Background Information

MMS Responsibilities

The Minerals Management Service (MMS), a bureau within the Department of the Interior, is responsible for managing the Nation's offshore oil and gas resources in keeping with the Outer Continental Shelf (OCS) Lands Act and for managing revenue collected from lessees. The OCS Lands Act, as amended, requires that the Secretary of the Interior present to Congress each fiscal year an annual report on its OCS Oil and Natural Gas Leasing and Production Program.

Under the OCS Lands Act, MMS is required to

- ✓ develop and maintain estimates of offshore oil and natural gas reserves and undiscovered resources;
- ✓ administer competitive lease sales of suitable offshore tracts on the basis of resource estimates and environmental assessments;
- ✓ regulate and oversee exploration, development, and production activities of lessees to ensure environmentally safe and sound OCS operations; and
- ✓ assess the likely effects of exploration, development, and production of oil and natural gas on the human, marine, and coastal environments.

These responsibilities are accomplished through two programs within MMS: the Offshore Minerals Management Program and the Royalty Management Program.

The *Offshore Minerals Management Program* administers the OCS leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore oil, natural gas, and other mineral resources. Federal offshore waters encompass about 1.4 billion acres.

The *Royalty Management Program* manages all mineral revenue from Federal and Indian lands through an integrated process of collecting, accounting, distributing, verifying, and auditing. Since its creation in 1982, MMS has distributed more than $81 billion.

OCS Lands Act

The OCS Lands Act (43 U.S.C. 1331, et seq.), enacted in 1953, specifies the conditions under which the Secretary of the Interior grants rights to explore for, develop, and produce our Nation's offshore oil and gas resources. In 1978 and 1985, the Act was amended to further define the national policy for managing these resources in keeping with the following goals:

- ✓ providing protection of the environment concurrent with efficient, economic mineral resource development;
- ✓ ensuring receipt of fair market value for the lands leased and the rights conveyed by the Federal Government; and
- ✓ ensuring orderly and timely exploration and development of mineral resources to meet the energy needs of the Nation.

Section 15(1) at 43 U.S.C. 1343(1) specifically requires that an annual report be submitted to Congress. Section 22(g) further requires that the report summarize receipts and expenditures and include Federal offshore safety violations as reported by the U.S. Coast Guard.

In fulfilling the requirements of the OCS Lands Act and its amendments, MMS has become the manager of the world's largest offshore oil and gas program. Since October 1954, the Department of the Interior has held 137 Federal lease sales, including 2 re-offering sales; 2 salt sales; 2 sulfur sales; 1 gas, oil, and sulfur sale; 1 phosphate sale; and 1 sulfur and salt sale.

Fair Market Value

Title I of the OCS Lands Act Amendments of 1978 and 1985 set the national policy for managing our Nation’s offshore oil and gas resources. In keeping with the goals set in that policy at Section 18(a)(4), MMS ensures receipt of fair market value for the lands leased and the rights conveyed by the Federal Government. The MMS administers competitive lease sales of suitable offshore tracts on the basis of resource estimates and environmental assessments. The chart at right tracks the leasing activities of the current 5-year program.

Section 8(a)(8) (43 U.S.C. 1337 (a)(8)) of the OCS Lands Act requires that at least 30 days before any lease sale, a Notice be submitted to Congress and published in the *Federal Register* to identify which bidding systems will be used and why and to designate which tracts will be offered under each bidding system and why.

Bidding Systems

Leases are issued through a competitive bidding process. There are several options that may be used in the process:

- ✓ Bonus bidding with a 16 2/3 percent royalty (1/6 of production value)
- ✓ Bonus bidding with a 16 2/3 percent royalty and a royalty suspension volume
- ✓ Bonus bidding with a 12 1/2 percent royalty (1/8 percent of production value)
- ✓ Bonus bidding with a 12 1/2 percent royalty and a royalty suspension volume (52.5 million barrels of oil)

Bonus bidding with a 16 2/3 percent royalty.—This system has been used extensively since the OCS Lands Act was passed in 1953. It imposes greater risks on the lessee than systems with

Status of Lease Sales in the 1992-97 Five-Year OCS Program
[✓ = *activity completed*]

Sale No.	Information Base Review	Call for Information & Nominations	Area Identification	Draft Environmental Impact Statement	Proposed Notice of Sale	Final Environmental Impact Statement	Consistency Determination	Notice of Sale	Sale Date
Western Gulf of Mexico									
141	✓	✓	✓	✓	✓	✓	✓	✓	8/18/92
143	✓	✓	✓	✓	✓	✓	✓	✓	9/1593
150	✓	✓	✓	✓	✓	✓	✓	✓	8/17/94
155	✓	✓	✓	✓	✓	✓	✓	✓	9/13/95
161	✓	✓	✓	✓	✓	Early 96	Mid 96	Mid 96	Mid 96
Central Gulf of Mexico									
142	✓	✓	✓	✓	✓	✓	✓	✓	3/24/93
147	✓	✓	✓	✓	✓	✓	✓	✓	3/30/94
152	✓	✓	✓	✓	✓	✓	✓	✓	5/10/95
157	✓	✓	✓	✓	✓	Late 95	Early 96	Early 96	Early 96
166	✓	✓	✓	Early 96	Mid 96	Late 96	Early 97	Early 97	Early 97
Alaska: Cook Inlet									
149	✓	✓	✓	✓	✓	Early 96	Mid 96	Mid 96	Mid 96
Alaska: Gulf of Alaska/Yakutat									
158	✓	✓	✓	Late 95	Early 96	Late 96	Early 97	Mid 97	Mid 97
Alaska: Beaufort Sea									
144	✓	✓	✓	✓	Late 95	Mid 96	Mid 96	Late 96	Late 96

higher contingency payments, but may yield more rewards if a commercial field is discovered. The relatively high front-end bonus payments may encourage rapid exploration.

Bonus bidding with a 16 2/3 percent royalty and a royalty suspension volume.—This system, which complies with the OCS Deep Water Royalty Relief Act, provides an incentive for development and production in water depths of 200-400 meters through allocating royalty suspension volumes of 17.5 million barrels of oil to eligible fields.

Bonus bidding with a 12 1/2 percent royalty.—This system is used in deeper water blocks because of the expected substantially higher exploration, development, and production costs, as well as longer times before initial production, compared to shallow-water blocks.

Bonus bidding with a 12 1/2 percent royalty and a royalty suspension volume (52.5 million barrels of oil).—Again, the use of a royalty suspension volume provides an incentive for development and production.

The Federal Government requires a minimum bid of $25 per acre on all tracts offered offshore, subject to a sale-by-sale reconsideration. Beyond the minimum bid level, MMS applies established bid adequacy criteria for each sale to ensure that fair market value is received for all leases awarded. The MMS used cash bonus bidding with fixed royalty rate bidding systems for FY95 lease sales.

The 16 2/3 percent royalty rate (1/6 of production value) applies to shallow-water, low-cost areas, and the 12 1/2 percent royalty rate (1/8 of production value) is used for the deeper water, high-cost areas. Ordinarily, royalty rate differences are based on water depth, except in Alaska where Federal offshore royalty rates are selected on a sale-specific basis. The 1/8 royalty rate has been used at sales north of the Aleutian chain because of high costs and long lead times resulting from the remoteness of the area and the adverse ice and weather conditions.

The table at right shows the water depth limits used for the 1/8 royalty demarcations for all offshore regions.

Water Depth Criteria for 1/8 Royalty Rate Determination

OCS Region	Water Depth
Alaska..................	variable
Atlantic..................	200 meters
Gulf of Mexico........	400 meters
Pacific..................	200 meters

Royalty Systems

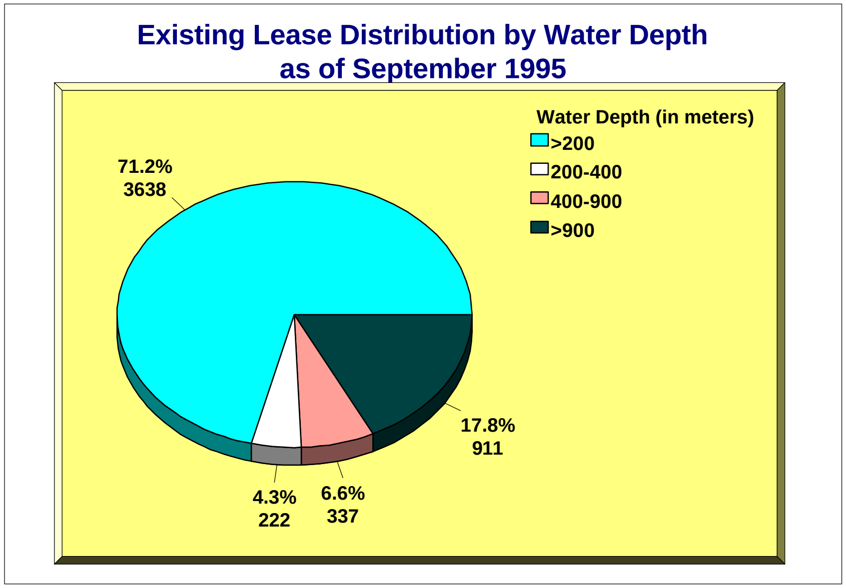
There are four types of lease revenues that MMS's Royalty Management Program collects and distributes: bonuses, rents, minimum royalties, and royalties.

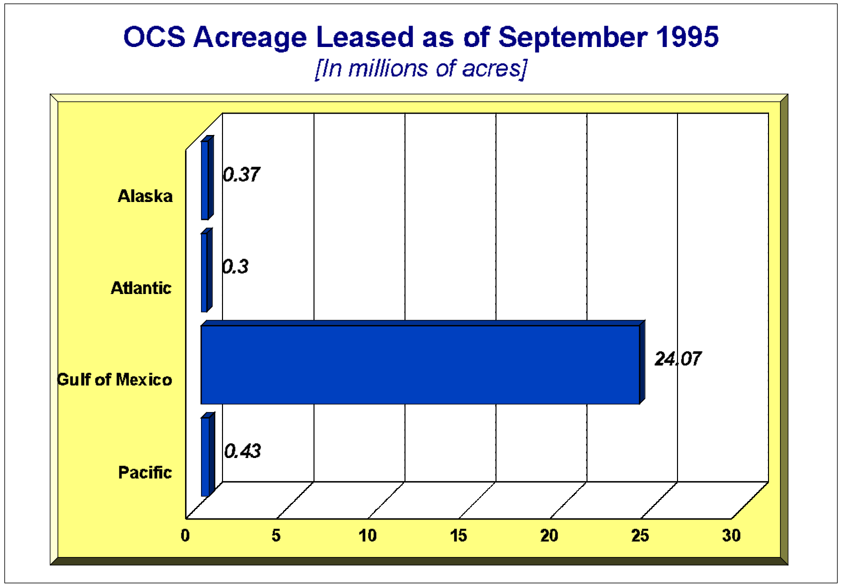
- ✓ *Bonuses* represent the cash amount successfully bid to win the rights to a lease.
- ✓ *Rents* are annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued.
- ✓ *Minimum royalties* are annual payments, on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value. A Federal lease may or may not contain a minimum royalty provision. Once annual production exceeds the minimum value, minimum royalty payments cease.
- ✓ *Royalties* are payments due once production begins. They represent a stated share or percentage of the value of the mineral being produced. A royalty may be an established minimum, a step scale, or a sliding scale.

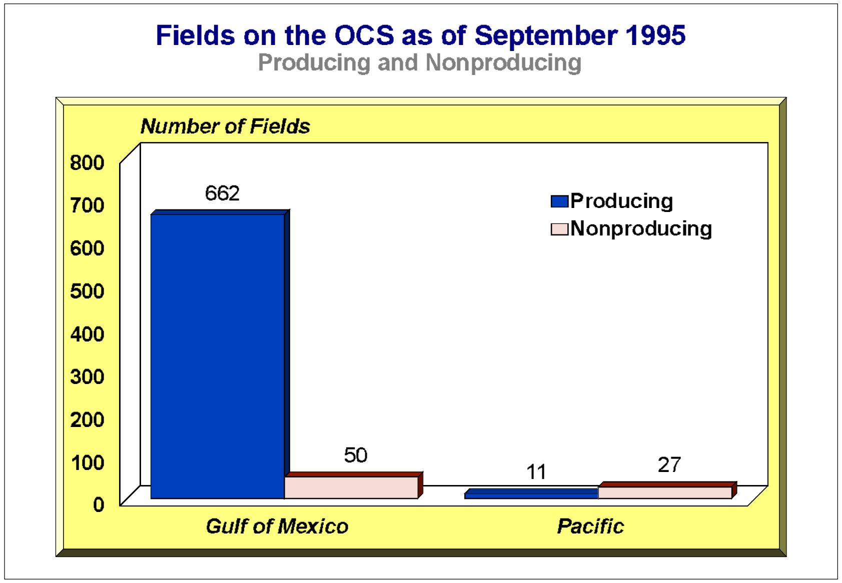
Fiscal Year 1995 Highlights

Lease Statistics

As of September 30, 1995, a total of 5,108 leases make up about 25 million acres of the OCS (see chart below). The chart at right shows that most of the leases (about 71 percent) are located in less than 200 meters of water. Within the leased acreage, MMS has designated boundaries for 750 fields: 712 in the Gulf of Mexico (GOM) and 38 in the Pacific. (Although there are existing leases in the Atlantic and Alaska OCS regions, no field boundaries have been designated.) About 89 percent of the designated fields are producing oil and gas (see chart bottom right). Most of the leased acreage—about 24.07 million acres—lies in the GOM, accounting for about 96 percent of the existing OCS leases. The GOM remains the area of the world's highest concentration of offshore oil and gas development, with the Central Gulf being the busiest.







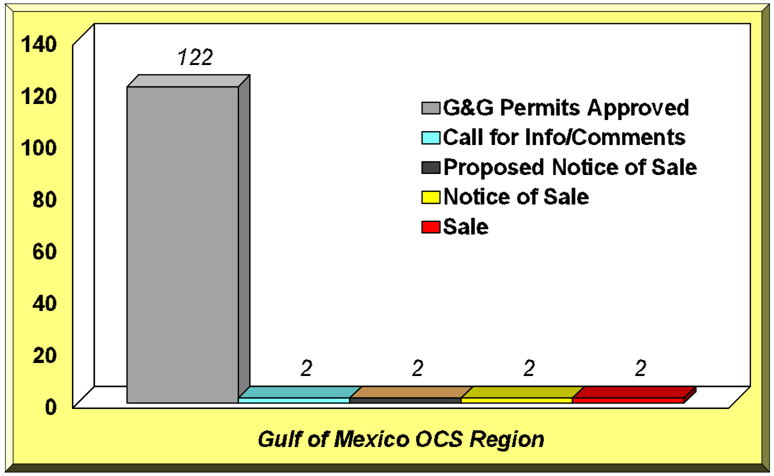
Prelease & Postlease Activities

As of September 1995, all prelease activity and most of the postlease activity centered around the Gulf of Mexico (GOM) Region. (See table below and charts at right.) Geological and geophysical (G&G) activity was down by about 7 percent from FY94, with 122 G&G permits being approved in FY95 compared to the 132 in FY94. During FY95, the GOM Region issued two Calls for Information, two Proposed Notices of Sale, two Notices of Sale, and held two sales: Sale 155 in the Western GOM and Sale 152 in the Central GOM.

FY95 saw an increase in exploration and development plans approved in the GOM Region over FY94. However, there was a drop in Suspensions of Production (SOP's) and Applications for Permit to Drill (APD's) approvals. In the Pacific Region, 8 development plans and 17 APD's were approved.

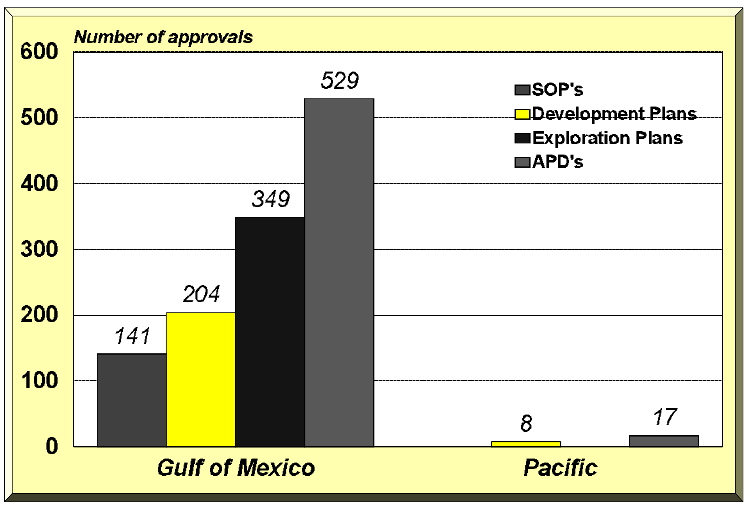
Prelease Activities in FY95				
Activity	OCS Region			
	Gulf of Mexico	Pacific	Alaska	Atlantic
G&G Permits Approved	122	0	0	0
Request for Interest	0	0	0	0
Call for Information/Comments.	2	0	0	0
Area Identification	0	0	0	0
Proposed Notice of Sale	2	0	0	0
Notice of Sale	2	0	0	0
Sale...	2	0	0	0
Postlease Activities in FY95				
Suspensions of Operation	141	0	0	0
Development Plans Approved ..	204	8	0	0
Exploration Plans Approved	349	0	0	0
Applications for Permit to Drill...	529	17	0	0

Prelease Activities During FY95



No prelease activity occurred in the Atlantic, Alaska, and Pacific OCS Regions.

Postlease Approvals During FY95



There were no SOP's or Exploration Plans submitted for the Pacific OCS Region.

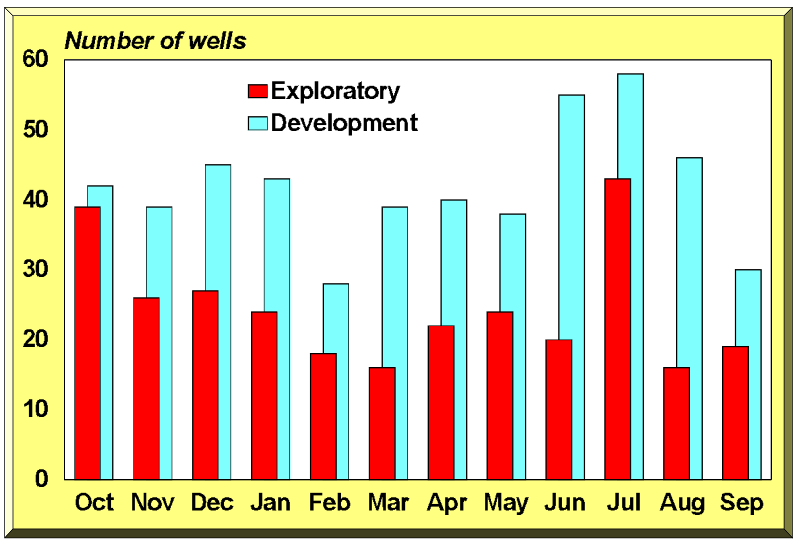
Offshore Operations

Well Starts

Exploratory.—As of September 30, 1995, exploratory wells started during FY95 totaled 216, down almost 50 percent from the 426 started during FY94.

Development.—As of September 30, 1995, development wells started totaled 369, down 22 percent from the 479 a year ago. Development drilling exceeded exploratory drilling throughout the year. (See chart below).

Wells Started on the OCS in FY95



Platform Installations, Removals & Approvals

As of September 30, 1995, platforms in place totaled 3,814. During FY95, there were 109 installations, 58 removals, and 116 approvals for platform installation in the upcoming year. The chart below shows platform status of each OCS region. Installations exceeded removals by 46 percent. This was the first time in several years that installations exceeded removals. (See charts on next page.)

Possible explanations for this reversed trend could be attributed to

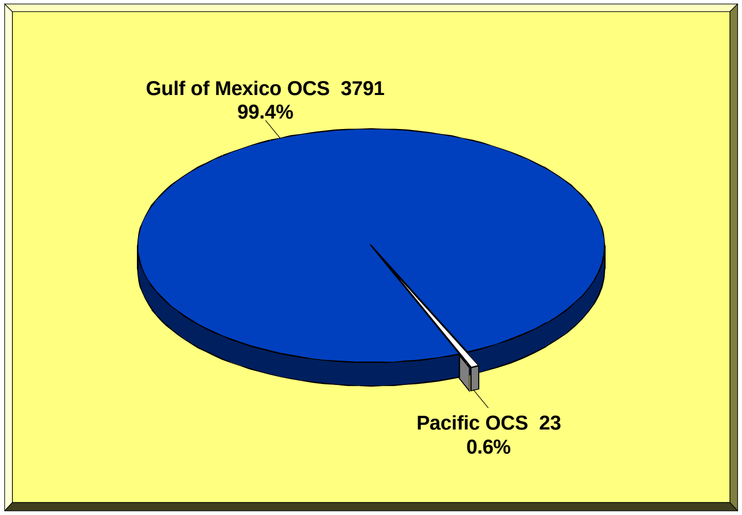
- ✓ the price of oil recovered during FY95,
- ✓ an increase in independents to get unrecovered resources,
- ✓ new advances in *seismic 3D* and horizontal drilling technology,
- ✓ reworking missed traps, and
- ✓ working subsalt plays.

Platform Status FY95

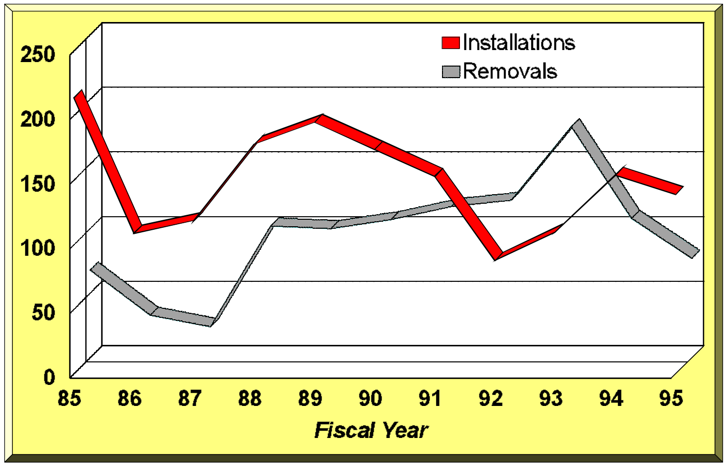
Status	OCS Region *	
	Gulf of Mexico	Pacific
In Place	3791	23
Approvals	63	0
Installations	51	0
Removals	30	0

* *The Atlantic and Alaska OCS Regions have no platforms.*

Platforms In Place on the OCS



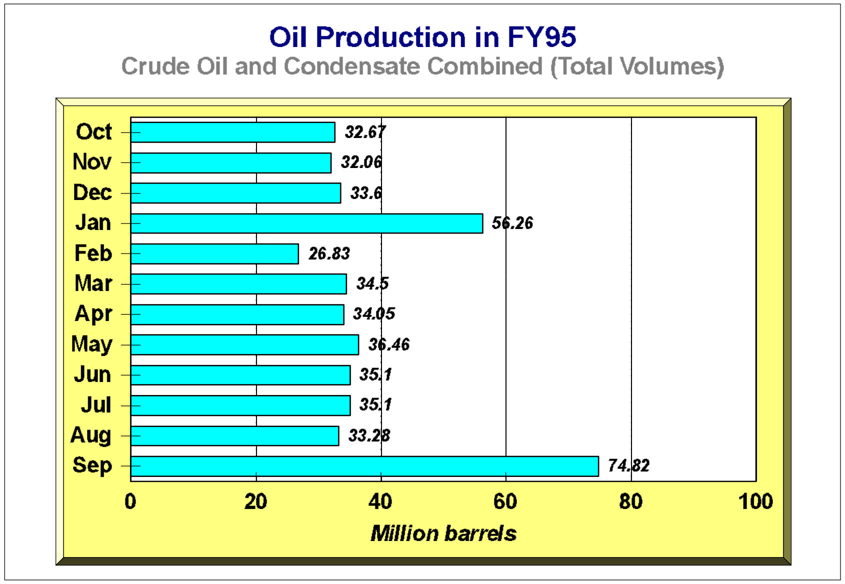
Platform Installations Versus Removals
1985-95

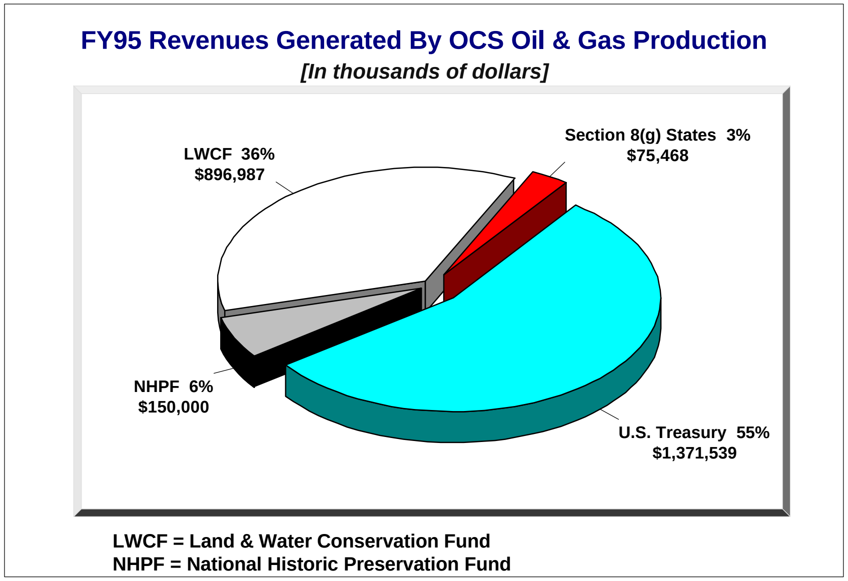


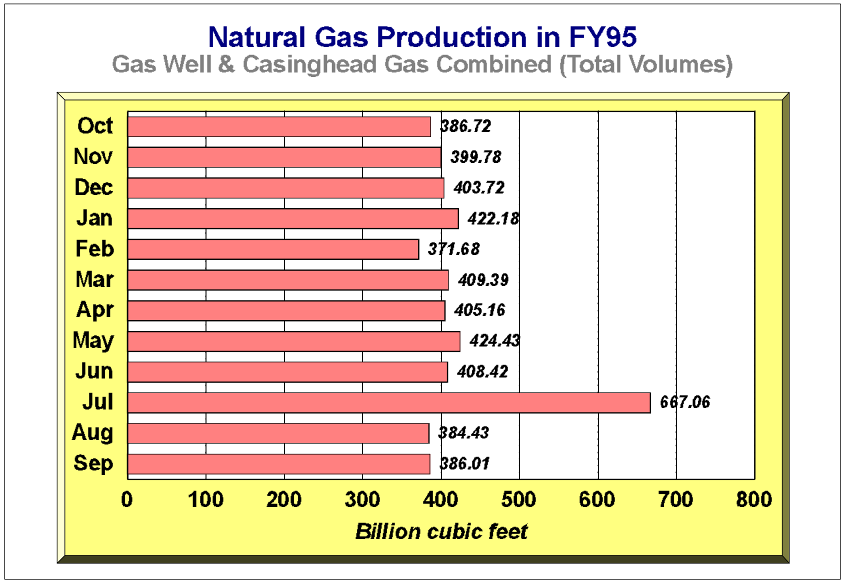
♦ Production from OCS Leases

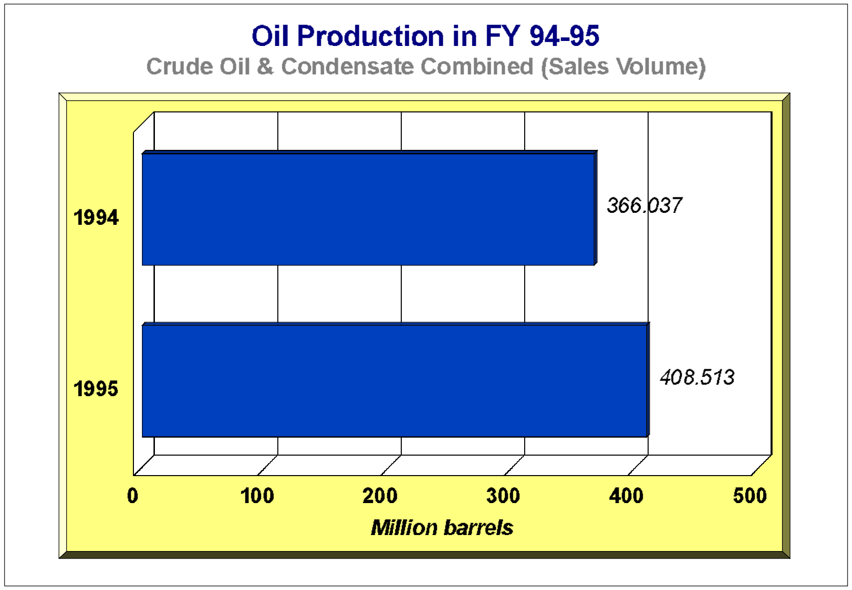
In FY95, the OCS contributed about 25 percent of the United States' total gas production and about 15 percent of its total oil production. This production generated about $2.5 billion for disbursement to the National Historic Preservation Fund (NHPF), Land & Water Conservation Fund (LWCF), U.S. Treasury, and Section 8(g) States.

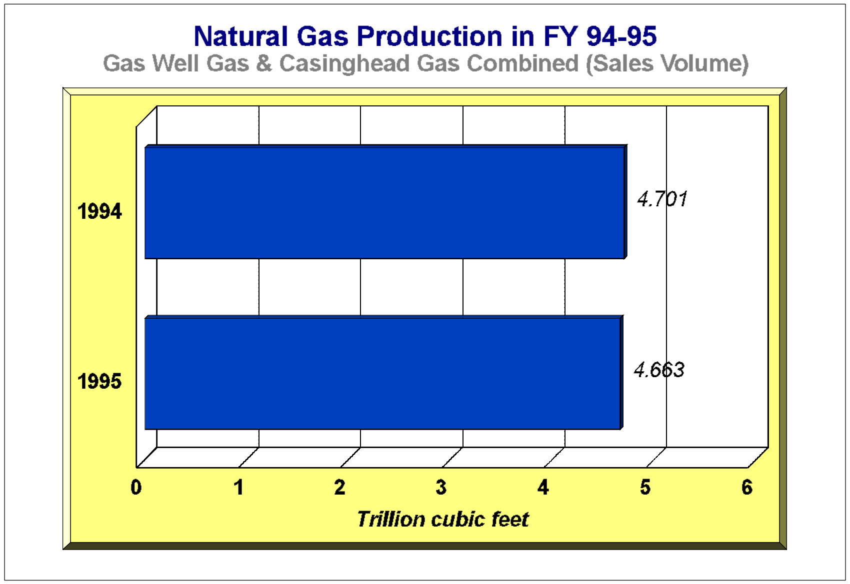
The charts at right show oil and gas production *total volumes* by month for FY95. Peak months are an indication of reporting system only and not actual production peaks. About 145 operators on Federal offshore leases produced sales volumes of 408.5 million barrels of oil and 4.66 Tcf of natural gas—up by almost 42 million barrels over the previous year for oil and down by about 38 Bcf over the previous year for gas. The charts on the next page compare sales volumes for FY94 and FY95. Revenues generated are based on sales volumes rather than total volumes. (See graphs on p. 15 for revenues generated.)








Oil Production in FY 94-95
Crude Oil & Condensate Combined (Sales Volume)
1994
1995
366.037
408.513
0
100
200
300
400
500
Million barrels


Natural Gas Production in FY 94-95
Gas Well Gas & Casinghead Gas Combined (Sales Volume)
1994
1995
4.701
4.663
0
1
2
3
4
5
6
Trillion cubic feet

Safety Regulations

The MMS is required to regulate and oversee exploration, development, and production activities of lessees to ensure environmentally safe and sound OCS operations.

Accident Reports

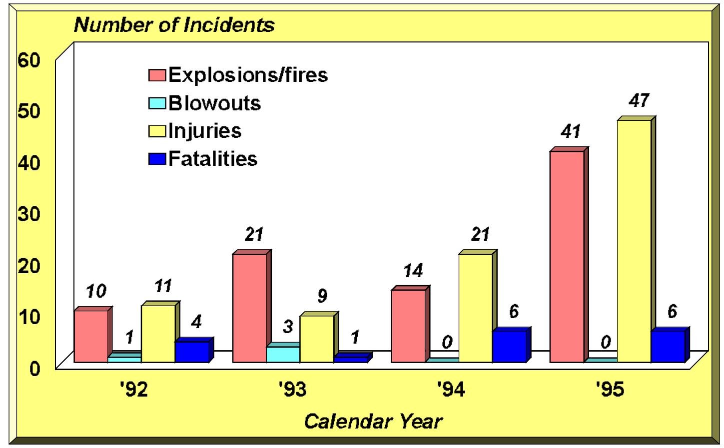
In 1995, there were 94 recorded accidents as categorized in the table below and the chart at right.

Categories of Accidents Reported 1992-95

Calendar Year	Explosions & Fires	Blowouts	Injuries	Fatalities
1992	10	1	11	4
1993	21	3	9	1
1994	14	0	21	6
1995	41	0	47	6

Sources: 1991-94 Accident Report (OCS Report MMS 95-0052); 1995 Dec. monthly report from District Offices.

Accidents Reported for 1992-95



Sources: 1991-94 Accident Report (OCS Report MMS 95-0052); 1995 December monthly report from each District Office.

♦ Inspections, Citations & Enforcements

During FY95, MMS conducted a total of 12,352 safety inspections. The table below shows the type and number of inspections conducted each month during the fiscal year. From these inspections, 4,550 incidents of noncompliance (INC's) were issued, resulting in 2,213 shut-ins (see table below).

Inspections, Citations, and Enforcements in FY95

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total YTD
INSPECTIONS													
OCS drilling facilities	110	99	108	102	80	104	97	114	156	115	146	101	1,332
OCS production facilities......	415	486	286	288	392	274	416	378	437	436	370	403	4,581
Pipeline inspections.............	178	421	184	123	153	83	119	101	119	177	140	190	1,988
Measurement/Site Security ..	176	188	200	132	289	228	302	360	448	353	297	278	3,251
Workover/Completion..........	73	65	48	40	30	41	44	47	70	50	74	48	630
Abandonment......................	4	5	6	2	5	2	7	4	5	3	11	1	55
Environmental	49	59	43	13	20	24	49	55	63	47	56	37	515
CITATIONS													
Citations (INC's*).................	271	284	323	240	268	252	351	519	632	610	484	316	4,550
ENFORCEMENTS													
Component shut-ins	114	119	94	135	128	103	202	250	250	323	195	113	2,026
Drilling facility shut-ins..........	1	7	4	1	4	6	2	14	8	12	14	11	84
Production facility shut-ins....	1	2	7	3	14	4	7	15	17	12	13	8	103

*INC = Incidents of Noncompliance

♦ Civil Penalties

The MMS OCS Civil Penalty Program helps to assure safe and pollution-free operations on the OCS by encouraging compliance with OCS statutes and regulations. Any violations involving injury to personnel, pollution, or by-passing of critical safety devices are reviewed for civil penalties.

During FY95, MMS collected $134,200 in civil penalties from violations of the OCS Lands Act. The table below shows those companies that were cited for safety violations and why.

OCS Civil Penalties Paid in FY95

Case No.	Company Name	Violation		Penalty	
		Nature	Date(s) Cited	Amount	Date Paid
GOM–94–02 .	Freeport-McMoRan	SCSSV's leaking, wells returned to production without repair	05/30/91 & 9/23/91	$72,100	10/03/94
GOM–94–03 .	Greenhill Petroleum Corp.	Pollution/LSH sensor relay on surge tank pinned out of service	08/31/93	$6,500	11/07/94
GOM–94–05 .	Elf Exploration Inc.	Bypassing and blocking out-of-service LSHL, PSL, LSH safety devices	10/19/93	$1,500	06/21/95
GOM–94–17 .	Walter O&G Corp.	No LSH on sump caisson. Violation not corrected within time allowed	11/11/93 & 12/07/93	$5,400	05/16/95
GOM–94–20 .	Texaco E&P	SCSSV and other safety sensors by-passed and pinned out of service	04/08/94	$10,000	06/.21/95
GOM–94–12 .	Meridian	Producing well with leaking SSV	10/29/93 & 01/21/94	$3,000	05/18/95
GOM–94–18 .	Sonat Exploration	SSV blocked out of service	02/18/94	$1,000	09/06/95
GOM–94–13 .	Murphy E&P Co.	SCSSV blocked out of service	02/02/94	$2,300	05/18/95
GOM–94–14 .	Exxon Company, USA	Emergency shut down system by-passed and blocked out of service	03/23/93	$3,000	07/11/95
GOM–94–28 .	Pennzoil E&P Co.	SCSSV blocked out of service	05/18/94	$2,400	09/12/95
GOM–94–29 .	Apache Corp.	Safety sensors by-passed and pinned out of service	06/06/94	$1,500	09/13/95
GOM–94–36 .	Forcenergy Gas Exploration	By-passing and blocking out of service LSH, PSL, LSH safety devices	07/12/94	$22,500	09/28/95
PAC–95–01 .	Pacific Operators Offshore	Pollution/by-passed safety devices	12/17/94	$3,000	06/09/95

♦ U.S. Coast Guard Inspections & Investigations

During FY95, the U.S. Coast Guard inspected 3,174 facilities. As summarized in the table below, these inspections resulted in 2,515 violation reports or allegations with 300 investigations or follow-up inspections being conducted. These investigations and inspections resulted in 1,340 corrective requirements being issued, of which no reports of violations were received for administrative or judicial action in accordance with procedures outlined in 33 CFR 140.40.

USCG Activity During FY95

[Pursuant to OCS Lands Act sections 15(1) and 22(g), as amended]

Total OCS facilities	3,916
Total facilities inspected	*3,174
Total violation reports or allegations	2,515
Total corrective requirements issued	1,340
Total investigations or follow-up inspections conducted	300
Total violation reports forwarded in accord with 33 CFR 140.40	0

* Includes 526 inspections conducted by the Coast Guard and self-inspections of fixed platforms within the 8th and 11th districts conducted by owners/operators in accord with 33 CFR 140.103. There were no OCS facilities operating in the 17th district during FY95.

Source: U.S. Department of Transportation, U.S. Coast Guard, Port & Facility Compliance Branch, December 1995.

Offshore Mineral Revenue & Disbursements for FY95

The Associate Director for Royalty Management, with respect to the Offshore Program, is responsible for

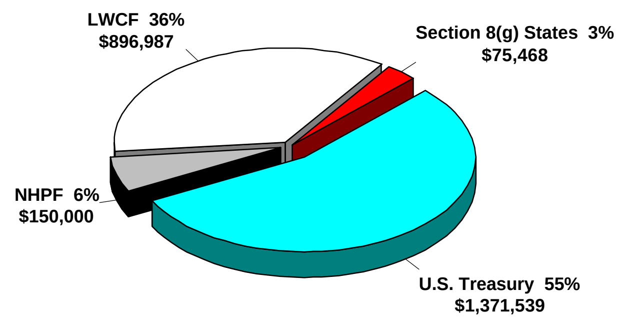
- ✓ collecting certain rents, royalties, and other payments;
- ✓ receiving sales and production reports;
- ✓ determining royalty liability;
- ✓ maintaining accounting records;
- ✓ auditing royalty payments and obligations; and
- ✓ carrying out all other functions relating to royalty management of Federal and Indian oil and gas leases.

In FY95, revenue collections from Offshore leases totaled $2.6 billion (see chart, top right). Royalty, rent, and bonus revenues from Federal offshore mineral leases on the OCS are disbursed to the Land & Water Conservation Fund (LWCF), the National Historic Preservation Fund (NHPF), selected coastal States (Section 8(g)), and the General Fund of the Treasury. In FY95, offshore mineral leasing provided

- ✓ $897 million to the LWCF,
- ✓ $150 million to the NHPF,
- ✓ $75.5 million to seven States, and
- ✓ $1,371.5 million to the U.S. Treasury.

Offshore Federal Mineral Revenues Disbursed in FY95

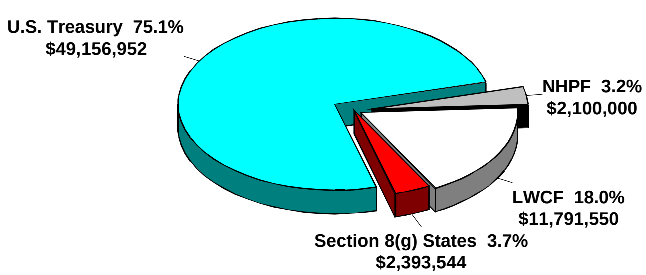
[In thousands of dollars]



LWCF = Land & Water Conservation Fund
NHPF = National Historic Preservation Fund

Offshore Federal Mineral Revenues Cumulative Disbursment: FY 1982-95

[In thousands of dollars]



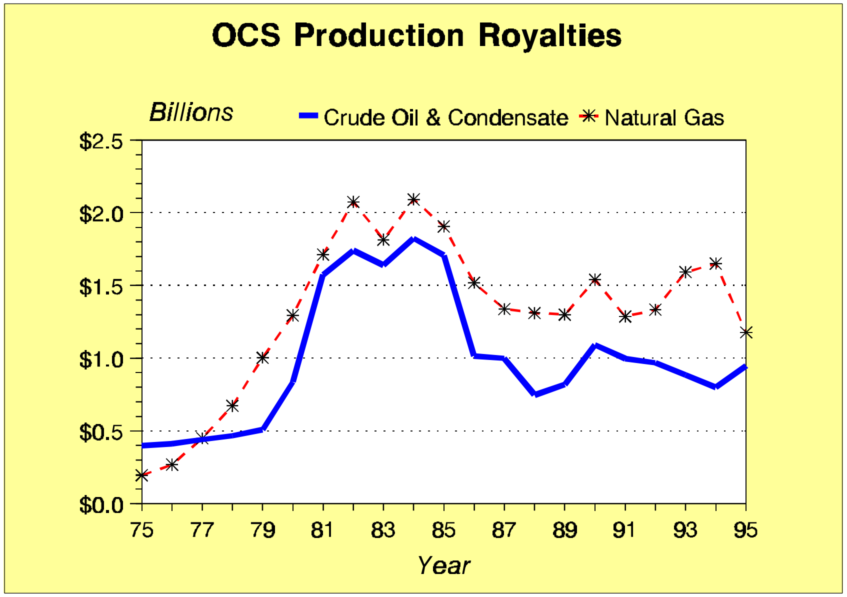
LWCF = Land & Water Conservation Fund
NHPF = National Historic Preservation Fund

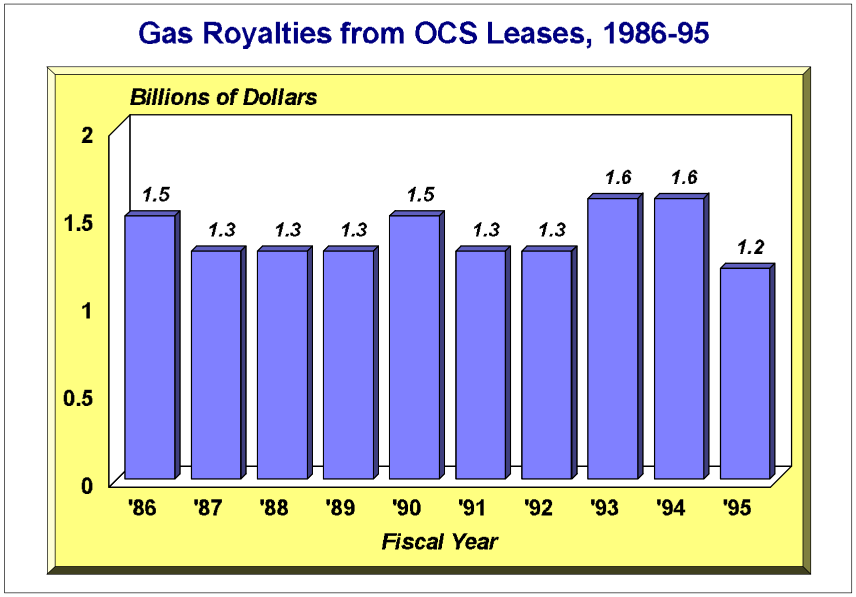
Revenue from Royalties

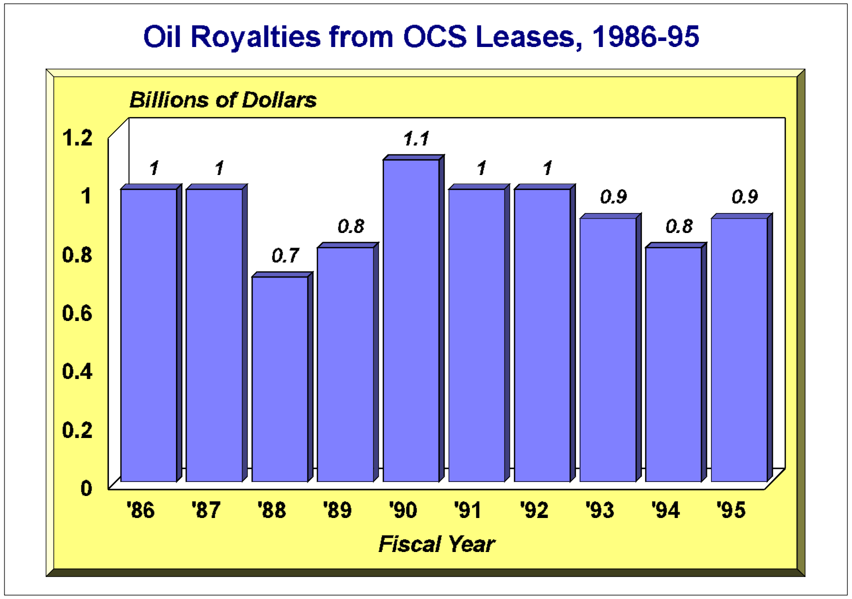
Royalties are due when production begins and by law are payable on the last day of each month. Royalties on oil, gas, and OCS sulfur are paid at a rate specified in the lease, unless the Secretary, pursuant to the provision of the applicable mineral leasing laws, reduces, or in the case of OCS leases, reduces or eliminates, the royalty rate or net profit share set forth in the lease. Some leases specify *minimum royalty payments*. These are annual payments, on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value. Once annual production exceeds the minimum value, minimum royalty payments cease.

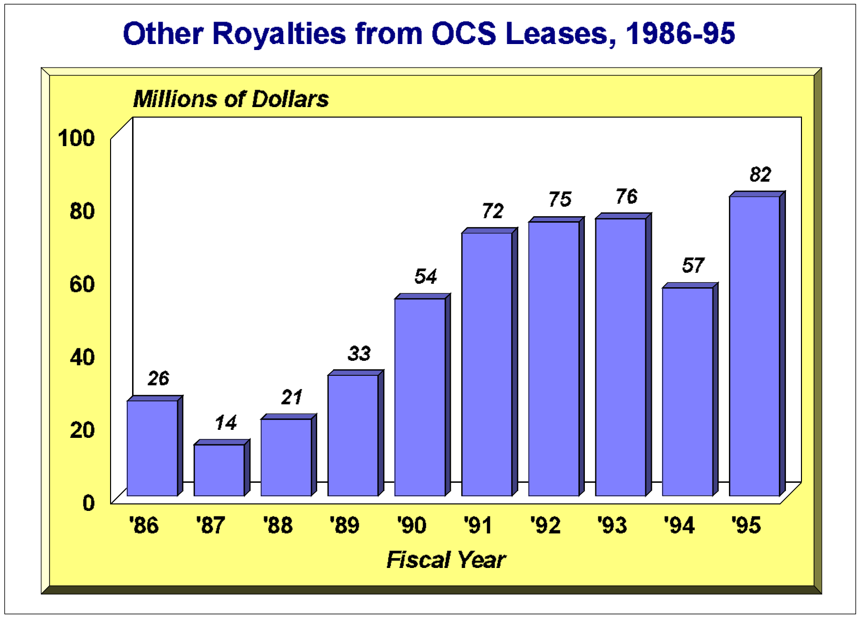
In FY95, the Federal Government collected $2.23 billion in royalties from OCS leases:

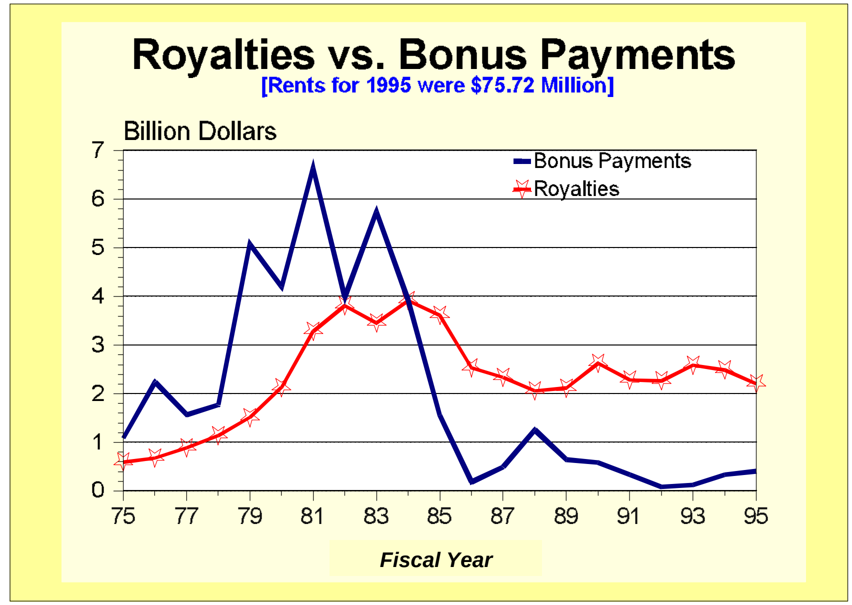
- ✓ $1.2 billion in gas royalties,
- ✓ $0.95 billion in oil royalties, and
- ✓ $81.7 million in other royalties.









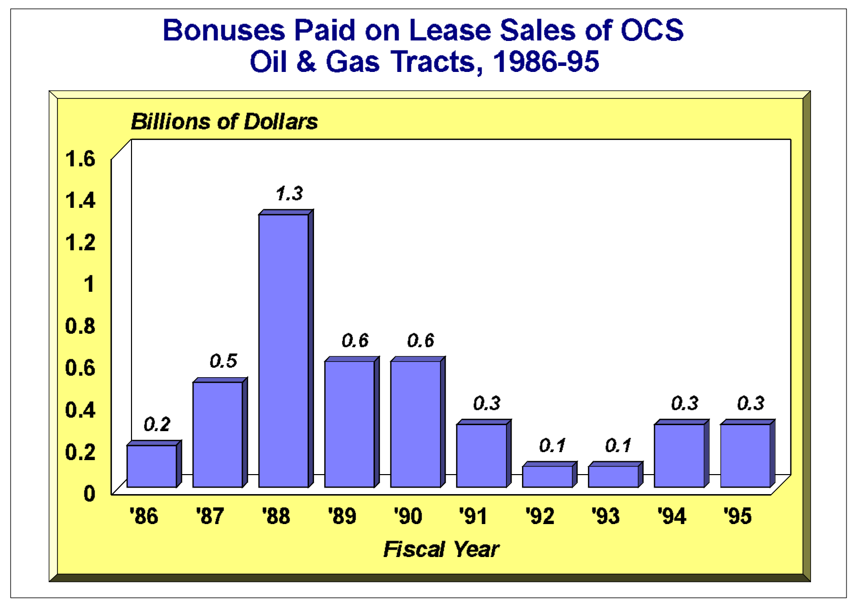


Revenue from Rents

A fixed dollar amount per acre paid as annual rent is required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued. In FY95, the Federal Government collected $86.7 million in revenue from rents.

Revenue from Bonuses

Areas known to contain minerals are leased through a competitive bidding process. The cash amount successfully bid to win the rights to a lease is called a bonus. In FY95, the Federal Government collected $354.4 million in revenue from bonuses.



Offshore Program Receipts, Expenditures & Obligations

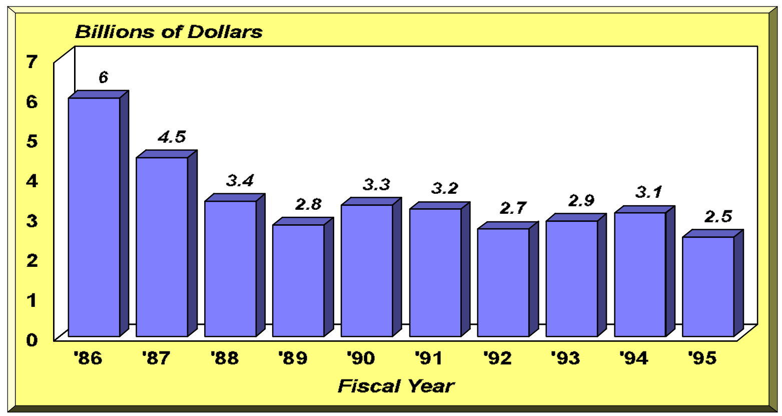
Offshore program receipts during FY95 amounted to $414,194,201 in bonuses and rents; $2,003,737,588 in royalties; and $593,706 in interest on escrow released for total receipts of $2,418,525,495. In addition, $129,384,713 was collected through escrow accounts and other receipts, bringing total Offshore Program receipts administered by the Royalty Management Program to $2,547,910,208. The chart below shows total program receipts and escrow in billions of dollars over the past 10 years.

Offshore Program Receipts	
Offshore	
Bonuses and Rents (Acct. #141820)*	$414,194,201
Royalties (Acct. #142020)*	$2,003,737,588
Interest on Escrow Release (Acct. #141493	$593,706
Total	$2,418,525,495
*Revenue totals in accounts 141820 and 142020 were later reduced by transfers of $896,987,237 to the Land & Water Conservation Fund and $150,000,000 to the Historic Preservation Fund.	
Escrow and Other Receipts (accounts 14X6704, 14X6705, 14X6707)	
Bonuses (Oil & Gas)	$1,367,687
Rents...	$980,440
Royalties	$27,645,826
Interest..	$53,916,973
Settlements.......................................	$45,473,787
Total	$129,384,713
Total Offshore Program Receipts	$2,547,910,208

Offshore Program Expenditures [Escrow Accounts]	
OCS Sections 8(g) & 7 (partial distribution)	
Federal Share	$81,094,761
State Share...	$75,467,740
Total	$156,562,501
Beaufort Sea Section 7 (cumulative undistributed amount)	
Bonuses	$431,300,246
Rents Total Obligations.....................	$2,574,076
Interest Realized................................	$905,386,214
Total	$1,339,260,536

Offshore Program Estimated Obligations	
Salaries and Benefits	$54,292,000
Travel and Per Diem..........................	$2,063,000
Contractual Services	$42,196,000
Equipment	$4,608,000
Other	$2,092,000
Total Program Obligations	$105,251,000

Offshore Program Receipts in FY 1986-95



International Activities & Marine Minerals

MMS Sand & Gravel Program

The Office of International Activities and Marine Minerals (INTERMAR) provides policy direction and guidance for developing hard mineral (non-oil and natural gas) OCS resources. Currently, MMS's program focuses on managing exploration and development activities for OCS sand, gravel, and shell resources. Sand is needed to support shoreline protection and coastal wetlands restoration projects. There is also a growing demand for sand, gravel, and shell resources for construction and road base materials.

In the 103rd Congress, a "sand-and-gravel" amendment was added to the OCS Lands Act (PL 103-426). The new law authorizes a negotiation process (in lieu of competitive bidding) when OCS sand, gravel, and shell resources are needed for certain public works uses, including shore protection, beach restoration, and coastal wetlands protection. This amendment helps coastal States by providing a noncompetitive mechanism for obtaining Federal sand, gravel, and shell resources for public works projects.

The MMS has active cooperative projects with 11 States along the Atlantic and Gulf coasts identifying suitable sand, gravel, and shell deposits and evaluating their extraction feasibility.

This partnership approach relies on State Geological Surveys and other agencies to identify their needs and propose suitable offshore areas for study; all projects include co-funding or in-kind contributions from States. Support is encouraged from other Federal agencies, academia, and the public to leverage funding and expertise.

The MMS's program has a strong environmental component to assure that OCS mineral development is conducted in a safe and environmentally sound manner. The MMS uses its scientific, technical, and contracting expertise to conduct environmental studies to provide information for effective and safe management of OCS dredging operations.

In May 1995, MMS completed the first negotiated lease, under the terms of the new law, authorizing use of 1.24 million cubic yards of OCS sand from 7.5 miles offshore northeast Florida for use in a shore protection project sponsored by the Army Corps of Engineers and the City of Jacksonville. Additionally, OCS sand leases have now been requested by Louisiana, by the Navy, by South Carolina, and by a private company for construction aggregate. Planning is underway to prepare site-specific environmental documents for these projects.

The MMS has initiated eight environmental studies to support decisionmaking for developing hard minerals on the OCS. Completed and ongoing studies center on the effect or contribution of dredging, including possible mitigation measures, on turbidity and bottom dwelling organisms.

Environmental Studies Program Activities in FY95

The MMS Environmental Studies Program (ESP) conducts environmental and socioeconomic studies to provide scientific information for management decisions on offshore oil and natural gas and marine mineral activities. In FY95, $14.1 million was awarded to researchers in the Federal, State, Private, and Academia sectors (see chart at right).

The ESP is one tool that MMS uses to involve the public in the OCS Program. States, local governments, communities, and other Federal agencies are brought into the process to identify OCS information concerns which can be addressed by conducting studies.

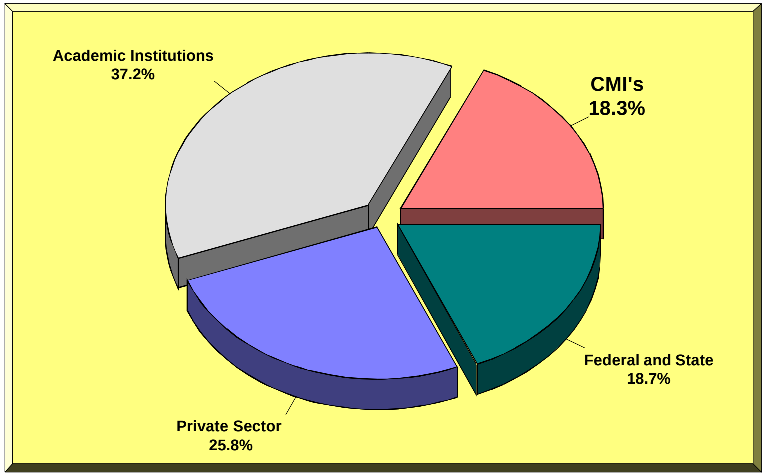
Through ESP's research, MMS has established a large base of environmental information. With the creation of an ESP Information System (ESPIS), the results of over $600 million worth of research are now available to MMS decisionmakers and analysts through the Department of the Interior network and to stakeholders and other constituents through the Internet. During FY95, technical abstracts for these studies became accessible through the worldwide web at *http://www.mms.gov/envsci.html*.

Stakeholder participation is emphasized through the Coastal Marine Institutes (CMI) at the Louisiana State University, University of California at Santa Barbara, and the University of Alaska at Fairbanks. More than 47 projects have been initiated to date in Louisiana, Alaska, and California. A major goal of the CMI Program is to have research done by local scientists in those States most likely to be affected by OCS activities.

A second major goal is to create an MMS-State partnership to cooperatively address OCS issues and concerns of mutual interest and share costs equally. Through the CMI partnership, MMS enhances the training and research of university scientists and their students and fosters development of scientific expertise on OCS issues.

Environmental Studies Program FY95 Expenditures

By Sector Performing Research



The MMS has several other cooperative agreements ongoing with State institutions. Physical oceanographic research is conducted in the Gulf of Mexico by Florida State University, Texas A&M University, and Louisiana State University. Scripps Institution of Oceanography is conducting physical oceanographic research in the Santa Barbara Channel area off southern California. Additionally, the University of West Florida, the University of Texas, and the State of Alaska are conducting various socioeconomic studies.

The MMS also has several cooperative projects underway with the National Oceanic & Atmospheric Administration, the U.S. Fish & Wildlife Service, the National Biological Service, the U.S. Geological Survey, and the Office of Naval Research.

Recommendations to Congress

Section 15(1)(D) of the OCS Lands Act, as amended (43 U.S.C. 1343(1)(d)), requires that the Secretary of the Interior submit to the President of the Senate and the Speaker of the House of Representatives as part of the Annual Report on the OCS Oil and Natural Gas Leasing and Production Program:

(D) recommendations to the Congress (i) for improvements in management, safety, and amount of production from leasing and operations in the OCS, and (ii) for resolution of jurisdictional conflicts or ambiguities.

The Department of the Interior has no recommendations at this time on these matters.

Selected Definitions

Area.—A geographic region at least as large as the defined limits of an oil and/or gas field in which oil and/or gas lease products have similar quality, economic, and legal characteristics.

Bonuses.—The cash amount successfully bid (in a competitive bidding process) to win the rights to a lease.

Condensate.—Liquid hydrocarbons (normally exceeding 40 degrees of API gravity) recovered at the surface without resorting to processing. A mixture of hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.

Field.—A geographic region situated over one or more subsurface oil and gas reservoirs encompassing at least the outermost boundaries of all oil and gas accumulations known to be within those reservoirs vertically projected to the land surface. The OCS fields are named and their boundaries are designated by MMS. Onshore fields are usually given names and their official boundaries are often designated by oil and gas regulatory agencies in the respective States in which the fields are located.

Lease.—Any contract, profit-share arrangement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, development or extraction of, or removal of lease products—or the land area covered by that authorization, whichever is required by the context.

LWCF.—The Land and Water Conservation Fund, administered by the National Park Service, provides revenues for the Federal Government and State and local governments to purchase parks and recreation areas and to plan, acquire, and develop land and water resources for recreational use. Offshore mineral leasing provides about 70–90 percent of LWCF revenues.

Minimum royalty.—The minimum amount of annual royalty that the lessee must pay as specified in the lease or in applicable leasing regulations.

NHPF.—The National Historic Preservation Fund, administered by the National Park Service, provides revenues for matching grants-in-aid to States and local governments and funds the National Trust for Historic Preservation. Offshore mineral leasing provides 100 percent of NHPF revenues.

Outer Continental Shelf.—All submerged lands lying seaward and outside of the area of lands beneath navigable waters as defined in section 2 of the Submerged Lands Act (43 U.S.C. 1301) and of which the subsoil and seabed belong to the United States and are subject to its jurisdiction and control.

Rents.—Annual payment is normally a fixed dollar amount per acre, required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued.

Royalty.—A stated share or percentage of the value of the mineral produced. A royalty may be an established minimum, a step scale, or a sliding scale. A step-scale royalty rate increases by steps as the average production on the lease increases. A sliding-scale royalty rate is based on average production and applies to all production from the lease.

Sales volume.—The volume of a commodity reported sold during the year.

Section 8(g) disbursements.—Revenues generated from the leasing of lands within 3 miles of the seaward boundary of a coastal State that contains one or more oil and gas pools or fields underlying both the OCS and lands subject to the jurisdiction of the State.