

Mineral Revenue Distributions

Fiscal Year 1996

Royalty Management Program



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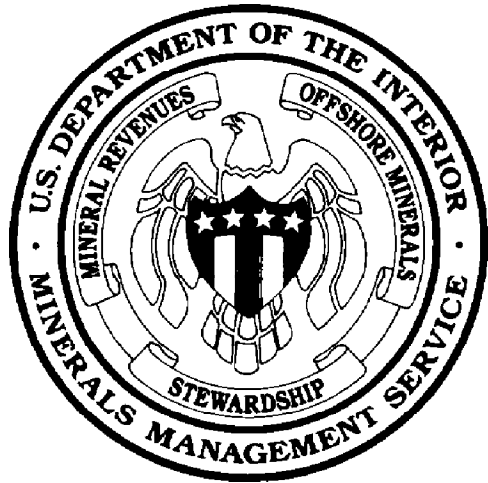
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Executive Summary

The U.S. Department of the Interior and the royalty management staff of the Minerals Management Service (MMS) continued efforts to improve stewardship of the Nation's mineral resources in 1996.

Total Distributions

The Department collected and disbursed nearly \$5 billion in mineral rents, bonuses, and royalties in FY 1996 from 72,000 Federal and Indian leases. This represents an increase of nearly \$1.3 billion, or 35.4 percent, from nearly \$3.7 billion in distributions in FY 1995.

The increase was primarily due to higher oil and gas prices during the year, increased offshore oil and gas sales volumes, and additional revenues from offshore oil and gas competitive lease sales. Indian revenues addressed in this report are collected and processed by MMS from leases on Tribal lands and allotments or collected by the Indian community and reviewed by MMS for accuracy.

Offshore Oil and Gas

Offshore oil and gas royalties increased 51.9 percent, or nearly \$1.1 billion, in FY 1996. Domestic oil prices are materially influenced by the international market. The Department of Energy (DOE) advises that low world inventories and high demand in the United States, Europe, and the developing nations of Asia caused oil prices to rise in FY 1996.

Higher prices and demand support increased production. The Gulf of Mexico reported a significant rise in oil sales volume during the year as a result of the start of production in the Mars Field in July 1996, and the completion of new production facilities in the Auger Field.

Domestic gas prices are governed by competition in U.S. and Canadian energy markets because gas, unlike oil, is not

easily transported between countries outside North America. The DOE reports that gas inventories reached a 20-year low in December 1995 and continued to fall throughout the winter months due to unusually cold weather in much of the East and Midwest.

Higher demand coupled with diminished supply caused gas prices to rise over 30 percent during the year. Gas sales volume rose in the Gulf of Mexico and offshore California to accommodate the increased demand.

Offshore bonuses and rents rose 67.7 percent, from \$416.5 million in FY 1995 to \$698.7 million in FY 1996. The growth in revenues from competitive lease sales is attributed to advances in three-dimensional seismology, innovations in horizontal drilling, improved underwater techniques, recent subsalt discoveries in the Gulf of Mexico, and increased competition by independent producers in shallow water properties in the Gulf.

Federal Onshore and Indian Oil, Gas, and Coal

Federal onshore royalties declined 2.1 percent and Indian royalties fell 4.9 percent in FY 1996. A decline in coal royalties offset gains in both oil and gas royalties on Federal and Indian lands. The DOE advises that the expected increase in western coal prices as a result of the Clean Air Act of 1990 has not materialized. Advances in mining productivity have served, instead, to reduce coal prices. Coal prices for electric utility companies fell to their lowest level since 1979.

Federal onshore bonuses and rents fell \$16.2 million during the year. Much of the decline occurred in Wyoming. Bureau of Land Management officials advise that a large number of oil and gas parcels were offered through competitive lease sales in the southwestern part of the State in FY 1995. Fewer parcels were offered statewide in FY 1996 with limited interest in the southwestern fields.

Products and Units of Measurement

<u>Product</u>	<u>Unit of Measurement</u>
Amethyst	Grams
Carbon Dioxide	Mcf (thousand cubic feet)
Coal	Short tons (2,000 pounds)
Copper	Short tons
Gas	Mcf
Gas Plant Products	Gallons
Geothermal and Heated Water Sources	Millions of British thermal units
Helium	Mcf
Nitrogen	Mcf
Oil	Barrels (42 U.S. gallons)
Phosphate	Short tons
Potash	Short tons
Quartz Crystals	Pounds
Sand and Gravel	Short tons
Sodium	Short tons
Sulfur	Short tons
All Other Solid Minerals	Short tons

NOTE: Sulfur is reported as either a fluid or solid mineral based on the method of extraction. Fluid mineral sulfur is produced by extracting the product from the oil and gas stream. All onshore sulfur and a limited amount of offshore sulfur are currently produced from the oil and gas stream. Solid mineral sulfur is extracted using the Frasch process. The majority of offshore sulfur is produced using the Frasch mining method.

Products reported in long tons have been converted to short tons in this report.

Sodium product figures include sodium borate and carbonate compounds.

About This Report

The Mineral Revenue Distributions Report for Fiscal Year 1996 provides information addressing royalty, rent, bonus, and other revenue disbursements from Federal and Indian mineral leases. The Minerals Management Service Royalty Management Program distributes the report to Congressional, Federal, State, Indian, and industry representatives. Many of the narratives, figures, and tables address current-year performance; however, 10 years of historical data are provided where appropriate as a service to our constituents. Numbers in parentheses may include current-year collections and credits, and prior-year adjustments.

Appendix A on page 23 provides factors to convert measurements to either English (inch-pound) units or the International System of Units (metric).

Mineral Lease Revenues

The report addresses four types of mineral lease revenues: bonuses, rents, minimum royalties, and royalties.

- **Bonuses.** Leases issued in areas known to contain minerals are awarded through a competitive bidding process. Bonuses represent the cash amount successfully bid to win the rights to a lease.
- **Rents.** A rent schedule is established at the time a lease is issued. Rents are annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease.
- **Minimum Royalties.** A Federal lease may further contain a minimum royalty provision. Minimum royalty is the annual payment, 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.

Minimum royalties in this report are included under the entry "Other Revenues." "Other Revenues" includes settlement payments, gas storage fees, estimated payments, and recouplements in addition to minimum royalties.

- **Royalties.** A royalty is due when production begins. Royalty payments represent a stated share or percentage of the value of the mineral produced. The 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.

Other Minerals

Minerals referred to in this report as "Other Royalties" may include the following solid and fluid minerals: amethyst, asphalt, barite, bentonite, carbon dioxide, chat, clay, copper, feldspar, fluorspar, garnet concession, garnet sands, gas lost, gas plant products, geothermal energy, gilsonite, gold, gypsum, helium, hot water, iron ore, langbeinite, lead, leonardite, limestone, magnesium, molybdenum, nitrogen, oil lost, oil shale, phosphate, potash, potassium products, purge liquor, quartz crystals, salt, sand and gravel, scoria, silica sand, silver, soda ash, sodium products, sulfur, sylvite, trona ore, tungsten, uranium, wavellite, and zinc. Gas plant products include gasoline, liquid petroleum gas, propane, butane, and other gas commodities measured in gallons.

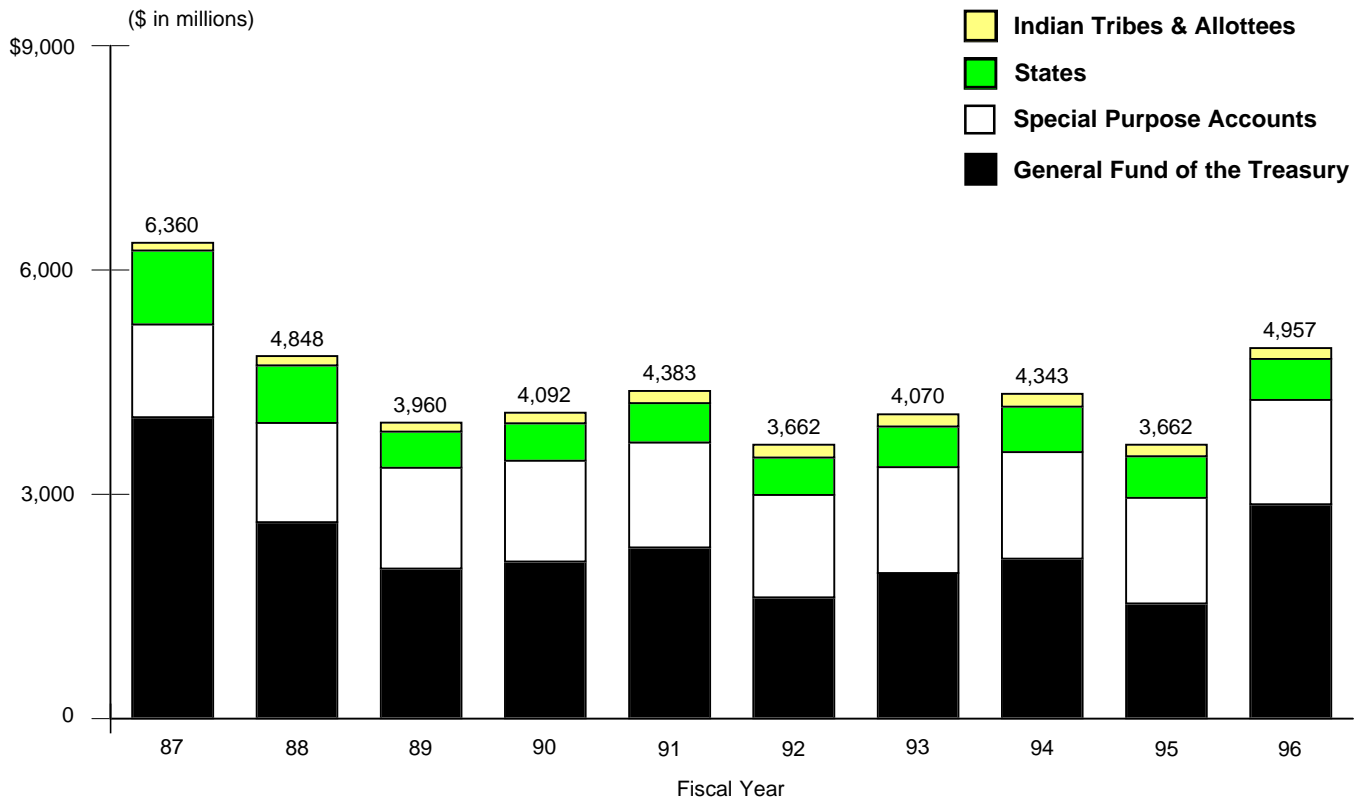


Figure 1. Disbursement of mineral revenues, in millions, from Federal and Indian Leases, Fiscal Years 1987-96

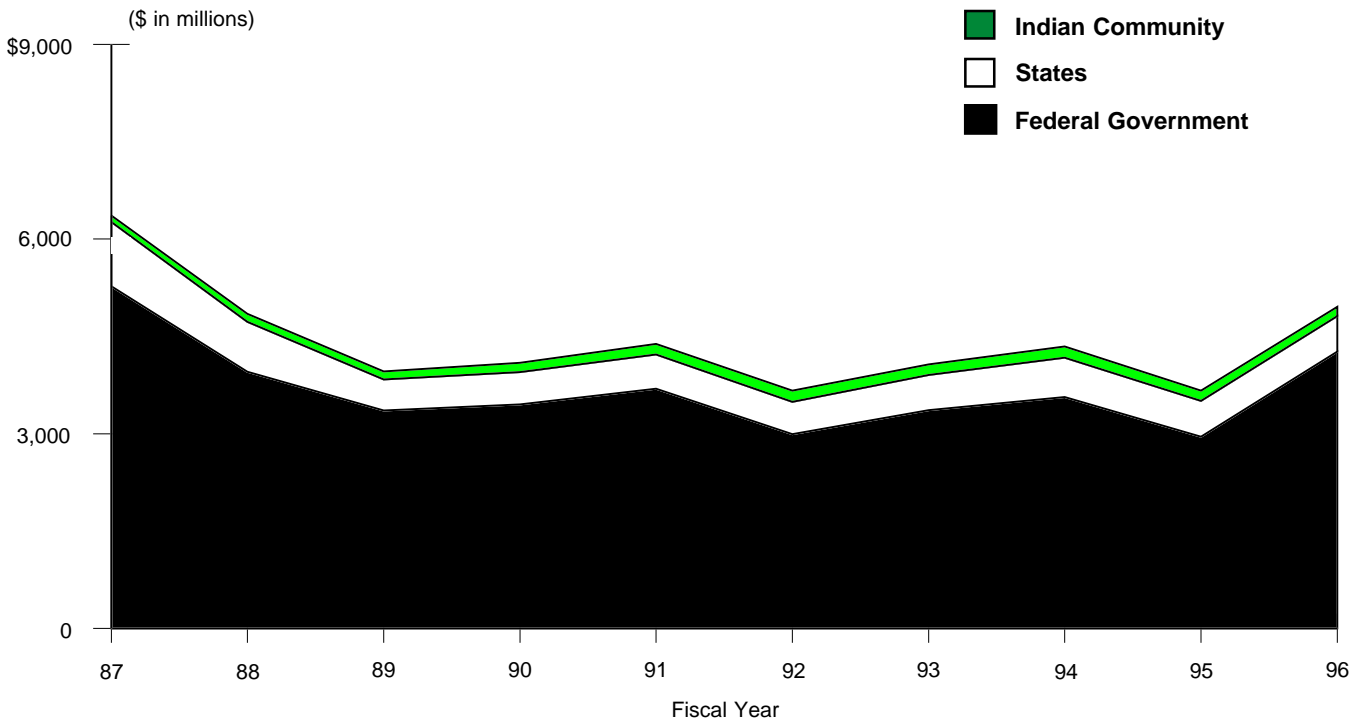


Figure 2. Disbursement of mineral revenues, in millions, to the Indian Community, States, and the Federal Government, Fiscal Years 1987-96

Distribution of Federal and Indian Mineral Revenues

Revenues collected in 1996 from mineral leases on Federal lands were distributed to States, to the U.S. Department of the Treasury (Treasury), and to a number of designated special-purpose accounts administered by Federal agencies. The Bureau of Indian Affairs (BIA) disbursed revenues collected from Indian leases to the appropriate Indian Tribes and allottees. Formulas for these disbursements are governed by legislation and regulations (table 1).

The General Fund of the Treasury received 57.8 percent, or \$2.9 billion, of all revenues in Fiscal Year (FY) 1996. Payments to three special-purpose accounts amounted to \$1.4 billion, or 28.2 percent of total mineral revenues. Another \$547.6 million, or 11.1 percent, was disbursed to mineral-producing States from offshore and onshore mineral activity. Indian revenues directed to Tribal governments and individual allotment owners equaled 2.9 percent, or \$145.8 million, during the fiscal year (table 2 and figure 3).

Royalty payments are generally due in the month following sales. Lease payors are required by law to make payment on the last day of the month unless that day falls on a weekend or holiday. Payments are then due on the first business day of the following month.

Since October 1, 1983, the Minerals Management Service (MMS) has generally disbursed mineral revenues shared with the States in the month following receipt under the provisions of section 104 of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA). The MMS deposits Indian revenues in a Federal Reserve bank account, where they are invested and subsequently distributed to Indian Tribes and allottees by BIA. Since revenues collected in one month are disbursed in the following month, collection totals in a given year will not equal disbursement totals for the same year.

The Mineral Lands Leasing Act of 1920 provides that States whose boundaries encompass Federal public domain mineral leases will share in the revenues from those leases. Royalty, rental, and bonus revenues totaling \$457.8 million were distributed to 33 mineral-producing States in FY 1996. Six western States—California, Colorado, Montana, New Mexico, Utah, and Wyoming—received 94.6 percent of the funds (tables 4 and 5, and figure 4).

The U.S. Department of the Interior paid \$182,184 in interest in FY 1996 to States for royalties that were not disbursed on time in accordance with section 111 of FOGRMA. In recent years, all Indian deposits have been made on time, so MMS has incurred no interest obligation.

Outer Continental Shelf Lands

Royalty, rent, and bonus revenues from Federal offshore mineral leases on the Outer Continental Shelf (OCS) are distributed to the Historic Preservation Fund, the Land and Water Conservation Fund, selected coastal States, and the General Fund of the Treasury. Transfers to the Historic Preservation Fund equaled \$150 million in FY 1996. Transfers to maintain the Land and Water Conservation Fund's annual authorization of \$900 million totaled \$896.9 million during the year. The balance of offshore revenue receipts is directed into the General Fund of the Treasury (table 2 and figure 3).

Section 8(g) of the Outer Continental Shelf Lands Act (OCSLA) Amendments of 1978 provided that the States were to receive a "fair and equitable" division of 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. The States and the Federal Government, however, could not reach agreement concerning the meaning of the term "fair and equitable." Revenues generated within the 3-mile boundary were placed into an escrow fund beginning in August 1979. Revenues from the Beaufort Sea in Alaska were placed into a second escrow fund under section 7, beginning in December 1979.

Congress resolved the dispute over the meaning of "fair and equitable" in the OCSLA Amendments of 1985, Public Law 99-272. The law provides for the following distribution of section 8(g) revenues to the States:

- Disbursement of escrow funds in FY 1986-87;
- A series of annual settlement payments disbursed to the States over a 15-year period from FY 1987 to FY 2001; and

- Recurring annual disbursements of 27 percent of royalty, rent, and bonus revenues received within each affected State's 8(g) zone (tables 1 and 4).

Congress passed a second law, Public Law 100-202, permitting distribution of \$322.9 million of the section 7 Beaufort Sea escrow funds to Alaska in FY 1988.

Nearly \$89.9 million in OCS royalties and escrow funds was released to seven States in FY 1996 under the provisions of the OCSLA Amendments of 1985 (tables 4 and 6).

Public Lands

Mineral revenues collected from public lands leases are distributed directly to States or paid into either special-purpose accounts or the General Fund of the Treasury. States other than Alaska receive 50 percent of all royalties, rents, and bonuses collected from any public lands leases located within their respective boundaries. Forty percent of the remaining mineral revenues from public lands leases is deposited in the Reclamation Fund, and 10 percent is directed into the General Fund of the Treasury (table 1).

Alaska receives 90 percent of all royalties, rents, and bonuses paid for mineral production on public lands leases in Alaska after deduction of payments under the provisions of the Alaska Native Claims Settlement Act of 1971. The State also receives 50 percent of all royalties, rents, and bonuses generated from the National Petroleum Reserve of Alaska (table 1).

Acquired Lands

The MMS collects all royalties, rents, and bonuses from leases issued under the Mineral Leasing Act for Acquired Lands of 1947 on behalf of a number of Federal agencies. Revenues are disbursed according to law.

Seventy-five percent of mineral receipts from leases within a national forest administered by the U.S. Department of Agriculture (USDA) is distributed to the General Fund of the Treasury. The remaining 25 percent is distributed to the State in which the mineral resource is produced (table 1).

Seventy-five percent of mineral revenues from leases within a national grassland administered by USDA is distributed to the General Fund of the Treasury. The remaining 25 percent is distributed to the county in which the mineral resource is produced (table 1).

Seventy-five percent of mineral receipts from lands administered by the U.S. Army Corps of Engineers (COE) is distributed to the State in which the mineral resource is produced. The remaining 25 percent is distributed to the General Fund of the Treasury (table 1).

Receipts from other acquired lands are deposited in a general Treasury account (table 1).

The COE and USDA distributed revenues from acquired lands under their jurisdiction to the States through the end of FY 1992. The MMS assumed distribution of acquired land revenues to the States from lands administered by COE and from national forests administered by USDA beginning in FY 1993. The USDA continued to distribute revenues to the States from acquired grasslands (table 3).

Indian Lands

The BIA collects bonuses and rents from nonproducing leases. The MMS distributes mineral royalties and rents from producing Indian Tribal and allotted leases to BIA, which in turn makes disbursements to the Tribes and to individual Indian allottees, with the following exceptions:

- Oil and gas payments to four Tribes—the Jicarilla Apache, the Blackfeet, the Navajo, and the Southern Ute—are made directly by the lease payor to financial institutions contracted by the Tribes to receive their mineral payments.
- The BIA has authorized payors to make direct payments to selected individual Indian allottees.
- Payments to the Cook Inlet Region, Inc., in Alaska, on behalf of Alaskan Natives, are made directly by lease payors to the corporation.
- The Osage Nation manages all mineral leases on its Tribal lands and collects its own revenues.

Military Lands

Mineral revenues collected from military lands leases issued before 1981 are deposited in the General Fund of the Treasury. Mineral revenues collected for leases issued beginning January 1, 1981, are disbursed in the same manner as revenues from public lands leases. Mineral revenues from all military lands leases totaled nearly \$7 million in 1996 (table 1).

Table 1. Formulas for the disbursement of revenues from Federal and Indian mineral leases

<u>Outer Continental Shelf Lands</u>	
Special-Purpose Accounts	\$150 million per year to the Historic Preservation Fund. Up to \$900 million per year to the Land and Water Conservation Fund.
States	Section 8(g) of the Outer Continental Shelf Lands Act, as amended, provides for the following distribution of revenues to the States: <ul style="list-style-type: none"> • Disbursement of escrow funds in FY 1986-87; • A series of annual settlement payments disbursed to the States over a 15-year period from FY 1987 to FY 2001; and • Recurring annual disbursements of 27 percent of royalty, rent, and bonus revenues received within each affected State's 8(g) zone.
U.S. Treasury	The balance of revenues are directed to the General Fund of the U.S. Treasury.
<u>Public Lands Other Than Alaska</u>	
Special-Purpose Accounts	40 percent to the Reclamation Fund.
States	50 percent to the State in which the mineral is produced.
U.S. Treasury	10 percent to the General Fund of the U.S. Treasury.
<u>Public Lands—Alaska</u>	
States	90 percent to the State of Alaska.
U.S. Treasury	10 percent to the General Fund of the U.S. Treasury.

Table 1. Formulas for the disbursement of revenues from Federal and Indian mineral leases (cont.)**Public Lands—Alaska National Petroleum Reserve**

States	50 percent to the State of Alaska.
U.S. Treasury	50 percent to the General Fund of the U.S. Treasury.

Acquired Lands—National Forests

States	25 percent to the State in which the mineral is produced.
U.S. Treasury	75 percent to the General Fund of the U.S. Treasury.

Acquired Lands—National Grasslands

Counties	25 percent to the county in which the mineral is produced.
U.S. Treasury	75 percent to the General Fund of the U.S. Treasury.

Acquired Lands Administered by U.S. Army Corps of Engineers

States	75 percent to the State in which the mineral is produced.
U.S. Treasury	25 percent to the General Fund of the U.S. Treasury.

Acquired Lands—Other

U.S. Treasury	100 percent to the General Fund of the U.S. Treasury.
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Table 1. Formulas for the disbursement of revenues from Federal and Indian mineral leases (cont.)

Indian Lands

Indian Tribes and Allottees 100 percent to Indian Tribes and allottees.

Military Lands—Leases Issued Before 1981

U.S. Treasury 100 percent to the General Fund of the U.S. Treasury.

Military Lands—Leases Issued Beginning January 1, 1981

Special-Purpose Accounts 40 percent to the Reclamation Fund.

States 50 percent to the State in which the mineral is produced.

U.S. Treasury 10 percent to the General Fund of the U.S. Treasury.

Table 2. Disbursement of Federal and Indian mineral lease revenues, Fiscal Years 1982-96

		Revenues in Thousands of Dollars						
		Historic Preserve Fund	Land & Water Conserve Fund	Reclamation Fund	Indian Tribes & Allottees	State Share	U.S. Treasury	Total
1982	....	\$ 150,000	\$ 825,950	\$ 435,688	\$ 203,000	\$ 609,660	\$ 5,476,020	\$ 7,700,318
1983	....	150,000	814,693	391,891	169,600	454,359	9,582,227	11,562,770
1984	....	150,000	789,421	414,868	163,932	542,646	5,848,044	7,908,911
1985	....	150,000	784,279	415,688	160,479	548,937	4,744,317	6,803,700
1986	....	150,000	755,224	339,624	122,865	1,390,632	4,983,055	7,741,400
1987	....	150,000	823,576	265,294	100,499	990,113	4,030,979	6,360,461
1988	....	150,000	859,761	317,505	125,351	767,623	2,627,721	4,847,961
1989	....	150,000	862,761	337,865	121,954	480,272	2,006,837	3,959,689
1990	....	150,000	843,765	353,708	141,086	501,207	2,102,576	4,092,342
1991	....	150,000	885,000	368,474	164,310	524,207	2,291,085	4,383,076
1992	....	150,000	887,926	328,081	170,378	500,866	1,624,864	3,662,115
1993	....	150,000	900,000	366,593	164,385	543,717	1,945,730	4,070,425
1994	....	150,000	862,208	410,751	172,132	606,510	2,141,755	4,343,356
1995	....	150,000	896,987	367,284	153,319	553,012	1,541,048	3,661,650
1996	....	150,000	896,906	350,264	145,791	547,625	2,866,509	4,957,095
Total	..	\$2,250,000	\$12,688,457	\$5,463,578	\$2,279,081	\$9,561,386	\$53,812,767	\$86,055,269

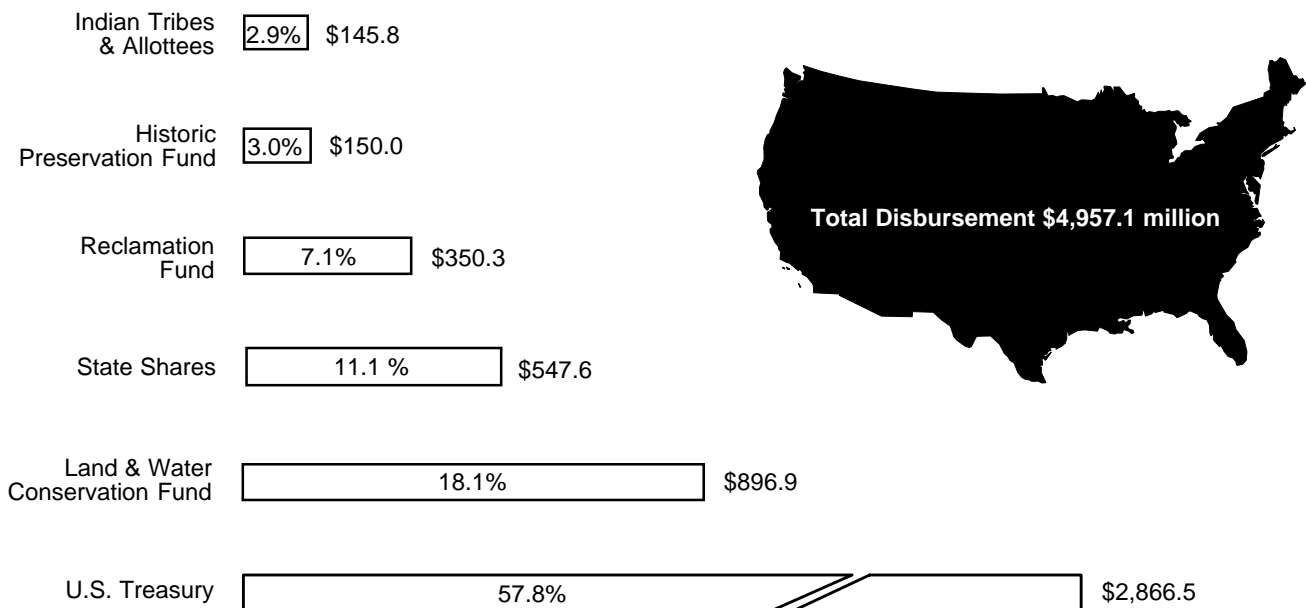


Figure 3. Disbursement of mineral revenues, in millions, from Federal and Indian leases, Fiscal Year 1996

Table 3. Summary of mineral revenues distributed to other Federal agencies by the Minerals Management Service from Federal onshore acquired lands, Fiscal Years 1985-96

	U.S. Army Corps of Engineers	U.S. Department of Agriculture
1985	\$ 2,563,572	\$ 73,531,777
1986	2,470,295	39,694,197
1987	1,313,384	47,591,946
1988	621,309	44,717,622
1989	2,002,190	91,939,261
1990	2,887,861	54,693,426
1991	1,181,910	37,184,243
1992	1,420,404	22,336,570
1993	---	18,075,994
1994	---	13,994,072
1995	---	18,675,702
1996	---	15,648,918
Total	\$14,460,925	\$478,083,728

NOTE: The U.S. Army Corps of Engineers (COE) and the U.S. Department of Agriculture (USDA) distributed revenues from acquired lands under their jurisdiction to the States through the end of Fiscal Year (FY) 1992. Beginning in FY 1993, the Minerals Management Service assumed distribution of acquired land revenues to the States from lands administered by COE and from national forests administered by USDA. The USDA continued to distribute revenues to the States from acquired grasslands.

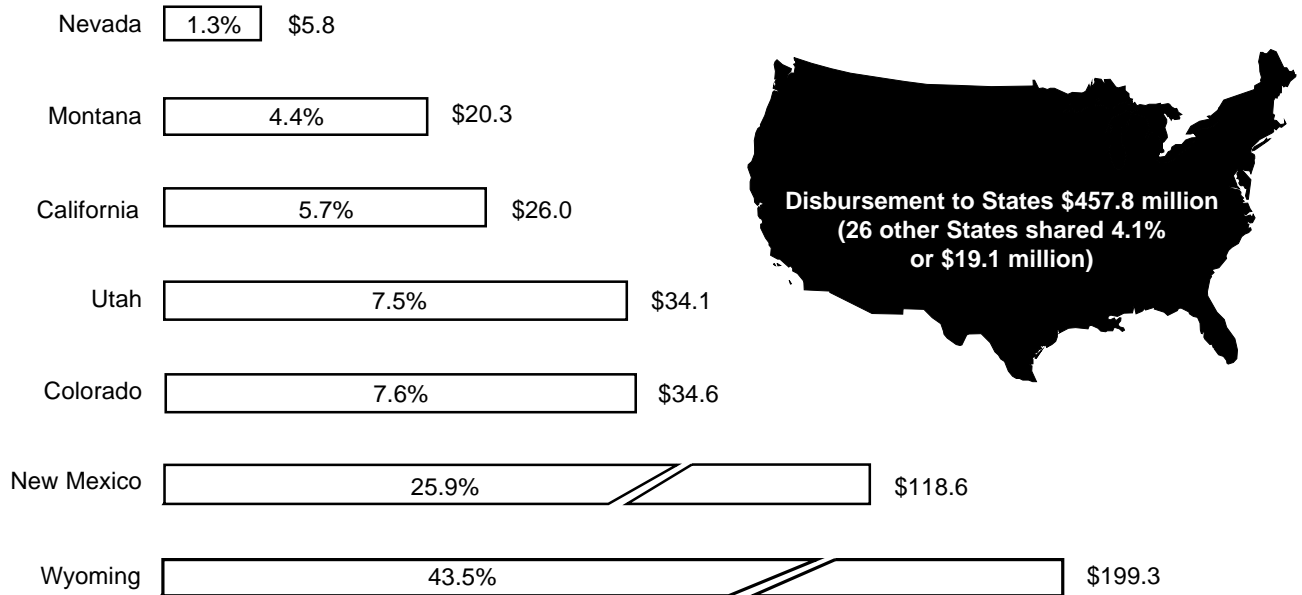


Figure 4. Disbursement to States of royalties and other revenues from Federal onshore leases, in millions, Fiscal Year 1996

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996

	Coal Royalties	Gas Royalties	Oil Royalties	Other Royalties	Royalties Subtotal
Alabama					
Offshore	\$ ---	\$9,736,722	\$ 5,237	\$ 27,534	\$ 9,769,493
Onshore	48,518	130,605	84,289	1,149	264,561
Total	48,518	9,867,327	89,526	28,683	10,034,054
Alaska					
Offshore	---	---	---	---	---
Onshore	---	3,131,035	2,400,326	(62,650)	5,468,711
Total	---	3,131,035	2,400,326	(62,650)	5,468,711
Arizona					
Onshore	---	---	---	---	---
Arkansas					
Onshore	---	803,839	2,297	564	806,700
California					
Offshore	---	115,287	4,621,548	38,570	4,775,405
Onshore	---	1,344,033	12,968,696	12,420,140	26,732,869
Total	---	1,459,320	17,590,244	12,458,710	31,508,274
Colorado					
Onshore	13,835,110	5,837,495	6,854,925	5,290,533	31,818,063
Florida					
Offshore	---	---	---	---	---
Onshore	---	---	---	14,689	14,689
Total	---	---	---	14,689	14,689
Idaho					
Onshore	---	---	---	2,233,232	2,233,232
Illinois					
Onshore	---	---	77,436	9,463	86,899
Indiana					
Onshore	---	---	---	---	---
Kansas					
Onshore	---	860,167	111,930	44,256	1,016,353
Kentucky					
Onshore	68,135	25,843	1,076	---	95,054
Louisiana					
Offshore	---	7,903,236	3,537,112	130,862	11,571,210
Onshore	---	186,669	390,817	23,896	601,382
Total	---	8,089,905	3,927,929	154,758	12,172,592

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996 (cont.)

Rents	Bonuses	Other Revenues	Net Receipts Sharing	Total Disbursement	
					Alabama
\$ 19,201	\$ 124,382	\$ 900,423	\$ ---	\$10,813,499	Offshore
35,865	---	(73,799)	(29,925)	196,702	Onshore
55,066	124,382	826,624	(29,925)	11,010,201	Total
					Alaska
46,788	---	9,481,266	---	9,528,054	Offshore
42,068	---	(211,243)	(629,471)	4,670,065	Onshore
88,856	---	9,270,023	(629,471)	14,198,119	Total
					Arizona
23,239	---	24,000	(6,479)	40,760	Onshore
					Arkansas
89,463	79,984	3,216	(59,418)	919,945	Onshore
					California
(429)	---	20,190,545	---	24,965,521	Offshore
176,314	18,224	973,315	(1,885,989)	26,014,733	Onshore
175,885	18,224	21,163,860	(1,885,989)	50,980,254	Total
					Colorado
1,628,061	2,052,018	1,723,285	(2,658,402)	34,563,025	Onshore
					Florida
10,194	---	---	---	10,194	Offshore
16,950	---	1,699	(6,379)	26,959	Onshore
27,144	---	1,699	(6,379)	37,153	Total
					Idaho
7,731	21,737	72,931	(177,085)	2,158,546	Onshore
					Illinois
3,352	---	114	(10,869)	79,496	Onshore
					Indiana
104	---	---	---	104	Onshore
					Kansas
6,405	---	137,321	(66,491)	1,093,588	Onshore
					Kentucky
5,246	1,858	14,738	(4,616)	112,280	Onshore
					Louisiana
292,445	4,666,400	6,592,185	---	23,122,240	Offshore
110,472	258,308	25,318	(52,271)	943,209	Onshore
402,917	4,924,708	6,617,503	(52,271)	24,065,449	Total

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996 (cont.)

	Coal Royalties	Gas Royalties	Oil Royalties	Other Royalties	Royalties Subtotal
Michigan					
Onshore	\$ ---	\$ 629,601	\$ 67,130	\$ 17,268	\$ 713,999
Minnesota					
Onshore	---	---	---	---	---
Mississippi					
Offshore	---	387,897	23	---	387,920
Onshore	---	69,522	321,632	---	391,154
Total	---	457,419	321,655	---	779,074
Missouri					
Onshore	---	---	---	1,232,367	1,232,367
Montana					
Onshore	17,267,227	1,174,541	2,307,001	46,487	20,795,256
Nebraska					
Onshore	---	---	12,165	---	12,165
Nevada					
Onshore	---	---	998,594	2,845,649	3,844,243
New Mexico					
Onshore	10,726,305	67,870,594	27,274,485	7,993,528	113,864,912
North Carolina					
Onshore	---	---	---	---	---
North Dakota					
Onshore	461,432	181,488	1,777,268	17,331	2,437,519
Ohio					
Onshore	---	155,750	25,170	---	180,920
Oklahoma					
Onshore	214,091	1,150,902	158,194	8,461	1,531,648
Oregon					
Onshore	---	---	---	---	---
Pennsylvania					
Onshore	---	19,224	2,361	---	21,585
South Carolina					
Onshore	---	---	---	---	---

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996 (cont.)

Rents	Bonuses	Other Revenues	Net Receipts Sharing	Total Disbursement	
\$ 18,057	\$ ---	\$ 30,699	\$ (60,428)	\$ 702,327	Michigan Onshore
(11,582)	---	18,296	(589)	6,125	Minnesota Onshore
4,587	---	153,314	---	545,821	Mississippi Offshore
<u>94,737</u>	<u>85,726</u>	<u>2,864</u>	<u>(23,625)</u>	<u>550,856</u>	Onshore
99,324	85,726	156,178	(23,625)	1,096,677	Total
2,875	---	6,987	(36,732)	1,205,497	Missouri Onshore
601,510	345,010	373,429	(1,844,125)	20,271,080	Montana Onshore
1,162	51	1,936	(1,056)	14,258	Nebraska Onshore
2,103,710	304,859	78,594	(572,130)	5,759,276	Nevada Onshore
1,274,265	5,592,591	3,711,087	(5,846,857)	118,595,998	New Mexico Onshore
---	---	119	(15)	104	North Carolina Onshore
89,550	123,025	(87,912)	(192,587)	2,369,595	North Dakota Onshore
6,220	4,095	481	(26,227)	165,489	Ohio Onshore
67,918	192,282	76,585	(148,901)	1,719,532	Oklahoma Onshore
(30,620)	---	99,690	(3,275)	65,795	Oregon Onshore
283	---	2,231	(2,511)	21,588	Pennsylvania Onshore
138	---	1	---	139	South Carolina Onshore

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996 (cont.)

	Coal Royalties	Gas Royalties	Oil Royalties	Other Royalties	Royalties Subtotal
South Dakota					
Onshore	\$ ---	\$ 21,044	\$ 266,142	\$ ---	\$ 287,186
Tennessee					
Onshore	---	76	---	---	76
Texas					
Offshore	---	8,192,268	324,981	113,001	8,630,250
Onshore	---	30,009	308,791	71,241	410,041
Total	---	8,222,277	633,772	184,242	9,040,291
Utah					
Onshore	18,590,501	3,806,751	4,297,435	422,061	27,116,748
Virginia					
Onshore	---	88,945	---	5,534	94,479
Washington					
Onshore	479,290	---	---	---	479,290
West Virginia					
Onshore	---	129,652	1,255	---	130,907
Wisconsin					
Onshore	---	---	---	---	---
Wyoming					
Onshore	<u>87,959,585</u>	<u>33,377,469</u>	<u>39,715,039</u>	<u>10,532,722</u>	<u>171,584,815</u>
Offshore Total	\$ ---	\$ 26,335,410	\$ 8,488,901	\$ 309,967	\$ 35,134,278
Onshore Total	<u>\$149,650,194</u>	<u>\$121,025,254</u>	<u>\$100,424,454</u>	<u>\$43,167,921</u>	<u>\$ 414,267,823</u>
Offshore and Onshore Total	\$149,650,194	\$147,360,664	\$108,913,355	\$43,477,888	\$ 449,402,101

Table 4. Summary of mineral revenues distributed to States from Federal mineral leases by revenue type, Fiscal Year 1996 (cont.)

Rents	Bonuses	Other Revenues	Net Receipts Sharing	Total Disbursement	
\$ 123,917	\$ 273,466	\$ 7,686	\$ (57,924)	\$ 634,331	South Dakota Onshore
---	---	---	---	76	Tennessee Onshore
209,000	2,076,713	9,969,334	---	20,885,297	Texas Offshore
<u>107,316</u>	<u>138,383</u>	<u>20,377</u>	<u>(28,563)</u>	<u>647,554</u>	Onshore
316,316	2,215,096	9,989,711	(28,563)	21,532,851	Total
2,142,435	6,419,910	771,176	(2,333,842)	34,116,427	Utah Onshore
3,755	---	649	(8,860)	90,023	Virginia Onshore
10,130	---	6,586	(27,606)	468,400	Washington Onshore
22,604	---	58,732	(15,191)	197,052	West Virginia Onshore
931	---	(1)	(32)	898	Wisconsin Onshore
<u>7,632,775</u>	<u>26,716,333</u>	<u>288,193</u>	<u>(6,889,309)</u>	<u>199,332,807</u>	Wyoming Onshore
\$ 581,786	\$ 6,867,495	\$47,287,067	\$ ---	\$ 89,870,626	Offshore Total
<u>\$16,407,356</u>	<u>\$42,627,860</u>	<u>\$ 8,159,380</u>	<u>\$(23,707,780)</u>	<u>\$457,754,639</u>	Onshore Total
\$16,989,142	\$49,495,355	\$55,446,447	\$(23,707,780)	\$547,625,265	Offshore and Onshore Total

NOTE: The offshore royalty subtotal in table 4 includes only production royalties for oil, gas, and other commodities. Offshore minimum royalties in table 4 are listed under "Other Revenues." Offshore royalty figures in table 6 include both production royalties and minimum royalties. The offshore royalty figures in table 6 will subsequently not equal the offshore royalty subtotals in table 4.

As indicated, "Other Revenues" in table 4 include minimum royalties; however, other revenue sources are also represented, including settlement payments, gas storage fees, estimated payments, and recoupments.

"Net Receipts Sharing" represents administrative costs withheld from State distributions under the provisions of Public Law 103-66.

Table 5. Summary of mineral revenues distributed to States by the Bureau of Land Management and Minerals Management Service from Federal onshore mineral leases, Fiscal Years 1920-96

	State Shares in Thousands of Dollars					
	1920-86	1987	1988	1989	1990	1991
Alabama	\$ 1,824	\$ 152	\$ 89	\$ 221	\$ 991	\$ 129
Alaska	272,205	13,044	8,042	9,429	8,048	9,953
Arizona	24,657	529	386	242	174	173
Arkansas	26,261	309	517	7,775	876	2,109
California	391,923	27,829	25,526	24,412	28,583	27,936
Colorado	497,314	37,033	31,176	32,616	36,356	57,944
Florida	1,017	28	4	186	56	49
Idaho	37,121	1,364	2,340	1,935	1,969	1,893
Illinois	---	---	---	---	---	---
Kansas	10,777	1,359	929	830	1,226	921
Kentucky	---	---	---	---	---	---
Louisiana	11,041	517	545	452	542	328
Michigan	724	56	173	668	724	669
Minnesota*	7	3	2	---	---	---
Mississippi	9,895	184	104	74	86	115
Missouri	---	---	---	---	---	---
Montana	207,704	27,407	26,068	19,958	20,318	23,227
Nebraska	2,012	170	156	115	127	---
Nevada	89,294	5,136	6,266	9,287	9,283	9,228
New Mexico	1,359,540	75,478	91,698	88,306	100,120	107,844
North Carolina	---	---	---	---	---	---
North Dakota	61,045	6,814	5,738	4,985	5,065	5,977
Ohio*	3	---	---	5	13	3
Oklahoma	24,003	1,596	1,621	1,912	1,817	1,716
Oregon	15,067	687	565	291	371	260
Pennsylvania	---	---	---	---	---	---
South Carolina	---	---	---	---	---	---
South Dakota	11,577	905	822	669	695	592
Tennessee*	13	---	---	---	---	---
Texas*	30	7	8	5	114	22
Utah	363,288	24,235	30,624	53,035	33,304	32,255
Virginia	---	18	18	20	20	19
Washington	3,314	280	232	208	155	231
West Virginia	28	---	---	---	---	---
Wisconsin*	---	1	1	---	---	---
Wyoming	<u>1,792,175</u>	<u>151,889</u>	<u>163,908</u>	<u>175,786</u>	<u>201,151</u>	<u>196,931</u>
Total	\$5,213,859	\$377,030	\$397,558	\$433,422	\$452,184	\$480,524

Table 5. Summary of mineral revenues distributed to States by the Bureau of Land Management and Minerals Management Service from Federal onshore mineral leases, Fiscal Years 1920-96 (cont.)

State Shares in Thousands of Dollars						
1992	1993	1994	1995	1996	1920-96	
\$ 996	\$ 808	\$ 296	\$ 442	\$ 197	\$ 6,145	Alabama
7,745	6,940	5,377	4,584	4,670	350,037	Alaska
124	97	94	112	41	26,629	Arizona
2,556	1,538	1,201	832	920	44,894	Arkansas
24,311	22,084	21,544	25,467	26,015	645,630	California
44,558	35,916	34,372	35,576	34,563	877,424	Colorado
79	102	81	87	27	1,716	Florida
1,625	2,237	2,509	2,361	2,159	57,513	Idaho
---	191	207	94	79	571	Illinois
1,113	1,325	1,057	871	1,094	21,502	Kansas
---	87	70	73	112	342	Kentucky
376	782	532	728	943	16,786	Louisiana
764	698	753	885	702	6,816	Michigan
---	2	25	17	6	62	Minnesota*
10	739	486	577	551	12,821	Mississippi
---	475	599	1,013	1,205	3,292	Missouri
18,998	22,378	23,995	24,623	20,271	434,947	Montana
---	---	6	14	14	2,614	Nebraska
7,957	8,316	7,542	8,136	5,759	166,204	Nevada
102,594	135,117	143,174	119,203	118,596	2,441,670	New Mexico
---	1	1	1	---	3	North Carolina
5,199	3,325	2,505	2,490	2,370	105,513	North Dakota
3	351	207	243	165	993	Ohio*
1,243	2,778	1,970	1,842	1,720	42,218	Oklahoma
131	83	56	48	66	17,625	Oregon
---	20	18	22	22	82	Pennsylvania
---	---	1	2	---	3	South Carolina
509	483	348	800	634	18,034	South Dakota
---	1	---	---	---	14	Tennessee*
97	350	515	455	648	2,251	Texas*
32,062	31,195	31,074	31,106	34,116	696,294	Utah
19	151	118	89	90	562	Virginia
887	458	123	371	468	6,727	Washington
---	264	261	197	197	947	West Virginia
---	2	---	1	1	6	Wisconsin*
<u>178,518</u>	<u>186,956</u>	<u>242,066</u>	<u>214,182</u>	<u>199,333</u>	<u>3,702,895</u>	Wyoming
\$432,474	\$466,250	\$523,183	\$477,544	\$457,754	\$9,711,782	Total

*Cumulative totals for these States may not include small-revenue shares that were disbursed during the previous decades.

NOTE: Figures represent actual payments to the States and not allocations. Mandated distributions to the States are based on percentage shares of royalties, rents, bonuses, and other mineral revenue collections. Beginning with Fiscal Year (FY) 1986, figures include interest accrued for late disbursements to the States. Beginning with FY 1991, figures represent payments to the States after the deduction of administrative costs required under the provisions of Public Law 103-66. Beginning with FY 1993, figures include distributions from acquired lands administered by the U.S. Army Corps of Engineers and from national forests administered by the U.S. Department of Agriculture.

SOURCE: Bureau of Land Management and Minerals Management Service, Department of the Interior.

Table 6. Distribution of OCS rents, bonuses, royalties, escrow funds, and settlement payments under the provisions of the OCS Lands Act as amended, Fiscal Years 1986-96

	1986-93	1994	1995	1996	1986-96
Alabama					
Bonuses	\$ 819,374	\$ ---	\$ ---	\$ 124,382	\$ 943,756
Rents	465,686	19,613	11,819	19,201	516,319
Royalties	9,451,024	7,920,004	6,822,431	10,179,916	34,373,375
Section 8(g) Escrow	66,000,000	---	---	---	66,000,000
Settlement Payments ...	<u>2,030,000</u>	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	<u>3,500,000</u>
Total	\$ 78,766,084	\$ 8,429,617	\$ 7,324,250	\$10,813,499	\$105,333,450
Alaska					
Bonuses	\$ 1,690,277	\$ ---	\$ ---	\$ ---	\$ 1,690,277
Rents	2,819,097	120,967	49,058	40,235	3,029,357
Royalties	8,683	8,810	8,882	101,266	127,641
Section 7 Escrow	322,900,000	---	---	---	322,900,000
Section 7 Rents	359,131	8,348	6,553	6,533	380,585
Section 8(g) Escrow	51,000,000	---	---	---	51,000,000
Settlement Payments ...	<u>38,860,000</u>	<u>9,380,000</u>	<u>9,380,000</u>	<u>9,380,000</u>	<u>67,000,000</u>
Total	\$417,637,188	\$ 9,518,125	\$ 9,444,493	\$ 9,528,054	\$446,127,860
California					
Bonuses	\$ 9	\$ ---	\$ ---	\$ ---	\$ 9
Rents	779,466	15,643	1,564	(429)	796,244
Royalties	17,024,111	3,961,747	5,160,390	4,735,950	30,882,198
Section 8(g) Escrow	338,000,000	---	---	---	338,000,000
Settlement Payments ...	<u>83,810,000</u>	<u>20,230,000</u>	<u>20,230,000</u>	<u>20,230,000</u>	<u>144,500,000</u>
Total	\$439,613,586	\$24,207,390	\$25,391,954	\$24,965,521	\$514,178,451
Florida					
Bonuses	\$ 2,216,037	\$ ---	\$ ---	\$ ---	\$ 2,216,037
Rents	115,472	14,307	11,194	10,194	151,167
Royalties	---	---	---	---	---
Section 8(g) Escrow	30,000	---	---	---	30,000
Settlement Payments ...	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	\$ 2,361,509	\$ 14,307	\$ 11,194	\$ 10,194	\$ 2,397,204

Table 6. Distribution of OCS rents, bonuses, royalties, escrow funds, and settlement payments under the provisions of the OCS Lands Act as amended, Fiscal Years 1986-96 (cont.)

	1986-93	1994	1995	1996	1986-96
Louisiana					
Bonuses	\$ 23,427,519	\$ 1,913,682	\$ 890,002	\$ 4,666,400	\$ 30,897,603
Rents	2,316,582	1,016,932	255,213	292,445	3,881,172
Royalties	121,566,960	11,780,932	8,012,718	12,283,395	153,644,005
Section 8(g) Escrow ...	572,000,000	---	---	---	572,000,000
Settlement Payments ..	<u>24,360,000</u>	<u>5,880,000</u>	<u>5,880,000</u>	<u>5,880,000</u>	<u>42,000,000</u>
Total	\$ 743,671,061	\$20,591,546	\$15,037,933	\$23,122,240	\$ 802,422,780
Mississippi					
Bonuses	\$ 28,123	\$ ---	\$ ---	\$ ---	\$ 28,123
Rents	117,429	4,587	4,587	4,587	131,190
Royalties	81,897	307,359	127,258	401,234	917,748
Section 8(g) Escrow ...	14,000,000	---	---	---	14,000,000
Settlement Payments ..	<u>580,000</u>	<u>140,000</u>	<u>113,787</u>	<u>140,000</u>	<u>973,787</u>
Total.	\$ 14,807,449	\$ 451,946	\$ 245,632	\$ 545,821	\$ 16,050,848
Texas					
Bonuses	\$ 14,755,953	\$ 325,148	\$ 477,685	\$ 2,076,713	\$ 17,635,499
Rents	2,093,186	136,300	640,452	209,000	3,078,938
Royalties	100,182,652	10,273,031	7,514,147	9,219,584	127,189,414
Section 8(g) Escrow ...	382,000,000	---	---	---	382,000,000
Settlement Payments ..	<u>38,860,000</u>	<u>9,380,000</u>	<u>9,380,000</u>	<u>9,380,000</u>	<u>67,000,000</u>
Total	\$ 537,891,791	\$20,114,479	\$18,012,284	\$20,885,297	\$ 596,903,851
OCS Totals					
Bonuses	\$ 42,937,292	\$ 2,238,830	\$ 1,367,687	\$ 6,867,495	\$ 53,411,304
Rents	8,706,918	1,328,349	973,887	575,233	11,584,387
Royalties	248,315,327	34,251,883	27,645,826	36,921,345	347,134,381
Section 7 Escrow	322,900,000	---	---	---	322,900,000
Section 7 Rents.	359,131	8,348	6,553	6,553	380,585
Section 8(g) Escrow ...	1,423,030,000	---	---	---	1,423,030,000
Settlement Payments ..	<u>188,500,000</u>	<u>45,500,000</u>	<u>45,473,787</u>	<u>45,500,000</u>	<u>324,973,787</u>
Total	\$2,234,748,668	\$83,327,410	\$75,467,740	\$89,870,626	\$2,483,414,444

Glossary

AFS — Auditing and Financial System. A computer system application operated by the Minerals Management Service for collecting and disbursing royalties and rents from producing leases on Federal and Indian lands.

Allowance — An allowable deduction from value for royalty purposes.

Allowance Limit Exception Processing — An automated program developed by the Minerals Management Service that employs royalty reports submitted by payors to determine compliance with regulatory allowance limits.

Barrel/bbl — A measure of volume for petroleum products. One barrel is equivalent to 42 U.S. gallons or 0.1589 cubic meters. One cubic meter equals 6.293 barrels.

BIA — Bureau of Indian Affairs. A Federal agency within the Department of the Interior responsible for facilitating the full development of the human and natural resource potential of Indian and Alaskan Native people to manage their own affairs under a trust relationship with the Federal Government.

BLM — Bureau of Land Management. A Federal agency within the Department of the Interior that administers public lands and natural resources. BLM programs provide for the protection, orderly development, and use of public lands and resources under principles of multiple use and sustained yield.

Bonus — The cash consideration paid to the United States by the successful bidder for a mineral lease. The payment is made in addition to the rent and royalty obligations specified in the lease.

Business Information System — A computer system application operated by the Minerals Management Service. The Business Information System is an enhanced version of the former State and Tribal Support System and is compatible with the post-Business Systems Planning Implementation architecture. The Business Information System provides States, Indian Tribes, and other Federal agencies with access to Auditing and Financial System data and selected Production Accounting and Auditing System data.

COE — U.S. Army Corps of Engineers. A major command within the U.S. Department of the Army responsible for planning, designing, building, and operating water resources and other civil works projects in cooperation with Federal agencies, State agencies, and local sponsors. The Corps further performs real estate services, conducts engineering research and development, furnishes emergency operations support in response to national disasters, and administers an environmental restoration program for the U.S. Department of Defense and the U.S. Environmental Protection Agency.

Competitive leasing — The Federal Government issues leases on Federal onshore lands where there are known mineral deposits, or where inference of probable mineralization may be derived from knowledge of the geology of the land. The lands are offered for lease by competitive bidding following publication of the offer of the lands for lease. The lease is issued to the highest bidder at a sale by public auction. The Federal Government offers leases of certain Outer Continental Shelf tracts by competitive sealed bid. The bids are received, announced, and recorded and the lease is generally issued to the highest bidder. **See Noncompetitive leasing.**

Cook Inlet Region, Inc. — One of 12 regional corporations established by the Alaska Native Claims Settlement Act in 1971 to manage real property and capital assets paid as compensation for the aboriginal land rights of Alaska Natives. The Cook Inlet Region, Inc., maintains land holdings containing significant proven reserves of oil, natural gas, coal, and other mineral commodities.

Department — Department of the Interior. A Cabinet-level department in the Executive Branch of the Federal Government, responsible for the administration of most of the nationally owned public lands and natural resources. The Department is further responsible for American Indian reservation communities and for individuals who live in Island Territories under U.S. administration.

Effective date — The date a lease or assignment becomes effective. The effective date for a lease is the first day of the month after the issue date or, upon applicant request, the first day of the month of issuance. The effective date for an assignment is the first day of the month after proper filing of all required documents.

Electronic data interchange — A process designed to exchange information electronically to reduce paper report volume, reduce errors and expedite error correction, and provide a more current database.

Explanation of payment reports — A series of reports produced by the Minerals Management Service Royalty Management Program, mailed twice each month to Indian Tribes and once each month to States. The reports for Indian allottees are produced and distributed twice each month by the Bureau of Indian Affairs with information supplied by the Royalty Management Program. The reports address the source and nature of mineral revenue disbursements.

Federal land — All land and interests in land owned by the Federal Government, including acquired, military, Outer Continental Shelf, and public lands.

FOGRMA — Federal Oil and Gas Royalty Management Act of 1982. Public Law 97-451, enacted by Congress and signed into law by the President to ensure that all oil and gas originating from Federal and Indian lands and the Outer Continental Shelf are properly accounted for under the direction of the Secretary of the Interior.

FY — Fiscal Year. A period of time used for accounting purposes. The Federal Government recognizes a fiscal year that begins October 1 of one year and ends September 30 of the following year.

IMSC — Indian Minerals Steering Committee. A senior policy forum of officials from the Bureau of Indian Affairs, Bureau of Land Management, and Minerals Management Service established by the Department of the Interior to improve the management of Indian minerals.

Indian allotment — An allocation of a parcel of public lands or Indian reservation lands to an Indian for individual use. Revenue from mineral production may be paid to the individual Indian allottee. **See Indian Allottee.**

Indian Allottee — Any Indian for whom land or an interest in land is held in trust by the United States, or who holds title subject to Federal restrictions against alienation. **See Indian allotment.**

Lease — A legal document executed between a landowner, as lessor, and a company or individual, as lessee, that conveys the right to exploit the premises for minerals or other products for a specified period of time over a given area.

Mcf — Thousand cubic feet.

Mineral — Naturally occurring organic or inorganic substances with characteristics and uses that bring them within the purview of mineral laws. Minerals may be obtained under applicable laws from public lands by purchase, lease, or preemptive entry.

Mineral Permit — A permit that authorizes prospecting for certain leasable minerals on public lands described in the permit.

Minimum royalty — An annual payment on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value.

MMS — Minerals Management Service. A Federal agency within the Department of the Interior that administers the Offshore Minerals Management Program and the Royalty Management Program. The Offshore Minerals Management Program is responsible for the Outer Continental Shelf leasing program and for ensuring that exploration and production of the Nation's offshore mineral resources is conducted in a safe manner with concern for the environment. The Royalty Management Program is responsible for the accurate and timely determination, collection, and distribution of royalties from Federal and Indian lands, and bonuses and rents from Federal lands.

Noncompetitive leasing — Leases issued to qualified applicants for land not specifically known or presumed to contain mineral or petroleum deposits in quantity. **See Competitive leasing.**

NPR — National Performance Review. An initiative introduced by President Clinton and Vice President Gore to "reinvent" work processes within the Federal Government. The initiative is designed to make Government operate more efficiently at a lower cost.

NPSL — Net Profit Share Lease. An Outer Continental Shelf lease that provides for payments to the Federal Government of a percentage share of the net profits from production of oil and gas within the tract. The percentage share may be fixed in the notice of the lease sale or may be a variable of the bid, depending on the bidding system used for the lease sale.

OCS — Outer Continental Shelf. All submerged lands lying seaward and outside the area of lands beneath navigable waters. Lands beneath navigable waters are interpreted as extending from the coastline more than 3 nautical miles into the Atlantic Ocean, the Pacific Ocean, and the Gulf of Mexico, excluding the coastal waters off Texas and western Florida. Lands beneath navigable waters

are interpreted as extending from the coastline more than 3 marine leagues into the Gulf of Mexico off Texas and western Florida.

OCSLA — Outer Continental Shelf Lands Act of 1953, as amended. An act that establish procedures for U.S. jurisdiction of the Outer Continental Shelf lands and authorizes the Secretary of the Interior to issue exploration permits and mineral leases for oil, gas, sulfur, and other mineral resources on those lands. The Secretary is authorized to implement alternative bidding systems, including net profit share leases, to promote development of marginal oil and gas deposits. Significant amendments were enacted into the original law in 1978 and 1985. **See NPSL.**

Operator — The individual, partnership, or corporation that has control or management of operations on leased land. The operator may be the lessee, designated agent of the lessee, or holder of rights acquired by an approved assignment of the operating rights.

PAAS — Production Accounting and Auditing System. An integrated system of both automated and manual applications operated by the Minerals Management Service to collect production and other operational data, and to ensure that royalties are paid on 100 percent of reported production.

Rent — Periodic payments made by the lease holder for the right to use the land or resources for purposes established in the lease.

Report month — The month in which the Minerals Management Service receives production, sales, or royalty reports from operators and lessees.

RIK — Royalty-in-kind. A program operated under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act of 1953. The Federal Government, as lessor, may take part or all of its oil and gas royalties “in kind” (a volume of the commodity) as opposed to “in value” (cash). Under the oil RIK program, the Government sells oil at fair-market value to eligible refiners who do not have access to an adequate supply of crude oil at equitable prices. In addition, the Minerals Management Service conducted a gas RIK pilot program in 1995,

entering into contracts to sell selected Gulf of Mexico natural gas by competitive bid to gas marketers. The pilot was designed to reduce the administrative burden for both industry and the Government.

RMP — Royalty Management Program. **See MMS.**

Royalty — Payment, in money or kind, of a stated share of production from mineral deposits by the lessee to the lessor. Royalty may be an established minimum, a sliding-scale, or a step-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 value — As a general rule, the gross proceeds received under an arm’s-length contract for the sale of mineral production in marketable condition, less applicable allowances where appropriate.

Sales volume — The volume of mineral production measured at the royalty settlement point determined by the Bureau of Land Management for onshore production and the Minerals Management Service for offshore production.

State and Tribal Royalty Audit Committee — An organization of State and Tribal representatives who meet to discuss royalty management and audit issues.

Treasury — Department of the Treasury. A Cabinet-level department in the Executive Branch of the Federal Government responsible for the financial resources of the United States. The Treasury is responsible for regulating national banks, determining international economic policy, collecting income taxes and customs duties, reporting Government daily financial transactions, and manufacturing coins and bills for circulation.

USDA — U.S. Department of Agriculture. A Cabinet-level department in the Executive Branch of the Federal Government responsible for improving agricultural production capacity and income through rural development, credit, conservation, and environmental protection programs. The USDA further works to reduce poverty, hunger, and malnutrition, and maintains inspection and grading services to protect the national daily food supply.

Appendix A

Inch-Pound/Metric Conversion

Measurements in this report use English (inch-pound) units. Federal and industry organizations are moving towards International System Units, often referred to as metric units. This appendix provides factors for converting measurements to inch-pound or metric units. To obtain the metric equivalent, multiply the inch-pound unit by the conversion factor. To obtain the inch-pound equivalent, multiply the metric unit by the conversion factor.

To convert from inch-pound unit	Multiply by	To equal metric unit
acre	0.4047	hectare
barrel (42 U.S. gallons)	0.1589	cubic meter
barrel (42 U.S. gallons)	0.136	metricton
cubic foot	0.0283	cubic meter
gallon	3.785	liter
mile	1.609	kilometer
ton, long (2,240 U.S. lb.)	1.016	metricton
ton, short (2,000 U.S. lb.)	0.9072	metricton
To convert from metric unit	Multiply by	To equal inch-pound unit
cubic meter	6.293	barrel (42 U.S. gallons)
cubic meter	35.33	cubic foot
hectare	2.471	acre
kilometer	0.6215	mile
liter	0.2642	gallon
metricton	7.33	barrels (42 U.S. gallons)
metricton	0.9843	long ton (2,240 U.S. lb.)
metricton	1.1023	short ton (2,000 U.S. lb.)



As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wildlife, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interests of all our people by encouraging stewardship and citizen participation in their care. The Department also has a major responsibility for American Indian reservation communities and for people who live in island territories under U.S. administration.



As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the **Offshore Minerals Management Program** administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural gas, oil and other mineral resources. The MMS **Royalty Management Program** meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties and (2) carrying out its programs 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.