Minerals Management Service

The Secretary of the Interior established the Minerals Management Service (MMS) in 1982 to:

- Strengthen the Nation's mineral revenue collection efforts, and
- Improve the management of the resources on the Outer Continental Shelf (OCS).

Although the MMS is a relatively small bureau, its activities are of national significance. The benefits MMS provides to States, Indian Tribes and allottees, localities, and U.S. taxpayers include:

- Administration of 27 million acres of the Outer Continental Shelf (an area the size of Texas and California combined), which, during 1995 supplied over 25 percent of the natural gas and over 12 percent of the oil produced in the United States.
- Collection and distribution of $2.7 billion per year in rents, bonuses, and royalties from mineral leases on the Outer Continental Shelf. This effort provides $1.7 billion per year to the Federal and State treasuries. The remaining $1 billion is distributed to the Land and Water Conservation Fund and the National Historic Preservation Fund (see Figure 21).
- Distribution of approximately $1.1 billion per year in royalties, rents, and bonuses from onshore mineral leases, of which over $500 million is distributed to States, Tribes, and Indian allottees; the remainder is distributed to the Reclamation Fund and the U.S. Treasury.

The MMS's responsibilities are performed by its Offshore Minerals Management Program and its Royalty Management Program organizations.

Figure 20

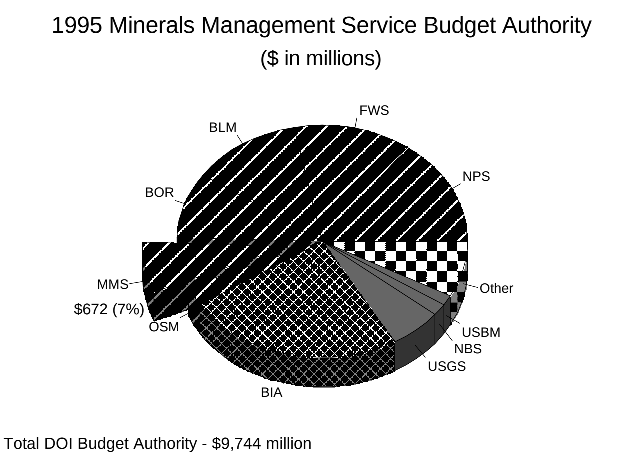
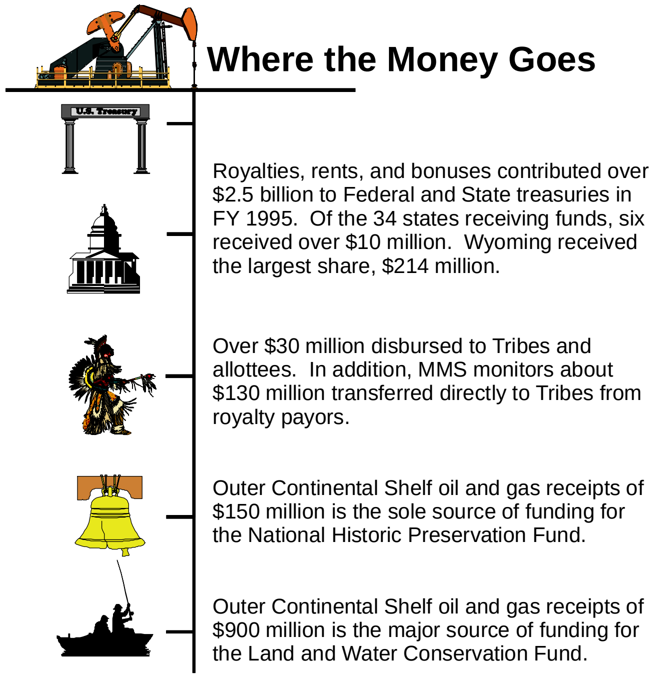


Figure 21



MMS scientists place strong motion instruments beneath the sea floor in the Santa Barbara Channel to better understand the effects of earthquakes on offshore structures. Photo credit - MMS.

OFFSHORE MINERALS MANAGEMENT

The Offshore Minerals Management Program administers the Outer Continental Shelf competitive leasing program and oversees the safe and environmentally sound exploration and production of the Nation's offshore natural gas, oil, and other mineral resources. The goal for the Offshore Minerals Management Program is to maximize the development on the Outer Continental Shelf while ensuring fair market return and the safe, environmentally sound Outer Continental Shelf operations.

An important strategy for achieving this goal and maintaining the integrity of the program, is to ensure that customers have adequate opportunity to participate in the decision-making process. Two significant accomplishments during 1995 reflect this strategy:

- In August 1995, MMS issued the "Outer Continental Shelf Draft Proposed Oil and Gas Leasing Program for 1997-2002." The proposed program embraces the advice provided by the Outer Continental Shelf Policy committee and reflects the beginning of a long-term movement from conflict to consensus in the program. Before issuance, 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.

- Public Law 103-426, enacted in October, 1994, authorizes the Secretary of the Interior to negotiate agreements for use of Outer Continental Shelf sand, gravel, and shell resources. The legislation facilitates coastal communities' and States' access to Federal Outer Continental Shelf resources for beach and wetlands restoration, and other projects of public benefits, 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.

As of September 30, 1995, there were 5,225 leases under supervision on the Outer Continental Shelf encompassing approximately 25 million acres. These leases supplied 5.06 trillion cubic feet of natural gas representing over 25 percent of all natural gas produced in the United States. The volume of crude oil from these leases exceeded 421 million barrels, or over 12 percent of the Nation's output of oil.

Since the inception of the Outer Continental Shelf program, 117 Outer Continental Shelf lease sales have been conducted generating over $109 billion in bonus, rent, and royalty revenue to the Federal Government. The 1995 receipts of $2.742 billion represent a decrease of $343 million from last year due primarily to decreased prices.

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

Outer Continental Shelf Oil Spill Facts

Every day, about 1,000 barrels of oil seep naturally from the seabed into U.S. marine waters. Natural oil seepage occurs anywhere oil and/or natural gas bearing strata intersect the earth's surface, or where they are tapped by faults and fractures. Seeps are common in the Gulf of Mexico and offshore southern California.

In comparison, during 1995, there was only one oil spill on the Outer Continental Shelf that exceeded 1,000 barrels of oil spilled.

In 1995, the Minerals Management Service spent approximately $10 million on research into oil spill prediction, prevention and response technology. This research is paying off in steady downward trends in the number of oil spills, in the average size of oil spills, and most importantly, in the total volume of crude oil spilled. On the Outer Continental Shelf between 1964 and 1979, less than 88 thousand barrels of oil were spilled from platforms and pipelines for every billion barrels of oil handled. In the period 1980 through 1993, this number has decreased to less than 11 thousand barrels spilled for every billion barrels handled.

ROYALTY MANAGEMENT

The Royalty Management Program's goal is to provide timely, accurate, and cost-effective collection and disbursement of revenue from mineral leasing and production due to Indian Tribes and allottees, States and the U.S. Treasury. Two of the strategies for achieving this goal are to:

- Assist and encourage royalty payors to submit royalty reports and payments correctly the first time, and
- Use modern information management tools to improve the royalty collection and disbursement processes.

Two notable Royalty Management achievements in 1995 reflect these strategies:

- Royalty reporters submitted 97.5 percent of all royalty lines and 97.3 percent of all production lines correctly. Due to the sustained improvement in reporting accuracy, the Royalty Management Program initiated a moratorium on assessments for inaccurate reports. The moratorium will nearly eliminate the workload associated with processing about 1,000 bills annually, with a corresponding reduction of about 35 percent of royalty appeals. Industry's workload will also be similarly reduced.
- The Royalty Management Program initiated electronic data interchange and electronic mail as reporting alternatives to magnetic tape and diskettes. Less than one percent of the report lines received by electronic reporting contained "fatal" errors, errors that necessitated the rejection of the data. The decrease in errors results in minimizing processing delays, reducing manual re-entry of data, and increasing Royalty Management's Program ability to disburse revenues timely.

The Compliance Action Plan was completed in 1995. This multi-year plan implements recommendations from the Task Force on Royalty Compliance and institutes a range of program-wide improvements targeted at encouraging voluntary compliance by companies. This is done through clarification of policies and requirements as well as more aggressive enforcement. The Department's Office of Inspector General reviewed the Compliance Action Plan during 1995 and concluded that the Minerals Management Service achieved significant progress in implementing the Task Force's recommendations.

In 1995, MMS worked cooperatively with industry to initiate the Royalty Gas Marketing Pilot, which is an effort to streamline gas royalty determination and collection procedures. In this pilot, MMS tested the concept of removing itself from the complex business of valuing and auditing royalties while ensuring that the government receives the royalty collections due it. As of September 30, 1995, 14 volunteer producers were participating in the pilot. The producers worked with the 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 marketing companies and awarded 14 sales contracts during 1995.

CUSTOMER SERVICE

The MMS continually strives to be responsive to the public's concerns, and the interests of our customers and stakeholders. Following are highlights from 1995 Customer Service Reports prepared by the Minerals Management Service.

The Offshore Minerals Management (OMM) Program's many customers include customers who rely on timely and accurate information (e.g.., 24 States, Congress, foreign countries, the legal community, the banking community, environmental groups, universities, consultants), customers who are regulated by the MMS (e.g., oil and gas industry operating leases and facilities on the OCS), and other customers who receive benefits through the OCS leasing process (e.g., U.S. Treasury and U.S. taxpayers).

OMM's 1995 Customer Service report included results from OCS Leasing (March 1994 - March 1995):

- 3 lease sales held
- $578 million in bonuses received
- 1,085 leases issued
- $27.7 million expected first year rentals
- 635 new wells permitted
- 205 new platforms approved
- 8 public hearings held
- $12.9 million spent on environmental research
- 7 Special Environmental Impact Statement Workshops held in Alaska

The Royalty Management Program's many customers include those who rely on timely and accurate revenue disbursement (e.g., 38 States, 42 Indian Tribes, 25 Bureau of Indian Affairs offices representing 20,000 allottees, U.S. Treasury, Forest Service, Bureau of Reclamation, Army Corps of Engineers, and the Bureau of Land Management), customers who are regulated by the MMS (e.g., oil, gas, solid minerals, and geothermal industries reporting and paying on more than 107,000 leases), and others who rely on Royalty Management Program data and services (e.g., General Accounting Office, Department of Energy, Congress, and U.S. taxpayers).

Selected results from the Royalty Management Program customer service report include the following:

<u>Responsiveness</u>

Satisfied or Very Satisfied: 60-70%
Very Satisfied: 20-50%
Lowest ratings given by Indians; highest by States

<u>Professional Image</u>

Satisfied or Very Satisfied: 61-100%
Very Satisfied: 16-30%
Lowest ratings given by Indians; highest by States

<u>Credibility</u>

Satisfied or Very Satisfied: 61-100%
Very Satisfied: 16-30%
Lowest ratings given by Indians; highest by States

<u>Overall Quality</u>

Satisfied or Very Satisfied: 59-78%
Very Satisfied: 8-22%
Lowest ratings given by Indians; highest by States