UNITED STATES
DEPARTMENT OF THE INTERIOR
BUDGET JUSTIFICATIONS, F.Y. 1997

MINERALS MANAGEMENT SERVICE

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MINERALS MANAGEMENT SERVICE

FY 1997 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 1997, the MMS will account for an estimated $5.1 billion in Federal receipts, including $4.0 billion from OCS rents, bonuses, royalties, and escrow payout and interest, and $1.1 billion in onshore receipts. From a taxpayer's perspective, that converts to $3.0 billion deposited to the General Fund of the Treasury to pay for Federal programs and reduce the deficit. Of ***local significance*** are; $515 million in mineral revenue payments made to onshore States, $900 million transferred to the National Park Service for the Land and Water Conservation Fund, $405 million credited to the Bureau of Reclamation's Reclamation Fund, $40 million to Indian Tribes, and $150 million transferred to the Historic Preservation Fund. Additionally, coastal States will receive $97 million in shared mineral revenue receipts.

Our Budget Resources	
FY 1997 proposed operating Appropriations *dollars in thousands*	
Royalty and Offshore Minerals Management	$182,994
Oil Spill Research	$6,440
Total	**$189,434**

The $189,434,000 proposed operating appropriation is the smallest proposed appropriation request for MMS since 1990. This is even more significant when viewed in light of all the additional responsibilities MMS has assumed over the last several years.

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 statutes, 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 over 24 percent and 15 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's 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.

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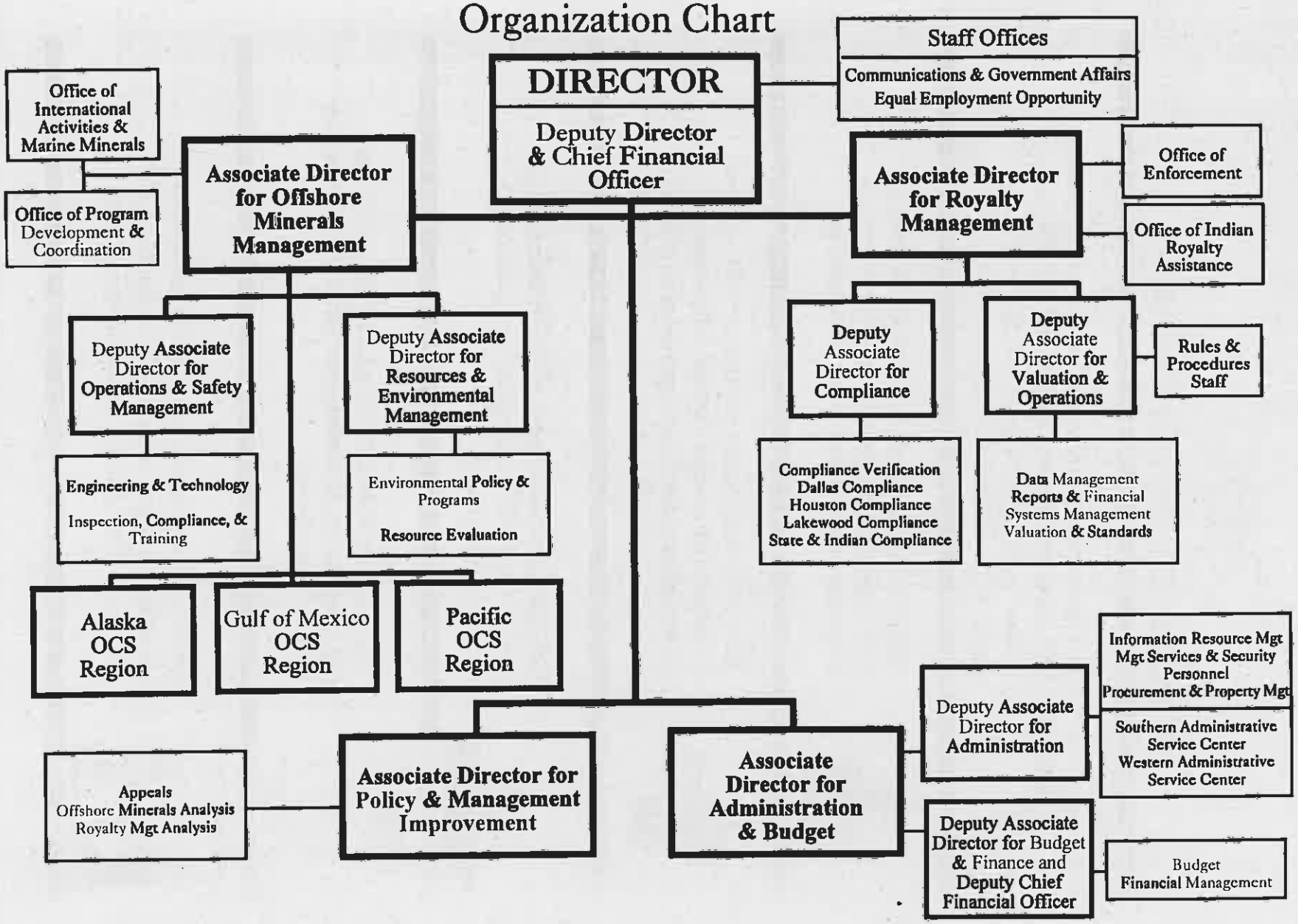
Organization Chart



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Where the Money Goes

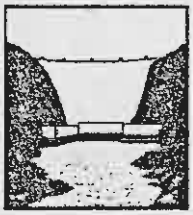
MMS operations will contribute approximately $3 billion to the general fund of the U.S. Treasury. Approximately two thirds of this amount come from OCS operations.

MMS will collect and disburse an estimated $615 million to 38 states. Wyoming receives the single largest share, over $200 million.

MMS will disburse approximately $40 million to Indian Tribes & allottees. MMS also monitors the transfer of approximately $130 million from royalty payors directly to Tribes.

OCS gas and oil receipts ($900 million) provide almost all of the funding for the Land and Water Conservation Fund.

The $150 million in OCS gas and oil receipts are the sole source of funding for the National Historic Preservation Fund.



In FY 1997 receipts from MMS activities will contribute approximately $405 million to the Bureau of Reclamation's Reclamation Fund.

Major Activities

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

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. The 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 $75 billion in Federal onshore, OCS, and Indian mineral revenues. Of that, RMP audit and compliance verification programs generated over $1.8 billion with over $525 million coming in the last two years. 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's 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 117 lease sales have been conducted, generating over $108 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, Administration 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.

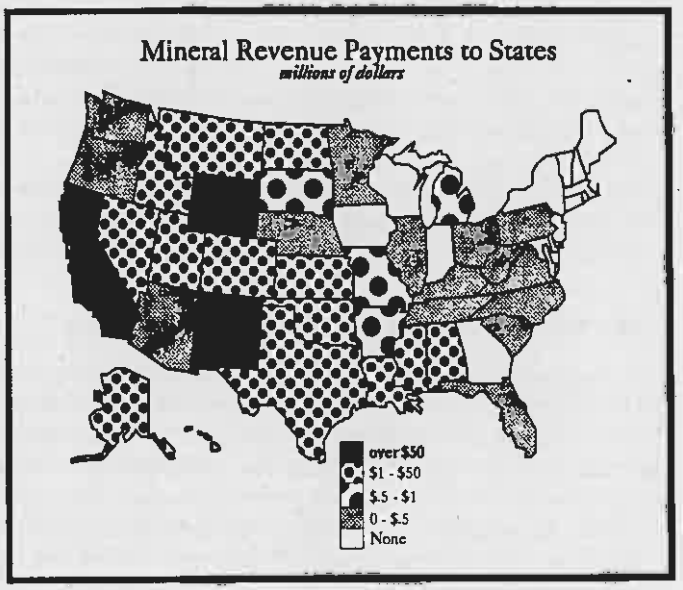
In the broadest sense, every American taxpayer is a constituent of MMS. The OCS program not only manages the production of significant energy resources but generates an average $2-$3 billion annually that goes into the Federal Treasury. The revenues generated from MMS activities help reduce the size 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; and
- several miscellaneous industrial groups such as utilities, transportation, plastics, chemicals, and agriculture.

The constituencies for the RMP Program include:

- 38 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.



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's 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 training and awards have been streamlined and delegated to the program offices, 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 was authorized in the Federal Acquisition Streamlining Act. Purchases, utilizing Government-wide commercial purchase cards, are being utilized by program personnel to acquire required supplies and services. 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's Gas Marketing Pilot Project got underway. It tested, 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, delivered the gas to their customers in a free market environment. MMS is currently reviewing the results of this one year test.

  The pilot is an innovative project that tested 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 pilot project also has the potential to significantly reduce 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.

- For its pioneering work in writing regulations in plain English, MMS received the Vice President's "Hammer Award".

- 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 using this process.

- 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. MMS also is expanding its use of negotiated settlements and experimenting with other 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. The OCS Headquarters staff will achieve an overall reduction of approximately 50 percent by FY 1999 as compared to the benchmark year of 1993.

- **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:

  - ✓ Required 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 service to 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 achieve cost-savings. Based on successful "pilot" studies, MMS recently signed electronic commerce agreements with Chevron and Amoco. The goal of this effort is to receive 100 percent of incoming reports electronically by the end of 1997.

- **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.

- **Property Management.** 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, MMS is providing personnel services to the Office of the Secretary under a franchise agreement.

- There is a cooperative agreement between the Office of the Secretary, the Office of Surface Mining, and the Minerals Management Service to develop standard Advanced Budget Accounting/Control and Information System (ABACIS) financial management procedures and operations.

4 Are MMS's 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 guides program efforts to improve customer service and helps MMS to identify processes that need to be either improved or eliminated in order to better serve our customers.

- Examples of MMS's 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) study 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 has worked to facilitate agreements with commercial fishermen and the oil and gas industry in the Pacific OCS Region. Examples include industry funded compensation programs for commercial fishermen who were precluded from fishing in certain areas of the Santa Barbara Channel during Exxon's Offshore Storage and Treatment Abandonment Project and Santa Ynez Unit seismic survey.

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 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.

☛ During 1995, the MMS worked with the Secretary's OCS Policy Committee to develop options for resolving several issues related to implementing the OPA financial responsibility provisions for offshore facilities. Principal among these issues are the areas and types of facilities that should be subject to financial responsibility, and the dollar amount of financial responsibility evidence that is appropriate for various facilities. The Policy Committee advised the Secretary that changes to OPA would be needed to resolve these issues. The results of this effort have been used by the Congress as it considers amendments to OPA.

☛ As part of its proposals to reauthorize the U.S. Coast Guard, the Congress is considering changes to OPA that would address the MMS and OCS Policy Committee concerns related to OPA financial responsibility provisions. The MMS continues to provide Congressional staff with technical information that is needed for the development of this legislation.

☛ The MMS anticipates that amendments to OPA addressing the financial responsibility issues will be enacted during FY 1996. During FY 1997, the MMS will refocus its attention on developing regulations on financial responsibility for offshore facilities. In the interim, the MMS will continue, as provided by OPA, to implement the offshore facility financial responsibilty regulations that were established pursuant to the OCSLA.

☛ 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. Memoranda of Understanding (MOUs) with Texas, Louisiana, California, and Alaska have already been executed. The MMS is also working with the States to coordinate programs and minimize MMS regulation of State water activities. A discussion of MMS oil spill research is provided under the Oil Spill Research Section.

California Royalty

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 oil revenues from their State leases depended on posted prices.

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.

In light of the recent settlements, MMS decided to reevaluate the issue in 1993 to determine whether the issue should be reopened. Using unverified data, assumptions, and estimates from the State's consultants. plus production from Federal lands in California, MMS estimated a maximum underpayment of about $400 million for 1960 -1992.

Following up on the preliminary analysis, in early 1994 MMS examined the public information available on California oil prices for the period 1986-1993. 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 decision on the California/Federal crude oil royalty value issue, MMS formed an interagency team with the Departments of Commerce, Energy and Justice.

The team accomlshed two of its major objectives in December 1994. First, they gained access to and reviewed selected documents sealed by the U.S. District Court in the Long Beach litigation. Second, they met with staff from the California State Controller's office and discussed audits the State has done on Federal leases under MMS authority.

The team then suggested a special audit of this issue. Early in 1995 MMS audit staff coordinated with the California State Controller's Office to jointly construct an audit plan tailored to address allegations of oil underpricing and thus royalty underpayment. The MMS has completed preliminary audits of two companies for several specific years. Supplementary to the audits, the team also reviewed a variety of company sales contracts held by a consultant for the State in the Long Beach litigation.

In October of 1995 MMS auditors and team members presented summaries of their findings to the MMS Director and the Assistant Secretary for Land and Minerals Management. They asked the team to develop a set of options for further pursuing the issue. The team presented its proposed options in December 1995. The team was then asked to develop a final report including a recommended option.

Conclusion: The Department of the Interior takes its responsibility to manage public resources very seriously. If MMS finds clear evidence of undervaluation, it will pursue the collection of additional monies to which the public is legally entitled.

☞ 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 March 1996. Additionally, information on FY 1996 and 1997 audit activities is detailed in the RMP budget narrative.

☞ Office of Communications and Government 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 10 FTE. As vacancies occur, position grade levels will be reviewed.

☞ Offshore Management Support and Program Services Office

Last year Congress directed MMS to breakout these two support organizations into separate subactivities. MMS has complied with this directive and a full discussion of these two organizations can be found in the OCS Lands and Royalty Management sections of this document.

☞ Environmental Stuties Program Cooperation with USGS

In keeping with the desire to control cost and minimize duplication of Federal programs, the MMS and the USGS continue to working cooperatively to identify complementary environmental studies plans. In a September 1994, USGS-MMS coordination meeting, scientist from the USGS and the MMS were tasked with developing a process that would identify MMS environmental research nee which USGS could conduct with in-house expertise in a cost-effective manner. One the main objectives of the process is to ensure that the USGS has ample opportun to provide research expertise before MMS looks to outside sources for research. A "Schedule of Events," delinating a forwar 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 MM

also will be apprised of USGS research plans in a timely fashion. This approach facilitates opportunities for identifing research areas of mutual interest for cooperative, cost-sharing ventures.

The first 2-year cycle was initiated in FY 1995 and has led to identification of studies for conduct in FY 1997. MMS and USGS have worked very closely to identify potential studies which USGS will 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 developed an interagency agreement to utilize that expertise for a northeast GOM satillite oceanography study in FY 1995 and will expand this effort in FY 1996.

Performance Budgeting
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.

MMS' Strategic Planning and GPRA Efforts

Since 1988 MMS' strategic planning and performance measurement have evolved and have been an iterative process. However with the enactment of the GPRA our efforts have been accelerated and although we have made great strides toward developing clear long term goals and output and outcome measures, we continue to refine, improve and enhance our Strategic Plan and related performance measurement. We developed our Plan and measures through Process Management Teams, consultation with our customers and employees and through participation as a GPRA Pilot.

Last Fall we issued an update of our Plan to all employees and to our constituents. We also made our Plan available on the MMS Home Page on the World Wide Web. Comments on the Plan are encouraged and welcomed either electronically or in hard copy. To facilitate the latter form of comments, hard copy versions of our Plan come with a tear sheet for reviewers to use in sending us their reactions. We use these comments as a part of our ongoing process to improve.

Recently, we established a performance measures team in both our Royalty Management and Offshore Minerals Management activities and an overall MMS team as well. Through this process we expect to refine the output measures we presently have and develop additional outcome measures that accurately gauge our progress toward meeting the Department and MMS' goals.

The Royalty Management Program

The MMS Royalty Management Program (RMP) employs 660 Federal staff and 310 contract support personnel. Its headquarters is in Lakewood, Colorado, with compliance offices at various major centers of the oil and gas industry. Its FY 1995 operating budget was $67 million.

Goal

The MMS goal for our mineral revenue collection function is to provide timely, accurate, and cost-effective mineral royalty collection and disbursement services. To accomplish this goal, we have developed the following strategies:

- Assist and encourage royalty payors to submit royalty reports and payments correctly the first time.
- Streamline and simplify royalty collection and disbursement processes whenever possible.
- Use modern information management tools to improve the royalty collection and disbursement processes.
- Involve stakeholders in decision making, and make decisions by consensus whenever possible.

In addition to our correct first time report and payment goal, we focus on preventing future noncompliance. In each activity, we seek and implement improvements to increase the percentage of mineral revenue from Federal and Indian leases that is paid voluntarily.

Accomplishments

During FY 1995, we had numerous accomplishments in pursuit of our goal for the revenue collection function. Following are the most significant accomplishments, categorized by our strategies for achieving the goal.

Correct and Timely Reporting

Payor/Reporter Training As part of its efforts to improve correct reporting, the RMP continued to provide on-site reporter training to the minerals industry, including oil, gas, and solid companies. In 1995, we gave 36 training sessions to over 1,000 industry representatives.

Measure	Description
On-time royalty reporting.	If there is an increase in the percentage of royalty report lines received by the due dates, it indicates that timely reporting is increasing. In 1994 and 1995, reporters submitted 97 percent of all royalty lines on-time.
Royalty and production reporting accuracy.	An increase in the percentage of royalty and production report lines that clear fatal edits during initial processing indicates that reports are more accurate. In 1994, reporters submitted 96.6 percent of royalty lines and 96.2 percent of all production lines correctly. In 1995, reporters submitted 97.5 percent of all royalty lines and 97.2 percent of all production lines correctly. [Please note that correct reporting means that companies completed the forms correctly. It does not necessarily mean payments were properly calculated.]

Streamline Royalty Collection and Disbursement Process

Compliance Action Plan. The MMS Compliance Action Plan (CAP) was completed in FY 1995, although a few of the plan's actions will be ongoing through FY 1996 and beyond. The multi-year plan implemented recommendations from the Task Force on Royalty Compliance. CAP instituted a range of program-wide improvements targeted at encouraging voluntary compliance by companies through clarification of policies and requirements as well as more aggressive enforcement. The Inspector General reviewed the CAP and concluded that MMS made significant progress in implementing the Task Force's recommendations.

Common Reference Data Laboratory

As part of the National Performance Review, a reinvention team, that included industry representatives, proposed to re-engineer the Oil and Gas Payor Information Form and its process. Accounting for approximately $4 billion in revenues each year requires the acquisition, manipulation and processing volumes of lease and payor data. The team's recommendations will:

- reduce the oil and gas form from two pages to one,
- make completion of the form easier,
- streamline and simplify data gathering processes, and
- reduce levels of review.

We reduced average document processing time by two thirds and staff resources by one third in a pilot test of the modified procedures. We expect annual savings to exceed $700,000.

Measure	Description
On-time Disbursements to States	An increase in the percentage of disbursements made by the end of the month following the month of receipt indicates that disbursements are more timely. During 1994, RMP disbursed timely to states 98.9 percent of the dollars collected. During 1995, 98.4 percent of the dollars collected were disbursed timely to states. The slight decrease in timely disbursements was due to a temporary software design issue that prevented automatic matching of payments and reports. During a 3-month period in 1995, payments and reports were matched manually.
Late disbursement interest paid to states.	A decrease in interest paid to states on late disbursements indicates that disbursements are being made more timely. For 1994, RMP paid $58,000 interest to states at a rate of 8 percent. In 1995, RMP paid $86,000 interest to states at a rate of 9 percent. The decrease in on-time disbursements to states described above resulted in the increase in late disbursement interest paid to states. The increase in interest rates also contributed to the increase in interest paid.

Use Modern Information Tools

Electronic Commerce Technology Development and Implementation. Various electronic reporting alternatives are available to royalty payors, including electronic data interchange, magnetic tape, diskettes, and electronic mail. Electronic reporting decreases reporting error rates, minimizes delays and eliminates manual re-entry of data, thus increasing our ability to timely disburse revenues to the recipients. Following are error rates for royalty report lines received during FY 1995 by various media:

Reporting Media	Error Rate (Report Lines)
Electronic Data Interchange	.79 percent
Magnetic Tape or Disk	1.04 percent
Hard Copy	5.65 percent

Measure	Description
Volume comparisons	During the year, we collected over $20 million from researching almost 18,000 variances between production and sales volumes. The object of volume comparisons is to identify potential royalty underpayments by comparing production volumes reported by operators to sales volumes reported by royalty payors. These recovered royalties go to state, Indian, and Treasury accounts. In 1995, these comparisons achieved a collection to cost ratio of 15:1.

Involve Stakeholders in Decisions

Improved Delivery of Royalty Information. Under the auspices of the Indian Minerals Steering Committee, MMS is working with the BIA and BLM to explore opportunities to maximize the delivery of royalty information to all of the Indian constituents. A reinvention laboratory is working to streamline the delivery of services provided by the 3 Bureaus in Farmington, New Mexico. MMS also worked closely with BLM in the interagency Oil and Gas Performance Review to develop and implement recommendations to improve business processes such as bonding, unfunded liability, regulatory review and interagency coordination.

Royalty Policy Committee Established. The RMP established a 29-member committee, comprised of representatives from the Western Governors Association, Western States Land Commissioners Association, involved states, Indian tribes and allottee associations, the minerals industry, the interested public and other federal agencies, to provide recommendations and guidance on royalty management policies and procedures. The committee established eight subcommittees to study the following issues:

- royalty reporting and production accounting,
- valuation,
- audit,

- appeals, settlements, and alternative dispute resolution,
- non-conventional alternatives,
- disbursements and net receipts sharing,
- coal, and
- phosphate, trona and other leasable solid minerals.

As representatives of stakeholder groups most affected by mineral revenue practices, this special caucus of experts will serve an important role in advising Minerals Management Service (MMS) on issues related to management of the Nation's multi-billion dollar, federal and Indian minerals revenue program.

Federal Gas. We established the Federal Gas Valuation Negotiated Rulemaking Committee with a diverse membership of MMS, States, and large and small producers to simplify valuation and associated administrative burden on industry and MMS, reached consensus on a new method to value natural gas production from federal leases.

The proposed rule should:

- reduce administrative costs to MMS and the States that share in those costs;
- allow for flexibility in valuation;
- eliminate unnecessary forms and accounting procedures;
- reduce the number of retroactive adjustments to royalty reports;
- simplify royalty reporting requirements overall.

Gas Marketing Pilot. The Royalty Gas Marketing Pilot is a dramatic effort by MMS, in conjunction with industry, to streamline gas royalty determination and collection procedures. In the pilot, MMS is testing the concept of removing itself from the complex business practice of valuing and auditing royalties away from the lease, while keeping the government whole on its royalty collections. The pilot is a cooperative effort between MMS and industry. As of September 30, 1995, 14 volunteer producers were providing royalty gas for the pilot from 79 leases, representing approximately 7 percent of the non-8(g) royalty gas in the Gulf of Mexico. The producers worked with MMS to develop an agreement that governs the pilot and served as the basis for an Invitation for Bids. The MMS received 23 bids from 22 gas marketing companies and initially awarded 14 sales contracts. MMS is currently assessing the results of the pilot project.

New Comprehensive Performance Measure

The RMP is testing an overall outcome measure, called a compliance index as part of its Government Performance and Results Act Pilot program. The index is summarized by the following formula:

$$\frac{\text{Actual Voluntary Royalty Payments}}{\text{Expected Royalty Payments}}$$

The index will evaluate RMP progress in helping industry report and pay correctly.

Historically, RMP has not had a reliable method to calculate expected royalty payments because:

- Royalty payments from industry are "voluntary," i.e., RMP does not routinely bill for royalty. Rather, lessees pay a percentage of the proceeds from the sale of their production, making identification of expected royalty payments a very complex task.

- The amount of underpaid royalties is not immediately available, but is identified over time by exception processing system modules and by audits.

We are hopeful that the compliance index, through ongoing refinement, can give important information over time on whether RMP is successfully collecting all revenue due. The RMP compliance index target is 1.00. The computed index was 0.951 for 1992 and 0.948 for 1993. The index for 1994 is not yet available due to scheduling setbacks caused by the recent government furloughs. Because of the length of time necessary to ensure all royalty adjustments have been reported and paid the index typically lags one to two years. The RMP will continue to analyze, refine, and validate this measurement tool.

The Offshore Minerals Management Program

The MMS Offshore Minerals Management program (OMMP) employs 858 staff. Its headquarters is in Washington, D.C. and Herndon, Virginia , with major field offices in Anchorage, Alaska, Camarillo, California, and New Orleans, Louisiana. Its FY 1995 operating budget was $105 million.

Goal

The MMS goal for our Offshore minerals management function is to maximize development on the outer continental shelf while ensuring fair market value and safe, environmentally sound offshore operations. To achieve this goal, we have developed the following strategies:

- Improve the decisionmaking process through increased internal coordination and involvement of relevant staff.

- Ensure that customers have the opportunity to provide input into the decisionmaking process.

- Recognize and respond to the public's concerns.

- Use modern information tools to ensure timely dissemination of accurate information.

- Streamline operations and simplify processes.

- Maintain a high level of scientific expertise and base decisions on high quality scientific information.

- Issue regulations that focus on results, rather than processes.

- Provide a consistently high level of customer service.

During FY 1995, offshore operations were conducted in a very safe and environmentally sound manner. There were 35 oil spills during FY 1995 and only one oil spill was greater than 1,000 barrels. (A total of 5,152 barrels spilled was reported for FY 1995.) There were no fatalities from well control incidents during the year.

Accomplishments

During FY 1995, we had many accomplishments in our efforts to effectively manage the mineral resources on the outer continental shelf. Following are our most significant accomplishments, organized by our strategies for meeting our comprehensive goal for the offshore minerals management function.

Improve the decisionmaking process through increased internal coordination and involvement of relevant staff.

- The skills of MMS personnel who inspect offshore oil and gas wells are being upgraded. During FY 1995, the first interactive computer training module was developed and distributed to the MMS inspection workforce. This module, Hazard Communications, is also intended to satisfy the Occupational Safety and Health Administration's requirements to provide periodic awareness training to employees working around hazardous substances.

Ensure that customers have the opportunity to provide input into the decisionmaking process.

- Open dialogue was conducted with the geophysical service industry to resolve a regulatory dispute. The MMS has a need for a certain type of seismic data to evaluate tracts for fair market value. Although MMS contends it has access to these data under its regulations, the geophysical service companies disagreed. Rather than elevate the dispute to a threatened law suit, MMS and industry worked together to agree on "Trial Procedures" which would allow MMS limited access to certain seismic data and still protect the service companies ownership interest in the data. These procedures have been successfully implemented in the Gulf of Mexico Region.

- P.L. 103-426, enacted in October 1994, authorizes the Secretary of the Interior to negotiate agreements for use of OCS sand, gravel, and shell resources. The legislation facilitates coastal communities' and States' access to Federal OCS resources for beach and wetlands restoration, and other projects of public benefit, without going through a competitive lease sale process. One negotiated lease has been concluded and several other requests for negotiations are in various stages of review or discussion.

- In August 1995, MMS issued the "OCS Draft Proposed Oil and Gas Leasing Program for 1997-2002." The program embraces the advice provided by the OCS Policy committee and reflects the beginning of a long-term movement from conflict to consensus in the OCS program. Before the Draft Proposed Program was issued, MMS conducted extensive outreach efforts on a regional basis to describe the overall 5-year program process, discuss formulation of the draft proposal, and continue the scoping of issues for the Environmental Impact Statement (EIS).

Recognize and respond to the public's concerns.

- A Joint Study of the Development Scenarios and Onshore Constraints in the Tri-county Area of San Luis Obispo, Santa Barbara, and Ventura, California (COCGER Study) was designed to move the Offshore program into a more proactive relationship with its many customers. By having state and local government representatives working with oil and gas industry representatives and MMS, we have helped to facilitate better understanding of the issues and concerns that affect our diverse and often competing customers. To further enhance meeting our customers' needs, the study contract was modified to include an initial public release document "The Consolidated Public Proposal" and to hold public workshops to receive public input on the study. Regular monthly mailings on the status of the study have been initiated. The mailing list is approximately 200 names and includes a range of elected officials, Federal state, and local agencies, industry, environmental groups, and interested private parties.

- The Alaska Regional Stakeholders Task Force prepared a report which included 10 recommendations on developing the proposed 5-year oil and gas leasing program for 1997-2002. The report was accepted by the Secretary and was the basis for developing the Alaska portion of the Draft Proposed Program. The Task Force was composed of diverse local stakeholders, including the environmental, subsistence, Alaska Native, fishing and development communities, industry, Coastal Districts and Coastal Resource Service Areas, and local, State and Federal government representatives. This was the first time local stakeholders had the opportunity to participate early in the planning process and before any program decisions were made.

Use modern information tools to ensure timely dissemination of accurate information.

- Two multi-media based video training tapes, Safety Orientation and Safety and Environmental Management Program, were initiated. Additionally, two multi-media based video tapes were developed that address the impact of Hurricane Andrew on the OCS.

- The Alaska OCS Region has implemented an extensive outreach program to inform and involve the local communities that may be affected by proposed offshore oil and gas operations in Alaska. These efforts include: installation of a Statewide 800 phone number; training sessions in local communities about what is contained in an EIS; regular bi-monthy MMS presentations in the commuity on OCS-related subjects; expanded numbers of topics covered by Focus Sheets; development of an interactive MMS office computer program in a kiosk format for use in local libraries; one-on-one dialogue meetings with community leaders and interested citizens.

- The Draft Proposed Oil and Gas Leasing Program for 1997-2002 Document was made available to Members of Congress and other constituents in diskette form in August 1995. Internal to the organization, comments on the draft program were scanned and transmitted to offices via e-mail, eliminating the extensive use of paper copies that had been generated for previous programs.

- The Environmental Studies Program Information System (ESPIS) is now available on the Internet. Users can perform text searches and document retrieval on approximately 700 technical summaries of MMS sponsored environmental research.

Streamline operations and simplify processes

- Beginning with the Draft EIS for Central and Western GOM Sales 166 and 168, MMS implemented streamlining procedures to produce EISs that are concise, readable, and better tailored to the needs of decisionmakers and our customers. In addition, multisale EISs are being prepared for all Central and Western GOM sales in the 1997-2002 5-Year Program.

- MMS's Alaska Region entered into cooperative agreements during FY 1995 with the Environmental Protection Agency's (EPA) Region 10 and the Alaska Department of Environmental Conservation to eliminate duplication of effort and inconsistencies, and to share spill-prevention and response planning resources and information pursuant to Oil Pollution Act of 1990.

Maintain a high level of scientific expertise and base decisions on high quality scientific information

- The MMS has installed seismic monitoring probes on the seafloor adjacent to three platforms in southern California. This project, using a network of seismic probes to collect scarce offshore seismic data, will provide the only existing network of offshore seismic probes in the United States. From this network, regulatory and industry engineers will receive data necessary to verify and, if required, modify existing soil-response models used in the design of offshore

facilities. Once the project is operating, the data will be provided to the California Division of Mines and Geology and Southern California Earthquake Center, complementing onshore data for a more complete picture of seismic activity in the region. The California offshore seismic monitors successfully measured the offshore expression of the January 1994 Northridge earthquake. This was the first time the offshore seismic motion attributable to an onshore event was sucessfully measured.

- The MMS's three Coastal Marine Institutes were instrumental in fostering cost-sharing partnerships with Alaska, California and Louisiana to identify and financially support research that addresses key OCS issues. The research is jointly funded 50-50 by MMS and the States, and allows the Federal government and the States to realize twice as much research for only one-half the cost to each.

- The Gulf of Mexico Air Quality Study was sucessfully completed with cooperation from EPA, the states of Louisiana and Texas and industry. The results indicated that overall the offshore industry's contributions to ozone exceedance levels are extremely small. Work continues with the EPA, National Park Service, Fish and Wildlife Service, the states of Louisiana, Mississippi, Alabama and industry on other Gulf of Mexico air quality issues.

Measures

- During FY 1995, 3,565 Environmental Reviews and 145 Assessments were performed by the MMS to determine the environmental impact of proposed industry actions.

Issue regulations that focus on results, rather than processes.

- The OMMP continues to promote adoption by all offshore operators of its Safety and Environmental Management Program (SEMP). The SEMP uses an industry standard that provides guidance on how to adopt internal safety and environmental protection practices under a corporate management plan endorsed by senior company officials. The MMS cosponsored several focused training workshops during FY 1995, designed to help operators develop portions of their plans dealing with process hazards analysis, standardized operating procedures, and managing change to critical systems; additional guidance was provided on pre-startup reviews and on how to audit their SEMP plans.

- OMMP has continued its work on revising the 30 CFR 250 Training regulations. The new program will present the offshore lessee training requirements in plain English, rely more on performance based standards instead of prescriptive requirements, provide for alternative training procedures (i.e.; computer based), and allow for third party accreditation. In the first quarter of FY 1996 a Notice of Proposed Rulemaking was released and a workshop was held describing this rule.

Provide a consistently high level of customer service.

- Since 1993, the MMS has actively participated as a member of a Federal Agency Task Force to develop the State of Texas Coastal Management Program. This includes participation in quarterly Task Force Meetings, periodic Texas Coastal Coordination Council meetings, public hearings, and individual consultations with the Texas General Land Office, which serves as the State's designated coastal management agency. MMS has provided guidance and comments at various stages of policy and document formulation. The proposed program was forwarded by Governor Bush to the National Oceanic and Atmospheric Administration (NOAA) in October 1995.

- The MMS International Training Program, applicable to Newly Emerging Democracies interested in learning how to develop oil and gas resources in an environmentally sound manner,

continued to be used to assist (using United States Agency for International Development funds) the Russian Federation in FY 1995. Three short courses were conducted in Anchorage for Russian specialists dealing with environmental assessment, resource assessment, and rights conveyance. A fourth course, on resource assessment, was taught in Tyumen, Russia.

- A highly successful joint MMS/National Oceanic and Atmospheric Administration partnering and outreach effort was conducted to inform industry of agency expectations regarding exploration and development activity proposed near the Flower Garden Banks Marine Sanctuary. A workshop was held to provide guidance on sanctuary regulations and monitoring operations. The MMS also conducted trajectory runs to assist NOAA in setting up spill notification standards and to assist with other related planning efforts near the sanctuary.

- The Pacific OCS Region has established the MMS/Tri-County Forum. The Forum is composed of members representing the MMS and Santa Barbara, Ventura, and San Luis Obispo Counties. It was established to promote dialogue and communication and provide a forum for discussing issues related to offshore oil and gas development activities in the Tri-County Region. Among the Forum's successes are a new process for reviewing exploration proposals on leases for which Exploration Plans were approved over 3 years prior to the new drilling proposals.

- The Gulf of Mexico Region has initiated day-long, open communication meetings with our external customers. These meetings enhance communication with our external customers, improve our understanding of their needs, and provide input to improving our processes to better meet our customers expectations. Example of meeting subjects include; deepwater royalty relief, how to preform archaeological surveys, implementation of the multi-sales EIS process, blowout prevention, unitization/suspension, and public hearings on upcoming sales.

Measures

- During FY 1995 MMS performed 12,852 inspections of offshore platforms, to ensure that they are being operated safely. This represents an increase of 1,731 inspections over FY 1994.

- During FY 1995, 160 oil spill plans were reviewed to assess the adequacy of preparedness for such accidents.

New Comprehensive Performance Measure

The MMS has developed a comprehensive measure of our effectiveness at promoting the exploration for energy resources. The measure is:

Number of exploratory wells drilled during the year

This measure reflects the results of many pre-lease and sale activities, including environmental studies, analyzing of scientific data, conducting lease sales, and issuing drilling permits.

Conclusion

The MMS continually strives to increase the efficiency and effectiveness of our operations within the parameters of reduced FTE and budget targets. We rely on numerous strategies to increase our productivity, including simplifying our organizational structure and implementing modern information tools. We also frequently review our regulations to eliminate those that are unnecessary or cumbersome. The MMS met the

goal of the President's Executive Order 12861 which requires the reduction of internal regulations by 50 per cent.

In our efforts to fulfill our responsibilities, we also take special care to follow general guiding principles of:

- Being responsive to the public's concerns and interests by maintaining a dialogue with all affected parties; and
- Working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.

Budget Overview

The FY 1997 budget for the MMS is $707.2 million. This includes both permanent appropriations ($517.7 million) which provide for the sharing of mineral leasing receipts with the States and current appropriations ($189.4 million) which provides for the operation of the Bureaus. For current appropriations, the request is $189.4 million is the same level as FY 1996 (House and Senate Conference Committee Report) but a decrease of $5 million from FY 1995. Current authority will fund two appropriations, the Royalty and Offshore Minerals Management and Oil Spill Research accounts. Three permanent appropriations, totaling $517.7 million, reflect an increase of $6.7 million over FY 1996 levels. The increase reflects a projected growth in bonuses and royalties primarily from coal.

Royalty and Offshore Minerals Management Appropriation

The President's request for appropriations in this account is $182.994 million, the same amount as FY 1996 (House and Senate Conference Committee Report) but a decrease of $5 million from the FY 1995 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 over 24 percent of U.S. production and 32 percent percent of current total MMS revenue receipts. The FY 1997 request of $80.12 million reflects 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. No increases are being requested inFY 1997.

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 1997 budget request of $70.105 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 activities 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 $32.769 million. No increases are being requested.

Oil Spill Research Appropriation

The FY 1997 request for this appropriation is $6.44 million. No increases are being requested.

Comparison of FY 1996 Request with FY 1995 Enacted dollars in thousands				
Appropriations		FY 1996 Estimate to Date	FY 1997 Request	Change from 1996
Current				
Royalty and Offshore Minerals Management	$	182,994	182,994	0
	FTE	1,834	1,824	-10
Oil Spill Research	$	6,440	6,440	0
	FTE	26	26	0
Subtotal Current	$	189,434	189,434	0
	FTE	1,860	1,850	-10
Permanent				
Mineral Leasing and Associated Payments	$	508,329	514,909	6,580
Payments to States from Acquired Forest Lands	$	1,861	1,897	36
Payments to States from Flood Control Act Lands	$	885	921	36
Subtotal Permanent	$	511,075	517,727	6,652
Total MMS	$	700,509	707,161	6,652
	FTE	1,860	1,850	-10

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 1997 Request

Current Appropriations

Uncontrollable Changes

A reduction of 10 FTE from the FY 1996 level will enable MMS to meet the goal of reducing Federal staff and streamlining its operations, as well as offset requirements for 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

No programmatic changes are proposed for FY 1997

Permanent Appropriations

The following table synopsizes the changes in the FY 1997 request from FY 1996 enacted levels.

Summary of Change
dollars in thousands

	1996 Estimate to Date	1997 Request	Description
Mineral Leasing & Associated Payments	508,329	514,909	Increase due mainly to increased coal bonuses and royalties. Small increase in gas royalties.
Payments to States from Acquired Forest Lands	1,861	1,897	
Payments to States from Flood Control Act Lands	885	921	
Total Permanents	511,075	517,727	

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; $182,994,000, and an amount not to exceed $15,400,000 for the Technical Information Management System and related activities of the Outer Continental Shelf (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: Provided, That in FY 1997 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): Provided further, That $1,500,000 for computer acquisitions shall remain available until September 30, 1998: 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 cleanup 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, to pay amounts owed to Indian allottees or Tribes, or to correct prior unrecoverable erroneous payments: Provided further, That in the fiscal year 1997 and thereafter, 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.

OIL SPILL RESEARCH

For necessary expenses to carry out 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, $6,440,000, which shall be derived from the Oil Spill Liability Trust Fund, to remain available until expended.

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

	Format of FY 1996 Congressional Budget	FY 1996 Estimate to Date		Format of FY 1997 Congressional Budget	FY 1996 Estimate to Date
	Outer Continental Shelf Lands			**Outer Continental Shelf Lands**	
1	Leasing & Environmental Program *FTE: 204*	26,967	1	Leasing & Environmental Program *FTE: 196*	26,967
2	Resource Evaluation Program *FTE: 212*	16,710	2	Resource Evaluation Program *FTE: 207*	16,382
3	Regulatory Program *FTE: 338*	33,485	3	Regulatory Program *FTE: 327*	32,849
4	Information Management Program *FTE: 36*	3,258	4	Information Management Program *FTE: 13*	922
5	Offshore Management Support *FTE: 0*	-300	5	Offshore Management Support *FTE: 47*	3,000
	Total OCS	**80,120**		**Total OCS**	**80,120**
	Royalty Management Program			**Royalty Management Program**	
1	Valuation & Operations *FTE: 325*	35,644	1	Valuation & Operations *FTE: 299*	33,022
2	Compliance *FTE: 394*	34,746	2	Compliance *FTE: 382*	34,326
3	Late Disbursement Interest *FTE: 0*	0	3	Late Disbursement Interest *FTE: 0*	0
4	Refunds on Behalf of Allottees *FTE: 0*	15	4	Allottee Refunds *FTE: 0*	15
5	Program Services Office *FTE: 0*	-300	5	Program Services Office *FTE: 26*	2,742
	Total RMP	**70,105**		**Total RMP**	**70,105**
	General Administration			**General Administration**	
1	Executive Direction *FTE: 42*	3,416	1	Executive Direction *FTE: 42*	3,416
2	Policy & Management Improvement *FTE: 47*	3,812	2	Policy & Management Improvement *FTE: 47*	3,812
3	Administrative Operations *FTE: 192*	11,065	3	Administrative Operations *FTE: 192*	11,065
4	General Support Services	14,476	4	General Support Services	14,476
	Total Gen. Admin	**32,769**		**Total Gen. Admin**	**32,769**
	Total ROMM	**182,994**		**Total ROMM**	**182,994**

Royalty and Offshore Minerals Management
Activity/Subactivity Change Crosswalk - FY 1997 Budget

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	Total ROMM	**182,994**		**Total ROMM**	**182,994**

Justification of Crosswalk Changes

The crosswalks reflect the changes in both the Royalty Management Program's (RMP) and the Outer Continental Shelf Lands Program's (OCS) organizational and budget structure as directed by Congress in the House and Senate Reports on the FY 1996 Appropriation Bill. These changes entail creating a new subactivity for the Program Service Office in the RMP and the Offshore Management Support Office in the OCS. These two offices perform administrative support functions and in previous years their cost had been included in other subactivities.

Summary of Requirements

Appropriation Royalty and Offshore Minerals Management *dollars in thousands*		
Uncontrollable Cost Changes	FTE	Amount
FY 1996 Estimate to Date	1,834	182,994
Changes		
Buyout Surcharge *(all Activities)*		3
Rental Payments *(General Support Services)*		42
Working Capital Fund *(General Support Services)*		0
Employment Compensation		-314
Cost in 1997 of the January, 1996 payraise *(all activities)*		-616
Cost in 1997 of the January, 1997 payraise *(all activities)* ***This adjustment not included in calculation for total adjustments**		[2,025]
Federal Workforce Restructuring Act *(Admin. Operations)*		0
Administrative Streamlining - Executive Order 12837 *(all activities)*	-10	885
Total Adjustments	-10	0
FY 1997 Base Budget, ROMM	1,824	182,994

Summary of Requirements

Royalty and Offshore Minerals Management												
Comparison by Activity/Subactivity	FY 1995 Final Enacted		FY 1996 Estimate to Date		Uncontrollable and Related Changes		Programmatic Changes		FY 1997 Request		Inc(+) Dec (-) from 1996	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
OCS Lands												
Leasing & Environmental	210	27,067	196	26,967	-1	0	0	0	195	26,967	-1	0
Resource Evaluation	212	16,710	207	16,382	-1	0	0	0	206	16,382	-1	0
Regulatory	348	33,198	327	32,849	-2	0	0	0	325	32,849	-2	0
Information Management	98	9,790	13	922	0	0	0	0	13	922	0	0
Offshore Management Support	—	—	47	3,000	0	0	0	0	47	3,000	0	0
Revenue Receipts	8	1	68	1	0	0	0	0	68	1	0	0
subtotal	868	86,765	858	80,120	-4	0	0	0	854	80,120	-4	0
Royalty Management												
Valuations & Operations	336	34,139	293	33,022	-2	0	0	0	291	33,022	-2	0
Compliance	393	33,731	376	34,326	-2	0	0	0	374	34,326	-2	0
Late Disb. Interest	0	86	0	0	0	0	0	0	0	0	0	0
Indian Allottee Refunds	0	15	0	15	0	0	0	0	0	15	0	0
Program Service Office	—	—	26	2,742	0	0	0	0	26	2,742	0	0
subtotal	729	67,971	695	70,105	-4	0	0	0	691	70,105	-4	0
General Administration												
Executive Direction	42	3,413	42	3,416	0	0	0	0	42	3,416	0	0
Policy & Mgmt. Improvement	47	3,808	47	3,812	0	0	0	0	47	3,812	0	0
Administrative Operations	204	11,232	192	11,065	-2	0	0	0	190	11,065	-2	0
General Support Services	0	14,807	0	14,476	0	0	0	0	0	14,476	0	0
subtotal	293	33,260	281	32,769	-2	0	0	0	279	32,769	-2	0
Total ROMM Requirements	1,890	187,996	1,834	182,994	-10	0	0	0	1,824	182,994	-10	0

[1] In FY 1995, 1996, and 1997 MMS was authorized to retain $8.8, $15.4, and $15.4 million respectively in increased revenue receipts.

Amounts entered for this account in the President's Budget Appendix reflect annual operating fund levels under P.L. 104-99, the ninth CR, and in total are $3,859 less than the 1996 amounts shown herein, which reflect the account level in H.R. 1977, the Interior and Related Agencies Appropriation Act, 1996, as reported by the Conference.

Summary of Requirements

Appropriation Oil Spill Research dollars in thousands		
Uncontrollable Cost Changes	FTE	Amount
FY 1996 Estimate to Date	26	6,440
Changes		
Cost in 1997 of the January, 1996 payraise		29
Cost in 1997 of the January, 1997 payraise *This adjustment not included in calculation for total adjustments		[45]
Buyout Surcharge of $80 per capita		2
Administrative Streamlining		-31
Total Adjustments	0	0
FY 1997 Base Budget	26	6,440

Oil Spill Research *dollars in thousands*									
Comparison by Activity/ Subactivity	FY 1995 Actual		FY 1996		Uncontrollable Changes	Program. Changes	FY 1997 Request		Change from 1996
	FTE	Amount	FTE	Amount	Amount	Amount	FTE	Amount	Amount
Oil Spill Research	26	6,440	26	6,440	0	0	26	6,440	0
Total OSR Requirements	26	6,440	26	6,440	0	0	26	6,440	0

Summary of Requirements

Appropriation All Permanent Special Funds (Payments to States) *dollars in thousands*		
Summary of Base Requirements	FTE	Amount
FY 1996 Enacted to Date	0	511,075
Base Adjustments	0	6,652
FY 1997 Base Budget	0	517,727

All Permanent Special Funds (Payments to States) *dollars in thousands*						
Comparison by Activity/ Subactivity	FY 1995 Actual	FY 1996 Estimate to Date	Uncontrollable Changes	Programmatic Changes	FY 1997 Request	Change from 1996
Permanents						
Mineral Leasing and Associated Payments	473,145	508,329	0	6,580	514,909	6,580
National Forest Fund, Payments to States	2,419	1,861	0	36	1,897	36
Receipts from lands acquired for Flood Control, navigation and allied purposes	1,131	885	0	36	921	36
Total Requirements	476,695	511,075			517,727	6,652

All Appropriations

Justification of Uncontrollable Cost Changes *dollars in thousands*		
Increase/Decrease	1996 Estimate	1997 Change
Buyout Surcharge *(all appropriations, all activities)*	155	-3
Required by the Federal Employment Restructuring Act. An $80 per capita charge (employees on board as of March 31st of each year.		
Rental Payments *(General Support Services)*	10,957	-42
The adjustment is for changes in the costs payable to GSA resulting from changes in rates for office and non-office space.		
Unemployment Compensation	423	314
The adjustment reflects the increased cost at the Department level which is pro-rated to each bureau on a per FTE basis.		
Cost in FY 1997 of the January, 1996 payraise *(all appropriations, all activities)*	0	647
The adjustment is for an additional amount in 1997 to fund a nationwide pay increase effective in January 1995.		
Cost in FY 1997 of the January, 1997 payraise *(all appropriations, all activities)*	0	2,070
The adjustment is for an additional amount in 1997 to fund a nationwide pay increase effective in January 1997. This increase is shown here but is not included in calulations for total adjustments.		
Administrative Streamlining - Executive Order 12837		-916 -10 FTE
The decrease is based on reduction of 10 FTE.		
Total Uncontrollable Cost Changes		0 -10 FTE

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

dollars in millions

14-1917-0-302		FY 1995 Actual	FY 1996 Estimate to Date	FY 1997 Estimate
Program by activities:				
Direct Program:				
00.0101	Outer Continental Shelf Lands	87	80	80
00.0201	Royalty Management	68	70	70
00.0301	General Administration	33	32	33
00.9101	Total direct program	188	182	183
01.0101	Reimbursable program	11	14	14
10.0001	Total obligations	199	196	197
Financing:				
21.4001	Unobligated Balance Available,Start of Year	-11	-5	-5
24.4001	Unobligated Balance Available, End of Year	5	5	5
25.0001	Unobligated balance expiring	4	0	0
39.0001	Budget Authority	197	196	197
Budget Authority:				
Current:				
40.0001	Appropriation..	189	182	183
40.0078	Reduction per PL 103-332	-1	0	0
42.0000	Transferred from other accounts	0	0	0
43.0001	Appropriation (total)	188	182	183
68.0001	Spending authority from offsetting	11	14	14
Relation of obligations to outlays:				
71.0001	Total obligations	199	196	197
72.4001	Obligated balance, start of year	59	66	66
74.4001	Obligated balance, end of year	-66	-66	-82
77.0001	Adjustment in Expired Accounts	0	0	0
87.0001	Outlays (gross)	192	196	181
Adjustments to budget authority and outlays				
Deductions for offsetting collections:				
88.0001	Federal funds	-2	-1	-2
88.4001	Non-Federal sources	-9	-12	-12
88.9001	Total, offsetting collections.	-11	-13	-14
89.0001	Budget authority (net)	186	183	183
90.0001	Outlays (net)	181	183	167

Minerals Management Service
Royalty and Offshore Minerals Management
Object Classification

dollars in millions

14-1917-0-1-302		FY 1995 Actual	FY 1996 Estimate to Date	FY 1997 Estimate
Direct Obligations:				
Personnel compensation				
111.10	Full-time permanent	86	87	88
111.30	Other than full-time permanent	1	1	1
111.50	Other personnel compensation	2	2	2
111.80	Special personal services payments	0	0	0
111.90	Total personnel compensation	89	90	91
112.10	Civilian personnel benefits	18	18	18
113.00	Benefits for former personnel	0	2	2
121.00	Travel and transportation of persons	3	3	3
122.00	Transportation of things	0	0	0
123.10	Rental payments to GSA	10	10	10
123.30	Communications, utilities & misc. charges	2	2	2
124.00	Printing and Reproduction	0	0	0
125.20	Other services	56	46	46
126.00	Supplies and materials	3	3	3
131.00	Equipment	7	7	7
141.00	Grants, subsidies, and contributions	0	0	0
144.00	Refunds	0	0	0
199.00	Subtotal, direct obligations	188	179	180
Reimbursable Obligations:				
211.10	Full-time permanent			
211.30	Other than full-time permanent			
211.50	Other personal compensation			
211.80	Special personal services payments			
212.10	Civilian personnel benefits			
221.00	Travel of Persons			
222.00	Transportation of Things			
223.30	Comm, Utilities & Msc Chrgs.			
225.20	Other services	9	12	12
226.00	Supplies & Materials	0	1	1
231.00	Equipment	2	1	1
299.00	Subtotal, reimbursable obligations	11	14	14
999.90	Total Obligations	199	193	194

Includes Revenue Recs

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

dollars in millions

14-8370-0-302		FY 1995 Actual	FY 1996 Estimate to Date	FY 1997 Estimate
Program by Activities				
Direct Program:				
00.9101	Total direct program	6	6	6
01.0101	Reimbursable program.	0	0	0
10.0001	Total obligations.	6	6	6
Financing:				
21.4001	Unobligated Balance Available, Start of Year	0	1	0
24.4001	Unobligated Balance Available, End of Year	1	0	0
25.0001	Unobligated balance expiring	0	0	0
39.0001	Budget Authority	7	7	6
Budget Authority:				
Current:				
40.0001	Appropriation	6	6	6
43.0001	Appropriation (total)	6	6	6
68.0001	Spending authority from offsetting collections	0	0	0
Relation of obligations to outlays:				
71.0001	Total obligations.	6	6	6
72.4001	Obligated balance, start of year	2	4	4
74.4001	Obligated balance, end of year	-4	-4	-4
87.0001	Outlays (gross)	4	6	6
Adjustments to budget authority and outlays				
Deductions for offsetting collections:				
88.9001	Total, offsetting collections.	0	0	0
89.0001	Budget authority (net)	6	6	6
90.0001	Outlays (net)	4	6	6

Minerals Management Service
Oil Spill Research
Object Classification
dollars in millions

14-8370-0-1-302		FY 1995 Actual	FY 1996 Estimate to Date	FY 1997 Estimate
Direct Obligations:				
Personnel compensation				
111.10	Full-time permanent	2	2	2
111.50	Other personnel compensation	0	0	0
111.90	Total personnel compensation	2	2	2
112.10	Civilian personnel benefits			
113.00	Benefits for former personnel			
121.00	Travel and transportation of persons			
123.30	Communications, utilities and miscellaneous charges			
124.00	Printing and Reproduction			
125.20	Other services	4	4	4
126.00	Supplies and materials			
131.00	Equipment.			
199.00	Subtotal, direct obligations	6	6	6
Reimbursable Obligations:				
225.20	Other services	0	0	0
999.90	Total Obligations	6	6	6

Department of the Interior
Minerals Management Service
All Appropriations
Personnel Summary

dollars in millions

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Direct Funds:			
Full-time equivalent employment	1,916	1,860	1,850
Full-time equivalent of overtime and holiday hours	5	5	5
Reimbursable Funds:			
Full-time equivalent employment	—	—	—
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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
ES-6	3	3	3
ES-5	4	4	4
ES-4	4	4	4
ES-3	2	2	2
ES-2	1	1	1
ES-1	1	1	1
Subtotal	**15**	**15**	**15**
GS-15	70	68	65
GS-14	178	172	168
GS-13	416	403	400
GS-12	516	507	507
GS-11	220	213	213
GS-10	7	7	7
GS-9	66	65	65
GS-8	41	40	40
GS-7	138	132	132
GS-6	109	104	104
GS-5	82	78	78
GS-4	44	42	42
GS-3	6	6	6
GS-2	2	2	2
GS-1	6	6	6
Subtotal	**1,901**	**1,845**	**1,835**
Total employment (actual/projected), end of fiscal year	1,916	1,860	1,850

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.

To achieve its goals for the OCS Lands Program, MMS has developed the following strategies:

- Improve the decisionmaking process through increased internal coordination and involvement of relevant staff.
- Ensure that customers have the opportunity to provide input into the decisionmaking process.
- Recognize and respond to the public's concerns.
- Use modern information tools to ensure timely dissemination of accurate information.
- Streamline operations and simplify processes.
- Maintain a high level of scientific expertise and base decisions on high quality scientific information.
- Issue regulations that focus on results, rather than processes.
- Provide a consistently high level of customer service.

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 15 percent of domestic oil and over 24 percent of domestic natural gas are supplied from the OCS. Over $100 billion in federal revenues have been collected from this program, and further billions have been generated in direct benefits to the national economy. The program also provides jobs for the American economy (according to various studies, ten offshore jobs support between 30 and 37 jobs throughout all segments of the U.S. economy).

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.

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 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.

MMS uses a number of measures to assess outputs, inputs, and various interim products leading up to lease sales and energy production. However, we wanted a comprehensive measure of the Offshore program's overall effectiveness at promoting the exploration of energy resources. The measure we developed for this is:

Number of exploratory wells drilled during the year

This measure reflects the results of many Offshore Minerals Management activities, including environmental studies, coordinating with affected parties, analyzing of scientific data, conducting lease sales, and issuing drilling permits. For 1995, the number of exploratory wells drilled equaled 374. For 1996 and 1997, the estimates are 400 and 420 respectively.

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.

Even though the Offshore Minerals Management organization has been downsizing, the program has expanded its workload and achieved notable accomplishments. A few examples follow.

- Since the creation of MMS in 1982, the Offshore program has increased the number of leases, the amount of acreage, the number of installations and removals, the volume of natural gas and oil (BOE) production it oversees, and increased the number of pipeline miles it permits.

- The rate of oil spills in the past 13 years has been reduced by a factor of eight below the previous 15 years.

- The President's Council on Environmental Quality and the National Association of Environmental Professionals made MMS the first recipient of the Federal Environmental Quality Award (1994) for successfully integrating environmental values into its agency mission and decision-making.

- A Technical Information Management System (TIMS) pilot program was implemented. This system integrates offshore applications and disciplines into a multi-user database — building a new level of sophistication in data interpretation, which will be used for the environmentally sound development of our Nation's offshore mineral resources.

The program is now faced with a number of new challenges. The offshore industry wants to expand operations into deeper and more distant waters. Recently passed public laws call upon MMS to implement expanded responsibilities, — deep water production and marine minerals development. In response to these needs, we are continuing to search for ways to carry out our programs more efficiently and effectively.

Leasing and Environmental Program

Justification of Program and Performance
Analysis by Subactivity
dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Environmental Studies	$	12.845	0	0	12,845	0
	FTE	0	0	0	0	0
Leasing & Environmental Assessment	$	14,122	0	0	14,122	0
	FTE	196	-1	0	195	-1
Total	$	26,967	0	0	26,967	0
	FTE	196	-1	0	195	-1

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.

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 OCS Lands Act (OCSLA), the National Environmental Policy Act (NEPA), 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 has a cooperative program with the Fish and Wildlife Service, EPA, and several Gulf of Mexico (GOM) States and industry to assess air quality impacts from OCS activities on the Breton National Wildlife Refuge (NWR) located in the GOM. Likewise, MMS has worked with National Marine Fisheries Service (NMFS) and industry to develop reasonable safeguards for endangered turtles during removal of platforms in the GOM. 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, and the Department of Commerce for its evaluation for Alaska North Slope oil exports.

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 OCSLA 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 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 1,225 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 GOM, the Pacific, and Alaska Regions. (See discussion below.)

In addition, the ESP plays a vital role in ensuring that MMS actions and decisions are in compliance with the 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.

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.

ESPIS On-Line Access

The Environmental Studies Program Information System (ESPIS) is now available on the Internet at http:// www. mms.gov/espis. The initial environmental studies files in ESPIS became available for Internet access in the fall of 1995. Users can perform text search and document retrieval on approximately 700 technical summaries of MMS-sponsored environmental research. More research files and user applications are slated for FY 1996 and FY 1997.

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 GOM by Florida State 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 West Florida, the University of Texas, the University of California at Santa Barbara, and the State of Alaska are conducting various socioeconomic studies.

In 1994, MMS transferred $4.5 million of the ESP base to the National Biological Service to conduct biological research to meet MMS information needs. In FY 1996, the National Biological Service was restructured under the U.S. Geological Survey (USGS) as the Natural Resource Science Agency (NBS/NRSA). MMS has intensified its efforts to interact with NBS/NRSA. In order to continually ensure that NBS/NRSA's marine research provides both timely and appropriately targeted data, cooperation and communication must be both frequent and effective. However, MMS is concerned that the budget difficulties faced by the NBS/NRSA may have a significant and negative effect on the level of biological support it may receive from that agency in fiscal year 1997 and beyond. If the NBS/NRSA budget is held level at the reduced fiscal year 1996 level, then it appears highly likely that new marine ecosystems research important for natural gas development decisions on the OCS of the northeast Gulf of Mexico will not be conducted as planned. A similar concern exist for marine mammal and sea bird survey information needed for operational decisions off southern California. In keeping with the desire to control costs and minimize duplication of Federal programs, MMS continues its close coordination with the USGS. MMS and 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 that are best qualified to provide the information in a manner that 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. MMS has several ongoing efforts with the 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 GOM. MMS supports meteorological data buoys off the Pacific and GOM 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) 1997:

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 1997 will continue to emphasize collection of scientific information to assist management decisions for safe and environmentally sound production activities in the GOM. The CMI at LSU will complete its fifth year of operation, providing MMS with focused research on OCS 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 on 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 and the Gulf of Alaska 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. With industry interest in the Beaufort Sea more investigations may need to be initiated on socio-economic effects on Inuit communities on the North Slope. MMS conducts syntheses meetings and workshops to provide public information to help reduce OCS conflicts.

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/NRSA for the MMS OCS Program will include important new efforts on marine biological communities and the continuation of several other projects, mostly in the GOM.

The FY 1997 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.

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 GOM, and to investigate more fully the social and economic effects of OCS activities on local communities, both in the GOM and in Southern California. Additional work on the long-term cumulative effects of offshore activities on marine ecosystems continues in the GOM, and Southern California. As industry looks more to deepwater opportunities in the GOM, MMS needs to conduct more studies on potential environmental impacts in the area. 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 OCS Oil and Gas Leasing Program (5-Year Plan) and all lease sales, the Regulatory Program, the Resource Evaluation Program, including the geologic & geophysical permitting process, and sand and gravel 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 the NBS/NRSA and the USGS 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 CMIs 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 the USGS and the NBS/NRSA 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 CMIs

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 Minerals Management Advisory Board's OCS 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, for oil and gas and sand and gravel.)

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 abandonment projects (platforms, structures, pipelines, and lease relinquishments)
- 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 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 (EAs) 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 EAs are brief analytical documents requiring about 2 weeks of staff time to prepare.

Categorical Exclusion Reviews (CERs) 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. CERs are very brief documents, requiring less than 1 week of staff time.

MMS prepares **Environmental Impact Statements (EISs)** 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 GOM. About 15 analysts in the GOM Region, with additional staff support, prepare a lease sale EIS (draft and final) in approximately 20 months. Lease sale EISs in the Alaska Region require about 30 months to prepare. EISs 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. In FY 1996 and FY 1997, MMS will implement approaches to simplify EISs and will attempt to prepare only 2 EISs to cover all sales in the Western and Central GOM. Depending on interest expressed by the coastal States, MMS may need to prepare or continue work on up to 3 EISs for sand and gravel activities in 1997.

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 Workload			
	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Environmental Assessments	147	152	164
Categorical Exclusion Reviews	1,146	1,180	1,210
Environmental reports & Information Reviews	328	350	370
Air Quality Reviews	1,271	1,290	1,320
Archeology Reviews	672	680	690
Biological Reviews	41	40	50
Oil Spill Reviews	889	910	930
Oil Spill Risk Analysis Modeling & OPA 90 Support to USGS	4	4	5
Section 7 ESA Consultations	6	10	10
Draft EISs in Preparation	5	5	4
Final EISs in Preparation	3	5	4
Federal Agency Coordination	1,168	1,310	1,410
State/Local Coordination	1,324	1,460	1,600
Public Consultation	2,375	2,660	2,860

Environmental Assessments. EAs were prepared primarily for oil and gas industry proposals in the GOM and the Pacific region. Aging offshore gas/oil platforms in the GOM will continue to be removed. EAs are prepared and mitigation developed when platforms are removed with explosives that have the potential to harm marine turtles or marine mammals. In response to its new responsibilities, MMS has reviewed, amended or prepared several EAs for sand and gravel projects on the Atlantic coast.

Categorical Exclusion Reviews. MMS prepares CERs to review industry activity that historically had little potential for significant environmental effects. This includes most exploration and development plans in the GOM 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). Typically, over 1,000 CERs are prepared annually by MMS. CERs are done for platform removals in the GOM, that do not use explosives for removal.

Environmental Reports/Informational Reviews/Other Reviews. During FY 1995, MMS reviewed industry plans of exploration, development, and production, in addition to Development Operations Coordination Documents (DOCDs) from States with coastal zone management programs in the GOM. 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.

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 1995, MMS published research on comparative spill occurrence rates for large spills from platforms, pipelines, tankers, and barges. In FY 1996, MMS published a paper comparing spill data sets collected by USGS and MMS. MMS will continue to collect data and update information on large spill occurrences.

In FY 1995, MMS performed analyses for Gulf of Alaska/Yakutat Sale 158. In FY 1996, analyses were performed for GOM Lease Sales 166 and 168, and Beaufort Sea Sale 144. In FY 1997, analyses will be performed for the next Central and Western GOM sales. Also, at least one oil spill risk analysis is likely to be performed to support a Development and Production Plan submitted for the Eastern GOM.

Support to Department of Commerce (DOC). Due to MMS expertise in oil spill modeling, the DOC has asked MMS for assistance. In FY 1996, MMS spill occurrence estimates and trajectory analysis were used in the DOC's environmental review of the exporting of Alaska North Slope oil,

Draft EISs. In FY 1996, MMS staff prepared draft EISs for proposed lease sales in the GOM and Alaska Regions. 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. MMS is now utilizing "native traditional knowledge" as another important source of information in the development of its NEPA documents.

Final EISs. 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 1996, MMS prepared final EISs for lease sales in the GOM Region, Alaska, and for the 1997-2002 5-Year Plan.

Interagency Coordination. Annually, MMS holds hundreds of formal and informal meetings with other federal agencies to coordinate work where activities and jurisdiction overlapped. MMS and the Environmental Protection Agency continue to carry out agreements whereby the two agencies cooperate in the preparation of EISs for proposed lease sales in the GOM and Alaska Regions. During this period, MMS will coordinate with 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. Both formal and informal consultations are conducted for both leasing decisions and postlease regulatory actions in the GOM, Pacific, and Alaska Regions.

MMS also consults with the DOC on activities affecting designated National Marine Sanctuaries (NMS). This includes any activity near the Flower Gardens NMS in the GOM, the Channel Islands NMS off California, and the U.S.S. Monitor NMS off North Carolina.

Federal-State/Local Coordination. To understand issues of concern to the States, MMS holds hundreds of formal and informal meetings with State and local agencies in Alaska, California, and several Gulf and Atlantic 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 continued increases in level of effort is anticipated. The level of coordination with State agencies and local governments in Alaska remains 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 EISs, postlease assessments, and the collection and dissemination of environmental information.

Planning And Review. Planning and review for the 1997-2002 OCS Program has increased the level of effort by headquarters and the Regions in FY 1996. In FY 1995, as required by OCSLA Section 20(e), MMS completed the Cumulative Effects Report on OCS activities covering 1987 through 1991. MMS is now preparing the next report covering the period 1992 through 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.

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 NEPA, 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.

Work continues in response to issues concerning Naturally Occurring Radioactive Materials (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 GOM 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.

The Environmental Program staff continues 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 and hazardous materials 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 and Coast Guard oil pollution control/recovery. 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 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 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. The draft proposed program for 1997-2002 was issued in August 1995 and the proposed program was issued in February 1996. The proposed final program is scheduled to be issued in late summer 1996. After program approval, the OCSLA requires that the Secretary review the leasing program at least once each year.

Key Steps in the 5-Year Program Development Process

	FY 1995 Actual	FY 1996 Planned	FY 1997 Planned
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			■

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 1996	FY 1997	FY 1998	FY 1999	FY 2000
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			■		
170 - Beaufort Sea			■		
Central GOM				■	
Western GOM				■	
173 - Cook Inlet/Shelikes Strait				■	
176 - Beaufort Sea					■
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 GOM, 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. No IBRs are scheduled in 1996 or 1997.

- **Call for Information and Nominations and Notice of Intent (Call/NOI) to Prepare an 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 GOM sales each year.

- **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. One PAAM and Area ID is prepared each year for the Central and Western GOM sales. Two PAAMs are scheduled in Alaska in FY 1997.

- **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 GOM, two PNSs are prepared each year, one for a Central and one for a Western Gulf Sale. Two PNSs are scheduled for 1997 in the GOM.

- **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 , one such letter is prepared for the proposal Notice for each sale.

- **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 draft EIS. One set (in multiple cities) are held each year in the Gulf of Mexico for Central and Western Gulf sales. In Alaska, one set of hearings/meetings will be held for sale 170 in 1997.

- **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 CDs 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, four CDs will be prepared in 1997. In Alaska, two CDs will be prepared in 1997, one each for Sales 158 and 170.

- **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 GOM, four letters are prepared each year for Central Gulf sales, and two letters for Western Gulf sales. In Alaska, one letter will be prepared, one each for Sale 158 in 1997.

- **Final Notice of Sale (FNS).** A minimum of thirty days before a Sale is held, an 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 GOM, two FNSs are produced each year, one for the Central Gulf sale and one for the Western Gulf sale. In Alaska, one FNS will be prepared in 1997, for Sale 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 GOM, one in the Central Gulf and one in the Western Gulf. One sale will be held in Alaska in 1997, Sale 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 was 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 1995, the GOM Region had 5,185 active leases. An increase in the number of operators and an active assignment market 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.

Ongoing Workload			
	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Active Leases	5,243	5,340	5,485
Assignments	2,510	2,675	2,885
New Companies Qualifying	71	80	87
Qualification Updates	439	485	513
Lease/Pipeline Relinquishments	355	306	333
Lease/Pipeline Cancellations/Expirations	520	550	580
Surety Bonds	170	204	254
Supplemental Bonds	66	81	82
Non-required Filings	2,309	2,520	2,730
Customer Calls for Information/Assistance	11,111	11,100	11,190
Customer Visits	2,903	2,955	3,035
Surety Bond Cancellations/Replacements	134	155	181

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 Cancellation/Expiration. A lease that fails to meet or maintain required activity is cancelled 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 filing with 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 1997 resulting from an increase in the number of operators and increased interest in offshore leasing. A computerized assignment tracking system will allow quicker handling of customer questions.

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 1997 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 1995 Estimate	FY 1996 Estimate	FY 1997 Estimate
Protraction Diagrams			
NAD 27	42	0	0
NAD 83	52	100	150
Official Block Diagrams			
NAD 27 State Seaward BDY and Limit of 8(g) Zone	0	0	0
**Block BDY Blocks	0	0	0
NAD 83 State Seaward BDY and Limit of 8(g) Zone	802	750	900
**Block & BDY Blocks	619	550	750
Special Block Diagrams	0	150	300
Data Base Development	4 FTE	4 FTE	4 FTE

Ongoing Workloads			
	FY 1995 Estimate	FY 1996 Estimate	FY 1997 Estimate
Baseline Point Development	7,000	10,000	4,000
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 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 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 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, 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 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 currently has four subcommittees which address legislative, mineral, moratoria, and regional issues. The subcommittees are:

- the OCS Legislative subcommittee;
- the Hard Minerals subcommittee;
- the Subcommittee on Environmental Information for Select OCS Areas Under Moratoria; 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.

Resource Evaluation Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Resource Evaluation Program	$	16,382	0	0	16,382	0
	FTE	207	-1	0	206	-1

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 OCSLA. Current proved reserves of approximately 3 billion barrels of oil and more than 30 trillion cubic feet of natural gas will produce several billion dollars in future royalty payments. Additionally, significant quanties of undiscovered crude oil and natural gas resources are thought to exist on portions of the OCS which could help meet the future natural gas and crude oil needs of the Nation as well as providing billions of dollars to the US 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 support personnel in regional MMS offices who (like industry counterparts) gather and analyze data and information pertinent to the

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).

continued on next page

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 USGS, 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 are 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.)

- ✓ 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 OCSLA 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.
- ✓ Improve partnership efforts with coastal States in identifing and evaluating Federal OCS non-energy mineral resources with a focus on sand for shoreline protection, beach and barrier island restoration, and wetlands protection; fully implement P.L. 103-426.
- ✓ Provide technical support to the Department of State develop mechanisms for cooperation with counterpart agencies in foreign countries, and respond to invitations to provide technical assistance on a cost reimbursable basis.
- ✓ Develop procedures and regulations for processing and implementing the royalty suspension provisions of the OCS Deep water Royalty relief Act, Pub. L. 104-58.

RE functions utilize proprietary geological and geophysical data and information gathered by private companies on unleased and leased lands and have the capability to integrate these data and information with existing data and information. Hence, 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 FMV determinations. Such models and 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 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.

Legislative Initiatives. The OCS Deep Water Royalty Relief Act (P.L. 104-58, November 28, 1995) amended the OCSLA to mandate the use of a new bidding system that provides for royalty volume suspensions for new leases. Any lease sale held before November 28, 2000, must use the new bidding system for all tracts located in water depths of 200 meters or more in the GOM west of 87 degrees, 20 minutes West longitude. The statute also provides for royalty suspensions on existing leases in the same area after submission of an application and a determination that new production would be uneconomic from such leases or unit without royalty relief.

P.L. 104-58 has generated a high level of industry interest. Because of this interest and because of the complexity of this legislation, successfully implementing its provisions will greatly expand MMS's workload. Because, the Act suspends royalty payments until significant amounts of oil and gas have been produced, this means that, unlike other OCS leases, the major share of the revenue stream from Deep Water leases must be captured at the front end. Therefore, the level of U.S. Government revenues depends heavily on the timely and accurate determination of the FMV.

Technical Information Management System (TIMS) Activities The MMS has been able to incorporate 3-D seismic data as an integral component of the 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 is now acquiring 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 utilizes the interactive evaluation of tracts using workstations acquired through the Geologic Interpretive Tools (GIT) project. Concurrently, MMS will convert or selectively repurchase our existing 1,400,000+ miles of paper 2-D seismic information and, through a contractual arrangement, 100,000+ paper well logs, in the GOM alone, into a form usable by these computer-based workstations.

The MMS has begun a major effort to integrate historical interpretations into the TIMS database. This includes 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 has also begun to 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			
	1995 Actual	1996 Estimate	1997 Estimate
G&G Permits Processed and Approved	125	150	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	1995 Actual	1996 Estimate	1997 Estimate
2-D (line-miles)	9,960	9,900	9,900
3-D (blocks)	1,825	2,000	2,200

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 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 1995, 64 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 (31 percent) and the Pacific (4 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). In FY 1995, 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 1996 and later years as full-scale implementation in the GOM Region proceeds and GIT begins to be implemented in the other regions. 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 has become 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 1996 and FY 1997, resource assessment activities will be focused primarily on those tasks necessary to complete and publish data and information resulting from the MMS National Assessment and utilize this information in other MMS program areas. 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 variety of 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 1996, resources estimates were developed for the 1997-2002 Comprehensive Program — 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 1997 will support similar analyses and decisions for specific sales being considered in FY 1998 and FY 1999. 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 models, and other similar special issues.

5. *Resource Economic Studies*

Ongoing Workload Number			
	1995 Actual	1996 Estimate	1997 Estimate
Sale related (E&D reports, NEPA and other decision documents, bidding system design, cost estimates and price forecasts)	4	6	4
Special Studies	20	30	30
Royalty Relief Requests Completed	4	20	30

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 suspensions and minimum bid levels). Other analyses provide information for Exploration and Development (E&D) reports and decision documents as well as the economic guidelines (price 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. In FY 1996, IMODEL was used to develop sale designs related to implementation of the OCS Deep Water Royalty Relief Act and its effect on lease terms and conditions on the pace of leasing and the amounts paid for leases.

In FY 1995, sale related studies supported two GOM lease sales as well as bonus revenue estimates. In FY 1996 and FY 1997, 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 1995, RE conducted special studies addressing proposed legislation on issues like royalty relief for development of deepwater prospects and barriers to the export of Alaskan North Slope crude and buybacks of leases in environmentally sensitive areas. Analyses of alternative leasing strategies, relationship of pre-exploration probabilities to actual production, rates of return from OCS development, incentives to make marginal prospects in the GOM attractive to develop, and the sale of offshore revenue streams contributed to the workload in FY 1996.

These studies resulted in regulations to allow the use of fixed or sliding-scale royalty rates lower than 1/8 or the use of royalty suspensions in bidding for OCS tracts as mandated in the OCS Deep Water Relief Act. The regulations should enable MMS to make marginal tracts available for leasing with more attractive terms while still ensuring the receipt of FMV.

The FY 1996 efforts will include pursuing rental and royalty suspension options and updating cost data in support of MMS tract evaluation responsibilities. In FY 1997, RE will focus its special studies on topics of stimulating leasing and drilling of new tracts, encouraging production from active leases, and analytical support for the Comprehensive Program.

Royalty Relief Requests. The OCS Deep Water Royalty Relief Act provides for royalty volume suspensions on active leases in the GOM after submission of an application and a determination that new production would be uneconomic from such lease or unit without royalty relief. The MMS is developing the application process and models to evaluate such applications. In addition, in December 1995, MMS issued interim guidelines to streamline and simplify the royalty relief application process for offshore producers to provide the appropriate financial incentives for marginal prospects, with efforts focused on deepwater, high-cost, enhanced recovery, and end-of-life needs. The goal of the statute and interim guidelines is to raise the level of natural gas and oil investment, production, and employment on the OCS. Royalty relief requests have increasingly commanded more and more staff resources. Four requests were completed in FY 1995. Requests for FY 1996 and 1997 should increase dramatically, because of the statute and new guidelines issued in FY 1996. However, the number of applications that can be actually processed will be limited somewhat through the promulgation of regulations to collect fees for processing royalty relief requests.

6. Tract Evaluation

Ongoing Workload
Number

	1995 Actual	1996 Estimate	1997 Estimate
Total Tracts Evaluated	863	1,000	800
Phase 2 Bid Adequacy Determinations	383	500	400
Appeal of Bid Rejections	4	10	8

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 OCSLA. 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. The first phase of this effort is complete but official use of the new model has been delayed by modifications required by the OCS Deep Water Royalty Relief Act. Acquisition of these data were completed in conjunction with the National Assessment to the limit imposed by in-house sources. Non-public data still needs to be accessed.

FY 1995 was a year of increased bidding activity in the GOM. More than 380 tracts received a full scale (MONTCAR) evaluation. The high bids on 23 tracts were rejected, and on four of these tracts the high bidders appealed their rejected offers. Because of the passage of the OCS Deep Water Relief Act more tracts are expected to receive bids in the two GOM lease sales to be held in FY 1996. In addition to the two GOM sales, sales are scheduled in the Cook Inlet/Gulf of Alaska and the Beaufort Sea of Alaska, 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 to see if any improvements could be identified to obtain better returns for the Nation from the leasing of OCS resources. As a result, the MONTCAR cost input file was revised in FY 1995 and the 3-bid rule was eliminated in Phase 1 in FY 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 582 of 876 fields proved, 133 of which have been depleted and abandoned. There are an additional 77 unproved active fields with no existing detailed mapping which is required to produce accurate reserves estimates. The workload for FY 1996 and FY 1997 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 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 1995, 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 1996 and FY 1997 between MMS, the California State Lands Commission, and private industry. A joint cooperative effort was launched in FY 1993 and continues in FY 1996 and FY 1997. This effort is aimed at maximizing recovery of oil and natural gas from a joint 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, geologic, and engineering studies.

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 OCSLA 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 GOM Oil and Gas Atlas Series will provide very important and significant information to the operators in the GOM as the series will focus on producing reservoirs, plays, and tie the geology together. Vol. I will be out in March 1996 and Vol. II in March 1997. 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 gives 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 OCSLA, RE prepares an 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.

Reports associated with the National Assessment as well as individual regional reports 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 U.S. 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 provide abridged technical information that is needed and is used in lieu of responding to individual requests on a regional basis.

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, or sulphur, interest in OCS sand and gravel resources has been dominant and steadily increasing. Demand for OCS sand and gravel is rising 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.

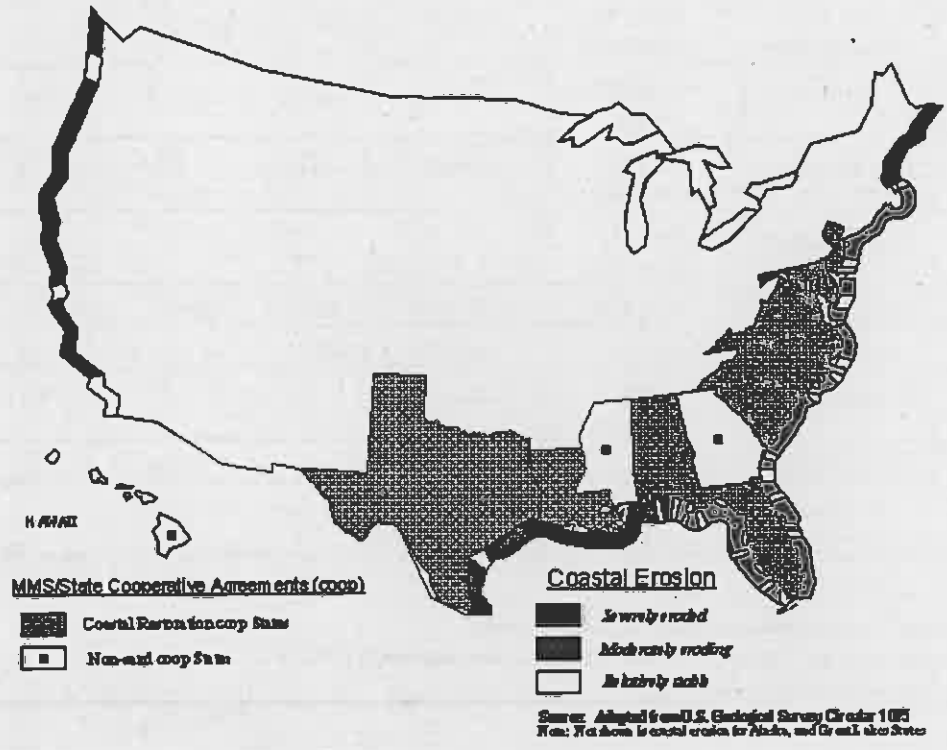
State/Federal Cooperation

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 1996 began, the MMS was involved in thirteen cooperative arrangements with coastal 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), USGS), 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 and Coastal Erosion Map



For the past 5 years, MMS has investigated 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 also dealt with the following:

State/Federal Cooperative Arrangements							
Involved State	Project Description	Other Government Agency Involved	1995 Actual Cost		1996 Estimated Cost		Extended in 1997
			MMS	Other	MMS	Other	
ME, VT, NH MA, CT, RI	Aggregate Study	BOM*** USGS	$2,000	$0	$0	$0	No**
NJ	Restoration	ACOE	56,000	56,000	85,000	85,000	Yes
DE	Restoration	ACOE	70,000	84,940	0	0	Yes
MD	Restoration	ACOE	54,000	47,900	0	0	Yes
VA	Restoration	ACOE	0	0	50,000	25,000	Yes

State/Federal Cooperative Arrangements							
Involved State	Project Description	Other Government Agency Involved	1995 Actual Cost		1996 Estimated Cost		Extended in 1997
			MMS	Other	MMS	Other	
NC	Restoration	ACOE USGS	80,000	52,755	0	0	Yes
SC	Restoration	ACOE USGS	70,450	31,215	0	0	Yes
GA	Phosphorite	BOM*** USGS	0	0	0	0	Yes
AL	Restoration	ACOE	57,454	57,840	70,000	70,000	Yes
MS	Restoration	ACOE	40,000	46,670	0	0	Yes
LA	Restoration	ACOE USGS	32,637	0	0	0	Yes
TX	Restoration	ACOE	0	0	0	0	Yes
HI	Manganese Crust	BOM*** USGS	29,370	0	0	0	Yes
FL	Restoration	TBD	0	0	95,000	96,420	Yes

** Not currently under the auspices of a cooperative arrangement.*
*** One or two States may opt for separate, new cooperative arrangement in FY 96.*
**** Until agency was abolished in 1996.*

- Existing information on the environmental effects of marine mineral development;
- Impacts of dredging on bottom dwelling organisms (expected completion in FY 1996);
- Environmental impacts of shallow placer mining;
- Impacts to benthic organisms associated with manganese crust mining;
- 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 resource areas offshore Virginia and Florida will be initiated. Socio-economic studies relating to marine mineral development have been recommended by an independent advisory body to MMS. Such studies will be considered for FY 1997. The closure of the Bureau of Mines in FY 1996 also resulted in the transfer of the Marine Minerals Technology Centers of the Mineral Institutes program to the MMS.

Oversight of obligated contracts, coordination of MMTC work with MMS programs, and the orderly phase out of the MMTC program, as provided by law, will be the responsibility of the the MMS Marine Minerals Program into FY 1997.

In FY 1995 and 1996 the MMS Marine Minerals Program dealt with requests for negotiated agreements involving the States of South Carolina, Florida, Louisiana, the Navy, and a private company in New Jersey.

The first negotiated agreement to be consummated involved the City of Jacksonville, Florida and a beach restoration project that used 1.24 million cubic yards of Federal offshore sand from about 7 miles off the coast of Jacksonville. The negotiated lease was issued in the spring of 1995. Negotiations with Louisiana, South Carolina and the Navy should be concluded in FY 1996. All three requests pertain to the use of Federal sand to restore badly eroded beaches or barrier islands. Following the MMS decision not to negotiate an agreement with a private company in New Jersey, the company made a formal request to MMS for a lease sale for sand resources.

Pending the availability of funds in FY 1997, the MMS is scheduled to continue cooperative work with ten coastal States which is expected to result in requests for access to Federal OCS sand for shore protection projects. As many as four requests for negotiated agreements are anticipated. The MMS could also receive several petitions for new or redirected task force efforts involving Atlantic or Gulf coast States. As a result of prior years work, MMS will be responsible for initiating or continuing preparation of one to three environmental impact documents, conducting public hearings, and will be overseeing or participating in as many as six marine minerals related environmental studies. These various demands on the program will be balanced against available resources.

The following factors will continue to increase the demand for OCS aggregate resources and increase the MMS Marine Minerals Program workload in FY 1997:

- 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 in coastal areas.

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 1996, the MMS provided technical support to the Department of State on a variety of issues of interest to the MMS. MMS involvement in most of these efforts is expected to continue into FY 1997. Among the topics were:

- Arctic Council, Arctic Environmental Protection Strategy, and U.S. Arctic policy. MMS expected to assist working groups dealing with Arctic monitoring and assessment, conservation of biota, emergency response measures and environmental protection. This would include a significant role in developing guidelines for the Arctic Council for Arctic oil and gas operations at the request of the State Department.

- Convention on the Law of the Sea (LOS). MMS monitored and prepared recommendations on LOS issues in preparation for Senate advice and consent.

- London Convention '72. MMS assisted in the development of preliminary environmental guidelines concerning discharges from offshore oil and gas rigs.

- Jurisdictional questions involving U.S./Mexican international boundary areas in the western Gulf of Mexico.

- United Nations sponsored conference on Protection of the Marine Environment from Land Based Activities. MMS conducted a joint seminar with NOAA on oil spill response.

- MMS technical assistance was also offered to the Department of Energy in connection with proposals emerging from the Gore-Chernomyrdin Commission. MMS also coordinated its Russian activities under the Environment, Science and Technology committee of the Commission.

The Department of State is expected to seek MMS assistance on new and other related technical issues e.g. legislative recommendations for implementing the LOS Convention in FY 1997. Typically, assistance covers some 10-20 subject areas annually.

Exchange of Scientific Information:

In FY 1996 the cooperative research programs and scientific information exchange continued with Australia, Canada, Indonesia, Norway, Russia, the United Kingdom and Venezuela in the areas of oil spill cleanup and prevention, operational risk assessment, and environmental impact assessment. An oil spill response workshop in India was under development and MMS agreed to pursue support for a third annex to its existing Memorandum of Understanding (MOU) with Russia's ROSKOMNEDRA. This annex pertains to technical, environmental and economic problems involving mineral development. MMS also participated in meetings of the Western Hemisphere Oil and Gas Environmental Forum to discuss topics of mutual concern. Some fifteen national and multinational oil companies doing business in Latin America were in attendance. The meeting resulted in an MMS/U.S. industry proposal to develop regional or Western Hemisphere guidelines for environmentally safe operations.

The research and exchange programs instituted through MOU's and other mechanisms are intended to continue through and beyond FY 1997 and to adapt to changing needs and issues. A potential new exchange initiative could involve Brazil and deep water production technology.

Cost Reimbursable Technical Assistance:

In FY 1996, cost reimbursable technical assistance was implemented on several fronts for Russia. One involved training in the methods for conveying mineral exploration and development rights while the other pertained to the development of environmental regulations and guidelines for oil and gas development in the Russian Arctic and offshore areas. The latter project is a tripartite proposal involving Texas A & M University, ROSKOMNEDRA, and the MMS that is expected to continue through FY 1997. MMS will participate only if our services are reimbursed. A conference on management of mineral resources in Eastern Europe was also under development in Hungary for FY 1996. Other reimbursable initiatives for FY 1997 could involve Latin America and/or Egypt.

Regulatory Program

Justification of Program and Performance
Analysis by Subactivity
dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Regulation of Operations	$	31,808	0	0	31,808	0
	FTE	327	-2	0	325	-2
Technology Assessment & Research	$	885	0	0	885	0
	FTE	0	0	0	0	0
Oil and Gas Information	$	766	0	0	766	0
	FTE	13	0	0	13	0
Total	$	32,849	0	0	32,849	0
	FTE	340	-2	0	338	-2

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).

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 impacts resulting from offshore oil and gas exploration, development, production, and transportation activities.

The Regulatory Program subactivity 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 three elements: 1) Oil Spill Research, 2) Financial Responsibility, and 3) oil spill prevention and response planning.

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 and development and production plans for energy and non-energy minerals.

Background and Facts

The following information provides a context for the MMS offshore postlease program. This information is based largely on calendar year 1994, for which the most complete data is available.

- ✓ Crude oil royalties in 1994 amounted to $0.8 billion (369 million barrels)
- ✓ Natural gas royalties in 1994 amounted to $1.5 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.
- ✓ 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 1994, more than 75 percent of total Federal and Indian mineral lease collections came from the OCS.

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 129 in 1994 a doubling 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 doubling 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 15 percent and over 24 percent of total U.S. oil and natural gas production, respectively. There were 845 new well starts on the OCS in 1994, a 6-percent increase over 1993.

In addition, there are about 3,800 production facilities on the OCS, many of which are approaching or have already exceeded their originally estimated productive life. Installation of production facilities averaged 151 per year in the last decade, and the number of removals per year almost tripled from 68 in 1985 to 179 in 1993, before dropping to 90 in 1994. The number of removals actually exceeded installations in 1992 and 1993. With this increase in activity, MMS conducted over 12,000 inspections of offshore facilities (see Inspection and Enforcement Program) and issued more than 4,000 citations for regulatory noncompliance in 1994.

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;
- 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;
- clarifying requirements pertaining to production measurement and 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 subsalt plays (previously undiscovered oil underlying subsea salt wedges) and deepwater reservoirs (greater than 200 meters). The May 1995 lease sale (152) in the central Gulf of Mexico demonstrates the renewed interest in the area. Lease sale 152 attracted 880 bids on 588 tracts. This is the fourth highest number of bids received in 41 Central Gulf of Mexico sales; it also ranks fourth in total number of blocks receiving bids. Accepted bonus bids totaled $303 million.

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 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 area with enormous potential, and highly-concentrated producing areas entering a state 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)*	2.3	1.46	0	3.76
Natural Gas Reserves *(Tcf)*	29.0	2.18	0	31.18
Operational Activities through 12/31/94				
Wells Drilled	31,339	1,099	81	32,519
Active Leases	4,817	85	346	5,248
Producing Leases	1,550	43	0	1,593
Production Facilities	3,806	23	0	3,829
Pipelines Installed *(miles)*	21,827	186	0	22,013
Production 1994				
Crude Oil *(bbl)*	312,244,843	58,244,162	0	370,489,005
Natural Gas *(Mcf)**	4,615,338,765	41,679,064	0	4,657,017,829
Sulfur *(short tons)*	2,610,055	4,392	0	2,614,447
Revenue 1954-94				
Bonus Bids	$43,461,145,453	$3,951,657,024	$6,352,309,228	$56,710,802,852
Royalties	$48,226,566,372	$1,671,041,529	0	$49,897,607,901

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

** Marketed production*

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

The Regulatory Program activities in the Alaska OCS Region include providing considerable input and assistance in the region's OCS leasing activities, including numerous trips and meetings in rural Alaskan communities to discuss the MMS regulatory program and citizen concerns. Additional Regional activities

include:

- Renewed exploratory drilling operations which are contingent upon the results from OCS lease Sales 149 Cook Inlet and 144 Beaufort Sea.
- Increased operational commitments associated with the development of the Joint Federal/State of Alaska Northstar unit in the Beaufort Sea, Alaska.
- 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 the new OPA rules for financial responsibility and for prevention of offshore oil spills and hazardous materials.
- Continued coordination with Russian counterparts assisting in the development of their offshore leasing and operations programs.

Gulf of Mexico OCS

Deepwater Development

The MMS continues to place emphasis on deepwater development issues. The Region is working with industry on evaluating emerging technologies for use in deep water. MMS personnel are working closely with the industry's DeepStar Research Project (which brings together 16 oil and gas companies, and over 40 vendors of services and equipment) 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

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. Some small operators may be 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. Inspection sampling will be utilized where feasible to assure efficient and effective use of inspection personnel and resources.

End-of-Lease Supplemental Bonding

MMS requires supplemental bonds from offshore operators to protect the Federal government from incurring costs involved with certain end-of-lease obligations. 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. Such evaluations by MMS engineers and geologists involves considerable staff time 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 140 supplemental bonds (U.S. Treasury securities or third-party surety bonds) were either in effect or under consideration in FY 1996. In FY 1997, MMS anticipates a significant increase in supplemental bonds as we move into company-specific reviews, in addition to those bonds required on an individual lease assignment basis.

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 has developed 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 and 1997 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 be finalizing a series of joint studies of the Carpinteria Offshore Field and Rocky Point 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 1997, 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 1997, 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 MMS 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 were damaged. 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, only about 500 barrels of oil were spilled.

MMS requires that operators carry out exploration and development in the OCS in an environmentally-sound manner. The 1994 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.

The maintenance of adequate surety bond levels for end-of-lease responsibilities is also important. Proper implementation of these requirements is essential if the Federal government is to avoid financial liablity for substantial end-of-lease 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 1996, the API is conducting the second in a series of surveys of 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 1996, the MMS will continue to 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 1997, MMS intends to begin participating with selected companies in their SEMP audit program.

During FY 1997, 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, 1995 and 1996 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. In late FY 1996, the MMS will decide 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. With deepwater production, imports could potentially be held at current levels or even reduced through the early part of the next century. Recent studies have concluded that an active exploration and development program in the deepwater Gulf of Mexico could create as many as 100,000 new high-paying jobs, with some 70,000 of these sustained beyond 25 years.

With the passage of the Deepwater Royalty Relief Act (P.L. 104-58), MMS expects that OCS lessees will accelerate deepwater field development activities. That means that the already high level of deepwater development will increase, causing an increase in MMS's regulatory duties. As discussed below, MMS will begin to require the submittal of a Deepwater Operations Plan for deepwater and subsea development projects.

MMS Involvement in Advancing Deepwater Development

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

The MMS will continue to work with the DeepStar regulatory issues committee in Phase III of the project. This committee examines regulatory issues related to deepwater production and long offset subsea systems. New issues include:

- requirements for deepwater operations plans;
- increased use of tension-leg spar platforms;
- conservation issues;
- new technology and potential problems: and
- royalty relief.

The MMS Deepwater workgroup independently evaluated regulatory issues raised both within and outside of MMS participation in Phase II of the DeepStar project. The workgroup issued a final report in April 1995.

The reports 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;
- hazards analyses; and
- conservation issues.

The Gulf of Mexico OCS Region is finalizing guidelines for the preparation and submittal of a deepwater operations plan.

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.

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 Tust Fund (*see Oil Spill Research*). All oil spill response research, some spill prevention research, and some response planning activities are funded through the trust fund. 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 (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 and a Memorandum of Agreement with California have already been executed. MMS is working on MOU's with Louisiana and Alaska. MMS is also working to strengthen state programs, in an effort to minimize MMS regulation of State water activities.

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 continue to cooperate in the implementation of nationwide guidelines for spill response drills - the National Preparedness for Response Exercise Program (PREP).

- The EPA, MMS, Coast Guard, RSPA, and private industry are working together to create integrated contingency plan (ICP) guidance that would allow facilities to write one response plan that would meet all Federal contingency planning requirements.

- 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.

MMS Training Programs

The MMS administers two training programs. One is a regulatory certification program focused on ensuring that offshore industry personnel are adequately trained in drilling, well-completion, well workover and well servicing, well control operations, and production safety systems. The other is an inspector training program which seeks to continuously improve the MMS inspection workforce. The certification of industry schools is implemented by reviewing and certifying school curricula and documents, and conducting on-site evaluation and audits of classes by MMS personnel. The MMS inspector training program has recently been developed and focuses on assuring that the inspection workforce is adequately trained for their current job and that they are evolving from a technical series to a broader-based 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 error 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 in a safe and pollution free manner by well-trained personnel. The MMS program has gained worldwide recognition as a model program, and many States with either onshore or offshore industry operations, require training at MMS certified schools. Many foreign countries also have adopted MMS-certification as a standard.

Current Subpart "O" training regulations provide very detailed, prescriptive based requirements. In an effort to streamline these requirements, provide more flexibility, and reduce regulatory detail, an Advance Notice of Proposed Rulemaking (ANPR) was published in the Federal Register (FR) in August, 1994. This ANPR introduced the concept of a more performance based training system, including: the use of alternative training techniques, third party acreditation, and MMS student testing.

In November, 1995 a Notice of Proposed Rulemaking (NPR) was published in the FR requesting input on a new set of offshore training regulations. The NPR proposes to allow the use of alternative training techniques (e.g., interactive computers), provides for independent third party accreditation of training schools, eliminates refresher training requirements, reduces the number of course options, simplifies training frequencies, and drastically reduces regulatory detail. In December, 1995, a one day workshop was held to provide the public an opportunity to give the MMS input on the NPR.

The MMS is working actively with groups such as the American Petroleum Institute, the International Association of Drilling Contractors, and the International Well Control Forum (IWCF), in partnerships to develop a pilot student testing program designed to test students with MMS prepared test instead of the school's test. To date, four well control schools have received these tests. The average test score was significantly lower than the historical test average for the schools. We have also taken initial efforts with the IWCF to jointly develop an internationally based pilot testing program. This program would allow a student to take a single test and receive credit for both MMS and IWCF tests.

In an effort to more effectively reach its customers, during 1995 the MMS decentralized the school certification process from headquarters to the field offices. Decentralization places the MMS personnel involved with the certification process in closer proximity to the training schools and the oil and gas industry. Based on the success of this program during the past year, the MMS will continue to refine the decentralization process during 1996.

MMS Inspector Training Program

As the MMS has monitored the changing industry environment and revised the regulatory approach, we have examined our inspection work force, and the way in which it functions. In response to the changing climate on the OCS, 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 joined a non-profit organization, the Training Technology Consortium (TTC) — with several industry companies to develop computerized interactive training relevant to offshore oil and gas operations. In FY 1995 MMS participated with the TTC in developing a Hazards Communications computerized training module. During the same year, MMS also started production of an Electrical Equipment interactive module with the TTC.

During FY 1994, the first computer-based interactive training module, "Hazards Identification" was completed and distributed along with appropriate display units to field offices. In FY 1995, cooperative agreements were signed with the University of New Orleans to develop a Gas Measurement and a Incident Investigation computer training modules. Both of these modules were distributed to MMS field offices during FY 1996. Additional modules will be developed through FY 1999.

The MMS is working in a parallel effort to develop its internal capabilities to produce other training materials including videotapes, guidelines, and classroom courses. These training products will be developed primairily for the inspector workforce.

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.

A proposed rule was published in December 1995, that would 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, clarify 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 were needed to reduce the risk of default by an underfunded company operating a lease or holding a right of way or G & G exploration permits.

Air Quality Evaluations

In August, 1995 MMS completed the Gulf of Mexico Air Quality Study. This study evaluated the potential effects of oil and gas production activities in the Gulf of Mexico on areas in Texas and Louisiana that do not meet the federal ambient air quality standard for ozone. MMS started consultations with EPA to determine if any regulatory actions are necessary as a result of the study findings. Impacts from the OCS were found to be small and no regulatory actions are anticipated.

MMS also started a series of meetings with the U.S. Fish and Wildlife Service, EPA, state agencies, and industry to discuss a cooperative study to access air quality impacts on the Breton Nature Wilderness Area. MMS initiated an air quality monitoring program in the Breton area to measure existing pollutant concentrations. The cooperative effort would include additional air quality and meteorological monitoring and evaluation.

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. Within a short time following this violation, 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 inspection and 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;

Civil & Criminal Penalties Summary

Compliance Reviews Initiated	87
Civil Penalty Case Files Reviewed	78
Civil Penalties Paid	
Cases	41
Dollars	$346,292
Civil penalties Under Appeal	1
Reviews Ongoing	32
Criminal Reviews Ongoing	3

- 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 10/15/95			Number of Devices per Facility (Approximately)
	G.O.M.	Pacific	Total	
Processing (no wells)	490	1	491	150
Single Wells	1,363	0	1,363	8
Jacket (2-6 wells)	951	0	951	75
Medium (7-18 wells)	761	1	762	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	3,788	23	3,811	

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 in August, 1990 through February, 1996, MMS has initiated 87 compliance reviews which have led to 78 civil penalty cases being referred to MMS Reviewing Officers. During that period MMS collected $346,292 in 41 civil penalty cases. Training for candidate OCS Civil Penalty Officers is now complete. MMS is updating its civil penalty policy and is rewriting the civil penalty regulations at 30 CFR 250.200.

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 OPA-mandated financial responsibility requirements. The approach to implement civil penalties for failure to comply with the oil spill financial responsibility is being evaluated and will be a part of the OPA rulemaking.

Enforcement Activity - Fiscal Year 1995	
	Total
Inspections	
OCS drilling facilities	1,332
OCS production facilities	4,581
Pipeline inspections	1,988
Measurement/Site Security	3,251
Workover/Completion	630
Abandonment	55
Compliance	
Citations (INC's*)	4,550
Enforcements	
Component shut-ins	2,026
Drilling facility shut-ins	84
Production facility shut-ins	103

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.

* Incidents of Noncompliance

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

Regulations 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; analyzes and assesses the effectiveness of current equipment, procedures, and operations; identify the need for new or modified regulations; and provides information needed to support other aspects of the Regulation of Operations Program. By better understanding why accidents occur, we believe we can prevent future incidents.

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 installation 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, and ensures conservation of the resource.

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 has increased over the last 5 years, 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 removals in the Gulf of Mexico continue at a rate of more than 100 per year. However, increased drilling activity has led to a rebound in the number of new platform installations. In 1994, 154 platforms were installed, a 40 percent increase from the previous year. The fact that more platforms were installed than removed is an indication of continued strong interest in GOM development and production.

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.

Operators submit semi-annual oil well and gas well test results. 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.

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.

Natural disasters, such as Hurricane Andrew and the Northridge earthquake have reinforced recognition of the continuing need to assure the integrity of offshore facilities and to ensure that regulatory requirements encourage use of Best Available and Safest Technologies (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 method to leverage available funds.

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. A major international

workshop will be held in the early part of FY 1997 to assess the use of human and organizational factor methodologies in offshore development.

Examples of Contracts and Cooperative Agreements			
Project	Contractor/Organization	Estimated Cost	Extend Project
Well Control Procedures	Louisiana State University	$280,000	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
International Workshop on Human and Organizational Factors	JIP/Interagency study with WIM Consultants	$80,000	No
Methods to Control Hydrates for Deepwater Operations	JIP/Westport Technology	$50,000	Yes
Control of Parrifins for Deepwater Operations	JIP/University of Texas	$100,000	Yes
Integrity of Deepwater Pipelines	JIP/University of Texas	$75,000	Yes
Integrity of Tubular Frames for Offshore Platforms	JIP with BOMEL Engineering	$73,000	No
International Workshop on Advanced Materials	JIP/Colorado School of Mines	$80,000	No
Seafloor Earthquake Measurement Project	Sandia National Labs	$20,000	No

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 a new state-of-the-art data gathering network to obtain information 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. Interest in conducting exploration and development activities in the Arctic offshore have been dampened by the industry's failure to find commercial discoveries.

Advanced 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. An international workshop is planned to assess the utilization of advanced materials offshore for oil and gas operations.

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 1995.

- **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.

- **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.

Information Management Program

Justification of Program and Performance
Analysis by Subactivity
dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Information Management Program	$	922	0	0	922	0
	FTE	13	0	0	13	0

Program Description

Objectives

- ✓ Maintain computer facilities.
- ✓ Design, develope, and maintain applications software and hardware.
- ✓ Provide operational and maintnance support for the Alaska and Pacific regions computerized systems.

The Information Management Program (IMP) subactivity primarily funds salary-related costs and equipment maintenance for computer support units in the Alaska and Pacific Regional offices. The GOM Regional ADP units are funded under Revenue Receipts. The following description is applicable to the Gulf Region as well.

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. In addition, the operations of this program provide integral support to the other OCS Lands subactivities, i.e. the Leasing and Environmental, the Resource Evaluation, and Regulatory Programs.

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 in the Revenue Receipts section).

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.

Revenue Receipts

Justification of Program and Performance

dollars in thousands

		1996 Estimate to Date	Uncontrollable Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Revenue Receipts	$	15,400	0	0	15,400	0
	FTE	68	0	0	68	0

Program Description

Revenue receipts supplement MMS's regular appropriated funding. The Outer Continental Shelf Lands program raised its rental rates on new leases by $2 per acre at the end of FY 1993 in order to obtain funds to develop and implement its Technical Information Management System (TIMS). MMS is allowed to credit a specified amount each year to its Royalty and Offshore Minerals Management appropriation for this purpose.

In FY 1996, the Conference report authorized the use of $15.4 million of these receipts and expanded the use of these funds to related activities. The Gulf of Mexico Region's ADP and information services units are subsequently being funded from this source in FY 1996.

Objectives

- ✓ Develop, implement and maintain the TIMS
- ✓ Provide operational and maintenance support for program and regional computer systems

Technical Information Management System (TIMS)

Background

Given the recent success of Sale 147 in the Central Gulf of Mexico, and future sale prospects, 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.

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. The TIMS will facilitate receipt of millions of dollars in revenue to the Federal Government by providing 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 Offshore mission-critical information systems.

In addition to replacing/modernizing computer hardware and systems software, the TIMS program is building a more comprehensive database 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 enhance Offshore's 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. Each of the planned 12 releases makes additional applications available to the end-users. This approach allows for high priority applications to be implemented and evaluated sooner instead of a "grand design" approach, which would only allow all applications to be available all at once in the distant future. The Pilot was completed at the end of FY 1994 and was evaluated in January 1995. Expansion was then started in the other Regions.

The early development and deployment of the TIMS releases in the GOM 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 obsolete Concurrent Computer Corporation (CCC, formerly Perkin-Elmer) are now running on the TIMS platform. Specific benefits that were derived from these early Releases include:

- establishment of the "corporate" database structure to support the entire Offshore program, including key information such as:
  - Block, Company, Well, Lease, Platform, Pipelines, and Seismic;
- availability of 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 the data above;
- enhanced support for Offshore Operations, including platforms, rigs, pipelines, and wells;
- enhanced support for Leasing, including block information.

Also vital in the early stages was the creation of a seismic mapping initiative called Geological Interpretive Tools (GIT). GIT will 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 view layers of geographical and environmental data.

Accomplishments/Future Endeavors

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 is being 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.

In FY 1995, TIMS base funding was decreasd to $3.6 million; however, the ceiling on TIMS use of collections from rental receipts was raised to $8.8 million. Therefore TIMS continued its growth as planned. Release 4 was installed in the Alaska and Denver locations, expanding the TIMS platform beyond the pilot area in the GOM. In early FY 1995, the Alaska Region was able to shut down the Concurrent computer and rely solely on the TIMS platform. Two new releases were started in FY 1995 in the GOMR. They were, Release 4+, which migrates the current applications to the Windows environment using Oracle; and also enhances the mapping capability. Release 5, moves the remaining components from the Concurrent into the TIMS platform. A significant advancement is the application of GIT for the sales in the GOMR. This capability provides us with a high level of technical parity with the industry when evaluating the geological potential and economic value of tracks offered fo sale. Additional workstations/servers were added due to the expansion into the other regions.

Starting in FY 1996, the TIMS is expecting to be funded exclusively through non-appropriated monies, i.e., through the rental rate increase initiative. FY 1996 should see the deployment of Release 4+ and Release 5, in the GOMR. A major mission-related milestone will be achieved near the end of FY 1996, when the Concurrent is expected to be shut down in the GOMR completely. The Mapping and Survey Staff, located in Denver, will be given upgrades and enhancements to their already existing TIMS system. GIT will continue to play a major function in the sales activities, with software and hardware enhancements being added. Several hundred state-of-the-art PCs will be installed.

FY 1997 will see some significant milestones as well. Depending on budgetary restraints, the Pacific Region should be able to shut down the Concurrent computer, the last one in Offshore. During the fiscal year the Herndon installation should be completed and deployed. Due to the two impending sales in Alaska during the end of FY 1996, Release 4+ and 5, which were previously to be started in Alaska at the end of FY 1996, have been moved to the beginning of FY 1997, to keep consistency in processing, and to allow more time for learning the new system. Through life-cycle management, more PCs will be added to each location.

When the TIMS development comes to a close in FY 1999, the ADP functions within it will not. Maintenance and upgrades will always be necessary, as well as expansion of applications. 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. 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.

Gulf of Mexico Region

The GOM Region ADP and information services units supply direct support to both the TIMS and regional programs. Details on the functions of the ADP units can be found in the IMP Program Description. In general these functions support:

- maintaining computer facilities;
- providing operational support for all computerized systems
- designing, developing, and maintaining applications software and hardware for TIMS and regional programs.

Office of Management Support

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Office of Management Support	$	3,000	0	0	3,000	0
	FTE	47	0	0	47	0

Overview

Offshore's Office of Management Support (OMS) performs a wide variety of functions. These functions have been centralized over time within OMS to help Offshore gain the benefits and convenience of single-point management, coordination and standardization of ADP activities, efficiencies of a centralized operation, and improved staff expertise. These functions include:

- Nationwide policy coordination and standardization for Offshore's ADP program;
- Participation in the application and development of TIMS;
- Technical ADP support for the headquarters local area network and coordination of Offshore-wide area network activities with the Bureau's Royalty Management Program, and Department of Interior ADP offices;
- Technical editing and graphic illustration services for scientific and technical publications and programmatic documents used by Congress, States and the public for decisionmaking;
- Maintenance of a centralized electronic library for use of all Offshore employees;
- Publication distribution services for Offshore program offices;
- Budget formulation, justification, execution, and reporting;
- Staffing and full-time equivalency reports and control;

Objectives

- ✓ The primary objectives of the Office of Management Support are to:
- ✓ Oversee, coordinate, consolidate and centrally perform required budget and administrative functions that are of benefit to all of OMM
- ✓ Provide nationwide policy coordination and standardization for OMM's ADP program
- ✓ Participate in the application and development of TIMS
- ✓ Provide technical ADP support for the Atrium local area network and coordinate OMM wide area network activities with IRM, RMP, and DOI

- Responses to inquiries from Congressional and Administration officials and non-Federal constituents;
- Appropriation Committee hearings support;
- Special projects for program issues such as legislation, policy, CFO Act reporting, GPRA, NPR, and TQM;
- Streamlining and organizational planning; and
- Administrative functions such as coordination and management of training records, headquarters space, conference travel approval and personnel approvals.

Streamlining and Cost Reduction

OMS has achieved significant cost and FTE reductions by streamlining administrative, budget and ADP activities. The following reductions have been achieved:

- **Staffing**: From FY 1992 through FY 1994, OMS reduced its staffing by 16 FTE (23%). This was accomplished by streamlining administrative and budget activities, consolidating graphics and headquarters LAN administration functions, and reducing nationwide ADP policy and development activities. In FY 1995, OMS further reduced costs by funding 7 FTE, who work directly on TIMS development, from revenue receipts.
- **Ongoing Costs**: The OMS budget includes a central fund for common services throughout Offshore headquarters. Such services include copying, movers, forms printing, and non-FTE 2000 telephone costs. The alternative to this central fund would be to have each program absorb, monitor and account for these costs individually. Offshore has found that it is more efficient to do this centrally. In addition, the Headquarters LAN is funded centrally from OMS, resulting in more efficient planning and expenditures.
- **Streamlining Operations**: Offshore streamlined its graphics support and headquarters LAN administration functions by consolidating them into OMS. Prior to the consolidation, 9 FTE were performing these functions throughout Offshore headquarters. Only 5 FTE were transferred to OMS, resulting in a reduction of 4 FTE in Offshore headquarters.

  In its effort to reduce costs, grade levels, and the ratio of managers and supervisors to other personnel, OMS has eliminated 1 SES and 4 GS-15 positions and replaced them with 1 GS-15 who oversees all OMS functions.

Offshore and OMS will continue to evaluate its work processes, organization and staffing levels to seek additional possibilities where reductions can be achieved.

Discussion of Functions

The Office of Management Support is a staff office to the Associate Director for Offshore Minerals Management. It was established as an efficiency initiative to achieve economy and consistency by consolidating a number of functions and charges common to all of Offshore. OMS provides offshore-wide coordination and services facilitating the implementation of mission and strategic plans. OMS staff have the expertise and familiarity with Offshore programs to apply bureau-wide requirements and initiatives to specific Offshore mission needs, allowing for more efficient use of Offshore's resources and FTE. For functions common to multiple subactivities, centralization has reduced the need for duplicate effort in various Offshore offices. These support services are increasingly important as, in accordance with reengineering and

empowerment initiatives, the MMS is delegating the management of administration and budget functions to the programs.

The Technical Communication Services (TCS) group provides technical editing and graphic illustration services for scientific and technical publications, as well as for programmatic documents used by Congress, States, and the public for decisionmaking. This group provides central resources for technical editing expertise and publishing guidance for Offshore program offices and for one of the regions. It also provides central graphic resources for Offshore and General Administration organizations in Herndon, VA and Washington, DC. The TCS is responsible for coordinating and publishing a public catalog of all Offshore scientific and technical publications in paper and electronic formats for release on the Internet. The office acts as a repository for this information, thus eliminating separate costly subscriptions and on-line services. In addition to maintaining a centralized electronic library for the use of all Offshore employees, TCS provides publication distribution services for program offices to assure public and government access to Offshore information.

The Microcomputer Support Services (MSS) group provides computer and Local Area Network (LAN) support for Offshore in the Atrium building. The fundamental cornerstone of the streamlining plan is the increased utilization of communication and ADP technology, that being Local Area Networks, Wide Area Networks (WAN), and data interchange capability. Computer support includes life cycle maintenance of computer hardware and software as well as user support and training. This office coordinates all Offshore WAN operations, design and planning with Admin IRM, RMP and the Department. The MSS also provides common MMS WAN services such as the MMS Internet E-Mail gateway and the MMS public information server with the MMS World Wide Web (WWW) Internet Home Page. The MSS is the focal point for TIMS implementation in OMM Headquarters and provides advanced computer support for major scientific applications by administering UNIX servers on the LAN for TIMS ORACLE and ARC/INFO applications. Database programming, specialized graphics and other specialized network support for scientific applications and workstations is also provided to the Offshore program areas.

The Offshore Systems Center (OSC) was created in FY 1987 in recognition of the need to provide overall policy coordination and standardization nationwide for Offshore's ADP program. Program staff working separately on ADP-related issues were pooled together to maximize resources and assure compatibility. One of the OSC's tasks was to upgrade the Offshore data systems. The effort to upgrade OMM data systems ultimately led to what is now the Technical Information Management System (TIMS). Currently TIMS is managed by the TIMS Project Office, which reports directly to the Associate Director. The OSC remains a major player in TIMS, as the majority of the staff are devoted to TIMS application and development.

The OSC also provides direction and oversight for the Offshore Information Management Program and programs funded under Revenue Receipts. This includes overseeing the development of Offshore information management policies and standards, and providing centralized management of ADP acquisition, contracts, and security. These activities direct and support the operations of:

- 1,000+ microcomputers, workstations and servers
- 8 Local Area Networks
- 1 Wide Area Network
- 1 Internet World Wide Web (WWW) server

During the past year, OMS has led the development and implementation of Internet access and presence for MMS. Working with the agency's national and regional organizations, OMM has established and maintains the MMS public WWW server, and directs the development and organization of Offshore program content included on the system.

The rest of OMS focuses on specific program needs, Offshore-wide, versus the bureau-wide focus of the General Administration offices. OMS acts as liaison between Offshore Minerals Management and the Offices of the Associate Director for Administration and Budget, the Associate Director for Policy and Management Improvement and Executive Direction. OMS implements the policy and guidance developed by those offices by facilitating the coordination of management, budget and administrative support activities within the entire Offshore organization. These include:

- central coordination and oversight of all Offshore budget activities, including formulation, execution, and the allocation of funds to all Offshore organizations;
- streamlining and downsizing activities;
- coordination and preparation of responses to information requests from MMS, DOI, OMB and Congress;
- coordination and preparation of externally-mandated reports required by DOI, OMB, NSF, Congress, etc.;
- management control reviews;
- strategic planning;
- Freedom of Information Act requests; and
- coordination of OIG, GAO and Congressional committee oversight investigations.

In FY 1995, 16% of OMS resources supported TCS functions, 20% supported LAN maintenance and administration, 44% supported the OSC (TIMS development), 15% was for budget and administrative support, and 5% was for the common services fund.

Royalty Management Program

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Valuation & Operations	$	33,022	0	0	33,022	0
	FTE	293	-2	0	291	-2
Compliance	$	34,326	0	0	34,326	0
	FTE	376	-2	0	374	-2
Program Services Office	$	2,742	0	0	2,742	0
	FTE	26	0	0	26	0
Late Disb. Interest	$	0	0	0	0	0
	FTE	0		0	0	0
Allottee Refunds	$	15	0	0	15	0
	FTE	0		0	0	0
Total	$	70,105	0	0	70,105	0
	FTE	695	-4	0	691	-4

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.

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

Organization & Budget Structure

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

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

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.

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

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Valuation & Operations	$	33,022	0	0	33,022	0
	FTE	293	-2	0	291	-2

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 107,700 leases, 72,500 revenue sources, 369,600 selling arrangements, 14,150 lease agreements, and 22,600 payor codes. In FY 1995, managing this data base required approximately 42,000 payor, lease, or agreement database 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.

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 both contractor support staff and DMD staff. Efficiency improvements from FY 1993 to FY 1995 have resulted in a decrease in contractor support from 30 FTE to 8 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 at the end of FY 1994 to 250 at the end of FY 1995.

Solid Minerals. The Solid Minerals Staff, of the DMD, provides a wider range of services than that 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 Financial 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 under $86,000 in FY 1995. In addition, MMS has received independent unqualified opinions each year on the financial statements RFD prepared in accordance with the Chief Financial Officers Act.

The Reports and Financial Division's (RFD'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 Financial Branch of RFD is responsible for a number of royalty accounting functions including the following:

- Distributing 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, New Mexico. 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. 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.

- Accounting 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;

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

- Administering 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:

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

- RFD 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.

- RFD 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 RFD's workload and activities

	FY 1995 Actual	FY 1996 Estimated	FY 1997 Estimated
Number of Checks Received	59,778	59,500	59,000
Number of Wire Transfers Received	7,644	7,700	7,900
Number of Refunds to Payors	890	900	900
Number of RIK Contracts	14	18	18

Other benefits provided by RFD 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.

RFD 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.

- Manually matching payables and receivables in certain situations to meet disbursement deadlines. This decreases late disbursement interest to States and Indians, thereby decreasing costs to the taxpayer.

- Investing, administering and accounting for over $1 billion in escrowed Alaska/Federal boundary dispute revenue.

- Administer the Net Receipt Sharing Program that recovers some annual operating costs of the Federal leasing program from States (refer to Permanents section). RFD deposits recovered costs in the General Fund.

Reports Branch

The Reports Branch (RB) royalty and production reporting functions include:

- Processing all incoming 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 to 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, RB's Tactical Plan includes:

- Maintaining overall current royalty and production reporting error levels and reducing any excessive royalty and production reporting errors;

- Increasing availability and use of alternative royalty and production reporting methods (e.g. Electronic Data Interchange (EDI), magnetic tape, diskette);

- Continuing to improve accuracy and usefulness of production and well reference data; and

- Streamlining production and royalty reporting by implementing acceptable recommendations of the Royalty Policy Committee;

- Improving compliance and accuracy of reporting.

In FY 1995, RFD's Document Processing activity received 101,000 royalty documents, 267,000 production documents, and 13,300 valuation documents. Document volumes are not anticipated to significantly change from present levels during FY 1996 and FY 1997. However, contractor processing 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 and FY 1996 further diminish contractor file management maintenance support in FY 1997 due to electronic media conversion.

Industry Royalty Document Error Rates fiscal years 1991-1997							
	1991	1992	1993	1994	1995	1996 Est.	1997Est.
Error Rate Percentage	4.8	4.5	3.6	3.4	2.5	2.0	2.0

The RB'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 1995, this activity processed 3,335,395 royalty report payment lines submitted by some 2, 100 payors with a payor error rate of 2.5 percent compared to 3.4 percent in FY 1994. Payor error rates have drastically declined to the present level from 36.3 percent in FY 1983. This reduction is the result of RB'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 1996 and FY 1997.

The RB'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 1995, this activity processed over 5 million lines of production data submitted by some 3,000 operators with an operator error rate of less than 3 percent. Approximately 36 contractor staff provide operation and maintenance support for PAAS. This staff has been reduced by 11 from FY 1994 primarily due to the success of the operator reconciliation project. The reconciliation of operators' reference data began in FY 1994. The effort reduced error rates from an average of 4 percent to less than 1 percent and the number of missing reports by 78 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 year 1991-1997							
	1991	1992	1993	1994	1995	1996 Est.	1997 Est.
Error Rate Percentage	4.9	4.5	4.0	3.8	2.8	2.5	2.5

RMP makes training available to all reporters. In FY 1995, 333 participants representing 184 payor companies attended the payor training sessions to update payors concerning royalty and payment requirements for oil, gas, and geothermal resources. Also, in FY 1995, 285 participants representing 142 companies attended the operator training sessions to update operators concerning production reporting requirements. Training costs were reduced by 36 percent from FY 1994 and error rates continued to decline. The training seminars will be supplemented with training targeted to individual companies that have high error rates.

A concerted error correction and workload analysis effort will continue to encourage companies to improve reporting accuracy during FY 1996 and FY 1997. Those Royalty Policy Committee recommendations to streamline royalty and production reporting and reduce costs that can be easily implemented will be pursued.

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 certain 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 1995 levels during FY 1996 and FY 1997 for the following reasons:

- RMP's expanded majority pricing coverage will increase VSD's appeal workload and denials of transportation allowances based on FERC tariffs.

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 committee issued its final report in March 1995. MMS published a proposed rule in November 1995. A final rule is expected in late FY 1996. The substantial changes of this rule will necessitate reporting and systems software modifications during FY 1997. VSD will be required to provide substantial technical advice and assistance during this transition period.

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, which was subsequently charted as a negotiated rulemaking committee. The Committee has representatives from MMS, BIA, Indian Tribes, Indian allottee associations, and Indian mineral development support organizations and the Notice of Proposed Rulemaking isexpected to be published by June 1996, with a target date of January 1997 for a final rule.

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 1996 and 1997.VSD's FY 1997 outreach materials will require modification to accomodate the changes made by the aforementioned negotiated rulemaking committees.

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. Recently, VSD has *significantly* expanded its major portion coverage which now includes Anadarko Area Allottees, Southern Ute Tribe and Allottees, Blackfeet Tribe and Alloottees, Nothern Ute Tribe, Ute Mountain Tribe, and Shoshone and Arapaho Tribes. Additional royalty collections to date total approximately $1.9 million.

Systems Management Division

The Systems Management Division (SMD) provides all information and data systems services for the Royalty Management Program (RMP) and its constituencies (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 1995, this work is performed by 49 SMD systems staff working in conjunction with a single contractor firm AMS/OC employing approximately 150 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,
- introduction of new cost effective technologies,
- 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.
- management of electronic storage of reports and document images.

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 1995 approximately 1,060 students attended training sessions offered by SMD.

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

Oversight and Planning:

- Contract services. In FY 1995 the SMD managed over 60 contracts and maintenance agreements totaling approximately $10 million. These contracts and agreements range from a $7.6 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, over 100 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 Commerce

- SMD continues its lead position in the implementation of Electronic Commerce (EC). During FY 1995, SMD began receiving royalty and production reports using Electronic Data Interchange (EDI) technology from some of its largest reporters, such as Chevron, Amoco, Texaco, Mobile, and Exxon. Additionally, an Electronic Mail process was developed for

electronic reporting by our smaller reporters and by the end of FY 95, three reporters were submitting royalty and production reports via E-Mail and a number of other reporters had expressed interest in this form of reporting.

- Presentations on MMS EDI initiatives have been given to reporters to demonstrate MMS committment and interest in EDI and have resulted in substantial interest by our reporters in this technologogy. SMD will continue to aggressively pursue additional partners in EDI by individual contract and presentations and also by presentation at major petroleum industry activities.

- Pilot projects for improved Electronic Fund Transfers and for electronic invoicing of reporters were also begun in FY 95.

Mineral Revenue Compliance

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Valuation & Operations	$	34,326	0	0	34,326	0
	FTE	376	-2	0	374	-2

Office of Indian Royalty Assistance

The Office of Indian Royalty Assistance (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	2,633
Tribal	1,339
Customers	
Individual owners (allottees)	(est.) 20,000
Tribes	42
Mineral revenue payments to	
Individual owners	$17.7 million
Tribes	$135.7million

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.

Outreach

The field office structure also enables OIRA staff to conduct outreach meetings in other areas of Indian country. These regularly scheduled meetings, involving BIA and BLM, are designed to eductate and inform the Indian mineral owners about mineral activities on their lands. The agenda provides time for the owners to meet with DOI staff and raise any concerns they may have about those activities. The Indian Minerals Steering Committee endorsed this long term cooperative approach and it is included as one of the goals of the Memorandum of Understanding between the AS/Indian Affairs and AS/Land and Minerals.

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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Inquiries from individual owners *(allottees)*	751	800	800
Allottee meetings	79	75	75
Tribal meetings	16	25	25

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

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. We have instituted an aggressive program of using alternative dispute resolution (ADR) to resolve many old disputes. 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. 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.

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 (13 issued in 1995) 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 resolve 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 use both face-to-face direct negotiations and independent third party neutrals for mediation. 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.

MMS and RMP have 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. ADR has 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.

The number of settlements concluded increased from 39 in FY 1993 to 80 in FY 1995. These settlements resulted in the collection of over $400 million over the last three years. 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 1996. In FY 1996 we expect to see 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.

Collection Activities

OE will identify and produce follow-up bills for delinquent receivables and take appropriate collection steps on unpaid balances from payors, lessees, and lessee sureties.

OE 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: issueance of the invoice, debt collection activities, surety maintenance, and final collection.

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 1995 , production compliance activities resulted in collections of $20 million. From 1985 to 1995 a total of $164 million has been collected. The benefit-cost ratio for 1995 was 15:1.

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 1996 payor training efforts will include participating in conducting 14 sessions for royalty paying and production reporting companies. There are plans to continue this program in FY 1997.

Financial Compliance Branch

The Financial Compliance Branch (FCB) ensures companies comply with several aspects of royalty reporting and paying. A main aspect of royalty reporting is timeliness of payments. Through the AFS, FCB monitors the timeliness of all payments, assessing interest for those that are late. The FCB identifies under and nonpayment of lease term requirements such as rents, minimum royalties, advance royalties, and bonuses; billing payors for deficiencies.

When payors overpay on Indian leases, they are entitled to recoup those overpayments from future royalties. The FCB monitors payors' recoupment transactions to ensure they do not recoup more than they are entitled for any month or overall. Additionally, FCB monitors adjustments to previously reported royalty payments to assure their validity; ensures that royalties are paid at the proper royalty rate; and ensures that only authorized severance taxes are deducted from royalty payments. The FCB processes Section 10 refund requests for offshore leases, determines that refunds are in accordance with regulations, and bills for unauthorized Section 10 transactions. Finally, the FCB monitors payor compliance with oil and gas transportation and processing allowance regulations.

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." During FY 1996, it is anticipated that the Automated Front-end Enhancement (AFEE) will be operational. The AFEE will result in a reduction of the manual AFS/PAAS exception identification effort, resulting in the processing of additional exceptions and increased correspondence followup with operators and payors.

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; Lakewood, CO; and the State and Indian Compliance Division in Lakewood.

Some accomplishments of the Audit Program are:

Royalty Compliance Collections by Land Category
FY 1993-1995
millions of dollars

	Federal Onshore	Federal Offshore	Indian	Total
FY 1995	47	161	4	212
FY 1994	104	158	5	267
FY 1993	21	114	5.5	140.5
Total	172	433	15.5	619.5

Historical Collections Since 1982 *millions of dollars*			
	Additional Royalties, Interest Payments and Liquidated Damages	Refund Denials	Total
DAD - Compliance	1,125	140	1,265
State & Indian Audit Program	178	3	181
Total	1,303	143	1,446

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 1996 Audit Work Plan integrates analysis of royalty data for the FY 1991 - FY 1995 period, audit resources available, and areas and issues requiring audit. The FY 1997 plan will cover FY 1992 - FY 1996.

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 1996 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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Residency Audits	Complete the FY 1990-1992 audits by September, 1995.	Begin audits for the 1993-95 period at all 11 residencies.	Continue with the audits of the 1993-95 period at all residencies
Major Payors and Other Company Audits	Initiate 34 new audits.	Initiate 36 new audits.	Initiate 27 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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Random Company Audits	Continue work on 4 audits-in-process.	Continue work on audits-in-process. Will initiate new audits as resources complete prior workload. *	Continue work on audits-in-process. Will initiate new audits as resources complete prior workload.
*18 new audits and completed 6. *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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Contract Settlements	Initiated 418 contract settlement audits and completed 565	Start 355 contract settlement audits.	Start 350 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.

Over 2,530 contract settlements totalling almost $14 billion have been assigned to the audit divisions. Total additional royalties were estimated at $252 million. Through FY 1995, $129 million had been collected.

Ongoing Workloads *Number*			
	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Other Lease, Unit, Gas Plant, and Referral Audits	Continue work on 203 audits-in-process*	Continue work on 188 audits in progress. Initiate new audits as resources permit.	Continue work on audits in progress. Initiate new audits as resources permit.
* Initiated 111 and completed 126.			

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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Section 205 Delegated Audits	10	10	10
Section 202 Cooperative Audits	7	7	7
Unfunded Oil & Gas Audit Agreements	1	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 under 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 Chippawa Cree, Rocky Bays 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 an Intergovernmental Personnel Act (IPA) agreement in place (with Oklahoma) and a second (Navajo)) to be implemented in FY 1996. 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.

Program Services Office

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Reques	Change from 1996
Program	$	2,742	0	0	2,742	0
Services Office	FTE	26	0	0	26	0

RMP's Program Services Office performs a wide variety of functions. These functions have been centralized over time within PSO to help RMP gain the benefits and convenience of single-point management and control, single-point contacts for RMP and external customers, efficiencies of a centralized operation, and improved staff expertise. These functions include:

- Budget formulation, justification, execution, and reporting.
- Staffing and full-time equivalency reports and control.
- Responses to inquiries from Congressional and Administration officials and non-Federal constituents.
- Appropriation and Authorizing Committee hearings support.
- Special projects for program issues such as legislation, policy, CFO Act reporting, and GPRA.
- Program statistics to meet the requirements of FOGRMA sections 302 and 602 and to meet the requent and continuing needs of our Federal, State, Indian, and industry constituents.
- Certain RMP-wide training activities.
- Streamlining and organizational planning.
- Administrative functions such as coordination and management of facilities, security, printing, and supplies.

The Program Services Office is achieving cost reductions by evaluating areas for streamlining and potential cost reduction and by examining the potential benefits of moving activities from PSO to mission-delivery offices and divisions. We are accomplishing this through review and action for three types of costs:

- **Staffing**: In FY 1995, one PSO position was vacated through a buyout (under the Department's Voluntary Separation Incentive Payments program) and RMP moved another position from PSO to an office engaged in direct delivery of mission. This move was accomplished because the duties of the position more closely tied to the responsibilities of the receiving office. As part of its overall continual review of organizational structure and work

distribution, RMP will continue to evaluate PSO responsibilities to determine if additional positions could be moved to better serve the program.

- **Ongoing Costs:** Certain ongoing costs were identified for transfer to offices engaged in direct delivery of mission to better coordinate resources and program responsibility. For instance, funds formerly allocated to PSO for printing Federal Register notices and procedural handbooks and guidelines (for mineral royalty and production reporting) was transferred to the office that coordinates the production and printing of these items. Other costs will be considered for transfer if it will better meet resource control and program needs of RMP.

- **Streamlining Operations:** PSO is continually evaluating its work activities, staffing level, and procedures for reduction, transfer, or elimination. In the recent past, we have reduced PSO by 3 employees (including the two in FY 1995), even though PSO absorbed six employees and their functions from elsewhere.

In addition, PSO:

- Streamlined its annual program and statistical reporting from two publications to one,

- Reduced another statistical report from monthly publication to quarterly,

- Actively implemented the use of the Government charge card for small procurement actions, and

- Started the use of automated processing for larger procurements and personnel actions.

RMP will continue its review of PSO processes to seek additional possibilities for streamlined operations.

Interest on Late Disbursements

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
	$	—	—	—	—	—
	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 disbursements interest payments being reduced from $1.16 million in FY 1985 to $85,896 in FY 1995. We are pleased with our success in making timely disbursements and expect to see the amount of late disbursement interest payments remain low in the future.

However, we already anticipate that the FY 1996 payment will be higher than FY 1995. Due to the recent shutdown and furlough of Federal employees, we could not distribute the December 1995 payments until January 8, 1996. This delay resulted in approximately $80,000 in late disbursement interest penalties.

The need for such payments is doubly difficult. First, they reflect the fact that our constituents have not received their due payments in a timely fashion and, as a result, they have had to take other actions to correct an unanticipated cash flow problem. Second, these payments must be funded from our operating appropriation which reduces our ability to carry out mission requirements. However, because it is so difficult to project the level of late disbursement interest payments required for a given year, we continue to propose to reprogram such funds from other RMP activities on an as-needed basis.

Refunds on Behalf of Allottees

Justification of Program and Performance

Subactivity Funding Summary

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Reques	Change from 1996
Compliance	$	15	—	—	15	—
	FTE	—	—	—	—	—

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

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Executive Direction	$	3,416	0	0	3,416	0
	FTE	42	0	0	42	0
Policy & Management Improvement	$	3,812	0	0	3,812	0
	FTE	47	0	0	47	0
Administrative Operations	$	11,065	0	0	11,065	0
	FTE	192	-2	0	190	-2
General Support Services	$	14,476	0	0	14,476	0
	FTE	0	0	0	0	0
Total	$	32,769	0	0	32,769	0
	FTE	281	-2	0	281	-2

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:

- All financial management activities, conducted under the direction of a Deputy Associate Director for Budget and Finance; and

- A 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

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Executive Direction	$	3,416	0	0	3,416	0
	FTE	42	0	0	42	0

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.

Objective

- ✓ To provide executive leadership, policy direction, and program management for all programs and mission responsibilities.

The Office of Communications and Government Affairs (OCGA) is responsibile for the board communications strategy and outreach to all MMS customers and stakeholders. OCGA manages the coordination and implementation of an effective, efficient, and inclusive outreach program to all audiences including government, the industry, related trade associations, the environmental community,Indian Tribes and Allottees, and the general public. The goal is to ensure a coordinated and consistent message and effective exchange of information with all customers and stakeholders. This has been accomplished by reorganizing and integrating the former Offices of Congressional and Legislative Affairs, External Affairs, and Public Affairs to achieve streamlining goals and to enhance supervisory ratios.

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 for all MMS congressional and legislative matters with Congress, state and local governments, and the Department on activities and legislative proposals that 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, by facilitating dialogue and establishing ongoing, two-way communication with constituencies to ensure informed participation from all stakeholders in the decision-making process. The office serves as the focal point MMS print and news media information and education. OCGA provides advice to the Director and other officials on policy and procedures for disseminating information.

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 and in the Cooperative Education program, upward mobility program, and the management development programs of the MMS. The EEO program manages and monitors the equity of employee development opportunities including career development programs (e.g., Management Development Program, Women's Executive Leadership Program), cross training, rotational assignments, and mentoring activities. Emphasis is placed on training managers and supervisors in employee development and human resources planning, and providing the required 8-hour EEO related training.

To address work-place disputes in a cost effective and timely manner, the EEO program will maintain a cadre of trained mediators. 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 (A complete discussion of the Financial Management Division can be found on page 156).

Policy and Management Improvement

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Policy & Management Improvement	$	3,812	0	0	3,812	0
	FTE	47	0	0	47	0

Mission

The Office of Policy and Management Improvement (PMI) provides the Director, the Department, and other sources a single point of contact within the Service for a broad range of activities that either cut-across organizational lines or 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 the Director with an independent review and assessment capability to ensure the proper application of sound policy and management decisions within MMS. 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.

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 either Washington or Dnver staffs. Both staffs also perform a variety of assignments that include coordination of MMS's regulatory program, management control reviews, pilot projects, National Performance Review initiatives, reengineering endeavors, and coordination of oversight audits by other organizations 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 federal regulation at 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 Performance 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 when possible 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.

Regulatory Direction

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 (12866 and 12861) which are directed towards the reduction and improvement of federal regulations;

- Executive order 12988 which promotes methods of alternate dispute resolution, a more effective administrative appeal process, and improved regulatory drafting procedures; and

- The Negotiated Rulemaking Act (Neg-Reg Act) PL 101-648.

By fostering the Director's initiatives in regulatory and conflict resolution reform, 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.

1996 and 1997 Ongoing Workloads

In FY 1997, 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 number of appeals processed by PMI has declined somewhat as MMS delagated to RMP the responsibility to process routine appeals. The number of complex appeals processed by PMI actually has grown. The following describes PMI's major ongoing workload functions (in Fiscal Years).

Ongoing Workload			
	1995 Actual	1996 Estimate	1997 Estimate
Policy Reviews & Program Analyses	133	140	147
Management Improvement Efforts	60	63	66
Appeals Resolved	437	375	380
Management Control Reviews	12	16	14

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 1996 and into FY 1997, PMI will be coordinating the development of policy options and analyses on such items as:

- Implementing Deepwater legislation;
- Royalty settlement procedures;
- The sale of gas from federal leases directly to the open market;
- Valuation of gas on Federal and Indian lands;
- Use of FERC tariffs in royalty obligations; and
- Reaching final resolution on a variety of long standing issues raised in Administrative Appeals to the Director.

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:

- Examining ways to further improve MMS's information management priorities;
- Analysis of MMS's royalty collection cost and benchmarking against other indices;
- Comparison of MMS' standard lease acquisition and operating terms to alternative methods; and
- Analysis of feasibility of increased automated auditing.

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 1997.

PMI had overall management responsibility for the Compliance Action Plan (CAP), which was 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 1997, 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. Finally, PMI will look at establishing time limits to process appeals. 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 updates the Director's management control plan. 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

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Administrative Direction & Coordination	$	401	0	0	401	0
	FTE	5	0	0	5	0
Financial Management	$	1,035	0	0	1,035	0
	FTE	21	0	0	21	0
Management Services & Security	$	1,196	0	0	1,196	0
	FTE	24	0	0	24	0
Personnel Management	$	1,178	0	0	1,178	0
	FTE	26	0	0	26	0
Procurement & Property Management	$	2,113	0	0	2,113	0
	FTE	31	0	0	31	0
Information Resource Management	$	1,612	0	0	1,612	0
	FTE	22	0	0	22	0
Field Administrative Services	$	3,530	0	0	3,530	0
	FTE	63	-2	0	61	-2
Total	$	11,065	0	0	11,065	0
	FTE	192	-2	0	190	-2

1996 and 1997 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 and carried out at headquarters and nationwide through two Field Administrative Service Centers (ASC's).

Objective

✓ To provide continuing administrative direction and coordination to support the Outer Continental Shelf Lands and Royalty Management programs of the MMS.

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 1997 in the accounts payable function includes the recording of 10,000 obligations, the auditing and paying of 13,000 invoices (about 60% by EFT), the auditing and processing of 8,500 travel documents, and the processing of 2,000 miscellaneous financial documents. This projection is consistent with planned streamlining initiatives proposed by the MMS Streamlining Plan. The expansion of the use of purchase cards for purchases under $2,500 is expected to reduce the number of obligations and invoice payments processed by FMD.

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, incentive awards policy and coordination, safety and security operations of the Bureau and 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 streamlining and NPR and GPRA 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 Safety and Health Management Program.

- 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, special projects, and studies, and organizational studies. The need for significant organizational analysis is anticipated to continue in FY 1997 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 1997, as staff realignments and reductions continue in the MMS, the Division will continue to conduct MMS-wide 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 restructuring 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 and elimination of directives and MMS forms.

Other Management Services and Security Functions. Security investigations will continue to be reviewed, initiated, and adjudicated and are expected to remain at constant levels. Safety evaluations will continue as will accident investigations with levels expected to remain constant.

Personnel Management

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; employee development and career transition assistance; personnel program evaluation; labor/management

relations; employee relations and services; and performance management; the Federal Equal Opportunity Recruitment Program (FEORP); public policy programs; and conflict of interest and ethics.

- The Personnel Division administers the Interior Department's reemployment priority list of displaced DOI personnel.

- 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.

- Provides personnel services to the Office of the Secretary on a reimbursable basis through an Interagency franchise agreement.

- The Personnel Division also has direct responsibility related to the implementation of several mandated Interior Department electronic systems

  - The Federal Payroll and Personnel System, including automated Request fo Personnel Actions (SF-52's);

  - Pro Class, the automated classification program which will create position descriptions to be used initially by personnel specialists and ultimately by managers;

  - The Automated Records Training System; and

  - Employee Express, an electronic system designed to allow employees to effect personal record changes such as tax withholding, address changes, and direct deposit.

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 (PPMD)is responsible for awarding and administering contracts, small purchases, cooperative agreements and interagency agreements essential for fulfilling the mission of the MMS.

- PPMD conducts acquisition management and internal control reviews of procurement activities, serves as coordinator for the MMS purchase card program and provides policy guidance and advice to procurement and program personnel.

- The property management program maintains accountability records of all controlled property in the possession and control of custodial property officers and contractors within the MMS; manages the Bureau Vehicle Fleet, which currently has no vehicles to be retrofitted to

alternative fuel use; manages the Bureau museum property including an Arts and Artifacts program; manages a printing and publication activity; and issues policy guidance on property, vehicles, supplies, museum property, and printing, duplicating and copying.

- PPMD manages the Business and Economic Development Program to maximize opportunities for small, small disadvantaged, women owned businesses, as well as Historically Black Colleges and Universities, as both prime and subcontractors.

Overall Acquisition Program Through Headquarters' and Administrative Service Centers' efforts, a total of $59.8 million was obligated in support of the MMS acquisition program in FY 1995. While a great deal of uncertainty is being experienced in FY 1996, it is expected that the acquisition program will continue at this level with a similar amount to be obligated in FY 1997. The Environmental Studies Program continues to require a significant number of studies and cooperative relationships with affected states for a total of $17.8 million in FY 1995. Contract activity for the Offshore Technical Information Management System and the Technology Assessment and Research Program are a significant part of the acquisition program within PPMD. In addition to the acquisition of information technology equipment and services to directly support the missions of MMS, PPMD has provided the resources to acquire Departmentwide requirements for network servers, laptop computers, and software licensing agreements with Novell and Microsoft and continues to administer these contracts.

Implementation of the Federal Acquisition Streamling Act Requirements: Under the provisions of this Act: (1) During late FY 1995, we expanded our purchase card program from less than 20 cardholders to 125. This allows program personnel to purchase the majority of their requirements of less than $2,500, (2) Beginning in FY 1996, PPMD will be using oral proposals, and (3) Acquiring services which are performance based and emphasizing past performance as an evaluation factor will be tools which will maximize our ability to achieve the best value in our procurements.

Interior Department Electronic Acquisition System (IDEAS): PPMD has implemented the electronic acquisition system at MMS Headquarters and in the Western and Southern Administrative Service Centers and is continuing to implement the system in other field locations. Full bureauwide implementation will occur in FY 1997. IDEAS will continue to require software enhancements in order to improve efficiencies.

Property Management Information System (PMIS): PPMD is developing and in FY 1997 will be implementing a newly redesigned system which will facilitate personal property, component tracking, repair and maintenance, motor vehicles, museum property, and software. This system will have an automated interface with IDEAS and ABACIS. Currently, this system is scheduled to be implemented by the three ABACIS bureaus (MMS, OSM & OS) and will become available for all bureaus within DOI.

Interface Between IDEAS, ABACIS and the PMIS: PPMD is actively involved in the design of an interface that will allow data exchange between IDEAS, ABACIS, and the PMIS. In order to assure that this interface will fulfill our unique requirements, MMS will continue to be the testing Bureau for IDEAS since it uses the ABACIS financial system and has the PMIS which will be the system to be used by various Bureaus within the Department.

Information Resources Management

Mission

- The Information Resources Management (IRM) Division has responsibility for providing direction and coordination direction for bureau-wide IRM activities in subject matter areas such as IRM/IT strategic planning, administration, computer security, Federal Information Processing (FIP) resource acquisition management, voice and data telecommunication, FTS2000 services, Local/Wide Area Networks (LAN/WAN) operation and maintenance, 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 for and oversight of the MMS information infrastructure. The IRM Division will participate in implementing and executing the Departmental IRM Strategic Plan to increase productivity, improve the management and delivery of information services and increase customer effectiveness in the use of new and innovative technologies.

- The IRM Division will issue the annual update to the MMS IRM 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 the development of information technology performance measurements, cyclical reviews of current systems; telecommunications activities; electronic data interchange and electronic commerce, and establishment of Bureauwide software standards and development of policy or guidance on crosscutting IT initiatives.

- The IRM division is directly responsible for developing and maintaining the Bureau administrative information systems and providing support for the Office of Administration computer installation and LANs maintained at two geographic sites. Ongoing application maintenance efforts and reengineering 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 IRM goals, strategies, objectives, and performance measures 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 investments 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, reengineering efforts, and performing management control and security reviews.

Telecommunications Activities: The MMS video conference facility in Lakewood, CO, enhanced in FY 1996 to support the FTS 2000 switched video compressed teleconferencing service (SCVTS), will continue to be used as a cost-effective alternative method of holding meetings. Use of the SCVTS Service will provide greater flexibility and connectivity between video conferencing systems and continue to offer the accompanying benefits of increasing productivity and reducing travel in the Bureau. Since PC-based video conferencing systems will be installed at selected MMS locations this year, additional opportunities for electronic conferencing will be available in FY 1997. Other telecommunications activities include supporting the Bureauwide cc:Mail for electronic mail between all MMS users and between other DOI Bureaus; providing administrative and technical support for the Department of Interior Network (DOINET); supporting INTERNET activities; performing studies of Bureau and/or Departmental telecommunications projects; coordinating a project to replace the telephone switch for the GOMR, and processing telephone orders in the Washington Metropolitan area and providing telephone coordination of FTS2000 services.

Develop/Enhance/Maintenance Administrative Applications: The IRM Division is in the process of implementing a number of new administrative systems Bureauwide including the Automated Records Training System (ARTS) and ProClass, a position classification program. As the first DOI user of the Reduction-in-Force software, RADS, the Division is developing a class to present to users Departmentwide. Other administrative systems scheduled for implementation include an automated Time and Attendance system and upgraded versions of Departmentwide applications, such as FPPS.

Wide Area/Local Area Network Management: The Atrium Building's wiring system and associated infrastructure will be monitored and evaluated to address performance problems that are being encountered with increasing traffic volume and bandwidth intensive applications. 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. With increased reliance on DOINET and the Internet, resources will continue to be devoted to operations, network management/administration, and user assistance in the FY 1996/97 time frame.

FIP Resource Acquisition Activities: Based upon analysis of the provision for requirements of the newly enacted Federal Acquisition Streamlining Act and the Information Technology Management Review Act of 1996, the IRM Division will continue to provide guidance to the program areas including the measurement of results of information technology investments. Following on the heels of several successful Departmentwide IT acquisitions that the MMS managed for the Department, the IRM Division will again be involved with new procurement actions in FY 1997. In this time frame, IRM will assist the Office of the Secretary (OIRM) with a Departmentwide contract for software that will encrypt files transferred from site-to-site via the DOINET.

Field Administrative Service Center

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 (WASC), located in Denver, Colorado, supports the Royalty Management Program (RMP) 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 1996 involving the continued implementation of the NPR initiatives, space activities, and support of the TIMS project will continue to significantly impact the Southern Administrative Service Center (SASC) in FY 1997. Major actions anticipated include:

- **Space Acquisitions/Relocations** Finalization of space changes in the New Orleans Office will continue in FY 1997. This initiative was started in mid-1994. Major efforts will include developing space layouts, utilization studies, construction coordination and the ultimate relocation of employees/furniture. These efforts will be completed for the Leasing and Environment, Field Operations, Production and Development, and Southern Administrative Service Center (SASC) Offices.

In addition, there will be an effort to renew the leases on office space for the Lake Jackson and Lafayette District Offices and the Lake Charles Sub-district Office. This initiative will require utilization studies, space layouts, and ultimately the possible relocation of these offices. The telephone switch will be replaced during the move of the Lake Jackson office with the ultimate objective of replacing all the switches at outlying district offices.

- **Staffing/Classification Actions** The SASC will continue to dedicate considerable staff time working on recruitment actions in FY 1997. Due to the downsizing and/or elimination of several Departmental entities, the Gulf Of Mexico Region (GOMR) is attempting to fill vacancies with employees on the Reemployment Priority List (RPL). Delegations to supervisors are being implemented with training for new responsibilities in these areas continuing well into FY 1997. The NPR initiative to reduce supervisory ratios will require classification reviews, position management activities, and staffing assistance. ProClass, the automated position description software and ARTS, the new training package will be implemented in FY 1997. Reorganization of other offices within the serviced area will also impact the SASC staffing program.

- **Labor Relations** Efforts will continue as a part of a consulting role between GOMR management and Union representatives to implement changes required as a result of the NPR initiatives.

- **Accountable Property Inventories** Inventoring accountable property is anticipated to remain at a high level for several years. This is driven by the continuing ADP equipment needs of the TIMS project and the increase in personnel in the GOMR office.

Western Administrative Service Center

- **Personnel *(Staffing/Classification and Employee Relations)*** The WASC will continue to transition personnel management responsibilities to supervisors by implementation of streamlined performance appraisal and awards programs; assisting in the elimination of supervisory positions, including GS/GM-14/15s, to flatten program areas and to increase the supervisory ratio; serving as human resources advisor in the implementation of self-directed teams in the program areas; implementing an automated position classification system and increased delegation of authority to supervisors; assisting with and processing all personnel actions associated with streamlining and reorganizations; continuing the personnel processing and records maintenance contract; and franchising personnel benefits services to the Government Printing Office and other services to Denver area Federal agencies. Implementation of organizational changes will increase the number of third-party cases (grievances, appeals, and EEO complaints), requiring additional personnel advisory services and technical representation by WASC staff.

- **Space Acquisitions and Office Relocations** The specific space activities include consolidation of all MMS Denver area space requirements to the Denver Federal Center. This is a multi-year project and will involve extending some leases until the GSA Master Plan is implemented; design and layout of 110,000 square feet of office and special purpose space; contractor-occupied space; and computer center operations. Other activities include acquisition of new office space, redesign and relocation of offices as streamlining and reorganizations occur; i.e. some audit field offices (Albuquerque and Farmington) and RMP Headquarters.

- **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 continuing its 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 additional funds being made available to the existing States and Tribes. Other activities include integrating the DOI's automated acquisition system (IDEAS) with an automated Property Management System and the financial management system.

- **ADP** Increased emphasis will be placed on ADP as new systems are put in place throughout DOI. ProClass, the automated position description software, is scheduled to be implemented with AMPM software as the medium between the local PC and the BOR mainframe. ARTS, the new training package, will be implemented, as will other new initiatives such as an automated travel program. IDEAS is still in the implementation process, with enhancements occurring simultaneously, which will require a significant amount of personnel resources and time to support. ADP hardware will need to be upgraded/replaced at a rate higher than the standard replacement cycle (25% per year) to make up for under funded needs in recent years.

General Support Services

Justification of Program and Performance

Analysis by Subactivity

dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
General Support Services	$	14,476	0	0	14,476	0
	FTE	0	0	0	0	0

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 $10.9 million in FY 1996 is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of $0.7 million is based on data developed by the Department. Commercial communication expenses of $0.6 million include operations and maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

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 support the operating programs.

A summary of the expenses for General Support Services is shown below:

	dollars in thousands
Rent	$10,915
Unemployment Compensation	11
Mail Service	413
Commercial Communications/Federal Telecommunication System	1,198
Department of the Interior Working Capital fund, Printing & Miscellaneous Charges	778
Reimbursable Services	381
Employees' Compensation Fund	737
Miscellaneous Cost	43
Total	**$14,476**

Oil Spill Research

Justification of Program and Performance
Analysis by Subactivity
dollars in thousands

		1996 Estimate to Date	Uncontrollable and Related Changes	Programmatic Changes	1997 Budget Request	Change from 1996
Oil Spill Research	$	6,440	0	0	6,440	0
	FTE	26	0	0	26	0

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 oil spill research, financial responsibility, and the oil spill prevention and response planning 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 Facility, in Leonardo, New Jersey.

Oil Spill 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 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 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 1996, MMS completed development of the LES smoke plume trajectory model and work towards approval of the LES model by the U.S. Environmental Protection Agency. The LES model is designed to work on a computer workstation. In 1997, MMS will complete development of a Large Open Fire Trajectory Model (ALOFT) designed to operate on a windows based personal computer. ALOFT is designed to aid in the in situ burning planning process.

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. Sixteen tests have been conducted on oil spill

response booms, skimmers, collection systems, temporary storage devices, remote sensing devices, and sorbents..

In 1996, MMS 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 1997, MMS will increase utilization of Ohmsett to include testing of all types of oil spill response equipment.

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. In 1997, MMS and Environment Canada will participate in two operational missions to assess the capabilities of the sensor.

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.

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 1995 and FY 1996, MMS continued efforts to develop and test satellite-tracked drifters designed to behave like oil slicks on the ocean surface. These drifters are 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 Florida State University, 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 1997.

Oil Spill Financial Responsibility

As discussed under Offshore Operations Program Priorities, the Oil Pollution Act of 1990 brought two oil spill financial responsibility intitiatives 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 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.

The OCS Policy Committee approved, in November, 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. Through this subcommittee, the MMS collaborated with representatives of affected State and local governments and industry to analyze issues and make recommendations regarding implementation of the financial responsibility provisions of the Oil Pollution Act of 1990.

In early 1995, the MMS assisted the subcommittee in its efforts to construct a practical and effective regulatory scheme for ensuring that parties responsible for offshore facilities have enough money to pay for oil spill cleanup and damages. The subcommittee presented a final report to the OCS Policy Committee in May, 1995. The full committee adopted the report without change, and forwarded the recommendations to the Secretary of the Interior.

The Policy Committee's report has been used by the Congress in the diliberations over changes to the OPA 90 financial responsibility provisions.

Oil Spill Prevention and Response Planning

The FY 1995 appropriation approved 16 FTE's for implementing OPA. Two FTE 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.

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 1995 Actual	FY 1996 Estimate	FY 1997 Estimate	Change from 1996 Estimate
Mineral Leasing and Associated Payments (MLAP)	50%	473,145	508,329	514,909	6,580
National Forest Fund, Payments to States (Forest Fund)	25%	2,419	1,861	1,897	36
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes (Flood Control)	75%	1,131	885	921	36
Total		476,695	511,075	517,727	6,652

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 1996, $46.8 million of program costs are to be recovered through NRS with the Federal share totaling $23.4 million and the States' shares totaling $23.4 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

thousands of dollars

State	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Alabama	442	474	480
Alaska	4,569	4,899	4,962
Arizona	87	93	94
Arkansas	832	892	904
California	25,420	27,253	27,608
Colorado	35,489	38,048	38,544
Florida	87	93	94
Idaho	2,350	2,519	2,552
Illinois	94	101	102
Kansas	870	933	945
Kentucky	73	78	79
Louisiana	728	781	791
Michigan	885	949	961
Minnesota	17	18	18
Mississippi	577	619	627
Missouri	1,013	1,086	1,100
Montana	24,612	26,387	26,730
Nebraska	14	15	15
Nevada	8,119	8,705	8,818
New Mexico	118,903	127,478	129,137
North Carolina	1	1	1
North Dakota	2,489	2,669	2,703
Ohio	243	261	264
Oklahoma	1,833	1,965	1,991
Oregon	43	46	47
Pennsylvania	22	24	24
South Carolina	2	2	2
South Dakota	800	858	869
Tennessee	0	0	0
Texas	455	488	494
Utah	31,083	33,325	33,758
Virginia	89	95	97
Washington	371	398	403
West Virginia	197	211	214
Wyoming	213,974	229,406	232,391
Total	**476,783**	**511,168**	**517,820**

Excludes payments 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 1996 and FY 1997 receipt estimates.
- A summary description of current onshore and offshore royalty and rental rates, and bonus criteria and other lease information.

For FY 1996 - FY 2001, 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

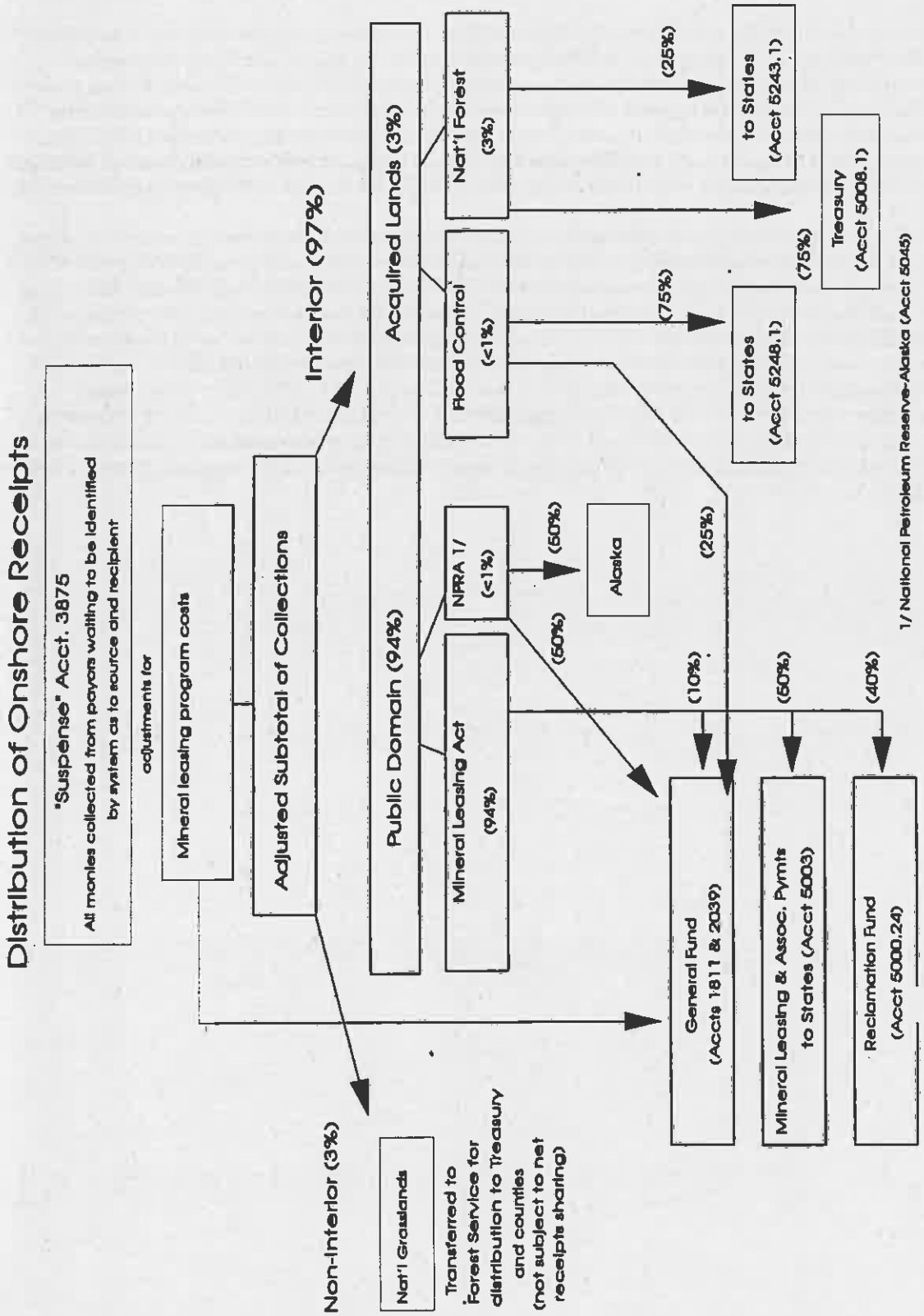
OCS receipts are deposited into accounts depending on source: rents, bonuses, or royalties. Also, interest earned on collections held in escrow are deposited to a separate account. Amounts held in escrow accounts are not included in receipt totals.

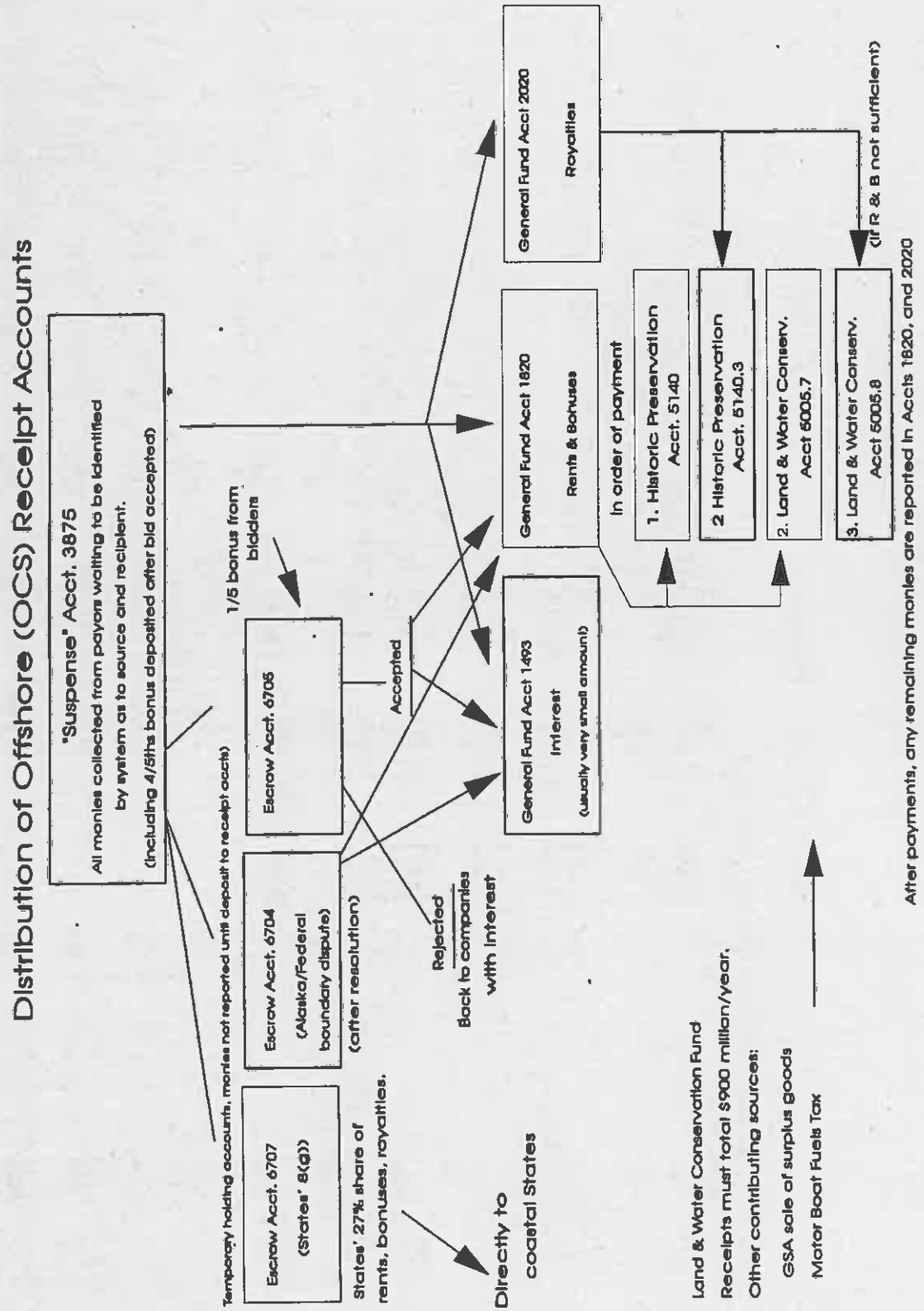
In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to 1/5 of the entire proposed bid. This money is deposited into escrow (account 6705), accruing interest, until MMS has determined the proposed bonus is at least equal to the fair market value of 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 $434 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 1997. After resolution, an estimated $1 billion will be deposited into a Treasury interest account (Account 1493) and the $434 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
"Suspense" Acct. 3875
All monies collected from payors waiting to be identified by system as to source and recipient
adjustments for
Mineral leasing program costs
Adjusted Subtotal of Collections
Interior (97%)
Public Domain (94%)
Mineral Leasing Act (94%)
NPRA 1/ (<1%)
Alaska
(50%)
(50%)
Acquired Lands (3%)
Road Control (<1%)
Nat'l Forest (3%)
(75%)
(25%)
to States (Acct 5248.1)
to States (Acct 5243.1)
Treasury (Acct 5008.1)
(75%)
(25%)
1/ National Petroleum Reserve-Alaska (Acct 5045)
(10%)
(60%)
(40%)
General Fund (Accts 1811 & 2039)
Mineral Leasing & Assoc. Pymts to States (Acct 5003)
Reclamation Fund (Acct 5000.24)
Non-Interior (3%)
Nat'l Grasslands
Transferred to Forest Service for distribution to Treasury and counties (not subject to net receipts sharing)


Distribution of Offshore (OCS) Receipt Accounts
"Suspense" Acct. 3875
All monies collected from payors waiting to be identified by system as to source and recipient.
(including 4/5ths bonus deposited after bid accepted)
1/5 bonus from bidders
Escrow Acct. 6705
Escrow Acct. 6704
(Alaska/Federal boundary dispute)
(after resolution)
Accepted
Rejected
Back to companies with interest
Escrow Acct. 6707
(States' 8(g))
States' 27% share of rents, bonuses, royalties.
Directly to coastal States
Temporary holding accounts, monies not reported until deposit to receipt accts)
General Fund Acct 1493
Interest
(usually very small amount)
General Fund Acct 1820
Rents & Bonuses
General Fund Acct 2020
Royalties
In order of payment
1. Historic Preservation Acct. 5140
2 Historic Preservation Acct. 5140.3
2. Land & Water Conserv. Acct 5005.7
3. Land & Water Conserv. Acct 5005.8
(If R & B not sufficient)
After payments, any remaining monies are reported in Accts 1820, and 2020
Land & Water Conservation Fund
Receipts must total $900 million/year.
Other contributing sources:
GSA sale of surplus goods
Motor Boat Fuels Tax

Onshore Mineral Receipts
FY 1996 Estimates vs. FY 1997 Estimates

	FY 1996	FY 1997	Change	Explanation
DOI Proprietary Onshore Mineral Receipts				
Rents and Bonuses				
Oil and Gas	80,262	77,283	(2,979)	Continued relinquishment of leases. Level bonus activity.
Coal	52,100	56,791	4,691	Increased bonuses and level rent.
Geothermal	838	838	.0	Level interest in leasing and rentals.
Oil Shale	5	5	0	Expect constant rental levels.
All Other	32	32	0	Anticipate level interest in leasing and rentals.
Subtotal, R&B	133,236	134,948	1,712	
Royalties				
Oil and Gas	571,067	574,385	3,318	Oil price increase more than offsets production decline. Gas increases in both production and price account for most of the increase
Coal	303,268	309,557	6,289	Increases in both price and production.
Geothermal	22,114	21,699	(415)	Declining production slightly outpaced minor growth at some facilities.
All Other	37,977	40,462	2,485	Sand and gravel and sodium account for most of the increase.
Subtotal, Royalties	934,425	946,103	11,678	
Total	1,067,661	1,081,052	13,390	

Outer Continental Shelf Mineral Receipts
FY 1996 Estimates vs. FY 1997 Estimates

	FY 1996	FY 1997	Change	Explanation
OCS Rents and Bonuses	401,152	404,860	3,708	Increased bonuses expected as a result of the Deep Water Royalty Relief Act
OCS Royalties	2,287,950	2,269,300	(18,650)	Slight decrease in oil and gas production.
OCS Escrow Payout	0	433,874	433,874	Anticipated resolution of Alaska/Federal boundary dispute
OCS Escrow Interest	0	905,386	905,386	
Total, Non-Offsetting	**2,689,102**	**4,013,420**	**1,324,318**	

Mineral Leasing Receipts by Account

Account		FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Onshore Mineral Leasing						
1811.00	Rents and Bonuses	12,445	12,625	10,317	11,727	12,884	14,198
2039.00	Royalties	138,817	139,970	139,150	139,162	140,773	142,334
5000.24	Reclamation Fund	399,743	405,042	392,544	398,225	409,288	420,773
5003.02	Payments to States	508,329	514,909	499,287	506,388	520,217	534,572
5243.10	Forest Fund, states share	1,861	1,897	1,849	1,863	1,888	1,909
5008.10	Forest Fund, Govt share	5,582	5,689	5,547	5,588	5,662	5,725
5248.10	Flood Control (States shares)	885	921	912	919	924	936
	Subtotal, onshore	**1,067,662**	**1,081,052**	**1,049,607**	**1,063,873**	**1,091,635**	**1,120,446**
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	1,642,114	2,061,034	1,582,550	1,547,125	1,510,910	1,535,250
5005.70	LWCF (OCS R & B)	251,152	688,734	225,700	201,690	172,710	173,450
5005.80	LWCF (OCS royalties)	645,836	208,266	671,300	695,310	724,290	723,550
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	905,386	0	0	0	0
	Subtotal, OCS	**2,689,102**	**4,013,420**	**2,629,550**	**2,594,125**	**2,557,910**	**2,582,250**
	TOTAL, Mineral Receipts	**3,757,164**	**5,094,872**	**3,679,557**	**3,658,398**	**3,649,945**	**3,703,096**

Mineral Leasing Receipts by Commodity Source

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Onshore Mineral Revenues						
Rents and Bonuses						
Oil and Gas	80,262	77,283	74,305	75,498	76,527	77,469
Coal	52,100	56,791	35,631	49,205	60,184	72,860
Geothermal	838	838	838	838	838	838
Oil Shale	5	5	5	5	5	5
All Other	32	32	32	32	32	32
Subtotal, R & B	133,236	134,948	110,812	125,578	137,586	151,204
Royalties						
Oil and Gas	571,067	574,385	563,968	556,704	564,886	573,408
Coal	303,268	309,557	315,946	322,535	329,123	335,912
Geothermal	22,114	21,699	18,482	18,258	19,441	18,924
Oil Shale	0	0	0	0	0	0
All Other	37,977	40,462	40,398	40,798	40,598	40,997
Subtotal, Royalties	934,425	946,103	938,795	938,294	954,049	969,241
Subtotal, current onshore	1,067,661	1,081,052	1,049,606	1,063,872	1,091,635	1,120,445
Royalty-in-Kind admin. fee	400	400	400	400	400	400
Outer Continental Shelf						
OCS Rents and Bonuses	401,152	404,860	375,700	351,690	322,710	323,450
OCS Royalties	2,287,950	2,269,300	2,253,850	2,242,435	2,235,200	2,258,800
OCS Escrow Payout	0	433,874	0	0	0	0
OCS Escrow Interest	0	905,386	0	0	0	0
Total, OCS receipts	2,689,102	4,013,420	2,629,550	2,594,125	2,557,910	2,582,250
TOTAL, Mineral Receipts	3,757,163	5,094,872	3,679,556	3,658,397	3,649,945	3,703,095

Onshore Rents and Bonuses

dollars in thousands

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Oil and Gas						
Rents:						
NPRA	0	0	0	0	0	0
Lower 48	34,787	31,798	28,762	29,978	31,027	31,988
ANILCA	48	0	0	0	0	0
Bonuses:						
NPRA	0	0	0	0	0	0
Lower 48	47,000	47,000	47,000	47,000	47,000	47,000
ANILCA	0	0	0	0	0	0
Total, O&G	81,835	78,798	75,762	76,978	78,027	78,988
Coal						
Rents	1,000	1,000	1,000	1,000	1,000	1,000
Bonuses	51,200	55,900	34,700	48,300	59,300	72,000
Total, Coal	52,200	56,900	35,700	49,300	60,300	73,000
Geothermal						
Rents & bonuses	838	838	838	838	838	838
Oil Shale						
Rents & bonuses	5	5	5	5	5	5
Other Minerals						
Rents & bonuses	32	32	32	32	32	32
Total , R & B	134,910	136,573	112,337	127,153	139,202	152,863

FY 1997 President's Budget

Onshore Royalties

dollars in millions

	1995 Actual	1996 Estimate	1997 Estimate	1998 Estimate	1999 Estimate	2000 Estimate	2001 Estimate
Oil							
Oil (mil. bbls.)	121.1	112.2	105.8	100.6	96.7	93.3	89.9
Actual/OMB Price	15.09	16.41	18.36	18.88	19.44	19.98	20.51
Royalty Rate	10.80%	10.50%	10.20%	9.90%	9.60%	9.60%	9.60%
Oil Royalty	$197.3	$193.2	$198.1	$188.1	$180.5	$179.0	$176.9
Oil Min. Royalty	$4.1	$3.2	$3.0	$2.8	$2.7	$2.6	$2.5
Subtotal Oil	$201.5	$196.4	$201.1	$190.9	$183.2	$181.6	$179.4
Gas							
Gas (mil.Mcf)	1,762	1,749	1,758	1,782	1,779	1,815	1,839
Actual/OMB Price	1.31	1.52	1.55	1.58	1.62	1.66	1.7
Royalty Rate	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
Gas Royalty	$263.9	$305.7	$313.4	$323.8	$331.4	$346.5	$359.5
CO2							
CO2 (mil.Mcf)	251.6	239.4	244.2	244.2	244.2	244.2	244.2
Estimated Price	1.01	0.85	0.9	0.9	0.9	0.9	0.9
Royalty Rate	2.40%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
CO2 Royalty	$6.2	$7.1	$7.7	$7.7	$7.7	$7.7	$7.7
Gas Plant Products	$18.5	$15.9	$16.2	$17.3	$17.5	$18.8	$19.3
Gas Min. Royalties	$5.5	$4.3	$4.3	$4.3	$4.3	$4.3	$4.3
Subtotal Gas	$294.2	$333.0	$341.5	$353.1	$360.9	$377.3	$390.8
Total: Oil & Gas	$495.6	$529.5	$542.6	$544.0	$544.1	$558.9	$570.3
Coal							
Coal (mil. tons)	323.6	326.3	329.56	332.86	336.19	339.55	342.94
Act./Est. Price	8.84	9.13	9.22	9.31	9.41	9.5	9.6
Royalty Rate	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Total Coal	$300.2	$312.8	$319.1	$325.5	$332.1	$338.7	$345.5
Geothermal	$22.8	$22.1	$21.7	$18.5	$18.3	$19.4	$18.9
All other minerals	$35.8	$38.0	$40.5	$40.5	$40.9	$40.7	$41.1
Audit/Cont & Neg. Settlements	$64.3	$52.9	$43.2	$31.4	$23.9	$17.5	$14.9
TOTAL	$918.8	$955.3	$967.1	$959.8	$959.2	$975.2	$990.6

OCS Rents and Bonuses

Bonus Revenue Estimates ($MM)

Fiscal Year	Sale Area	High Bids	% in FY	Total 8(g)	8(g) to States	Receipt Estimate
late 94	Western Gulf of Mexico	57	100%	3	1	56
mid 95	Central Gulf of Mexico	304	100%	15	4	300
late 95	Western Gulf of Mexico	110	0%			0
	Bonus Total					356
	Rents					58
	Total - FY 1995 Actual Receipts					414
late 95	Western Gulf of Mexico	110	100%	6	1	109
mid 96	Central Gulf of Mexico	270	100%	14	4	266
late 96	Cook Inlet	2	100%	0	0	2
late 96	Western Gulf of Mexico	140	0%			0
late 96	Beaufort	2	0%			0
	Bonus Total					377
	Rents					24
	Total - FY 1996 Receipt Estimates					401
late 96	Western Gulf of Mexico	140	100%	7	2	138
late 96	Beaufort	2	100%	0	0	2
mid 97	Central Gulf of Mexico	240	100%	12	3	237
late 97	Gulf of Alaska-Yakutat	1	100%	0	0	1
late 97	Western Gulf of Mexico	125	0%			0
	Bonus Total					378
	Rents					27
	Total - FY 1997 Receipt Estimates					405
late 97	Western Gulf of Mexico	125	100%	6	2	123
mid 98	Central Gulf of Mexico	220	100%	11	3	217
late 98	Western Gulf of Mexico	110	0%			0
late 98	Beaufort	2	0%			0
	Bonus Total					340
	Rents					36
	Total - FY 1998 Receipt Estimates					376
late 98	Western Gulf of Mexico	110	100%	6	1	109
late 98	Beaufort	2	100%	0	0	2
mid 99	Central Gulf of Mexico	200	100%	10	3	197
late 99	Cook Inlet	2	100%	0	0	2
late 99	Western Gulf of Mexico	100	0%			0
	Bonus Total					310
	Rents					42
	Total - FY 1999 Receipt Estimates					352
late 99	Western Gulf of Mexico	100	100%	5	1	99
mid 00	Central Gulf of Mexico	180	100%	9	2	178
late 00	Western Gulf of Mexico	95	0%			0
late 00	Beaufort	2	0%			0
	Bonus Total					276
	Rents					47
	Total - FY 2000 Receipt Estimates					323
late 00	Western Gulf of Mexico	95	100%	5	1	94
late 00	Beaufort	2	100%	0	0	2
mid 01	Central Gulf of Mexico	165	100%	8	2	163
late 01	Gulf of Alaska-Yakutat	1	100%	0	0	1
late 01	Eastern Gulf of Mexico	20	100%	1	0	20
late 01	Western Gulf of Mexico	75	0%			0
	Bonus Total					279
	Rents					44
	Total - FY 2001 Receipt Estimates					323

Outer Continental Shelf Royalties

dollars in millions

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Oil (Million barrels)							
Total Production	408.4	392.5	391.0	389.5	388.0	385.5	383.0
Royalty Rate	15.05%	15.05%	15.05%	15.05%	15.05%	15.05%	15.05%
Actual/OMB Price	15.40	17.91	18.36	18.88	19.44	19.98	20.51
Royalty	$946.5	$1,057.9	$1,080.3	$1,106.6	$1,135.1	$1,159.1	$1,182.1
Gas (Billion cubic feet)							
Total Production	4,663	4,466	4,391	4,316	4,241	4,145	4,050
Royalty Rate	15.64%	15.64%	15.64%	15.64%	15.64%	15.64%	15.64%
Actual/OMB Price	1.64	1.52	1.55	1.58	1.62	1.66	1.7
Royalty	$1,198.4	$1,061.6	$1,064.3	$1,066.3	$1,074.3	$1,076.1	$1,076.7
Basic Royalty Total	$2,145	$2,119	$2,145	$2,173	$2,209	$2,235	$2,259
Minimum royalty	$28.1	$20.0	$20.0	$20.0	$20.0	$20.0	$20.0
Audit/Settlements	$235.3	$288.5	$244.7	$201.0	$153.1	$120.0	$120.0
Other/suspense	($329.1)	($61.9)	($44.5)	($44.5)	($44.5)	($44.5)	($44.5)
State's share 8(g)	($75.5)	($78.1)	($95.5)	($95.5)	($95.5)	($95.5)	($95.5)
Totals	$2,003.7	$2,288.0	$2,269.3	$2,254.0	$2,242.4	$2,235.2	$2,258.8

Actual and Estimated Payments to Coastal States
Under Section OCSLA 8(g)
actual dollars

FY 1995 Actual Payments

State	Royalties & Rents	Sale Bonuses	Mandated Payment	Total
Alabama	6,834,250	0	490,000	7,324,250
Alaska	64,492	0	9,380,000	9,444,492
California	5,161,954	0	20,230,000	25,391,954
Florida	11,194	0	0	11,194
Louisiana	8,267,931	890,002	5,880,000	15,037,933
Mississippi	131,845	0	113,787	245,632
Texas	8,154,600	477,685	9,380,000	18,012,285
Total	28,626,266	1,367,687	45,473,787	75,467,740

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	3,645,000	5,880,000	19,324,631
Mississippi	238,865	0	113,787	352,652
Texas	8,219,647	1,485,000	9,380,000	19,084,647
Total	27,500,001	5,130,000	45,473,787	78,103,788

FY 1997 Estimated Payments

Alabama	5,324,860	0	700,000	6,024,860
Alaska	147,040	/2	13,400,000	13,547,040
California	929,210	no sales	28,900,000	29,829,210
Florida	10,716	no sales	0	10,716
Louisiana	11,331,331	3,240,000	8,400,000	22,971,331
Mississippi	345,885	0	200,000	545,885
Texas	8,284,694	1,890,000	13,400,000	23,574,694
Total	26,373,736	5,130,000	65,000,000	96,503,736

* Note: 1/ Cook Inlet and Beaufort Sea sales are scheduled in FY 1996.
However in tracks within the 8(g) zone are expected to be leased.
2/ A sale is scheduled for Gulf of Alaska-Yakutat in FY 1997.
However, no tracks 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.
P.L. 104-58	Deepwater Royalty Relief Act provides royalty rate relief for offshore drilling in deepwaters of the GOM.

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.