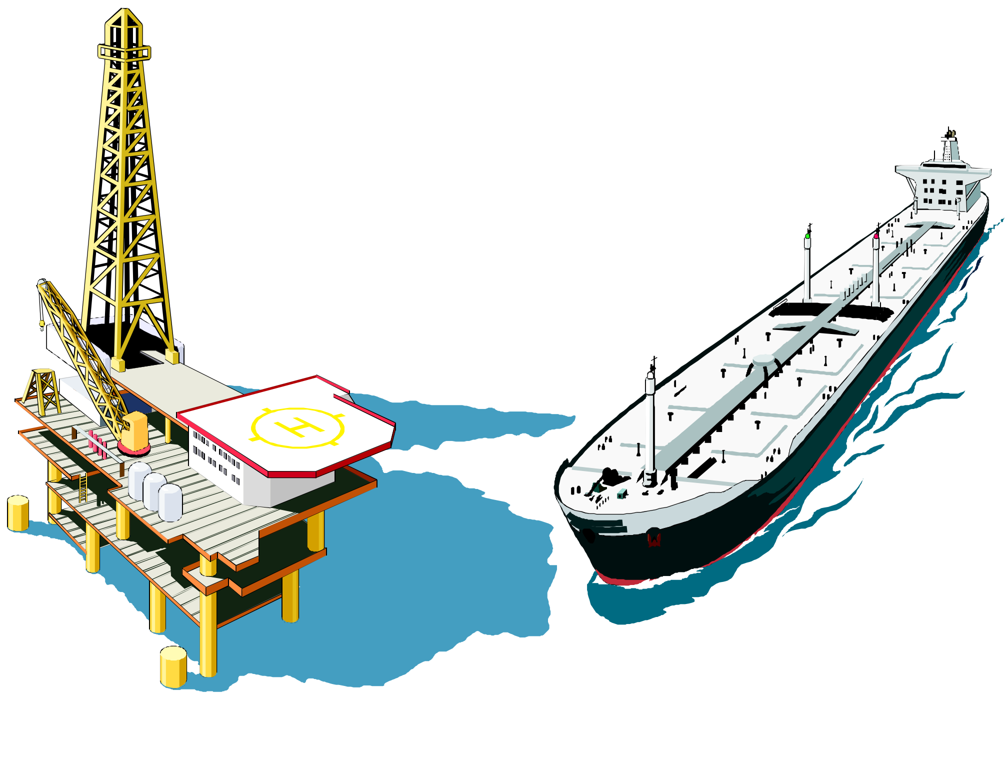
ANNUAL FINANCIAL REPORT OF FISCAL 1995 ACTIVITY



Department of the Interior
Minerals Management Service

March 1996

Preface

It is my pleasure to submit to you this Fiscal Year (FY 1995) Annual Financial Report of the Minerals Management Service (MMS).

The achievements of MMS in FY 1995 are a watershed in the creation of a streamlined government that responds to the concerns of the American people by cutting red tape and working smarter, better and for less–all part of President Clinton's promise to the people. MMS is committed to ensuring an environmentally sound offshore leasing program that contributes to our domestic energy supply and a healthy economy. MMS believes that a clean environment and offshore natural gas and oil development are mutually attainable goals. Key to our program is ensuring that the American public receives in a prompt, accurate manner fair market value for the use of resources on their lands.

During FY 1995, MMS distributed over $3.8 billion to Tribes and Allottees and to States and the Treasury in mineral leasing revenues from leases on Indian lands and from Federal onshore and offshore leases. MMS directly administered approximately 25 million acres of Federal offshore lands, which supplied more than 25 percent of all the natural gas produced in the United States and more than 17 percent of the oil. Since the inception of the Outer Continental Shelf (OCS) program, 117 OCS lease sales have been conducted generating more than $109 billion in bonus, rent and royalty revenues to the Government.

Consistent with the goals of the National Performance Review and building upon the redefinition of our mission and establishment of significant goals and objectives to help us carry out that mission, MMS has:

- committed to collecting all royalties due in a timely, efficient manner;
- begun streamlining regulations, while maintaining clean, safe offshore operations;
- implemented a more efficient communications program with a strategy that includes all stakeholders; and
- dedicated ourselves to a stronger national energy policy by promoting and implementing the Administration's Domestic Natural Gas and Oil Initiatives.

MMS has supported incentives for deep water and other areas which provide for increased economic activity, while guarding against undue windfalls. And in FY 1995 MMS has moved forward in shaping America's energy future by listening to the American people and working to achieve consensus.

Cynthia Quarterman

Cynthia Quarterman
Director

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United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL
Washington, D.C. 20240

MAR 29 1996

Memorandum

To: Director, Minerals Management Service

From: Judy Harrison Judy Harrison
Assistant Inspector General for Audits

Subject: Final Report on Minerals Management Service Financial Statements for Fiscal Years 1994 and 1995

In accordance with the Chief Financial Officers Act of 1990, we audited the Minerals Management Service's financial statements for the fiscal years ending September 30, 1994, and 1995, as listed in the table of contents of the Service's "Annual Financial Report of Fiscal Year 1995 Activity." These financial statements are the responsibility of the Minerals Management Service, and our responsibility is to express an opinion, based on our audit, on these financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," and was completed on March 20, 1996. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we found that the financial statements and accompanying notes present fairly the Minerals Management Service's assets, liabilities, and net position; collections, financing sources, and operating expenditures; and changes in net position. We also found that these financial statements are presented in conformity with the accounting standards and policies described in the notes to the financial statements. Further, we found that the financial information in the Service's supplemental schedules relating to the financial statements is consistent with the information presented in the statements.

As part of our audit, we evaluated the Service's internal control structure, tested the Service's compliance with selected provisions of laws and regulations, and reviewed the financial information presented in the Service's overview. We also reviewed the Service's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the Service's internal control structure. However, because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may diminish.

We found that the Service's internal control structure in effect on September 30, 1995, was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were executed in accordance with laws and regulations; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. In addition, we found that there were no material instances of noncompliance with selected provisions of laws and regulations that we tested, and nothing came to our attention during our audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in the Service's overview is consistent with the information presented in the financial statements.

Our review of Office of Inspector General and General Accounting Office audit reports related to the scope of this audit disclosed that there were no significant unimplemented recommendations that affected the financial statements.

PART 1

OVERVIEW OF MINERALS MANAGEMENT SERVICE'S OPERATIONS

Minerals Management Service
Annual Financial Report of Fiscal Year 1995 Activity

Overview

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

strengthen the Nation's mineral revenue collection efforts, and

improve the management of its Outer Continental Shelf (OCS) offshore lands resources.

Although the MMS is a relatively small Bureau, our activities are of national significance. The benefits we provide to States, Indian tribes and allottees, and localities include:

Administering 25 million acres of the OCS, which, during FY 1995, supplied over 25 percent of the natural gas and 17 percent of the oil produced in the United States.

Distributing over $2.7 billion per year in royalties, rents, and bonuses from mineral leases on the OCS. This effort provides $1.7 billion per year to the Federal and state treasuries; the remaining $1 billion is distributed to the Land and Water Conservation Fund and the National Historic Preservation Fund.

Distributing about $1.1 billion per year in royalties, rents, and bonuses from onshore mineral leases, of which over $.5 billion is distributed to States, Tribes, and Indian allottees; the remainder is distributed to the Reclamation Fund and the Treasury.

The MMS's responsibilities are performed by our Offshore Minerals Management Program (OMMP) and our Royalty Management Program (RMP) organizations. The OMMP administers the outer continental shelf 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 RMP 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.

Overview

These organizations are supported by an Office of Administration and Budget and an Office of Policy and Management Improvement. The MMS administrative financial operations are performed by the Financial Management Division in the Office of Administration and Budget. A chart of our organization is shown in Illustration 1.

MMS offices are located throughout the United States; including major offices in the Washington, D.C. area; Lakewood, Colorado; New Orleans, Louisiana; Camarillo, California; and Anchorage, Alaska. MMS also has compliance (audit) offices and OMM district offices located near the centers of the minerals industry.

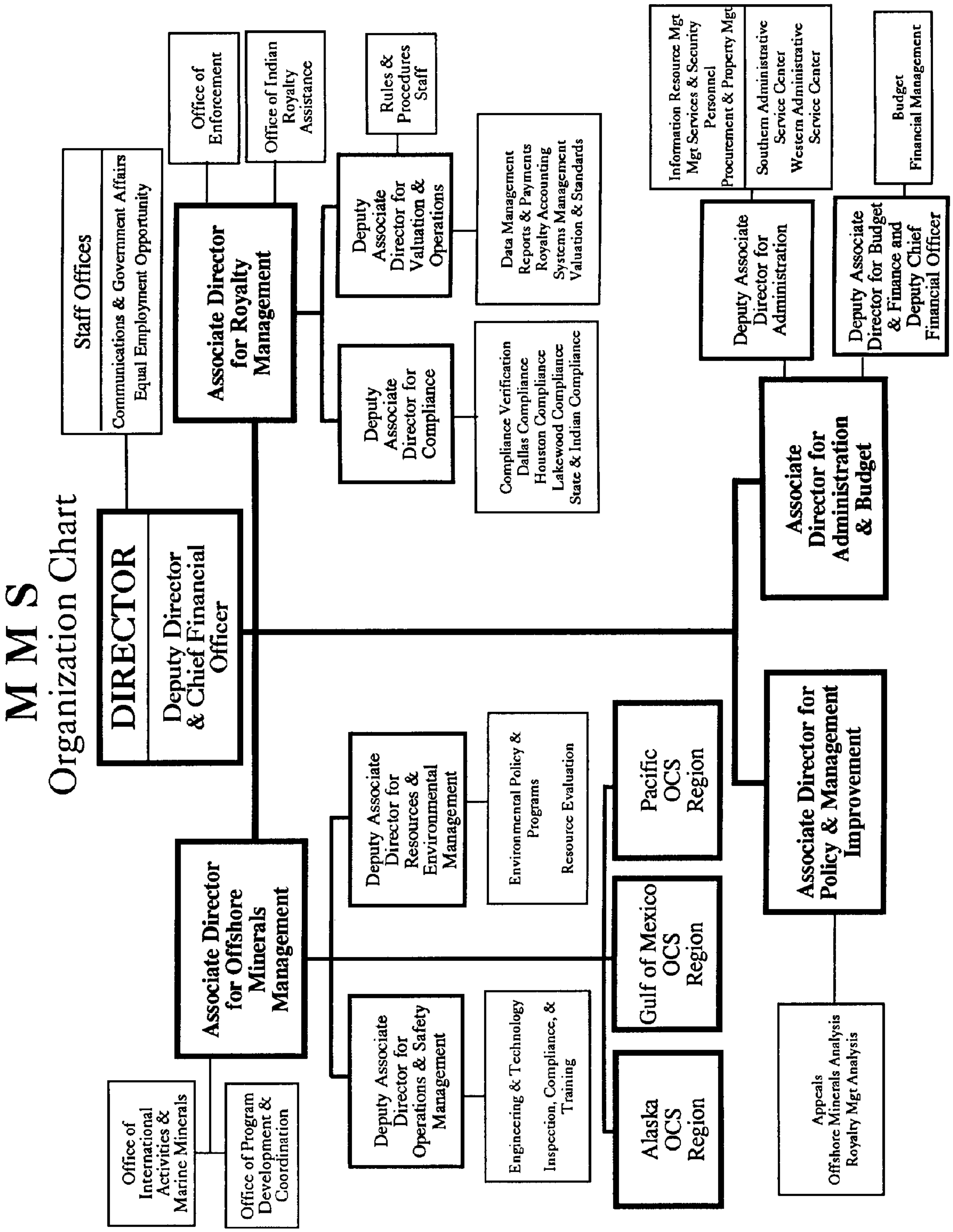
MMS's operations are primarily funded from two appropriations: 1451917 and 14X8370. Additional financial resources, representing less than 3% of MMS's budget, are also obtained from offsetting collections from non-Federal sources.

Our FY 1995 obligations and FTE were allocated as follows:

	Obligations ($000's)	Fulltime Equivalent Employment
Offshore Minerals Management	$105,251	858
Royalty Management	67,224	660
General Administration	33,361	255
Total	$205,836	1,773

We take seriously our important role as the Nation's custodian of its mineral leasing receipts. The MMS collects mineral receipts from 110,000 leases which support a broad constituency of 38 states, 29 Tribes, and about 20,000 individual Indian mineral owners.

Illustration 1



Overview

Distribution of Mineral Receipts Disbursements

Recipient	Amount ($ in millions)
From OCS activities:	
U.S. Treasury	$ 1,620
Land & Water Conservation Fund	897
Historic Preservation Fund	150
Coastal States	75
Subtotal	*2,742*
From Onshore Federal activities:	
U.S. Treasury	173
Onshore States	477
Other Federal Agencies	390
Indian Tribes and allottees [1]	33
Subtotal	*1,073*
Miscellaneous Disbursements	48
TOTAL	**$ 3,863**

[1] The $33 million disbursed to Indian Tribes and allottees represents amounts deposited to U.S. Treasury accounts managed by the Bureau of Indian Affairs. An additional $117 million was transferred directly to Indian Tribes and Agencies by royalty payors.

Overview

As of October 1, 1995, there were about 5,225 leases under supervision on the OCS encompassing approximately 25 million acres. In FY 1995, these leases supplied 5.06 trillion cubic feet of natural gas representing over 25 percent of all the natural gas produced in the United States. The volume of crude oil from these leases exceeded 421 million barrels, or over 17 percent of the nation's output of oil.

From the OCS program's inception through FY 1995, 117 OCS lease sales have been conducted generating over $109 billion in bonus, rent, and royalty revenue to the Federal Government.

Since 1990, OCS receipts have provided more than 90 percent of the total funding for the Land and Water Conservation Fund (LWCF). The LWCF provides funding for the acquisition of Federal recreational lands and for acquisition and development of State and local recreational areas on a matching grant basis. The OCS receipts are the sole source of the Historic Preservation Fund (HPF) which provides grants to States and to the National Trust for Historic Preservation. Both the LWCF and HPF are administered by the National Park Service.

The FY 1995 OCS receipts of $2.742 billion represent a decrease of $343 million from the FY 1994 receipts due principally to decreased prices and September's Royalty payment not being due until after the close of the fiscal year. OCS royalty receipts account for 71% of all MMS mineral receipts.

Many factors, including oil consumption, domestic production, foreign imports, world oil prices, the state of the economy, and environmental concerns affect the level of revenues collected by MMS.

The Royalty Management Program

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

Goal

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

Assist and encourage royalty payors to submit royalty reports and payments correctly the first time.

Streamline and simplify royalty collection and disbursement processes whenever possible.

Use modern information management tools to improve the royalty collection and disbursement processes.

Involve stakeholders in decision making, and make decisions by consensus whenever possible.

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

Accomplishments

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

The Royalty Management Program

Correct and Timely Reporting

Payor/Reporter Training

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

Measures

- On-time royalty reporting.

  If there is an increase in the percentage of royalty report lines received by the due dates, it indicates that timely reporting is increasing. In 1994 and 1995, reporters submitted 97 percent of all royalty lines on-time.

- Royalty and production reporting accuracy.

  An increase in the percentage of royalty and production report lines that clear fatal edits during initial processing indicates that reports are more accurate. In 1994, reporters submitted 96.6 percent of royalty lines and 96.2 percent of all production lines correctly. In 1995, reporters submitted 97.5 percent of all royalty lines and 97.2 percent of all production lines correctly. [Please note that correct reporting means that companies completed the forms correctly. It does not necessarily mean payments were properly calculated.]

Streamline Royalty Collection and Disbursement Process

Compliance Action Plan

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

The Royalty Management Program

Common Reference Data Laboratory

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

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

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

Measures

- On-time disbursements to states.

An increase in the percentage of disbursements made by the end of the month following the month of receipt indicates that disbursements are more timely. During 1994, RMP disbursed timely to states 98.9 percent of the dollars collected. During 1995, 98.4 percent of the dollars collected were disbursed timely to states. The slight decrease in timely disbursements was due to a temporary software design issue that prevented automatic matching of payments and reports. During a 3-month period in 1995, payments and reports were matched manually.

- Late disbursement interest paid to states.

  A decrease in interest paid to states on late disbursements indicates that disbursements are being made more timely. For 1994, RMP paid $58,000 interest to states at a rate of 8 percent. In 1995, RMP paid $86,000 interest to states at a rate of 9 percent. The decrease in on-time disbursements to states described above resulted in the increase in late disbursement interest paid to states. The increase in interest rates also contributed to the increase in interest paid.

Use Modern Information Tools

Electronic Commerce Technology Development and Implementation

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

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

Measure:

Volume comparisons

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

The Royalty Management Program

Involve Stakeholders in Decisions

Improved Delivery of Royalty Information

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

Royalty Policy Committee Established

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

1) royalty reporting and production accounting,
2) valuation,
3) audit,
4) appeals, settlements, and alternative dispute resolution,
5) non-conventional alternatives,
6) disbursements and net receipts sharing,
7) coal, and
8) phosphate, trona and other leasable solid minerals.

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

Federal Gas

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

The proposed rule should:

* reduce administrative costs to MMS and the States that share in those costs;

* allow for flexibility in valuation;

* eliminate unnecessary forms and accounting procedures;

* reduce the number of retroactive adjustments to royalty reports;

* simplify royalty reporting requirements overall.

Gas Marketing Pilot

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

New Comprehensive Performance Measure

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

$$\frac{\text{Actual voluntary royalty payments}}{\text{Expected royalty payments}}$$

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

The Royalty Management Program

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

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

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

We are hopeful that the compliance index, through ongoing refine ment, can give important information over time on whether RMP is successfully collecting all revenue due. Th e RMP compliance index target is 1.00. The computed index was 0.951 for 1992 and 0.948 for 1993. The index for 1994 is not yet available. The RMP will continue to analyze , refine, and validate this measurement tool.

The Offshore Minerals Management Program

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

Goal

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

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

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

Recognize and respond to the public's concerns.

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

Streamline operations and simplify processes.

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

Issue regulations that focus on results, rather than processes.

Provide a consistently high level of customer service.

The Offshore Minerals Management Program

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

Accomplishments

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

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

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

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

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

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

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

Recognize and respond to the public's concerns.

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

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

The Offshore Minerals Management Program

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

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

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

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

Streamline operations and simplify processes

MMS's Environmental Impact Statements (EIS's) Streamlining Task Force developed and implemented procedures to produce EIS's that are concise, readable, and better tailored to the needs of decisionmakers and our customers. The benefits to customers will be noticeable in early 1996 in the form of smaller EIS's which are easier to read and understand and less costly to produce.

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

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

The MMS has installed seismic monitoring probes on the seafloor adjacent to three platforms in southern California. This project, using a network of seismic probes to collect scarce offshore seismic data, will provide the only existing network of offshore seismic probes in the United States. From this network, regulatory and industry engineers will receive data necessary to verify and, if required, modify existing soil-response models used in the design of offshore facilities. Once the project is operating, the data will be provided to the California Division of Mines and Geology and Southern California Earthquake Center, complementing onshore data for a more complete picture of seismic activity in the region.

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

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

Measures

During FY 1995, 3,565 Environmental Reviews and 146 Assessments were performed by the MMS to determine the environmental impact of proposed industry actions.

The Offshore Minerals Management Program

Issue regulations that focus on results, rather than processes.

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

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

Provide a consistently high level of customer service.

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

The Offshore Minerals Management Program

The MMS International Training Program, applicable to Newly Emerging Democracies interested in learning how to develop oil and gas resources in an environmentally sound manner, continued to be used to assist (using United States Agency for International Development funds) the Russian Federation in FY 1995. Three short courses were conducted in Anchorage for Russian specialists dealing with environmental assessment, resource assessment, and rights conveyance. A fourth course, on resource assessment, was taught in Tyumen, Russia.

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

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

The Gulf of Mexico Region has initiated day-long, open communication meetings with our external customers. These meetings enhance communication with our external customers, improve our understanding of their needs, and provide input to improving our processes to better meet our customers expectations.

The Gulf of Mexico Region materially assisted the U.S. Coast Guard and shipping industry in developing designated lightering zones in the Gulf of Mexico. These zones enhance safety and assist in protecting the environment of the Gulf of Mexico.

The Offshore Minerals Management Program

Measures

During FY 1995 MMS performed 12,352 inspections of offshore platforms, to ensure that they are being operated safely. This represents an increase of 1,731 inspections over FY 1994.

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

New Comprehensive Performance Measure

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

Number of exploratory wells drilled during the year

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

Conclusion

The MMS continually strives to increase the efficiency and effectiveness of our operations within the parameters of reduced FTE and budget targets. We rely on numerous strategies to increase our productivity, including simplifying our organizational structure and implementing modern information tools. We also frequently review our regulations to eliminate those that are unnecessary or cumbersome. The MMS met the goal of the President's Executive Order 12861 which requires the reduction of internal regulations by 50 per cent.

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

- Being responsive to the public's concerns and interests by maintaining a dialogue with all affected parties; and

- Working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.

Our efforts have led to the numerous notable FY 1995 achievements presented in this report.

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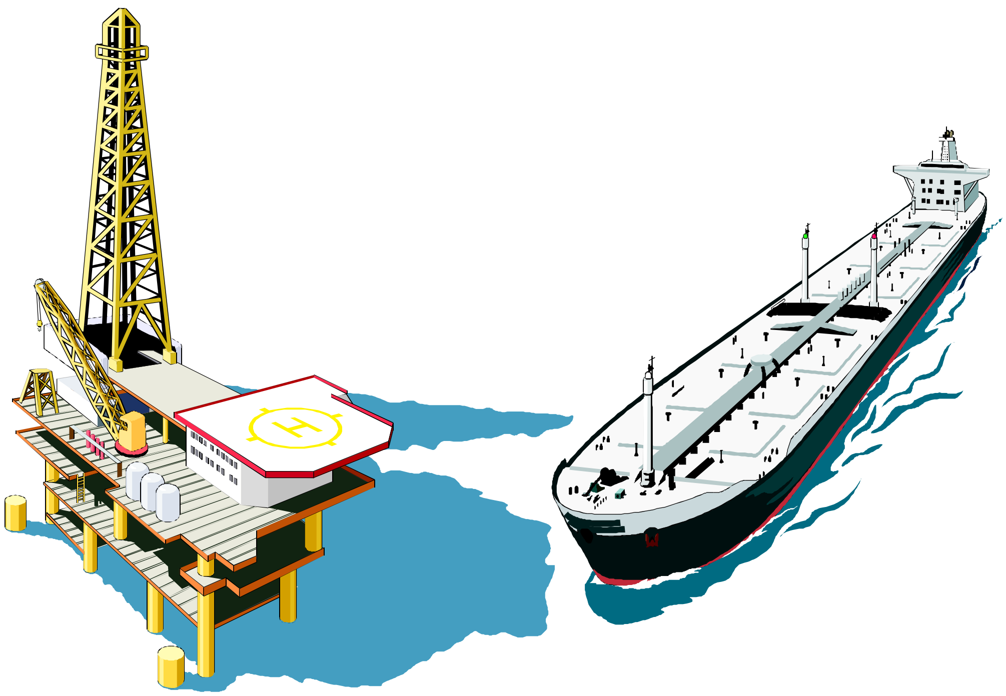

Department of the Interior
Minerals Management Service

March 1996

PART 2

FINANCIAL STATEMENTS

Introduction

The financial statements that follow were prepared to report the financial position and results of operations of the MMS, as required by the Chief Financial Officers Act of 1990. While the statements were prepared from accounting records of the MMS, they differ from financial reports prepared by the MMS pursuant to other Office of Management and Budget directives addressing MMS's use of budgetary resources. Also, these financial statements should be considered as portraying a component of a larger entity, the Federal Government.

The administrative accounting information provided in the financial statements is obtained from the MMS Advanced Budget Accounting/Control and Information System (ABACIS).The automated system provides for the recording, processing, and reporting of all MMS financial transactions in accordance with interim guidance recommended by the Federal Accounting Standards Advisory Board and agreed to by the Director of OMB and the Comptroller General. Royalty Management accounting information is obtained primarily from the RMP's Auditing and Financial System (AFS) and subsidiary records. Both the ABACIS and the AFS utilize the U.S. Government Standard General Ledger.

The Office of Inspector General (OIG) performed three prior audits of MMS annual financial statements, covering fiscal years 1994 (Report No. 95-I-405), 1993 and 1992 (Report No. 94-I-715), and 1991 (Report No. 93-I-369 -- Combined Statement of Financial Position only). For all three audits, the OIG issued unqualified opinions that the financial statements were fairly presented. The audits also concluded that the MMS internal control structure met established internal control objectives, and that it complied in all material respects with applicable laws and regulations.

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 1995 AND 1994

ASSETS:	**1995**	**1994**
Custodial Assets *(managed on behalf of the Federal Government, not available for use in the internal operations)*		
Fund Balance with Treasury - Royalty Collections (Note 3)	$124,172,167	$373,097,871
Accounts Receivable, Net (Note 5)	275,203,029	300,888,531
Escrow Investments (Note 4)	1,406,664,648	1,314,063,708
Total Custodial Assets	$ 1,806,039,844	$1,988,050,110
Operating Assets *(relating to internal operations, funded by Congressional appropriations)*		
Entity Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 79,532,845	$ 71,881,537
Accounts Receivable, Net (Note 5)	20,426	23,427
Advances and Prepayments	87,205	71,451
Governmental Assets:		
Accounts Receivable, Net (Note 5)	94,237	102,327
Cash - Imprest Fund	49,250	49,000
Property, Plant and Equipment, Net (Note 6)	12,421,781	12,953,555
Total Entity Assets	92,205,744	85,081,297
Non-Entity Assets	0	0
Total Operating Assets	$ 92,205,744	$ 85,081,297
LIABILITIES:		
Custodial Liabilities *(offsets Custodial Assets)*		
Pending Transfers (Note 7)		
Royalty Distributions	$ 399,375,196	$ 673,986,402
Distributions of Escrow Investments	1,406,664,648	1,314,063,708
Total Custodial Liabilities	$1,806,039,844	$1,988,050,110

The accompanying notes are an integral part of these statements

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 1995 AND 1994

	1995	1994
Custodial Net Position	0	0
Total Custodial Liabilities and Net Position	$ 1,806,039,844	$1,988,050,110
Operating Liabilities *(relating to internal operations)*		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities		
Accounts Payable	$ 3,063,559	$ 3,931,236
Governmental Liabilities		
Accounts Payable	5,192,479	3,455,919
Other Governmental Liabilities (Note 7)	4,005,477	4,092,979
Total Liabilities Covered by Budgetary Resources	12,261,515	11,480,134
Liabilities not Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	0	0
Other Governmental Liabilities (Note 7)	8,161,453	7,899,214
Total Liabilities not Covered by Budgetary Resources	8,161,453	7,899,214
Total Operating Liabilities	20,422,968	19,379,348
Operating Net Position (Note 8)		
Unexpended Appropriations	67,522,448	60,647,608
Invested Capital	12,421,781	12,953,555
Cumulative Results of Operations	0	0
Less: Future Funding Requirements	(8,161,453)	(7,899,214)
Total Net Position	71,782,776	65,701,949
Total Operating Liabilities and Net Position	$92,205,744	$85,081,297

The accompanying notes are an integral part of these statements

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

STATEMENT OF COLLECTIONS AND OPERATIONS AND CHANGES IN NET POSITION

FOR THE PERIOD ENDING SEPTEMBER 30, 1995 AND 1994

Collections on Behalf of the Federal Government	**1995**	**1994**
Mineral Lease Collections		
Rents and Royalties	$3,254,586,205	$3,867,021,300
Offshore Lease Sales	371,731,175	374,539,045
Other	3,303,871	40,259,617
Total Mineral Lease Collections	3,629,621,251	4,281,819,962
Earnings on Escrow Investments		
Amortized Discount (Note 9)	44,563,255	22,307,327
Interest, Federal	32,195,712	26,469,221
Total Investment Earnings	76,758,967	48,776,548
Total Collections	3,706,380,218	4,330,596,510
Less: Transfers on the Behalf of the Federal Government (Note 11)	(3,862,704,982)	(4,280,403,194)
Untransferred Collections	156,324,764	(50,193,316)
Total Transferred & Untransferred Collections	(3,706,380,218)	(4,330,596,510)
Excess of Collections over Transfers	0	0
Financing Sources (Note 1)		
Appropriations Expended	191,356,140	205,695,158
Revenue	8,800,000	5,000,000
Reimbursements (Intragovernmental)	1,490,437	1,714,261
Total Financing Sources	201,646,577	212,409,419
Operating Expenditures (Note 11)		
Program or Operating Expenses	193,904,266	205,682,679
Depreciation and Amortization	1,783,737	1,667,948
Interest	86,264	58,792
Other Expenses, Unfunded Leave	262,239	179,720
Total Operating Expenditures	$ 196,036,506	$ 207,589,139

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

STATEMENT OF COLLECTIONS AND OPERATIONS AND CHANGES IN NET POSITION

FOR THE PERIOD ENDING SEPTEMBER 30, 1995 AND 1994

	1995	**1994**
Excess (Shortage) of Financing Sources Over Operating Expenses	$ 5,610,071	$ 4,820,280
Plus (Minus) Adjustments:		
Prior Period Adjustments	0	0
Excess (Shortage) of Financing Sources Over Total Expenses	$ 5,610,071	$ 4,820,280
Net Position, Beginning Balance	65,701,949	68,948,666
Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	5,610,071	4,820,280
Plus (Minus) Non Operating Changes (Note 12)	470,756	(8,066,997)
Net Position, Ending Balance	$ 71,782,776	$65,701,949

The accompanying notes are an integral part of these statements

PART 3

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
MINERALS MANAGEMENT SERVICE
COMBINED FINANCIAL STATEMENTS FOR
FISCAL YEARS ENDING SEPTEMBER 30, 1995 AND 1994

Note 1. Significant Accounting Policies

Basis of Presentation

These financial statements were prepared to report the financial position and results of operations of the Minerals Management Service (MMS), as required by the Chief Financial Officers Act of 1990. They were prepared primarily from the accounting records of the MMS in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin No. 94-01. The net position information in the Statement of Financial Position is based partly on Treasury Department reports.

Significant MMS accounting policies are summarized in this Note. These financial statements differ from the financial reports prepared by the MMS pursuant to other OMB directives that are used to monitor and control MMS's use of budgetary resources.

Reporting Entity

The MMS was created on January 19, 1982, by Secretarial Order No. 3071, under authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262). On May 10, 1982, by Secretarial Order No. 3071, Amendment No. 1, all Outer Continental Shelf leasing responsibilities of the Department of the Interior were consolidated within MMS under Section 2 of Reorganization Plan No. 3 of 1950. Amendment No. 2, dated May 26, 1982, set forth the basic organizational structure for the MMS and provided for the transfer of administrative functions. Secretarial Order No. 3087, dated December 3, 1982, and Amendment No. 1, dated February 7, 1983, provided for the transfer of royalty and mineral revenue management functions, including collection and distribution performed by the Bureau of Land Management, to the MMS.

The MMS has principal responsibility for the offshore leasing program, leasing management, and resource evaluation and classification functions, the environmental review of leasing activities, regulation of operations and lease management, inspection and enforcement programs, and leasing and related public liaison and planning functions on Outer Continental Shelf lands. In addition, the MMS is responsible for the prevention of fraud and theft and for the prompt, full, and complete collection of monies and certain other forms of royalty due the Federal Government, states, and Indian lessors under contractual agreements with lessees.

Basis of Accounting

The financial statements and supplemen- tal schedules are prepared in accordance with interim guidance recommended by the Financial Accounting Standards Advisory Board and agreed to by the Director of OMB and the Comptroller General. The guidance states that the following hierarchy shall constitute “an other comprehensive basis of accounting” and shall be used for preparing Federal agency financial statements:

- þ Individual standards agreed to and published by the JFMIP principals.
- þ Form and content requirements included in OMB Bulletin 94-01.
- þ Accounting standards contained in agency accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practices.
- þ Accounting principles published by authoritative standards setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

The statements are presented on a combination of the cash and accrual bases of accounting. The accrual basis of accounting recognizes the significance and accountable aspects of transactions as they occur. Billed but uncollected mineral lease royalties (receivables) are not recognized as collections because these receivables are subject to significant adjustments prior to collection, and the actual collections resulting from these receivables cannot be reliably estimated. Accordingly, conservative accounting principles require royalty collections to be disclosed on the cash basis instead of the accrual basis of accounting on the Statement of Collections and Operations. However, the balance of billed receivables relating to royalty collections is disclosed on the Statement of Financial Position as a liability (with an offsetting receivable) because of the significant value of the liability. Lack of disclosure of this information would significantly distort the potential liability of MMS to recipients of royalty collections. Because of the different accounting basis for royalty collections, the Statement of Financial Position and the Statement of Collections and Operations do not reconcile.

Certain MMS financial activities interact with and depend on the financial activities of the centralized management functions of the Federal Government. These activities are performed for the benefit of the whole Federal Government, and include public debt and employee retirement, life insurance, and health benefit programs. The MMS financial statements do not contain the results of these centralized financial decisions and activities.

Other Financing Sources and Revenues

The primary financing source for the operation of the MMS is its annual Congressional appropriation. For FY 1995, the principal MMS appropriation account was 1451917. Funds for specific purposes were also appropriated in accounts 145/61917, 144/51917, 143/41917,142/31917, 149/41917, 14X1917, 14X8370, 14X5003, 14X5243, and 14X5248. Appropriated funds are used for operating and capital expenditures of the MMS. Additional amounts are obtained through reimburse-ments for services performed for other Federal Agencies. Appropriations are recognized as revenues at the time they are used to pay program or administrative expenses. Appropriations expended for capitalized property and equipment are recognized as expenses as the assets are consumed in operations.

The MMS's FY 1995 appropriation allows for the retention of revenues, in an amount not to exceed $ 8.8 million dollars, to be used for the development of the Technical Information Management System (TIMS). The TIMS is a comprehensive ADP system for evaluating OCS resources. The revenues result from additions to receipts caused by increased rental rates for offshore leases, rate increases to fee collections for OCS administrative activities, and additional fees for OCS administrative activities established after September 30, 1993. The revenues are credited to the appropriation and remain available until expended.

The MMS Royalty Management Program

(RMP) collects bonuses, rents, royalties and other receipts from Federal and Indian Leases, and distributes all proceeds to the U.S. Treasury, other Federal Agencies, States, Indian Tribes, and Indian Allottees, in accordance with legislated allocation formulas. The amounts collected, not including billed receivables (see Basis of Accounting discussion in this Note), are disclosed in the Collections and Transfers Section of the Statement of Collections and Operations as Collections on Behalf of the Federal Government. Corresponding amounts are also disclosed in the Collections and Transfers Section as Transfers on Behalf of the Federal Government. None of the royalties and other receipts collected by the MMS are retained for use by the MMS.

Fund Balances With the U.S. Treasury and Cash

U.S. Government cash is administered on an overall consolidated basis by the U.S. Department of the Treasury. The "Fund Balance with Treasury" line in the Entity Assets Section of the Statement of Financial Position represents the right to draw on the U.S. Treasury for allowable expenditures relating to the MMS appropriation. The "Cash - Imprest Fund" line represents the aggregate corpus of MMS imprest funds. The "Fund Balance with Treasury" line in the Custodial Assets Section represents royalty collections received by MMS but not yet disbursed to recipients.

Investments in Federal Securities

The MMS investments in Federal securities are nonmarketable - market based, and are reported at cost net of amortized premiums or discounts. Additional information on MMS investments is provided in Note 4.

Property, Plant and Equipment

Property, plant and equipment are valued at historical cost. Property, plant and equipment are capitalized if the initial acquisition cost is $5,000 or more and the estimated useful life is 2 years or greater (excluding ADP software). Depreciation is recorded using the straight-line method based on useful lives ranging from 5 to 36 years. During FY 1995, adjustments were made to equip- ment balances reflecting changes to equipment cost bases resulting from reclassifications, upgrades, and revaluations of existing equipment (see Note 12). Additional information on MMS property, plant and equipment is found in Note 6.

Operating Materials and Supplies

The MMS operating materials and supplies primarily consist of office supplies, library materials, and fuel charges. It is assumed that all operating materials and supplies purchased during the year were consumed during the year. Accordingly, no net value is applicable to these items.

Liabilities

Operating Liabilities of the MMS represent amounts likely to be paid by the MMS as a result of transactions or events that have already occurred. However, no liabilities relating to MMS operations can be paid absent an appropriation. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that the appropriation will be enacted. MMS liabilities arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

The MMS also recognizes custodial liabilities for Pending Transfers of Royalty Collections and Receivables and Pending Transfers of Escrow Investments. Pending Transfers of Royalty Collections and Receivables represent amounts owed to royalty recipients, and correspond to the total of the asset accounts: "Fund Balance with Treasury - Royalty Collections" and "Accounts Receivable." Pending Transfers of Escrow Investments primarily represent amounts relating to disputed leases held in escrow pending resolution of the disputes. They correspond to amounts included in the asset account: "Escrow Investments." Additional information on MMS liabilities is provided in the Basis of Accounting section of this Note and in Note 7.

Contingencies

The MMS has a number of claims and lawsuits pending against it. In the opinion of management and the Office of the Solicitor, Department of the Interior, the resolution of these claims and lawsuits will not materially affect MMS's financial position or operations. Therefore, no provision for these claims and lawsuits has been made in the accompanying statements.

Public Law 101-510 requires the MMS to cancel its appropriations 5 years after the expiration of the appropriations. Any required disbursements against those appropriations after they are cancelled must be made out of the current year's appropriation. As of September 30, 1995, the MMS had a balance of $3,032,594 in unliquidated obligations against cancelled appropriations that represents potential liabilities against current year appropriations.

Annual, Sick and Other Leave

Annual leave earned but not taken is accrued in the accounting system and presented in the financial statements. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. Sick leave and other types of leave are expended when used but are not accrued when earned. To the extent current or prior year appropriations are not available to fund unused earned annual leave, funding will be obtained from future financing sources.

Pension and Retirement Plans

Employees of the MMS participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which the MMS makes matching contributions. These statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to MMS employees, since these data are only reported in total by the Office of Personnel Management. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS, while employees hired prior to that date could elect either FERS or CSRS coverage. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which MMS is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. The MMS's contributions for FY 1995 to CSRS and FERS were $4,449,551 and $2,968,978 respectively. In addition, MMS's contribution to the FERS savings plan was $1,175,127 for FY 1995.

Note 2. Significant Accounting Policies Relating to the Royalty Management Program

Section 8g Settlement

The Outer Continental Shelf (OCS) Lands Act Amendment of 1985 (85 Amendment), provided for the settlement of OCS lease ownership disputes between the Federal Government and various coastal States. The 85 Amendment required annual payments over the next fifteen years to the affected States. The payments are made before April 15 each year. The 85 Amendment stated the payments are funded from revenues derived from OCS leases.

The annual settlement payments for FY95 and FY94 were $45.5 million each year. As of the end of FY 95, the outstanding liability to the States was $370.5 million.

The remaining schedule of payments is as follows:

Fiscal Year	Amount (millions of dollars)
1996	$45.5
1997	65.0
1998	65.0
1999	65.0
2000	65.0
2001	65.0

Accounting for the Royalty-in-Kind (RIK) Program

Federal and Indian oil and gas leases are issued with a provision that the lessor may elect to receive the royalty amount in product rather than in value. The RMP currently has fourteen RIK contracts (four onshore and ten offshore) for Federal leases. These contracts were established in accordance with Federal law (most notably, the Mineral Leasing Act of 1920; the OCS Lands Act of 1953; and the Emergency Petroleum Allocation Act of 1973) to provide small refiners a constant source of product to continue their operations. Operators are required to report the entitled amount of product to be delivered to these designated refiners and RMP then issue bills to the refiners for the payments. In FY 1995, refiners were billed $281.3 million for RIK transactions. Contracts with the refiners allow assessing an administrative fee to cover RMP's cost of managing the RIK program. In FY 1995, RMP billed $546,000 in administrative fees. In addition to paying administrative fees, refiners post both a 30-day cash surety and a surety drawn against a financial institution (i.e., a bond or letter of credit) in an amount equal to 99 days' entitlement for their contract. These sureties are posted at the time of contract execution and are reviewed/adjusted monthly to ensure adequacy of coverage. Cash surety as of September 30, 1995, totaled $37.2 million for the fourteen active contracts, while coverage for one bond and thirteen letters of credit totaled $152.2 million. An additional letter of credit in the amount of $2.4 million is being held for an appealed RIK related billing issue. The RMP also holds sureties for “inactive” or reconciled and closed RIK contracts. The large increase reflected in the above numbers is due to the first RIK offering in seven years occurring in FY 1994. Ten new contracts were let at the RIK sale held June 30, 1994 and the contracts became effective in FY 1995.

Sureties for Orders to Perform

As of the fiscal year end September 30, 1995, the RMP held 111 sureties for $93 million on Orders to Perform. Orders to Perform are unbilled payment demands resulting from an accounting infraction. These sureties represent all known appeals on Orders to Perform as of the end of 1995 fiscal year.

Indian Nonstandard Lease Responsibilities.

The MMS accepted responsibility in March 1988 to account for Indian leases issued per the provisions of the Indian Mineral Development Act of 1982 (25 U.S.C. 2101 et seq.). These leases are negotiated directly between individual Indian Tribes and industry. The Indian leases also contain unique terms or conditions that have to be accounted for manually. The MMS classifies Indian nonstandard leases into three major groups:

þ Joint Venture Leases—Leases with another party to share in the development costs and revenues of a property or group of properties;

þ Net Profit Share Leases—Leases with another party to share in the revenues of a property or properties, usually after deducting operating expenses;

þ Royalty Leases with unusual terms or conditions—Leases with variable or conditional royalty rates, bonus or penalty payment terms, alternative methods or reporting frequencies.

OCS Refund Requests. Refund requests from payors, presumably due to previous overpayments on OCS leases, total $138.9 million. These requests must be verified by MMS and then forwarded to Congress for 30 days for review. If no Congressional objection is raised, the refund or recoupment is automatically approved.

Alabama Escrow. A judgement against the MMS was issued by the U.S. District Court for the Southern District of Alabama, Southern Division. The judgement directs MMS to pay to the Court Registry the Federal portion of royalties for natural gas production from OCS Block 823. During FY 1995, RMP paid the Court Registry $14.5 million. The judgement requires the payments to continue until a cooperative agreement is signed with the State of Alabama. The Solicitor's Office continues working on the appeal with the Justice Department.

Note 3. Fund Balances with Treasury

Fund Balances with Treasury	Obligated	Unobligated		Total
		Available	Restricted	
Appropriated Funds	$69,704,334	$ 5,572,372	$ 4,256,139	$ 79,532,845
Royalty Collections		124,172,167		124,172,167
Total Funds with Treasury	$69,704,334	$129,744,539	$ 4,256,139	$203,705,012

Note 4. Investments

	Cost	Market Value	Amortization Method	Amortized (Premium) Discount	Net Investment
Federal Securities	$1,362,101,394	N/A	Straight	$44,563,254	$1,406,664,648

Section 7 of the Outer Continental (OCS) Lands Act allows for receipts from OCS leases having boundary disputes to be invested in Government securities. The current investment amount is due to an ongoing boundary dispute with the State of Alaska dating back to 1979. The principal portion of the Alaska investment is $434 million and the earned interest is $905 million. The funds are continually reinvested and will be disbursed when the boundary dispute is resolved. The Special Master assigned to the U.S. vs. Alaska No. 84 Original, the lawsuit addressing Federal/State boundary questions, has drafted his recommendations.

A draft of the Special Master's report was given to both parties but no further action occurred in FY 1995.

Also, the MMS is required by regulation to invest the 1/5 OCS bid amounts from the apparent high bidders for all OCS lease sales. The 1/5 bid investment represents less than 2 percent of the total investment amount. Should any of the apparent high bids be later rejected, the 1/5 bid and actual interest earned are returned to the bidder. The interest earned on accepted bids reverts to the Treasury when the bids are accepted.

Note 5. Accounts Receivable

General Operations.

Accounts receivable relating to general operations consist primarily of amounts due to MMS from other agencies in connection with various interagency agreements (Entity - Intragovernmental), travel advances to MMS employees, and refunds due from MMS vendors (Nonentity - Governmental).

Royalty Management.

The Federal Oil and Gas Royalty Management Act of 1982 requires reports and payments of royalties by the end of the month following the month in which products are sold. The RMP receivables represent RMP issued royalty related invoices and any deferred bonus amounts. The amount of RMP receivables is also included in Pending Transfers in the Custodial Liabilities Section of the Statement of Financial Position. As explained in Note 1, accounts receivable relating to royalty collections are not disclosed in the Statement of Collections and Operations.

Recognition of Delinquent Accounts Receivable.

Approximately $130 million of the $275 million RMP net receivables as of September 30, 1995, are considered delinquent. Of the $130 million, about $102 million is in adjudication and the amount collectible is uncertain. Delinquent receivables comprise bills issued for:

- Late payment of royalty reports - payments received after due date;
- Late payment of bills - payments received after due date;
- Nonpayment of royalty reports - payments not received; and
- Various types of assessments, e.g. erroneous reporting or valuation issues.

Interest is calculated at statutory rates tied to the Internal Revenue Code by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA). Generally, the outstanding billed receivables, accumulated interest and one additional year of interest are covered by certificates of deposit, bonds, or letters of credit until all appeal processes allowed by Federal law, are exhausted.

The current surety value is $311 million; $93 million for Orders to perform, $99 million covering invoice values and $119 million covering the potential interest value on the invoices. Some of the amounts owed are shareable with various states and Indian Tribes and Indian allottees, with the remainder owed to miscellaneous receipt funds.

Allowance for Amounts to be Written Off.

The amounts to be written off for royalty payments is based on the most recent fiscal year's experience in collecting accounts receivable. Since RMP has no appropriation or other account to actually offset the uncollectible receivables, RMP's method for offsetting these amounts is to credit the same receivable.

During FY 1995, the allowance for amounts to be written off increased from $216,216 to $848,049. The $631,833 increase is due to last years implementation of a more streamlined write-off policy, procedural changes and a more aggressive review and cleanup of the oldest open receivables.

Receivables scheduled for write-off generally represent only a small fraction of total receivables because of the great majority of receivables are backed by sureties. In addition to the amounts written off, other adjustments of various amounts are made to correct errors and to reflect settlement adjustments. Detailed information on these adjustments are not disclosed due to the proprietary nature of the settlements.

Summary
of Accounts Receivable
as of September 30, 1995

Type of Receivable	Operations	Royalty Mangement	Total
	Entity		
Intragovernmental	$ 20,426		$ 20,426
Governmental			0
Total Entity Receivables	$ 20,426		$ 20,426
	Non-Entity		
Intragovernmental			0
Governmental		$ 276,051,078	$ 276,051,078
Less: allowance for Amounts to be Written off		-848,049	-848,049
Net Non-Entity Receivables		275,203,029	275,203,029
Net Receivables	$ 20,426	$ 275,203,029	$ 275,223,455

Note 6. Property, Plant and Equipment

Class of Fixed Assets	Depreciation Method	Service	Acquisition Value	Accumulated Depreciation	Net Book Value
Vehicles	Straight-Line	5-10 Years	$ 450,148	$ 245,135	$ 205,013
Office Equipment	Straight-Line	5-36 Years	4,265,280	1,620,088	2,645,192
ADP	Straight-Line	5-20 Years	16,306,877	7,395,801	8,911,076
Other Fixed Assets	Straight-Line	5-20 Years	867,759	207,259	660,500
Totals			$21,890,064	$9,468,283	$ 12,421,781

Note 7. Other Liabilities

	General Operations		Royalty Management[1]		Total	
	Current	Non-curr-ent	Current	Noncurrent	Current	Noncurrent
Other Liabilities Covered by Budgetary Resources						
Governmental Accrued Payroll	4,005,477				4,005,477	
Other Liabilities Not Covered by Budgetary Resources						
Intragovernmental Royalty Collections and Receivables			289,371,155	56,761,941	289,371,155	56,761,941
Escrow Investments[2]			1,406,664,648		1,406,664,648	
Governmental Unfunded Annual Leave	8,161,453				8,161,453	
Royalty Collections & Receivables			53,242,100		53,242,100	
Total	12,166,930		1,749,277,903	56,761,941	1,761,444,833	56,761,941

1. The current portion of Royalty Management intragovernmetal and governmental liabilites are apportioned on actual FY 1995 disbursements.
2. The settlement date of the boundary dispute for which 99% of the escrow investment was established (see Note 4) is not determinable. Accordingly, the entire investment is considered current.

Note 8. Net Position

	Total
Unexpended Appropriations	
Unobligated	
Available	$ 5,572,372
Unavailable	5,481,372
Undelivered Orders	56,468,704
Invested Capital	12,421,781
Cumulative Results of Operations	0
Future Funding Requirements	(8,161,453)
Total	$ 71,782,776

Note 9. Other Revenues and Financing Sources

	FY 1995	FY 1994
Collections on Behalf of the Federal Government		
Mineral Lease Collections		
Rents and Royalties	$3,254,586,205	$3,867,021,300
Offshore Lease Sales	371,731,175	374,539,045
Miscellaneous Collections	3,303,871	40,259,617
Total Royalties Collected	3,629,621,251	4,281,819,962
Redeemed Earnings of Escrow Investments	32,195,712	26,469,221
Amortized Discount	44,563,255	22,307,327
Total Earnings on Escrow Investments	76,758,967	48,776,548
Total Collections	$3,706,380,218	$ 4,330,596,510

Royalty Collections and Escrow amounts are not available for use by the MMS. Mineral lease rents and royalties represent amounts paid by mineral lessees per the terms of the lease. Royalties are to be paid monthly for the prior month's production and sales of the minerals. Rents are paid once a year at the beginning of the lease year until production begins or the lease is terminated.

Offshore lease sales are the amounts collected from the bonus and first year rental on Outer Continental Shelf leases. Miscellaneous collections result from money received in error and the return of money from the National Park Service (NPS) from disbursements in the previous year.

The FY 1994 Redeemed Earnings of Escrow Investments was restated to reflect $8,297,031 amortized discount reported as earned in FY 1993. The large difference in the FY95 and FY94 miscellaneous amounts is due to the fact that the NPS adjusted disburse- ments in FY94 for the previous two years and made no adjustments in FY95.

Note 10. Interest

The MMS incurs interest expense primarily for delayed disbursements of royalties to states. The FOGRMA, as interpreted by the solicitor and various courts, requires RMP to disburse all shareable monies the month following receipt of the funds. Any monies not disbursed within the prescribed time frame accrue interest until disbursement is made.

The MMS paid $85,896 in interest payment in FY 1995 and $58,356 in interest payments in FY 1994, $57,514 paid to States and $842 paid to the Shoshone & Arapaho Tribes. Most interest results from incorrect reporting from industry. The $27,540 difference between FY 1994 and FY 1995 resulted from a higher interest rate in FY 1995, system application problems, and human errors. It should be noted that FY 1994 represents an exceptional year in the small amount of interest paid to the States. The three year average for FY's 1992, 1993 and 1994 was $101,985.

The MMS also pays a small amount of interest in the form of late payment penalties to vendors required under the Prompt Payment Act. Late payment penalties totalling $368 and $436 were paid in FY 1995 and FY 1994 respectively.

Note 11: Detail of Operating Expenses

Operating Expenses by Object Classification

	FY 1995	FY 1994
Personnel Compensation and Benefits	$ 109,849,374	$114,237,202
Travel and Transportation	3,811,279	3,227,224
Rents, Communications, and Utilities	12,200,146	12,732,102
Printing and Reproduction	399,685	335,575
Contractual Services [1]	60,968,946	68,813,992
Supplies and Materials	2,595,020	2,217,627
Noncapitalized Equipment	4,079,816	4,118,957
Unfunded Expenses	262,239	179,720
Interest Expense	86,264	58,792
Depreciation	1,783,737	1,667,948
Total Expenses by Object Class	$ 196,036,506	$207,589,139

1. The major portion of contractual services consists of operation and maintenance contracts for RMP computer systems, and contracts for various environmental assessment studies.

Transfers of Royalty Collections by Receipient:

	FY 1995	FY 1994
U.S. Treasury General Fund	$1,792,725,295	$2,137,321,067
National Park Service	1,046,987,237	1,046,990,411
State Shares of Mineral Receipts	552,248,836	605,835,207
Bureau of Reclamation	367,284,063	410,751,301
Indial Tribes and Agencies	32,537,652	39,282,790
Other Federal Agencies	22,753,898	17,553,752
Other Transfers	48,168,001	22,668,666
Total Royalty Transfers	$3,862,704,982	$4,280,403,194

Note 12. Non-Operating Changes

	FY 1995	FY 1994
Increases: Transfers In: Warrants	$187,995,903	$193,197,000
Restorations	6,440,000	5,831,000
Equipment Additions	2,358,647	1,841,379
Total Increases	196,794,550	200,869,379
Decreases: Transfers Out Accrued Expenditures	191,931,050	205,868,589
Withdrawals	1,502,323	1,881,495
Equipment: Depreciation	1,783,737	1,667,948
Disposals	517,072	842,196
Total Decreases	195,734,182	210,260,228
Other Adjustments: Equipment Adjustment, Net [1]	(589,612)	(1,323,852)
Net Non-Operating Changes	$ 470,756	$ (8,066,997)

1. Equipment adjustments reflect changes to equipment cost bases resulting from reclassifications, upgrades, and revaluations of existing equipment.

PART 4

SUPPLEMENTAL SCHEDULES

Schedule 1

Minerals Management Service
FY 1995 Obligations by Budget Activity/Subactivity and Major Expense Category
$(000)

Budget Activity/Subactivity	Salary & Ben.	Travel	Other Svcs.	Equip ment	All Other	Total
OCS Lands: Offshore Management	$5,256	$331	$1,067	$1,186	$641	$8,481
Leasing & Environment	12,144	500	13,288	249	275	26,456
Resource Evaluation	13,496	528	3,394	164	123	17,705
Regulatory Program	17,036	433	8,718	222	254	26,663
Information Mgmt. Pgm.	5,229	165	10,705	2,666	763	19,528
Total OCS Lands	53,161	1,957	37,172	4,487	2,056	98,833
Royalty Mgmt. Program: Mineral Revenue Operations	22,462	909	8,534	741	690	33,336
Mineral Revenue Compliance	17,760	398	13,586	1,130	928	33,802
Interest on Late Disbursemts					86	86
Total Royalty Management	40,222	1,307	22,120	1,871	1,704	67,224
General Administration: Executive Direction	5,857	235	538	398	124	7,152
Administrative Operations	10,126	156	306	267	561	11,416
General Support Services	424	36	2,772	289	11,272	14,793
Total General Administration	16,407	427	3,616	954	11,957	33,361
Total Leasing & Royalty Mgmt.	109,790	3,691	62,908	7,312	15,717	199,418
Oil Spill Research	1,131	106	5,024	121	36	6,418
Total MMS	$110,921	$3,797	$67,932	$7,433	$15,753	$205,836

Schedule 2

MINERALS MANAGEMENT SERVICE
SUMMARY OF ROYALTY TRANSFERS TO OTHER FEDERAL AGENCIES
THOUSANDS OF DOLLARS

AGENCY	1995	1994
U.S. TREASURY	$1,792,725	$2,137,321
NATIONAL PARK SERVICE	1,046,987	1,046,990
BUREAU OF RECLAMATION	367,284	410,751
U.S. FOREST SERVICE	18,676	13,994
U.S. FISH & WILDLIFE SERVICE	2,453	2,814
DEPARMENT OF COMMERCE	0	0
BUREAU OF LAND MANAGEMENT	1,625	746
BUREAU OF INDIAN AFFAIRS	0	0
TOTAL	$3,229,750	$3,612,616

Schedule 3

MINERALS MANAGEMENT SERVICE
SUMMARY OF ROYALTY DISBURSEMENTS TO STATES
THOUSANDS OF DOLLARS

STATE	1995	1994
ALABAMA	$7,766	$8,725
ALASKA	14,007	14,869
ARIZONA	87	69
ARKANSAS	831	1,201
CALIFORNIA	50,811	45,702
COLORADO	35,489	34,302
FLORIDA	98	95
GEORGIA	0	0
IDAHO	2,351	2,496
ILLINOIS	95	207
INDIANA	0	0
KANSAS	871	1,057
KENTUCKY	72	70
LOUISIANA	15,765	21,123
MICHIGAN	885	754
MINNESOTA	17	24
MISSISSIPPI	823	938
MISSOURI	1,013	599
MONTANA	24,612	23,985
NEBRASKA	14	6
NEVADA	8,119	7,535
NEW MEXICO	118,904	142,915
NORTH CAROLINA	1	1
NORTH DAKOTA	2,489	2,504
OHIO	243	207
OKLAHOMA	1,834	1,964
OREGON	43	53
PENNSYLVANIA	23	18
SOUTH CAROLINA	2	1
SOUTH DAKOTA	800	348
TENNESSEE	0	0
TEXAS	18,467	20,631
UTAH	31,084	$31,049
VIRGINIA	89	117
WASHINGTON	371	138
WEST VIRGINIA	197	246
WISCONSIN	1	0
WYOMING	213,975	241,886
TOTAL	$552,249	$605,835

Schedule 4

FY 1995
ROYALTY COLLECTIONS TRANSFERRED TO
BUREAU OF INDIAN AFFAIRS
FOR DISTRIBUTION TO INDIAN TRIBES
THOUSANDS OF DOLLARS

TRIBE NAME	AMOUNT
Alabama-Coushatta Tribe	$1,584
Assiniboine-Sioux Tribe	387
Blackfeet Tribe	25
Cherokee Tribe	1
Cherokee, Choctaw, Chickasaw Tribes	276
Cheyenne & Arapaho Tribes	293
Chickasaw, Choctaw Tribes	193
Chilocco Indian School	4
Chippewa-Cree Tribe	156
Choctaw Tribe	82
Creek Tribe	10
Creek-Thlopthlocco Tribe	13
Crow Tribe	50
Jicarilla Apache Tribe	78
Navajo Tribe	61
Pawnee Tribe	2
Sac & Fox Tribe	6
Seminole Tribe	1
Shoshone & Arapahoe Tribes	7,025
Southern Ute Tribe	199
Ute(Northern Ute) Tribe	4,534
Ute Mountain Ute Tribe	2,207
Wichita, Caddo, Delaware Tribes	2
T O T A L	$17,189

Schedule 5

FY 1995
ROYALTY COLLECTIONS TRANSFERRED TO
BUREAU OF INDIAN AFFAIRS
FOR DISTRIBUTION TO INDIAN AGENCIES
THOUSANDS OF DOLLARS

ALLOTTEE NAME	AMOUNT
Amoco Settlement Wind River	$ 10
Anadarko Agency	3,929
Blackfeet Agency	44
Cheyenne River Agency	10
Concho Agency	3,438
Crow Agency	44
Ft. Belknap Agency	174
Ft. Berthold Agency	342
Ft. Peck Agency	1,036
Michigan Agency	1
Muskogee Area Office	1,521
Muskogee (Cherokee Allotted)	10
Navajo Area Office	1,945
Pawnee Agency	326
Shawnee Agency	621
Southern Ute Agency	254
Turtle Mountain Agency	11
Uintah & Ouray Agency	1,440
Wind River Agency	192
T O T A L	$15,348

Schedule 6

OTHER ROYALTY MANAGEMENT PROGRAM ACCOMPLISHMENTS and INITIATIVES

SUPPLEMENTAL INFORMATION

Assessment Moratorium

Effective October 1, 1995, we will no longer charge companies for filing royalty and production reports late or for erroneous reports unless their overall monthly error rate exceeds its average 1995 level. This assessment moratorium reduces industry's costs and reduces RMP's workload of nearly 1,000 assessment bills annually and reduces approximately 35 percent of the MMS appeals workload.

System Enhanced with More Capabilities

Expand and Upgrade Network. We are midway through a 2-year project to expand our dedicated wide-area network to the 17 state and Indian tribal sites that have audit agreements with MMS. We provide equipment, installation support, and extensive training on RMP systems and applications. The upgraded network improves timely data access and communication between states, Indian tribes, RMP staff and others. In addition to electronic communication, our customers can print system reports at their locations. Our systems staff provide remote problem diagnosis and software installations.

RMP Query System. We have installed a client/server application system which is a powerful, easy-to-use tool that greatly enhances user ability to access and interact with RMP data. The query system features a set of standard queries and predefined reports. Our staff, state and Indian customers can now access up to 6 years of mineral revenue data and all lease information residing on RMP data bases. Users can graphically display royalty, production or exception trends. Users develop their own custom queries and transfer data to spreadsheets or databases for further analysis.

Computer Output Laser Disk (COLD). COLD and its companion imaging and workflow technologies are being introduced into the RMP work environment. The COLD system provides storage for over 300 reports generated by RMP systems. Users can view and retrieve information on selected reports from their workstations. The data can be printed, routed or stored. The RMP is also piloting a document imaging and workflow capability which will mirror established business processes and automate the flow of companion documents between individuals and work units. These technologies have great potential to improve information access, reduce paperwork and enhance individual productivity.

Simplified Guidelines and Policies Are Issued

Plain English Initiative. We pioneered the Department of the Interior's plain English regulation writing team, advocating "Plain English" in instructions to customers. Poorly-written regulations add to governmental red tape and punish readers just for trying to figure out what the government wants. Readable regulations and orders provide a dramatic way to improve customer service. The RMP's leadership in writing simpler regulations was recognized in the Reinvention Roundtable, Summer 1995 published by the National Performance Review office.

Indian Gas. We established the Indian Gas Valuation Negotiated Rulemaking Committee. It is working to develop new rules that will satisfy the unique requirements of Indian oil and gas lease terms in a manner that fosters timely compliance, fairness, financial certainty, and administrative ease of reporting. The rule is anticipated to rely on publicly available market indices, and will retain flexibility for Tribes and individual companies to negotiate other valuation schemes. The committee expects to conclude its work in the fall of 1995 and issue a proposed rule in the spring or summer of 1996.

Allowances. In August 1995, we published a proposed rule that will amend oil and gas and coal valuation regulations to streamline allowance forms-filing requirements and change associated penalty structures. The proposed rule incorporates recommendations from a report issued December 3, 1993, by an Allowance Study Group composed of State, Tribal, industry, and RMP representatives. The final rule is expected in early 1996.

Payor Liability. In June 1995, RMP published a proposed rule that would establish and clarify which parties may be held liable for unpaid and underpaid royalties, compensatory royalties, and other payments on Federal and Indian mineral leases. The final rule is expected in 1996.

Customer Service

Farmington Laboratory Summary. The Department of the Interior, under the Vice President's National Performance Review initiative, established a Four Corners Indian Trust Services Laboratory. This laboratory sought to reengineer the processes which provide mineral and other related services to individual Indian land owners. The team focused on the Farmington Indian Minerals Office, a tri-agency office established during 1992 to coordinate the activities of the Bureau of Indian Affairs, Bureau of Land Management and MMS and to offer one-stop shopping for Indian mineral owners. The team, including two employees from each agency, was assisted by two customer representatives. The team members assessed the current status of Farmington Indian Minerals Office, reviewed each agency's statutory requirements and compliance, and assessed customer needs. The team's recommendations include improvements to current processes, consolidation of the minerals functions and customer service under a centralized leadership. The recommendations will help the Department of the Interior integrate the individual agency functions into a seamless operation for the benefit of Indian mineral owners. The team issued a draft report on October 6, 1995.

Joint Decision-Making Initiatives

Majority Pricing. Certain Indian leases have a provision that requires payors to value production based upon the highest price paid for a major portion of the production in the field or area. MMS is working closely with individual Indian tribes and allottees to identify the appropriate methodology and data source to use in enforcing major portion on their lands. By the end of 1995, MMS will have issued letters notifying payors of underpaid royalties owed to six Indian tribes and two Indian allottee associations.

Shii Shi Keyah Settlement. On April 10, 1995, a 1984 class action suit brought by certain Navajo allottees, the Shii Shi Keyah Allottee Association, was settled. The suit alleged that the Department was not in compliance with the Federal Oil and Gas Royalty Management Act and was not properly accounting for Indian mineral resources. The final Agreement addressed all the issues in dispute. The agreement provides for:

- Increased internal controls on royalty data/payments,
- Revisions to audit and valuation procedures,
- Enhancement of the tri-bureau office in Farmington, NM,
- Establishment of procedures for distribution of interest for funds in certain Indian accounts, and
- New procedures for production verification.

As part of the Agreement, the Farmington Indian Minerals Service Office is committed to acting as the focal point for all Navajo allotted issues and providing a status to the Shii Shi Keyah Board of Directors on a quarterly basis.

Indian Services. All three Office of Indian Royalty Affairs field offices (Farmington, Northern and Oklahoma City) enhanced customer outreach and consultation by implementing a regular schedule for meeting with individual Indian minerals owners. Our staff also actively participated in an educational project initiated by the Indian Mineral Steering Committee. The Bureau of Indian Affairs, Bureau of Land Management, and MMS formed a training cadre to develop educational materials to better educate the individual Indian mineral owners. The BIA and MMS, in a cooperative effort to improve customer service, have staff working together in the BIA's Muskogee Area mineral section.