ Publish/make available timely information pertinent to the mineral potential of the OCS to the public, academia, and private industry.
- ✓ Conduct continuing reviews of available bidding systems and specific bidding variables for leasing OCS tracts and their effectiveness in accomplishing the objectives of the OCS Lands Act and Amendments.
- ✓ Conduct economic engineering, and geologic analyses in support of regulatory actions to modify lease provisions necessary to ensure optimum Government and private benefits of minerals production.

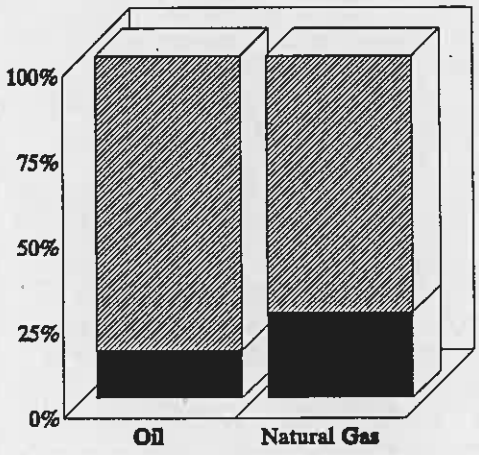
support personnel in regional MMS offices who (like industry counterparts) gather and analyze data and information pertinent to the probabilities that natural gas and oil may exist in areas under study. The MMS uses proprietary data and information gathered by industry (under permits issued by MMS regional offices) as well as academic studies and public information to conduct broad-based resource assessment, such as the joint "National Assessment" undertaken with the U.S. Geological Survey in FY 1991-FY 1995, which identifies areas with promising resource potential for future program decisions. More detailed analyses are performed on those most promising areas to determine the amounts of natural gas and oil which may exist, whether such accumulations may be economically viable for exploration and development and the mineral and economic benefits which may result from leasing the area. (These benefits are then compared with the social, environmental, and economic costs of leasing.) In the event that leasing is scheduled, very specific studies of individual tracts being offered for lease are undertaken to estimate the value of tracts being offered (based upon the amount of natural gas and oil which may exist beneath the tracts). These values are then used in conjunction with related market based criteria set forth in predetermined bidding rules to evaluate the adequacy of bids submitted by private companies—thereby ensuring that the Government receives fair compensation for leasing these mineral rights. Subsequent to leasing, industry exploratory, development, and production activities provide additional geologic data and information to RE program offices which is then incorporated into existing databases and may introduce changes to the previous expectations of the area. (For example, drilling a well may produce oil or natural gas in zones previously not expected to have oil or natural gas or may not find oil or natural gas in geologic formations expected to contain these minerals. Whatever the result, these new "facts" must then be factored into future leasing and valuation decisions.)

The key and central components to all RE functions are the proprietary geological and geophysical data and information gathered by private companies on unleased and leased lands and the capability to integrate this data and information successfully with existing data and information. Geologic assumptions and interpretations of areas are constantly undergoing changes and modifications introduced by new information, data, geologic schools of thought and technological improvements (such as innovations in the collection and interpretation of seismic data).

The RE program activities also include the development and maintenance of complex ADP-based databases and mathematical and economic models which are used in fair market value (FMV) determinations. Such models and

Total U.S. Production of Oil and Natural Gas

Federal OCS vs Onshore/State Offshore



	Oil	Natural Gas
Onshore/State Offshore	86	75
Federal Offshore	14	25

databases are also necessary to evaluate broader sale design options and OCS program and policy issues, including cost-benefit analyses of potential legislative proposals impacting OCS activities, as well as day-to-day lease regulatory decisions.

Industry Trends In recent years, the oil and natural gas industry practices of collecting and analyzing geological and geophysical data and information have changed dramatically with the advent and use of computer-assisted data interpretation and analysis systems. Such systems use powerful computer workstations, sophisticated software, and massive databases in an integrated and interactive manner to determine possible locations of natural gas and oil accumulations and estimate the size of potential fields. A significant factor in the process is the incorporation of 3-dimensional (3-D) seismic data. This allows scientists to evaluate geologic features that were virtually undetectable using the standard 2-dimensional (2-D) data. Several recent major discoveries in the Gulf of Mexico (GOM) have resulted from applying these techniques. The use of 3-D seismic data in the imaging of subsurface hydrocarbon prospects has resulted in major "subsalt" discoveries in the GOM.

The other major advance provided by these tools is the ability to integrate extensive amounts of geological and geophysical data and information into a single interpretation. This is often critical in defining the subtle oil and gas prospects that are today's exploration targets in mature areas like the GOM.

TIMS Related Activities The MMS had been unable to incorporate 3-D seismic data until a pilot program was initiated in the GOM Region in FY 1992 as an integral component of the Technical Information Management System (TIMS) project. As a result, 12 workstations were installed in the GOM Region during FY 1994 for approximately 100 geologists, geophysicists, and engineers to share. The workstations are an important tool in performing resource evaluation functions - including critical tract evaluation/bid adequacy determinations as well as field delineation (reserves) analyses.

The MMS has begun the acquisition of 3-D seismic data (as well as other digital information) currently being collected by geophysical contractors throughout the GOM Region (as well as other active areas of natural gas and oil exploration and development throughout the United States and the world). Using these data and information, MMS has begun the interactive evaluation of tracts using workstations acquired through the Geologic Interpretive Tools (GIT) pilot project. Concurrently, MMS will convert or selectively repurchase our existing 1,400,000+ miles of paper 2-D seismic information and 100,000+ paper well logs, in the GOM alone, into a form usable by these computer-based workstations.

Commencing in FY 1994 a major effort was initiated to integrate historical interpretations into the TIMS database. This included the integration of data from approximately 1,000 fields and 20,000 reservoirs, prospect evaluations from previous lease sales, regional maps, seismic navigation data, and other studies and investigations. While this effort is ongoing, the necessary task to populate the G&G database with the huge inventory of well logs, directional surveys, and velocity surveys will also be undertaken. (See section entitled G&G Data Acquisition and Analyses for specific information.)

Based on the previous discussion, the work of the RE program has been divided into nine major subelements and their description follows. Within some of the subelements, major accomplishments also have been included.

1. Regulation of Data Collection

Ongoing Workload
Number

	1994 Actual	1995 Estimate	1996 Estimate
G&G Permits Processed and Approved	133	142	150

The objective of this component of the RE Program involves the development and implementation of the regulations, rules, and procedures which must be followed by any party which collects prelease G&G data and information on the OCS for purposes related to mineral exploration, development, or production. The general purpose of these regulations (30 CFR Parts 251 and 280) is to ensure that prelease exploration and scientific research operations in Federal waters do not interfere with each other, with lease operations, or with other uses of the area. Adherence to these regulations will ensure that exploration and research activities will be conducted in an environmentally safe manner and not interfere with other activities occurring in the area.

These regulations govern the permitting, data collection, and release of information. They prescribe when a permit or a notice is required, operating procedures for conducting activities, requirements and conditions for release of data and information, and reimbursement to permittees for reproduction costs of the data and information for MMS. The level of permitting activity is expected to remain at approximately FY 1995 levels due to resurveying efforts by industry (collecting 3-D seismic data over the entire GOM), as well as renewed leasing activities in the GOM.

2 G&G Data Acquisition and Analysis

Ongoing Workload *Number*			
Seismic Data Acquisition	1994 Actual	1995 Estimate	1996 Estimate
2-D *(line-miles)*	25,000	16,000	17,000
3-D *(blocks)*	1,420	1,500	1,550

G&G Data Acquisition. The primary source of the G&G data and information used by the RE Program is the oil and gas industry which conducts exploration, development, and production activities on OCS lands. While the MMS does not perform any direct data collection activities, permits issued to industry for collecting G&G data include a stipulation that allows MMS to inspect the data and selectively acquire portions for only the cost of reproduction. However, if industry has collected data in areas not under MMS jurisdiction, e.g., State waters or adjacent foreign waters, MMS must pay the significantly higher "market price" for obtaining such data.

The data and information are used by RE geologists, geophysicists, and engineers to perform a variety of analyses including: (1) regional geologic mapping and analyses to determine major areas of hydrocarbon potential on the OCS, (2) detailed evaluation of individual OCS tracts to determine the potential FMV value of the tract for bid evaluation purposes, and (3) reserve estimates of the known discoveries of oil and gas as well as the development of resource estimates of possible occurrences of undiscovered gas and oil.

Seismic Data Acquisition. In FY 1994, 53 percent of all funding allowed for G&G data was for seismic data acquired in the GOM. Lesser amounts of funding were for data acquired in Alaska (39 percent) and the Pacific (1 percent). The remaining funds were used to support the joint MMS/State/Industry effort to publish the GOM Geologic Atlas Series (see program subelement #8). FY 1994 was a continuation of a multi-year transitional period for MMS in the G&G Data Acquisition and Analyses Component. In FY 1994, 3-D seismic data continued to be acquired and incorporated into the GOM database. The relative proportion of 3-D acquisitions to 2-D acquisitions will continue to grow in FY 1995 and later years as full-scale implementation in the GOM Region proceeds. However, 2-D seismic data acquisitions must be maintained to evaluate acreage for scheduled lease sales in Alaska.

Data Conversion. Concurrently, MMS must initiate a data conversion process to convert its entire existing database into a digital form usable by the new computer-assisted workstations - a project which will take several years at current funding levels. In some instances, MMS can reacquire some of these data in the

newer, digital formats at rates below data conversion prices, as is currently being done in the GOM. However, some older data simply do not exist in this format and must be converted through other methods such as scanning or digitizing. This is needed for the Bureau modernization effort in support of tract evaluation, reserves inventory, regional mapping and assessment, and unitization functions. In some cases, such as for digital well logs, contractual assistance may be necessary.

Other Data Acquisitions. Other data acquisitions include navigational data sets, directional surveys, velocity surveys, and well logs.

3. Resource Assessment

The objective of this component of the RE program is to identify geologic plays on the OCS that offer the highest potential for natural gas and oil and non-energy development and production. Following the identification of geologic plays, a thorough analysis of the play's hydrocarbon potential occurs. An assessment of the play's undiscovered resource potential, and its economic viability, is made using state-of-the-art computer-based geologic models. This will focus the necessary studies to identify both environmental and operational constraints as well as assist in the consideration of eventual leasing decisions.

The relative success of this component requires access to and use of a broad array of G&G data, information, and studies. Long lead times are often required to identify and determine whether geologic conditions exist for accumulations of non-energy or energy minerals, whether a basin may be oil- or gas-prone, and determining the presence of reservoir rocks, source rocks, and similar conditions associated with natural gas and oil accumulations. The results of this work are subject to change and are updated as new data and information are generated and acquired. In the early stages, this component will focus on entire planning areas, but as more data and information are acquired, the focus shifts to sale- and prospect-specific areas to be offered for lease, or which are related to a specific issue, i.e., moratoria, marine sanctuaries, lease buybacks, etc.

In FY 1995 and FY 1996, resource assessment activities will be focused primarily on those tasks necessary to complete and publish data and information resulting from the joint MMS-USGS National Assessment. This follows the development of a new methodology to assess the technically-recoverable undiscovered hydrocarbon resources on the OCS. All of this information, e.g., identification of plays, the assessment of the hydrocarbon resources that may be present, and their economic viability, feed into the 5-year oil and gas program formulation process, specific lease sale decisions, and a myriad of Administration and Congressional policy and legislative proposals affecting OCS lands.

Additional activities occurring under this component are day-to-day activities necessary to provide technical input to other issues that come about, such as moratoria, marine sanctuaries, shipping and transportation lanes, DOD and NASA concerns, etc.

4. Resource Estimation (Undiscovered Resources)

This component of the RE program focuses upon developing estimates of the possible amounts of undiscovered, natural gas and oil believed to exist under Federal waters. The estimates are developed using complex computer models and methodologies using specific geologic information, mathematical and statistical analyses, risk and probability theories, and a varietyof assumptions pertaining to economic scenarios, petroleum engineering data, and a variety of additional technical assumptions. Resource estimates can address vast areas, such as the Atlantic, offshore Alaska, or the entire OCS, but are also made for smaller areas, such as a particular lease sale or deferral option. The estimation process requires that estimates be developed for "technically recoverable" natural gas and oil quantities which may exist but are yet to be discovered, as well as estimates for those resources that may be economically viable for exploration, development, and production under varying economic scenarios. Similarly, estimates of undiscovered resources on tracts currently leased are estimated separately from those unleased lands. All of these must be periodically revised as economic scenarios and the lease inventory changes in each planning area.

Resource estimates must also be developed to support critical analyses of potential impacts of policy options, legislative proposals, Environmental Impact Statements, and industry activities affecting OCS natural gas and oil activities — both future and current. Resource estimates for the OCS are required to be continuously reviewed, updated, and reported to Congress every 2 years.

Lease Sale Support

During FY 1995, resource estimates were developed for FY 1996 and FY 1997 lease sales proposed in the GOM Region and the Alaska Region — including the impact of deleting portions of areas being considered for leasing. The estimates will be used to analyze the potential environmental impacts of the proposed sales and alternatives, and economic analyses necessary to identify decision options for departmental officials related to each specific sale. The FY 1996 activities will support similar analyses and decisions for specific sales being considered in FY 1997 and FY 1998. Resource estimates must also be developed for special activities of other miscellaneous OCS issues and decisions, e.g., legislative proposals, OCS marine sanctuary designations, marine boundary negotiations, oil spill trajectory model, and other similar special issues.

5. *Resource Economic Studies*

Ongoing Workload *Number*			
	1994 Actual	1995 Estimate	1996 Estimate
Sale related *(E&D reports, NEPA and other decision documents, bidding system design, cost estimates and price forecasts)*	4	4	6
Special Studies	30	20	20

This component of the RE program addresses specific economic issues and information associated with the OCS program as a whole and its relationship to private industry, governmental entities (e.g., States, Congress, the Department of Energy, and other DOI bureaus, and the general public. Economic and statistical analyses are performed which incorporate RE program data and information into the overall MMS and departmental leasing policies and program decisions. This function requires sophisticated statistical and analytical modeling capabilities and access to a diverse array of data sources on: mineral, natural gas and oil prices; industry investment patterns; exploration, development, production, and transportation costs; supply and demand factors; financial market conditions; tax laws; and a myriad of other related issues.

Sale-Related Studies. These are used to design the terms and conditions for individual lease sales including rental amounts, length of primary term, and bidding systems (royalty rates and minimum bid levels). Other analyses provide information for Exploration and Development (E&D) reports and decision documents as well as the economic guidelines (prices and costs) for bid adequacy determinations. Broader sale-related studies are conducted to estimate future revenues and other economic benefits arising from OCS leasing decisions or policy initiatives. A major effort is underway to revise simulation models (including the bonus estimating model, IMODEL) to analyze the potential effect of any new leasing systems being developed and to identify criteria needed to evaluate bids received on tracts using the alternative systems. In FY 1994, IMODEL was tested and used to develop sale designs that allow earlier consideration of alternative lease terms and conditions on the pace of leasing and the amounts paid for leases.

In FY 1994, sale-related studies supported two GOM lease sales as well as bonus revenue estimates. In FY 1995 and FY 1996, analyses will support two Alaska and four GOM lease sales and bonus revenue estimates.

Special Studies. These are gaining importance as the OCS leasing program matures. The economic analysis expertise of RE is often called upon to analyze regulatory and legislative proposals affecting OCS

leasing, exploration, development, and production activities. Ad hoc studies address specific policies and compilations of data needed to analyze overall OCS program activities.

In FY 1994, RE conducted special studies addressing proposed legislation on issues like royalty relief and tax credits for development of deepwater prospects; buybacks of leases in environmentally sensitive areas; and alternative leasing strategies. Analyses of alternative leasing strategies, relationship of pre-exploration probabilities to actual production, rates of return from OCS development by tract type, incentives to make marginal prospects in the GOM attractive to develop, and barriers to the export of Alaskan North Slope crude oil contributed to the workload in FY 1995. The last two efforts were in conjunction with the Department of Energy's "Domestic Natural Gas and Oil Initiative." These studies documented the effects of previous policies and identified alternatives to enable the OCS program to function better in the future.

The FY 1995 efforts will include pursuing rental and royalty options and updating cost data in support of MMS tract evaluation responsibilities. In FY 1996 RE will focus its special studies on topics of stimulating leasing and drilling of new tracts, encouraging production from active tracts, and analytical support for the Comprehensive Program.

6. *Tract Evaluation*

Ongoing Workload
Number

	1994 Actual	1995 Estimate	1996 Estimate
Total Tracts Evaluated	500	400	350
Phase 2 Bid Adquacy Determinations	300	250	225
Appeal of Bid Rejections	1	2	2

The tract evaluation component estimates economic values for rights to mineral resources on individual OCS tracts. The MMS uses the values to determine if the high bids received for leases on tracts represent "FMV" as mandated by the OCS Lands Act. Immediately after a lease sale at which bids are read publicly, MMS begins the process of determining whether a bid can be accepted and a lease issued. Acceptance of a bid is based on a two-phase process.

Phase 1 of the process is conducted on a tract-by-tract basis and is normally completed within one week of the bid opening. It is designed to accept those high bids where the competitive market can be relied upon to assure receipt of FMV or where Government data indicate the tract does not contain an economically viable prospect.

Those high bids not accepted in phase 1 receive further evaluation in phase 2. For those high bids, MMS geologists, geophysicists, economists, and petroleum engineers prepare detailed estimates of the economic value of oil and gas resources on each tract in phase 2. The high bids are then compared to Government estimates of value. Most analyses are undertaken based upon data available at the time of the sale; however, additional geophysical and geological data may be obtained after the sale at the discretion of the Regional Director. The Regional Director must accept or reject all bids within 90 days after the date on which they are opened. Any bid not accepted within 90 days is rejected. Companies have 15 days to appeal any rejection.

The RE personnel who are engaged in tract evaluation use mathematical and statistical models to integrate geophysical, geological, petroleum and mining engineering, and economic data to derive tract values. The process takes into account changes in leasing policies and procedures, lease terms and conditions, tax codes, bidding systems, and other external factors. A major effort, begun in FY 1993 and continuing through FY 1996, is underway to improve the tract evaluation model (MONTCAR) to ensure receipt of FMV.

The first part of this effort involves enhancing the model's ability to accurately depict the geologic and engineering complexities associated with delineating and developing geologic accumulations. This is in progress. The second part involves obtaining more timely and accurate cost input data.

FY 1994 was a year of increased bidding activity in the GOM. More than 400 tracts were subjected to a full scale (MONTCAR) evaluation. Eighteen tracts were rejected, and on two of these tracts the high bidders appealed their rejected offer. Fewer tracts are expected to receive bids in the two GOM leases sales to be held in FY 1995, but market conditions at the time of the sale as well as future expectations will determine the actual number of tracts receiving bids. In FY 1996, sales in Cook Inlet/Gulf of Alaska are scheduled in addition to the two GOM sales, so bidding activity and tract evaluation efforts are expected to increase in the Alaska Region.

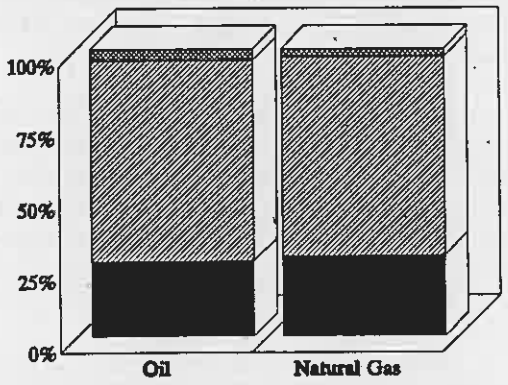
In FY 1994, a management control review of RE's bid adequacy procedures (of which tract evaluation is but one part) was conducted, and improvements were identified to obtain better returns for the Nation from the leasing of OCS resources. Those improvements will be incorporated into the bid adequacy/tract evaluation procedures in FY 1995 and 1996.

7. *Reserves Estimation*

"Reserves" are hydrocarbons that have been discovered, whereas "resources" are (estimates of) hydrocarbons that are yet to be discovered. The RE program develops independent estimates of original amounts of natural gas and oil in discovered fields by conducting field reserve studies on the OCS and periodically revises the estimates of remaining natural gas and oil to reflect new discoveries or development information and annual production. These estimates are required by specific law to be reported to Congress on a biennial basis. The primary benefit of this activity, however, is that the detailed geological, geophysical, and engineering information necessary to estimate these amounts of natural gas and oil is also used in performing other RE program functions in areas with known fields - including tract evaluation, resource estimation, resource assessment, future production projections, and numerous specific field performance studies. Studies of unproven fields are continuing, especially in light of royalty reduction efforts, since any royalty rate reductions may help these fields become economically viable to develop and produce. The interim geologic information and engineering reviews supporting the reserves estimation function also produces vital information for other OCS program activities as well as Royalty Management Program functions. Cooperative efforts with the Energy Information Administration (EIA) of the Department of Energy allows EIA to use MMS estimates to verify reporting standards and procedures by natural gas and oil companies and as critical input to their macroeconomic modeling efforts.

In the GOM Region, geologic maps and reserves estimates have been completed for 579 of 849 fields proved, 120 of which have been depleted and abandoned. There are an additional 81 unproved active fields with no existing reserves studies sufficient to produce accurate reserves estimates. The workload for FY 1995 and FY 1996 will be focused on those activities necessary to develop information and data on these existing fields which will be published in a geologic atlas of GOM fields being funded by the MMS, the Department of Energy, and the Gas Research Institute. Preliminary geologic studies of proven and unproven fields continue at a consistent level reflecting the discovery of new fields in deepwater portions of the Central and Western GOM as well as several recent

U.S. Estimated Oil and Natural Gas Resources
Federal OCS, Onshore, State Offshore



	Oil	Natural Gas
Offshore State	4	3
Onshore	70	69
Federal Offshore	26	28

sizable natural gas discoveries in shallow water areas of the GOM along the Central-Eastern GOM boundary. The work associated with this effort is vital to the evaluation of exploration and production incentives being considered by Congress and the Department as well as to evaluate the feasibility of production concepts proposed by the Department of Energy's Natural Gas and Oil initiative.

Geologic maps and reserves estimates have been completed for all 13 proven fields offshore Southern California. An additional 25 unproven fields have yet to be completely evaluated through geologic mapping, engineering and economic analyses. During FY 1994, MMS and the California Division of Oil and Gas continued cooperative studies of offshore proven fields and hope to expand such cooperative efforts in FY 1995 and FY 1996. A unique Federal-State-Industry effort was also launched in FY 1993 and continues in FY 1995 and FY 1996. This effort is aimed at maximizing recovery of oil and natural gas from both State and Federal fields through long-range drilling and cooperative development operations. Both of these latter activities require detailed reservoir analyses and geologic mapping efforts carried out through the reserves estimation activities.

Though there are no commercial fields in Federal waters off of Alaska, the Alaska Region has worked on numerous studies, such as the drilling activity associated with the Kuvlum and Wild Weasel prospects. In addition, they have done preliminary reserves-oriented geologic and engineering studies on the "String of Pearls" study involving those wells/discoveries in the Beaufort Sea that, individually, are noneconomic but taken together might be economically viable to develop.

8. Technical Information Distribution

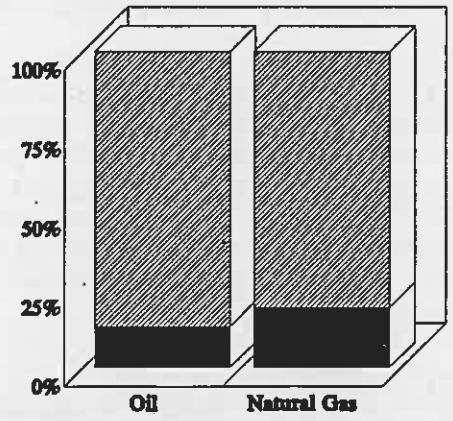
The RE program develops important technical information regarding the hydrocarbon resources on the Federal OCS which may be useful to industry, Federal and State agencies, and the general public. An objective of the OCS Land Act Amendments is that such nonproprietary data and information be made available in a timely manner to assist States, local Governments, Industry, and the general public to participate in policy and planning decisions related to management of OCS resources. Volumes I and II of the Gulf of Mexico Oil and Gas Atlas Series will provide very important and significant information to the operators in the Gulf of Mexico as the series will focus on producing reservoirs, plays, and tie the geology together. This will be of special assistance to the smaller operators. Other technical information such as reserve reports focus on the GOM and Pacific Regions. The Field and Reservoir Reserve Estimates (FRRE) Reports, as well as a National Reserve Report Handbook give a perspective on national trends of production, additions to the offshore reserves base, and drilling activity.

In taking steps to address the need to make information available, the RE program has traditionally prepared OCS Reports on the geology of OCS planning areas, certain offshore wells, G&G data acquisition, the deep stratigraphic test (COST) wells, and production projections for the OCS. Publication of these reports is based upon time and availability of personnel. Each year, as mandated by the OCS Lands Act, RE prepares the annual report to Congress evaluating bidding results and competition on the previous year's sales. Opportunity is also taken to present technical information at professional meetings.

The RE Program is also working on a series of reports associated with the joint National Assessment with the USGS. There will be a joint report with USGS, as well as a summary report for the OCS, and individual regional reports. The OCS reports will provide significantly more information than previously reported pertinent to the location of the most promising portions of the OCS for natural gas and crude oil occurrence, as well as the number and size distributions of potential fields in these areas. Because natural gas and oil are so important to the U.S. economy, there is substantial interest in the resource base from which future gas and oil production will come. Many readers of these reports will have a strong interest in determining how much gas and oil is likely to be produced in the next several years from resources yet to be discovered on the OCS. Important issues of public policy and private investment hinge on expectations about the extent to which the United States will be able to meet its energy demands from domestic resources, (such as on the OCS), during the next two to three decades.

While each Region maintains its own records and assessments with regard to data analysis and prospect and play analyses in its own area(s), these reports will present composite information on a Bureauwide basis, as well as on a regional basis. They are intended for both the resource assessment specialist in industry and academia, as well as the nonspecialist (i.e., environmental specialist, local government official, informed public, etc.). These reports will provide abridged technical information that is needed and is used in lieu of responding to individual requests on a regional basis.

Total U.S. Reserves
Federal OCS vs Onshore/State Offshore



	Oil	Natural Gas
Onshore/State Offshore	87	81
Federal Offshore	13	19

9. Other Activities: International Activities and Marine Minerals

The Marine Minerals Program:

The purpose of the Marine Minerals Program is to evaluate the potential of the OCS as a domestic supply source for marine minerals. This responsibility includes new authority granted to the Secretary of the Interior under P.L. 103-426 and delegated to the MMS. This law, signed by the President in October 1994, amends section 8(k) and 20(a) of the OCSLA and provides the ability to negotiate agreements for use of OCS sand, gravel, or shell resources for certain types of public works projects.

While the Marine Minerals Program is responsible for all OCS minerals other than gas, oil, sulphur or salt, interest in OCS sand and gravel resources has been dominant and steadily increasing. Demand for OCS sand and gravel is expected to rise due to several factors:

- Continued State concern over coastal erosion affecting beaches and productive wetland areas;
- Deteriorating transportation infrastructure in coastal areas;
- Rapid depletion of suitable onshore and nearshore sand, gravel and shell resources; and
- Passage of P.L 103-426 which offers a new alternative for obtaining OCS sand resources for certain public works projects.

State/Federal Cooperation

The Marine Minerals Program has taken a cooperative approach toward resource development questions that has received a very favorable reaction from participating States. States and the MMS engage in jointly-funded efforts to identify the need for and availability of OCS hard mineral resources, and to address environmental concerns associated with possible development.

As FY 1995 began, the MMS was involved in fourteen cooperative arrangements with nineteen States. Ten of these arrangements deal with the use of OCS sand for coastal restoration along the Atlantic and Gulf Coast.

Other Federal agencies (e.g., U.S. Army Corps of Engineers (ACOE), U.S. Geological Survey (USGS), Bureau of Mines, (BOM)) provide technical advice, equipment and other assistance in connection with the MMS State/Federal cooperative arrangements and serve as members of the task forces or working groups. These

efforts also utilize in-kind professional and technical services of participating States to further hold the line on costs.

State/Federal Cooperative Arrangements							
Involved State	Project Description	Other Government Agency Involved	1994 Actual Cost		1995 Estimated Cost		Extended in 1996
			MMS	Other	MMS	Other	
ME, VT, NH MA, CT, RI	Aggregate Study	BOM USGS	$0	$0	$0	$0	Yes**
NY	Restoration		0	0	22,363	8,945	Yes*
NJ	Restoration	ACOE	100,000	100,000	0	0	Yes
DE	Restoration	ACOE	44,353	43,500	0	0	Yes
MD	Restoration	ACOE	49,087	22,000	0	0	Yes
VA	Restoration	ACOE	100,000	22,849	0	0	Yes
NC	Restoration	ACOE USGS	79.973	12,182	75,000	15,000	Yes
SC	Restoration	ACOE USGS	83,357	27,295	85,000	28,000	Yes
GA	Phosphorite	BOM USGS	0	0	0	0	Yes
AL	Restoration	ACOE	0	0	60,000	60,000	Yes
MS	Restoration	ACOE	0	0	0	0	Yes
LA	Restoration	ACOE USGS	26,752	0	32,637	0	Yes
TX	Restoration	ACOE	75,000	31,127	0	0	Yes
HI	Crust	BOM USGS	0	0	25,000	0	Yes
FL	Restoration	TBD	92,955	71,130	0	100,000	Yes
AK	Environmental Montoring	BOM	0	0	0	0	TBD*

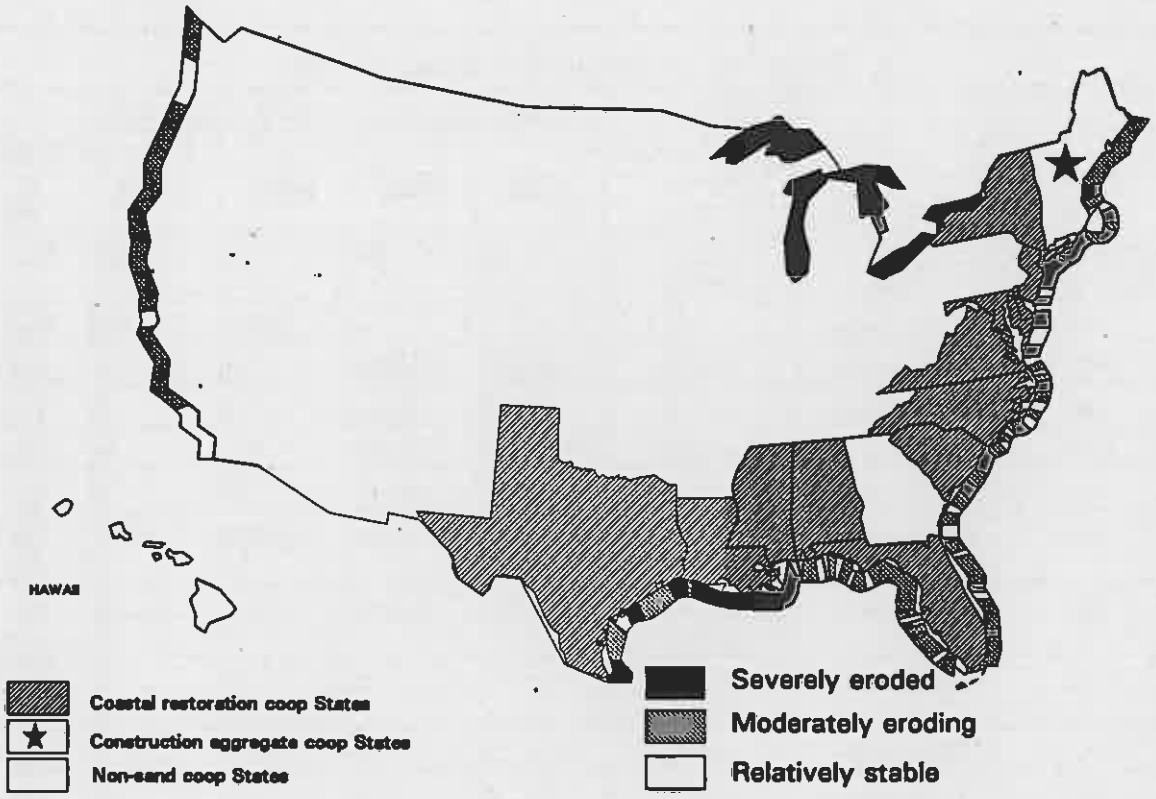
** Not currently under the auspices of a cooperative arrangement.*

*** One or two States may opt for separate, new cooperative arrangement in FY 96.*

An important effort was initiated in 1991 to investigate possible environmental impacts of marine mineral development. Relying primarily on funding from the MMS Environmental Studies Program, the initiative is aimed at addressing environmental issues early and integrating this information into the work of the cooperative State/Federal task forces. These studies not only evaluate impacts, but have also looked into feasible mitigation measures. Studies to date have dealt with the following:

- Existing information on the environmental effects of marine mineral development;
- Impacts of dredging on bottom dwelling organisms;
- Environmental impacts of shallow placer mining;

State/Federal Cooperative Arrangements and Coastal Erosion Map



- Marine mining technologies and mitigation techniques;
- Wave climate modeling for coastal and barrier island restoration; and
- Effects of benthic and surface sediment plumes.

For FY 1996, site-specific studies of potential Atlantic Coast resource areas have been proposed.

Impact of New Legislation

In FY 1995, MMS addressed the methods by which P.L. 103-426 would be implemented. Even before specific approaches could be put into place, several coastal areas emerged as prime subjects for the negotiated agreement process. It is likely that the Marine Minerals Program will focus most of its energies in FY 1995 and FY 1996 on the specifics of implementing the new law and applying it to situations affecting Virginia, South Carolina, Florida, Alabama, and Louisiana. Other State or local governments that are expected to expand that list during FY 1996 include New Jersey, Delaware, and Maryland.

The first negotiated agreement is likely to be consummated with the State of Louisiana in connection with a demonstration project to restore Isles Dernieres, a barrier island protecting wetlands in Terrebonne Parish. A negotiated agreement and demonstration project would represent the concluding steps in a multi-year State/Federal undertaking which identified Ship Shoal as the Federal OCS sand source to nourish the barrier island.

The Louisiana coastline is one of the most rapidly eroding areas along U.S. shores. Erosion of Isles Dernieres has accelerated due to the impacts of Hurricane Andrew. Consequently, the proposed demonstration project

has become more urgent. A great deal of environmental, geologic, and engineering data has been assembled to carefully design and monitor the proposed project. This effort has become one of the prime examples of the close working relationship and public benefits that have resulted from the MMS State/Federal cooperative arrangements.

As procedures for implementing P.L. 103-426 become more established and States understand and see the potential value of negotiated agreements to gain access to OCS sand resources, the MMS expects to see a significant rise in State and local government interest in OCS sand. This interest will take the form of requests to enter into negotiated agreements for OCS sand, or may translate into requests to enter into cooperative arrangements to jointly evaluate resource needs, environmental issues, and possible options. These requests will involve States with which we have existing arrangements and new States or local governments. New problem areas will be addressed, and current efforts will be elevated for consideration for negotiated agreements for specific public works projects. Regardless of the particular strategy, as the new century approaches, MMS will find itself faced with increasing demands for OCS sand resources.

Justification of Program Change
Marine Minerals Program
dollars in thousands

	1995 Enacted	1996 Request	Change
$	300	900	+600
FTE	—	—	—

The increase in funding will address two significant factors contributing to the demands on the Marine Minerals Program: (1) the passage of P.L. 103-426 in October 1994, and (2) increasing State and local government interest in mitigating severe coastal erosion and infrastructure problems. The new law provides a vehicle whereby State and local governments can pursue new Federal options for addressing their coastal erosion problems.

P.L. 103-426 allows for non-competitive conveyance of rights to OCS sand, gravel, or shell through a negotiated agreement process for certain public works projects. Since this process provides greater certainty to State or local governments than the competitive process, demand for OCS resources covered by the new law is expected to increase significantly.

While the new law will act as a catalyst, underlying factors that are promoting the demand for OCS aggregate resources include:

- Increasing difficulty in developing new onshore resource sites - particularly in major metropolitan areas - due to escalating land values, zoning and environmental restrictions, and public opposition;
- Growing coastal populations desiring recreational sites;
- Diminishment of wetlands.
- Increasing importance of coastal natural and recreational areas on coastal economies; and
- Deteriorating infrastructure and the impact of the Intermodal Surface Transportation Efficiency Act.

The Marine Minerals Program sand and gravel initiative has been proposed to meet the convergence of these factors with the passage of P.L. 103-426.

The funding increase will be directed to:

- Costs associated with requests for negotiated agreements;
- New requests for joint (State/Federal) work to address coastal erosion problems (as a precursor to negotiations);
- Pilot projects to initiate the new process and demonstrate the effectiveness of joint planning and a careful scientific approach to resource use;
- Tests of modeling programs and mitigation measures devised to improve project performance and minimize impacts; and
- Accommodate environmental study needs that cannot be addressed through the MMS Environmental Studies Program because of long-range notice requirements.

International Activities:

International activities consist primarily of:

- Providing technical advice to the Department of State;
- Exchanging appropriate scientific information with other offshore Nations which benefit domestic activities; and
- Providing cost reimbursable technical assistance to other Nations in support of U.S. foreign policy.

Authority for international activities is derived from: DOI Secretarial Order 3071 which conferred functions of the former USGS Conservation Division to the MMS, the OCSLA, the Foreign Assistance Act, the National Environmental Policy Act, and other sources.

Technical Advice to the Department of State

In FY 1995, the MMS expects to provide technical support to the Department of State on a variety of issues of interest to the MMS. Among these topics will be the Arctic Environmental Protection Strategy and the new U.S. Arctic policy announced in September 1994. The strategy will be implemented through a number of working groups to which the MMS expects to lend support: Arctic monitoring and assessment, conservation of Arctic biota, emergency response measures, and marine environment protection. Intense activity is anticipated when the Senate reviews the Convention on the Law of the Sea prior to the "advice and consent" vote. In preparation, the MMS will monitor activities and prepare recommendations for the U.S. working groups on issues dealing with deep seabed mining. The MMS will also be involved in preparation of delegates for 1995 meetings prior to the 1996 session to amend the London Convention '72. Preparation of the U.S. positions related to sub-seabed emplacement accessed from the sea and the proposal to exempt currently allowable discharges into the sea from normal gas and oil operations will rank high on the MMS agenda.

In FY 1996, the MMS expects to continue to provide technical support, probably in the range of 10 to 20 subject areas. Following Senate action on the Convention on the Law of the Sea, the MMS will prepare necessary documents and draft appropriate legislation. The MMS will also participate in preparation of U.S.

delegates to the sessions scheduled to convene in November 1996 to amend the London Convention '72. It is possible that the "Montreal Guidelines" (for land-based sources of marine pollution) will become the vehicle that environmentalists will strive to apply to normal operations occurring on gas and oil platforms.

Exchange of Scientific Information

In FY 1995, cooperative research programs and exchange of scientific information will continue with Australia, Canada, Indonesia, Norway, Russia, the United Kingdom, Venezuela, and other countries as appropriate. Research topics include detection and treatment of oil spills, risk assessment of offshore installations and environmental impacts related to marine mineral mining. These studies and shared results will help the MMS be even more effective in protecting human life and the marine environment. Cooperation may also extend to the Ministry of Petroleum and other agencies in Egypt. In FY 1996, cooperative efforts will most likely continue at the same level as FY 1995.

Cost Reimbursable Technical Assistance

In FY 1995, the MMS will continue to be engaged in a project funded by the U.S. Agency for International Development (AID) to help establish an institutional framework in Russia for attracting investment by the private sector in gas and oil development. Training will be provided in Western Siberia, the Russian Far East, and possibly the U.S.

The MMS and the Committee of the Russian Federation on Geology and Use of Mineral Resources (ROSKOMNEDRA) have agreed to work together on holding a simultaneous lease sale in the Chukchi Sea. Under this concept, the two governments would work together to develop their respective sale proposals, sharing environmental, cultural, and economic analyses, but would make final decisions on the terms and conditions of the offerings on an individual country basis. In support of these activities a series of AID-funded training seminars will be conducted in Russia and Alaska. In FY 1996, the AID-funded Russian training program will most likely continue as will seminars in Russia and Alaska in preparation for the simultaneous lease sale in 1997.

A final training program will be conducted in Hungary for the Hungarian Mining Office and a workshop on Regional Oil Spill Response Preparedness Planning will be conducted in Jakarta, Indonesia in February 1995.

Requests, for technical assistance, from one or more agencies in other countries are possible but impossible to predict at this time.

Regulatory Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Regulation of Operations	$	31,541	515	767	32,823	1,282
	FTE	335	0	0	335	0
Technology Assessment & Research	$	885	—	—	885	0
	FTE	—	—	—	—	0
Oil and Gas Information	$	792	20	—	812	20
	FTE	13	0	—	13	0
Total	$	33,218	535	767	34,520	1,302
	FTE	348	0	0	348	0

Regulation of Operations

The budget subactivity titled Regulatory Program is subdivided into three program elements: Regulation of Operations, Technology Assessment and Research, and Oil and Gas Information. Each of the three program elements is described in greater detail, below, following the Offshore Operations Overview and the Offshore Operations Priorities sections.

Offshore Operations Overview

This narrative describes the interrelationships of the "Regulatory Program" and "Oil Spill Research" Activities within the overall strategy of the MMS (e.g., how research and inspection results feed into regulatory improvements). The budgetary and FTE implications of each of these activities are presented immediately before the Activity and Subactivity discussion.

Objectives

- ✓ To ensure safe and environmentally sound development of OCS energy and non-energy mineral resources through careful regulation of exploration, development, pipeline transportation, and production or extraction operations, and to ensure the conservation of natural resources during these operations.
- ✓ To provide a continuing and comprehensive technology base within the MMS to ensure that safe and pollution-free OCS operations can proceed in a timely manner and that up-to-date technology is incorporated into the regulatory process.
- ✓ To assist State and local officials and the general public in planning for near-shore impacts resulting from offshore oil and gas exploration, development, production, and transportation activities.

The Regulatory Program activity incorporates three program elements: 1) Regulation of Operations, 2) Technology Assessment and Research, and 3) Oil and Gas Information. The Oil Spill Research activity incorporates two elements: 1) Oil Spill Research and 2) Financial Responsibility.

The MMS Office of Operations and Safety Management (OSM) and parts of the three regional offices comprise Offshore Operations, and are responsible for the regulation of operations on the OCS. Together, they regulate oil and gas exploration, development, and production activities on the OCS by:

- developing and implementing policies, regulations, rules, orders, and standards; reviewing and approving plans for exploration, development, production, and oil-spill response;
- reviewing and approving drilling, pipeline rights-of-way, and other permits;
- inspecting offshore facilities for compliance and taking enforcement actions where necessary, including civil penalties;
- assessing safety and oil-spill response drills;
- ensuring that MMS inspection personnel and industry personnel are properly trained;
- investigating accidents and spills;
- assessing and supporting development of technology for safety and pollution prevention and response; and
- working with affected States during the review and approval of lessee-submitted exploration, development, and production plans for energy and non-energy minerals.

Industry Overview

Many of the majors are assigning (selling) producing OCS properties to other, generally smaller, operators who believe they can operate the property more profitably. The number of operators producing oil and gas on the OCS increased from 64 in 1983 to 126 in 1993 a 100 percent increase in 10 years. This trend has resulted in an average of over 2,100 lease assignments per year since 1990. Many of these newcomers to the OCS are small independents who, in some cases, do not have the

Background and Facts

The following information provides a context for the MMS offshore postlease program. This information is based largely on calendar year 1993, for which the most complete data is available.

- ✓ Approximately 14 percent of total U.S. production of oil and 23 percent of natural gas is derived from the OCS
- ✓ Crude oil royalties in 1993 amounted to $0.9 billion (302 million barrels)
- ✓ Natural gas royalties in 1993 amounted to $1.6 billion (4.7 trillion cubic feet)
- ✓ About 70 percent of the total energy, as measured in Btu's, extracted from the OCS is derived from natural gas
- ✓ Almost 90 percent of OCS natural gas production is "dry" gas, that is, not produced in association with oil.
- ✓ In 1993, exploration well drilling increased over 50 percent and development well drilling increased over 60 percent. These increases are attributable to increased natural gas prices, as well as renewed interest in the Gulf of Mexico OCS.
- ✓ The number of independent operators on the OCS more than doubled over the past 10 years.
- ✓ The Offshore Program has generated more than $100 billion for the U.S. Treasury and selected statutory funds (e.g., Land and Water Conservation Fund, National Historic Preservation Fund, and coastal State allottments).
- ✓ In 1993, more than 70 percent of total Federal and Indian mineral lease collections came from the OCS.

OCS Records Set

- ✓ Lease in deepest water 3,335 m (10,942 ft)-Gulf of Mexico OCS, Lease Sale 116, 11/16/88, Kerr McGee Corp., Lloyd Ridge, Block 737
- ✓ Deepest well drilled March 1986, 7,260 m (25,000 ft)-Gulf of Mexico OCS, Viosca Knoll, Block 117 Apache Corp.
- ✓ Well drilled in deepest water 1988, 2,290 m (7,513 ft)-Gulf of Mexico OCS, Mississippi Canyon, Block 657, Shell Offshore Inc.
- ✓ Well drilled farthest from shore1985, 965 km (603 mi)-Alaska OCS, Navarin Basin, Block 673, Arco
- ✓ Deepest producing well1991, 6,587 m (21,612 ft) gas production-Gulf of Mexico OCS, Well A001, Mobile Block 821, BP Exploration & Oil Inc.

Continued on next page

experience or financial resources of the majors, their subsidiaries, or the larger independents who have been working on the OCS for the past 40 years.

The growing number of OCS operators is only one factor in MMS's increased monitoring responsibilities. Oil and natural gas production and drilling activity continue to increase. OCS production now accounts for about 14 percent and 23 percent of total U.S. oil and natural gas production, respectively. There were 798 new well starts on the OCS in 1993, a 60 percent increase over 1992.

In addition, there are about 3,700 production facilities on the OCS, many of which are approaching or have already exceeded their originally estimated productive life. While installation of production facilities averaged 156 per year in the last decade, the number of removals per year has almost tripled from 68 in 1985 to 179 in 1993. Consequently, the number of removals exceeded installations in 1992 and 1993, a trend that is expected to continue. Even so, MMS conducted over 10,000 inspections of offshore facilities (see Inspection and Enforcement Program and issued more than 4,000 citations for regulatory noncompliance in 1993.

continued from previous page

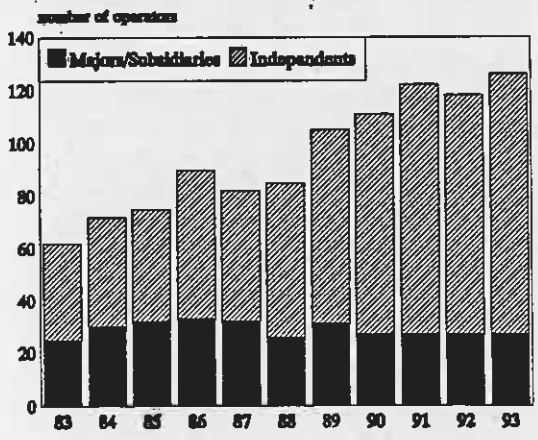
- ✓ Deepest well drilled from a semisubmersible1985, 6,773 m (22,222 ft) 181 m (594 ft) water depth-Gulf of Mexico OCS, Destin Dome, Block 422
- ✓ Producing well in deepest water (Tension Leg Platform)1994, 872 m (2,860 ft) Platform Auger-Gulf of Mexico OCS, Garden Banks, Block 426, Shell Offshore Inc.
- ✓ Conventional platform in deepest water 411 m, (1,348 ft) Platform Bullwinkle-Gulf of Mexico OCS, Green Canyon, Block 65 Shell Offshore Inc.
- ✓ Producing well farthest from shore 223.69 km (139 mi)-Gulf of Mexico OCS, Garden Banks 236, Platform A, well A7
- ✓ Crude oil production in a year 1971-418.5 Million barrels
- ✓ Natural gas production in a year 1990-5.09 Trillion cubic feet
- ✓ First Gulf of Mexico OCS exploratory well1946-4.8 km (3 mi) southeast of Eugene Island, Magnolia Petroleum Co.
- ✓ First Pacific OCS exploratory well 1963-Northern CA, Shell Offshore Inc.
- ✓ First Alaska OCS exploratory well1976-Gulf of Alaska, Block 106, Shell Offshore Inc.

Moreover, MMS acquired added responsibilities from the Oil Pollution Act of 1990 (OPA 90) for oil spill prevention and response planning in State as well as Federal offshore waters. A 1993 memorandum of understanding with the Environmental Protection Agency and the Department of Transportation gives MMS jurisdiction for these responsibilities over facilities in State waters seaward of the coastline. MMS is working cooperatively with States to ensure there is no duplication of regulatory efforts for offshore operators.

MMS has initiated several regulatory measures designed to deal with changes in offshore operations, including the following:

- clarifying the requirements governing surety bonds to cover the industry's end-of-lease obligations for OCS oil, gas and sulphur leases;
- developing a rule that implements OPA 90 oil spill prevention and response requirements for all facilities seaward of State coastlines;
- developing regulations to implement the oil spill financial responsibility requirements of OPA 90;

Growth of Producing OCS Operators



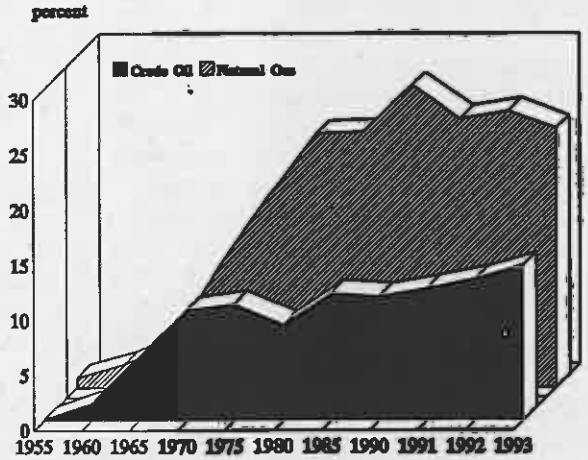
- expanding and clarifying safety requirements governing production platforms and pipelines;
- improving regulations governing the qualifications and training of lessee and contractor employees to make them less prescriptive;
- revising safety requirements governing operations in a highly toxic hydrogen sulfide environment; and
- clarifying requirements pertaining to gas measurement and surface gas commingling.

About 70 percent of the energy content of the hydrocarbons produced from the OCS is in the form of natural gas. The major remaining opportunities for development of large oil and gas deposits in the Gulf of Mexico are in shallow water subsalt plays (previously undiscovered oil underlying subsea salt wedges) and deepwater reservoirs (greater than 200 meters). The March 1994 lease sale (147) in the central Gulf of Mexico demonstrates the heightened interest in the area's subsalt play. Lease sale 147 attracted $277 million in bonus bids including a bid of $40 million for one block. This was more bonus money than the previous two central Gulf sales combined.

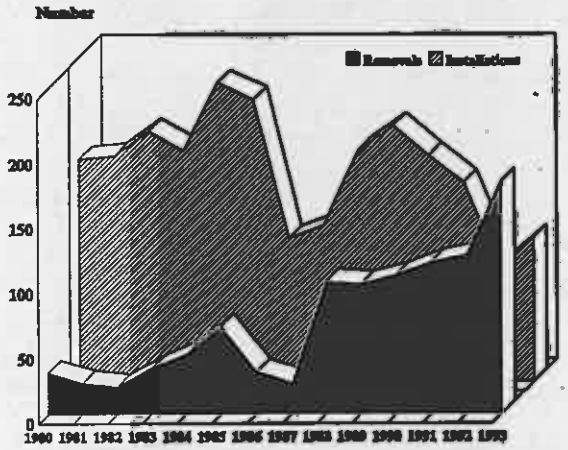
Technological developments and their applications to exploration and development continue at an accelerated pace through the use of computers - including personal computers - for interactive modelling, innovative interpretation of subsurface data, and usage of 3-D seismic data when cost-effective. Newly developed 3-D seismic techniques have made it possible to identify potentially significant sub-salt reserves in the Gulf of Mexico. As a result, sub-salt exploration activities are currently on the increase. Additionally, improved horizontal drilling methodology has resulted in higher production rates, and deepwater technology continues to advance, taking routine drilling operations to greater water depths.

The MMS is actively pursuing new technologies through its Technology Assessment and Research program for two reasons: 1) to ensure

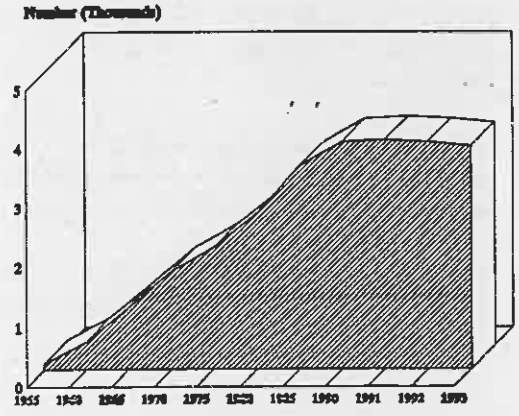
Federal OCS Production as a Percentage of Total US Production



Installation and Removal of OCS Production Facilities



Growth in Production Facilities on the OCS



safe and pollution-free operations, and 2) to ensure that OCS operators use the best available and safest technologies, as mandated by OCSLA. This program is particularly important in view of safety concerns being raised about older offshore structures. Our research programs are also making very important strides in oil spill response research and offshore air quality-the latter a major concern in California and a growing concern in the Gulf of Mexico.

The OCS is a blend of vast unexplored areas with enormous potential, and highly-concentrated producing areas entering a stage of maturity. There are many challenges facing the Offshore Operations program. These range from developing sub-salt and deepwater prospects to the end-of-lease obligations of potentially under-financed operators. The common thread that weaves through all these activities is the absolute priority for human safety and environmental protection.

Regional Overview

Regional Operations at a Glance				
	OCS Regions			
	G.O.M.	Pacific	Alaska	Total
District Offices	Houma, La Lafayette, LA Lake Jackson, LA Corpus Christi, TX Lake Charles, LA New Orleans, LA	Camarillo, CA Santa Maria, CA	Anchorage, AK	
Oil Reserves *(Bbbl)*	2.15	0.87	0	3.02
Natural Gas Reserves *(Tcf)*	29.7	1.7	0	31.4
Operational Activities as of 12/31/93				
Wells Drilled	30,443	1,074	82	31,599
Active Leases	5,174	92	346	5,612
Producing Leases	1,692	43	0	1,735
Production Leases	3,755	24	0	3,779
Pipelines Installed *(miles)*	20,878	186	0	21,064
Production 1993				
Crude Oil *(bbl)*	302,084,880	50,649,892	0	352,734,772
Natural Gas *(Mcf)*	4,714,660,937	51,828,533	0	4,766,489,470
Sulfur *(short tons)*	96,385,082	3,295	0	96,388,377
Revenue 1954-93				
Bonus Bids	$43,129,778,381	$3,951,657,024	$6,352,309,228	$53,433,744,633
Royalties	$45,292,359,795	$1,577,513,822	0	$46,869,873,617

* *Lake Charles and Corpus Christi, TX are subdistricts of Lake Jackson, LA*

Note: The Atlantic OCS Regional Office was abolished on September 30, 1994. Administrative handling of the remaining 53 leases on the Atlantic OCS is done by MMS's G.O.M. Regional Office

Alaska OCS

Regulatory Program activities in the Alaska OCS Region include work on three OCS lease sales with considerable input and assistance from Field Operations personnel, and numerous trips and meetings in rural Alaskan communities to discuss the MMS regulatory program and citizen concerns. Additional Regional activities include:

- implementation of OPA 90 authority of oil spill contingency plans and prevention of oil spills in State waters, including Cook Inlet oil and gas operations and cooperative work with the State of Alaska, U.S. Coast Guard, EPA, and the Research and Special Programs Administration (RSPA) to minimize duplication of effort;
- active participation in development of new OPA rules for financial responsibility and for prevention of offshore oil spills and hazardous materials;
- meetings and coordination with Canadian counterparts on Arctic drilling, oil spill cleanup, and related research; and
- increasing coordination with Russian counterparts.

Gulf of Mexico OCS

Deepwater Development

At a regional level the MMS is putting increased emphasis on deepwater development issues. The Region is working with industry on evaluating emerging technologies for use in deep water. The MMS has established a Deepwater Production Task Group which is evaluating the need for improvements in MMS regulations to allow industry to cope effectively with the environmental extremes associated with deepwater development. In that regard, MMS personnel are working closely with the industry's DeepStar Research Project (which brings together 16 oil and gas companies, over 40 vendors of services and equipment, and the MMS) to evaluate innovative systems, to identify technological needs, and to facilitate the evolution of environmentally safe, cooperative, staged deepwater development strategies. Such strategies will provide for the economic development of the large number of comparatively small deepwater reservoirs that individually do not have sufficient reserves to justify development by current methods.

Offshore Inspection Program (with Emphasis on Small Operators)

Significant resources will continue to be employed in the offshore inspection program with particular emphasis on small operators to ensure operations are conducted in a safe and environmentally sound manner. Many small operators are underfunded or understaffed, thus necessitating a higher level of inspection effort and monitoring of operations to ensure compliance with applicable safety and environmental regulations and requirements. In conducting the inspection program, inspection sampling will be utilized to the maximum extent possible in the interest of efficient and effective utilization of inspection personnel and resources.

End-of-Lease Supplemental Bonding

MMS has devoted increased attention to the need for supplemental bonds from offshore operators to protect the Federal government from incurring costs involved with oil and gas facilities end-of-lease abandonment and site clearance. Although a general bond is required for activities on the OCS, a supplemental bond is required when a lessee's liability for facility abandonment and site clearance may exceed the amount of the company's standard lease or areawide bond.

Determination of supplemental bond amounts considers the number and size of platforms, water depths, and number of wells. The MMS determines the amount of the supplemental bond at the time of submission of an

assignment of record title interest, Plan of Exploration (POE), or Development Operations and Coordination Document (DOCD). As part of the evaluation to determine the amount and payment schedule of the supplemental bond that should be posted, MMS is often required to conduct resource, reserve, and economic evaluations.

The process of evaluating these leases by the MMS engineers and geologists involves extensive man-hours that will eventually escalate due to increasing numbers of small operators, annual reviews for current lease assignments, and appeals that may result from supplemental bonding disputes. About 100 supplemental bonds (U.S. Treasury securities or third-party surety bonds) were either in effect or under consideration in FY 1994. In FY 1995, about 50-75 additional supplemental bonds will probably be required.

Pacific OCS

In FY 1996, the Pacific OCS Region (POCSR) will continue its emphasis on consulting and cooperation with its external customers which include OCS lessees and operators, numerous Federal, State, and local agencies as well as interested individuals and special interest groups. In addition to routine coordination concerning operator proposals and ongoing OCS activities, the POCSR will continue its work on several important initiatives.

Pursuant to its responsibilities under OPA 90, the POCSR is developing a Memorandum of Agreement with California's Office of Spill Prevention and Response to reduce duplication of effort and to ensure that a strong coordinated program of oil spill prevention and response remains in place to protect important coastal and ocean resources. The POCSR will also continue its active participation in the U.S. Coast Guard's Area Planning process as well as coordination of the MMS spill prevention and response program with other key agencies including the California Coastal Commission (CCC), California State Lands Commission (SLC), and local affected governments.

Two other areas of significant cooperative effort for FY 1996 will involve offshore facility abandonment and seismic requalification of offshore oil and gas structures. The POCSR and SLC have established joint working groups in these areas with the goal of developing consistent policies and regulations between our two agencies. The POCSR and SLC will also be conducting a study of the Carpinteria field where oil and gas resources occur on both sides of the Federal-State boundary.

The Region's joint work will continue with San Luis Obispo, Santa Barbara, and Ventura Counties, the CCC, the SLC, the California Resource Agency, and the industry in conducting a planning study (COOGER Study) that will examine possible development scenarios for existing undeveloped leases in the Santa Barbara Channel and Santa Maria Basin and the related onshore infrastructure. Two-thirds of the study's funding is being provided by industry and one-third by MMS.

As the Region continues to mature, changes are occurring in the way the region has historically conducted business. In FY 1996, the POCSR anticipates receipt of several applications for royalty rate reduction on producing leases as the fields approach the end of their economic life. Also on the horizon, independent operators are acquiring leases and facilities in the POCSR requiring the development of regional policy to address issues such as supplemental bonding and inspection program expectations. Innovative approaches will be required to assure safe and environmentally sound operations from operators lacking the funding of a major oil company without compromising the excellent safety record of the major oil companies.

In FY 1996, it will also be important for the POCSR to continue working closely with the EPA and local air quality agencies particularly regarding the operational, technological, and safety aspects of OCS facilities to ensure that these facilities continue to operate safely while minimizing impacts to local air quality.

Offshore Operations Program Priorities

Human safety and environmental protection in OCS operations are the top priorities of the Minerals Management Service's Offshore Operations Program. Some of the major events that occurred prior to the

establishment of this program include:

- The Santa Barbara Channel blowout of 1969. (Estimated 80,000 bbl spilled). The blowout occurred due to poor well planning and lack of training. MMS has since established sound well planning and training requirements that are periodically reviewed and brought up to date.

- The South Timbalier (Gulf of Mexico) blowout of 1970. (Estimated 53,000 bbl oil spilled; 4 fatalities and 36 injuries). The blowout occurred due to faulty workover procedures. These safety procedures have been completely overhauled and are required by MMS regulations.

- The Main Pass (Gulf of Mexico) production platform fire of 1970 in which the operator lost control of 12 wells (Estimated 30,000 bbl oil spilled). Subsurface safety valves, now compulsory, were not required at that time. Subsurface safety valves also ensure that wells cannot be sabotaged nor suffer loss of control during severe storms or hurricanes.

- The value of requiring subsurface safety valves was demonstrated in late 1992 when Hurricane Andrew moved through the Gulf of Mexico bearing sustained winds in excess of 140 mph. Approximately 2,000 structures were exposed to hurricane force winds. Of the total exposed, 36 full platforms and 145 satellites suffered damage. The combined daily oil production from the OCS in the Gulf of Mexico is close to 1 million barrels. Even with significant damage occurring to 10 major platforms, total spillage amounted to only 500 barrels.

MMS requires that operators carry out exploration and development in the OCS in an environmentally-sound manner. The recent oil spill in Arctic Russia is an example of an environmental catastrophe resulting from poorly-regulated operations.

Sound resource conservation practice is another key requirement for production on the OCS. We are increasingly hearing reports of haphazard and wasteful production practices in other countries. Deregulation of the OCS would result in similar wasteful practices. The increasing number of small operators calls for more vigilance by the Federal government to oversee operations.

Another important aspect of the MMS regulatory program is the maintenance of adequate surety bond levels for end-of-lease responsibilities. Proper implementation of these requirements is essential or the Federal government could become financially liable for substantial clean-up costs (well abandonment, platform removal, and site clearance).

Some of the most important agency issues are discussed below. They include: SEMP, environmentally sound deepwater development, oil spill prevention and mitigation, Oil Pollution Act of 1990 implementation, training programs, bonding, and air quality evaluations..

Safety and Environmental Management Program (SEMP)

A 1990 MMS task force on inspection and enforcement and the Marine Board of the National Academy of Sciences recommended that OCS operators develop and implement a safety and environmental management program (SEMP). SEMP is intended to reduce the risk of accidents and pollution from OCS operations by incorporating safety management practices into all facility activities and by establishing clear safety goals and management tools for achieving them. A SEMP plan would describe the responsibilities of company officials, employees, and contractors; training programs; auditing system; and the means for assuring compliance with regulations. The MMS, in 1991, published a Federal Register Notice explaining why MMS is considering SEMP; introducing the SEMP concept; and requesting comments concerning the proposal.

In response to this initiative, the American Petroleum Institute (API), and the Offshore Operators Committee (OOC) with MMS participation, developed an industrywide recommended practice (RP 75). The API published RP 75 in mid-May 1993. The MMS has requested that the industry voluntarily adopt the recommended practice. MMS is monitoring industry's efforts, to decide whether voluntary adoption of RP 75

accomplishes the goals of SEMP or if regulations will be necessary. During FY 1995, the API is surveying all offshore operators to gauge the extent to which RP 75 has been adopted.

The MMS has used workshops and targeted presentations involving all major trade groups representing the interests of the offshore industry to explore how best to implement SEMP. In FY 1995, the MMS will assist in a pilot project with the Department of Energy (DOE) to determine the effort and associated costs for small operators to develop a SEMP program in accordance with RP 75. In FY 1995 MMS began participating with selected companies in their SEMP audit program.

During FY 1996, MMS will continue using MMS-sponsored public meetings, seminars, letters and notices designed to educate and appeal to industry management to emphasize voluntary implementation of SEMP by all offshore operators. In FY 1994 and 1995 these efforts were undertaken in cooperation with such organizations as the OOC, API, the Independent Petroleum Producers of America, and the International Association of Drilling Contractors. An evaluation will be made late in FY 1996 on whether RP 75 should be incorporated into the MMS regulations, remain a voluntary standard, or be modified to achieve the objectives of SEMP.

Deepwater Development

Production rates from deepwater wells have soared as high as 13,000 barrels per day, on par with some Middle East wells. As nearshore Gulf of Mexico operations wind down, deepwater projects will become increasingly important to the maintenance of a healthy and viable domestic energy industry. As many as 100,000 new high-paying American jobs could result from Gulf of Mexico deepwater activity. However, because of greater environmental risk, deepwater development must be carefully monitored.

MMS Involvement in Advancing Deepwater Development

The MMS participated in Phase I of the DeepStar joint-industry research project. This project, led by Texaco, developed a deepwater production strategy to control risk and minimize capital exposure. The DeepStar project is continuing to research new technology needs for deepwater development and production.

The MMS is working with the DeepStar regulatory issues committee in Phase II of the project. This committee examines regulatory issues related to deepwater production and long offset subsea systems. Issues include:

- safety equipment location and testing requirements;
- requirements for bottomhole pressure surveys;
- structural requirements for floating production facilities;
- monitoring casing-annulus pressures; and
- extended well testing.

The MMS has independently evaluated regulatory issues raised both within and outside of MMS participation in Phase II of the DeepStar project. The MMS will issue a final report in early 1995.

MMS's most significant recommendation calls for the submittal of a deepwater operations plan for future deepwater or subsea development projects. A lessee's deepwater operations plan discusses how the lessee ensures that the project meets MMS's production safety requirements. The plan also addresses or includes:

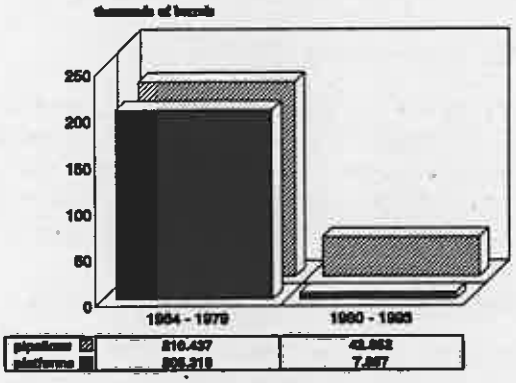
- application of new technology and practices;

- emergency shutdown systems parameters;
- inspection, testing, and maintenance practices;
- justifications for departures from minimum safety requirements; and
- hazards analyses.

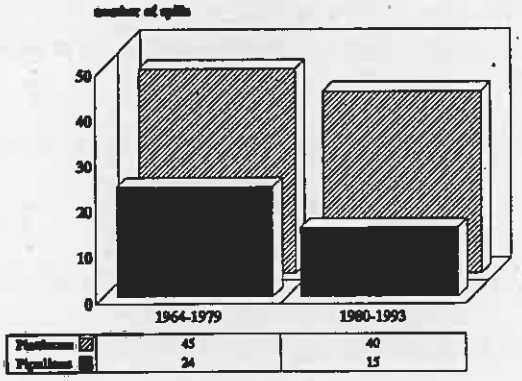
Oil Spill Prevention and Mitigation

The 1969 Santa Barbara blowout and two major platform fires in the Gulf of Mexico in 1970 triggered the development of a comprehensive spill prevention and response preparedness program. This program includes spill prevention specifications and requirements, training, contingency planning, response drills, equipment inspection, and research. These elements are fully integrated such that research, inspection, and drill results influence the development of training and contingency planning requirements. The MMS was the first organization in the world to conduct surprise oil spill response drills (Georges Bank, 1982). The unannounced drill program has continued to grow and evolve, and has greatly influenced MMS spill preparedness programs. The effect of MMS's oil spill prevention program can be seen in the decline in the number of spills greater than 50 barrels, and in the number and volume of oil spilled for the periods 1964 to 1979 and 1980 to 1993 (4.7 billion barrels of oil produced for both periods).

Total Amount of Crude Oil Spilled
50 bbls or greater



Number of Spills
less than 50 bbls



Oil Pollution Act of 1990 (OPA) Implementation

The Oil Pollution Act of 1990 created several new responsibilities for the MMS. Chief among these were expanded research responsibilities, new and modified oil spill financial requirements and expanded spill prevention and response authority (including State offshore waters).

Oil Spill Prevention and Response Research

As a result of the passage of OPA, some elements of the comprehensive spill prevention and response program are now funded by the OPA Oil Spill Fund (*see Oil Spill Research*). All oil spill response research, some spill prevention research, and some response planning activities are funded through OPA. All research is closely coordinated with other Federal agencies, industry, states, and foreign governments. The MMS is a key member of the Interagency R&D Committee established under OPA.

Oil Spill Financial Responsibility

The Oil Pollution Act of 1990 resulted in two financial responsibility initiatives for the MMS. First, OPA raised the level of financial responsibility for offshore facilities from $35 million to $150 million, and expanded the coverage from facilities on the OCS to offshore facilities "in, on or under navigable waters", but requires rulemaking to implement. Secondly, to preclude any gap in financial responsibility coverage, the OPA provided that existing financial responsibility regulations would continue in effect until new regulations were promulgated under OPA.

The MMS has engaged in a considerable outreach effort to develop implementing regulations for the increased level of coverage and increased jurisdiction. The MMS now administers the existing program at a level of $35 million for facilities on the OCS, and will continue to do so in the absence of any new rulemaking. This program was formerly administered by the U.S. Coast Guard. All new responsibilities for certifying financial responsibility for oil spill response and liability are funded under OPA. (See Oil Spill Research for a detailed discussion of both initiatives.)

State/Federal Interaction and Coordination Under OPA

In meeting its OPA obligations, MMS is working closely with coastal states. The intent is to minimize duplication and leverage resources. A Memorandum of Understanding (MOU) with Texas has already been executed. MMS is working on MOU's with Louisiana, Alaska, and California. MMS is also working to strengthen state programs, in an effort to minimize MMS regulation of State water activities. A more detailed discussion of MMS oil spill research is provided under the Oil Spill Research Section.

There are many other instances of MMS cooperation with other Federal agencies and States in the OPA implementation. They include the following:

- The U.S. Coast Guard, MMS, EPA, Research and Safety Programs Administration (RSPA), the States, and private industry developed nationwide guidelines for spill response drills - the National Preparedness for Response Exercise Program (PREP).

- The Department of Transportation, MMS, and EPA, jointly issued training guidelines for oil spill response.

- The U.S. Coast Guard, MMS, EPA, and RSPA coordinated development of oil spill response regulations that are compatible.

- The Department of Transportation, EPA, and MMS have jointly sponsored workshops for State agency employees dealing with OPA spill response related issues.

The FY 1995 appropriation approved 16 FTE's for implementing OPA. Two are to support the OPA financial responsibility program. The remaining fourteen FTE's are allocated for regional oil spill plan review, oil spill prevention and response planning, inspections, and spill investigations and civil penalties programs as follows:

- 6 FTE's assigned to the GOMR will conduct OPA inspections in State waters, conduct joint inspections with State agencies and assist in carrying out the broader District mission.

- 3 FTE's are to fortify an existing two-FTE accident and spill investigation and civil penalties unit.

- 2 additional FTE are assigned to handle the growing number of OPA and OCSLA civil penalties cases.

- 3 FTE's (2 in the GOMR and 1 in the POCR) are assigned to improve both the Federal and State oil spill drill planning and coordination programs.

MMS Training Programs

The MMS administers two training programs. One is a regulatory program focused on ensuring that offshore industry personnel are adequately trained. The other seeks to continuously improve the MMS inspection workforce. The certification of industry schools was historically performed by review and certification of curricula and documents, and on-site audits of classes by MMS headquarters personnel. The formal training program for MMS inspectors has been developed more recently and focuses not only on ensuring an inspection work force that is adequately trained for the current job, but one that is evolving from a technical series to a professional series.

As events such as the Piper Alpha disaster in the North Sea, and other similar events in the Gulf of Mexico occurred, the MMS analyzed the accidents to determine what could or should change in the regulatory programs. These and other internal studies, and studies contracted through the Marine Board of the National Academy of Science stressed the need to focus on the human performance factor of the offshore operations. As a result, the MMS has made several changes to its training programs.

MMS Certification of Industry Training Schools

The MMS administers the industry certification program to help ensure that operations in the OCS are conducted safely by well-trained personnel. The MMS program has gained worldwide recognition as a model program, and many states, for both onshore and offshore industry operations, require training at MMS certified schools. Many foreign countries also have adopted MMS-certification as a standard.

The MMS has regulated the industry training program for many years, but has periodically revised the content and the manner in which the program is conducted. During FY 1994, the MMS published an Advance Notice of Proposed Rulemaking (ANPR) which explored the current industry training program, and possible alternatives to the program content. Likewise, the MMS is pursuing ways in which school and student certification processes may be conducted more efficiently.

As a result of the comments received on the ANPR, the MMS began to revise the certification process in FY 1995. The MMS is working actively with groups such as the American Petroleum Institute (API), the International Association of Drilling Contractors (IADC), and the Gulf Coast Trainers Association in a working partnership that will more effectively ensure adequately-trained employees in the work force. The MMS is working with these groups to develop a testing protocol that will rely more on industry participation in self-review with MMS participation as test proctors and participatory auditors. In FY 1996, the MMS and industry will move from the labor-intensive paperwork reviews and classroom audits to this approach. This approach will also allow the MMS to compare the effectiveness of alternative training approaches that the industry wants to use, such as interactive multimedia.

In FY 1995, the MMS decentralized the certification process from headquarters to the field offices. This places the MMS personnel involved with the certification process in closer proximity to their customers, the training schools and the oil and gas industry, and allows more responsive interaction.

MMS Inspector Training Program

As the MMS has monitored the changing industry environment and revised the regulatory approach where appropriate, we have examined our inspection work force, and the way in which it functions. In response to the changing climate on the OCS (i.e., the increasing number of independent oil and gas operators, the development of new technologies for deep-water operations, and the increasing focus on the importance of human factors), the MMS saw the need to both strengthen the existing skills, and broaden the skills and knowledge base of the inspectors. To provide this training, the MMS developed a two-part formal inspector training program; the first part is designed to develop the long-term capabilities of this workforce while the second part is designed to improve current on-the-job performance.

During FY 1994, the MMS helped form a non-profit organization, the Training Technology Consortium, with several industry companies to develop computerized interactive training relevant to offshore oil and gas operations. Arrangements were made through this group to develop training modules in hazards communication and electrical equipment. MMS expects to develop as many as two dozen different titles (training modules) by FY 1997.

The first prototype computer-based interactive training module, "Hazards Identification," was completed and distributed along with appropriate display units to field offices. Cooperative agreements were signed with the University of New Orleans to develop two additional computer training modules; "Gas Measurement" and "Incident Investigation", which were scheduled for delivery in FY 1995. During FY 1996, it is anticipated that additional computerized training modules will be developed and distributed to inspection personnel.

The MMS is working in a parallel effort to develop the internal capability to produce still other training materials (e.g., videotapes and publications) for the inspector work force, and other technical and professional positions.

Bonding Requirements

A new rule was promulgated in 1993 to assure that lessees have the financial capacity to carry out their obligations, e.g., to properly plug and abandon wells, remove platforms, and clear the well or platform site of obstructions.

Additional regulations are in development to establish a deadline of 2 years for all OCS oil and gas and sulphur lessees to bring their bond coverage into compliance with the new levels, establish that assignees, assignors, and co-lessees are jointly and severally liable for compliance with OCS sulphur and oil and gas leases, establish a regulatory framework for lease-specific abandonment accounts and acceptance of a third-party guarantee, and update the bond coverage required of holders of pipeline right-of-way and Geological and Geophysical (G&G) exploration permits. These changes are needed to reduce the risk of default by an underfunded company operating a lease or holding a right of way.

Air Quality Evaluations

The Clean Air Act Amendments (CAAA) of 1990 transferred air quality regulatory jurisdiction on the OCS, except for the Gulf of Mexico off Texas, Louisiana, Mississippi, and Alabama, from the DOI to the U.S. Environmental Protection Agency (EPA).

The EPA promulgated the OCS air quality regulations on September 4, 1992. New sources were subject to the OCS air quality regulations as of December 5, 1991 (the date of publication of the proposed rules), and existing sources complied by September 4, 1994 (2 years after promulgation of the final rules).

Under the new OCS regulations, facilities within 25 miles of a State seaward boundary are subject to the regulatory requirements in the adjacent onshore area, including State and local requirements for emission controls, emission limitations, offsets, permitting, monitoring, testing and reporting.

Existing facilities off California have submitted plans for installing pollution control equipment in order to meet the September 4, 1994, compliance deadline. The MMS will review any exemption requests and participate in consultations with the U.S. Coast Guard and the onshore regulatory agency. The MMS will be responsible for preparing any NEPA analysis for platform retrofit projects.

The MMS plans to examine ways to strengthen the existing DOI air quality regulations that are in effect on the OCS off Texas, Louisiana, Mississippi, and Alabama. This may be accomplished by including a permitting process, regular reporting, monitoring, and inspection requirements, authority to levy fines for violators, and establishment of clearly-defined procedures for ordering a shut-down of a facility if permitted standards are exceeded. Many of these provisions will be patterned after EPA and State regulatory procedures.

Regulation of Operations Program

The following section details four subelements within the Regulation of Operations program area:

- Inspection and Enforcement,
- Industry permits and approvals,
- Production controls, and
- Other processes

1. Inspection and Enforcement

The inspection of OCS oil and gas operations is a major activity of the regulatory program. The MMS inspects drilling and production facilities on the OCS using both scheduled and unannounced inspections.

The Inspection Program provides the first line of defense for ensuring environmental protection and human safety. Three of the many examples of how this program serves the public are provided below:

- A company on the OCS was issued an Incident of Non-Compliance (INC) for operating with subsurface safety valves removed from the well for an extended period of time. While such a practice does increase production rates, it also greatly increases the possibility of losing control of a well during unplanned circumstances. Within a short time following this event, the company declared bankruptcy. If the company had lost control of any wells, and had a worst case spill occurred, it is unlikely it would have had the financial wherewithal to meet its oil spill liabilities. The MMS enforcement action helped ensure that this primary line of defense against oil spills was in place.

- An MMS inspection resulted in the issuance of two INC's because the surface-controlled subsurface safety valves for two wells were found leaking. During a follow-up inspection, MMS inspectors found that the wells had been returned to production without the valves being removed, repaired and reinstalled, or replaced. The wells were "shut-in" by MMS until the company corrected the violation. Following an MMS investigation, it was determined that the violations constituted a threat of serious, irreparable, and immediate harm to the environment and a civil penalty was assessed. A hearing was held before an MMS Reviewing Officer and the company paid the civil penalty.

- An investigation by the MMS revealed that a company failed to execute established safety procedures necessary to prevent a flash explosion that occurred during maintenance on a flare condensate knock-out vessel. This failure to practice safe and workmanlike procedures resulted in a serious injury to a worker. Based on the fact that the violation resulted in harm to human life, the MMS assessed and collected a civil penalty. After the investigation and assessment of the civil penalty, the company implemented the following corrective actions:
  - The company conducted an independent investigation;
  - Refresher training was done for all appropriate company personnel; and
  - The company developed a Standard Operating Procedure (SOP) to isolate and clean vessels.

An inspection can range from two hours in duration by a single inspector to several days by two or three inspectors depending on the operation being inspected (drilling, production, workover, well completion, measurement, etc.) and the complexity of the facility. An unannounced inspection is usually not a complete inspection, and therefore is of shorter duration than a complete inspection. A single well caisson (approximately 36 percent of the production facilities are in this category) contains on average about 8 devices to be inspected. A "super" platform may contain about 1200 devices to be inspected. The single well facility can be inspected in a short time, while the super facility may take several days. However, the super platform has a heliport which makes it easily accessible. The single well facility is, generally, only accessible by boat which increases travel time greatly. The inspection program is not just a matter of conducting inspections, but includes the transportation to and from the facilities and the planning of inspections in order to use the resources most efficiently.

Facility Size Classes				
Type and Number of Wells	Number of Facilities as of 12/31/93			Number of Devices per Facility *(Approximately)*
	G.O.M.	Pacific	Total	
Processing *(no wells)*	458	2	460	150
Single Wells	1,342	0	1,342	8
Jacket *(2-6 wells)*	941	0	941	75
Medium *(7-18 wells)*	767	1	768	230
Large *(19-27 wells)*	184	2	186	500
Major *(27-59 wells)*	35	7	42	850
Super *(> 60 wells)*	4	12	16	1,200
Total	3,731	24	3,755	

Due to the increasing number of operators, MMS has instituted alternative means of inspection, such as scientific random sampling. Sampling will be used as a screening process to focus on operators who are less diligent in maintenance and inspection. This reduces the time required for scheduled inspections and increases the time and resources available for unannounced inspections, thereby permitting the MMS to spend a greater amount of time dealing with facilities and operators that pose a greater risk. Thus, while the total amount of time spent inspecting is the same, the effort will be focused on higher risk operations, rather than routine operations by reliable operators, and without diminishing the effectiveness of the inspection process.

Civil and Criminal Penalties

The Oil Pollution Act of 1990 (OPA) contained amendments to the Outer Continental Shelf Lands Act (OCSLA) which restored the MMS civil penalties program. The program had been suspended due to court actions prior to 1990. The OCS Civil/Criminal Penalties Program is now active in all three MMS regions. Since the passage of OPA through November 1994, MMS has initiated 43 compliance reviews which have led to 29 civil penalty cases being referred to reviewing officers. During that period MMS collected $208,779 in 16 civil penalty cases. Training for candidate OCS Civil Penalty Reviewing Officers has been conducted and will continue as implementation of the program proceeds. In addition to the OCSLA civil penalty authority (which includes the current OCSLA financial responsibility regulations), OPA and Executive Order 12777 gave MMS civil penalty authority to enforce the new OPA- mandated financial responsibility requirements. The approach to implement civil penalties for failure to comply with the new oil spill financial responsibility is being evaluated and will be a part of the OPA rulemaking.

Enforcement Activity - Fiscal Year 1993							
Inspections	INC's Issued*			Total	Civil Penalties		
	Warning	Component	Facility		Assessed	Pending	Settled
Production	1,448	2,196	126	3,770	1	2	0
Drilling	340	153	118	611	0	0	0
Pipelines	22	166	0	188	0	1	0
Safet Meters	61	25	0	86	0	0	0
Workover/ Completion	102	28	3	133	0	0	0
Abandonment	0	0	0	0	0	0	0
Total	1,973	2,568	247	4,788	1	3	0

**INC's – incidents of noncompliance*

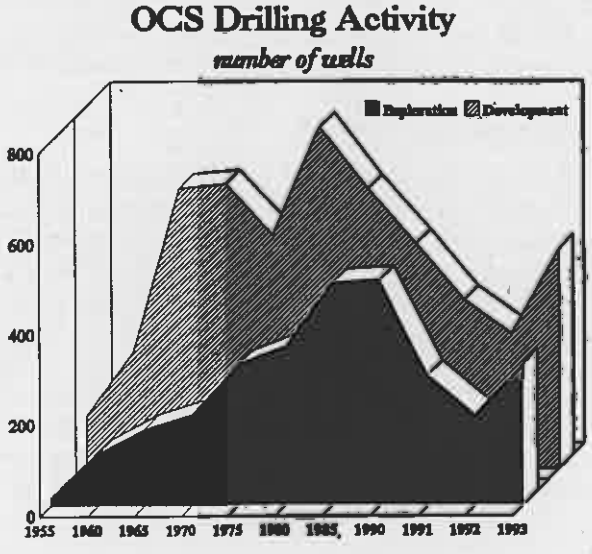
Warning — INC issued for noncritical device or unsafe operation that can be immediately be corrected.
Component shut-in – Vessel or unit operation out-of -compliance is shut-down until it is brought into compliance.
Facility shut-in – Facility operations found out-of-compliance require immediate shut-in of entire facility.

Selected Facilities Review

A selected facilities review is an intensified inspection effort directed at facilities in a specific geographic area. Special inspection teams made up of two to four inspectors from two or more districts inspect a designated number of various types of facilities in a short (usually three days) period of time using preselected Potential Incidents of Non-Compliance. The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the MMS Inspection Program and the level of lessee compliance with OCS regulations. Depending on the size and complexity of the facility, as many as 10 facilities may be inspected.

Accident Investigations

Requirements state that the MMS is notified of every accident occurring on the OCS. MMS conducts accident investigations to: identify and rectify specific safety or environmental problems; analyze and assess the effectiveness of current equipment, procedures, and operations; identify the need for new or modified regulations; and provide information needed to support other aspects of the Regulation of Operations Program. This increase of accident investigation activity is part of a move to place more emphasis on overall safety of the operation.



2. *Industry Permits and Approval*

Operators are required to obtain MMS approval or permits before commencing certain activities and operations as described below. In addition to these,

unitization and operating agreements and enhanced oil recovery projects also require MMS approval.

Exploration, Development, and Production Plans

The MMS requires OCS operators to obtain approval for their exploration plans (EP) prior to commencing exploration activities. The MMS requires approval for each Development and Production Plan or Development Operations Coordination Document (DOCD) prior to the drilling of development wells or the installing of fixed production platforms, pipelines, or production equipment. The MMS encourages cooperative development to ensure coordinated development and production by independent operators on separately-owned tracts. The MMS ensures that plans are designed to prevent the harmful effects of unrestrained competitive production.

Applications for Permit to Drill, Workover, Recomplete, and Abandon Wells

Before wells may be drilled, worked over, recompleted, or abandoned, operators must submit an application giving full information regarding the proposal and obtain MMS approval prior to beginning the operation. The number of applications for permits to drill, well workovers, recompletions, and abandonments increased between FY 1993 and FY 1994 and reflects a continued or steady increase in the number of drilling rigs now operating in the Gulf of Mexico.

Platform Installation, Modification, Removal, and Site Clearance

Operators must submit to the MMS, for approval, applications for the installation of new platforms and applications for significant modifications to previously-approved applications. Regulations require all new platforms or other structures to be designed, fabricated, installed, and inspected in accordance with MMS regulatory requirements. MMS designed these requirements to prevent the endangerment of life, health, or damage to the environment and to ensure the structural integrity of platforms when subjected to hurricanes, earthquakes, ice, other natural hazards, and boat collisions. MMS reviews each platform application or significant modification to an approved application to ensure that it is appropriate for the expected environmental and operating conditions and to determine the steps to be taken to protect against corrosion.

Selected platforms which operate in difficult physical environments, or which have designs not previously proven for use in such environments, are subject to the requirements of the MMS Platform Verification Program. The Platform Verification Program requires both a more detailed review by the MMS and the review and approval of a third party verification agent who provides an independent engineering assessment of the design, fabrication, transportation, and installation of the platform.

When platforms are of no further utility, operators submit plans for proper abandonment of wells, removal of platforms, and site clearance. MMS reviews plans for integrity and regulatory compliance before approval. Platform removal in the Gulf of Mexico is on the rise and is one of the few areas of the oil industry that is bound to grow. In 1993, 140 platforms were removed, a 37 percent increase from the previous year. Nine were donated to the Rigs-to-Reefs program, a State-sponsored program which converts offshore platforms into artificial reefs for recreational uses.

Pipeline Applications

Regulations require that an operator or right-of-way grant holder submit to MMS, for its review and approval, applications for the design, plan of installation, and modification and repair of all pipelines authorized under any lease or pipeline right-of-way.

3. Production Controls

Production Verification

This nationwide production verification program protects the public interest regarding OCS minerals development. The MMS conducts annual inspections on all onshore and offshore custody transfer liquid

meter locations for site security, verification of sales volumes, and compliance with OCS regulations. The MMS personnel perform onsite production verification and inspections to check discrepancies noted in the records. The MMS witnesses meter provings to assess the meter's accuracy. The proving report is used to verify the run ticket net volume. The run ticket net volume is compared to the monthly production report submitted by the operator. Production verification inspection figures include all of these verifications. The MMS has developed an automated system which detects under-reported crude oil production. The MMS has also conducted a pilot gas production verification project in the Gulf of Mexico Region which supports the need for a complete gas verification program.

Commingling Agreements and Measurement Approvals

Operators submit applications for MMS approval to move production from multiple leases to a central facility for purposes of processing, measuring, and storing of this production. In the process, production is commingled (mixed) with production from different wells, leases, and fields, and with production of other operators.

MMS reviews commingling agreements to ensure that such agreements do not result in a reduction in the royalty due to the Federal Government.

Production Rate Control

MMS sets well and reservoir production rates to provide for conservation of resources and prevention of waste. MMS personnel review requests for reservoir maximum efficient rates (MER's) and well maximum producible rates (MPR's), supporting information, and approve operations in accordance with established policies developed to prevent waste and ensure conservation of oil and gas.

In the past, operators submitted quarterly oil well and semi-annual gas well test results. Beginning in FY 1994, the MMS regulations call only for semi-annual well testing, of either oil or gas wells. MMS uses this information for many reasons which include production capabilities of wells, reservoirs, and leases; reserves estimation; development plans; and royalty obligations.

Gas Flaring Approvals

The MMS reviews requests for flaring or venting to ensure that unnecessary flaring does not occur. The MMS approves flaring or venting only when requested operations are in accordance with MMS policy established to prevent unnecessary loss of natural resources and to minimize environmental effects of flaring.

4. Other Processes

Suspensions of Operations

The MMS directs suspensions of operations when necessary for safety or environmental reasons or grants them in the national interest as specified in regulations.

Field Development Studies

Drainage across a State/Federal boundary can affect Federal royalty payments from leased land to unleased land or from one lease to a lease with a different royalty rate. The MMS monitors development and production activities to ensure that Federal royalty payments are not reduced as a result of drainage.

Justification of Program Change
Air Quality
(Dollars in thousands)

	1995 Enacted	1996 Request	Change
	0	267	+267

Congress mandated in the 1990 Clean Air Act Amendments (section 328), that air quality studies be conducted in the Gulf of Mexico. At the end of FY 1995, MMS will have completed a three-year air quality study. Based on the results of this study, MMS has a mandate to consider, in consultation with EPA, adjustment of our air emission regulations in the Central and Western Gulf of Mexico. We anticipate that MMS will be adjusting its regulations to deal with the nearly 3,800 offshore platforms and will consider what changes are necessary to process plans of exploration or development for new air quality requirements. The MMS currently reviews roughly 500 plans a year for various environmental and safety considerations and in 1996 will add air quality reviews to the approval process.

Additional funds are needed to calculate air emissions, perform modeling assessments, determine emission control requirements for OCS operators prior to approval of permits and plans of operators, and to coordinate with other Federal and State air regulators.

Justification of Program Change
Alternative Dispute Resolution
(Dollars in thousands)

	1995 Enacted	1996 Request	Change
	0	500	+500

MMS has established an Alternative Dispute Resolution (ADR) Program. ADR encompasses a spectrum of ways to resolve conflicts in lieu of litigation, including informal discussions and negotiated rulemakings. The Offshore program is expanding an ADR approach of collaborating with local interests directly affected by OCS development, including environmental groups and State and local governments. This expanded approach includes the establishment of subcommittees of the OCS Policy Committee as well as the expansion of that committee as an MMS-wide ADR forum.

- In the Gulf of Mexico Region, a Development and Production Plan EIS will most likely be prepared for Destin Dome (Florida) area. This area is believed to be natural gas-prone. The MMS will work toward reaching accommodation or consensus with the States and affected communities.

- The Pacific Region will expand its efforts and coordinate with the State of California and affected counties on development projects in the Santa Barbara Channel and Santa Maria Basin areas.

- In the Alaska Region, regular meetings will be held with communities in the vicinity of the Gulf of Alaska and Beaufort and Chukchi Seas for discussion and resolution of pertinent issues.

- Meetings will be held with affected coastal States and localities to address differences and resolve controversies for the development and approval of the 5-year oil and gas program.

Establishment of an ADR program would provide better relationships and improved communications with constituents, create opportunities for creative solutions, reduce costs associated with litigation and appeals, and reduce the length of time currently necessary to resolve disputes.

The total amount requested is $500,000 for travel and other services (conference rooms, meeting supplies, etc.).

Technology Assessment and Research

The studies of the Technology Assessment and Research (TA&R) Program promote safety of operations and prevention of oil spills and air pollution. TA&R studies investigate and assess safety-related technologies and perform applied research as needed. Study results support the technology basis for MMS's permitting of drilling and production operations, safety and pollution inspections, enforcement actions, accident investigations, and well-control training requirements. The program is a balanced effort that investigates safety-related technologies associated with the regulated industry's movements into deeper water and more hostile environments, as well as the maintenance of aging facilities.

Recent natural disasters, such as Hurricane Andrew and the recent Northridge earthquake have reinforced recognition of the continued need to assure the integrity of offshore facilities and to ensure that regulatory requirements encourage use of BAST. Within MMS, technical personnel review operational problems and consider possible technological solutions which may be better-defined through research efforts.

Objectives:

- Provide a continuing and comprehensive technology base within the MMS to ensure that OCS operations are orderly, safe, and pollution-free, and to ensure that MMS regulatory requirements facilitate the use of advanced technologies.
- Provide leadership to industry, through research participation and dialogue at the engineering level, to assure compliance with the provisions of OCSLA Section 21(b) that requires the use of the Best Available and Safest Technologies (BAST).

TA&R Program Activities

The program operates through contracts with universities, private firms, and Government laboratories to assess safety-related technologies and to perform necessary applied research. TA&R jointly funds studies in cooperation with other Federal agencies, State and local government agencies, government agencies of Canada, Norway, and the United Kingdom, and with industry. Joint funding of projects is becoming increasingly popular because of the similarity of interest, decreases in research funds, and a broader recognition that this is the most effective and efficient use of the funds available.

Operational Safety

The MMS has sponsored at Louisiana State University (LSU) investigations of deep-ocean well-control procedures and diverter design and operation, and will be focusing its resources on the interactive process of well control and seabed response to minimize seabed fracture from underground blowouts and other subsurface flow problems associated with excessive well pressures that could result in cratering and even platform loss.

The MMS is conducting operational and reliability analysis studies for OCS operations and has held related international workshops. Our knowledge and understanding of deep-ocean well control needs to be improved to provide engineers a better understanding of seabed physical processes that occur while drilling and to provide drillers more timely and accurate bottom-hole information and improved means for controlling potential blowouts.

Studies also have been initiated that emphasize human and organizational factors that affect responses during normal and emergency operations on offshore platforms. Offshore facilities by their very nature provide a minimum of space into which complex and densely configured drilling, production and processing equipment

must be placed and operated. Facility systems must be designed, arranged, operated, and inspected to minimize the potential for failure of any element. The failure of a single element in these tight quarters can cause a cascade of sequential failures, resulting in a catastrophic failure of the system.

Examples of Contracts and Cooperative Agreements			
Project	Contractor/Organization	Estimated Cost	Extend Project
Well Control Procedures	Louisiana State University	$228,000	Yes
NO_x Control Development	Technor Inc.	$200,000	Yes
Offshore Composites Engineering & Application Center	Joint Industry Project (JIP) with University of Houston	$20,000	Yes
Residual Strength of Damaged Structures	JIP with Lehigh University	$50,000	No
Probabilistic Seismic Hazards Offshore California	Interagency Agreement DOE Lawrence Livermore Laboratories	$100,000	Yes
International Workshop on Damage to Underwater Pipelines	JIP/Interagency Study with Project Consultants	$80,000	Yes
International Sea Ice Mechanics and Arctic Modeling Workshop	Interagency Agreement with U.S. Navy/Northwest Research Associates	$70,000	No
Human & Organizational Error for Offshore Operations	JIP with EQE Engineering	$50,000	No
Integrity of Tubular Frames for Offshore Platforms	JIP with BOMEL Engineering	$73,000	Yes
Assessment Methodology for Fire & Operational Safety	JIP with University of California at Berkeley	$32,000	Yes

Old and Innovative Structures and Pipelines

TA&R is developing a methodology for assessing acceptable loads and residual service lives of existing platforms and pipelines. There is a growing concern about the integrity (age and condition) of some of the older platforms and pipelines in the Gulf of Mexico. There is also some concern over the susceptibility of some of these facilities to corrosion, damage caused by dropped objects, collision of vessels with a platform, and by anchors being dropped on or dragged across a pipeline. Improved inspection and monitoring systems need to be devised for both pipelines and platforms.

As more and more reserves are being discovered in deep water, the innovative technologies used by industry to design and build deep-ocean compliant structures, such as tension-leg platforms, continues to evolve to meet technical and economic needs for deepwater development. This rapid evolution in technology needs to be independently verified to ensure continued safety of operations and protection of the environment.

Offshore Earthquakes

TA&R is working with the State of California and industry to establish an offshore seismic monitoring program. The program includes the installation of new state-of-the-art instrumentation to obtain data on response of the seafloor to seismic motion and the resulting dynamic effects on structures and operating equipment. Though survivability of a major earthquake has been a critical factor in the design, fabrication, and installation of facilities off the California coast, our knowledge and understanding of the direction and magnitude of seismic forces and the responses of structures to those forces continue to be defined.

TA&R is working with industry to develop an acceptable methodology for assessing the survivabily of existing topside (operational) components during an earthquake. It is anticipated that this effort will develop realistic benchmarks, identify mitigating measures, and indicate the resources required to perform such evaluations. An effort will also be initiated to develop a probabilistic seismic hazard map for use in the evaluation of existing and proposed operations. The MMS will continue to gather and assess seismic technology to ensure the safety of offshore facilities located in earthquake-prone areas.

Nitrogen Oxide (NO_x) Pollution on the OCS

MMS has been working with industry to develop a combination of exhaust gas treatment and engine combustion controls as a means of reducing the NO_x emissions from gas turbines and diesels operating on the OCS. New air quality standards will require these emissions to be reduced by about 75 percent. The MMS's research efforts have been a major factor in developing this technology so it is now commercially available for diesel engines. Laboratory research using gas turbine engines has advanced so that plans are being made to initiate a development/demonstration project.

Arctic Technology

Sea ice in its various forms is the most severe environmental factor in the Arctic. The hazards it creates are potentially much greater than the hazards faced in open-ocean operations. Such hazards range from the forces that moving sea ice may exert against offshore structures to the gouging of the seafloor (a factor to be considered in the placement of a pipeline). Engineering data for these hazards will become increasingly more important as operations move from an exploration mode to a production mode and as structures are considered for deeper water, especially within the shear zone or pack ice. The MMS has been participating, as opportunities arise, to gain important safety-related information in advance of future operations in the Arctic. In particular, engineering properties and forces of moving ice on structures and pipelines are being studied, and future workshops are being planned to assess technology needs. Interest in conducting exploration and development activities in the Arctic offshore have been dampened by the industry's failure to find commercial discoveries.

Advance Materials

Much progress has been made in producing new materials for application to offshore oil and gas operations. New materials such as metal matrix composites and fiber-reinforced plastic materials have made some progress in marine applications, but much further progress can be made for engineered materials offering properties allowing for new designs of offshore structures and operational components such as risers, etc. Even though these materials offer significant improvement in properties, serious barriers such as material and fabrication costs, needed design innovations, and the reliability, repair, and inspection of advanced engineered materials need to be addressed.

Technology Transfer/Seminars/Workshops

Research supported by the TA&R program is reported in publications and seminars. In addition, MMS conducts workshops on pertinent areas of technology. The TA&R program also sponsors a biennial seminar for the public on its research program. International workshops have been conducted on such topics as pipeline safety, requalification of old or damaged platforms, the use of composite materials offshore, and operational risk.

Major Program Reports

The Program prepares a biennial report summarizing information about ongoing projects. In addition, all reports from research projects are maintained for in-house use and distribution to the public as appropriate. Workshop proceedings are an additional major source of technology transfer.

Oil and Gas Information

The Oil and Gas Information Program provides the public, industry, and other government agencies with official statistical information on the MMS oil and gas program.

- The annual Federal Offshore Statistics provides mainly tabular data on leasing, exploration, production, and revenue from 1954 to 1994.

- The *Offshore Stats*, a quarterly statistical newsletter, provides individuals, organizations, and other interested parties with statistical graphs, tables, and charts, which enables monthly, quarterly, and annual comparisons and trends. Data coverage includes drilling, production, rigs and platforms, environmental studies inspections, compliance, training, revenue contributions, rents, royalties, disbursements, and OCS performance records set (e.g., deepest well drilled — see table in Offshore Operations Overview).

- The *Leasing and Production Annual Report to Congress*, mandated by Section 15 of the OCSLA, summarizes receipts and expenditures on a fiscal year basis and, in compliance with Section 22 (g) of the Act, includes information on Federal offshore safety violations as reported by the U.S. Coast Guard. It also summarizes recent lease sale activities, consultative activities, regulations and rules written, inspection information, and litigation affecting Federal offshore leasing. Headquarters is planning on streamlining document preparation in FY 1995.

- The *OCS Natural Gas Facts* is a new report that will be produced annually in FY 1995 and in FY 1996.

Information Management Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Information Management Program	$	9,858	151	-3,600	6,409	-3,449
	FTE	98	0	0	98	0

Program Description

The Information Management Program (IMP) subactivity primarily funds salary-related costs and equipment maintenance for computer support units in the Regional offices and the Office of Management Support. In addition, the operations of this program provide integral support to the other Outer Continental Shelf (OCS) Lands subactivities, i.e. the Leasing and Environmental, and the Resource Evaluation and Regulatory programs.

The IMP provides a central foundation for the management of the large volume of data used in the scientific, engineering and land management activities of the Offshore program. The program also provides centralized management of ADP acquisition, contracts, and security. These activities are currently accomplished using:

- 12+ major automated data processing systems
- 350+ minor systems and databases
- 1,200+ microcomputers and workstations
- 4 Concurrent Computer Corporation minicomputers
- 8 Local Area Networks and a Wide Area Network

Objectives

The primary objectives of the Information Management Program are to:

- ✓ Provide direction and oversight for the Offshore Minerals Management (OMM) Information Management Program (IMP).
- ✓ Oversee the development of OMM information management policies and standards.
- ✓ Maintain computer facilities.
- ✓ Provide operational support for all computerized systems.
- ✓ Design, develop and maintain applications software and hardware.

Examples of the types of data processed through Offshore's ADP programs and its use are:

Activity	Type of Data	Use of Data
Leasing & Environmental	Block/Boundary Lease Management Environmental Oil Spill Air Quality Studies	Preparation of Leasing Maps Official Protraction Diagrams Split Block Diagrams List of Qualified Bidders Air Quality Models Oil Spill Trajectory/Analyses Environmental Assessments & Reports
Resource Evaluation	Geologic Geophysical Seismic Well Logs Exploration Development Production Cost Oil and Gas Prices Employment Levels Reserves	Estimate Oil and Gas Reserves Determine Minimum Acceptable Bids Resource Estimates Fair Market Value Determination Regional Mapping Geologic and Reserves Reports National Assessment Forecast OCS Revenues (Bonus, Royalty & Tax Receipts) Oil and Gas Production Forecasts for OCS Royalty Reduction Decisions Lease Timing and Sizing Historical Leasing Analysis
Regulation of Operations	Inspection Industry Structures/Platforms Pipelines and Inspections	Retrieve Applications for Permit to Drill Monitor Bonding Statistics Pipeline Monitoring Compliance Surveillance

The major information management systems/databases used and funded throughout the MMS programs include: (Those systems marked with an asterisk * are critical systems being modernized and replaced by the Technical Information Management System [TIMS] described following this table.)

System/Database	Functions
Outer Continental Shelf Information System (OCSIS)*	Integrates an array of smaller systems, eliminates duplication of data, makes data more accessible and provides a complete array of data and tools to the users. Its two major components are Lease Management and Operations.
Offshore Inspection System (OIS)*	Stores all inspection information gathered during MMS inspections of OCS drilling, production, and pipeline operations, and production verification.
Automated Cartographic System (ACS)*	An interactive, menu-driven system allowing the creation of pre-defined or customized maps.
Offshore Lease Data System	A centralized relational database of lease-related data that is used in the economic analysis of historical lease bid data and subsequent production data.

Archaeological and Shipwreck Information System (ASIS)	A menu-driven application that controls two databases: 1) the archaeological database; and 2) the shipwreck database.
Geological and Geophysical (G&G)*	Interpretive Database System (GNG)Under development. It will combine several different types of G&G data into a single database when fully operational; data includes seismic, gravity, marine and aero-magnetic, geochemical, and well inventory information.
Monte Carlo Range of Values (MONTCAR)	A computer simulation model that performs geologic, engineering, and economic analysis of oil and gas prospects on a tract-by-tract basis; used to evaluate OCS tracts that receive bids during a lease sale which pass to Phase II consideration; estimates a fair market value for the tracts.
Offshore and Coastal Dispersion Model (OCD)	Models pollutant release from over-water sources; developed to replace two earlier regulatory air pollution models used by MMS.
Oil Spill Risk Analysis (OSRA)	Aids in estimating the environmental hazards of developing oil resources in the OCS lease areas; analyzes the probability of spill occurrence, and the likely path of trajectories of spill.
Plume Airshed Reactive Interacting System (PARIS)	A gridded photochemical model used for single or multiple day simulations for ozone.
Probabilistic Resource Estimates Offshore (PRESTO)	A computer simulation model that projects oil and gas resource potential on a structure basis; calculates a range of resource quantities that are projected to exist.
Postsale Analysis System (PSAS)	Supports the area-wide concept of lease sales; modified to support large sale offerings and also provide for postsale bid acceptance/rejection procedures.

At present the automated data and systems reside principally on Concurrent Computer Corporation (CCC) minicomputers in the Regional offices. These minicomputers are obsolete in all aspects of modern information systems technology. In response to this situation and in an effort to make more efficient use of our significant investment in microcomputers, LANs, and related equipment and software, Offshore has developed, and is implementing in stages called "releases", the Technical Information Management System (TIMS).

Technical Information Management System (TIMS)

Background

The Technical Information Management System (TIMS) was created by Offshore to provide a comprehensive corporate database that will build Offshore data into a linked information system. In addition, it includes replacing/modernizing hardware and systems software.

The purpose of the TIMS is to provide the Offshore Program with the necessary up-to-date automated tools to carry out its mission of leasing on the Outer Continental Shelf (OCS) in an environmentally-sound manner and to insure proper monetary return to the U.S. Government for leased resources. Simply put, the TIMS will place the Offshore Program on par with the U.S. oil and gas industry, as to availability of timely, current, technically correct information. Present manual and automated systems do not provide this capability. The TIMS is being designated to further facilitate receipt of millions of dollars in revenues to the Federal

Government from the leasing and production of energy resources by conducting sophisticated geological, geophysical, engineering, social and economic reviews that industry has been collecting for years. Thus, the TIMS will provide information which is critical to the MMS mission.

In implementing the TIMS, the MMS is conducting the necessary analysis, systems development, and acquisition activities leading to the modernization of all mission-critical information systems used in support of the IMP and other MMS activities. When the TIMS has been completed (FY 1999), MMS will be able to better fulfill its extensive regulatory responsibility governing the safety, proper design, and technical operation and inspection of the producing oil and gas structures on the Outer Continental Shelf.

In addition to replacing/modernizing computer hardware and systems software, the TIMS program is building a more comprehensive database consisting of TIMS programs and TIMS tables to address presently unmet needs in environmental data, environmental analysis, resource and tract evaluation, operational trend analysis, oil spill risk, safety inspection data capture and review, management of oil pipelines, and hazards review for drilling. When fully implemented, the TIMS will consist of technical tools, standards, interfaces, and shared data that will be used within the Offshore program to enhance cost efficiency and management effectiveness.

The TIMS was started in FY 1992 as a Pilot Project in the Gulf of Mexico Region (GOMR). The TIMS was constructed in a modular fashion by the development and deployment of a series of application software implementations called TIMS Releases. Twelve releases were planned for the TIMS completion. Each release brings additional applications into the platform. This approach allows for high priority parts of TIMS to be implemented and evaluated in a shorter time-frame instead of a "grand design" approach, which would only allow all parts to be available at the same date in the distant future. The Pilot was completed at the end of FY 1994 and will be evaluated by January 1995. At that time, the plan calls for the expansion of TIMS to other Regions.

The early development and deployments of the TIMS releases into production in the Gulf of Mexico Region has been extremely successful and beneficial to the Offshore program. As a result of the implementation of those releases a large percentage of the information and system that were running on the Concurrent Computer Corporation (CCC, formerly Perkin-Elmer) are now running on the TIMS platform. The CCC's are obsolete in all aspects of modern information systems technology: hardware, database management system software, programming languages and telecommunication. The majority of application systems are well past their normal systems life cycle. Specific benefits that were derived from these early Releases include:

- establishment of the basis for a TIMS fully-integrated "corporate" database structure to support the entire Offshore program, including key information such as:
  - Block, Company, Well, Lease, Platform, Pipelines, and Seismic;
- providing reference data for Resource Evaluation's Geological Interpretative Tools (GIT) Project;
- seismic lines, permits, shot points, velocity surveys, requisition tracking and seismic section map inventory;
- the provision of online access to a large complement of data as mentioned above;
- support for Offshore Operations, including platforms, rigs, pipelines, and wells;
- support for Leasing, including block information with descriptive information for each feature in each stage in the Area Evaluation and Decision Process for Sales in the 5-year Program.

Also vital in the early stages was the creation of a complex, technically sophisticated, seismic mapping initiative called Geological Interpretive Tools (GIT). GIT is an initiative to bring 2 and 3 dimensional

geological evaluation tools to bear on the resource evaluation processes within Offshore Minerals Management (OMM). There are five different software systems that comprise the GIT, which were purchased in the beginning of FY 1994. They are: interactive, interpretive mapping; well log analysis; seismic interpretation; reservoir analysis; and Geographic Information System (GIS). GIS is a generic set of workstation graphic and analytical tools used to interactively display, correlate and output layers of geographical and environmental data.

FY 1994

In FY 1994 the TIMS was supported with appropriated funds of $5 million. This funding was supplemented by an increase in rents of $2/acre on each lease sale tract and will be used for TIMS development. This rental rate increase initiative was implemented at the end of FY 1993 and yielded approximately $5 million for TIMS' usage. FY 1994 brought about the completion of Release 4, which expanded GIT base mapping capabilities, lease administration, and added well and production and inspection data to the database. The CCC development machines were shut-down in the GOMR. This brought approximately 55% of the functionality that was performed on the CCC to the TIMS platform. Because many more functions are being included in the TIMS that never existed on the CCC, 55% of the TIMS itself has not been completed. As stated before, FY 1994 also brought about the completion of the pilot project.

FY 1995.

In FY 1995, TIMS base funding was decreased to $3.6 million; however, the ceiling on TIMS use of collections from rental receipts was raised to $8.8 million. Therefore, the TIMS is continuing its growth as planned. The funds will be used to cover the costs associated with the continuance, development, and/or expansion of TIMS Releases. Two more releases are expected to be installed during FY 1995. The new releases will cover: Windows formats for current applications; installing more powerful workstations/servers; adding meters and reserves data; and the expansion of mapping capabilities. The TIMS platform will also be expanded beyond the pilot area in the Gulf of Mexico region to the Alaska and Pacific Regions. The Mapping and Survey Staff, which played an important role in adding data to the GOMR pilot project expects to receive a new application version in FY 1995. Additional workstations/servers will be added due to the expansion into other regions. It is also expected that in early FY 1995 the CCC minicomputer will be shut down in Alaska and that data will then reside on the TIMS platform.

FY 1996

The TIMS is expecting to be supported entirely through the rental rate increase initiative in FY 1996. The requested cap increase from $8.8 million in FY 1995 to $12.4 million would enable the TIMS to complete two more releases. These releases include completing pre-sale, sale, and post-sale activities, expanding the inspection system, expanding the environmental system with socio-economic studies, and generally expanding applications in each location. The TIMS production system should be completed at Headquarters, with a minimum of applications expansion for the future. Early FY 1996 should see the shut-down of all the remaining CCC's.

Future

When the TIMS development comes to a close, the ADP functions within it will not. New technology and capabilities will be introduced, and more and more functions will be automated. However, less money will be needed for maintenance and upgrades then was needed to implement TIMS. In addition, maintenance and upgrades will always be necessary as well as expansion of applications. With the life cycle of hardware being a vital part of future growth, and to ensure that we stay on par with industry, continuous upgrading and maintenance will be necessary. Initial plans had the acquisition and conversion of data being a program funding responsibility. We now plan to use receipts from the rental rate increase to supplement our data conversion efforts.

Ongoing Workloads *Number*			
	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
TIMS Releases	2	2	2
Local Area Networks	8	8	9
UNIX Workstations/Servers	38	70	90
Microcomputers Installed and Maintained	1,250	1,100	1,000
ADP Contracts Administered	8	8	8
TIMS Programs and Tables	1,000	1,300	1,500

Justification of Program Change
Information Management Program
(Dollars in thousands)

	1995 Enacted	1996 Request	Change
$	9,858	6,409	-3,600
FTE	98	98	0

Given the recent success of Sale 147 in the Central Gulf of Mexico, and future sale prospects coupled with new technologies, the estimates for the amount of additional receipts (particularly rental rate increases) that can be used for the TIMS has increased to the point that a viable program can be funded solely from this source.

Eliminating the base of $3.6 million, however, must be accompanied by an increase in the cap to $12.4 million. Without raising the offsetting collections cap, TIMS would only be funded at a level of $8.8 million which would delay the replacement of our existing obsolete minicomputers and not permit the purchase of data to be put in the corporate database. The maintenance agreement on these minicomputers runs out in September 1995. The lack of replacement technology would put mission performance at risk. A reduction in planned funding would also necessitate a significant adjustment in the TIMS implementation schedule, thereby delaying the substantial benefits it will provide to both mission performance and revenues collected.

Royalty Management Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Valuation & Operations	$	34,214	518	1,430	36,162	1,948
	FTE[1]	336		-20	316	-20
Compliance	$	33,806	606	940	35,352	1,546
	FTE	393		5	398	5
Late Disb. Interest	$	0	—	—	—	—
	FTE	0				
Allottee Refunds	$	15	—	—	15	0
	FTE	0				
Total	$	68,035	1,124	2,370	71,529	3,494
	FTE	729		-15	714	-15

Uncontrollable changes include additional payraise costs, other cost charges.

[1] The FY 1995 FTE figure includes FTE for unfunded hardrock program

Mission

The Royalty Management Program (RMP) is that part of MMS which is responsible for collecting revenues earned from the leasing and production of mineral rights on all Federal and most Indian lands and for disbursing these revenues to various recipients as authorized by several statutes. RMP collects mineral leasing revenues from Indian lands and transfers these monies to the BIA for distribution to either the Bureau of Indian Affairs (BIA) or to the appropriate Tribe or individual Indian mineral owner. Average annual collections range from $3-4 billion with approximately 85% going to the U.S. Treasury, 14% to States, and 1% to Indian Tribes and allottees.

RMP collects 1) upfront bonuses paid by industry for the right to explore for minerals, 2) annual per acre rental, and if production occurs, 3) royalties. (See the Receipts section for details.)

RMP collects and disburses revenues collected on lands administered by the Department of Interior (MMS' Offshore Minerals Management Program, the Bureau of Indian Affairs, and the Bureau of Land Management), the US Forest Service, the Army Corps of Engineers, and the U.S. Military. RMP works closely with the staffs of these bureaus and MMS' offshore program organizations to improve overall royalty management.

RMP is not a land administration organization. Therefore, unlike MMS' offshore program, BIA, or BLM, it does not determine the lease contract conditions (amount of rent, bonuses or royalty rate to charge, or any lease compliance requirements). Rather RMP's role is to determine the market value (gross proceeds) on which the royalty rate is applied to determine the recipient's share of revenues -this is both complicated and often contentious with revenue sharers (States, counties, Indian mineral owners, and industry).

RMP is responsible for collecting all revenues from leasable minerals, those authorized for extraction by the Mineral Leasing Act of 1920 and associated statutes, while the BLM is currently responsible for the administration of locatable "hardrock" minerals, those authorized for patenting by the Mining Law of 1872. If the Mining Law of 1872 is reformed, it is expected that RMP will collect any royalties assessed on hardrock minerals.

Functions

The RMP conducts business in five main and integral operational areas, listed sequentially:

- **Payment and reporting** where requirements, regulations, and guidance are developed and maintained to aid companies to report and pay voluntarily timely and accurately.
- **Collection and processing** where revenues and data are collected and processed through automated systems to maintain financial revenue accounts and production data.
- **Distribution and explanations** where disbursements (and explanations of these payments) are made monthly to States, Tribes, US Treasury, BIA, and other government agencies and where mineral revenue and production data are shared with all interested parties.
- **Verification** where numerous automated application programs are used to verify correct payment and reporting, audits are conducted, and the cooperative/delegated audit programs with States/Tribes are administered.
- **Enforcement** where the debt collection and royalty penalty systems are applied and administered, and royalty litigation and appeals support is provided.

Organization &Budget Structure

RMP's budget structure basically parallels its organizational structure (refer to organization chart in

Legislative Background

Up until 1982, the responsibility for mineral revenue collection and disbursement resided with several Federal bureaus. In 1926, Congress gave the USGS the responsibility for supervising lease operations and royalty collection while leasing surface protection and reclamation remained with the General Land Office (later the BLM). Royalty management functions were decentralized and integrated within 11 USGS regional offices. Mineral revenues were distributed biannually to the States by the BLM and to the US Treasury by the USGS.

During the 1950's through the 1970's the GAO and the Interior's Inspector General repeatedly criticized the Department for mismanagement of Federal mineral royalties. Estimates of annual royalty underpayments ranged up to several hundred million dollars.

In 1981, the Commission on Fiscal Accountability of the Nation's Energy Resources (the Linowes Commission) was established. The Commission issued 60 recommendations for improving royalty management. Principally, the Commission urged:

- ✓ The creation of an independent royalty and minerals management agency, and
- ✓ A uniform, centralized accounting program staffed with professional financial managers.

This agency was to implement a production verification system whose findings would be incorporated into royalty collection functions, and to replace the lease based royalty management system with a payor based approach.

In 1982, MMS was created to implement the recommendations of the Linowes Commission. The Department transferred all royalty and lease functions of the USGS to MMS and consolidated all offshore leasing activities in MMS. Onshore field operations remained with the BLM. The collection of all rents, bonuses and payments to States also were transferred to MMS.

continue on next page

General Statement) which is based on the above functions.

A Deputy Associate Director (DAD) for Mineral Revenue Valuation and Operations (V&O) has oversight of the first three functions listed above, as well as a division which prepares regulations and provides determinations relating to technical royalty valuation issues. The operation and maintenance, and development of, major ADP systems is also the responsibility of this DAD. These functions are performed first by RMP, and therefore are described first in the following budget narrative (V&O subactivity).

A DAD for Mineral Revenue Compliance oversees the verification functions listed above. Oversight responsibilities include 4 regional compliance offices and a division performing various automated verification routines.

The Associate Director is supported by a Program Services Office which provides detailed budget execution, oversight and liaison functions, preparation of Freedom of Information requests, other statistical data requests and briefing papers, and payment of common service charges, such as external telephone service, software licenses, LAN/WAN operation, and workforce training, etc.

Additionally, the AD oversees the Office of Indian Royalty Assistance which was formed in the early 1990's to address the special needs of the Indian community, especially individual Indian mineral owners. With a greater emphasis on getting payors to pay correctly on time, an Office of Enforcement was created in FY 1994. These organizational offices' functions are more closely related to those of the DAD for Compliance and so are discussed in that subactivity narrative.

continued from previous page

In 1982, the Federal Oil and Gas Royalty Management Act (FOGRMA) also was enacted with the provision that

> *"the Secretary shall establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties".*

FOGRMA also required monthly (instead of biannual) payments to States and authorized cooperative agreements and delegations to States and Tribes to perform audits and inspections.

A decade has passed since the creation of MMS and the passage of FOGRMA. During the first 5 years, RMP developed systems, policies, and procedures to meet the expectations of oversight organizations and constituents. In the later 5 years, budget resources, in combination with maturing policies and procedures, have enabled substantive program improvements, regulatory clarification, and improvements in coordination within Interior and with MMS constituents

Two small subactivities are 1) Late Disbursement Interest which authorizes internal RMP funds to be reprogrammed during the year to pay late disbursement interest to States when RMP cannot meet the mandated FOGRMA timeframes, and 2) Refunds to Companies on Behalf of Allottees which is a small request to provide relief to payors when recoupment from current royalty payments is not possible or practical.

Mineral Revenue Valuation & Operations

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Valuation & Operations	$	34,214	518	1,430	36,162	1,948
	FTE[1]	336			316	-20

Uncontrollable changes include: additional payraise costs, other cost charges.

[1] *The FY 1995 figure includes FTE for an unfunded hardrock royalty program request; this error is corrected in the FY 1996 request.*

Data Management Division

The Data Management Division is responsible for all non-revenue data - the legal information essential to effectuate revenue functions. Specifically, DMD accurately establishes and manages all automated reference data files attributable to Federal and Indian mineral leases, payor files, and agreements.

Maintaining reference data is the first step on which all other functions depend. All royalty reports, production reports, billings, exception processing, and to an increasing extent, audits, depend on an accurate data base. Reference data is the key to the RMP automated systems and applications programs.

- The Division serves as the royalty and rental reference data focal point for the Bureau of Land Management, Bureau of Indian Affairs, other surface management agencies, offshore MMS components, payors, lessees, and all RMP components.

- The Division collects, translates, and processes necessary non-revenue data to produce a comprehensive Common Reference data base (CRD) that supports the distribution of each lease's royalties, bonuses, and rentals.

- The Common Reference Database, contains approximately 101,600 leases, 71,400 revenue sources, 348,900 selling arrangements, 13,800 lease agreements, and 22,000 payor codes. In FY 1994, managing this data base required 30,300 changes contained in Payor Information Forms and 24,900 lease and agreement actions. The CRD consolidates portions of data bases from the BIA, BLM, and MMS' offshore program, as related to Payor data, those of Oil and Gas and Solid Minerals payors.

- The solids minerals staff managed about 1,300 leases in FY 1994.

These responsibilities are assigned based on geographic location, production status, lease owner, and products relative to a lease or agreement.

There are four broad categories of work in the Data Management Division (DMD): Oil and Gas (O&G) payor information, O&G rejected royalty lines, and O&G lease and agreement maintenance and Solid Minerals. The payor information and lease and agreement workloads comprise the largest portion of the CRD.

Payor Information Form Processing. The Payor Information Form (PIF) represents a fundamental component of the data base. Since payments on the lease may be made by an entity not legally associated with the lease obligations, information must be gathered to identify who is going to pay lease obligations. The PIF serves this purpose and is entered by contractor support staff. Efficiency improvements from FY 1993 to FY 1994 have resulted in a decrease in contractor support from 30 FTE to 19 FTE.

Rejected Royalty Lines. Royalty lines (payment information) may be submitted incorrectly by payors. When a royalty line is submitted, it is compared to the data base through a series of edits. If a problem is detected that jeopardizes proper distribution, the line "rejects." Rejected lines will not update the financial system for distribution to recipients and must be corrected. The DMD is responsible for analyzing and correcting royalty reports that have data base implications.

Lease and Agreement Maintenance. The primary components of RMP's data base are leases, agreements, and payor information. Each of these primary components contain many "fields" of information. The lease and agreement workload represents additions, changes, and deletions of data in the various fields. Over the past fiscal year changes to work processes have resulted in a decrease in monthly inventory of pending work actions from 825 to 320.

Solid Minerals. The Solid Minerals Staff, of the DMD, provides a wider range of services than that which is provided for O&G. Solid minerals is responsible for reference data, all royalty accounting (not just those having data base implications), production accounting, and payor account reconciliation. The consolidation of these functions is intended to offer enhanced expertise and efficiency in recognition of the unique character of each solids lease.

Reports and Payments Division

The Reports and Payments Division (RPD) functions include:

- Processing all incoming royalty remittance and production reports and payments related to oil, gas, and geothermal royalty and production on Federal and Indian leases;
- Correcting errors on all royalty and production reports received and issuing liquidated damage assessments for those errors;
- Providing technical reporting and payment assistance and training industry payors, operators, and lessees of record; and
- Coordinating production and royalty-related matters with industry, State governments, Indian Tribes, other Federal Agencies, and other RMP offices.

In support of RMP's Strategic Plan for business improvements, RPD's Tactical Plan includes:

- Maintaining overall current royalty reporting error levels and reducing excessive royalty reporting errors for selected midrange volume reporters;
- Increasing availability and use of alternative royalty and production reporting methods (e.g. Electronic Data Interchange (EDI), magnetic tape, diskette);
- Improving accuracy and usefulness of production and well reference data; and

- Improving compliance and accuracy of reporting.

In FY 1994, RPD's Document Control activity received 108,302 royalty documents, 260,931 production documents, and 7,680 valuation documents. Document volumes are not anticipated to significantly change from present levels during FY 1995 and FY 1996. However, contractor error correction support could diminish during both fiscal years if simplified reporting alternatives under review such as EDI transfer of information, tape, and floppy diskette are adopted by reporter companies. The installation of new document imaging technology in FY 1995 should further diminish contractor file management maintenance support in FY 1996 due to electronic media conversion.

Industry Royalty Document Error Rates

Fiscal Years 1990 - 1994

Fiscal Year	1990	1991	1992	1993	1994
Error Rate Percentage	5.4	4.8	4.5	3.6	3.4

The RPD's Royalty Reporting and Payments activity is one of the primary contacts with payors, lessees, and purchasers who remit royalty reports and rental and royalty payments to the Auditing and Financial System (AFS). This activity corrects reporting errors (e.g. misreporting lease number, missing or invalid sales/month year, missing or invalid transaction code, etc.) and provides technical reporting and payment assistance to payors. In FY 1994, this activity processed 2,872,096 royalty report payment lines submitted by some 1,818 payors with a payor error rate of 3.4 percent compared to 3.6 percent in FY 1993. Payor error rates have drastically declined to the present level from 36.3 percent in FY 1983. This reduction is the result of RPD's concerted efforts to improve the timeliness and accuracy of the reporting and payment process. Total reported royalty payment lines are expected to remain relatively unchanged during FY 1995 and FY 1996.

A concerted error correction and workload analysis effort will continue to encourage companies to take advantage of existing methods to simplify reporting and improve reporting accuracy during FY 1995 and FY 1996. Strategies will be developed to encourage and help companies reduce their reporting errors.

The RPD's Production Reporting activity is the primary contact with operators and high-level industry representatives who report to the Production Accounting and Auditing System (PAAS). This activity collects, maintains, and distributes sales and production data related to oil and gas removed from Federal and Indian leases. In FY 1994, this activity processed over 5 million lines of production data submitted by some 3,000 operators with an operator error rate of less than 4 percent. Approximately 47 contractor staff provide operation and maintenance support for PAAS. To further reduce operator reporting errors, a reconciliation of operators' reference data began in FY 1994. The effort reduced error rates and the number of exceptions by 76 percent for targeted operators. The improvements will ensure accurate reporting by operators and confidence in the data used by States, Indian Tribes, and other Federal Agencies.

Industry Production Document Error Rates

Fiscal Years 1990 - 1994

Fiscal Year	1990	1991	1992	1993	1994
Error Rate Percentage	5.9	4.9	4.5	4.0	3.8

RMP makes training available to all reporters. In FY 1994, 482 participants representing 249 payor companies attended the payor training sessions to update payors concerning royalty reporting and payment requirements for oil, gas, and geothermal resources. Also, in FY 1994, 474 participants representing 239 companies attended the operator training sessions to update operators concerning production reporting requirements. A concerted error correction and workload analysis effort will continue to encourage and help companies reduce the error

rate during FY 1995 and FY 1996. Industry training, through inflation alone, consumes a larger percentage of the RMP budget. However, as in the past, training seminars will be held; this effort will be supplemented with training targeted to individual companies that have high error rates. Additional outreach efforts will focus on converting reporters who report on paper to convert to floppy disk and EDI reporting, thereby reducing data entry costs and increasing accuracy of data submitted.

Royalty Accounting Division

One of the main objectives in forming MMS was to improve accountability of the Nations mineral resources. In 1982, according to the Linowes Commission report, the government's royalty record keeping for Federal and Indian oil and gas leases was in disarray. Since the establishment of MMS, which centralized mineral revenue activities, record keeping has dramatically improved.

Approximately $4 billion in annual revenues are accounted for and disbursed as required by FOGRMA timeframes to the proper recipients (on-time disbursement of these monies is now at approximately 99%). The corresponding interest that must be paid to States and Indians for late disbursement has decreased from over $1 million in FY 1985 to just over $58,000 in FY 1994. In addition, MMS has received independent unqualified opinions each year on the financial statements RAD prepared in accordance with the Chief Financial Officers Act.

RAD's constituents include: 38 States, 25 Tribes, and 20,000 Indian allottees receiving disbursements, as well as 8 Federal Agencies/Bureaus receiving fund transfers.

The Royalty Accounting Division (RAD) is responsible for a number of royalty accounting functions including the following:

- Distribute mineral revenues and interest payments to State, Indian, and General Treasury accounts on a monthly basis in accordance with FOGRMA

  - Disbursement to States are now monthly versus semi-annually prior to the formation of MMS. Indian disbursement is now daily to the Bureau of Indian Affairs (BIA) office in Albuquerque. States, Tribes, and BIA offices now receive explanation of payment reports which detail each payment.

  - Disbursement of revenues from oil and gas leases previously handled by the Forest Service and Army Corps of Engineers is now made by RAD. This means the States receive their money on a monthly basis rather than semi-annually and that all States receive mineral revenues from one, rather than several, bureaus.

- Identify and produce follow-up bills for delinquent receivables and take appropriate collection steps on unpaid balances from payors, lessees, and lessee sureties;

- Account for all mineral revenues in a system of accounts which enhances MMS' ability to explain in detail the source and types of mineral revenues collected as well as the distribution of those revenues. This information is vital for royalty policy decision makers;

- Provide royalty accounting information to those parties, including States and Indian Tribes, which have a need for such information in accordance with FOGRMA.

- Administer the Royalty-in-Kind (RIK) program as authorized by the OCSLA and MLA. Small refiners are able to remain in business due to the RIK program. The RIK program pays for itself through administrative fees charged to the program's users. These fees go to the General

Treasury Account.

The following activities also provide our constituents with additional benefits:

- RAD handles all billing actions to ensure payors comply with MMS regulations. These actions have increased dramatically since MMS was formed when almost no bills were issued to payors. These actions result in more revenue to our constituents as well as produce more up-front compliance as the companies learn what should be done to avoid these billing actions. Billing actions include: issuance of the invoice, debt collection activities, surety maintenance, and final collection.

- Electronic payments have been encouraged by RAD allowing constituents to receive funds faster, as well as more economically, and safer.

- RAD assists Tribes in administering the Indian Self-Determination Act which allows Indian Tribes to enter into contracts with the Secretary of Interior to plan, conduct, and administer programs, or portions of programs performed by RMP.

- RAD accounts for non-standard leases issued under the Indian Mineral Development Act which gave Indian Tribes the authority to generate unique lease agreements directly with oil and gas companies.

The following are indicators of RAD's workload and activities:

	FY 1994	FY 1995	FY 1996
Number of Bills to Payors	14,637	12,600	13,000
Number of Checks received	64,345	64,000	63,800
Number of Wire Transfers received	7,084	7,200	7,300
Number of Refunds to Payors	915	1,000	1,000
Number of RIK contract	9	12	18

Other benefits to royalty recipients and the U.S. Treasury include:

- While heavily automated, manual intervention is needed in certain situations to match payables and receivables in order to meet disbursement deadlines — decreasing late disbursement interest to States and Indians, and costs to the taxpayer.

- The investment administration and accounting of over $1 billion in escrowed Alaska/Federal boundary dispute revenues.

- Calculates and administers the Net Receipt Sharing Program which recovers a portion of the annual operating costs of the Federal leasing program from States (refer to Permanents section). Recovered costs are deposited to the General Fund.

RAD has been able to downsize while still improving services to constituents through a continual effort to streamline processes to make each activity more efficient and effective.

Valuation and Standards Division

In general, royalty is based on the value of the commodity produced, the volume of production sold or otherwise disposed of, and the royalty rate applicable to the lease. However, several factors add to the complexity in determining the value of the commodity sold, such as sales to affiliates. The Valuation and Standards Division (VSD) uses product specific information provided by the lessee or operator and applies applicable laws and regulations, legal precedent, and/or Agency policy to prepare a decision document detailing the proper method to be followed in determining royalty value. VSD also determines if a lessee meets the regulatory requirements to claim allowances (reductions in royalty payments) for various types of transportation or processing costs.

The VSD is responsible for:

- Preparing product valuation regulations and guidelines for internal and external constituents;
- Interpreting and enforcing valuation regulations and guidelines;
- Providing valuation outreach;
- Approving transportation and processing/washing royalty deductions; and
- Providing technical support to government agencies and industry on valuation and related issues.

The VSD anticipates workload increases from FY 1994 levels during FY 1995 and FY 1996 for the following reasons:

- RMP's contract settlement initiative will increase VSD's technical advise and assistance workload.
- Publication of Payor Handbook valuation chapters will increase VSD's technical advise and assistance.
- RMP's expanded majority pricing coverage will increase VSD's appeal workload.

Other notable activities also impacting VSD's FY 1996 workload include the following:

Federal Gas Valuation Negotiated Rulemaking Committee

In response to a recommendation from MMS's NPR Reinvention Laboratory, this committee has been tasked to simplify the valuation requirements for gas from Federal leases. Current valuation requirements are difficult for industry to comply with and equally troublesome for MMS to determine payor compliance particularly with the advent of deregulation brought about by FERC Order 636. Also, the current gas valuation regulations require lessees selling production to affiliates to have knowledge of what other companies are selling similar gas for under arm's-length contracts. The difficulty is that lessees do not always have access to this information. Seeking to involve all affected parties in the rulemaking process, the committee is comprised of MMS, State, and industry representatives. The report expected from this committee, while simplifying the burdensome and complex reporting currently required of payors, will necessitate continuous involvement of VSD personnel in both monitoring and execution.

Indian Gas Valuation Study Team

Also in response to the NPR Laboratory's 1993 recommendation for simplified gas valuation, RMP formed an Indian Gas Valuation Study Team. This study team was originally formed with members representing MMS,

BIA, Indian Tribes, Indian allottee associations, and Indian mineral development support organizations. In FY 1995, the team will be chartered under the Negotiated Rulemaking Act and will include representatives from the gas industry. The team published an Advance Notice of Proposed Rulemaking in August 1994. A Notice of Proposed Rulemaking is planned for FY 1996.

Valuation Outreach Efforts

In support of RMP's Strategic Plan, VSD's Tactical Plan calls for continuous improvement in the valuation guidance VSD provides to its internal and external customers and the communication of that guidance in an effective manner. While not eliminating enforcement actions, RMP's vision of achieving voluntary compliance with royalty regulations through educational outreach sessions will continue to be supported by VSD in FY 1996. In FY 1994, VSD provided 20 training sessions to over 578 attendees in addition to participating in AFS payor outreach seminars. Trainees at these nationwide sessions included industry, other agencies, foreign governments, and MMS employees. The VSD will continue its outreach efforts in FY 1995 and 1996. Industry training, through inflation alone, consumes a larger percentage of the RMP budget. However, as in the past, training seminars will be held; this effort will be supplemented with training targeted to individual companies that have high error rates.

Major Portion Pricing Initiative

Indian lease terms require payors to pay royalties on the higher of the price received or the highest price paid for the major portion of production from the field. The data necessary to determine this major portion price is often not obtainable by the payor. Therefore, the VSD collects the necessary information, calculates the major portion price, and bills the payor for any additional royalties due, if necessary. In FY 1994, $283,000 in additional royalties were collected for the Anadarko Area and Southern Ute Indians. In FY 1995 and 1996, VSD will expand its major portion coverage to include Shii Shi Keyah allotted, Navajo Nation, Jicarilla Apache, Blackfeet, Northern Ute, and Ute Mountain Ute Tribal leases.

Systems Management Division

The Systems Management Division (SMD) provides all information and data systems services for the Royalty Management Program and its constituencies (RMP, States, Tribes, BIA, BLM, and other agencies). Services include operations and maintenance of the RMP Mainframe Date Center, telecommunication network support, training, electronic data interchange, electronic messaging, and contract support. SMD efforts support all RMP functions. Without the fast, large computational systems in place today RMP could not meet the disbursement schedules and comprehensive accounting and production requirements mandated by FOGRMA. RMP mission accomplishment is dependent on the systems and technical infrastructure SMD maintains.

Royalty accountants, auditors, and production analysts completely rely on numerous application programs and resultant reports to correct errors, match payments to reports identifying recipient, and achieve compliance through numerous cross-check verification tests.

In FY 1994, this work is performed by 52 SMD systems staff working in conjunction with a single contractor firm AMS/OC employing approximately 146 employees. The SMD staff's functions are focused on providing strategic direction for RMP's information systems and managing the many projects involved in achieving these strategic goals. These functions include;

- strategic and tactical planing,
- technology assessment and planning,
- security and contingency planning,
- technical support to State and Tribal auditors,
- LAN/WAN network administration,

- procurement and contract management,
- training,
- coordination of systems and standards with Federal, State, Tribal, and private industry entities,
- electronic data interchange, and
- management of enterprise-wide electronic messaging and scheduling.

The contractor's role is primarily to operate the RMP mainframe data center, provide data entry support, develop and maintain RMP's application systems, and support RMP's telecommunications and hardware infrastructure. The distribution of duties are in line with current private industry practices of out-sourcing operations functions while retaining planning, procurement, and security functions.

Ongoing SMD Workloads:

Operations & Maintenance:

- Operations and maintenance of RMP's mainframe computer center. Operations and maintenance tasks range from data entry to final report distribution and all processes in between.

- Maintenance of all RMP's applications. This involves the maintenance of over 2.3 million lines of mission critical program code, 1,000 computer programs, and 1,800 unique data files.

- Maintenance of RMP's databases. SMD maintains over 50 billion characters of current and historic database information on such areas as royalties, production, billing, distribution, exceptions, leases, and, payors.

- Operations and maintenance of RMP's wide area telecommunications network that connects all of its offices and workstations. This network connects over 1,000 workstations within RMP and provides electronic messaging and scheduling, file sharing, mainframe access, and client/server access.

Training and Technical Support:

- Information systems training for RMP and constituencies including States, Tribes, and other federal agencies. In 1994 SMD provided 2,800 training sessions to its clients.

- Technical support and training for State and Tribal constituencies. SMD provides onsite training and support to 23 State and Tribal audit sites. This includes dialup network, mainframe, and electronic mail access to all RMP's state government and tribal clients. Over 4,000 electronic mail messages per month are exchanged with these important constituents.

Oversight and Planning:

- Contract services. In FY 1994 the SMD managed over 60 contracts and maintenance agreements totaling $10 million. These contracts and agreements range from a $7.7 million annual ADP operations and maintenance contract with American Management Systems Operation Corporation to a small local monitor repair contract. In addition SMD handles all major systems procurement actions for RMP.

- Strategic and tactical planning for information and telecommunications services.

Electronic Communications:

- Electronic mail to external constituencies. SMD provides two way electronic mail access to RMP's customers in private industry. Since implementation of RMP's X.400 mail gateway, 109 private industry clients have become active users. Besides private industry, the X.400 link has also been used to connect to other external agency clients.

- Electronic Data Interchange

SMD has taken a lead position in the implementation of Electronic Data Interchange (EDI). In 1994 SMD successfully installed and tested the baseline EDI technology thus enabling RMP to initiate EDI as operational processes. It also successfully completed a National Performance Review pilot project with Chevron and Amoco for the exchange of royalty data.

The American National Standards Institute (ANSI) approved in June of 1994 the standard for the exchange of petroleum royalty information developed by RMP in coordination with other government and private industry standards groups. ANSI's approval represents the successful culmination of a three year effort spearheaded by SMD to develop a national standard for royalty data.

Justification of Program Changes
Automation Efforts
dollars in thousands

	FY 1995 Enacted	FY 1996 Request	Change
$	50	1,380	+1,330
FTE	—	—	—

Background:

Information and data systems within RMP have successfully evolved since 1982 from a rapidly implemented, multiple minicomputer configuration to a well designed, stable central mainframe operation. In that time RMP has never missed a monthly royalty distribution to its constituencies. Although the mainframe operation is very reliable, RMP's clients found it difficult to access and use the over 50 billion characters of information stored on the mainframe.

The client is anyone who utilizes RMP's information services including employees, States, Tribes, private industry, and other Federal agencies. Therefore, client server technology has been identified as RMP's strategic vision to deliver improved services. All information services required by the client to perform their job will be available from their desktop workstation. From their workstation the client will be able to access all the stored information within RMP. This information includes, but is not limited to, historic mainframe and departmental databases, reports, and scanned source documents. The individual could select, manipulate, and display information specific to their function, through off-the-shelf application packages such as Microsoft Excel or Access. They could then communicate from their workstation with anyone they work with, both within the Program or world-wide by creating and sending electronic mail or routing electronic file folders containing various files and documents. Recurring information routing would be automated so that information would flow and be tracked automatically through defined work processes. From their desktop workstation they could also schedule resources (e.g. rooms, equipment, etc.) or meetings electronically and request or approve any action that now requires paper forms, electronically. Included in this strategy is RMP's rapid shift from paper documents and magnetic tapes to electronic data interchange (EDI) as the primary means for exchanging data and information between RMP, other Federal Agencies, State Governments, and private industry

In 1994 SMD successfully piloted, or put into limited production, all phases of its strategic vision except for document routing. The 1994 pilot included over 50 clients from throughout RMP, will be expanded to State and Tribal sites. A contract for an integrated document management system is scheduled for award in January 1995 and will be implemented over the next two years.

Because of the client server strategy, the requirement for a large scale mainframe systems will be systematically replaced by decentralized, client/server applications. The most significant benefit from this strategy will come from empowering RMP and contractor employees to be more productive by reengineering their current work processes. Efficiencies already gained since 1992 have allowed staff reductions of 30% in SMD and 15% in its contractor personnel with corresponding reductions in SMD's budget.

Requested Increase:

In 1996 RMP will require additional funding to expand the piloted client/server model to include all mainframe information systems and to expand the network infrastructure to all clients. It is important to note that the movement of mainframe information systems to the client/server model will be performed by reengineering RMP's business functions to take full advantage of the client/server technology.

RMP's increased desktop computing abilities will benefit all its clients including States and Tribal auditors, audit residency sites, industry reporters, and other Federal agencies. RMP must expand and maintain its wide-area telecommunications and client/server infrastructure which will also support the full implementation of the National Performance Review electronic data interchange (EDI) pilot project. Specifically, RMP is requesting this budget increase for:

- **Telecommunications Infrastructure:** Extend and upgrade RMP's telecommunications network. This effort will provide enhanced information and electronic commerce services to over 1,200 internal and external clients. The upgrade will provide high speed telecommunications channels to State and Tribal auditors and expand electronic data interchange to all royalty reporters. In addition, the existing local telecommunication network will be upgraded to fiber, to handle the increased traffic imposed by client/server applications, workgroup computing, and imaging.

- **Client/Server Hardware/Software:** As data services are transferred from the mainframe to network based information servers, additional client/server hardware and software will have to be distributed to 30 remote RMP, State, and Tribal offices. The distributed information servers will provide responsive, accurate, and user friendly information services to RMP's clients.

- **Reimplementation of Legacy Systems:** With full client/server implementation, RMP could be off the mainframe by 1998. The move to client/server computing will not only provide enhanced access to information services, but will eliminate the need for replacement of the current RMP mainframe and peripherals as they rapidly approach obsolescence toward the end of this decade. The elimination of the remaining mainframe legacy applications, through reengineering RMP business processes, is projected to take three years. This increase will be used to fund additional contractor personnel to provide systems support for the transition from a mainframe system to a client/server computing model via reengineering of RMP business processes.

Justification of Program Changes
Advisory Committee and Consultation Efforts

dollars in thousands

	FY 1995 Enacted	FY 1996 Request	Change
$	0	100	100
FTE	—	—	—

The MMS proposes an increase of $100,000 to fund a growing need for consultation, assistance and guidance of chartered Federal advisory committees. This estimate is based on past experience with the Royalty Management Advisory Committee (RMAC) and the Federal Gas Valuation Negotiated Rulemaking Committee.

RMAC existed in the 1980's with a membership consisting of policy representatives from industry, States, Indian groups and the public. RMAC provided key constituent input to regulatory efforts as the royalty program progressed through its developmental stage. When the program stabilized in the early 1990's, the RMAC was discontinued. However, the Royalty Management Program's resulted in the need for a broad-based constituent advisory group. The need for such an advisory group has also resulted from several recent events including: the Indian Listening Conference, Self-Determination and Governance legislation, changes to industry structure caused by market forces, and other Government deregulation efforts.

Without a formal advisory committee, we have been able to obtain only voluntary input from interested parties through such mechanisms as Advanced Notice of Rulemakings and informal meetings. Input may not be representative of all groups or a group's management. These methods can be inefficient, time consuming, and are less likely to result in constituent support.

This increase will respond to continuing demands of the National Performance Review to involve RMP's customers in key planning and decision-making processes on issues of joint concern. Input from customers through a formalized discussion, analysis, and recommendation process has proven to be very effective in achieving consensus on RMP approaches to policy and procedural issues.

This fall, the Department approved MMS' plans to establish a broad-based royalty policy committee. This committee will be comprised of approximately 25 representatives or more from State Governors' offices, Indian groups, industry, other Federal agencies, and the public. It will provide input to royalty policy issues and will use smaller work teams who will report to the full committee in its efforts to achieve consensus on royalty issues.

For example, a small work team could be formed for MMS to have regular and full discussions with our Indian mineral owner customers. Their guidance will include identifying ways we can help them move toward self governance. These interactions will help MMS fulfill the goals of the Indian Self Determination Act and the Department's Trust responsibility. The increase will also fund the remaining work of the Federal Gas Valuation Negotiated Rulemaking Committee and the soon-to-be chartered Indian Gas Valuation Negotiated Rulemaking Committee.

Mineral Revenue Compliance

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Compliance	$	33,806	606	940	35,352	1,546
	FTE	393	—	5	398	5

Office of Indian Royalty Assistance (OIRA)

The OIRA is RMP's principal coordinator on Indian issues and its customer service office for Indian allottees. The OIRA mission includes: assisting Indian mineral owners by trouble-shooting individual problems and questions; conducting quick-turnaround, mini-audits on Indian leases; conducting outreach, consultation, and customer education seminars; and coordinating Indian issues and programs within MMS and with other DOI bureaus. OIRA operates field offices in Oklahoma City, OK, and Farmington, NM, to provide accessible service to major allottee populations. Northern tribes and allottees, which are more geographically dispersed, are serviced by a third field office operated out of RMP headquarters in Lakewood, CO.

Indian Mineral Owner Constituent Data	
Producing leases	
Allottee	2,725
Tribal	1,357
Customers	
Individual owners *(allottees)*	(est.) 20,000
Tribes	42
Mineral revenue payments to	
Individual owners	$20.9 million
Tribes	$151.2 million

Direct Customer Assistance

Through its field office structure, OIRA provides direct assistance to Indian mineral owners who have questions and concerns about their mineral revenue payments. Owners are invited to use the toll-free telephone lines or visit OIRA offices, or OIRA staff will travel to the owner's home if desired. Questions and concerns range from royalty payments to site security and even tax questions. Although many questions fall outside MMS responsibility, OIRA makes every effort to provide an answer without referring the customer to

another office. This requires close coordination and effective working relationships with local BIA and BLM offices. The Farmington office is co-located with BIA and BLM staff in an effort to provide more timely and effective responses to Indian customers.

Lease Reviews and Referrals

Many of these owner inquiries generate OIRA lease reviews or "mini-audits" of the royalty and production reports and payments. These reviews can usually be conducted relatively quickly to provide timely feedback to allottees and will identify the more obvious royalty payment and reporting problems. More technical problems such as realty issues, well-site management, valuation, allowances, or other issues requiring access to source documents are referred to BIA, BLM, or MMS's Indian audit team.

Coordination and Liaison

Overlaying its customer service and outreach responsibilities, OIRA serves as MMS's principal coordinator and liaison for Indian issues, problems, and processes. OIRA coordinates within MMS and with BIA and BLM on operational and policy issues and on the fulfillment of the Secretary's trust responsibility to Indian owners. An important current OIRA focus is to encourage the establishment of regional interbureau networks to provide the best possible service to and communication with allottee populations.

OIRA Workload Measures	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Inquiries from individual owners *(allottees)*	884	1,000	1,100
Lease reviews	331	400	500
Allottee meetings	66	75	90
Tribal meetings	35	40	50

Justification of Program Changes

dollars in thousands

	FY 1995 Enacted	FY 1996 Request	Change
$	1,700	2,140	+440
FTE	23	28	+5

Indian Royalty Management Activities

The Royalty Management Program's (RMP) Office of Indian Royalty Assistance (OIRA) uses the field office approach to improve communication with Indian mineral owners and to personally answer their questions about royalty payments. It also allows RMP to pursue more aggressively training and education initiatives for Indian mineral owners and to learn first hand about their interests and concerns. The OIRA also assists Indian mineral owners through its 1-800 telephone service and written communication.

The proposed request will allow MMS to meet several goals of the Memorandum of Understanding between the AS/Indian Affairs and AS/Land and Minerals. This MOU formalizes the efforts of the Indian Minerals Steering Committee to address concerns of the Indian mineral owner community, many of which were surfaced in the May 1994 joint Department of the Interior and Department of Justice Listening Conference.

Funding is proposed to address two of the concerns discussed in the Listening Conference and incorporated in the MOU. They are 1) increased contracting of natural resource functions as authorized by the Indian Self-Determination and Education Assistance Act (P.L. 93-638), and 2) more outreach and consultation with the Indian community.

- **Self-Governance/Determination:** MMS currently trouble-shoots problems and complaints and provides outreach and education. With the requested resources, MMS will work with interested Tribes to develop new analytical and procedural techniques that will allow them to manage their own mineral revenues while MMS ensures the continued fulfillment of the Secretary's Trust responsibility.

- **Outreach and Consultation:** The MMS will continue to enhance its outreach and consultation program by establishing regular outreach schedules, expanding to all allottee populations, making more frequent visits, improving quality of educational presentations, and involving our sister DOI bureaus—BIA and BLM—in all sessions. The Indian Minerals Steering Committee has endorsed this long term cooperative approach and members are planning to personally attend a series of meetings during FY 1995. The additional resources will be used to conduct more frequent meetings with a broader customer population base than is now possible and to improve education approaches to adapt to diverse cultures and regional differences.

This increase will support the Secretary of the Interior's policy of supporting and facilitating tribal self-determination efforts and Department efforts to improve communication, education, and assistance for the Indian community. It also continues the Secretary's Listening Conference consultation approach and supports E.O. 12862 on Customer Service.

Office of Enforcement

The Office of Enforcement (OE) encourages compliance with the requirements of mineral statutes, mineral leases, and regulations. We accomplish this by providing appropriate positive and negative incentives to lessees of Federal and Indian mineral resources. Much of the ground we tread is new. In the past 2 years we have instituted an aggressive program of using alternative dispute resolution (ADR) to resolve many old disputes. This workload could well increase through 1996. The OE also provides support for major litigation in Federal court cases when litigation occurs.

Most OE workload of open issues arises from RMP company audits or from RMP detection of potential underpayment via automated processes. To date, many cases involve uncertainty regarding the amount, if not the fact, of underpayment. Resolution of these disputes through ADR has been far more efficient than using administrative and judicial litigation because it saves the time and expense of litigation. Nearly three-quarters ($280 million) of all compliance collections in FY 1994 were through settlements.

Notices of Noncompliance

We have also become more aggressive in using Notices of NonCompliance (NONCs) and civil penalties. NONC's are issued when sufficient evidence exists that a lessee has not complied with an order, lease term, regulation, or statute. NONC's are authorized, for oil and gas leases only, by section 109 of FOGRMA.

The increased use of NONC's (11 issued in FY 1993; 79 issued in FY 1994) has encouraged increased voluntary compliance. Even the threat of penalties has increased the care taken by certain lessees that had not always exercised proper diligence. We have worked with several lessees to increase their timely and correct payment and have changed their behavior.

Alternate Dispute Resolution

Alternate dispute resolution (ADR) uses joint RMP-industry discussions to settle appealed royalty issues with mineral leasing companies. We conduct ADR with companies using a team composed of representatives including RMP Divisions, OE, other MMS and/or Solicitor officials and, if onshore or tribal monies are involved, a representative of affected states or tribes. We have resolved many of the outstanding issues involving production prior to 1988 (when new valuation regulations were issued) and expect to resolve a large portion of them by the end of FY 1996.

RMP has become quite proficient at resolving these disputes. This process decreases the time and effort for both RMP and the lessees to pay the correct amount in a relatively timely fashion. Settlements have both resolved the amount of money owed for past disputes, and have clarified the proper payment or valuation method for particular companies. This decreases the resources both the government and the companies must spend on accounting and auditing and may help avoid disputes in the future. In addition, we have worked out payment plans and other strategies for smaller companies to pay larger accrued debts.

In FY 1993, 39 settlements were concluded resulting in royalty payments of approximately $93 million. In FY 1994, 56 settlements were concluded and $280 million was collected. We expect to continue to increase the number of settlements while maintaining large collections for the next several years. We will have resolved most of the old issues with the larger companies by the end of FY 1995, while we expect in FY 1996 a noticeable increase in settlements that resolve the royalty due on contract settlements received by producers from gas purchasers.

Litigation Support in Federal Cases

The OE provides litigation support to the Office of the Solicitor (OS) and to the Department of Justice (DOJ) in major litigation implicating MMS. These cases include issues such as underpayment of royalties, undervaluation of minerals, misreporting of produced mineral volumes, and bankruptcies. The OE coordinates with the OS and DOJ attorneys in protecting and defending MMS. We have been very successful at advancing the Government's interests in these cases by our active cooperation.

Compliance Verification Division

The Federal Oil and Gas Royalty Management Act mandated that "the Secretary shall establish a comprehensive inspection, collection, and *fiscal and production accounting and auditing system* to provide the capability to accurately determine oil and gas royalties".

The Compliance Verification Division (CVD) is responsible for meeting this mandate through a variety of automated and manual verification activities to detect an array of payor/reporter issues including among others, late payment of rents and royalties, royalty rate errors, improper recoupments and adjustments, noncompliance with allowance reporting requirements and Section 10 of the Outer Continental Shelf Lands Act (OCSLA), and underreporting of volumes subject to royalty.

During FY 1994, activities relating to fiscal compliance resulted in the collection of $19 million in additional revenues. Since its inception in 1985, this program has resulted in cumulative collections of $140 million.

During FY 1994 , production compliance activities resulted in collections of $19 million in 1994 and total accomplishments collected from 1985 through 1994 totals $144 million. The benefit-cost ratio for 1994 was 13:1.

In support of RMP's Strategic Plan, CVD's Tactical Plan calls for ensuring that mineral revenues are paid timely and correctly, by establishing and maintaining automated and manual processes. Regulatory enforcement actions are pursued as required to secure compliance. To improve internal/external customer communication and services, the Division provides expertise on technical-related exception problems and

identifying potential audit prospects where an in depth review of a company's operations is necessary. The Division also processes appeals and resolves issues with rental and royalty payors and production reporters. These responsibilities are carried out through two operating Branches.

The Division also participates in various payor and operator outreach programs. These outreach programs provide a service to industry to educate and update them on current and changing RMP policies and procedures. The programs provide a benefit to RMP by clearing up questionable issues, resulting in better reporting and compliance. The Division participates in sessions on payor training, operator training, and allowances. During FY 1995 payor training efforts will include participating in conducting 18 sessions for royalty paying and production reporting companies. There are plans to continue this program in FY 1996.

Financial Compliance Branch

Specific duties of the Financial Compliance Branch (FCB) include: Interest Assessments, Lease Financial Terms Exception Processing, Indian Recoupment Monitoring, Adjustment Monitoring, Royalty Rate Monitoring, Severance Tax Monitoring, OCSLA Section 10 monitoring, and Allowance Monitoring.

Production Accountability Branch

The Production Accountability Branch (PAB) ensures that all volumes reported for royalty purposes match reported production. The Branch resolves differences (exceptions) that are identified during the automated comparison of oil and gas sales volumes reported by royalty payors to the AFS and the sales and transfer volumes reported to the Production Accounting and Auditing System (PAAS) by lease and agreement operators (AFS/PAAS Comparison). Resolution of these exceptions entails comprehensive analysis of AFS and PAAS reporting requirements, database set up and extensive communication (both written and verbal) with operators and payors, as well as other RMP offices and other Government agencies.

The number of exceptions worked and additional royalties collected is dependent on the amount of resources applied. It is estimated that resources in addition to those currently available for AFS/PAAS comparison work would achieve a benefit-cost ratio of 10:1

Recent initiatives include the resolution of exceptions identified by the Offshore Minerals Management's Liquid Verification System and injection balance exceptions, and the review and verification of reduced royalty rates applied for by onshore Federal oil and gas lease operators under the Bureau of Land Management (BLM) rule entitled "Promotion of Development, Reduction of Royalty on Stripper Wells."

Appeals

The appeals function is an administrative review of MMS decisions whereby an appellant files an appeal challenging an order to pay or perform. The appeal process involves researching the issues raised and either resolving them or preparing the document for rendering a decision. To streamline the process, the authority to issue the final agency's decision has been delegated to RMP for certain routine issues.

Audit Divisions

The Audit Divisions are responsible for:

- the development, direction, and conduct of a comprehensive compliance audit program for royalty management activities, and
- providing technical assistance to payors.

These responsibilities include recommending audit and related program policy as well as managing policy implementation. They are carried out through four Compliance Divisions (Dallas and Houston,TX; and Lakewood, CO) and a State and Indian Compliance Division in Lakewood, CO.

Some accomplishments of the Audit Program are:

Royalty Compliance Collections by Land Category FY 1992-1994 *millions of dollars*				
	Federal Onshore	Federal Offshore	Indian	Total
FY 1994	104	158	5	268
FY 1993	21	114	5.5	140.5
FY 1992	84	30	5.5	119.5
Total	209	302	16	528

Historical Collections Since 1982 *millions of dollars*			
	Additional Royalties, Interest Payments and Liquidated Damages	Refund Denials	Total
DAD - Compliance	952	139	1,091
State & Indian Audit Program	139	0	139
Total	1,091	139	1,230

The function of audit is to conduct audits by utilizing Federal resources and resources from States and Tribes participating in the cooperative and delegated audit program. This audit function is based on the Audit Strategy and is guided by the annually updated 5-Year Audit Work Plan. The current FY 1995 Audit Work Plan integrates analysis of royalty data for the FY 1990 - FY 1994 period, audit resources available, and areas and issues requiring audit. The FY 1996 plan will cover FY 1991 - FY 1995. Due to the impact of additional funding and FTE for the Contract Settlement Initiative in FY 1994 and 1995, and also due to the enormous workload of this initiative, the Audit Program is currently updating the FY 1995 Work Plan to ensure resources are utilized efficiently.

Following completion of the Contemporaneous Audit Initiative in September 1992, the audit strategy was enhanced to include additional areas and issues requiring audit. These areas and issues were identified through past audits completed by the Royalty Compliance Division, by States and Tribes participating in the cooperative audit program, by the RMP Compliance Action Plan, by the Office of Inspector General and by the General Accounting Office. Contract Settlements audits have been included in the FY 1995 Audit Workplan as well as those through 1998.

Other audit related activities include referrals from MMS and other agencies, litigation/appeals/FOIA, and various special projects.

The audit function is grouped into the following main workload categories:

Ongoing Workloads *Number*			
Company Audits	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Residency Audits	Continue with the audits of the 1990-1992 period at all 11 residencies.	Complete the FY 1990-1992 audits by September, 1995.	Begin audits for the 1993-95 period at all 11 residencies.
Major Payors and Other Company Audits	20 audits carried over from FY 1993. Initiated 29 new audits.	Initiate 34 new audits.	Initiate 36 new audits.

Residency audits are full-time continuous audits at the largest companies, whereas major company audits are still large but do not require full-time MMS presence.

Companies designated as "other payors" are companies whose total royalty payments do not total enough to qualify for major payor status. Typically States and Tribes will select those companies who pay higher royalties to that State or Tribe. States and Tribes will continue to conduct these types of audits, and RMP will assist as resources permit.

The 5-Year Audit Work Plan will provide audit coverage of over 80 percent of royalties paid. While major payor company audits provide coverage for the largest share of royalties, RMP seeks to ensure that all payors are subject to audit through a random selection process.

Ongoing Workloads *Number*			
	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Random Company Audits	14 audits carried over from 1993. Initiated no new audits and completed 11.*	Continue work on 3 audits-in-process. Initiate new audits as resources complete prior workload*	Continue work on audits-in-process. Will initiate new audits as resources complete prior workload.
* *46 random companies have been pre-selected; as resources become available, audits will occur.*			

Random companies are selected at random from the universe of reporters (excluding major payors).

Contract Settlements Audits

This audit area is of utmost importance due to the potential limitation of the 6-year billing status, the potential revenue involved, and the continuing attention by many oversight and constituent groups.

Ongoing Workloads *Number*			
	FY 1994 Actual	**FY 1995** Estimate	**FY 1996** Estimate
Contract **Settlements**	Began **Initiative.** Initiated **533** contract **settlement** audits **and** completed 330.	Start **292 contract** settlement **audits.**	Start **300 contract** settlement audits.

In FY 1994 and FY 1995 RMP's audit program received a total of $4.160 million and 25 FTE. The State and Indian Compliance Division received $1.0 million and the remaining funds were dedicated to the 5-Year Contract Settlement initiative.

Audit initiatives to establish the contract settlements universe have identified an additional 883 settlements totalling over $2.2 billion. Of these settlements, 544 totalling almost $1.2 billion will reach their 6-year maturity in FYs 1994 and 1995. Over 2,530 contract settlements have been assigned to audit offices. These settlements amount to a recently revised figure of almost $14 billion with almost 60 percent of them amounting to $8 billion reaching maturity in FY's 1994 and 1995 which equates to about $70 million collected in FY 1994 and an estimated $82 million of additional royalties in FY 1995. Total additional royalties are currently estimated at $252 million.

Ongoing Workloads *Number*			
	FY 1994 Actual	**FY 1995** Estimate	**FY 1996** Estimate
Other **Lease, Unit, Gas Plant,** and **Referral Audits**	Continued **work on** the **154** audits-in-process. Initiated 220 **and** completed **171** audits.	Continue **work on** 203 audits-in-process. Initiate **20 Indian** lease **audits and 4** other **audits.**	**Continue** audits-in-process. Initiate new audits as resources permit.

Other Audits are non-company based audits. They provide enhanced royalty coverage, increased utilization of resources, and streamlining audit procedures. The advantages and efficiencies of combining multiple companies into a single comprehensive issue-based audit are also realized. These other audits include:

- offshore transportation systems,
- onshore and offshore gas processing plants,
- audits of major properties (units and leases),
- possible major production fields and specialized coverage for Indian reservations, and
- referrals from RMP systems exceptions, non-scheduled company audits, refund requests, administrative issues, and special projects.

State and Indian Audit Activities

States and Indian Tribes participating in FOGRMA Sections 202/205 audit program conduct audit activities in accordance with the RMP Audit Procedures Manual and other audit regulations and policy. They have responsibility for all phases of audit excluding issuances of enforcement documents and appeal administration.

Ongoing Workloads *Number*			
State & Indian Audit Agreements	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Section 205 Delegated Audits	10	10	10
Section 202 Cooperative Audits	6	7	7
Unfunded Oil & Gas Audit Agreements	2	1	1

Participants in the Program - California, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, Utah, and Wyoming have 100 percent funded delegated audit agreements under the provisions of Section 205 of FOGRMA.

The Navajo Nation, Ute, Ute Mountain Ute, Shoshone/Arapaho, Blackfeet Nation, and the Southern Ute Tribes have 100 percent funded cooperative audit agreements un the provisions of Section 202 of FOGRMA. As of November 1, 1994, the Jicarilla Apache Tribe joined the cooperative audit agreement program at 100 percent funding.

The Fort Peck Indian Tribe has a memorandum of understanding (unfunded agreement) to train and develop Indian auditors. The RMP anticipates that the Tribe could be ready for a funded agreement in FY 1997.

The Ute Distribution Corporation (UDC) has submitted an application for a Section 202 cooperative agreement. We are awaiting a decision from the Solicitor's Office on whether UDC, not being an Indian Tribe, qualifies for a Section 202 cooperative agreement.

The RMP has two Intergovernmental Personnel Act (IPA) agreements in place (with the Navajo Nation and Oklahoma) and a third (UDC) to be implemented in FY 1995. The IPA agreements bring State and/or Indian auditors into MMS as employees for a term of no longer than 2 years. During their IPA assignment, the participants learn MMS processes and procedures, become familiar with MMS systems, and sharpen their auditing skills through intensive on the job training.

The RMP has also initiated projects to improve State and Tribal access to our automated systems. These projects include purchases of computers and telecommunications equipment, installing the appropriated equipment at each location and training the end users.

Improving the Program - The RMP has initiated a number of activities to improve the effectiveness and efficiency of the State and Indian Program. A goal of redirecting RMP resources to more productive audit and service activities will be cooperatively assessed at least quarterly by RMP and the State and Tribal Royalty Audit Committee (STRAC) officer group. All parties have approved steps that are designed to delegate more responsibility and accountability to STRAC participants, requiring far less oversight by MMS's audit organization. In addition, the RMP is placing special emphasis on working with Indian Tribes to increase their expertise, staff, and expand the number of audits within their boundaries. We believe this effort will improve and strengthen our commitment to the Tribes.

Justification of Program Changes

dollars in thousands

	FY 1995 Enacted	FY 1996 Request	Change
$	6,490	6,990	+500
FTE	—	—	—

State and Indian Audit Activities

The RMP requests an increase of $500,000 to expand, wherever possible, the number of audit projects and increase support for currently funded States and Tribes, to add new States and Tribes to the cooperative audit program, and to fund any additional IPA agreements. Funding has been at the $6.490 million level since FY 1994.

While this increase will be used by both State and Tribal governments, MMS is particularly interested in further developing the royalty management capabilities of Indian Tribes. The Fort Peck Tribe is a candidate for future funded agreements. By moving toward greater proficiency in managing their audit programs, Tribes will also move toward broader royalty self-governance capabilities. Consequently, this proposed increase in funds will help the MMS fulfill the intent of the Indian Self Determination Act and the Department's Trust responsibility.

Interest on Late Disbursements

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
	$	—	—	—	—	—
	FTE	—	—	—	—	—

The FOGRMA changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. For States, payments must be made by the last business day of the month in which receipts are warranted by the United States Treasury. In addition, FOGRMA provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to the "appropriate Indian account" at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Sections III (b) and (d) of the Act provide that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 is owed if the payment schedules listed above are not met.

However, receipts cannot be disbursed to State accounts until a proper determination can be made of the lease source of all incoming royalties. For example, a payor error which prevents a royalty accounting line from processing through the system may result in an MMS interest liability. Thus, in this instance, MMS has the revenue collected, but cannot determine to whom the revenue belongs until the error is corrected.

In contrast to money due the States, Indian lease revenues are deposited in the Treasury the same day they are received and transferred to the Bureau of Indian Affairs (BIA) as soon as practicable (normally within 2 working days). Therefore, no interest is accrued on Indian lease revenues.

MMS has undertaken several initiatives to reduce errors and keep interest owed on late disbursements to a minimum. These efforts have resulted in late disbursement interest payments being reduced from $1.16 million in FY 1985 to $58,000 in FY 1994. Given the difficulty in determining the exact amount, during FY 1995 and FY 1996, RMP proposes to reprogram funds on an as-needed basis.

Refunds on Behalf of Allottees

Justification of Program and Performance

Subactivity Funding Summary

ollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Reques	Change from 1995
Compliance	$	15	___	___	15	___
	FTE	___	___	___	___	___

Uncontrollable changes include: additional payraise costs, other cost charges, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses.

MMS proposes to continue to pay refunds to companies on behalf of Indian allottees when recoupment of company overpayments from future royalties is not feasible. In these cases, allottees are unable to refund overpayments to the companies because production is too low to generate sufficient royalties or there is no production (in cases where the payment was made to an incorrect lease).

The need for these refunds arises from past policy that required a payor who appealed a bill to pay the bill, pending the outcome of the appeal. Additionally, the policy required MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible so they could subsequently disburse the revenues to the individual Indian royalty owners. In cases where the payor's appeal was upheld and the allottee was not able to repay the company, recoupment was made against future royalty payments. To mitigate these situations, the BIA changed its policy in FY 1987 and the MMS implemented new procedures. These new procedures allow the companies to post bonds for the disputed amounts and to have MMS suspend the payment. Only after the appeal is settled would MMS distribute BIA's portion. However, the need occasionally arises for settlements and refunds on pre-1987 bills.

In FY 1996, RMP requests authority to use appropriated funds to pay underpaid allottees and to make adjustments to BIA accounts for prior unrecoverable erroneous payments. Since 1983, minor errors have occurred in the distribution process that have caused net negative amounts to be held or suspended from distribution. Specifically,

- Seven instances have occurred where RMP reports advised BIA to incorrectly distribute money which was not received, and
- Two instances occurred where RMP reports advised BIA to distribute money to the incorrect allottees.

The requested authority will allow RMP to correct these minor errors, as well as make currently authorized refunds to payors on behalf of allottees.

General Administration

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Executive Direction	$	3,416	68	0	3,484	68
	FTE	42	0	0	42	0
Policy & Management Improvement	$	3,812	74	0	3,886	74
	FTE	47	0	0	47	0
Administrative Operations	$	11,242	-177	606	11,671	429
	FTE	204	-12	0	192	-12
General Support Services	$	14,823	-347	205	14,681	-142
	FTE	0	0	0	0	0
Total	$	33293	-382	811	33,722	429
	FTE	293	-12	0	281	-12

Mission

The General Administration activity provides support for the program responsibilities of MMS and is divided into four subactivities: Executive Direction, Policy and Management Improvement, Administrative Operations, and General Support Services.

Executive Direction

The Executive Direction subactivity is comprised operationally of the Office of the Director, the Office of Communications and Governmental Affairs, the Office of Equal Employment Opportunity, and the Office of the Deputy Associate Director for Budget and Finance. These functions provide for overall program leadership and direction, budget formulation and execution, and management coordination of all the responsibilities of MMS.

Policy and Management Improvement

The Policy and Management Improvement (PMI) subactivity performs policy review and development; adjudicates appeals; conducts and coordinates reviews and audits of MMS programs; manages the regulatory development process; and develops and organizes the Bureau's strategic planning, management improvement and reinvention efforts.

Administrative Operations

The Minerals Management Service provides administrative support to its mission programs under the Administrative Operations subactivity. Organizationally, this support is provided by the Associate Director for Administration and Budget, as follows:

- oAll financial management activities, conducted under the direction of a Deputy Associate Director for Budget and Finance; and

- oA broad range of administrative services, provided under the direction of a Deputy Associate Director for Administration. These services include records, space, and facilities management; the safety and health program; personnel, document, and physical security; management analysis functions; human resources management; procurement, property, office services, and printing activities; and information resources management.

General Support Services

The General Support Services subactivity includes funding for support services and fixed costs, such as rent, Federal Telecommunications System (FTS), postage, and commercial communications for MMS nationwide.

Executive Direction

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Executive Direction	$	3,416	68	0	3,484	68
	FTE	42	0	0	42	0

Uncontrollable Changes include: additional pay raise cost and other cost changes.

Objective

✓ To provide executive leadership, policy direction, and program management for all programs and mission responsibilities.

Program Description

The Executive Direction subactivity is comprised operationally of the Office of the Director, the Office of Communications and Governmental Affairs, the Office of Equal Employment Opportunity, and the Office of the Deputy Associate Director for Budget and Finance.

The Office of the Director, which includes the Director, the Deputy Director and their immediate staff, is responsible for providing general policy guidance and management of the organization.

The Office of Communications and Government Affairs (OCGA) was created through reorganization to achieve streamlining goals and to enhance supervisory ratios. The Office of Congressional and Legislative Affairs, Office of Public Affairs, and the Office of External Affairs were combined to form the new OCGA. The reorganization was approved on May 27, 1994, and has been implemented. The reorganization increased the supervisor to employee ratio from 1:4 to 1:12. The Office is led by one GS-15 supervisor and two non-supervisory team leaders. The organizational change was accomplished within the existing FTE ceiling (17 FTE) and utilizes existing staff at their current grades in organized flexible project and task oriented teams. Since the reorganization, OCGA has reduced its total staff from 17 FTE to 11 FTE.

The OCGA serves as the primary point of contact with Congress, the press and news media, external constituencies and the general public, providing information and assistance in response to inquiries. The Office serves as the primary liaison with Congress on congressional activities and legislative proposals that affect or may affect MMS. This activity includes evaluation of legislative proposals; communications regarding programs and policies and statement of positions on matters under consideration by the Congress; preparation and coordination of testimony for MMS witnesses; and coordination of arrangements for MMS' involvement in congressional meetings and committee hearings. In addition, the Office serves as primary point of contact and bridge-builder with our external constituencies, including the natural gas and oil industry, state and local governments, and the Indian and Native Alaskan and environmental communities. The Office facilitates dialogue, and establishes ongoing, two-way communication with constituencies to ensure informed participation from all stakeholders in the decision making process. OCGA provides advice to the Director and other officials on policy and procedures for disseminating information and responds to inquiries from the print and news media.

The Office of Equal Employment Opportunity develops, directs, monitors, and operates the Equal Employment Opportunity (EEO) Program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, departmental directives, and other related statutes and orders. Specifically, these duties include the discrimination complaint system, counseling and mediation, development and implementation of equal employment opportunity and affirmative action plans, and programs for minority higher education and partnerships.

The EEO program is responsible for special initiative programs which are underway to involve more women, minorities, and people with disabilities in the program areas and throughout all levels of management. In cooperation with MMS' Personnel Office, emphasis will be placed on training managers and supervisors in employee development and human resources planning. In addition, efforts will be made to increase the participation of women, minorities, and people with disabilities in the Cooperative Education Program, upward mobility program, and the management development programs of the MMS.

The EEO Office also provides expertise and leadership for other civil rights matters and technical assistance to supervisors and managers.

The Office of the Deputy Associate Director for Budget and Finance (DAD/B&F) is responsible for the planning and effective utilization of budgetary and financial system resources in support of the varied operating and support programs. The DAD/B&F serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

- The Budget Division provides analysis, budget guidance, and recommendations regarding budget and program formulation and justification; assures proper funding and staffing allocation and budget execution in accordance with the law, congressional, departmental, and bureau program directives, goals, and objectives; develops, prepares, and maintains budget data; and provides analysis of financial and other resource use reports. The Division is also responsible for assisting in the presentation and explanation of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress.

- The Financial Management Division (FMD) is responsible for the administrative accounting operations of the Bureau. The FMD operates the administrative accounting system, audits and schedules bills for payments, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies. The Financial Management Division is funded under the Administrative Operations subactivity.

Policy and Management Improvement

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Policy & Management Improvement	$	3,812	74	0	3,886	74
	FTE	47	0	0	47	0

Uncontrollable Changes include: additional pay raise cost changes, and other cost change.

Mission

The Office of Policy and Management Improvement (PMI) provides the Director, the Department, and other sources a single point of contact for a broad range of functions and initiatives that fall outside of the responsibilities of MMS' two major program operations (i.e., the Royalty Management Program and the Offshore Minerals Management Program).

PMI provides a review and assessment capability within MMS to ensure the proper application of sound policy and management within the Royalty Management and Offshore programs. It fosters performance improvement, strategic planning, streamlining, customer service, regulatory reduction and reinvention efforts. PMI initiates pilot and laboratory projects for the Director. It assures implementation of the recommendations derived from internal reviews and the Inspector General and GAO audits. PMI adjudicates administrative appeals; conducts internal reviews; coordinates audits by the Office of the Inspector General and GAO; and manages MMS' compliance with the Departmental regulatory process.

Objectives

- ✓ promptly identify emerging issues and provide a focal point for policy development, review, and application, thereby ensuring comprehensiveness and consistency within the Bureau;
- ✓ enable the Bureau to improve its effectiveness and efficiency through strategic planning, performance improvement and measurement, streamlining, internal evaluations, and response to external suggestions;
- ✓ provide timely and appropriate resolutions of administrative appeals and disputes; and
- ✓ ensure that MMS safeguards its assets, is efficient, and accomplishes its objectives through analysis of management control reviews and other special studies.

1995 and 1996 Organizational Responsibilities

PMI is organized to cover a wide range of responsibilities with a minimum of staff. The Associate Director of PMI is charged with evaluating MMS' existing and proposed policies and programs through economic and programmatic analyses. This is accomplished through the work of the Offshore Minerals Management Analysis Division and the Royalty Management Analysis Division. Administrative Appeals, from orders primarily issued by the Royalty Management Program, are adjudicated by PMI's Appeals Division. The

Policy Coordination Staff supports the Associate Director's efforts to provide the Directorate with strong, cross-cutting analyses of Bureau-wide issues and to be the focal point for initiating and managing the Bureau's National Performance Review and Reengineering Government endeavors. A description of these basic organizational responsibilities follows:

Policy Reviews and Program Analyses

PMI is responsible for the review and analysis of a broad range of royalty and offshore matters in MMS. Staff provide policy analysis and apply expertise to special studies in support of proposed and existing activities. Special studies sometime involve major analytical efforts, usually long-term in nature, to examine technical issues relevant to the program, analyze policy implications, and provide recommendations to the Director. These efforts may encompass both program specific subjects and developments elsewhere that may have an impact on the programs. For example, staff are currently studying alternative approaches to natural gas product valuation and deepwater incentives. PMI staff also provide technical assistance to the programs by leading or participating on Bureau task forces or by directly supplementing staff of the office responsible for specific projects.

PMI is responsible for ensuring that programmatic plans and policies are consistent with and integrated into the overall Bureau mission and responsibilities, as well as the Department and Administration policy framework. To accomplish this, PMI assists the Royalty Management and the Offshore Minerals Management Programs in developing, implementing, and then evaluating program initiatives, including the development and review of regulations.

In addition, PMI organizes and coordinates most of the Bureau's crosscutting issues and activities, such as:

- oadvising the Office of Communications and Government Affairs and the Royalty Management and Offshore Minerals Management Programs in the development and evaluation of legislative proposals;
- oassisting the Budget Division in the review and analysis of proposed programmatic initiatives;
- oserving as the focal point within the Bureau for other Federal agencies, the private sector, and other groups on general energy and economic issues; and
- operforming the Bureau's audit liaison work with the Department which includes the response and follow-up on OIG and GAO audits.

Appeals

Any party adversely affected by a final order or decision issued by an officer of MMS has a right under 30 CFR Part 290 (1992) to appeal to the MMS Director; or, if Indian land is involved, the appeal is filed with the Deputy Commissioner of Indian Affairs. The decisions on these appeals are prepared by PMI's Appeals Division. About 99% of the appeals filed are challenges to orders issued by MMS' Royalty Management Program (RMP). PMI's staff is insulated from the RMP so they can render an independent review of the issue under appeal. The staff is largely professional, trained in legal research, and their work load is dedicated almost solely to reviewing appeal information and writing decisions. Technical expertise and coordination in support of MMS settlement activities of royalty appeals and litigation with oil companies is provided by other personnel in PMI.

Management Controls and Improvement

PMI is responsible for preparing and managing the MMS Director's Management Control Plan (MCP). The Management Control Review (MCR) process is meant to identify and correct any waste, fraud, or abuse in bureau programs and to determine that adequate controls are in place to provide reasonable assurance that government resources are protected. The Federal Managers Financial Integrity Act (FMFIA) requires an

annual evaluation of the financial and program controls. PMI staff either lead or participate in individual management control reviews.

PMI is responsible for overseeing the Bureau-wide improvement undertakings by supporting the MMS Quality Council's planning and leadership efforts; coordinating training; providing internal consulting services; and implementing Bureau-wide improvement initiatives after approval by the Director or by the Quality Council. In FY's 1995 and 1996, the staff will continue to focus on techniques and methodologies that achieve performance measurements. The staff will also provide technical assistance in the form of training and consulting engagements for those MMS offices that are pursuing performance improvement initiatives. The staff serve as the clearinghouse for disseminating improvement information, resources, and expertise throughout MMS and in cooperative departmental and government initiatives.

PMI manages the MMS regulatory program and serves as liaison to the Department's Office of Regulatory Affairs. In this capacity, it plays a major role in the Bureau's efforts to coordinate MMS policy and implement the requirements of:

- Executive Orders (Executive Order 12866 and Executive Order 12861) directed towards the reduction and improvement of federal regulations;
- The Administrative Dispute Resolution Act (ADR Act) PL 101-552; and
- The Negotiated Rulemaking Act (Neg-Reg Act) PL 101-648.

In this regard, PMI will be very active in MMS' conflict resolution program where a spectrum of alternative dispute techniques are being used to resolve disagreements without litigation or administrative adjudication and to try to prevent conflicts from occurring by collaborative decision making.

PMI is also responsible for managing the Bureau's strategic planning process and for providing a transition from executive level policy decisions to functional implementation. In addition to assisting in the development of 2- and 5-year strategic plans for MMS programs, PMI staff analyze and research the merits of proposed operational modifications necessary to implement new or revised program objectives and policies and pilot those concepts. Program offices have a primary responsibility to continue operations on current requirements. PMI assists those offices in making a transition to new or increased responsibilities through analysis of the impacts of proposed changes, research of potential automated techniques, and investigation of workload efficiencies. Office staff will provide liaison and leadership in the performance of tasks associated with Government Performance Results Act requirements and assist in the development and implementation of MMS' portion of the Department's Strategic Plan.

1995 and 1996 Ongoing Workloads

In FY 1996, PMI anticipates being involved in numerous issues directed towards reinventing and reengineering Departmental and Bureau programs and/or processes. Considerable time and effort will also be devoted to improving the efficiency, effectiveness, and overall performance of the Bureau and the Federal Government. PMI has a major role in initiatives started during the 1994 fiscal year involving the Government Performance and Results Act of 1993 requirements, setting customer service standards, improving communications, reducing regulations, streamlining the administrative appeals process, and improving the royalty compliance and collection process. Considerable review and analyses work will be required to evaluate existing procedures and implement the changes. The following describes PMI's major ongoing workload functions (in Fiscal Years).

Ongoing Workload			
	1994 Actual	1995 Estimate	1996 Estimate
Policy Reviews & Program Analyses	125	133	141
Management Improvement Efforts	57	60	63
Appeals Resolved	386	320	350
Management Control Reviews	18	22	25

Policy Reviews

PMI staff provide technical assistance to the programs by leading or participating on Bureau task forces or by directly supplementing staff of the office responsible for specific projects. Some examples of projects that PMI staff are involved in include: the review of the MMS administrative appeals process, methods of valuing gas production, the level of bonding requirements, and the determination of lease owner/payor liability.

PMI reviews legislation, regulations, and other documents for their policy content and provides analysis of proposals from outside MMS that affect Bureau programs. PMI also reviews internally generated regulations and documents to ensure adherence to Bureau, Departmental, and Administration policy. In addition to reviewing specific documents, such as legislation, Congressional correspondence, and agreements, this component includes the preparation of issue summaries or briefings for senior management. PMI coordinates the efforts of different parts of MMS in developing Bureau policy on specific issues. PMI plays both a substantive role in these efforts and coordinates input from the program offices in performing this task. It also works closely with other bureaus such as BLM and BIA. During FY 1995 and into FY 1996, PMI will be coordinating the development of policy options and analyses on such items as:

- Deepwater legislation;
- Royalty settlement procedures;
- Clarification of transportation systems and allowable costs;
- Valuation of gas on Federal and Indian lands;
- Use of FERC tariffs in royalty obligations;

Program Analyses

PMI staff conduct, lead, or assist in a variety of program analyses of many of the controversial, complex issues facing MMS. PMI staff develop or assist in developing new programs or regulations, especially when program responsibility is fragmented or unclear. For example, PMI staff developed an automated document search and retrieval system for MMS Director's appeals decisions. This system now permits more thorough research, with significant reductions in time and effort, than was previously available and is readily available to all MMS employees. PMI staff also worked with the Royalty program and the Solicitor's office to clarify and document credit adjustment rules and procedures and determine appropriate actions concerning FERC tariffs. PMI also conducts major analytical efforts, usually long-term in nature, to examine technical issues relevant to the program, analyze policy implications, and provide recommendations to the Director. These efforts may encompass both program specific subjects and developments elsewhere that may have an impact on the programs. Some examples of current projects examining MMS processes:

- Evaluation of MMS' settlement process for disputed issues;

- Redesigning of RMP's information collection process for lease owners and payors of royalties;

- Comparison of MMS' standard lease acquisition and operating terms to alternative methods.

Management Improvement Efforts

PMI will be leading MMS' organizational improvement efforts into the current fiscal year. Several long term projects have been underway from the previous fiscal years but others will be starting implementation in FY 1996.

PMI had overall management responsibility for the Compliance Action Plan (CAP), which is a three year effort to implement the recommendations of the joint ASLM/MMS Task Force on Royalty Compliance. The CAP has implemented a range of improvements targeted at encouraging voluntary compliance by companies through clarification of policies and requirements and more aggressive enforcement; has integrated audit with other compliance activities; and expanded automated systems use in the royalty verification process.

PMI develops and administers a program of 2-year planning reviews of 5-year Strategic Plans for MMS functions and closely coordinates these with other ongoing strategic planning processes such as the MMS Strategic Plan on Information Management prepared by the Office of Administration. Through this process, 5-year strategic plans are evaluated at the end of the second year of implementation to refine steps planned for subsequent years and to extend the improvement process through additional steps for an extra two years. In addition, PMI oversees the planning processes and assists programs with the development of annual performance plans and the submission of performance reports.

PMI also develops and facilitates major improvement initiatives for the Bureau, providing the Director with options for decisions on key issues. It prepares detailed implementation plans, coordinating these with other MMS entities. PMI implements and manages pilot operations to effect the transition of major MMS initiatives from current to future issues, monitoring resulting resource utilization issues, legislative revisions, as well as functional and organizational realignments. In this regard PMI is currently leading and/or participating in several National Performance Review laboratories, which include:

- Directing MMS current and future efforts to develop and implement a Plan to improve Customer Service;

- Directing the Bureau's efforts to reduce and improve internal and external regulations;

- Employing the use of "Plain English" regulation writing when regulations are necessary (PMI introduced the plain English style to the Department and Bureau);.

- Operating and evaluating the results of the gas marketing pilot which tests new concepts for collecting the government's royalty share of federal resources; and

- Developing a common reference data base to improve the accuracy and efficiency of obtaining lease and royalty payor data.

In FY 1996 PMI will continue to lead MMS' implementation of the requirements of the Government Performance and Results Act of 1993 (GPRA). In particular, PMI will assist in the performance planning and measurement phases of MMS' GPRA pilot project and the Bureau-wide Strategic Plan.

Appeals

The resolution of cases generally results in the collection of additional revenues for the States, Tribes, individual Indian allottees and the Federal government. The appeals process has been restructured, in that routine decisions are being prepared by the RMP. This allows the Appeals Division staff to focus their efforts on complex cases. Because the total workload of the Appeals Division will consist of complex cases, the

number of cases resolved for the fiscal year may be slightly lower. PMI, however, has taken several administrative steps to speed up processing of appeals. These include:

- lowering the signature level for many appeals decisions,
- implementing an improved appeals tracking system, and
- imposing stricter timeframes on internal and external parties involved in the appeals process.

PMI is also pursuing several pilot programs to expedite the processing time of appeals. One pilot involves the use of Alternative Dispute Resolution techniques earlier in the appeals process. Another involves reformatting the decisionmaking process to speed the issuance of shorter, more timely decisions. And the third is focused on reducing the time and expense involved in the preparation of an appellant's administrative record. All of these efforts are directed toward providing better service for our customers (private industry).

Management Control Reviews

In coordination with the programs and the Management Control Council, PMI annually prepares the Director's new 5-year MCP. Each year, as the Management Control reviews are completed, PMI manages the scheduling, performing, and reporting of the reviews and the results and subsequently tracks the implementation of the review recommendations.

PMI will lead, assist, or monitor, each team in performing each management control review. Participation will include ensuring that each review is planned, conducted, documented, and reported in accordance with MMS and departmental procedures and in compliance with the Federal Manager's Financial Integrity Act. PMI also monitors systems controls, including the fiscal integrity of royalty, offshore, and management accounting systems, as well as the environmental and fiscal integrity of the offshore leasing and inspection systems.

Administrative Operations

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Administrative Direction & Coordination	$	401	13	0	414	13
	FTE	5			5	0
Financial Management	$	1,035	-23	0	1,012	-23
	FTE	21	-1		20	-1
Management Services & Security	$	1,196	-12	72	1,254	58
	FTE	24	-2		22	-2
Personnel Management	$	1,178	-13	245	1,410	232
	FTE	26	-1		25	-1
Procurement & Property Management	$	2,113	-90	166	2,189	76
	FTE	31	-3		28	-3
Information Resource Management	$	1,612	-12	63	1,663	51
	FTE	23	-1		22	-1
Field Administrative Services	$	3,707	-38	60	3,729	22
	FTE	74	-4		70	-4
Total	$	11,242	-177	606	11,671	429
	FTE	204	-12		192	-12

Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses.

1995 and 1996 Ongoing Workloads

The Administrative Operations subactivity consists of the following functions: Administrative Direction and Coordination, Financial Management, Management Services and Security, Personnel Management, Procurement and Property Management, and Information Resources Management. These functions are directed

Objective

✓ To provide continuing administrative direction and coordination to support the Outer Continental Shelf Lands and Royalty Management programs of the MMS.

and carried out at headquarters and nationwide through two Field Administrative Service Centers (ASC's).

The following is a description of the major functions/program elements' workload.

Administrative Direction and Coordination

This function provides for oversight of all administrative activities of the MMS, including all of the functions. Liaison is maintained with Departmental offices in order to effect a coordinated and unified administrative program consistent with the mission and goals of the Department. The two Deputy Associate Directors provide direct financial management guidance and administrative support to managers.

This oversight ensures compliance with laws relating to administrative activities; provides for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and develops appropriate organizational guidance to ensure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. It also provides the structure for managing the Bureau's financial resources consistent with the Chief Financial Officers Act of 1990.

Financial Management

Mission

- The Financial Management Division (FMD) is responsible for the administrative accounting operations of the Bureau.

- The FMD operates the administrative accounting system, audits and schedules bills for payment, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies.

- The FMD has the lead responsibility under the Chief Financial Officers Act of 1990 to prepare a combined Annual Financial Report for the Bureau. In addition, the FMD serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

Accounts Payable Processing. The estimated workload for FY 1996 in the accounts payable function includes the recording of 13,000 obligations, the auditing and paying of 18,000 invoices (about 60% by EFT), the auditing and paying of 9,000 travel vouchers, and the processing of 3,000 miscellaneous financial documents. This projection is consistent with planned streamlining initiatives proposed by the MMS Streamlining Plan.

Financial Reports Processing. MMS produces 427 Financial reports monthly, quarterly and annually for distribution internally to MMS managers and to external agencies as required by regulation or law. The CFO Act requires an annual combined financial report to be submitted to the Office of Management and Budget each March 1st following the close of the fiscal year.

Financial Policy and Procedures Development. Develop and issue policies and procedures on such matters as temporary duty and permanent change of station travel, use of the American Express government card, closing instructions at fiscal year end, and accounting for prior year funding.

Review Policy Documents. Review and implement regulations and procedures issued by agencies having regulatory oversight of government financial activities including the Department of the Treasury, Office of Management and Budget, General Accounting Office, General Services Administration, and the Federal Accounting Standards Advisory Board.

Management Services & Security

Mission

- The Management Services and Security Division (MSSD), reporting to the Deputy Associate Director for Administration, is responsible for all management analysis activities, support services, and security operations of the Bureau and is responsible for budget planning and formulation and allocation of personnel and funding for the Office of Administration and the Associate Director for Administration and Budget.

- Management analysis functions include management studies and reviews, organizational design and review, delegations of authority, and related activities, and special projects such as improvement initiatives.

- Support services functions include facilities (31 buildings in 18 cities) and space management, mail, courier, and records management activities (such as directives, Information Collection, Freedom of Information Act and Privacy Act), and health and safety program management.

- The security program encompasses all activities relating to personnel security, physical security, and document security Bureau-wide.

Management reviews, Studies, Projects and Organizational Proposals. Management analysis activities will be performed at an enhanced level in such areas as management reviews, projects, and studies, and organizational studies. The need for significant organizational analysis is anticipated in FY 1996 to accomplish FTE reductions, streamline and flatten organizations, and achieve higher employee to supervisor ratios. Further, related activities such as updating delegations of authority, will continue to be a high priority.

Space Utilization Studies and Space Layout and Reconfiguration. In FY 1996, as staff realignments and reductions continue in the MMS, the Division will continue to conduct space utilization studies and layouts. These studies should result in more efficient utilization of space and increase energy conservation.

Office Relocations. Planning and implementing in-house moves will be at a continued level due to implementation of Executive Order streamlining activities, and continued downsizing of MMS programs.

Records Management Activities. Records and information management activities will remain constant. However, streamlining initiatives will continue with emphasis on re-engineering records management practices to enhance the MMS systematic approach to information dissemination and use.

Other Management Services and Security Functions. Security investigations will continue to be reviewed, initiated, and adjudicated and are expected to remain at constant levels.

Personnel Management

This Justification supports the Departmental proposal to consolidate the EEO and Personnel functions to effectuate certain streamlining efficiencies. The following information is provided to indicate the responsibilities and workloads which MMS currently provides under the existing structure.

Mission

- The Personnel Division is responsible for developing and implementing bureau-wide policies, procedures, guidelines, and standards related to general personnel management; recruitment

and employment; position management and classification; compensation; training and career development; personnel program evaluation; labor/management relations; employee relations and services; performance management; incentive awards; the Federal Equal Opportunity Recruitment Program (FEORP); public policy programs; and conflict of interest and ethics.

- The Personnel Division provides assistance and guidance on personnel matters to all levels of management in developing and administering personnel programs as well as personnel program direction to field personnel offices located in Lakewood, Colorado, and Jefferson, Louisiana.

- Liaison is required with the Office of Personnel Management, the Department of the Interior, the Office of Inspector General, the Office of Hearings and Appeals, the Merit Systems Protection Board, and the Federal Labor Relations Authority on personnel management and related issues.

Employee Relations Cases Processed/Guidance Given. The high level of employee relations cases will continue as a result of the downsizing and anticipated actions effected because of reduced FTE and budget within the MMS. During downsizing and organizational realignments, more employees request information on their rights, on retirement issues, etc.

Procurement and Property Management

Mission

- The Procurement and Property Management Division is responsible for entering into and administering contracts, small purchases, grants, cooperative agreements, and interagency agreements essential for fulfilling the mission of the MMS.

- Other responsibilities include managing the Business and Economic Development Program; conducting acquisition management and internal control reviews of procurement activities; managing the Contracting Officers Technical Representative training program for all regions; and issuing policy guidance to a variety of target groups.

- The property program maintains accountability records of all controlled property in the possession and control of custodial property officers and contractors within the MMS as well as managing the Bureau Vehicle Fleet; managing a printing and publications activity; managing the Bureau museum property; and issuing policy guidance on property, vehicles, supplies, museum property; and printing, duplicating, and copying.

- This office is also responsible for the implementation of the Arts and Artifacts program MMS-wide by establishing MMS regulations and procedures for assessing Bureau collections, providing guidance to field locations and conducting property management reviews emphasizing artwork and artifacts. This includes MMS' continued support of a central staff capability with the National Park Service (NPS), that provides Department-wide policies and procedures for use by and in support of all the bureaus.

Contracts totalling over $1 million dollars were awarded to provide support services for MMS. Contract administration continues for the $5 million contract for management and operation of OHMSETT requiring daily communication with the program office, contractor, and other Government agencies in an effort to evaluate and/or develop efficient oil spill cleanup technologies. In Fiscal Year 1994, $19.6 million was awarded in support of the Environmental Studies Program. Of this amount approximately $17 million was incremental funding for multiyear contracts. MMS is in the process of awarding a multiple year $18 million contract for microcomputers, of which $15 million will be available for MMS and $3 million for other bureaus within the Department. Technology refreshment and repricing provisions will insure the contract stays current with the evolving industry.

MMS has consistently awarded over 30 percent of the discretionary procurement dollars to small and disadvantaged businesses. For the past 3 years MMS exceeded all of its Business and Economic Development Program (BEDP) goals and received the Department's unit award for excellence and the MMS nominees for the Department's Minority Entrepreneur of the Year FY 1991 and 1992 won the award.

MMS was the first Bureau in the Department to implement a property management program using bar code technology. We have upgraded the bar code hardware to include a new bar code printer which uses the latest technology. We have also implemented new bar code scanners which are smaller and more efficient, giving better scanning range. MMS has placed several new compressed natural gas vehicles in their fleet. MMS continues to provide technical support and system maintenance for the property and vehicle management systems for OSM. MMS continues to update the museum property system for arts and artifacts.

- •Contracts Awarded-Administered. The estimated increases in FY 1994 include modifications and close out modifications to previously awarded contracts, cooperative agreements, and inter/intra-agency agreements. The increase in number of actions for FY 1995 reflect new awards due to the increase in environmental studies funding.

- •The Department awarded a contract to Price Waterhouse to develop the mandated Interior Department Electronic Acquisition System (IDEAS). IDEAS will require software enhancements and maintenance to include a module for the Property Management System and a bridge to our financial system. Maintenance will be performed by the Contractor.

Information Resources Management

Mission

- The Information Resources Management (IRM) Division has responsibility for providing coordination and direction for bureau-wide IRM activities in subject matter areas such as data administration, computer security, Federal Information Processing (FIP) resource acquisition management, voice and data telecommunications, FTS2000 services, Local/Wide Area Networks (LAN/WAN), IRM policy and procedures development, and reviewing policy documents from the Department and/or other Bureaus.

- The IRM Division will provide administrative and technical support to the MMS IRM Review Council in the planning and oversight of information systems. The IRM Division will participate in implementing and executing the Departmental IRM Strategic Plan for FYs 1994-1998 to increase productivity, improve the management and delivery of information, and increase customer effectiveness in the use of new and sophisticated technology.

- The IRM Division will perform the annual update to the MMS Strategic Plan for Information Management, providing the Department consolidated budgetary and planning information on the Bureau IRM activities and future initiatives. The Division will participate in bureau-wide efforts identified in the Strategic Plan such as cyclical reviews of current systems; telecommunications activities; common data element standardization, electronic data interchange, and standards between program areas; ADP hardware, microcomputer, and electronic mail policy; and analysis of IRM roles and responsibilities.

- The IRM Division is responsible for developing and maintaining the Bureau administrative information systems and providing support for the Office of Administration computer installation and LANs maintained at three geographic sites. Ongoing application maintenance efforts and redesign or re-engineering of administrative systems will provide improved responsiveness and flexibility within the Office of Administration and the Bureau as a whole.

Bureauwide Planning and Coordination Activities: The MMS Strategic Plan for Information Management provides a statement of the goals, strategies, and objectives as approved by the MMS top level IRM Review Council. The Plan establishes long term goals and provides for overall guidance for information resources management to achieve cost effective use of information technology to support Bureau programs for the next 5 years. Other Bureauwide planning activities include the development of the Bureauwide ADP Security Plan, participation in Departmental and Bureauwide IRM projects, work groups, and reengineering efforts, and performing management control and security reviews.

Telecommunications Activities: A video conference facility in Lakewood, CO, will continue to be used as an alternative method of holding meetings with the accompanying benefits of increasing productivity and reducing travel in the Bureau. Other telecommunications activities include the support of the Bureauwide CC:Mail for electronic mail between all MMS locations for 2,200+ users and between other DOI Bureaus; provide administrative and technical support for the Department of Interior Network (DOINET) as well as the MMSNET; perform studies of Bureau and/or Departmental telecommunications projects ; and, process telephone orders in the Washington Metropolitan area and provide telephone coordination of FTS2000 services.

Develop/Enhance/Maintain Administrative ADP Systems: In FY 1993, MMS was the first Department of Interior Bureau to implement the Federal Personnel/Payroll System (FPPS). As the first DOI Bureau to convert to FPPS, MMS assists other Bureaus in their FPPS conversion efforts. The IRM Division continues to maintain the existing suite of administrative information systems while actively planning for a new generation of LAN-based applications. Many of the systems to be replaced are now technically obsolescent and are not capable of delivering the level of responsiveness and accessibility that is now expected by the user community. Development, maintenance, and redesign efforts associated with the administrative systems will continue and result in improved support to users. Another high priority item is the support of the Bureau's use of Departmental administrative systems.

MMS Data Network (MMSNET): The IRM Division will continue to use fiber optic cable in the Atrium Building, Herndon, VA, to improve the performance and speed of the Atrium Building LAN and to create a "campus" LAN. A survey of the Atrium Buildings wiring system and associated infrastructure will be conducted in FY95. High speed network routers at the Atrium and Main Interior Buildings were upgraded in FY 1994 resulting in greater efficiency and improved throughput. As more users require greater throughput in the LAN environment, the need for connectivity of computer resources at MMS and Departmental locations has become a top priority which has lead to the establishment of an MMS WAN. With increased reliance on MMSNET, DOINET, and the Internet, its operation, administration, and user assistance become more resource intensive. Additional resources proposed in FY 1994 will provide increased support for the operation and management of the LANs and related services.

FIP Resource Acquisition Activities: FIP resource acquisition requirements are broken down into three categories: (1) requirements less than $25,000 (250), (2) requirements greater than $25,000 and only requiring MMS approvals (30), and, (3) requirements requiring Departmental and/or GSA approval (5). The acquisitions assigned to the above 3 categories vary in technical complexity and effort. Therefore, FIP acquisitions requiring higher approval authorities are more labor intensive because of the assistance needed to provide the customer the specific request as well as newly delegated FIP thresholds.

Field Administrative Services

This Justification supports the Departmental proposal to consolidate the EEO and Personnel functions to effectuate certain streamlining efficiencies. The following information is provided to indicate the responsibilities and workloads which MMS currently provides under the existing structure. (The consolidation will impact both Southern and Western Service Centers.)

Mission

- Direct administrative support is provided to program managers through two Field Administrative Service Centers (ASC's). These offices provide services to all field activities of the MMS, except for those offices in the Washington, D.C., area which receive support directly from the Office of Administration in Herndon, Virginia.

- The Office of the Deputy Associate Director for Administration and the ASC's are structured to assist managers in matters related to personnel, space and property management, procurement and contracting, safety and security, information resources management and support services activities.

- The Southern Administrative Service Center (SASC), located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico OCS Region (GOMR), the Offshore Systems Center (OSC) and a resident Royalty Management Office. In addition, full support is provided to five outlying District/Subdistrict GOMR Offices.

- The Western Administrative Service Center, located in Denver, Colorado, supports the Royalty Management Program and its field entities, the Office of Policy and Management Improvement, the Offshore Program's Mapping and Survey Staff and, the Alaska and Pacific OCS Regions.

Southern Administrative Service Center

Major thrusts of FY 1993 involving the downsizing and realignment of the Offshore Program, continued implementation of the automated Federal Payroll/Personnel System (FPPS), and space activities will continue to impact the Southern Administrative Service Center in FY 1995. In addition, changes due to implementation of the National Performance Review (NPR) will likely have a major impact upon this office in FY 1995 and 1996. Major actions anticipated include:

Staffing/Classification Actions. Personnel will continue the implementation of FPPS. Downsizing efforts are in process and staff time will continue to be required to reassign MMS employees from other Offshore offices and determine any personnel impacts related to downsizing. Currently, reorganizations of some serviced offices are being considered.

Of significant impact will be an emphasis in special recruitment activities to further EEO and minority goals and to attract and retain qualified employees through extensive outreach efforts. Emphasis is continuing on cooperative efforts with Historically Black Colleges and Universities (HBCUs). This office continues to play a major role in a multi-agency/University cooperative effort under the auspices of the local Federal Executive Board. A major conference was held in January 1994 to share information on human, physical, and fiscal resources among HBCU and Federal agencies.

Employee Relations and Training. Employee development, training, and cross training will increase particularly as NPR initiatives in this area are implemented. Employee "retraining" has been identified as a major thrust of utilizing personnel on board in view of the changes occurring as a result of the NPR. An increase in employee relations activities has already been experienced and is expected to increase due to further downsizing and anticipated actions caused by reduced budgets and FTE levels within the MMS. Additional emphasis is being experienced in the area of management/union cooperation. All of these activities are expected to continue and increase in number during FY 1995 and 1996. Implementation of the alternate dispute resolution will result in an additional workload for the personnel specialists.

Space Acquisitions. Construction of newly acquired additional space in the New Orleans office and modification of the existing space will begin in approximately mid-FY 1994. This will be a major effort requiring relocation of the majority of MMS employees in the current space. These efforts will likely continue

until the end of 1994. The new lease will be an 8-year firm term. A large coordination effort of this task will continue to require a dedicated staff member until it is completed.

The current security system is obsolete and a replacement for the entire New Orleans facility will be analyzed and plans developed for replacement of the system. This will be a major effort as it is closely tied to the space activities as described above.

In addition, there will also be a multi-year effort to accomplish the renewal of office space for the Lake Jackson District Office requiring utilization studies, layouts, and a possible office relocation occurring in FY 1995.

Accountable Property Inventoried. The accountable property inventoried is anticipated to remain at a high level for several years based on projected ADP equipment needs as the TIMS project is implemented and with the continued increase in personnel in the GOM OCS office.

Western Administrative Service Center

Staffing and Classification Actions. In addition to the continuing processing of actions resulting from approved organization changes in RMP, PMI, and POCS, we will have significant additional activity from resulting substructure changes which will continue into FY 1996. Other impacts will include the continuing and additional downsizing activities in the OCS programs during FY 1995; the initiative to reduce supervisory ratios requiring classification reviews, position management activities and staffing assistance; the reducing of levels of GS(GM)-14's and 15's; and additional recruitment and placement support required due to the increased auditor positions anticipated as a result of the contract settlements workload in the audit function.

Employee Relations and Training. There will be a need for increased training for employees due to increased automation and better analysis of training needs as greater focus and attention is given to employee development and training. As a result of anticipated continuing RMP reorganizations and the Offshore downsizing, there will be additional performance and conduct cases; grievances; appeals; and EEO complaints resulting in an increased employee relations workload. Another impact will be the increased staff time required to represent the agency in third party cases since the Solicitor's Office will no longer handle the cases if the employee is not represented by an attorney. Also, if legislation is passed allowing the buy-out provision for early retirement, there will be a significant impact on resources. In addition, the union organizing activities currently underway will require considerable continuing resources.

Space Acquisitions and Office Relocations. The specific space activities include: finalization of space reduction for Camarillo, California; acquisition of space and relocation of offices in Anchorage, Alaska; Santa Maria, California; Oklahoma City, Oklahoma; Dallas and Houston, Texas; and acquisition of temporary and permanent office space for the new Albuquerque Indian Audit Office including developing layouts and special space requirements and coordinating design of voice/data communication systems.

Contracts Awarded/Administered. RMP's continuing efforts to improve their operations rely heavily upon acquiring additional contractor support and the acquisition of additional ADP resources. The RMP is implementing a migration from a Legacy system to a LAN/WAN based system to facilitate access to databases by a large, diversified group of users. Significant procurement resources will be required to support RMP in these areas. This will also increase the administration of the major Accounting Support Services contract for RMP. Support of the 202/205 cooperative agreement program will continue with the addition of the Arapahoe, Shoshone, and Blackfeet Tribes to the program and additional funds being made available to the existing States and Tribes. Other activities include continuation of the Buy Indian authority with ongoing efforts to identify Indian vendors capable of furnishing supplies and services to the RMP, along with implementation of the Department of the Interior's automated acquisition system (IDEAS).

Justification of Program Changes.
Administrative Operations
dollars in thousands

	FY 1994 Enacted	FY 1995 Request	Change
$	——	606	+606
FTE	——	——	——

Several of the new Department-wide financial systems such as the Interior Department Electronic Acquisition System (IDEAS) have been designed for Federal Finance System (FFS). The MMS along with the Office of Surface Mining (OSM), and the Office of the Secretary (OS) will not be converting to the FFS. Instead these three offices will continue to use an enhanced version of the ABACIS financial software.

The bulk of the requested increase will be used for maintenance of software and hardware for the Hewlett-Packard (HP) minicomputer which supports ABACIS. Financial systems are mission critical and need high priority service. A maintenance contract is the most cost efficient means to secure these services. Eliminating HP software maintenance, the MMS would not be able to avail itself of hot line support or receive system software upgrades and patches.

IDEAS is a major component of the Department's procurement streamlining effort. IDEAS however, has been designed to run only on the FFS software. The requested funds will allow MMS to develop a bridge or interface which would permit MMS as well as the OSM and the OS to use IDEAS. Although MMS will provide the funding for this task (MMS is scheduled to upgrade to IDEAS before OSM and the OS) all three ABACIS offices will participate in the development of the interface.

The requested increase will also begin the development of the computing environment within Administrative Operations necessary to effectuate the streamlining initiatives. Additional hardware and software maintenance to existing Administrative systems is required.

General Support Services

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
General Support Services	$	14,823	-347	205	14,681	-142
	FTE	0	0	0	0	0

Uncontrollable Changes include: Executive Order 12837 on administrative expenses and other cost changes.

Program Description

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at $12.1 million in FY 1995 is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

Objectives

- ✓ Provide adequate and safe work space and facilities that will contribute to the productivity and efficiency of the employees of the MMS in achieving goals and objectives.
- ✓ Provide appropriate services to

The FTS cost of $0.7 million is based on data developed by the Department and actual FY 1991 costs. Commercial communication expenses of $0.5 million are based on FY 1994 actuals and include operations and maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

A summary of the expenses for General Support Services is shown below:

	dollars in thousands
Rent	$10,957
Unemployment Compensation	54
Mail Service	413
Commercial Communications	594
Department of the Interior Working Capital fund, Printing & Miscellaneous Charges	726
Federal Telecommunication System	709
Reimbursable Services	381
Employees' Compensation Fund	423
Miscellaneous Cost	424
Total	$14,681

Justification of Program Changes.
Administrative Operations
dollars in thousands

	FY 1994 Enacted	FY 1995 Request	Change
$	——	205	+205
FTE	——	——	——

The MMS continues to expand the utilization of Local Area Network (LANs) and Wide Area Networks (WANs). As Bureau-wide E-mail, file transfer, and data communications capabilities increase dramatically the management of the WAN resource will require day to day operations, monitoring, and troubleshooting. The networks' traffic will be greatly increased as more DOI administrative systems (i.e., IDEAS, FPPS) are integrated with existing systems. These operations will require highly trained contractor support to effectively operate the systems. As the WAN expands within the Bureau, between the DOI Office of the Secretary, Assistant Secretary for Land and Minerals, and other bureaus, the role of managing day to day operations will become critical.

Maintenance of the systems includes router software, hardware and equipment upgrades, LAN architecture and applications troubleshooting, and Internet access and address management.

Oil Spill Research

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1995 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1996 Budget Request	Change from 1995
Oil Spill Research	$	6,440	40	1,412	7,892	1,452
	FTE	26	—	—	26	—

Budget Resources will be derived from the existing Department of Transportation's Oil Spill Liability Trust Fund (OSLTF). Resources from this trust fund will be used to finance the oil spill response research and financial responsibility activities assigned to the Minerals Management Service (MMS).

The research objectives supported by funds derived from the Trust Fund for Oil Spill Research are:

- Provide continued research leadership to promote oil spill response capabilities in the event of an oil spill in the marine environment.
- Conduct studies that will increase the understanding of the fate of oil spilled and the effects occurring within the marine environment.
- Comply with Title VII of the Oil Pollution Act (OPA) of 1990 and cooperate with the Interagency Coordinating Committee on Oil Pollution Research, as called for in the OPA.
- Continue operation and maintenance of Ohmsett - The National Oil Spill Response Test Center, in Leonardo, New Jersey.

Oil Spill Response Research

The MMS is the principal U.S. Government agency sponsoring offshore oil spill response research. The MMS and its predecessor organization, the Conservation Division of the U.S. Geological Survey, have sponsored oil spill research since the late 1970's. For the past 10 years, MMS has maintained a comprehensive international applied research program to improve oil spill response technologies and procedures and thus enhance capabilities to respond to an open ocean oil spill. These efforts focused on improving: capabilities to burn oil in situ; modeling the dispersion pattern of smoke emissions from in situ burns; updating the performance database for new and improved booms and skimmers by reopening Ohmsett - The National Oil Spill Research Test Facility, located in Leonardo, New Jersey; remote sensing and measurement of spilled oil; oil spill chemical treating agents including dispersants; understanding the properties and behavior of spilled oil in the marine environment; and shoreline cleanup strategies.

The MMS Oil Spill Response Research Program operates through contracts to universities, private industry, State governments, Government laboratories, and foreign countries to perform the necessary applied research. The program is cooperative in nature and provides as much as a 4:1 leverage to the program budget. These

cooperative research and technology assessment projects involve MMS as a project initiator, participant, co-funder, and supporter providing scientific input. The Oil Spill Response Research Program seeks to leverage its funding to the fullest extent possible and to encourage innovation and creativity to accomplish its mission. The cooperative nature of the program ensures both of these objectives.

Through funding provided by MMS, scientists and engineers from the public and private sectors worldwide are working to address outstanding gaps in information and technology concerning the cleanup of oil spills. Credible scientific investigations and technological innovation is considered a key element in improving the future capabilities of minimizing damage from spills. While there clearly exists a need for pure research, it is essential that the focus of much of the future research be targeted to ensure that improvements are made in operational spill response capabilities. Promising results have been obtained in many technology areas such as the burning of spilled oil, mechanical containment and storage devices, airborne and satellite remote sensing, and oil spill chemical treating agents such as dispersants. Knowledge, both scientific and operational, gained through funds derived from the OSLTF have significantly improved the ability to reduce the impact and damage caused from oil spills. One example is the use of in situ burning of spilled oil. This was an experimental concept at the time of the EXXON VALDEZ oil spill in Prince William Sound, Alaska. It is now an established oil spill response technique, used throughout the United States, which has the potential to remove up to 98 percent of the spilled oil from the water's surface.

Current research projects are described below:

In Situ Burning of Spilled Oil

The Interagency Coordinating Committee on Oil Pollution Research, created by the Oil Pollution Act of 1990, has designated MMS as the lead agency for research on in situ burning of spilled oil in the marine environment. Results from controlled tests in the United States, Canada, and Europe demonstrate that in situ burning is an effective oil spill response technique with minimal air and water quality impacts. Burning offers a way to remove large quantities of oil from the water's surface very quickly (100 to 1,000 times more rapidly than with conventional equipment), thereby minimizing the long-term effects which can persist for years.

MMS has funded the development of the Large Eddy Simulation (LES) smoke plume trajectory and dispersion model. The LES model addresses the need to protect human and wildlife health during in situ burning operations by providing accurate predictions of downwind smoke dispersion. The Alaska Regional Response Team has used this model to establish guidelines for the safe and effective use of in situ burning.

MMS conducted an In Situ Burn Oil Spill Workshop January 26-28, 1994 in Orlando, FL, to ensure the relevance of MMS-funded oil spill response research to the user community. MMS is using the list of identified information gaps/improvement needs as input for planning future research efforts. The research results from MMS-funded oil spill research will continue to be disseminated at numerous major conferences, domestically and internationally. MMS will continue to participate in these conferences and conduct regional seminars which are attended by a wide range of participants.

In 1995, MMS will continue development of the LES smoke plume trajectory model and conduct laboratory, mesoscale, and field experiments on the burning of emulsions. In 1996, MMS will complete development of the LES smoke plume trajectory model and work towards approval of the LES model by the U.S. Environmental Protection Agency.

Ohmsett - The National Oil Spill Response Test Facility

MMS reopened Ohmsett - The National Oil Spill Response Test Facility - in Leonardo, New Jersey, in August 1992, to provide an environmentally safe facility to conduct testing and development of devices and techniques for the control of oil spills. Approximately 95 percent of all performance data for oil spill containment booms and skimmers was obtained at Ohmsett. Eleven tests have been conducted on oil spill response booms, skimmers, collection systems, and temporary storage devices.

In 1995, work will continue to define the state of the art for various oil spill response equipment and to conduct research to improve innovative oil spill response strategies. In 1996, MMS is anticipating controlled burn tests of emulsions and weathered oils in waves to be accomplished at Ohmsett.

Airborne Remote Sensing

The development of new laser fluorosensor technology for the detection of oil on water, ice, shorelines, and among debris, is a cooperative project with the Canadian Government and private industry. The primary mission of the fluorosensor is to detect and map oil spills, especially on shorelines, and provide oil spill responders, in near real-time, hardcopy maps of oil coverage and related information. The secondary mission of the fluorosensor is to serve as a research tool for environmental and resource applications. Examples are mapping of chronic pollution, spilled pollutants other than oil, and generalized assessment of water quality and productivity.

In 1994, the Laser Environmental Airborne Fluorosensor (LEAF) was successfully flight-tested in several field trials and was able to classify the types of oils detected. The LEAF was developed by the Massachusetts Institute of Technology (MIT) under the direction of the U.S. Coast Guard. The LEAF sensor was then fitted with a dye laser module to produce blue-green light and collected extensive data along the St. Lawrence River to monitor chlorophyll and phytoplankton.

In 1995, a contract was signed to construct a Scanning Laser Environmental Airborne Laser Fluorosensor (SLEAF). The SLEAF will employ a state-of-the-art laser and have an adjustable scanning capability that will allow selection of the optimum swath to respond to various spill scenarios. The SLEAF will produce a geo-referenced map showing areas of oil contamination, that can be faxed or downlinked to responders on scene. In 1996, the SLEAF will undergo acceptance testing, both in the factory and in an airborne environment.

MMS continues to publish the results of its spill response research program at major conferences and workshops. In addition, researchers make approximately 50 annual submissions to major public and trade journals. The MMS biennial report Technology Assessment and Research Program for Offshore Minerals Management, due for updating in 199,5 contains summaries of oil spill research projects.

Mitigation of Pollution Associated with Pipelines

Pipelines are the source of about 97 percent of oil-spill volume associated with OCS oil and gas operations. The MMS is actively pursuing research to ascertain the integrity of the 20,000 miles of oil and gas pipelines on the OCS. A like number of miles of pipeline exist in state waters and with MMS's additional responsibility for pollution control in state waters, these projects will serve a dual purpose.

The objectives of this program are to improve leak detection capabilities, improve internal and external inspection practices, improve shutdown systems, and develop a better understanding of the environmental forces active on pipelines. In addition to these technology developments, a risk analysis and management database is being devised to provide valid assessments of the conditions of aging pipeline systems as well as the probabilities and consequences of leaks.

Environmental Fates and Effects Projects

The MMS has conducted studies of the fates and effects of oil in the marine environment since the 1970s through the Environmental Studies Program. In FY 1994 and FY 1995, MMS continued efforts to develop and test satellite-tracked drifters designed to behave like oil slicks on the ocean surface. These drifters will be a valuable tool in both applied and modeling situations. The NOAA Hazardous Materials Group is cooperating in the project by deploying MMS drifters in actual spills. The Risk Assessment Modeling Verification Study is ongoing, and like the previous study, is intended to improve oil spill trajectory analysis and modeling for use in spill contingency planning. MMS, in collaboration with the Office of Naval Research, continues to carry out experiments to develop a better understanding of very near surface ocean physics so that oil spill motions may be better quantified and simulated. These efforts will continue in FY 1996.

Oil Spill Financial Responsibility

As discussed under Offshore Operations Program Priorities, the Oil Pollution Act of 1990 brought two oil spill financial responsibility initiatives to MMS. The first, promulgation of regulations to implement the increased level and coverage, has been a considerable effort. However, even if new regulations are not promulgated, the second, administration of the financial responsiblility program that began under the U.S. Coast Guard, will continue for all facilities located on the OCS at a level of $35 million.

Administration of existing oil spill financial responsibility (OSFR) requirements:

- Lessees/owners/operators of offshore facilities are required by the Oil Pollution Act of 1990 (OPA) to establish and maintain proof that they can pay the costs of cleanup and damages caused by oil spills from their facilities.

- The OPA replaced Title III of the Outer Continental Shelf Lands Act, as amended, (OCSLA), but provided that existing financial responsibility regulations under OCSLA would continue in effect until new regulations were promulgated under OPA.

- The OSFR program created under the OCSLA was administered by the U.S. Coast Guard (USCG). Under OPA, the responsibility for offshore facilities was transferred to the Department of the Interior (DOI) pursuant to Executive Order 12777, and delegated to the MMS under DOI Manual (218 DM 2.1).

- The MMS continues to process new facility applications for facilities that are newly installed, or assigned or otherwise transferred between companies.

- Existing Certificates of Financial Responsibility (COFR's) are reviewed on an annual basis to ensure that evidence of financial responsibility is maintained by the responsible party. This includes a detailed analysis of company financial statements and/or recertification of insurance documents.

- Training sessions are being planned to help affected companies and their agents better understand the current COFR application requirements.

Developing regulations to implement the OSFR requirements of the Oil Pollution Act of 1990.

- The MMS published an Advance Notice of Proposed Rulemaking (ANPR) in the *Federal Register* on August 25, 1993, to initiate public review of OSFR implementation issues. More than 1,700 written comments were received before the comment period closed. The MMS also received letters from 135 members of Congress representing 40 States highlighting constituent concerns about the issues raised in the ANPR.

- The MMS conducted five meetings around the country between November 2, 1993, and February 16, 1994, to help the public understand the potential implications of the OPA OSFR requirements. The meeting transcripts were made part of the ANPR administrative record.

- The MMS Director testified before the House Committee on Merchant Marine and Fisheries on October 26, 1993, regarding the ANPR and the issues raised.

- The OCS Policy Committee approved on November 2, 1994, the establishment of a subcommittee to assist the Secretary of the Interior and the MMS in resolving issues related to implementing the OPA OSFR requirements. The first subcommittee meeting is scheduled for

January 19th and 20th, 1995. The subcommittee will report its findings and recommendations to the full committee in May 1995.

- The Department of the Interior Solicitor issued a formal opinion on November 29, 1994, which holds that the MMS has little flexibility in interpreting which facilities are covered by the OPA OSFR requirements, how much financial responsibility must be evidenced, and whether exemptions are allowable for minimum risk facilities.

Justification of Program Change

State Cooperative Program

dollars in thousands

	1995 Enacted	1996 Request	Change
$	0	1,112	+1,112
FTE	___	___	___

The MMS implementation strategy for State waters is to strengthen existing or develop State programs to ensure that State and Federal programs are effective and complementary and to minimize redundant efforts. Funds were requested in the FY 1995 President's Budget specifically for Oil Pollution Act-related oversight activities to be performed by MMS (pg. 215, FY 1995 Justification), with both the House and Senate concurrence.

Funding is requested to provide State implementation grants for personnel and helicopter support for this Coastal State participation regulatory responsibility. The requested personnel would be recruited by State offices to perform the following tasks:

- assist in the development of State spill prevention and response planning programs;
- assure that State and MMS programs are compatible;
- assist in developing and implementing State inspection and enforcement programs for facilities and response equipment; and
- assist in state spill response exercise programs.

The total amount requested is $1,112,000, and will be used to provide grants for personnel and helicopter support to the following coastal states:

Louisiana: 3 positions 1/2 year of helicopter time
Texas: 2 positions 1/4 year of helicopter time
California: 1 position
Alaska: 1 position

A memorandum of understanding (MOU) has been signed with the Texas General Land Office to develop State programs to ensure that State and Federal programs are effective and complementary. A similar draft MOU has been prepared with the Louisiana Oil Spill Coordinator and is currently under review. Draft MOU's with the California Office of Oil Spill Prevention and Response and Alaska's Department of Natural Resources are almost ready for signing. In FY 1995, States will plan details of program implementation.

Justification of Program Change
Oil Spill Research
dollars in thousands

	1995 Enacted	1996 Request	Change
$	0	300	+300
FTE	___	___	___

The $300,000 is requested in FY 1996 to study how the regulation of operations varies between state and federal waters and to assess efficiencies and environmental risks. The assessment will focus on the disparities of technology, equipment and procedures. At the completion of this task a workshop will be presented to the affected state officials and state operators to suggest methods to initiate improvements.

This cooperative effort with States will ensure consistency across state waters and the Federal OCS, and will result in more efficient standards of safe and environmentally clean operations.

Permanent Appropriations

This section addresses permanent appropriations which are administered by the MMS. These appropriations provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on Federal lands. Revenues for these payments are derived from payor late payment interest, bonuses, rentals, and royalties collected from Federal onshore mineral leases. MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

MMS disburses all the monthly mineral leasing payments to States. All States' monthly payments include late disbursement interest. The Bureau of Land Management (BLM) disburses those payments which are made semi-annual or annually. The largest in this category (about $25 thousand/year) is the payment made by BLM to Alaska for its share of National Petroleum Reserve-Alaska (NPRA) receipts.

Included under this heading are the following permanent appropriations:

Permanent Appropriations
dollars in thousands

Appropriation	States Share	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate	Change from 1995 Estimate
Mineral Leasing and Associated Payments (MLAP)	50%	519,636	547,509	559,911	12,402
National Forest Fund, Payments to States (Forest Fund)	25%	2,228	1,764	1,765	1
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes (Flood Control)	75%	1,229	836	844	8
Total		523,093	550,109	562,520	12,411

Note: For an explanation of how mineral leasing collections are distributed among the various State and Federal accounts, please refer to the following section titled Receipts. This section also includes details on the assumptions used to develop the gross mineral receipt estimates such as additional amounts due to the audit of contract settlements, and production and price forecasts.

Distribution Statutes

For MLAP, the Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., provides that all States be paid 50 percent of the revenues resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent).

Forest Fund payments to a State are determined by the total revenues collected from mineral leasing and production within its boundaries except for the Forest Fund payments. Law requires a States' payment be based on national forest acreage and where a national forest is situated in several States, an individual State's payment is proportionate to its area within that particular national forest.

Flood Control payments to States are shared according to the Flood Control Act of 1936 (33 U.S.C. 701 et seq.) which provides that 75 percent of revenue collected be shared with the State in which it was collected to be expended as the State legislature may prescribe for the benefit of the public schools and roads in the county from which the revenue was collected or for defraying any of the expenses of county government including public obligations of levee and drainage districts for flood control and drainage improvements.

Calculation of States' Payments

The total amount for each of the three appropriations is calculated as follows:

- For each land category - public domain, Forest Fund, Flood Control and National Grasslands administered and distributed by the Forest Service, a three-year average for each source type (oil and gas rents, coal royalties, other minerals royalties, etc.) is developed.

- Within each land category, each source type's three-year average is applied to the three-year average for all source types to determine the percent that each source type within each land category contributes to total collections.

- This percent is applied to the gross revenue estimate for each source type to determine, for each land category, its share of the gross revenue estimated for that source. This ensures that the source type revenue estimates are distributed to the correct land category and therefore to the proper accounts.

- For each land category, the appropriate distribution formula are applied to each source type and summed into the various account totals. For example, Public domain lands: the MLAP Account 5003 (States' share) calculates and sums 50% from all source types; the General Fund Account .1811 (Federal share of rent and bonuses) calculates and sums 10% of all rents and bonuses, and the General Fund Account 2039 (Federal share of royalties) calculates and sums 10% of all royalties.

The estimate of the gross payment to a State for any future fiscal year is based on the percent of mineral receipts disbursed to that State to the total mineral receipts disbursed to all States in the prior year. However, when an unusually large one-time adjustment is made for a State in the prior year, the actual for the year before that is substituted and the total amount adjusted accordingly.

After a gross payment is estimated, the States' net receipts sharing (NRS) deductions are applied to arrive at the final fiscal year estimate. NRS refers to the recovery of approximately 50 percent of the Departments' of the Interior (Bureau of Land Management and MMS) and Agriculture (U.S. Forest Service) mineral leasing administrative program costs before statutory distribution of mineral revenues to States and Treasury. In the past, NRS was enacted through appropriations acts.

The Omnibus Reconciliation Act of 1993 (OBRA) amended the Mineral Leasing Act and other applicable statutes to permanently provide for NRS. The OBRA adjusted the methodology for calculating a State's NRS deduction.

In the past, program costs were allocated to each State based on the monies disbursed to the State during the current fiscal year as compared to total disbursements (this is called the "Revenue-based method").

The OBRA changed the revenue-based approach by 1) recovering the prior year's enacted budget authority in the current year, and 2) prorating costs to States based on the previous year's disbursements. Additionally, OBRA added a ceiling to this calculation which provided that a State's NRS deduction cannot exceed the Secretary of the Interior's estimated cost to administer each State's onshore mineral leases (this is called the "Cost-based method").

In FY 1995, $51.1 million of program costs are to be recovered through NRS with the Federal share totaling $25.4 million and the States' shares totaling $25.6 million. The NRS deductions determined by the revenue-based method were used for all States except Missouri, New Mexico, and Wyoming which were computed under the cost-based method.

Mineral Revenue Payments to States *

dollars in thousands

State	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate
Alabama	296	337	345
Alaska	4,623	5,237	5,355
Arizona	94	107	109
Arkansas	1,201	1,368	1,398
California	21,589	24,584	25,138
Colorado	34,417	39,191	40,075
Florida	81	92	94
Idaho	2,509	2,857	2,921
Illinois	207	236	241
Kansas	1,057	1,204	1,231
Kentucky	70	80	82
Louisiana	531	605	618
Michigan	754	859	878
Minnesota	24	27	28
Mississippi	486	553	566
Missouri	599	682	697
Montana	23,994	27,322	27,939
Nebraska	6	7	7
Nevada	7,540	8,586	8,780
New Mexico	143,455	163,354	167,040
North Carolina	1	1	1
North Dakota	2,504	2,851	2,916
Ohio	207	236	241
Oklahoma	1,963	2,235	2,286
Oregon	56	64	65
Pennsylvania	18	20	21
South Carolina	1	1	1
South Dakota	348	396	405
Tennessee	1	1	1
Texas	515	586	600
Utah	31,119	35,436	36,235
Virginia	117	133	136
Washington	138	157	161
West Virginia	246	280	286
Wyoming	242,356	230,422	235,621
Total	523,123	550,109	562,520

* Includes BLM payments to Alaska for National Petroleum Reserve leases but excludes payme made to coastal states under OCS Lands Act as they are direct, unappropriated payments.

Receipts

The Minerals Management Service (MMS) is responsible for the collection of all mineral leasing receipts collected from Indian, and Federal onshore and offshore (Outer Continental Shelf) lands. Mineral leasing receipts are derived from rents, bonuses, minimum royalties, royalties, and payor late payment interest. The disposition of these collections between the General Fund of the U.S. Treasury, other Federal funds, and the States and counties is determined by statute which in most part is based on land category (various types of public domain and acquired lands) and source type (oil and gas rents, coal royalties, etc.).

MMS is responsible for the disposition of all OCS collections and about 97 percent of all Federal onshore collections into receipt accounts. The remaining 3 percent of collections are from acquired national grasslands administered by the Department of Agriculture (USDA). As these collections are shared between the General Fund and counties (versus States), the policy has been to transfer them to the USDA for disposition. All monies collected on Indian lands are transferred to the Bureau of Indian Affairs for distribution to Tribal and Indian Allottee accounts.

Legislation also determines how receipts are classified for budgetary purposes. Mineral leasing receipts are classified as offsetting receipts because they arise from business-type transactions with the public versus governmental receipts which arise from the Government's power to tax or fine. Offsetting receipts are further defined as: 1) Proprietary receipts which offset budget authority and outlays (most onshore receipts fall into this category), or 2) Undistributed proprietary receipts which are offsetting against total Federal budget authority and outlays as a bottom-line adjustment (currently, all OCS receipts fall into this category).

This Receipts section includes:

- An explanation as to the distribution of onshore and offshore royalty revenues into receipt accounts.
- A discussion of the changes between the FY 1995 and FY 1996 receipt estimates.
- A summary description of current onshore and offshore royalty and rental rates, and bonus criteria and other lease information.

For FY 1994 - FY 1999, tables of the:

- estimated receipts by source type and by account,
- detailed backup information from which the gross estimates are developed (estimated price, production, etc.)
- transfer payments made to coastal states under section 8(g) of the OCSLAA (payments to onshore states are provided in the Permanents section).

Distribution of Receipt Accounts

The following flowcharts describe the flow of onshore (Diagram 1) and OCS (Diagram 2) mineral leasing collections into receipt accounts. First, as checks or electronic transfer payments are received from payors, they are deposited into a holding or suspense account until the accounting system has identified the payments by the:

- Source type (oil and gas rents, coal royalties, other minerals bonuses, etc.);

- Land category (acquired Forest, public domain, OCS, etc.); and
- Location (to determine recipient States' or counties' shares if applicable).
- If reports are filed correctly by payors, this process usually takes about one month.

Onshore Accounts

After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type. Detailed State information is necessary to disburse States' shares to States' treasuries. The acquired lands collections shared with counties are electronically transferred to the USDA for disposition into receipt accounts.

The collections from public domain lands leased under Mineral Leasing Act (MLA) authority are shared 50% with the States (Account 5003), 40% with the Reclamation Fund (Account 5000.24) which funds western water projects, and 10% with the General Fund. The General Fund share is deposited into two accounts depending on whether the collections are from rents and bonuses (Account 1811) or from royalties (Account 2039). Because by law, Alaska receives no funds from the Reclamation Fund, Alaska receives a 90% share of mineral leasing receipts.

MMS transfers to the Bureau of Land Management, for distribution, the monies collected from public domain lands not leased under MLA authority, such as the National Petroleum Reserve-Alaska (NPRA) lands from which Alaska and the General Fund receive 50 percent shares. Since there is no production from the NPRA, all the General Fund share is deposited into Account 1811 (rents and bonuses). MMS transfers Alaska's share (account 5045) to Bureau of Land Management for semi-annual disbursement.

The Energy Policy Act of 1992 requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the Mineral Leasing Act for Acquired Lands. Therefore, MMS is now reporting additional accounts: Accounts 5008.1 and 5243.1 are the Federal and States' shares (25 and 75 percent respectively) of receipts collected from National Forest lands, and Account 5248.1 is the States' 75 percent share of receipts collected from Lands Acquired for Flood Control, Navigation and Allied Purposes. The Government's 25 percent share of these collections will be deposited to the General Fund (either Account 1811 or 2039). In the past, MMS transferred these collections to USDA and the Corps of Engineers for annual disbursement to States and Treasury.

As required by the Omnibus Budget Reconciliation Act of 1993, the amount deducted from onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury (net receipts sharing) is credited to the miscellaneous receipts of the Treasury. For tracking purposes, this amount is deposited into the General Fund Account 2039. The previous section, Permanents, provides details on net receipts sharing.

OCS Accounts

OCS receipts are deposited into accounts depending on source: rents, bonuses, or royalties. Also, interest earned on collections held in escrow are deposited to a separate account. Amounts held in escrow accounts are not included in receipt totals.

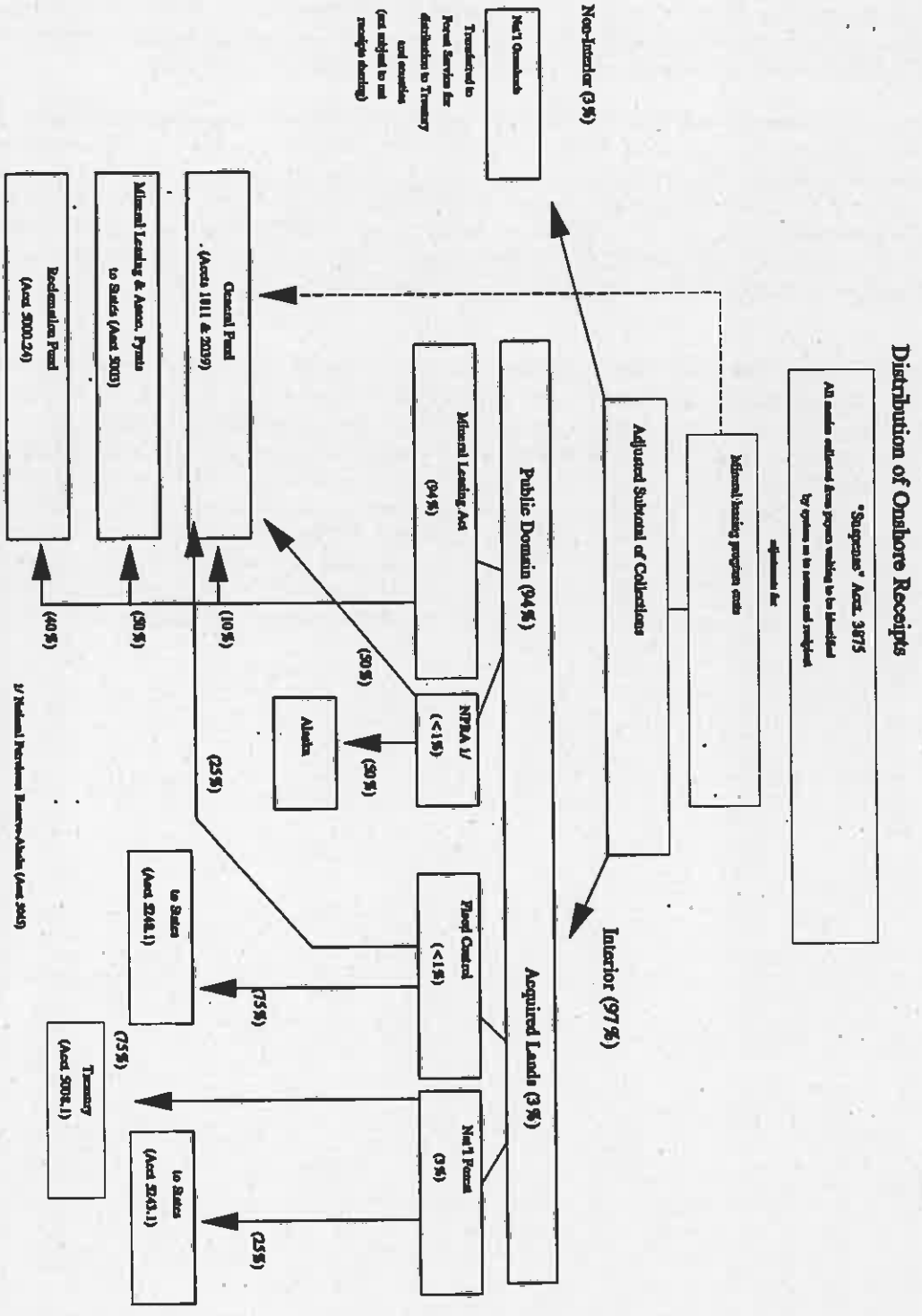
In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to 1/5 of the entire proposed bid. This money is deposited into escrow (account 6705), accruing interest, until MMS has determined the proposed bonus is at least equal to the fair market value of that tract. If rejected, the 1/5 upfront deposit, plus interest, is returned to the bidder. If the bid is accepted, the 1/5 bonus, the remaining 4/5 bonus, and the first year's rent are deposited into the receipt account for OCS rents and bonuses (Account 1820). Accrued interest is deposited into Account 1493. Future OCS rents, due on the anniversary date of

lease issuance, are also deposited into Account 1820. OCS royalties, due from payors at the end of the month following the month of production, are deposited into the OCS royalty account (Account 2020).

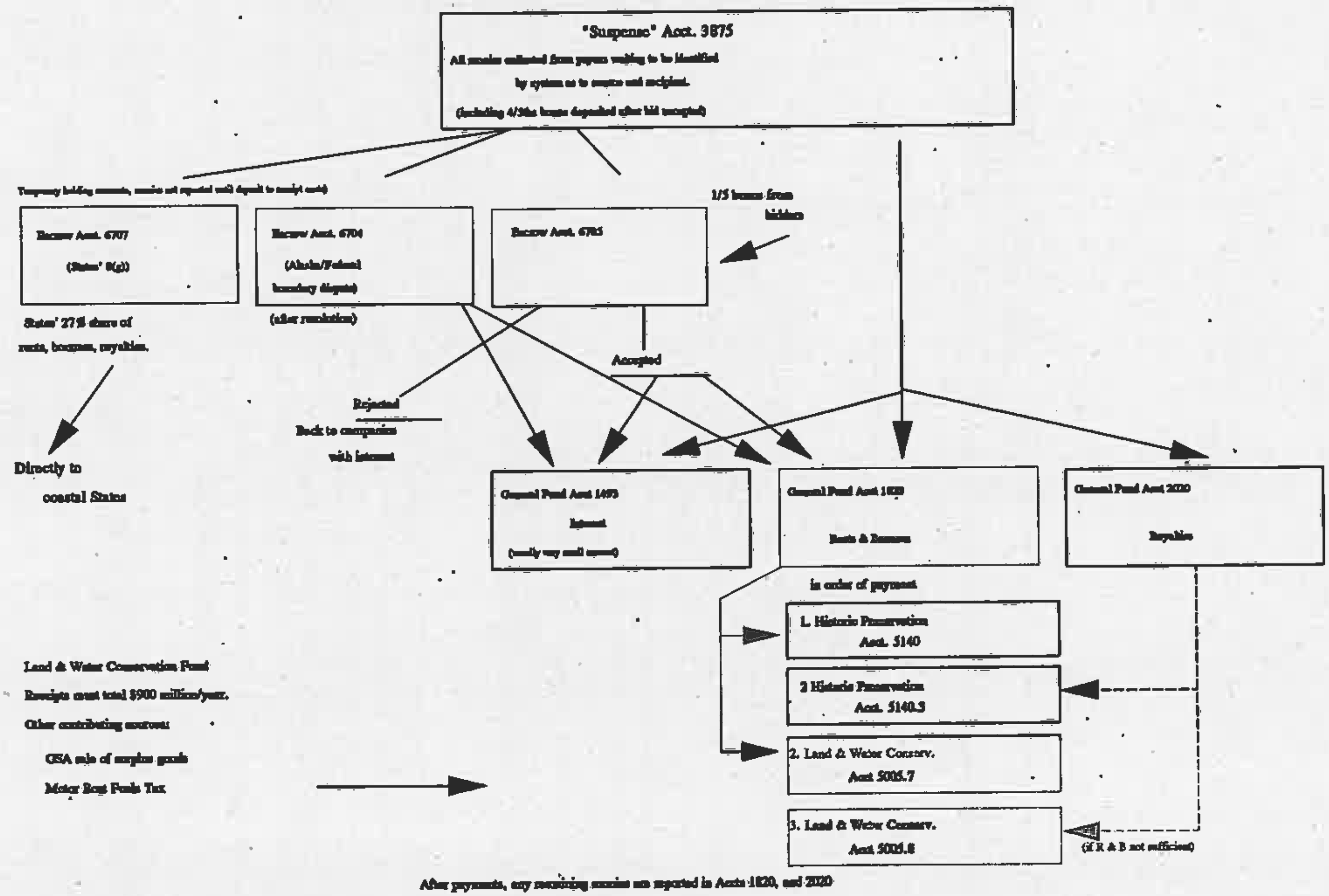
The payments made to coastal states for their 27 percent share of OCS collections within the 8(g) zone, the area approximately 3 miles seaward from the State/Federal boundary, flow through Escrow Account 6707. The last table provides information as to actual and estimated payments for these states.

Deposits are also made into Escrow Account 6704 pending the resolution of a dispute between Alaska and the Federal Government as to the location of the State/Federal boundary in the Beaufort Sea. Sale bonuses collected between 1979 and 1991, as well as rental payments, total over $485 million. The legal issues have been analyzed by a Special Master appointed by the United States Supreme Court. Based on the current schedule subsequent legal processes, a Supreme Court decision will mostly likely be reached in FY 1996. After resolution, an estimated $922 million will be deposited into a Treasury interest account (Account 1493) and the $485 million in principal will be deposited into the Treasury account for rents and bonuses (Account 1820).

Most of the OCS receipts accumulated throughout the year in General Fund accounts is transferred at the end of the fiscal year to the National Park Service administered Historic Preservation Fund (HPF) (Account 5140 and 5140.3) and the Land and Water Conservation Fund (LWCF) (accounts 5000.7 and 5000.8). OCS receipts are the sole funding source of the HPF ($150 million) and the major funding source (about 85 percent) of the mandated $900 million required for the LWCF. The other two sources for the LWCF are $1 million from motor boat fuel taxes and receipts from the sale of surplus government property and materials. Because the HPF was enacted first, the HPF and then the LWCF must be funded from OCS receipts. Accounting procedures require payments be made first from rents and bonuses and then any further needed payments should be made from royalties. The HPF and LWCF are subject to appropriation and the amount of States' grants is determined by various criteria which are not related to the amount of OCS receipts collected offshore their coastlines.


Distribution of Onshore Receipts
Non-Interior (3%)
Interior (97%)
Adjusted Subtotal of Collections
Public Domain (94%)
Acquired Lands (3%)
Mineral Leasing Act (94%)
NPRA 1/ (<1%)
Flood Control (<1%)
Nat'l Forest (3%)
Nat'l Grasslands
Transferred to Forest Service for distribution to Treasury and counties (not subject to net receipts sharing)
General Fund (Accts 1811 & 2039)
Mineral Leasing & Assoc. Funds to States (Acct. 5003)
Reclamation Fund (Acct. 5000.24)
Alaska
to States (Acct. 5214.1)
Treasury (Acct. 5008.1)
to States (Acct. 5243.1)
(40%)
(30%)
(10%)
(50%)
(50%)
(25%)
(75%)
(75%)
(25%)
1/ National Petroleum Reserve/Alaska (Acct. 5041)

Distribution of Offshore (OCS) Receipt Accounts



Onshore Mineral Receipts
FY 1995 Estimates vs. FY 1996 Estimates

dollars in thousands

	1995	1996	Change	Explanation
DOI Proprietary Onshore Mineral Receipts				
Rents & Bonuses				
Oil & Gas	57,675	54,266	-3,409	Continued relinquishment of leases. Level bonus activity
Coal	57,983	60,982	2,999	Continued leasing in Powder River Basin. Level rent.
Geothermal	838	838	0	Level interest in leasing and rentals
Oil Shale	5	5	0	Expect constant rental level.
All Other	32	32	0	Anticipate level interest in leasing and rentals
Royalty & Bonuses	116,533	116,123	-410	
Royalties				
Oil & Gas	684,272	686,724	2,452	Increase is due to higher gas royalties based on increasing price (+2.79%) and production (+1.37%). Oil royalties will remain stable due to price increases offsetting a continued decline in production.
Coal	289,378	311,092	21,714	Increases in production (+4.6%), and price (+2.4%)
Geothermal	21,700	21,900	200	Small increase based on production increases at some locations which offset almost a corresponding amount of decline at other facilities.
All Others	33,650	34,548	898	Small increases in lead, potash, sodium and zinc
Royalties	1,029,000	1,054,264	25,264	(Audit collections included in above figures)
Total	**1,145,533**	**1,170,387**	**24,854**	

Outer Continental Shelf Mineral Receipts
FY 1995 vs. FY 1996 Estimates
Dollars in thousands

	1995	1996	Change	Explanation
DOI Undistributed Propriety OCS Mineral Receipts				
Rents	42,000	44,000	2,000	Due to anticipated new leasing
Bonuses	170,000	139,000	-31,000	The Western Gulf sale held in FY 1994, whose receipts are received in FY 1995, had higher bonuses than estimated for later years. Also, the bonus trend is slightly downward as better prospects are leased first.
Subtotal Rents & Bonuses	212,000	183,000	-29,000	
Royalties				
Oil	887,400	897,800	10,400	Increase based on 3% price increase which offsets a 1.75% decline in production
Gas	1,234,300	1,210,000	-24,300	Decrease based on decline in production (-4.65%) which is partially offset by price increase (+2.79%)
Other (audits, suspense, sulphur, etc.)	357,800	292,400	-65,400	Decrease due to contract settlement audits and other settlements being more complex.
Subtotal Royalties	2,479,500	2,400,200	-79,300	
Escrow (principle and interest)		1,445,551	1,445,551	Anticipated resolution of Alaska/Federal boundary dispute
Total	**2,691,600**	**4,028,751**	**1,337,151**	

Mineral Leasing Receipts by Account

Account		FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
	Onshore Mineral Leasing						
1811.00	Rents and Bonuses	10,955	10,936	11,122	7,917	7,357	7,370
2039.00	Royalties	148,123	150,629	154,059	158,555	162,945	168,479
5000.24	Reclamation Fund	431,052	441,009	455,493	460,644	475,952	498,139
5003.02	Payments to States	547,509	559,911	577,973	584,412	603,547	631,281
5243.10	Forest Fund, states share	1,764	1,765	1,752	1,746	1,778	1,814
5008.10	Forest Fund, Govt share	5,292	5,293	5,256	5,238	5,333	5,442
5248.10	Flood Control (States share	836	844	843	852	864	866
	Subtotal, onshore	1,145,532	1,170,386	1,206,498	1,219,365	1,257,777	1,313,392
2419.1	Royalty-in-kind fees	400	400	400	400	400	400
	Outer Continental Shelf						
1820.00	OCS Rents and Bonuses	0	0	0	0	0	0
2020.00	OCS Royalties	1,644,513	1,989,198	1,435,000	1,376,400	1,342,800	1,353,200
5005.70	LWCF (OCS R & B)	62,000	485,987	34,000	25,000	15,000	6,000
5005.80	LWCF (OCS royalties)	834,987	411,002	866,000	875,000	885,000	894,000
5140.00	Hist. Pres. (OCS R & B)	150,000	150,000	150,000	150,000	150,000	150,000
5140.02	Hist. Pres. (OCS Roy)	0	0	0	0	0	0
1493.00	OCS Escrow Interest	0	992,564	0	0	0	0
	Subtotal, OCS	2,691,500	4,028,751	2,485,000	2,426,400	2,392,800	2,403,200
	TOTAL, Mineral Receipts	**3,837,432**	**5,199,537**	**3,691,898**	**3,646,165**	**3,650,977**	**3,716,992**

Mineral Leasing Receipts by Commodity Source

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Onshore Mineral Revenues						
Rents and Bonuses						
Oil and Gas	57,675	54,266	50,947	48,361	49,453	49,453
Coal	57,983	60,982	65,981	34,990	27,992	27,992
Geothermal	838	838	838	838	838	838
Oil Shale	5	5	5	5	5	5
All Other	31	31	31	31	31	31
Subtotal, R & B	116,533	116,122	117,802	84,225	78,319	78,319
Royalties						
Oil and Gas	684,272	686,724	698,397	721,546	737,534	760,291
Coal	289,378	311,092	334,551	360,046	387,577	417,434
Geothermal	21,700	21,900	21,200	18,700	19,300	22,900
Oil Shale	0	0	0	0	0	0
All Other	33,650	34,548	34,548	34,848	35,048	34,448
Subtotal, Royalties	1,028,999	1,054,264	1,088,696	1,135,139	1,179,458	1,235,073
Subtotal, Onshore	1,145,532	1,170,386	1,206,498	1,219,365	1,257,777	1,313,392
Royalty-in-Kind admin. fee	400	400	400	400	400	400
Outer Continental Shelf						
OCS Rents and Bonuses	212,000	183,000	184,000	175,000	165,000	156,000
OCS Royalties	2,479,500	2,400,200	2,301,000	2,251,400	2,227,800	2,247,200
OCS Escrow Payout	0	452,987	0	0	0	0
OCS Escrow Interest	0	992,564	0	0	0	0
Total, OCS receipts	**2,691,500**	**4,028,751**	**2,485,000**	**2,426,400**	**2,392,800**	**2,403,200**
TOTAL, Mineral Receipts	**3,837,432**	**5,199,537**	**3,691,898**	**3,646,165**	**3,650,977**	**3,716,992**

Onshore Rents and Bonuses

dollars in thousands

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Oil and Gas						
Rents:						
NPRA	0	0	0	0	0	0
Lower 48	37,093	33,513	30,028	27,276	28,438	28,438
ANILCA	97	48	0	0	0	0
Bonuses:						
NPRA	0	0	0	0	0	0
Lower 48	24,200	24,200	24,200	24,200	24,200	24,200
ANILCA	0	0	0	0	0	0
Total, O & G	61,390	57,761	54,228	51,476	52,638	52,638
Coal						
Rents	1,000	1,000	1,000	1,000	1,000	1,000
Bonuses	57,000	60,000	65,000	34,000	27,000	27000
Total, Coal	58,000	61,000	66,000	35,000	28,000	28,000
Oil Shale						
Rents	5	5	5	5	5	5
Bonuses	0	0	0	0	0	0
Total, oil shale	5	5	5	5	5	5
Geothermal						
Rents & bonuses						
Total, geothermal	838	838	838	838	838	838
Other Minerals						
Rents & bonuses	32	32	32	32	32	32
TOTAL, R & B	120,265	119,636	121,103	87,351	81,513	81,513

FY 1996 President's Budget
Onshore Royalties

dollars in millions

	FY 1994 Actual	FY 1995 Estimate	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate
Oil (mil. barrels)	132.7	128.1	123.4	117.7	115.3	111.8	111.5
Actual/OMB Price	12.21	16.69	17.19	17.70	18.23	18.78	19.35
Royalty rate	11.30%	11.30%	11.30%	11.30%	11.30%	11.30%	11.30%
Oil royalty	$183.1	$241.6	$239.7	$235.4	$237.5	$237.3	$243.8
Oil minimum royalty	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2	$3.2
Subtotal, oil	**$186.3**	**$244.8**	**$242.9**	**$238.6**	**$240.7**	**$240.4**	**$247.0**
Gas (mil mcf)	1,766	1,745	1,769	1,802	1,855	1,882	1,899
Actual/OMB Price	1.73	1.79	1.84	1.9	1.96	2.01	2.07
Royalty rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Gas royalty	$366.6	$374.8	$390.6	$410.9	$436.3	$453.9	$471.7
CO2 (mil mcf)	152.2	157.0	162.0	167.0	170.0	170.0	170.0
Estimated Price	0.70	0.70	0.72	0.74	0.76	0.78	0.80
Royalty rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
CO2 royalty	$6.4	$6.6	$7.0	$7.4	$7.8	$8.0	$8.2
Gas Plant	$17.3	$18.7	$19.7	$20.9	$22.3	$23.4	$24.4
Gas minimum royalty	$7.0	$6.3	$6.3	$6.3	$6.3	$6.3	$6.3
Subtotal, gas	**$397.3**	**$406.5**	**$423.6**	**$445.5**	**$472.6**	**$491.6**	**$510.6**
Total, oil & gas	**$583.5**	**$651.2**	**$666.5**	**$684.0**	**$713.3**	**$732.0**	**$757.6**
Coal, mil tons	287.1	300.2	314.0	328.6	344.0	360.2	377.3
Price	$10.01	$10.24	$10.49	$10.74	$11.01	$11.29	$11.58
Royalty rate	9.90%	10.01%	10.03%	10.04%	10.05%	10.06%	10.07%
Litigation	80						
Coal	$364.5	$307.8	$330.2	$354.4	$380.7	$409.1	$439.9
Geothermal	$22.2	$21.7	$21.9	$21.2	$18.7	$19.3	$22.9
All other minerals	$32.8	$33.7	$34.6	$34.6	$34.9	$35.1	$34.5
Adt/Cntr&Neg Settlmt	*in above*	$46.3	$34.3	$28.7	$23.0	$20.7	$18.3
1 time acctg adjstmt	-25.6						
TOTAL, Current Serv	$977.5	$1,060.7	$1,087.6	$1,122.9	$1,170.7	$1,216.3	$1,273.2

OCS Rents and Bonuses

dollars in millions

Fiscal Year	Area	High Bids	% in FY	Total 8(g)	8(g) to States	Receipt Estimate
late 93	Western Gulf of Mexico	64	100%	3	1	63
mid 94	Central Gulf of Mexico	277	100%	14	4	273
late 94	Western Gulf of Mexico	60	0%	0	0	0
	Bonus Total			17	5	336
	Rents					48
	Suspense, ROW, etc.					(26)
	Total, FY 1994 Actual Receipts					**359**
late 94	Western Gulf of Mexico	60	100%	3	1	59
mid 95	Central Gulf of Mexico	112	100%	6	2	110
late 95	Western Gulf of Mexico	37	0%	0	0	0
	Bonus Total			9	2	170
	Rents					42
	Total, FY 1995 Receipt Estimates					212
late 95	Western Gulf of Mexico	37	100%	2	0	37
mid 96	Central Gulf of Mexico	102	100%	5	1	101
mid 96	Cook Inlet	1	100%	0	0	1
late 96	Gulf of Alaska-Yakutat	1	100%	0	0	1
late 96	Western Gulf of Mexico	36	0%	0	0	0
	Bonus Total			7	2	139
	Rents					44
	Total, FY 1996 Receipt Estimates					**183**
early 97	Western Gulf of Mexico	36	100%	2	0	36
early 97	Beaufort	1	100%	0	0	1
early 97	St George	1	100%	0	0	1
mid 97	Central Gulf of Mexico	98	100%	5	1	97
late 96	Chukchi	1	100%	0	0	1
late 97	Hope	1	100%	0	0	1
late 97	Western Gulf of Mexico	36	0%	0	0	0
	Bonus Total			7	2	136
	Rents					48
	Total, FY 1997 Receipt Estimates					**184**
late 97	Western Gulf of Mexico	36	100%	2	0	36
mid 98	Central Gulf of Mexico	94	100%	5	1	93
late 98	W. Gulf of Mexico	36	0%	0	0	0
	Bonus Total			7	2	128
	Rents					47
	Suspense, ROW, etc.					0
	Total, FY 1998 Receipt Estimates					**175**

OCS Rents and Bonuses

dollars in millions

Fiscal Year	Area	High Bids	% in FY	Total 8(g)	8(g) to States	Receipt Estimate
late 98	W. Gulf of Mexico	36	100%	2	0	36
mid 99	C. Gulf of Mexico	90	100%	5	1	89
late 99	W. Gulf of Mexico	35	0%	0	0	0
	Bonus Total			6	2	124
	Rents					41
	Total, FY 1999 Receipt Estimates					**165**
late 99	Western Gulf of Mexico	35	100%	2	0	36
mid 00	C. Gulf of Mexico	85	100%	4	1	84
late 00	W. Gulf of Mexico	33	0%	0	0	0
	Bonus Total			6	2	119
	Rents					37
	Total, FY 2000 Receipt Estimates					**156**

Outer Continental Shelf Royalties

nominal $ in millions

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Oil (Million bbls)							
Total Production	366.0	342.0	336.0	329.0	322.0	318.0	312.0
Royalty Rate	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%
Actual/OMB Price	13.90	16.69	17.19	17.70	18.23	18.78	19.35
Oil Royalty	$782.4	$877.9	$888.3	$895.6	$902.8	$918.5	$928.5
Gas (Billion cu ft)							
Total Production	4,701	4,300	4,100	3,900	3,750	3,680	3,610
Royalty Rate	15.90%	15.90%	15.90%	15.90%	15.90%	15.90%	15.90%
Actual/OMB Price	2.20	1.79	1.84	1.90	1.96	2.01	2.07
Gas Royalty	$1,644.4	$1,223.8	$1,199.5	$1,178.2	$1,168.7	$1,176.1	$1,188.2
Basic royalty	$2,427	$2,102	$2,088	$2,074	$2,071	$2,095	$2,117
Minimum royalty:							
Oil	$9.3	$9.5	$9.5	$9.5	$9.5	$9.5	$9.5
Gas	$12.7	$10.5	$10.5	$10.5	$10.5	$10.5	$10.5
Total min roy	$22.0	$20.0	$20.0	$20.0	$20.0	$20.0	$20.0
Audits/Misc Settlemts	$220.0	$218.8	$131.3	$87.5	$50.0	$23.1	$21.0
sulphur/suspense	$54.0	$214.5	$234.1	$189.7	$178.4	$178.0	$178.0
states' share	($79.7)	($75.4)	($73.0)	($70.0)	($68.5)	($87.9)	($88.5)
Totals	$2,643.2	$2,479.5	$2,400.2	$2,301.0	$2,251.4	$2,227.8	$2,247.2

Actual and Estimated Payments to Coastal States Under Section OCSLA 8(g)

actual dollars

FY 1994 Actual Payments

	Royalties Annual Rents	Sale Bonuses	Mandated Payment	Total
Alabama	7,939,617	0	490,000	8,429,617
Alaska	138,125	0	9,380,000	9,518,125
California	3,977,389	0	20,230,000	24,207,389
Florida	14,307	0	0	14,307
Louisiana	12,797,865	1,913,681	5,880,000	20,591,546
Mississippi	311,946	0	140,000	451,946
Texas	10,734,479	0	9,380,000	20,114,479
Total	35,913,728	1,913,681	45,500,000	83,327,409

FY 1995 Estimated Payments

Alabama	6,610,134	0	490,000	7,100,134
Alaska	114,996	no sales	9,380,000	9,494,996
California	3,311,378	no sales	20,230,000	23,541,378
Florida	11,911	no sales	0	11,911
Louisiana	10,654,872	1,512,000	5,880,000	18,046,872
Mississippi	259,711	0	140,000	399,711
Texas	8,936,998	810,000	9,380,000	19,126,998
Total	29,900,000	2,322,000	45,500,000	77,722,000

FY 1996 Estimated Payments

Alabama	6,079,555	0	490,000	6,569,555
Alaska	105,766	/1	9,380,000	9,485,766
California	3,045,582	no sales	20,230,000	23,275,582
Florida	10,955	no sales	0	10,955
Louisiana	9,799,631	1,087,968	5,880,000	16,767,599
Mississippi	238,865	0	140,000	378,865
Texas	8,219,647	499,500	9,380,000	18,099,147
Total	27,500,000	1,587,468	45,500,000	74,587,468

1/ Two sales (Cook Inlet,Gulf of AK/Yakutat) are scheduled; however no tracts within the 8(g) zone are expected to be leased.

Summary Description Federal Onshore Leases			
Royalty Rate	**Rents**	**Lease Duration**	**Bonus**
Oil & Gas			
Competitive: Leases issued under MLA (Prior to 12/23/87), royalty assessed on amount of production and ranges from 12.5% to 33%.	Under MLA, for leases 1-5 years, rate is $2/acre/yr. Secretarial Order on 12/92 reduced to $1/acre/yr through 2/98.	5 years: continued if capable of commercial production. 10 years: for leases after enacted after the Nat'l Energy Policy Act of 1992. After commercial production, the lessor pays minimum royalty.	
Competitive: Leases issued under LRA are set at 12.5%.	Under LRA, rent is $1.50/acre/yr for years 1-5 and $2.00/acre/yr for years 6-10.	see above	Under LRA, bonus is not less than $2.00/acre.
Non-Competitive: Based on 12.5% of production.	Under MLA, rent is $1/acre/yr for years 1-10. SOG leases are $3/acre/yr and KGS $2/acre/yr but are subject to above rental reduction.	10 years: continued if capable of commercial production (than lessor pays minimum royalty)	All leases are now offered only by competitive means
NPRA: Set by regulation at 16.66%. However, no production anticipated.	$3/acre/yr	10 years or less	
Coal			
Post-FCLAA (1976): 12.5% of value. Secretary may set lower rate for underground mines. Currently 8%	Rental rate is $3/acre/yr.	Indefinite period with 20-year readjustments.	Bid amount must be equal to or greater than fair market value. At least 1/2 the amount for lease in a year must be offered through deferred bonus bidding.
Pre-FCLAA: $.15/ton underground and $.175/ton surface mines	Rental rate is $1/acre/yr	see above	see above
Geothermal			
Generally set for individual leases. By statute it may not be less than 10% nor more than 15% of the value of steam & not less than 5% of the value of demineralized water.	Competitive: $2/acre/yr or $5/acre/yr for yrs 1-5 if choose not to file report showing significant expenditures to develop. Non-Competitive: $1/acre/yr for yrs 1-5 and $4/acre/yr for subsequent years.	10 years; continued if capable of producing commercial quantities.	**Competitive** if within a Known Geothermal Resource Area, lease is by sealed bid **Non-Competitive:** if outside KGRA, lease is by over-the-counter basis.

Summary Description Federal Onshore Leases			
Royalty Rate	Rents	Lease Duration	Bonus
Other Minerals			
Royalty is paid based on lease terms and varies by commodity.	Based on statute and regulation, rent varies by commodity and ranges $0.25 - 1/acre/yr	Varies by commodity. 20 years subject to readjustment every 10-20 years	Competitive (vs non-competitive) leases are awarded to highest qualified bid exceeding fair market value.

MLA - Mineral Leasing Act; LRA - Leasing Reform Act; NPRA - National Petroleum Reserve-Alaska
FCLAA - Federal Coal Leasing Amendments Act of 1976

Summary Description Federal OCS Leases			
Royalty Rate	Rents	Lease Duration	Bonus
Is set for each sale area in its Final Notice of Sale. It may be: 1.Based on water depth Leases issued after 1/93 on a sale by sale basis: 12.5% for Gulf water depths 200m or 16.66% for water depths 200m. Issued before 1/93: 12.5% for water depths 400m or 16.66% for water depths 400m. The 12.5% is also used for Alaska & certain parts of California 2.Sliding-scale (12.5-65%) based on average of all production 3.Step-scale which increases by steps as production increases 4.Flat rate of 33.33% + 5.Net profit share which require royalty only after certain expenditures are recovered	Pre-1993: $3/acre/year with a few $10/acre/yr for drainage sales. Past-1993: on a-sale-by-sale basis, the Secretary may charge $5/acre with $2/acre transferred to OCS ADP project (TIMS). Most post Minimum royalty at above rate after lease deemed capable of commercial production.	5 years (not to exceed 10 yrs). Continued if capable of commercial production.	Based on fair market value. Minimum bid of $25 to $150/acre subject to sale by sale review.

For both onshore and OCS leases, once a lease has been drilled and a commercial discovery been made, a minimum royalty is paid until production actually begins. The minimum royalty rate is the same as the rental rate.

Explanation of Authorizing Statutes

Outer Continental Shelf Lands

43 U.S.C. 1331, et seq.	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.
43 U.S.C. 4321, 4331-4335, 4341-4347	The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal actions having a significant effect on the environment.
16 U.S.C. 1451, et seq.	The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.
16 U.S.C. 1531-1543	The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.
42 U.S.C. 7401, et seq.	The Clean Air Act, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require pollutant emission permits administered by the EPA or the States.
16 U.S.C. 470-470w6	The National Historic Preservation Act established procedures to ensure protection of significant archaeological resources.
30 U.S.C. 21(a)	The Mining and Minerals Policy Act of 1970 and the Materals and Minerals
30 U.S.C. 1601	Policy, Research and Development Act of 1970 set forth the continuing policy et seq. of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
33 U.S.C. 2701, et seq.	The Oil Pollution Act of 1990 established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
43 U.S.C. 1301	The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. MMS provides information and comments regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
16 U.S.C. 1361-1362, 1371-1384, 1401-1407	The Marine Mammal Protection Act of 1972 provided for the protection and elfare of marine mammals.

Royalty Management Program:

25 U.S.C. 397, et seq.	The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on lands bought and paid for by Indians.
25 U.S.C. 396, et seq.	The Indian Mineral Leasing Act of 1909 authorizes oil and gas leases on Indian allotted lands.
25 U.S.C. 396-396(g), et seq.	The Indian Mineral Leasing Act of 1938 authorizes oil and gas leases on Indian Tribal lands and provides uniformity with respect to leasing of Tribal lands for mining purposes.
30 U.S.C. 181, et seq.	The Mineral Leasing Act of 1920 (MLA) provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulphur, and sodium and the payment of bonuses, rents, and royalties on such leases.
43 U.S.C. 1331, et seq.	The Outer Continental Shelf Lands Act of 1953 provides for granting of leases to develop offshore energy and minerals; provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
30 U.S.C. 1001, et seq.	The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 181, et seq.	The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
25 U.S.C. 2101, et seq.	The Indian Mineral Development Act of 1982 provides that any Indian Tribe may enter into lease agreements for mineral resources within their boundaries with the approval of the Secretary. Allotted land owners may join Tribal mineral agreements.
30 U.S.C. 1701, et seq.	The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.
106 Stat. 1374	The FY 1993 Department of Interior and Related Agencies Appropriations Bill requires the deduction of $68.2 million from mineral receipts before their distribution to States and Treasury to recover a portion of the government's mineral leasing program costs.

General Administration:

31 U.S.C. 65	Budget and Accounting Procedures Act of 1950
31 U.S.C. 3901-3906	Prompt Payment Act of 1982
31 U.S.C. 3512(c)	Federal Managers' Financial Integrity Act of 1982
5 U.S.C. 552	Freedom of Information Act of 1966, as amended

31 U.S.C 7501-7507	Single Audit Act of 1984
41 U.S.C. 35-45	Walsh Healy Public Contracts Act of 1936
41 U.S.C. 351-357	Service Contract Act of 1965
41 U.S.C. 601-613	Contract Disputes Act of 1978
44 U.S.C. 35	Paperwork Reduction Act of 1980
44 U.S.C. 2101	Federal Records Act of 1950
40 U.S.C. 486(c)	Federal Acquisition Regulation of 1984
31 U.S.C. 3501	Privacy Act of 1974
31 U.S.C. 3501	Accounting and Collection
31 U.S.C. 3711,3716-19	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 et seq.	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	Anti-Deficiency Act of 1905, as amended
41 U.S.C. 252	Competition in Contracting Act of 1984
18 U.S.C. 1001	False Claims Act of 1982
18 U.S.C. 287	False Statements Act of 1962
41 U.S.C. 501-509	Federal Grant and Cooperative Agreement Act of 1977
41 U.S.C. 253	Federal Property and Administrative Services Act of 1949
41 U.S.C. 401	Office of Federal Procurement Policy Act of 1974, as amended
15 U.S.C. 631	Small Business Act of 1953, as amended
15 U.S.C. 637	Small Business Act Amendments of 1978
10 U.S.C. 137	Small Business and Federal Competition Enhancement Act of 1984
15 U.S.C. 638	Small Business Innovation Research Program of 1983
10 U.S.C. 2306(f)	Truth in Negotiations Act of 1962 Authorization
Secretarial Order No. 3071	The order established the Minerals Management Service in January 1982, under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Oil Spill Research

33 U.S.C. 2701, et seq.

	Title VII of the Oil Pollution Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.
33 U.S.C. 2701, et seq.	Title I, section 1016, of the Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company, with respect to an offshore facility, has established, and maintains, evidence of financial responsibility in the amount of at least $150,000,000 to meet potential pollution liability.
43 U.S.C. 1331, et seq.	Section 21 (b) of the Outer Continental Lands Act, as amended, requires the use of the best available and safest technologies (BAST) and assurance that the use of up-to-date technology is incorporated into the regulatory process.
Executive Order 12777	E.O. 12777, signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service).

Mineral Leasing and Associated Payments:

P.L. 106-33	The Omnibus Budget Reconciliation Act of 1993 requires the recovery of one-half of the Federal Government's mineral leasing program costs, before distribution of receipts to States and the Treasury.
30 U.S.C. 181, et seq.	The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that stature on Federal lands within their boundaries.
30 U.S.C. 351 et seq.	The Mineral Leasing Act for Acquired Lands as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.
30 U.S.C. 1001, et seq.1721(d), 30 U.S.C. 191,	The Geothermal Steam Act of 1970 authorizes Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 1714, 1721(b), 30 U.S.C. 191,as amended	Federal Oil and Gas Management Act of 1982 provides for timely payments of royalty funds and from gas and production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed by the date required under 30 U.S.C. 191 and 1714.
30 U.S.C. 104(a), 30 U.S.C. 191, as amended	The Federal Oil and Gas Royalty Management of 1982 authorizes the sharing of oil and gas royalties with States and all other charges collected from oil and gas leases located on public domain lands.
30 U.S.C. 191a	This law authorizes the sharing of all late payment interest collected on all Federal Government lands and from all minerals categories. This law applies to all interest paid to the Federal Government on or after July 1, 1988. Any interest the Federal Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.