UNITED STATES
DEPARTMENT OF THE INTERIOR

BUDGET JUSTIFICATIONS, F.Y. 1990

MINERALS MANAGEMENT SERVICE

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DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Fiscal Year 1990 Budget

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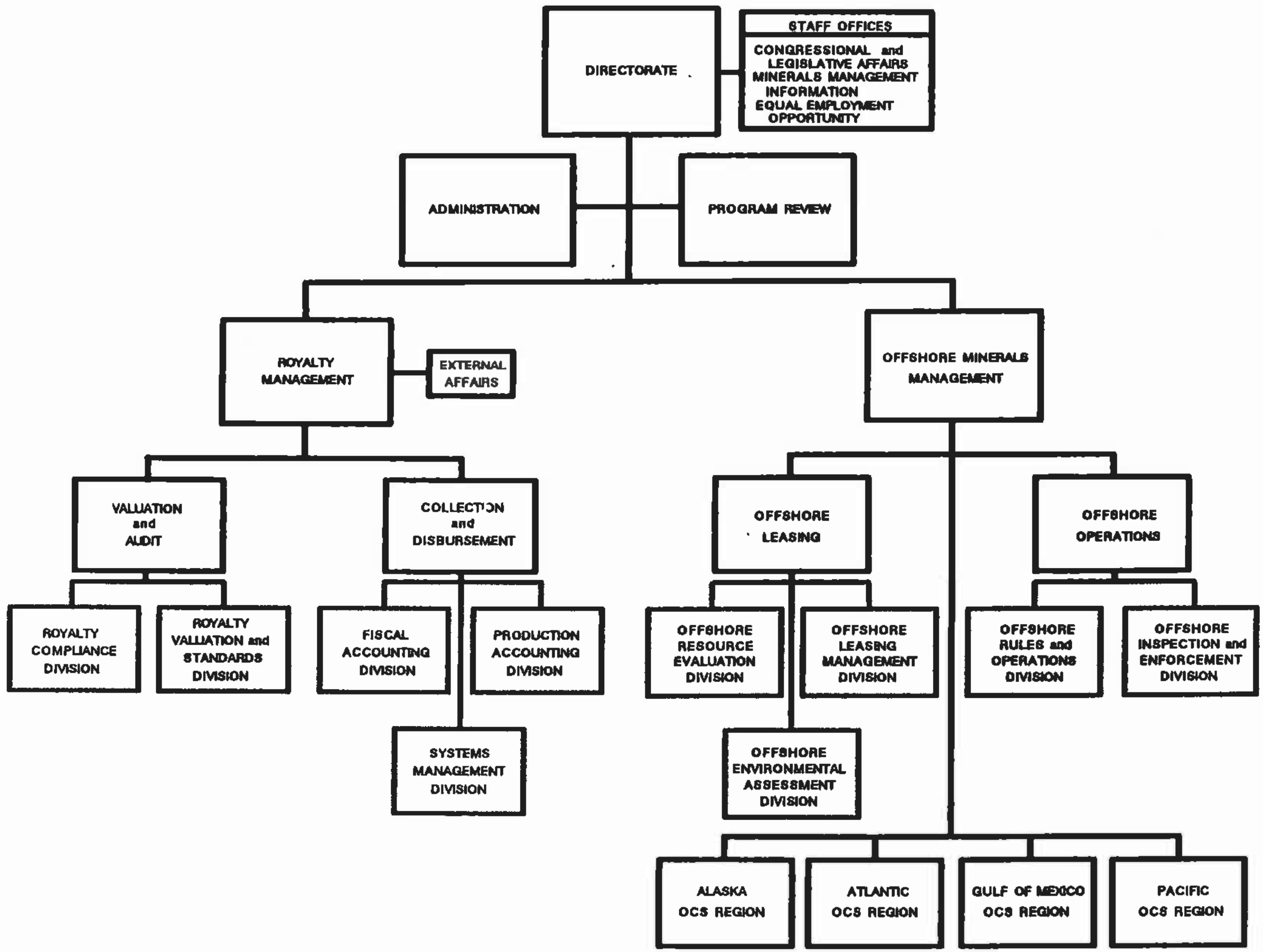
MINERALS MANAGEMENT SERVICE



GENERAL STATEMENT

The Minerals Management Service (MMS) is responsible for offshore minerals leasing and lease management under the provisions of the Outer Continental Shelf (OCS) Lands Act and other related statutes. In implementing the Federal Oil and Gas Royalty Management Act, the Mineral Leasing Act, the Indian Mineral Leasing Acts, and other related statutes, the MMS is also responsible for the collection and distribution of mineral revenues owed to the Government and States from Federal onshore and offshore mineral leases and to Indian Tribes and allottees from many leases on Indian lands.

Comparison of 1990 Estimate with 1989 Estimate

(Dollar amounts in thousands)

		FY 1989 Enacted To Date	FY 1990 Estimate	Inc.(+) Dec.(-)
Leasing and Royalty Management	$	170,744	180,461	+9,717
	(FTE)	(2,044)	(1,996)	(-48)
Payments to States from Receipts under Mineral Leasing Act	$	448,692	352,829	-95,863
	(FTE)	(---)	(---)	(---)
Total, MMS	$	619,436	533,290	-86,146
	(FTE)	(2,044)	(1,996)	(-48)

The major missions of the programs included in the appropriation "Leasing and Royalty Management" are: (1) to manage the leasing of oil and gas and other minerals on offshore areas under the jurisdiction of the U.S. Government; (2) to classify and evaluate the energy and nonenergy mineral resources of those areas; (3) to supervise mineral exploration, development, and production operations pursuant to Federal offshore permits and leases; and (4) to collect and distribute revenues due the Federal Government, States, and Indian Tribes from onshore and offshore mineral leases on lands under Federal jurisdiction or Indian lands.

The appropriation "Payments to States from Receipts under Mineral Leasing Act" provides States with a statutory share of bonuses, rentals, royalties and interest collected by the Federal Government for minerals produced on onshore Federal lands. This appropriation also reflects amounts included for interest to be paid to States and Indian accounts when mineral leasing revenues due them are not disbursed within the time established by the Federal Oil and Gas Royalty Management Act of 1982, interest to industry payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government as a result of those orders, and rewards to persons who provide information to the Government which results in the collection of additional mineral revenues owed to the Government.

The programs and missions of the Minerals Management Service are conducted by the major components shown in the organizational chart on page MMS-3.

Highlights of the 1990 Request

The proposed funding level represents an increase of $9.72 million from 1989 in the Leasing and Royalty Management (LARM) appropriation, and a decrease of $95.86 million in the appropriation for Payments to States from Receipts under the Mineral Leasing Act. Increases in the LARM appropriation are requested to: maintain ongoing operations in the offshore leasing program, provide for increased consultation and environmental studies in frontier areas, continue the onshore production accounting conversion, make audits more contemporaneous, and fund contract cost increases in some program areas.

These increases are partially offset by savings in computer hardware lease costs. Decreases are proposed in program operations to fund $1.74 million of increases in fixed operating costs, such as rent and communications. In order to absorb the January 1989 pay raise in 1990, FTE usage will be decreased by 48 FTE. Since this usage will be decreased through attrition, the specific programmatic effects are not yet known.

Most of the decrease in the Payments to States appropriation ($70.55 million) results from a proposed reduction from mineral leasing receipts, before they are shared with the States, to partially offset the proposed initiative to fund the Department of Interior's fire fighting programs. The remaining net decrease in payments to states reflects a projection of significantly lower oil and gas prices, partially offset by increases totalling $11.66 million for higher estimated bonus revenues, additional shared interest from payor late payments, and other miscellaneous payments.

Leasing and Royalty Management

Outer Continental Shelf (OCS) Lands

A net increase of $0.26 million from the 1990 base is proposed for OCS programs. To assure that adequate information is available to DOI decisionmakers, affected States, and other parties concerning OCS frontier areas such as offshore Washington, Oregon, Florida, and Alaska (Hope Basin), an increase of $0.50 million is requested for environmental studies. Special efforts to consult with States and other affected parties, particularly in OCS frontier areas, would be funded by a requested increase of $0.20 million. An increase of $0.48 million would cover increased helicopter rates needed to maintain the current level of operations. The progression of lessee activities further offshore and other additional inspection workload calls for additional helicopter leasing that would be funded by a requested increase of $0.38 million. Decreases totalling $1.30 million in travel, training, computer hardware and software enhancements will be necessary to offset fixed cost increases.

Royalty Management Program (RMP)

A net increase of $4.95 million from the 1990 base is proposed for the RMP. An increase of $0.12 million is proposed to fund the newly assumed responsibility to account for Indian nonstandard leases and agreements. An increase of $0.85 million is proposed to continue the conversion of onshore mineral production reporting to an automated system. A $0.37 million increase is requested to address higher contract costs in the royalty collections area, and a similar increase of $0.32 million is needed in the systems area. An increase of $5.00 million is requested to perform the audit cycle at the 12 residency audits and at other major payors on a more contemporaneous schedule. These increases will be partially offset by a $1.30 million decrease for mainframe computer hardware costs and a $0.41 decrease in certain software enhancements will be necessary to offset fixed cost increases.

General Administration

A one-time increase of $2.04 million is proposed for relocation of the Pacific OCS Regional Office and its consolidation with the Ventura District Office. This is partially offset by a decrease of $0.11 million due to efficiences achieved by consolidating the MMS Northern Virginia offices in one location.

Payments to States from Receipts under Mineral Leasing Act

The Minerals Management Service is responsible for the collection and distribution to the States of a share of bonuses, royalties, and rentals from the leasing of onshore Federal mineral resources in accordance with applicable laws. This appropriation consists of two budget Activities: Payments to States from Receipts under Mineral Leasing Act; and Miscellaneous Payments.

Payments to States

Payments to States from mineral leasing receipts are estimated to decrease by $96.52 million from 1989. Of the total decrease, $70.55 million represents a decrease in payments to States because of a proposed deduction from mineral leasing receipts to partially offset the proposed initiative to fund the Department of the Interior's fire fighting programs. An additional decrease of $36.97 million results from a projected decrease in revenues from Federal onshore oil and gas royalties due to lower price estimates (9.9 percent, oil; 4 percent, gas). These decreases are partially offset by a $5.0 million increase from higher estimated bonus revenues and a $6.0 million increase in shared interest from payor late payments.

Miscellaneous Payments

Increases, estimated to total $0.66 million, are requested for four categories of payments. Interest on late payments ($0.20 million) is requested to compensate States and Indian tribes when mineral leasing revenues are not disbursed within legislatively prescribed timeframes. An appropriation of $0.15 million and authority to pay interest on refunds are requested to compensate industry payors who appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government. Rewards funding ($0.20 million) is requested to pay persons who provide information to the Government which results in the collection of additional mineral revenues owed to the Government. A one-time increase of $0.11 million and authorization are requested to refund overpayments made on Indian allotted leases.

Authorizations

The basic authorizing legislation for the Minerals Management Service includes the OCS Lands Act of 1953 (43 U.S.C. 1331 et seq.); the OCS Lands Act Amendments (P.L. 95-372); the Mineral Leasing Act (30 U.S.C. 181 et seq.); the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1701, et seq.); the Indian Mineral Leasing Acts of 1891, 1909, and 1938; and the Indian Mineral Development Act of 1982.

DEPARTMENT OF THE INTERIOR

FY 1990 Budget for Consulting Services

Bureau: Minerals Management Service

Appropriation Account Title Program Requiring Services	FY 1990 Request (In thousands of dollars)	Description of Services Being Acquired
Leasing and Royalty Management 14-1917-0-1-302		
Outer Continental Shelf Lands	500	To provide an unbiased independent evaluation of the adequacy and applicability of past MMS/Environmental Studies Program studies, specific recommendations for future studies, and a state-of-the-art overview of available information on each major issue reviewed.
Royalty Management	423	To provide the Royalty Management Program with objective expert accounting advice and related consulting services in reviewing and evaluating certain RMP funtions so that program effectiveness can be maximized.
Account Total	923	

Appropriation Summary Statement

Minerals Management Service

Appropriation: Leasing and Royalty Management

This annual operating appropriation provides resources to enable the Service to carry out its responsibilities for: implementing the 5-year Outer Continental Shelf (OCS) Oil and Gas Leasing Schedule approved in July 1987 and developing the next 5-year schedule; classifying and evaluating the energy and solid mineral resources of OCS lands; performing prelease and postlease environmental assessments to ensure compliance with the National Environmental Policy Act (NEPA) and other environmental protection laws; exercising regulatory authority over the exploration for and development and production of leasable energy and mineral commodities on the OCS lands; and collecting, depositing, auditing, and distributing royalties and other mineral revenues due the Federal Government, States, and Indian tribes, from Federal onshore and offshore mineral leases and leases on Indian lands. The 1990 appropriation request for these activities totals $180,461,000. A summary of the changes proposed from the 1990 base is provided below:

Outer Continental Shelf Lands (+$264,000):

This budget activity funds the program for OCS oil and gas and other mineral resource evaluation, environmental analysis, leasing, and regulation of offshore activities, including: (1) development, review, and implementation of the 5-Year OCS oil and gas leasing program; (2) classification and estimation of the potential oil, gas, and other mineral resources of OCS lands; (3) development of environmental assessments and environmental impact statements (EIS's) both prelease and postlease, to ensure compliance with the National Environmental Policy Act (NEPA); (4) consultation with affected States and other parties and development of issue analyses and decision documents; (5) conducting lease sales; (6) development and implementation of bid adequacy procedures to assure that the Government receives fair market value for lands leased and rights conveyed; (7) issuance and maintenance of leases; (8) development and enforcement of regulatory requirements for exploration, development, and production operations; and (9) development of an inventory of information on minerals activity on OCS lands and disseminating that information. While most of the MMS's efforts concern OCS oil and gas, the agency also performs the above functions for other minerals (e.g. sulfur, phosphorite and gold) on offshore lands under Federal jurisdiction.

Program changes, resulting in a total increase of $264,000 from the base, are distributed as follows:

-- Environmental Studies. An increase of $500,000 is requested to accelerate and/or initiate environmental studies in frontier OCS areas such as offshore Washington, Oregon, and Florida, as well as Hope Basin, offshore Alaska. The information to be developed by environmental studies will support the preparation of the Washington/Oregon and Hope Basin draft environmental impact statements scheduled to be issued in Spring 1991.

-- Special Consultation Efforts. Recommendations for increased consultation have come from Congress, coastal States, other affected parties, and from the Interior Department itself. Congress mandated negotiating efforts concerning the North Atlantic and the Department responded by funding a study of OCS leasing in the North Atlantic by the National Research Council in FY 1988. Other contracts related to conflict resolution are anticipated in FY 1990. The MMS is developing a special task force arrangement with the States of Washington and Oregon. A subcommittee of the OCS Policy Committee is proposing additional consultation efforts not covered by base level funding. Additional consultation with coastal States concerning the mining of OCS minerals is also anticipated in FY 1990. An increase of $200,000 is proposed for these purposes.

-- Helicopter Capability and Rate Increases. Higher contract rates for helicopter services require an increase of $475,000 to maintain the current level of service needed for inspection and enforcement of regulations governing oil and gas operations. Additionally, the extension of OCS leasing into areas further from shore in the Gulf of Mexico and other increasing inspection workloads require expansion of MMS's helicopter leasing to carry out inspection and enforcement activities. An increase of $388,000 is requested for this purpose, resulting in a total helicopter related increase of $863,000.

-- FY 1989 Pay Raise and Fixed Cost Increases. In order to absorb the 4.1 percent pay increase that is effective January 1, 1989, the OCS program will reduce its FTE usage by 26 in FY 1990. Since this reduction will occur through attrition, the precise impact is difficult to predict. Additionally, the OCS program will have to decrease travel, training, equipment purchases and some contract services in order to fund $1,299,000 of increases in rent and certain other fixed costs.

Royalty Management (+$4,945,000)

The Royalty Management Program (RMP) provides for the collection, auditing, and compliance activities of the mineral revenues owed the Federal Government, States, and Indian lessors from minerals produced on Federal onshore, Indian, and Outer Continental Shelf lands. In FY 1990, it is estimated that RMP will collect and account for approximately $7.2 billion in mineral leasing revenues, including $2.1 billion in rents and bonuses from an Arctic National Wildlife Refuge lease sale. The program is comprised of three automated revenue and production accounting systems supported by a variety of auditing programs. Dissemination of information to affected States and other parties involves an additional automated system and an outreach program. The following changes from the FY 1990 base for Royalty Management are proposed:

-- FY 1989 Pay Raise. In order to absorb the 4.1 percent pay increase that is effective January 1, 1989, the RMP will reduce its FTE usage by 15 in FY 1990. Since this reduction will occur through attrition, the programmatic impact is not yet known.

-- Mineral Revenue Collections. An increase of $120,000 is proposed to fund the new responsibility to account for Indian nonstandard leases. An increase of $500,000 is proposed to continue the onshore production accounting conversion and $369,000 is requested to pay for higher contract costs.

-- Mineral Revenue Compliance. An increase of $5,000,000 is requested to contract for auditors in order to perform the audit cycle at the 12 residency audits and at other major payors on a more contemporaneous schedule.

-- Systems Development and Operation. Increases of $318,000 for higher operating and maintenance contract costs and $350,000 for systems related costs to continue the onshore production accounting conversion are proposed. A decrease of $1,300,000 is possible due to reduced mainframe lease costs. An additional decrease of $412,000 from software enchancements will be necessary in order to pay for increases in fixed costs. The net decrease for this subactivity is $1,044,000.

General Administration (+$1,929,000)

General administrative expenses provide for management, executive direction and coordination, administrative support, and common support costs for the MMS. This includes such essential functions as budget, financial management, personnel administration, procurement and contract administration, property management, internal control, and information resources management. The Offices of the Director and the immediate executive staff are provided for in the Executive Direction subactivity. The Office of Administration and the Administrative Service Centers are supported by the Administrative Operations subactivity while fixed operational costs, such as rent, Federal and commercial communications, and postage, are funded in the General Support Services subactivity.

-- FY 1989 Pay Raise. In order to absorb the 4.1 percent pay increase that is effective January 1, 1989, the General Administration Budget Activities will reduce their FTE usage by 7 in FY 1990.

-- Administrative Operations. A decrease of $110,000 is possible due to efficiencies achieved by consolidating the MMS Northern Virginia offices in one location.

-- General Support Services. A one-time expense of $2,039,000 is proposed for relocation of the Pacific OCS Regional Office from Los Angeles to Ventura, where it will be consolidated with the Ventura District Office. Net base increases of $1,743,000 in fixed operating costs such as rent and communications are being funded by decreases proposed in the Outer Continental Shelf Lands, Royalty Management Program, and Administrative Operations Budget Acitivities/Subactivities.

Appropriation Language Sheet

LEASING AND ROYALTY MANAGEMENT

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [$171,317,000] $180,461,000, of which not [less than $35,000 shall be used by the Secretary to enter into a cooperative agreement with the State of Louisiana to carry out or conduct audit activities on any lease or portion of a lease subject only to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)): Provided, That notwithstanding the provisions of sections 201 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1731), sections 202 through 206 of that Act (30 U.S.C. 1732-1736) shall apply to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act: Provided further, That for purposes of those provisions and for no other purposes, such lease or portion of a lease shall be regarded as within the coastal State or States entitled to receive revenues from it under section 8(g), and of which not less than $52,302,000 shall be available for royalty management activities including general administration: Provided further, That not] to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities: Provided [further], That of the above enacted amounts, $250,000 proposed for Federal and State joint programs of data gathering to help determine the boundary between State and Federal lands offshore of Alaska shall be available only if an equal amount is provided by the State of Alaska from State revenues to match the Federal support for this project. (Department of the Interior and Related Agencies Appropriations Act, 1989).

Justification of Proposed Language Changes

LEASING AND ROYALTY MANAGEMENT

1. Deletion: "less than $35,000 shall be used by the Secretary to enter into a cooperative agreement with the State of Louisiana to carry out or conduct audit activities on any lease or portion of a lease subject only to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)): Provided, That notwithstanding the provisions of sections 201 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1731), sections 202 through 206 of that Act (30 U.S.C. 1732-1736) shall apply to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act: Provided further, That for purposes of those provisions and for no otaher purposes, such lease or portion of a lease shall be regarded as within the coastal State or States entitled to receive revenues from it under section 8(g),"

   This provision does not need to be repeated in FY 1990.

2. Deletion: "and of which not less than $52,302,000 shall be available for royalty management activities including general administration: Provided further, That not"

   The Leasing and Royalty Management Appropriation account is divided into three separate budget activities, including "Royalty Management." This limitation on funds available in the appropriation language is not necessary and hinders the optimal use of resouces as program needs change during the fiscal year.

3. Addition: "Federal and State joint programs of"

   The Minerals Management Service is required to delineate the boundaries of Federal jurisdiction under the Submerged Lands Act (43 U.S.C. 1301 et seq.) and the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.); and to help delineate boundaries of the jurisdiction of the United States of America under other Federal laws and Proclamations and international law.

   This provision is requested to allow the Minerals Management Service to pay for independent boundary delineation work, aside from any joint efforts involving the State of Alaska. In some instances, the Federal Government is the most likely beneficiary from delineation of certain boundaries. In these instances, it is important for the MMS to be able to proceed with boundary work, regardless of whether funding is matched by a State.

Appropriation Language Citations

LEASING AND ROYALTY MANAGEMENT

1. For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law;

30 U.S.C. 181 et seq.

30 U.S.C. 181 et seq. provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulfur, and sodium and the payment of bonuses, rents, and royalties on such leases.

30 U.S.C. 1701 et seq.

30 U.S.C. 1701 et seq. provides for comprehensive fiscal and production accounting and auditing systems to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect such amounts in a timely manner.

43 U.S.C. 1331 et seq.

43 U.S.C. 1331 et seq. extends the jurisdiction of the United States to the Outer Continental Shelf; provides for granting of leases to develop offshore energy and minerals; and provides for bonuses, rents, and royalties to be paid in connection with such leases.

43 U.S.C. 1801

43 U.S.C. 1801 establishes a policy for the management of oil and gas on the Outer Continental Shelf and development of environmental studies for lease sale areas and 5-year leasing programs.

43 U.S.C. 4321-4347

43 U.S.C. 4321-4347 provides congressional declaration of a national environmental policy.

2. for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts;

30 U.S.C. 189

30 U.S.C. 189 empowers the Secretary of the Interior to prescribe necessary and proper rules and regulations to carry out the purposes of this chapter (Title 30 - Mineral Lands and Mining).

43 U.S.C. 1334(a)(1)

43 U.S.C. 1334(a)(1) provides that "The Secretary shall administer the provisions of this subchapter relating to the leasing of the Outer Continental Shelf, and shall prescribe such rules and regulations as may be necessary to carry out such provisions...."

3. and for matching grants or cooperative agreements;

43 U.S.C. 1331-1343 43 U.S.C. 1801,
30 U.S.C. 1701, et seq.

4. including the purchase of not to exceed 8 passenger motor vehicles for replacement only;

31 U.S.C. 638(a)(b)

31 U.S.C. 638(a)(b) provides that "Unless specifically authorized by the appropriation concerned or other law, no appropriation shall be expended to purchase or hire passenger motor vehicles for any branch of the Government...."

5. $187,741,000, of which not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities:

No specific authority

This provision is requested to allow MMS to pay for reasonable expenses in conjunction with organizing or sponsoring volunteer beach and marine clean-up activities.

6. Provided, That of the above enacted amounts, $250,000 proposed for Federal and State joint programs of data gathering to help determine the boundary between State and Federal lands offshore of Alaska shall be available only if an equal amount is provided by the State of Alaska from State revenues to match the Federal support for this project.

No specific authority

This provision is included to ensure that the State of Alaska shares in the funding of the boundary project, yet allow the MMS to pay for independent boundary delineation work, aside from joint efforts involving the State of Alaska.

MINERALS AND ROYALTY MANAGEMENT
Activity/Subactivity Change Crosswalk - FY 1989 President's Budget
(In thousands of dollars)

Format of FY 1989 Congressional Budget — Appropriation/Activity/Subactivity	FY 1989 Estimate	Format of FY 1990 Congressional Budget — Appropriation/Activity/Subactivity	FY 1989 Estimate
MINERALS AND ROYALTY MANAGEMENT		MINERALS AND ROYALTY MANAGEMENT	
A. Outer Continental Shelf Lands		A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	39,154	(1) Leasing & Environmental Program	39,124
(2) Resource Evaluation Program	22,901	(2) Resource Evaluation Program	22,841
(3) Regulatory Program	29,053	(3) Regulatory Program	28,993
Total, Outer Continental Shelf Lands	91,108	Total, Outer Continental Shelf Lands	90,958
B. Royalty Management		B. Royalty Management	
(1) Mineral Revenue Collections	17,438	(1) Mineral Revenue Collections	17,438
(2) Mineral Revenue Compliance	15,136	(2) Mineral Revenue Compliance	15,136
(3) Systems Development & Operation	19,728	(3) Systems Development & Operation	19,728
Total, Royalty Management	52,302	Total, Royalty Management	52,302
C. General Administration		C. General Administration	
(1) Executive Direction	3,535	(1) Executive Direction	3,535
(2) Administrative Operations	9,977	(2) Administrative Operations	10,127
(3) General Support Services	13,822	(3) General Support Services	13,822
Total, General Administration	27,334	Total, General Administration	27,484
Combined Total	170,744	**Combined Total**	170,744

MINERALS AND ROYALTY MANAGEMENT
Activity/Subactivity Change Crosswalk - FY 1989 President's Budget
(In thousands of dollars)

Format of FY 1989 Congressional Budget Appropriation/Activity/Subactivity	FY 1990 Estimate	Format of FY 1990 Congressional Budget Appropriation/Activity/Subactivity	FY 1990 Estimate
MINERALS AND ROYALTY MANAGEMENT		MINERALS AND ROYALTY MANAGEMENT	
A. Outer Continental Shelf Lands		A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	39,607	(1) Leasing & Environmental Program	39,577
(2) Resource Evaluation Program	22,496	(2) Resource Evaluation Program	22,436
(3) Regulatory Program	29,729	(3) Regulatory Program	29,669
Total, Outer Continental Shelf Lands	91,832	Total, Outer Continental Shelf Lands	91,682
B. Royalty Management		B. Royalty Management	
(1) Mineral Revenue Collections	18,542	(1) Mineral Revenue Collections	18,542
(2) Mineral Revenue Compliance	20,236	(2) Mineral Revenue Compliance	20,236
(3) Systems Development & Operation	18,718	(3) Systems Development & Operation	18,718
Total, Royalty Management	57,496	Total, Royalty Management	57,496
C. General Administration		C. General Administration	
(1) Executive Direction	3,580	(1) Executive Direction	3,580
(2) Administrative Operations	9,949	(2) Administrative Operations	10,099
(3) General Support Services	17,604	(3) General Support Services	17,604
Total, General Administration	31,133	Total, General Administration	31,283
Combined Total	180,461	**Combined Total**	180,461

Summary of Requirements

Appropriation: Leasing and Royalty Management

(Dollar amounts in thousands)

Summary of Base Adjustments	FTE	Amount	FTE	Amount
Appropriation Currently Available, 1989	---	---	2,044	170,744
Base Adjustments:				
Additional cost in 1990 of the 1989 pay increase	---	836		
Rental payments to GSA	---	1,299		
FTS, Commercial Telephone	---	44		
Unemployment Compensation	---	-59		
Workers' Compensation payments	---	-113		
PAY/PERS	---	9		
FFS accounting system	---	500		
Departmental Working Capital Fund	---	63		
Total Base Adjustments	---	2,579	---	2,579
1990 Base Budget			2,044	173,323

Summary of Requirements (continued)

Comparison by Activity/Subactivity	FY 1988 Actual FTE	FY 1988 Actual Amount	FY 1989 Enacted To Date FTE	FY 1989 Enacted To Date Amount	FY 1990 Base FTE	FY 1990 Base Amount	FY 1990 Estimate FTE	FY 1990 Estimate Amount	Inc./Dec from FY 1989 FTE	Inc./Dec from FY 1989 Amount	Inc./Dec from FY 1990 Base FTE	Inc./Dec from FY 1990 Base Amount
OCS Lands												
Leasing & Environmental Program	328	39,904	341	39,124	341	39,267	333	39,577	-8	453	-8	310
Resource Evaluation Program	345	23,525	350	22,841	350	22,985	342	22,436	-8	-405	-8	-549
Regulatory Program	410	29,221	414	28,993	414	29,166	404	29,669	-10	676	-10	503
Subtotal	1,083	92,650	1,105	90,958	1,105	91,418	1,079	91,682	-26	724	-26	264
Royalty Management												
Mineral Revenue Collections	297	16,359	295	17,438	295	17,553	289	18,542	-6	1,104	-6	989
Mineral Revenue Compliance	255	14,912	256	15,136	256	15,236	251	20,236	-5	5,100	-5	5,000
Systems Development & Operation	86	18,205	86	19,728	86	19,762	82	18,718	-4	-1,010	-4	-1,044
Interest on Late Payments	---	200	---	---	---	---	---	---	---	---	---	---
Subtotal	638	49,676	637	52,302	637	52,551	622	57,496	-15	5,194	-15	4,945
General Administration												
Executive Direction	64	3,480	74	3,535	74	3,580	72	3,580	-2	45	-2	---
Admin. Operations	224	9,917	228	10,127	228	10,209	223	10,099	-5	-28	-5	-110
Gen. Support Services	---	12,994	---	13,822	---	15,565	---	17,604	---	3,782	---	2,039
Subtotal	288	26,391	302	27,484	302	29,354	295	31,283	-7	3,799	-7	1,929
Total Requirements	2,009	168,717	2,044	170,744	2,044	173,323	1,996	180,461	-48	9,717	-48	7,138

Justification of Adjustments to Base

LEASING AND ROYALTY MANAGEMENT

	Amount ($000)
Rental payments..	+1,299

This adjustment reflects increased costs payable to the General Services Administration (GSA) resulting from higher rates for office and non-office space, increased costs in rental payments to others, and the cost resulting from the net change in the square footage and types of space occupied nationwide.

Federal Telecommunications System and commercial communications	+44

This adjustment is for lower costs of the Federal Telecommunications System and higher commercial communications costs.

Unemployment Compensation payments................................	-59

This adjustment is for decreased costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account in the Unemployment Trust Fund, pursuant to Public Law 96-499.

Workers Compensation payments......................................	-113

This adjustment is for decreased costs for compensation to injured employees to be paid to the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b), as amended by Public Law 94-273.

Departmental Working Capital Fund.................................	+63

This adjustment is for increased costs assigned to the Bureau for centralized administrative services provided on a Department-wide basis.

Federal Financial System...	+500

This adjustment is for increased costs of bureau conversion to the Department's standard accounting system commonly referred to as FFS (Federal Financial System).

PAY/PERS..	+9

This adjustment is for increased costs expected to be assigned to the Bureau for the operation of the Department-wide PAY/PERS and payroll distribution system in 1990.

Additional cost in 1990 of the 1989 pay increase.................. +836

This adjustment is for the additional amount needed in 1990 to cover the additional quarter's cost of the 4.1 percent pay raise effective in January 1989. Of this amount, $821,641 is for general schedule pay and $233 is for wage board pay. The 1989 cost of $2,479,598, which covered three quarters of the full-year cost of the pay raise and which was fully absorbed as required by P.L. 100-446, included $2,435,397 for general schedule pay and $691 for wage board pay.

Activity Summary

Activity: Outer Continental Shelf Lands

(In thousands of dollars)

Subactivity	FY 1988 Actual	FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc. (+) Dec. (-) from Base
Leasing & Environmental Program	39,904	39,124	39,267	39,577	+453	+310
Resource Evaluation Program	23,525	22,841	22,985	22,436	-405	-549
Regulatory Program	29,221	28,993	29,166	29,669	+676	+503
Total Requirements	92,650	90,958	91,418	91,682	+724	+264

Authorizations

43 U.S.C. 1331, et. seq. — The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.

43 U.S.C. 4321, 4331-4335, 4341-4347 — The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal projects having a significant effect on the environment.

16 U.S.C. 1451-1464 — The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that industry activity in the coastal zone is consistent with coastal zone plans set by the States.

16 U.S.C. 1531-1543 — The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations on endangered and threatened species.

16 U.S.C. 470-470w6 — The National Historic Preservation Act established procedures to ensure protection of significant archaeological resources.

30 U.S.C. 21(a) 30 U.S.C. 1601 et.seq.	The Mining and Minerals Policy Act of 1970 and the Materials and Minerals Policy, Research and Development Act of 1970, set forth the continuing policy of the Federal Government, in the national interest, to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves. The MMS is responsible for the assessment of oil, gas, and management of the exploration and development of OCS leases.
43 U.S.C. 1301	The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. The MMS provides information regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
16 U.S.C. 1361-1362, 1371-1384, 1401-1407	The Marine Mammal Protection Act of 1972 provides for the safeguard of marine mammals which are, or may be, in danger of extinction or depletion as a result of man's activities.

The Outer Continental Shelf Lands budget finances the sale and award of energy and mineral leases and regulation of exploration, development, and production on Federally-leased OCS lands. The budget for the program is described in three subactivities entitled: Leasing & Environmental Program; Resource Evaluation Program; and Regulatory Program. This division is a useful description of the major activities of the Minerals Management Service on the Outer Continental Shelf Lands, and each subactivity represents an integral component of a highly coordinated program.

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Leasing and Environmental Program

(Dollar amounts in thousands)

Program Element		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Leasing & Environmental Assessment	$	17,059	17,202	17,012	-47	-190
	(FTE)	(341)	(341)	(333)	(-8)	(-8)
Environmental Studies	$	22,065	22,065	22,565	+500	+500
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements	$	39,124	39,267	39,577	+453	+310
	(FTE)	(341)	(341)	(333)	(-8)	(-8)

Leasing and Environmental Assessment

Objectives

1. To make the Outer Continental Shelf (OCS) available for expeditious and orderly mineral resource development.

2. To prepare, revise periodically, and maintain an oil and gas leasing schedule (5-year program) to implement the policies of the Outer Continental Shelf Lands Act Amendments (OCSLAA).

3. To assure that protection of the environment is given full consideration in the planning of leasing and development activities on the OCS.

4. To ensure that leasing and permitting actions are in accordance with all Federal environmental laws and that required coordination with Federal and State agencies occurs, such as for endangered species, archaeological resources, and coastal zone management.

5. To provide affected States, and through such States affected local governments, with opportunities to participate in policy and planning decisions relating to leasing exploration, development, and production of minerals on the OCS.

6. To grant to the highest responsible qualified bidders, oil and gas and other mineral leases on submerged lands.

7. To provide information, through environmental and socioeconomic studies, to assist in the prediction, assessment, and management of impacts on the environment from OCS oil and gas and other mineral activities.

8. To determine size, timing, location, terms and conditions for each sale which provide a reasonable balance between the national interest and the well-being of the citizens of each affected State; and to communicate to the Governor of each affected State this determination vis-a-vis the Governor's recommendations.

Base Program

The primary functions of the Leasing and Environmental Assessment Program are: (1) to develop an OCS oil and gas leasing program which indicates as precisely as possible the schedule of lease sales which will best meet national energy needs for the 5-year period following its approval; (2) to manage the OCS minerals leasing activities; and (3) to review and assess the environmental impacts associated with permits issued under the Resource Evaluation and Regulatory Program. Active coordination of the offshore minerals leasing program with other Federal agencies and ongoing consultation with affected State and local governments and the public occur throughout the development of the schedule and leasing process and are major tasks of this program. Additionally, the activities required to develop OCS strategic and critical minerals leasing procedures and expand the information base for potential future minerals development on the OCS will continue to be studied and evaluated.

In recent years the Leasing and Environmental Assessment Program has evolved into one that relies on continuous involvement with State and affected local governments, other Federal agencies, industry and public interest groups in the development and conduct of the Department's leasing program. The information transfers between these parties and the Department help the Secretary to achieve consensus on design and timing of lease sales, and promotes early resolution of issues and concerns regarding the leasing program. Information exchanges begin early in the leasing process with a Request for Interest or a Call for Information and Nominations, as appropriate, and continue throughout the prelease and postlease phases (e.g., public scoping meetings, comments on EIS's, endangered species consultations, and EIS hearings).

The OCS minerals leasing program also supports the Administration's goals of reducing the Nation's reliance on foreign oil sources, enhancing national security, and strengthening the Nation's economy. The OCS currently provides approximately 12 percent of domestic oil and 25 percent of domestic gas production.

Bonuses and rents paid for OCS leases and royalties from subsequent production have a positive effect on the Federal Budget. Approximately $3.5 billion has been received in FY 1988 from bonuses, rents, interest, and royalties. Approximately $3.2 billion is estimated to be received in FY 1990. Of the FY 1990 amounts, royalty receipts from producing OCS leases are estimated to be $2.2 billion. In addition, nearly $1.0 billion is estimated to be received from escrow payout and interest.

Prelease and/or leasing activity on more than 29 sales will be in progress during FY 1990 with 12 sales scheduled (see Table 1). Two sales off California are scheduled to be held in FY 1990, which will require difficult decision and consultation processes to allow the sales to occur as proposed. Sales scheduled to be held in 1991 and 1992 also require extensive consultation in FY 1990. There are three such California sales, and one in Washington-Oregon. In FY 1990, there will be continuing activities in all three Atlantic planning areas, including final EIS and preparation of sale notice or requests for interest for proposed sales in the North Atlantic and South Atlantic planning areas and sales in the Mid-Atlantic and North Atlantic. In Alaska, the program entails work on follow-up sales for several Bering Sea sale areas, including completion of the draft EIS, and the public hearings for the next lease sale in the North Aleutian Basin.

The Alaska boundary project will be continued in FY 1990. This effort was initiated in FY 1984 because of long-term issues which continue to impact both State and Federal oil and gas leasing programs within the offshore submerged lands and on the OCS. When Federal/State boundary locations cannot be determined, disputes arise as to which governmental entity may lease lands near to and abutting the 3-geographical-mile line. In many areas around Alaska, the location of the 3-geographical-mile line boundary is not known. This situation exists because Alaska is remote and the costs of surveying are very high--up to $6,000 per mile in some coastal areas. In addition, tidal readings (datums) used to establish the baseline (from which the 3-geographical-mile line is measured) must be accumulated for approximately 20 years before that line can be determined. Without resolution of the boundary issue, Federal lease sales offshore Alaska may be cut back in terms of size, postponed, or not held due to litigation such as the ongoing Supreme Court case in connection with the Federal/State boundary along the Beaufort Sea.

Plans are also being made to conduct a supplemental sale in FY 1990. Supplemental sales are scheduled annually to allow the re-offering of blocks for which bids were rejected or forfeited during the preceding year, as well as drainage and development blocks where new information indicates economic benefits would result from their being offered earlier than at the next regularly scheduled sale in the planning area. Such lease sales could result in economic benefits to the Nation by allowing earlier production of oil and gas resources and the more orderly and efficient development of those resources. While supplemental sales are limited in size and the prelease effort is somewhat less than that required to conduct a standard lease sale, required presale preparation steps will be completed to ensure compliance with the requirements of the OCS Lands Act, the National Environmental Policy Act, and other applicable statutes. Full consultation with the States and the public will still occur.

For the purposes of presentation, the Leasing and Environmental Assessment Program has been divided into subelement groupings. It is important to point out, however, that the subelements are not independent. Each phase, step, or activity of the prelease program is linked to and is interactive with other subelements. In most cases, individual staff members participate in many of the subelements.

Under subelement 1, a discussion of the development and review of the 5-year oil and gas program is provided. The activities included under subelements 2 and 4 are closely related but have been segregated to clarify the discussion.

Table 1

Minerals Management Service
Lease Sales

FY 1988 Actual

Sale Number	Area
---	Salt and Sulphur Sale, Gulf of Mexico
97	Beaufort Sea
113	C. Gulf of Mexico
109	Chukchi Sea
115	W. Gulf of Mexico

FY 1989 Planned (or Actual)

Sale Number	Area
116	E. Gulf of Mexico, Part I (Actual)
118	C. Gulf of Mexico
SU1	Supplemental Sale #1 1/
122	W. Gulf of Mexico

FY 1990 Planned

Sale Number	Area
91	N. California
---	Solid Minerals Sale, Norton Sound
107	Navarin Basin
121	Mid-Atlantic
101	St. George Basin
116	E. Gulf of Mexico, Part II
123	C. Gulf of Mexico
95	S. California
125	W. Gulf of Mexico
114	GOA/Cook Inlet
SU2	Supplemental Sale #2
96	North Atlantic

1/ SU1 will likely be moved to FY 1990 and take the place of SU2.

These sections provide information on the major leasing processes and documents. The information provided under subelements 3 and 7 cover the major environmental thrusts of the program while subelement 8 depicts the work effort involved with the administration of the Environmental Studies Program funded under the Environmental Studies program element. Subelements 5 and 6 discuss the lease sale, lease issuance and maintenance activities.

Also included are discussions of several program components which are not detailed in the discussion of the basic subelements. These discussions include: (1) Leasing area maps and diagrams which are used in various activities throughout the entire leasing process; (2) OCS Advisory Board coordination, which provides the Secretary and Director with expertise from States, the scientific community, the private sector, and the public; and (3) strategic and other minerals.

The nine major subelements of the Leasing and Environmental Assessment Program and their products are described below:

1. Development/Review of 5-Year Oil and Gas Leasing Program ($429,000)

   The Secretary of the Interior is responsible for the preparation of, maintenance of, and periodic revisions to a leasing program. The program consists of a schedule of proposed lease sales, indicating the size, timing, and location of leasing activity that the Secretary determines will best meet national energy needs for a 5-year period following its approval. In accordance with section 18(e) of the amended OCS Lands Act, the Secretary is required to review the leasing program at least once each year. He may revise and reapprove the program at any time in accordance with statutory procedures. The program must be developed on the basis of a number of environmental, economic, and other factors which assure evaluation of the characteristics of each planning region, equitable sharing of developmental benefits and environmental risks, relative national and regional energy needs, relationships to other marine resource uses, relative environmental sensitivity and marine productivity, and other relevant information. Furthermore, the Secretary is required to balance the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse effects on the coastal zone in developing this program.

   During the preparation of a proposed 5-year leasing program, the Secretary of the Interior is required to invite and consider suggestions and relevant information from all interested parties, including Federal agencies, industry, and the Governor of each potentially affected State, and from the general public. Through the States, information is considered which may affect local governments. These comments and/or suggestions are submitted in response to a request for information issued as a notice in the Federal Register. Comments are requested on the geographical, geological, and ecological characteristics of the broad areas under consideration, other uses of offshore resources and space, identification of areas of environmental sensitivity and marine productivity, and the technological feasibility of, time periods required for, and interest in offshore exploration and development. The Secretary also sends letters to the Governors of affected States, asking them to identify specific laws, goals, and policies they believe should be considered in connection with the leasing program. States that are developing or administering a coastal zone management (CZM) program are also requested to supply information concerning the relationship between their CZM programs and potential offshore oil and gas activity.

After considering comments and information received, a Draft Proposed Leasing Program is prepared. A copy is sent to the affected States at least 60 days prior to publication in the Federal Register Notice of the Proposed Program. Written responses will be made to any request made by the Governors for modification of the Draft Proposed Program if such requests are received at least 15 days before the Proposed Program is submitted to Congress. Within 90 days after publication of the Proposed Program in the Federal Register, comments and recommendations may be submitted on any aspect of the program. At least 60 days prior to approval, a Proposed Final Program is provided to the President and Congress, along with any comments received on the Proposed Program. This transmittal must indicate why any specific recommendations were not accepted. Sixty days after congressional notification, the Final Program is approved and published.

Recent activities and accomplishments for this subelement include:

- Identified measures for conflict resolution efforts and negotiations related to OCS oil and gas leasing in the North Atlantic, South Florida and Washington-Oregon.

  - Efforts in Florida resulted in agreement by the State to withdraw its litigation against the 5-year program. Task Forces were established and met during FY 1989 to review information on oil spill risk and effects from drilling discharge.

  - Efforts concerning the North Atlantic resulted in the initiation of a contract with the National Research Council to study OCS leasing in that area.

  - Based on efforts during FY 1988 to develop a special consultation mechanism for matters concerning proposed Washington-Oregon Sale 132, we expect that in FY 1990 a task force including participants representing Federal, State, Indian, and other public and private sector representatives will be in operation for that purpose.

- Prepared background materials and gave extensive verbal and written briefings to the Office of the Solicitor and the Department of Justice on the 5-year program litigation. Compiled and submitted administrative record for the approved program. The Service provided comments on briefs and suggested responses to petitioners' briefs.

- Conducted Annual Review of the 5-year program as required by the OCS Lands Act.

- Worked with the OCS Policy Committee to develop recommendations to the Secretary concerning improvements in the process for developing the next 5-year program.

- Developed briefing materials and letters for use in Congressional consideration of moratoria concerning certain sales included in the approved 5-year program.

- o Initiated staff studies concerning marine productivity and environmental sensitivity to assess whether new methods and data should be used in the next 5-year program; initiated preliminary program assessment of the work plan, schedule, procedures, and methodologies for the next 5-year program.

2. Prelease Process to Determine Specific Lease Sale Area that will be Analyzed in EIS ($545,000)

   For proposed lease sales which have been identified in the 5-year leasing program, a detailed prelease process is followed by the MMS to determine the area to be offered for sale and the lease terms and conditions for a sale. The objective of the initial steps in the prelease process through the Area Identification (discussed below in detail) is to determine the area to be considered for leasing and studied in the environmental analysis process under the National Environmental Policy Act. This determination is made by the Department after ample opportunity for public and governmental involvement which may include preliminary sale consultations with State governments, Congressional delegates or other Federal agencies prior to a Call for Information and Nominations, a 45-day public comment period on the Call, and a decision process at the Area Identification stage which considers all comments, concerns and expressions of interest in leasing received during the consultation process.

Following are discussions of the major workload areas of this subelement of the Leasing and Environmental Program:

a. Request for Interest

A request for interest may occur as a first prelease step. This is most likely to occur for sales proposed in frontier areas where there is limited industry interest. Industry's responses, along with other information, are used to determine if enough interest exists to begin the lengthy prelease process. In some regions, at the same time that the request for interest is issued, preliminary sale consultations may take the form of meetings and information exchanges with coastal States and members of Congress to discuss OCS concerns and issues. These meetings often require the development of specialized information (histories, statistics, briefing and option papers, graphics, and summaries) so the complex and technical activities of the offshore program can be adequately presented, reviewed, and evaluated.

A request for interest may be issued at any stage in planning for a proposed sale when it is believed that current economic or market conditions may have lowered industry interest or reduced the number of companies interested in exploring an area. The request to industry is published in the Federal Register, responses are analyzed, and a decision is made by the Assistant Secretary - Land and Minerals Management to proceed with, delay, or cancel the prelease process for that sale.

b. Call for Information and Nominations (Call)

The Call is a public participation and information-gathering step. It provides industry, the States, and the public with a formal opportunity to participate in the prelease process by submitting specific information (geological, biological, archaeological, socioeconomic, and technical) which might bear upon the potential leasing and development of particular areas proposed for lease (Figures 1 and 2). The comments are used in future decisionmaking points in the leasing process. Also, during this step, consultation begins with the Department of Defense to identify possible multiple-use conflicts in the sale area.

In the process used for focusing on promising acreage the Minerals Management Service will highlight on a map issued with the Call for Information and Nominations its view of the promising acreage within the Call area. The text of the Call will explain that while primary consideration would be given to the highlighted area, respondents may nominate any acreage within the Call area. Such nominations and comments will be considered at the Area Identification stage for identification of the proposal, which will be analyzed in the EIS.

Industry, States, local governments, public interest groups, and individuals respond to the Call, published as a Federal Register Notice. A Notice of Intent to prepare an Environmental Impact Statement (EIS) is issued with the Call. This initiates the scoping process, which is discussed under subelement 3 on the following pages. Industry identifies and ranks areas of potential for oil and gas development and provides information on sale terms and conditions. Government agencies and public respondents provide comments on the subjects listed above and on possible environmental conflicts in and near the proposed sale area. The resulting information is a direct input to the area identification step and is used in subsequent planning and analysis activities.

c. Area Identification

The purpose of this step is to select the proposed sale area that will also be further analyzed in the EIS. In preparation for the area identification decision, information received in response to the Call for Information and Nominations and other information such as that received during the development of the 5-Year Program is carefully reviewed. Industry provides priority information indicating the order in which it wants to explore areas. Industry also nominates areas it would like to lease, identifying them as being of high, medium, or low interest. In addition, the information and comments provided in response to the Call by States, local governments, and public interest groups is analyzed, summarized, and incorporated into the decision process.

OCS PLANNING AREAS

Figure 1

OCS PLANNING AREAS

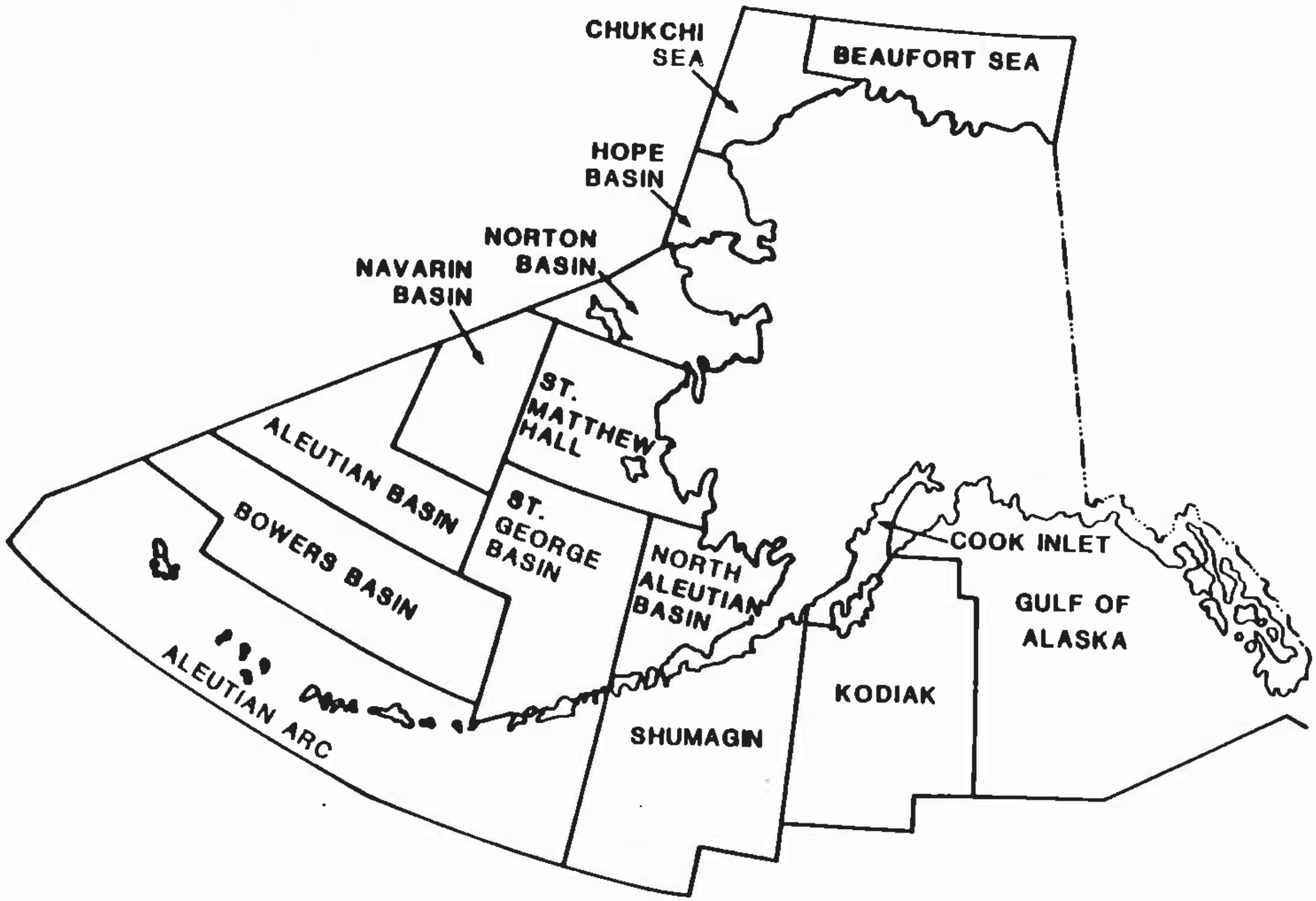


Figure 2

Through the use of written material, briefings, and graphics, departmental decisionmakers are provided with information on industry interest; public concerns; State and local government positions; multiple-use conflicts; resource potential; past leasing history; environmental, geophysical, and geologic conditions; recommendations on potential sale area configurations; and other relevant information. The concerns expressed by the public are addressed and the delicate process of weighing and balancing the activities associated with exploring for oil and gas with the need to protect the environment is continued.

Once area identification decisions are made, affected States and selected Federal agencies are provided with information regarding the proposed sale area. Also, at this point in the prelease process, consultations are initiated with States regarding potential boundary disputes in the proposed sale area.

3. Prelease Environmental Assessment Process ($5,537,000)

The Minerals Management Service normally prepares an Environmental Impact Statement (EIS) and holds public hearings on this EIS before the Secretary of the Interior decides whether to hold an OCS lease sale proposed on the 5-year oil and gas leasing schedule. These procedures are included in the leasing process to comply with the requirements of the National Environmental Policy Act (NEPA). The NEPA requires the preparation of an EIS before the conduct of any major Federal action which could significantly affect the quality of the human environment and specifies the basic information that the EIS shall include. In limited instances for small-scale sales (such as supplemental sales), an environmental assessment may be prepared for the sale to determine whether an EIS is needed. The Council on Environmental Quality (CEQ) was established by NEPA as the agency responsible for overseeing compliance with the Act by Federal agencies.

The prelease environmental analysis process may be started as early as one year before the Call for Nominations with the development of general descriptive material. Following the Call for Information and Nominations and issuance of a Notice of Intent to prepare an EIS, the scoping process (required by CEQ regulations) begins. Scoping is the process of identifying the range and significance of important issues associated with a proposed Federal action and alternatives to that action through coordination and consultation with Federal, State, and local governments; the public; and any interested individual or organization before pursuing development of an EIS. Information gathered through the request for data from the Call for Information and Nominations, through the Environmental Studies Program, and from ongoing exploration and development activities is also reviewed during the scoping process. This leads to the identification of major issues and alternatives to be addressed in the EIS and assists in the design of the sale proposal. Topics addressed in the EIS usually include effects of the leasing proposal on air and water quality, archaeological resources, endangered species, marine mammals, fisheries, areas of special biological concern, and onshore socioeconomics.

One of the most useful inputs to the prelease environmental analysis process is the oil spill risk analysis. This is a computer modeling technique that incorporates the best available physical oceanographic and meteorological data; estimated locations and potential volumes of oil projected to be produced and transported over the life of the proposed leases if commercial quantities of hydrocarbons are discovered and developed; the locations of environmental resources (e.g., fish spawning areas, recreational beaches, whale migration routes, etc.); potential transportation routes; and the likelihood of oil spills based on historical accident rates. The model provides a measure of the likelihood of oil spill occurrence, as well as the estimated mean trajectories of spills in relation to recreational and biological resources. To report model results, an oil spill risk analysis report is prepared for each EIS. The availability of adequate environmental data, such as that on wind and ocean currents, is an important factor. The Environmental Studies Program provides for timely gathering and analysis of these data, as well as the examination of historical oil spill production and accident statistics. Oil resource estimates used in the model are provided by the Resource Evaluation Program.

The development of mitigating measures appropriate to the pertinent environmental concerns is another important phase of the prelease NEPA process. Lease stipulations and Information to Lessees clauses, which are implemented through work in the Regulatory Program, are developed in conjunction with the environmental analyses. Included is an analysis showing impacts to environmental resources assuming (1) that no mitigation is used, and (2) that the proposed mitigation is used. In this way, the efficacy of the proposed measures is apparent. These mitigating measures, in conjunction with the existing regulatory framework, have proven to be an effective and economical means of minimizing many potential adverse environmental effects while allowing the search for offshore oil and gas resources to proceed. Additionally, much of the analytical environmental work carried out at this stage provides background information that directly supports environmental analyses related to review and permitting of postlease activities.

Pursuant to Section 7 of the Endangered Species Act of 1973, the Minerals Management Service formally consults with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS), as appropriate, if the proposed activity has the potential to affect an endangered or threatened species or harm its critical habitat. The Minerals Management Service provides NMFS/FWS with detailed background information on each lease sale and formally requests consultations and "Biological Opinions" on whether OCS mineral leasing or exploration in an area will jeopardize the continued existence of endangered or threatened species or destroy or adversely modify their habitat. The formal consultation process is associated with the preparation of the EIS and the information provided is factored into the EIS analysis and/or the lease-sale decision process. Additional consultation is undertaken as necessary as a part of the postlease environmental activities at the development stage. A Draft Environmental Impact Statement (DEIS) is filed with the Environmental Protection Agency (EPA) and released for public review about 8 months after the Area Identification. A Notice of its availability is published in the Federal Register, and the document is made available upon request.

Public Hearings are held in the vicinity of the proposed lease-sale area for the purpose of receiving comments on the draft EIS. These hearings are held within the 45- to 60-day public review period with the time and location of the hearing being announced in the Federal Register. Written or verbal testimony is invited from environmental organizations; the academic community; Federal, State, and local government representatives;

industry, and the public.

The information received through public hearings and the public comment process is analyzed along with any newly acquired information and, when appropriate, is incorporated into a final EIS. At this stage, new mitigating measures may be included after comments from affected States and other interested parties are reviewed. In some cases, new deferral options are developed and incorporated into the final EIS. Usually about 3 to 5 months after the public hearing, the final EIS is filed with EPA and made available to the public. Notice of its availability is published in the Federal Register.

Technical papers may be prepared to support the lease sale EIS's and can be incorporated by reference into the EIS, thus avoiding lengthy technical and descriptive material, while maintaining the usefulness of the EIS as a decisionmaking document.

Description of Subelement Products

a. Scoping Process and Report

Scoping is conducted in response to CEQ regulations. Preparation, review, and approval of a scoping report takes place within 2 months after Area Identification. The scope and significance of the major issues associated with the proposed lease sale and alternatives to that action are included in the report. These issues and alternatives are addressed in the EIS and are used to help design the sale proposal.

b. Draft Environmental Impact Statement

The NEPA requires preparation of an EIS before the conduct of any major Federal action which could significantly affect the quality of the human environment. The DEIS is filed with EPA, a notice of its availability is published in the Federal Register, and the document is released for public review.

c. Oil Spill Risk Analysis and Report

The oil spill risk analysis examines potential risks from proposed and existing production and transportation of oil in United States waters and provides a quantitative basis for discussion in the environmental impact statement. It estimates the probabilities of oil spills from the lease area occurring and contacting environmental resources. A formal report describing the oil spill model analysis (including assumptions and findings) is prepared for each EIS.

d. Endangered Species Consultation

In accordance with Section 7 of the Endangered Species Act, formal consultation is required if the proposed lease sale activity has the potential to affect an endangered or threatened species or harm its critical habitat. Information gathered during these consultations is used in the EIS and/or the lease-sale decision process.

e. Public Hearings

A 45- to 60-day comment period immediately follows public availability of the draft EIS. Public hearings are held in a location convenient to residents in the areas adjacent to the proposed sale area. Notification of the intent to hold public hearings is published in the Federal Register, including the date, location, and procedures for providing oral and written testimony.

f. Final Environmental Impact Statement (FEIS)

The FEIS, which includes an analysis of pertinent comments received during the comment period and any newly acquired information, is prepared and filed with EPA 3 to 5 months after the public hearings. A notice of its availability is published in the Federal Register and the document is released for public review.

g. Environmental Assessment

An environmental assessment may be prepared to evaluate the environmental effects of new issues which may arise after completion of the FEIS, or for smaller scale sales, such as supplemental sales or sulphur/salt sales.

h. Technical Papers

Technical papers are normally listed and summarized as supporting documents in the appendix section of environmental impact statements. Copies are made available, upon request, to program reviewers.

Recent activities and accomplishments for this subelement include:

- The following EIS's have been published and filed with the Environmental Protection Agency during FY 1988:

  Sale 109 - Chukchi Sea (Final EIS)
  Sale 113/115/116 - Gulf of Mexico (Final EIS)
  Sale 118/122 - Gulf of Mexico (Draft and Final EIS)
  Sale 96 - North Atlantic (Draft EIS)
  Sale 91 - Northern California (Draft EIS)

- The MMS continued improvements to its oil spill risk analysis model by testing methods to better project the movement, spreading, and dissolution of oil spills on the ocean surface. The enhanced model provides additional information on possible impacts if an oil spill were to occur.

4. Lease Sale Notification and Decisions ($1,193,000)

The objective of this subelement is to build upon the analyses performed under subelements 2 and 3 and culminates in the decision on lease sale configuration, terms, and conditions. To this end, activities discussed below focus on important factors for the decisionmakers, and solicit participation of Department of the Interior executives, other Federal agencies, State and local governments, and the private sector. This coordination and distillation of issues and options builds upon information collected and analyzed throughout the prelease process and culminates in the lease sale.

Description of Subelement Products:

a. Secretarial Issue Document (SID) and Associated Decision Material

The purpose of the SID is to clearly and concisely present information which the Department of the Interior needs to make decisions on the size, timing, location, terms, and conditions of a proposed lease sale, and to provide a basis for the balancing decisions between State and national interests as required by section 19 of the OCSLAA. While the SID is only one of a number of decision documents presented to the decisionmaker, it is significant because it integrates all the analyses relevant for decisionmaking including environmental, legal, economic, technical, and hydrocarbon resource information.

The SID relies heavily on the EIS which accompanies the SID through the decision process. The SID focuses on analysis and detailed discussion of sale-related issues and synthesizes information germane to decision-making. The SID contains no recommendations but rather presents the advantages and disadvantages of each decision option. It contains a neutral summary of factors relevant to the decisions to be made and does not attempt to support a particular point of view.

A decision memorandum summarizing all sale issues and options for decisions is presented to the Assistant Secretary for Land and Minerals Management (AS/LM). It is accompanied by the SID, the EIS, and the decision sheet. Departmental decisionmakers are provided copies of the decision material and their recommendations are solicited. The AS/LM, with the benefit of the analyses and recommendations of other Department officials selects the size, timing, location, terms, and conditions which are then included in the proposed Notice of Sale document.

b. Proposed Notice of Sale

A Federal Register Notice announcing the availability of the proposed Notice is published about 90 to 120 days before an oil and gas lease sale is held. The Proposed Notice contains specific information on the blocks and bidding units which may be offered for sale. It also specifies lengths of lease terms, minimum bid levels, rentals, royalty rates, and numerous items of information to prospective bidders, including stipulations, joint usage conditions, and bidding instructions. This step gives the public, industry, and other agencies such as the Department of Defense, an opportunity to comment on the sale proposal.

Gulf of Mexico Notices are supplemented with detailed maps providing additional information on blocks and bidding units, acreage, and status. This material is mailed promptly to qualified bidders, and upon request, to all parties.

c. Section 19 Consultation

Section 19 of the OCSLAA mandates that Governors of affected States be provided the opportunity to comment on the size, timing, and location of a proposed lease sale. The Governors receive the Proposed Notice, the SID, the EIS, and the Proposed Notice decision memorandum for information on the decision process. The letter transmitting the material describes the decisions made at this stage in the prelease process and explains how the State's comments on the sale and its coastal zone management policies were considered in making the decisions on the proposed Notice. It also invites the Governor's comments on the size, timing, and location of the proposed sale, as required by Section 19 of the OCSLAA. During the following 60-day review period, the MMS may meet with State officials to discuss and possibly resolve issues associated with the proposed sale.

d. Final Notice of Sale Decision Memorandum

Once comments on the Proposed Notice are received from the Governors of affected States and interested parties, the MMS prepares a decision memorandum to the Secretary outlining the final decisions to be made on the proposed sale. The decision memorandum summarizes the comments on the Proposed Notice, analyzes all of the sale issues, and if needed, presents new decision options addressing concerns raised by commenters. It is an important analytical document since it contains information of any new decision options developed for Secretarial decision. The SID, the EIS, the proposed Notice decision memorandum, the proposed Notice itself, comments on the Proposed Notice, a recommendation memorandum and transmittal memorandum along with a Final Notice decision sheet accompany the Final Notice decision memorandum given to the Secretary.

e. Final Notice of Sale

Once a decision is made to hold a sale, a Final Notice of Sale is published in the Federal Register at least 30 days before the announced sale date. This Notice, in similar manner to the Proposed Notice, includes, in final form, the various terms and conditions applicable to the sale and to ensuing leases. It places limitations on joint bidders (by Federal Register reference) and establishes the stipulations applicable to the various blocks offered, and procedures to be followed by successful bidders in paying the balance of payments due and obtaining their leases.

f. Balancing Letter

In accordance with section 19 of the OCSLAA, the Governor of each affected State is notified, in writing, of the Secretary's reasons for his determination to accept or reject the Governor's recommendations on the lease sale. Section 19 requires the Secretary to accept such recommendations if he determines, after having provided the opportunity for consultation, that they provide for a reasonable balance between the national interest and the well-being of the citizens of the affected States. A letter explaining the balance reached is sent to each Governor with a copy of the Final Notice of Sale.

5. Lease Sale and Issuance of Leases ($503,000)

The prelease process of MMS ends with the conduct of the lease sale and the issuance of leases from that sale. The sales of Offshore leases are conducted under competitive bidding procedures. Separate sealed bids are submitted for each block bid on and are received before the date of the sale as specified in the Final Notice. The purpose of this lease sale step is to record and publicly announce the bids received; no bids are rejected or accepted at the sale. After the bid opening, the MMS conducts a review of the bids to determine whether the highest valid bid for each block exceeds our bid adequacy criteria. Technical and economic information gathered prior to the lease sale for the purpose of evaluating the potential mineral resource value of the blocks (provided by the Resource Evaluation Program subactivity) is considered during this review. The evaluation and acceptance or rejection of the bids on a case-by-case basis must, by regulation, occur within 90 days after the lease offering is held. Pertinent information is sent to the Department of Justice, Antitrust Division, and the Federal Trade Commission (FTC) for review. The Justice Department and FTC recommendations are considered in the final decision on which bids will be accepted or rejected.

Lease sales are conducted by the appropriate OCS regional office. Before most sales, extensive training sessions and mock sales are held to assure that all procedures and activities are carried out accurately and quickly. Detailed procedures are put in place to safeguard bids, facilitate the public opening and announcement of bids, adjudicate bid documents, enter information into computers for processing, and create the reports used by managers in the bid acceptance or rejection process. Monies received for the one-fifth bonuses, which are required when bids are submitted, must be protected, recorded, and deposited in the U.S. Treasury or returned, in a timely manner, to unsuccessful bidders. Facilities large enough for the sale are procured in each region for each sale. In FY 1990, ten standard sales and one supplemental sale are scheduled to be held.

6. Postlease Adjudication and Maintenance of Leases ($556,000)

The records for each lease must be maintained until that lease is terminated by law, relinquished, or expires. In FY 1988, approximately 6,215 lease records were being maintained in the four regional offices. Maintenance included actions related to assignments of record title (approved by the Department of Justice), relinquishments, extensions, rentals, status (tract and serial register books), statistics, and the development and updating of bidder qualification files.

Once marketable quantities of oil or gas are found, a permit is required to transport the product across the OCS. Pipeline rights-of-way are granted only after appropriate consultation and coordination is conducted with other agencies.

7. NEPA Review for Industry Activities ($2,736,000)

After the issuance of a lease, lessees are notified of any special requirements (outside of the normal requirements set forth in OCS regulations) on a lease needed to mitigate potential impacts identified during the prelease NEPA process and the Secretarial decision process.

Such special requirements include those measures needed to fulfill the stipulations developed through the prelease NEPA process that are included in the lease contract for specific tracts.

Lessees develop plans detailing their proposed actions for exploration and, if sufficient resources are discovered, eventually plans for development and production including pipeline activities. Each plan must contain a certification of consistency with applicable State plans approved under the CZMA. In close coordination with work carried out by the Regulatory Program, each plan and accompanying environmental report are reviewed to determine whether they meet the requirements under the OCS Lands Act and relevant associated environmental laws and special lease stipulations, and will acceptably mitigate adverse impacts to the environment. Included is a detailed review of the impacts from the proposed activities and of the mitigation measures needed for oil spill prevention and cleanup, air quality, water quality, biologically sensitive areas and species (including endangered species, marine mammals, and fishing concerns), archaeological and cultural resources, onshore support and storage facilities, and relevant meteorological, oceanographic, and geological conditions. During the review, other Federal Agencies and affected States are consulted, including agencies for endangered species consultations and State Historic Preservation Officers.

Upon completion of the review, an environmental analysis is prepared in the form of a categorical exclusion review or an environmental assessment, as required by NEPA, for each plan. The analysis is used as a decisionmaking tool to determine whether the environmental impacts are acceptably mitigated and to determine if an EIS must be prepared. An EIS, with possible attendant public hearings, is required prior to plan approval if potential impacts can significantly affect the human environment. If the plan and mitigation measures are acceptable, the plan is approved.

In addition, Section 25 of the OCSLAA provides that an EIS will be required for the approval of at least one oil and gas development and production plan in any area other than the producing areas of the Central and Western Gulf of Mexico and the Santa Barbara channel offshore California.

During conduct of lessee operations, activities are monitored to ensure compliance with any required mitigation measures and that the measures in place are sufficient to mitigate the adverse impacts. By carefully evaluating the mitigation measures, technical and operational requirements are kept up-to-date and are incorporated in regulations, orders, and conditions for granting permits. At the end of the life of a platform, the MMS reviews the lessee's proposed method of its removal, prepares an Environmental Assessment, and completes Endangered Species Act section 7 consultations.

Also as part of its oversight of industry activity, MMS does an environmental review of proposals for geological and geophysical activities permitted under the Resource Evaluation Program. These activities typically require Categorical Exclusion Reviews or Environmental Assessments.

Description of Subelement Products

a. Categorical Exclusion Review for Regulatory Action

The Department's categorical exclusions (CE) cover actions which in its experience do not cause significant environmental effects. Included as CE's are most exploration, development, and production plans in the central and western Gulf of Mexico, and rights-of-way permits that do not result in a new pipeline corridor to shore. Prior to approval of such plans or permits, a categorical exclusion review of the environmental effects of the activities proposed in the plan is made. If the potential for a significant impact does not exist, the plan may be approved. Otherwise, an environmental assessment is prepared.

b. Environmental Assessment (EA) for Regulatory Action

For non-categorically excluded activities, the environmental effects of the activities proposed in the plan are reviewed prior to approval of an exploration plan or a development/production plan (DPP) in accordance with NEPA. During the reviews, environmental effects are analyzed and documented in an EA.

c. Environmental Impact Statement for Regulatory Action

The NEPA compliance for development and production plans results in the preparation of an EIS when MMS concludes that the environmental assessment indicates that approval of the plan would constitute a major Federal action significantly affecting the quality of the marine, coastal, or human environment. Notice of the availability of a draft EIS is published in the Federal Register and public hearings are held. After reviewing public comments, a final EIS is prepared and a decision can be made on the plan.

d. Oil Spill Risk Analysis and Report

An oil spill risk analysis may be prepared for each development/production plan EIS and some DPP EA's. The analysis examines potential risks from proposed and existing production and transportation of oil in United States waters and provides a quantitative basis for discussion in the development and production plan EIS. A formal report describing the oil spill model and analysis (including assumptions made and results) may be prepared.

e. Endangered Species Consultation

The Endangered Species Act (ESA) section 7 consultation conducted in the prelease process covers exploration activities. Such consultation may be reinitiated at the development stage if the proposed development/production activity has the potential to affect an endangered or threatened species or harm its critical habitat. Information gathered during these consultations is used in the decision process for approval of development/production plans. Consultation may be reinitiated at any time if an action or its effects change significantly or if new biological information or effects warrant reexamination of previous biological opinions.

f. Environmental Reports Review

Environmental reports are prepared by the lessee or operator and submitted along with an exploration or a development/production plan. These documents are reviewed, along with the plan, and must be approved before exploration or development and production activities can begin.

g. Categorical Exclusion Review for Geological and Geophysical Activity

Prior to issuing a permit to conduct a Geological and Geophysical (G&G) survey (an activity conducted through the Resource Evaluation Program), the MMS conducts an environmental analysis of the potential effects of the proposed survey activities. Approval of such activities are categorically excluded except when the proposed activity includes the drilling of deep stratigraphic test holes or uses solid or liquid explosives. If the categorical exclusion review shows a potential for a significant impact or some controversy, an environmental assessment must be prepared. Otherwise, the permit may be approved.

h. Environmental Assessment for Geological and Geophysical Activity

An environmental assessment is prepared if (1) the permit involves deep stratigraphic drilling or the use of explosives, or (2) the categorical exclusion review shows the potential for causing a significant impact or some controversy. The permit may be approved if no significant impact is found.

Recent activities and accomplishments for this subelement include:

- In order to address the wide range of issues concerning the air quality impacts from OCS facilities adjacent to California, MMS participated in a negotiated rulemaking process to revise its OCS air quality rules. Other coalitions participating in the facilitated meetings represented the State of California, local air quality agencies and governments, environmental groups and industry. The MMS was supported in the Federal coalition by the Department of Justice, the Department of Energy, the Office of Management and Budget, and the Environmental Protection Agency. The information gathered during the negotiated rulemaking process has been used to develop a notice of proposed rulemaking revising the air quality rules for OCS facilities adjacent to California.

- The MMS prepared a report to Congress pursuant to section 20(e) of the Outer Continental Shelf Lands Act for assessment of the cumulative effect of activities conducted under the Act.

- The MMS and the National Marine Fisheries Service (NMFS) have concluded a generic platform removal ESA section 7 consultation for Gulf of Mexico oil and gas platforms. This consultation was needed because removal of platforms with explosives could adversely affect endangered marine turtles. Lessees may operate under provisions of the generic consultation if the proposed activity meets certain standards. An assessment of the risk to endangered and threatened sea turtles as a result of structure removals by explosives in the Gulf of Mexico region is being conducted by both MMS and NMFS. A survey to address the relative abundance and distribution of sea turtles in relation to OCS structures is being conducted and is likely to provide needed information on the seasonal and distributional movement of these species. In addition, MMS is reviewing recent information on mitigating the potential risk to sea turtle species by using available air-gun technology as a hazing technique to displace any sea turtles from the immediate vicinity of a removal.

8. Environmental Studies Management ($2,601,000)

As stated in the OCSLAA, the purpose of the Environmental Studies Program (ESP) is "...to establish information needed for prediction, assessment, and management of impacts on the human, marine, and coastal environments which may be affected by OCS oil and gas activities.... " The ESP has been continually evolving and changing to meet the needs of the OCS activities. The most recent changes, which respond to the final proposed 5-year OCS leasing schedule for the period from 1987 through 1991, include: (1) greater balance between prelease and postlease studies; (2) greater emphasis on generic studies; (3) development of a strategy for postlease monitoring studies; and (4) increased emphasis on summary reports using existing information.

The knowledge gained from the studies conducted under this program is used by the Department in making decisions on the development of oil and gas and other marine mineral resources. The data are used in selecting leasing areas, analyzing environmental effects, formulating lease stipulations, modifying leasing and operating rules and regulations, and assessing effects of industry activities. Environmental studies are also designed to monitor the effects of hydrocarbon and other mineral exploration and the effects of development and production activities. If potential adverse effects are discovered by these monitoring efforts, appropriate measures are taken to mitigate or change the expected effects by amending and modifying OCS regulations or by issuing Notices to Lessees and Operators (NTLs). When an environmental study indicates a need to further protect the environment, new or changed operating conditions may be imposed on existing and future leases in a specific geographical area.

Conduct of a study and availability of the study data is the end result of a very complex and lengthy process. This process begins with an assessment of information needs and the annual development of environmental studies plans. The MMS establishes and disseminates policy and guidance for the preparation of regional studies plans. This guidance includes interpretations of departmental policy and advice from the OCS Advisory Board's Scientific Committee. Regional studies plans are prepared with the assistance of the OCS Advisory Board's six Regional Technical Working Groups and other local advisors. These plans include statements of local information needs, the regional perspective on the priorities of these needs, cost estimates, and a brief description of each proposed study. A studies plan is developed at headquarters which concentrates on identifying studies that address programwide issues and enhance the effectiveness of the offshore leasing program nationwide. In addition, the MMS has developed a Long-Range Studies Plan. It will be released as a draft report for public comment in mid-FY 1989. This document contains an analysis of available information pertaining to pertinent environmental issues. This analysis presents a national perspective and provides guidance to the Regions as to what kinds of studies will need to be undertaken by the Agency within the next 10 years.

Following development and approval of the regional studies plans, MMS compiles a preliminary national studies list which includes all studies proposed for funding. Because the total cost of all studies nominated for funding during any fiscal year has historically exceeded available funds, criteria (discussed in the Environmental Studies program element) were designed to rank each study. The ranking criteria are used to arrange the proposed studies into priority order programwide. This composite list of proposed studies receives extensive and critical review.

The National Studies List serves as the basis for preparation of the annual advance procurement plan (required by Federal regulation) and execution of the procurement process which includes the following three major steps: (1) development of a procurement package by the program experts who proposed and designed the particular study; (2) development of the solicitation which is completed by the MMS procurement staff; and (3) evaluation of proposals and award of the contract, responsibilities shared by the program and procurement staffs.

Once an award has been made for conduct of an environmental study, administration and monitoring of the contract begins. The program staff perform these functions in their role as contract officer's technical representatives.

Reports resulting from the ESP are kept by the regional offices and headquarters for their use and copies are distributed to appropriate Federal and State agencies, libraries, and limited general distribution. The MMS Regions hold scientific meetings on a regular basis to transfer up-to-date information to in-house staff, other government agencies, industry, and the interested public. These meetings take place as synthesis meetings for specific lease sales, technical workshops, and information transfer meetings.

Description of Subelement Products

a. Regional Studies Plan

A regional studies plan is prepared for each fiscal year by the four regional offices and the headquarters office. These plans include statements of regional information needs, the regional perspective on the priorities of these needs, and a brief description of the rationale for each study. These plans are the basis for developing the National Studies List.

b. National Studies List

The National Studies List is prepared each fiscal year and reflects the ranked list of studies to be funded under the Environmental Studies Program.

c. Procurement Package

A procurement package is developed for each study on the National Studies List. It includes: requisition; statement of work; independent government cost estimate; technical evaluation criteria; justification for noncompetitive procurement, if required; and the necessary funding approvals required by Federal regulation. The statement of work is the most important element in the procurement process. It is used to describe the Government's requirements, evaluate competing proposals to accomplish the work, guide or control the contractor's performance, and determine if the requirements are being satisfied.

d. Technical Proposal Evaluation

The basic purpose of the evaluation process is to determine which of two or more competing proposals should be selected for contract award. The ultimate question to be answered is: Which proposal will be most advantageous to the Government, considering price and other factors? The evaluation process is conducted by a committee selected by the contracting and program officers and complies with the requirements of the Federal procurement regulations.

e. Contract Monitoring

Program staff who assisted in design of the environmental studies are designated Contracting Officer's Technical Representatives (COTR). They are responsible for administration and monitoring of the contracts. A COTR is authorized to perform the following tasks: (1) inspect and monitor contract performance to assure technical compliance with the specifications; (2) inspect and verify satisfactory delivery of all items; (3) verify efficient and satisfactory performance of work for payment purposes; and (4) furnish the contracting officer copies of all approved invoices, trip and conference reports, and general correspondence dealing with the administration and monitoring of the contract.

Recent activities and accomplishments for this subelement include:

- The MMS is continuing several complementary reviews of the ESP to assess the long-term direction of the program. These include a major effort with the National Academy of Sciences (NAS) to review MMS information needs and the availability of information in topics such as marine ecosystems, physical oceanography, and socioeconomics. At the same time, MMS is finalizing a Long-Range Studies Plan that focuses on long-term commitments to monitoring. Both efforts are intended to help MMS assess how well the ESP has met its goals and to identify where future studies efforts should lie.

- The MMS is implementing an aggressive policy of information management through the preparation of project summaries for all major studies funded through the program since 1973 and development of an improved indexing and reference retrieval system. This, combined with the ongoing information transfer meetings in each region, ensures that the scientific community has full access to this wealth of information.

9. Program Management and Support ($1,604,000)

This subelement provides program guidance and direction, internal and external coordination of program activities, and program and technical support for the work of the entire Leasing and Environmental Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems Center which centrally reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. The Offshore Minerals Management (OMM) presently has 7 Perkin-Elmer minicomputers which are operational in regional offices located in Anchorage, Los Angeles, and New Orleans. Currently, three major systems reside on the Offshore Perkin-Elmer computers: the Outer Continental Shelf Information System; the Offshore Inspection System; and various Offshore mapping systems. Collectively, these systems utilize almost all the available Offshore data and forms the core body of knowledge of oil and gas operations on the Outer Continental Shelf. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

Other Programs ($1,308,000)

In addition to the nine major subelements described above, the Leasing and Environmental Program is responsible for managing other mineral leasing activities and coordinating the work through task forces and advisory groups. This workload is discussed below.

Leasing Area Maps and Diagrams

The Federal Government has jurisdiction over and is authorized to issue mineral leases on the OCS. The OCS must be precisely defined to assure that only those submerged lands falling under the jurisdiction of the United States are offered for lease. The Federal Government must also be able to detect instances where leasing efforts by coastal States or foreign countries might inadvertently include OCS lands.

The OCS of the United States is currently depicted on 473 Official Protraction Diagrams (OPD's) and Leasing Maps and on 15,200 Supplemental Official Block Diagrams, of which 4,700 have been computed and approved. The development of these products is an exacting and lengthy process requiring research using various products such as: hydrographic and topographic survey sheets, coast pilots, and nautical charts produced by the National Ocean Service (NOS); mathematical computations; consultation and review with coastal States; frequent evaluation and concurrence by the Department of State; and, in some cases, approval by the Department of Justice. Existing diagrams are periodically revised and reissued if coastline physical changes occur and are documented and if new large-scale charts reflecting such changes are issued by NOS or if legal decisions cause changes in jurisdiction.

The information shown on OPD's and leasing maps is presented in greater detail and is supplemented with additional data in documents called Supplemental Official Block Diagrams or "split block" diagrams. Split blocks are issued only for nearshore blocks which contain the 3-geographical-mile and 8(g) lines. Before a lease sale is held, all affected split blocks must be reviewed and, if necessary, updated and reissued. These diagrams depict international, Federal, and State boundary lines, identify section 7 (boundary dispute) and section 8(g) areas (where 27 percent of the revenues are shared with affected coastal States), and list precise acreage for each sub-area.

The extensive data base supporting development of the leasing diagrams and maps is also used when technical and legal boundary disputes arise over the location of the 3-geographical-mile and 8(g) lines. Precise information and skilled technical, professional, and legal expertise are required to monitor boundary issues. It must also be available when decisions are made on the impact that certain offshore features (low water elevations and islands) and boundary concepts (decree lines, straight baselines, bay closing lines, and historical statehood land grants) have on the location of boundary lines.

Resources are also devoted each year to identify, monitor, and resolve specific boundary disputes which exist in all regions of the OCS. A key boundary related lawsuit (United States vs. State of Alaska, No. 84, Original) concerns the location of the 3-geographical-mile and 8(g) lines in the Northern Chukchi and Beaufort Seas. In 1989, the Supreme Court is expected to issue a decision on this case which is likely to result in the establishment of a fixed decree line along portions or all of the northern coastline of Alaska.

Work related to fixing a decree line (coordination, planning analysis, mapping, and agreement on the location of the baseline) will continue throughout FY 1989. Careful attention will be paid to the precedents set during this process since they have the potential for impacting other areas of the OCS.

Recent activities and accomplishments include:

- Continued technical support for Chandeleur Sound litigation;
- Initiated a digital data base and mapping system; and,
- Completed the video taping of Northern and Central California for resolution of boundary issues and initiated the taping of Southern California.
- Completed coastal surveys along portions of the Beaufort Sea.

OCS Advisory Board Coordination

The OCS Advisory Board was established in 1975 to provide advice to the Secretary and other officers of the DOI in performing discretionary functions of the OCSLAA.

The OCSLAA requires consultation by Interior with affected States and other interested parties on all aspects of leasing, exploration, development, and production of the resources on the OCS. This requirement is partially fulfilled through the activities of the OCS Advisory Board, which is comprised of: (1) a policy committee; (2) six regional technical working group committees; and (3) a scientific committee. The policy committee, includes representatives of the Governors of all coastal States, and Hawaii, Pennsylvania, various Federal agencies, and the private and public sectors, and provides policy advice to the Secretary on all aspects of the OCS program. The committee is empowered to and often does appoint subcommittees to deal with specific issues and report back to the full committee.

Six regional technical working group committees, which operate at the field level and meet generally twice a year, provide advice to the Director and Regional Directors on technical matters of regional concern relating to OCS activities. Membership totals about 120 technical level representatives of coastal States and Federal agencies, and members of the private and public sector. The latter appointments are made to affect balance in terms of expertise, points of view, and functions of the committees.

The scientific committee is composed of 15 scientists, each selected on the basis of their scientific competence, reputation within their field of expertise, and ability to represent important elements of the Environmental Studies Program. The committee meets at least twice a year and advises the Director on the feasibility, appropriateness, and scientific value of the Environmental Studies Program.

The MMS provides support for all the committees of the Advisory Board, including the services of an Executive Secretary. Such support also includes travel expenses for all non-Federal members of the committees, planning and paying for committee and subcommittee meetings, and producing meeting records as required by the Federal Advisory Committee Act.

Planned FY 1989 activities and accomplishments include:

- The Policy Committee will hold one meeting in FY 1989.
- Twelve RTWG meetings will be held in FY 1989.
- Three Scientific Committee meetings will be held in FY 1989.

Strategic and International Minerals

The MMS has established cooperative agreements with nine coastal States for the joint analysis of resource potential and environmental consequences of marine mineral leasing. In some cases this includes preparation of documents required by NEPA to evaluate mineral development. Two such examples are the publication of the draft environmental impact statement (EIS) and soon to be released final EIS for a potential mineral sale in the Hawaii and Johnston Island area, and the draft EIS for the Norton Sound minerals sale. These analyses are more fully described under the Resource Evaluation subactivity. Decisions on what, if any, commodities to offer and how they might be offered will be based on work carried out under these cooperative agreements and indications of industry interest.

The planning, evaluation, and development of leasing particulars and the identification of potential and viable lease areas for solid mineral commodities typically will be accomplished by joint Federal/State task forces or similar coordinative mechanisms on a case-by-case basis. These task forces will include interested Federal agencies and affected States.

During FY 1990 a minerals sale is planned in the Norton Sound, offshore Nome, Alaska. The Final Notice of Sale is scheduled for completion in October 1989 and the sale is to be held in November 1989. Other initiatives may materialize by FY 1990 involving other Northeast and/or Pacific Coast States, but it is not yet possible to fully evaluate early indications of interest.

WORKLOAD SUMMARY

A summary of the major workload in the Leasing and Environmental Program by subelement and other initiatives is presented in the following table:

Subelement	FY 1988 Actual	FY 1989 Estimate 1/	FY 1990 Estimate 1/	Inc.(+) Dec.(-)
1. Development/Review of 5-Year Oil and Gas Program:				
o Develop a New Program	---	1	1	---
o Annual Review	1	1	1	---
2. Prelease Process to Determine Specific Lease Areas that will be Analyzed in EIS:				
o Requests for Interest	2	4	2	-2
o Calls for Information Nominations	6	6	8	+2
o Area Identifications	8	7	8	+1
3. Prelease Environmental Assessment Process:				
o Scoping Process Reports	4	6	8	+2
o Draft Environmental Impact Statements	3	7	7	---
o Oil Spill Risk Analyses/Reports	7	6	7	+1
o Endangered Species Consultations	8	17	13	-4
o Public Hearings	3	5	9	+4
o Final Environmental Impact Statements	2	5	8	+3
o Environmental Assessments	1	1	1	---
o Technical Papers	5	14	9	-5
4. Lease Sale Notification and Decision:				
o Secretarial Issue Documents	5	7	11	+4
o Proposed Notice of Sale Decision Memoranda	5	7	9	+2
o Proposed Notices of Sale	5	7	9	+2
o Section 19 Letters	14	28	23	-5
o Final Notices of Sale	5	4	12	+8
o Final Notice of Sale Decision Memoranda	5	4	12	+8
o Balancing Letters	14	13	29	+16
5. Lease Sale and Issuance of Leases:				
o Lease Sales	5	4	12	+8
6. Postlease Adjudication and Maintenance of Leases:				
o Active Leases Maintained	6,224	6,746	7,687	+941

Subelement	FY 1988 Actual	FY 1989 1/ Estimate	FY 1990 1/ Estimate	Inc.(+) Dec.(-)
7. NEPA Review for Industry Activities:				
o Categorical Exclusion Reviews for Regulatory Action	1,057	1,206	1,406	+200
o Environmental Assessments for Regulatory Action	96	128	152	+24
o Environmental Impact Statements for Regulatory Action	0	1	2	+1
o Oil Spill Risk Analysis/ Reports	0	2	2	---
o Endangered Species Consultations	43	29	22	-7
o Environmental Reports Reviewed	208	254	303	+49
o Categorical Exclusion Reviews for Geological/Geophysical Activity	342	420	506	+86
o Environmental Assessments for Geological/Geophysical Activity	3	6	9	+3
8. Environmental Studies Management:				
o Regional Studies Plans	10	10	10	---
o National Studies Lists	1	1	1	---
o Procurement Packages	56	66	60	-6
o Technical Proposal Evaluations	40	56	51	-5
o Contracts Monitored	129	149	148	-1
Other Initiatives				
1. Leasing Area Maps and Diagrams:				
o Official Protraction Diagrams and Leasing Maps	55	35	50	+15
o Supplemental Official Block Diagrams	250	314	2,686 2/	+2,372
2. Advisory Board Coordination:				
o Policy Committee Meetings	2	1	2	+1
o Regional Technical Working Group Committee Meetings	8	12	12	---
o Scientific Committee Meetings	3	3	3	---

1/ In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through delays in filling positions and employee attrition. Although the impact is difficult to predict, reductions to some of these program outputs are expected.

2/ Reflects official split block diagrams as designated by the 5-year schedule and does not account for delays, cancellations and deferrals. There are 4 sales in FY 1989, compared to 11 sales in FY 1990.

Decrease from FY 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	17,202	17,012	-190
(FTE)	(341)	(333)	(-8)

Special Efforts (+$200,000)

An increase of $200,000 is proposed for the Leasing and Environmental Assessment Program Element to fund three distinct areas of expanding responsibility:

Task Forces to Enhance Cooperation with States

Late in FY 1988, MMS began developing formal task forces with some coastal States to support implementation of the 5-Year OCS Oil and Gas Leasing Program. These formal cooperative working relationships were determined to be an effective mechanism to resolve areas of conflict with States. The Department sometimes encounters significant resistance from some State officials or other parties with regard to the timing of events and conduct of certain lease sales (particularly in frontier areas) and with regard to activities which occur in the postlease exploration and development process. The task force mechanism will be employed to discuss and hopefully reduce these areas of conflict early in the process thus allowing the sale and/or postlease activities to proceed without delay. Two South Florida Task Forces were established in late FY 1988 and began meeting in early FY 1989; a Washington/ Oregon Task Force, to be established in FY 1989, is expected to continue for several years and will be very active in FY 1990. Others may be established in FY 1989 and FY 1990 and could include contracted reviews of available data, such as is currently being done in the North Atlantic by the National Research Council. The proposed funding increase will support logistics costs and staff participation.

Development of 5-Year Leasing Program

Historically, development of a 5-Year Leasing Program has been controversial. Program opponents have included some States, environmental groups, and citizens. MMS seeks to reduce the controversy and opposition to future 5-year program preparation efforts through early identification and timely resolution of controversial issues. MMS has been advised by the Congress and by the OCS Advisory Board to improve consultation efforts with the public. A subcommittee of the OCS Advisory Board has recommended increasing public outreach efforts. Such efforts could decrease the number of delays in the leasing schedule and, correspondingly, leasing could increase and be more timely. Funding is currently not available in the base to conduct an expanded outreach program. Development of the next 5-year program will begin in FY 1989 and continue into FY 1990.

Support of Strategic/Other Minerals Program

The Leasing and Environmental Assessment Program will assume an expanding role in the Strategic and Other Minerals Program in FY 1990. During FY 1988, Leasing and Environment Program staff in Alaska, the Gulf of Mexico, and Headquarters supported minerals environmental analyses (for gold and sulphur) and a lease sale (sulphur). Based on these experiences, it is projected that additional funds will be needed to support public hearings, environmental impact scoping, and consultations with the States, and for conduct of sales. The FY 1990 activities are projected to occur in Hawaii, Oregon, and Alaska, and are to include presale environmental impact statement preparation, and support of prelease and postlease studies.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Travel	+70
Rents/Communications	+70
Printing	+35
Other Services	+25
Total	+200

Fixed Cost Absorption (-$390,000)

MMS is reducing direct program funds from activities/subactivities to absorb the fixed cost increases. Since the Leasing and Environmental Program is reducing its FTE usage by 8 to absorb payroll costs associated with the FY 1989 pay raise, a $390,000 reduction in other than payroll costs is proposed to fund fixed cost increases. Funding will be reduced for the Federal and State program of gathering data to help determine the boundary between State and Federal lands offshore Alaska. Reductions will be effected in employee travel and training associated with the FTE reductions. Funding for ADP equipment, accessories, software and services will be reduced and delayed. The program to improve productivity and efficiency through ADP modernization will be stretched out.

FY 1989 Pay Raise (-8 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Travel	- 20
Other Services	- 70
Supplies/Materials	- 30
Equipment	-270
Total	-390

Environmental Studies

Objectives:

Conduct a studies program:

- o That provides information necessary for prediction, assessment, and management of oil and gas and other mineral activities in the OCS and adjacent coastal areas.
- o That is designed to support the 5-Year OCS Oil and Gas Leasing Schedule by providing data to support regional and national information needs.
- o That provides data to help monitor postlease OCS oil and gas and other mineral operations.

Base Program

The resources of the Environmental Studies Program were initially devoted to prelease decisions involving the prediction and assessment of environmental impacts of OCS oil and gas operations. This strategy was based on the need for this information in the numerous frontier regions existing during FY 1973-1977 and on the limited areas in which to conduct well-defined monitoring studies. Since its inception in 1973, the program has supported prelease studies in all areas on the OCS leasing schedules. The program has produced a significant amount of relevant information on environmental and socioeconomic characteristics of currently proposed leasing areas. This existing information is used in the analyses of risks and benefits of OCS leasing as required by Section 18 of the OCSLAA and in the production of sale-specific and programmatic Environmental Impact Statements (EIS's), Secretarial Issue Documents (SID's), and other decision documents.

In 1980, the Environmental Studies Program began to invest a substantial proportion of its funds in issues related to postlease management decisions. Such redirection could be taken because the number of studies required in frontier areas had decreased, most lease areas had several years of completed study, and opportunities for scientifically credible monitoring experiments became available. Studies related to interpretation of postlease impacts now constitute the majority of studies in the program, except in certain frontier areas. These studies focus on possible long-term, low-level impacts which, if present, remain to be more clearly defined. In addition, studies are concentrated in areas where industry interest or prospects are high, and are sensitive to the timing of development and production activities.

As each study is completed, its results are evaluated and used in the planning of future sales, permitting actions, and, if appropriate, additional studies. The MMS has also undertaken initiatives to analyze and evaluate the status of selected research topics. MMS's goal is to focus on issues which will benefit from continued study, and decrease funding in those areas where little benefit would result from further effort.

At present, particular emphasis is being given to air quality issues in Southern California, wetlands loss in the Gulf of Mexico, fisheries studies and long-term monitoring and ecosystem studies in several regions, along with synthesis and evaluation reports for selected topics. The basic data collection in frontier areas not previously studied is also supported. The goal of maximum use and availability of existing information has also led to development of initiatives in information and data management.

The Environmental Studies Program is designed to support both regional and national information needs. These needs are assessed annually through the development of study plans. These plans are developed in close consultation with the Regional Technical Working Groups. During FY 1990, regional offices will develop final FY 1991 and draft FY 1992 regional study plans for studies to be procured in FY 1991 and FY 1992. Development of these plans requires several months from initiation to final approval, including extensive review.

During the annual formulation of the National Study Plan, regional needs are combined with national needs and ranked in order of their importance to decisionmakers. Studies are ranked using a set of criteria based on a system developed for the program. The MMS is assisted in defining nationally important information needs by the OCS Advisory Board through its technical and scientific committees.

The ranking system emphasizes the following criteria:

- o Importance of the information to the decisionmaker.
- o Timing of the leasing or management decision for which the study is designed.

However, the following considerations also influence study selection:

- o Generic applicability of study results.
- o Availability of information in the subject of the study.
- o Applicability of the study to issues of regional or programmatic concern.

Recent activities and accomplishments for this program element include:

- o A major study of an oil spill from a refinery in Panama which affected a coastal research facility of the Smithsonian Institution is now in its third year, and will continue for two more years. This spill is unique in that it affected an area of coral reefs, mangroves, and seagrass beds for which the Smithsonian had a significant amount of pre-spill data, something normally lacking in oil spill studies. This effort represents one of the best opportunities which has ever existed to document oil spill impacts in a tropical coastal environment.
- o A major conference and workshop were held in May 1988 in Portland, Oregon, for the purpose of developing recommendations for studies related to offshore oil and gas activities in Washington and Oregon. A smaller workshop was held in March 1988 to evaluate the present database available in terms of the physical oceanography off the coasts of Washington and Oregon. Final results, obtained in December 1988, will be used to plan future studies in that area.

- A multiyear field study was continued in the Mississippi-Alabama shelf area to characterize the OCS, describe current movements, and survey topographic features. The outer shelf area has surprisingly more topographic relief and fisheries resources than was previously known to exist.

- A physical oceanography program implemented under a Memorandum of Understanding with the State of North Carolina is planned for completion in early FY 1989. Detailed field measurements of Gulf Stream dynamics will assist in validating our circulation modeling effort, and evaluate the significance of these circulation features as pollutant transport mechanisms on the continental shelf.

- The Santa Barbara Channel Field Study and Model was completed. It should be noted that this was the first major physical oceanography experiment in which field personnel and modeling personnel worked together jointly during the design and implementation of the field program and subsequent modeling effort. The model will be further refined under a present Pacific modeling contract.

- Subsequent to completion of the wetlands loss study in Louisiana, a project has been initiated to support research into marsh management techniques which will be of particular use to State agencies. Work on the discharge of produced waters in such areas, began in FY 1988, is also continuing.

- As an adjunct to a general characterization of deep water biological communities in the Gulf of Mexico, a project is underway to better define the potential for impact, by oil and gas activities, on recently identified chemosynthetic communities.

- Efforts continue to summarize and synthesize environmental information for the Southwest Florida Shelf area. Biological mapping of seagrass communities in this area, south of the Keys, will continue.

- Concern on possible effects of explosive removal of platforms on endangered species, particularly sea turtles, is being addressed by two studies. Aerial surveys and statistical tests of survey data are being conducted by the National Marine Fisheries Service (NMFS) under an Interagency Agreement. This study, initiated in the Spring of 1988, would determine if sea turtles concentrate near platforms and if seasonality exists. A second study initiated in FY 1988 will investigate the potential use of air guns to repel turtles away from a platform. Both studies have been carefully coordinated with NMFS personnel responsible for biological opinions in the Gulf region.

- Several new initiatives addressing fisheries issues in the Pacific OCS Region were begun in FY 1988. One, an Interagency Agreement with the National Marine Fisheries Service, will provide information on the spatial and temporal distribution of spawning, early life-history patterns and recruitment patterns of several important fish species in the Pacific Region. Another study will determine how acoustic energy pulses associated with marine geophysical surveys affect fish catchability. A third study (accelerated into FY 1988) will provide MMS with information on species composition, local distribution movements, and abundance of fish species associated with offshore rocky reef habitats. Finally, a fourth initiative (accelerated into FY 1988) will modify and expand a computerized fisheries data base system to include information for the entire Pacific Region, and provide product compatibility with efforts ongoing within the states of Washington, Oregon, and California.

- In Alaska, several modeling efforts dealing with movement and weathering of oil, oil-ice interactions, and marine mammal-spilled oil interactions are being compiled and a fully integrated user's manual is being developed to facilitate their use in environmental analyses.

- Additional funding ($900,000) provided by Congress in the FY 1988 appropriation was used to accelerate research in the Northern California and Washington-Oregon planning areas. Endangered species, tourism, and commercial and sport fisheries are being addressed in the Washington-Oregon area. Seabirds are the subject of study in the Northern California area.

Increase from 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	22,065	22,565	+500
(FTE)	(---)	(---)	(---)

Environmental Studies (+$500,000)

An increase of $500,000 is proposed for contractual costs associated with studies in frontier areas. The present 5-Year Lease Sale Schedule includes sales in areas considered to be frontier (Washington/Oregon, Hope Basin, Alaska) and there is a possibility that the Straits of Florida will be reconsidered in the next 5-Year Schedule. Frontier area sales sometimes involve high levels of controversy, with the affected states requesting a large number of studies to satisfy what they feel to be data deficiencies. The requested budget increase will be directed towards the initiation of air quality modeling or oceanic circulation studies in the Washington/Oregon area, and the refinement of a circulation model to link the eastern Gulf of Mexico via the Straits of Florida to the South Atlantic. Depending on the nature of program issues in FY 1990, the increase may be directed toward synthesis, interpretation, and automation of existing relevant information. A summary of the FY 1990 Environmental Studies Program is shown in Table 2.

Distribution of change by object class

The object class detail of the proposed changes is as follows:

	Amount ($000)
Other Services..................................	+500

Table 2- FY 1990 Environmental Studies

Planning Area: Lease Sale No.	Endangered Species	Pollutant Transport	Hazards	Marine Ecology	Monitoring	Fates and Effects	Socioeconomics	Meteorology	Other	Remarks
N. Atlantic: 134 Mid Atlantic: 121 S. Atlantic: 108	X	X		X	X	X	X	X	X	Complete physical oceanographic studies of the lower continental slope & rise in all areas & synthesize data on endangered species/fisheries; continue studies of endangered whales; biological effects of chemically dispersed oil; & field modeling on circulation patterns to support oil spill trajectory analyses; synthesize data on seabirds (coastal & marine).
E. GoM: 137 C. GoM: 123, 131 W. GoM: 125, 135	X	X		X	X	X	X			Continue oil spill trajectory modeling; evaluate OCS operations on coastal wetlands & marine sea turtles; socioeconomic analyses; regional ecosystem characterizations in developed regions; initiate study of biological effects of chemically dispersed oil.
C. CA.: 119 N. CA.: 91, 128 S. CA.: 95, 138 WA./OR.: 132	X	X		X	X	X	X	X		Continue field monitoring to evaluate chronic OCS discharge impacts; collect fisheries data; continue study to define phys. oceanography of N.&C.CA.; Collect & analyze existing info for WA/OR.
Gulf of Alaska Cook Inlet: 114 Shumagin: 129				X						Update information base developed for prior offerings in this area; reconnaissance of commercially important organisms.
Bering Sea Navarin: 107, 130 St. George: 101 N. Aleutian: 117 Norton: 120	X	X	X		X	X	X			Continue to develop reconnaissance info on endangered species, biological communities, & physical oceanographic features; monitor effects of OCS operations on whales, native communities, & fishing resources; evaluate hazards to operations posed by sea ice.
Arctic Ocean Chukchi Sea: 126 Beaufort Sea: 124 Hope Basin: 133	X	X	X		X	X	X			Continue monitoring effects of OCS operations on Bowhead whales, other marine mammals, & native populations. Study sea ice hazards on operations and pollutant transport by ocean features & sea ice.
Programmatic Studies						X	X		X	Continue to improve program quality & integrity; manage info transfer; develop consistent socio-econ & envir. data for 5-Yr. schedule; design & coordinate monitoring programs.

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(Dollar amounts in thousands)

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Resource Evaluation Program	$	22,841	22,985	22,436	-405	-549
	(FTE)	(350)	(350)	(342)	(-8)	(-8)
Total Requirements	$	22,841	22,985	22,436	-405	-549
	(FTE)	(350)	(350)	(342)	(-8)	(-8)

Objectives

- Provide sound analytical and technical support to the offshore leasing process, including postlease regulatory activities, so that all activities can be carried out effectively and efficiently.

- Provide scientific data and information concerning offshore lands to assure an adequate data base is available to the Secretary to make informed decisions regarding the OCS Leasing Program.

- Provide estimates of undiscovered mineral resources, exploration and development scenarios, and economic parameters and statistical data on lease sale areas.

- Develop and maintain an accurate data base of estimates for proven and indicated oil and gas reserves and an inventory of hypothetical and speculative oil and gas resources.

- Provide resource economic evaluations and bid adequacy determinations for blocks bid upon in lease sales to assure that the Government receives fair market value for leased lands.

Base Program

The Resource Evaluation Program directly supports both the Offshore Leasing and Regulatory Programs. Information is provided throughout the leasing process, focusing on the use of geological and geophysical (G&G) data for the purpose of identifying and evaluating areas and tracts with potential for oil and gas and other minerals. Section 18(a)(3) of the Act provides that the timing and location of individual OCS lease sales be selected based on consideration of balancing the potential for environmental damage, for the discovery of oil and gas and for adverse impacts on the coastal zone. Economic and engineering data are incorporated with geological and geophysical data to develop estimates of undiscovered mineral resources and resource economic evaluations and analyses. In addition, an economic analysis of possible environmental damages and adverse coastal zone effects from proposed OCS oil and gas leasing is performed to evaluate the net social value (development benefits minus social costs) from this activity to the Nation and to each region involved with OCS hydrocarbon development. In the early stages of the leasing process, the program focuses on providing data, information, and analyses required for decisions that are made relative to analyzing planning areas being considered for lease. As the leasing process progresses, the focus shifts from planning areas to specific areas being offered for lease and the potential prospects within that area, and finally on tracts receiving bids in a sale. Upon completion of the process for a specific sale, the emphasis shifts to developing estimates of discovered minerals from lease operations, determining the economic feasibility of development and future production, and maintaining an accurate inventory of these mineral reserves. Concurrently, the initial steps for future sales in these planning areas are recommenced, and the procedures are repeated.

In preparation for each lease sale, tract- and prospect-specific maps and analyses are updated and evaluations are completed to provide inputs for determination of bid adequacy, which occurs at the end of the sale process. In addition, economic and engineering analyses of minimum economic field size, minimum bid level, and lease terms, among others, are also carried out. These analyses, while directly related to specific lease sales, also provide necessary input for overall program decisions such as the annual review of the current leasing schedule and any subsequent revisions. Regional mapping and analyses are important early in the leasing process and later serve to identify promising areas that are used in reviewing and developing future oil and gas leasing schedules. Additionally, the Resource Evaluation Program develops and maintains current estimates of oil and gas reserves in developed and developing fields and provides information on the potential availability of undiscovered offshore oil, gas, and mineral resources; accurate inventories of these resources are essential to the national security of the United States and may need to be made available to meet future energy and mineral supply emergencies. These data are reported to Congress, as required by law.

To fulfill requirements of Section 8(g) of the OCSLAA, the Governors of States adjacent to areas proposed for leasing are provided with the following information at the time of the Call for Information and Nominations:

- An identification and schedule of the areas and regions proposed to be offered for leasing;

- At the request of the Governor of such State, all information from all sources concerning the geographical, geological, and ecological characteristics of such tracts;

- An estimate of the oil and gas reserves in the areas proposed for leasing; and

- At the request of the Governor of such State, an identification of any field, geologic structure, or trap located wholly or partially within 3-nautical miles of the seaward boundary of such coastal State, including all information relating to the entire field, geologic structure, or trap.

The Resource Evaluation Program is responsible for providing all of this information, except for the identification and schedule of the areas proposed for lease, and ecological data characteristics. Additionally, at the time of Area Identification, the Resource Evaluation program staff is responsible for making a determination of whether or not a common structure exists with State submerged lands on each tract in the Section 8(g) zone. This information is then provided to the Governors of affected States.

The resource information and the economic estimates derived throughout the leasing process and the conclusions resulting from analyses of these data also enable the Department to make informed balancing decisions in resolving conflicts on the OCS with other Federal Agencies, State and local governments, and other interested groups. Furthermore, MMS provides data and information concerning the resource potential of OCS areas to other Federal Agencies in support of their activities, e.g., proposed marine sanctuaries, traffic separation schemes, international boundary disputes, etc.

Those aspects of the Resource Evaluation Program which focus on providing scientific data, information, and analyses on offshore geology and hydrocarbon resource potential include: (1) acquisition of G&G data; (2) production of regional G&G maps and analyses; and (3) production of tract- and prospect-specific maps and analyses for resource economic evaluations. These outputs are essential to completing major milestones in the leasing and evaluation process leading to the acceptance/rejection of high bids received at the lease sale.

The Resource Evaluation Program combines much of the G&G data and analyses with resource economic and engineering data to produce outputs and products that are also essential to completing major steps in the leasing process. These steps proceed from the Geology Report through the acceptance/rejection of high bids. The objectives of these analyses are to: (1) develop estimates of technologically and economically recoverable undiscovered hydrocarbon resources for planning and for potential lease sale areas to be used throughout the leasing decision process; (2) inventory oil and gas reserves of individual fields, reservoirs, and leases in support of planning decisions, lease sale evaluations, supervision of field and reservoir development and long-range energy supply projections; (3) analyze, develop, and design economic and engineering parameters on both a lease sale and a tract-specific basis to be used in assessing environmental impact and in determining bid adequacy; and (4) develop economic and engineering methodologies and studies for the leasing process. Fundamental to accomplishing these objectives is the design, maintenance, and update of advanced computer models, ADP systems, and data bases for economic and engineering analyses that are a basic part of the overall OCS program and decisionmaking process.

The eight major subelements of the Resource Evaluation Program and their products are described on the following pages.

1. Acquisition of G&G Data ($2,407,000)

   The objective of this subelement is to acquire and analyze G&G data in order to first identify broad areas and then specific tracts with geologic potential for oil and gas. These data are the basis for mapping and evaluating the formation and distribution of potential offshore resources. The data also provide inputs for determination of bid adequacy.

   Industry collects G&G data under permits issued through the Resource Evaluation Program. A condition of the permits issued to industry allows

MMS to selectively acquire G&G data to directly support the analyses required throughout the leasing process. These data include logs and other data from deep stratigraphic tests and significant amounts of Common Depth Point (CDP) seismic data. Since 1968, over 1,250,000 line miles of CDP data have been acquired in OCS areas. These data are analyzed and interpreted in order to map a proposed lease sale and determine areas having potential for the occurrence of hydrocarbon resources. They are also used to specifically locate and map geologic structures capable of trapping hydrocarbons, and to establish values for the geologic parameters necessary for resource economic evaluation in support of determinations of the adequacy of bids received at a lease sale.

Section 26(a)(1)(c)(iii) of the OCSLAA requires the Secretary to reimburse permittees for the costs of processing and reproducing G&G data requested by MMS. This was amended in the FY 1986 Leasing and Royalty Management appropriation language (P.L. 99-190) which provides that in FY 1986 and thereafter, the Department will no longer reimburse industry for the cost of processing G&G data acquired under Federal permit. However, the Secretary will continue to reimburse industry for data reproduction costs and the cost of any special data processing or reprocessing specifically requested by MMS.

Permits issued prior to FY 1986 for data collection on the OCS state that the permittee will be reimbursed for both data processing and reproduction costs. Therefore, the Government has a contractual liability to reimburse permittees for data provided to MMS under the terms of the permit. As a result, it is necessary to budget funds for: (1) reproduction cost of data acquired under permits, special processing, interpretations, special data, special data storage, 8(g) data acquisitions; and (2) processing of data acquired under permits issued prior to enactment of the FY 1986 appropriation language which contain specific provisions requiring reimbursement for processing costs.

A comparison of these costs for the period FY 1988-1990 is presented below. It should be noted that the costs given in this table only represent the cost associated with acquiring the data and do not reflect the costs for analysis of this data by MMS personnel.

(In thousands of dollars)

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Data reproduction and special processing of data not available under permit to support litigation, section 8(g), and boundary disputes.	2,000	2,000	2,000	---
Processing costs for data acquired under permits issued prior to enactment of the FY 1986 appropriation language	700	---	---	---
Total Funding	2,700	2,000	2,000	---

Description of Subelement Products

a. G&G Permits Processed and Approved

Gathering of prelease data by industry on the OCS requires the issuance of G&G permits. Processing and approval of exploration permits includes: review of applications for permits and agreements for OCS geologic or geophysical scientific research or exploration for mineral resources; the issuance of permits and agreements, including terms, conditions, and stipulations; the monitoring of permit activity; and all correspondence with prospective permittees.

b. G&G Data Acquisition Actions

After data have been collected by permittees, MMS selectively acquires those data which are needed to augment the existing data base. The steps in acquiring data from permittees include: preparation and approval of a proposed data acquisition list; onsite inspection of data; selection of data; preparation and submittal of requisition forms to reimburse permittees for data reproduction and the cost of special reprocessing requested by MMS; preparation of justifications for selection of data and lists of deliverable items; and contact and correspondence with permittees, administrative personnel, and headquarters personnel.

At the beginning of each fiscal year, G&G data requirements to support the leasing schedule are identified and priorities established. Throughout the year these data needs are reassessed as required by the leasing schedule.

c. Line Miles of CDP Data Acquired

The CDP seismic data provide the primary data base required for much of the effort in the Area Identification and prospect evaluation process and to support the activities of other Federal Agencies. Seismic data in a planning area are used not only for products related to a specific sale, but are supplemented, as required, with new data for later sales in the same planning area.

Recent activities and accomplishments for this subelement include:

- Permit forms for geologic and geophysical scientific research or exploration for mineral resources on the OCS have been revised, authorized by the Office of Management and Budget, and disseminated to all regional offices. The new forms incorporate recent regulatory changes and clarify requirements for permit application and execution.

- Continuing participation by program personnel as technical advisors on various Federal, State, and joint task forces concerned with geophysical data collection and interpretation on the OCS.

- Increased interest by private industry in marine mineral resources as reflected in the issuance of several geologic exploration permits in the Alaska and Atlantic OCS.

- o Compilation of a statistical summary report on G&G data acquired by MMS through FY 1989. The publication will detail the quantity and costs associated with the various types of data vital to the Resource Evaluation Program.

- o Management and maintenance of the largest and most comprehensive OCS G&G data base in the Federal Government. Dissemination of nonproprietary data and information to other agencies and the public is accomplished locally at MMS regional offices and internationally through a cooperative agreement with the National Oceanic and Atmospheric Administration.

- o Revised agreements with the Governors of coastal States have been forwarded to further coordinate, consult, and provide information to affected States, in accordance with Section 8(g) of the OCSLA

- o Regulations covering 8(g) agreements to be written and implemented through FY 1990.

- o Revision of 30 CFR 251, Geological and Geophysical Explorations of the Outer Continental Shelf, was initiated in FY 1987, and will be completed in FY 1990.

2. <u>Production of Regional G&G Maps and Analyses ($2,272,000)</u>

The objective of this subelement is the development of maps identifying areas favorable for the accumulation of hydrocarbons and the analysis of the geologic history and processes involved in the formation and distribution of offshore resources. These maps and data are the basis for the Geology Report used in development of the 5-Year Leasing Program, the early stages of the leasing process, and later for individual sales as input to the resource economic evaluation process.

The primary objective for the production of regional G&G maps and analyses is to provide preliminary reconnaissance of the planning area in preparation for lease sales. This is done by analyzing technical and scientific data and information in order to develop a basic knowledge of the geologic history and its effects on hydrocarbon generation, distribution, and accumulation within the planning area. This knowledge provides the basis for the Geology Report and associated maps, which are the initial technical analyses in the early stages of the leasing process that describe the geology, geologic risk, and resource potential of the planning area.

The Geology Report consists of a regional geology section, a petroleum geology section, and an environmental geology section that includes a general description of potential geohazards. Release of the Geology Report generally precedes the Call for Information and Nominations by approximately 2 months. The data, information, and analyses in the Geology Report are updated and used in the leasing process as input to the National Environmental Policy Act (NEPA) documents, the Exploration and Development (E&D) Report, and other MMS and Department decision and option documents. The maps and information also support preparation of resource estimates and analyses carried out in the Area Identification and prospect evaluation process. Once an initial Geology Report is prepared for a planning area, it is updated with new or additional data, as appropriate, to prepare geology reports for succeeding sales in the same planning area.

Description of Subelement Products

a. Geology Report

This report consists of the following specific sections:

(1) The Regional Geology section describes the general geology and geologic history of the planning area. This provides the basic understanding of the geology and the resource occurrence and potential of the area.

(2) The petroleum geology section analyzes and provides data and information on the resource potential, probability of hydrocarbon occurrence and items such as source and reservoir rock, traps, and maturation.

(3) The environmental geology section provides general information over the planning area about potential shallow geologic features, such as shallow faults, accumulations of shallow gas, and slumps which could be hazardous to exploration and development operations. This section also provides information on the occurrence of ice and ice hazards, if any, and seismic and volcanic activity.

b. Determinations of Area of Hydrocarbon Potential

Maps and associated documents are required prior to the issuance of the Call for Information and Nominations to identify those portions of the planning area having various ranges of hydrocarbon potential. This information represents a significant refinement to that contained in the Geology Report, which describes general geologic aspects of the entire planning area.

To initiate action on a lease offering, it is necessary to determine which specific areas, within a planning area, have potential for oil and gas accumulation. This effort goes beyond the analysis of G&G data. The identification of the Area of Hydrocarbon Potential provides a basis for industry and public reaction during the Call for Information and Nominations and must be completed two months prior to its issuance.

c. Recommendations for Area Identification

A significant step in the leasing decision process is the identification of the prospective portion of the planning area proposed to be offered for lease from a hydrocarbon occurrence and leasing interest perspective. Area Identification typically occurs 3 months after the Call for Information and Nominations is issued. In response to the Call, industry, the public, and other interested parties submit information to the MMS on any areas within the Call area which should or should not be included in the proposed sale.

The information and knowledge of the hydrocarbon potential in the planning area developed in the MMS Resource Evaluation Program are combined with information on industry interest and priorities and then weighed against environmental, economic, and defense concerns to identify the specific area to be included in the proposed sale. This area is the focus of the analysis in the NEPA documents.

Recent activities and accomplishments for this subelement include:

- Resource Evaluation scientists are publishing a series of regional cross-sections and maps in the Gulf of Mexico OCS. Over 40 oil companies and geophysical contracting companies active in the Gulf of Mexico granted permission for use of their proprietary data in support of this effort.

- Geologic Appendix for "Estimates of Undiscovered Economically Recoverable O&G Resource for the OCS as of January 1987" completed in FY 1989.

- A COST Well publication will be prepared to discuss the purpose of the deep stratigraphic test program and how it relates to the overall goals of the Resource Evaluation program. Included in it will be discussions of permitting, regulations and summaries of drilling results.

- Atlantic well reports were completed. These well reports are geological and operational summaries of exploratory wells drilled on the OCS. They include information on basic operations, lithology, depositional environments, and geochemistry.

3. Production of Tract and Prospect Specific Maps and Analyses ($6,348,000)

This subelement consists of detailed G&G mapping and analysis of tracts, either individually or by prospects, in order to estimate their resource potential. Maps, data, and analyses form the basis for determining parameters that serve as inputs to the resource estimation process and the post-sale evaluation process for assessing bid adequacy.

Description of Subelement Products

a. Completed sales: Maps and analyses associated with those oil and gas lease sales which will be held during FY 1990.

b. Sales in progress: Maps and analyses for oil and gas lease sales proposed beyond FY 1990. Generally, work devoted to mapping and analysis of tracts commences 2 years prior to a proposed lease sale, with the exception of sales in the Gulf of Mexico, where mapping and analysis begin 1 year prior to the sale.

4. Development of Estimates of Undiscovered Resources for Planning Areas ($984,000)

Economic and engineering analyses, supplemented by geologic and geophysical analyses, are carried out to develop estimates of undiscovered technologically and economically recoverable resources for planning areas, lease sales and alternatives, Secretarial Issue Documents (SID's), and the OCS Information Program. These activities include the economic and engineering analyses needed for resource assessment. Products can be divided into those related to planning areas and those related to lease sale areas. Those initially developed for planning areas are updated, as appropriate, with new or additional data for succeeding sales in the same planning area.

Description of Subelement Products

a. Section 606 Reports: Resource estimates are developed for biennial reports to Congress containing estimates of undiscovered recoverable oil and gas resources and known reserves in the OCS as required by Section 606 of the OCSLAA.

b. Review of 5-Year Leasing Schedule: Planning area resource estimates are also developed for use in the annual review of the 5-Year OCS Oil and Gas Leasing Schedule and any subsequent development of a new 5-year leasing schedule.

c. NEPA and Decision Documents: Lease sale area resource estimates are developed for use in E&D reports, NEPA documents and other decision documents, as well as summary reports and updates produced by the OCS information program.

Recent activities and accomplishments for this subelement include:

- A report entitled "Estimates of Undiscovered Economically Recoverable Oil and Gas Resources for the Outer Continental Shelf as of January 1987" is in progress. This publication scheduled for release in FY 1989 presents updated offshore resource estimates and describes technology used in performing the assessment.

- MMS and the U.S. Geological Survey are participating in a national assessment of undiscovered oil and gas resources for the U.S. The investigation will utilize new geologic information and technology, economic changes, and new and refined methods of performing resource assessments. Preliminary results were made public in the Spring of 1988, and a joint publication of the results and related information is currently underway.

- The Association of American State Geologists is reviewing the adequacy of the geologic information used by USGS and MMS in the national assessment. A final report is anticipated at the end of the first quarter, FY 1989.

- In FY 1990, a Committee of the National Academy of Sciences will complete a comprehensive study of the resource assessment methodology utilized by MMS. The final report will describe the technical approach and resultant accuracy of the methodology and outline enhancements for future consideration.

- Estimates were derived for numerous leasing options and subareas of the OCS being addressed by the new 5-Year Leasing Program for the period commencing in mid-1987 and ending in 1992. In addition to estimates of the occurrence of oil and gas in the areas being addressed by the various alternatives, estimates of the potential amounts of oil and gas to be leased in each proposed sale were developed.

- o Starting in FY 1989, estimates will be developed for a new 5-year Leasing Program from 1992 to 1997.

5. Reserve Inventory ($1,548,000)

The primary objective of the reserve inventory subelement is to develop and maintain estimates of oil and gas reserves as mandated by the OCSLAA. Reserve inventories are generated from well and reservoir data and tabulated by individual field, reservoir, and lease. The analyses and mapping associated with reserve estimates directly support field and reservoir development and provide geological and engineering data required for lease sale evaluations.

In FY 1989, an effort will be initiated to revise MMS reserve categories to comply with industry-wide definitions developed by the Society of Petroleum Engineers and being advocated for use by industry, Government and other appropriate parties. A means for updating estimates of remaining reserves based upon changes in economic conditions is also being investigated. The Reserve Inventory function will continue providing estimates of new field discoveries and updated reserve estimates in those fields previously inventoried. However, emphasis will be placed upon those fields containing the larger remaining recoverable reserves. As additional geologic, engineering, and production data are obtained, updated estimates will lend support to the leasing process, future energy leasing policy analyses and decisions, and oil and gas assessment for projecting energy supplies as they relate to the national security of the United States.

Description of Subelement Products

Field Reserve Estimates: Estimates of oil and gas reserves are developed for new field discoveries as well as the updating of information on remaining reserves in previously inventoried fields.

Recent activities and accomplishments for this subelement include:

- o The MMS published two reports during 1988 which revised estimates of the remaining recoverable reserves for the Federal Outer Continental Shelf. OCS Report MMS 88-0036 reported that recoverable reserves for the Federal portion of the Gulf of Mexico as of December 31, 1987, are estimated at 3.50 billion barrels of oil and 42.4 trillion cubic feet of gas. OCS Report MMS 88-0047 reported that recoverable reserves for the Federal portion of the Pacific OCS as of December 31, 1987, are estimated at 1.33 billion barrels of oil and 2.12 trillion cubic feet of gas.

6. Economic and Engineering Evaluations for Lease Sales ($1,266,000)

Economic and engineering parameters, on a lease sale and tract-specific basis, are analyzed, developed, and designed for the purpose of determining bid adequacy and assessing impacts on the objectives of the OCSLAA. These parameters include oil and gas prices; inflation and discount rates; exploration, development, production, and transportation costs; supply and demand, and number of platforms, wells, and subsea completions. During FY 1988, proposals were sought to develop standardized cost categories for use in all Regions as well as determining current costs for each category by Regions, and an explanation of the differences. Funding of this effort is expected to be completed during FY 1988 with the completed study expected at the end of FY 1989.

Description of Subelement Products

a. E&D Reports: These reports contain infrastructure and exploration, development, and production scenarios that serve as the basis of the analyses related to the NEPA process. The reports are updated during the leasing process and are used for the design of the specific bidding system to be used in the sale.

b. Cost Estimates and Price Assumptions: These are prepared for each lease sale and include: oil and gas prices; transportation costs (pipeline, tanker, etc.); real price increases; inflation and discount rates; windfall profits tax rates; and exploration, development, production, and transportation costs.

c. Bidding System Design: This activity consists of analyses to support designation of bidding systems, lease terms, rental policies, and minimum bid requirements for a particular lease sale. Alternative bidding systems provided for in the OCSLAA are also considered. Unique lease-sale costs and market conditions require examination of the various revenue components which comprise a bidding system. An analysis is made of the impacts of alternative royalty rates, minimum bid requirements, rental policy, length of lease terms, various bidding systems, etc., on the multiple goals of the OCSLAA, such as the maintenance of competition and expeditious exploration, development and production. In addition, an analysis of the impacts of existing leases issued under alternative systems are reviewed in terms of newly arising information on exploration and development effects.

d. Fair Market Value Determinations: These are decisions regarding the adequacy of high bids received at a sale. This includes determinations of viable prospects and tract types, tract-specific resource economic values, when required, and the development and analysis of economic criteria to determine the final acceptance or rejection of high bids.

e. Economic Value Estimates: This product includes cost/benefit analyses and economic and social value estimates for SID's, the formulation of the 5-Year Leasing Schedule, each lease sale (including alternatives considered), revenue projections for budget purposes, and other estimates associated with statutory or policy changes.

Recent activities and accomplishments for this subelement include:

o Developed leasing regulations for marine minerals and procedures for the leasing of salt and sulphur.

o Implemented procedures for the determination of bid adequacy for sulphur and salt.

o Development of procedures and resource assessment models for the potential leasing of gold or other non-energy minerals offshore Alaska.

- o Numerous studies are being performed which focus on encouraging exploration in frontier areas. New strategies will be required because of current market conditions and earlier exploration disappointments.

- o Resource assessment models normally utilized for estimating potential oil and gas accumulations were modified for use in estimating potential undiscovered amounts of sulphur in the Gulf of Mexico. In a similar manner, a model was developed incorporating MMS evaluation policies to evaluate industry bids for sulphur and salt leases.

- o Several economic value estimates have been made to project the effects of proposed statutory changes in lease sales and bidder eligibility.

- o Several studies have been carried out to evaluate the future economic viability of natural gas from offshore areas in the Alaska OCS in support of the MMS leasing decisions.

7. Geologic, Economic and Engineering Methodologies and Studies for the OCS Leasing Program ($1,542,000)

Advanced computer models and ADP systems and data bases are analyzed, designed, maintained, and updated to serve as the primary support for the conduct of economic and engineering studies that are used throughout the lease-sale process and for overall OCS program and policy issues. Activities in this support function are generic in nature and are described below.

Description of Subelement Products

a. Economic Studies.

- o Development, refinement, modification, and maintenance of discounted cash flow and resource assessment computer models and methodologies, including the design of new computer models for resource assessment and resource economic evaluation.

- o Design, development, refinement, maintenance, and update of ADP data bases and systems to support lease sale fair market value determinations, and to provide a historical data base for economic studies, other analyses, and reports such as the Annual Report to Congress on alternative bidding systems and competition.

- o Recommendations on leasing policy for the overall program and for each offering, economic studies are conducted on specific bidding system parameters such as royalty rates, minimum bid levels, regulatory changes, lease terms, rental policies, and tract size.

- o Various generic programwide studies applicable to the entire leasing process are performed. Study issues include the costs and benefits associated with the OCS program, bid adequacy procedures, and effects of various policies on Government receipts.

- o Economic Value Estimates and Cost/Benefit Studies for Formulation of the 5-year OCS Leasing Schedule. These are economic value estimates and cost/benefit studies for use in developing new 5-year leasing schedules or the required annual review. In addition, bonus revenues are estimated.

- o Social Cost Estimates for Formulation of the 5-year OCS Leasing Schedule. These are estimates of the costs to lessees of complying with the offshore regulatory program; the potential costs offsetting adverse effects; and the damages associated with unavoidable adverse effects.

b. Engineering Studies: Consistent and pertinent programwide technological procedures are designed, developed, and implemented, and technology for adverse and severe conditions is assessed.

c. Geologic Studies: Analyses of geologic characteristics and size of oil and gas accumulations in similar geologic conditions on a worldwide basis necessary to better estimate the number, size, and recoverability of undiscovered and discovered resources on offshore planning basins where data quality, quantity, or other factors may be supplemental by such data. These studies were used in the development and testing of a new resource assessment computer program to evaluate technically recoverable resources. This program was used in the national resource assessment. Development and refinement of this model will continue.

Recent activities and accomplishments for this subelement include:

- o The Postsale Analysis System (PSAS) was converted to process offshore sale-related information on a microcomputer during FY 1988. PSAS had previously processed sale information on a Perkin-Elmer minicomputer. The system generates reports on bidding data, company bidding performance, and acreage bid on and leased at offshore lease sales. These reports are used for developing recommendations to accept/reject bids and for review by the Department of Justice of possible antitrust problems.

- o The Offshore Lease Data System (OLDS) is a database management system which interacts with other systems to store historical offshore lease sale information in order to answer queries or conduct economic and statistical analysis. Inquiries from the Department, Congress, and the public have been responded to during FY 1988 and continued use of OLDS is expected.

- o TSL-80 is an economic simulation model that permits costs, resource levels, minimum bid levels, and risk factors to be inputted and recommends the preferable bidding system to lease specific tracts in offshore sales. This model has been used extensively in individual planning areas in preparing for sales on the current schedule and will be used in preparing for the next 5-year SID in FY 1989 and 1990.

- o A generic industry model (IMODEL) continues to forecast the response of the oil and gas industry to various schedules for OCS lease sales. It estimates tracts bid on and bonus received for each sale. This model has been and is used to estimate bonus revenues in offshore sales for budget purposes.

- The Revenue Model is a spread sheet model that was developed to understand how the economic measures of a tract are affected by an economic parameter change or a change in the timing of leasing or exploration. The model is used to estimate bonuses, royalties, taxes as well as Net Economic Value for a particular set of economic conditions or for a particular sale.

- A discounted cash flow model was developed and a sulphur sale was held in February, 1988. Discounted cash flow models normally utilized for estimating the value of oil and gas leases are being modified or developed for non-energy minerals sales (e.g., an Alaskan gold sale). Policy-related documents were developed for the sulphur sale and are being developed for the gold or other non-energy minerals sales to support the leasing conditions used in the sales.

- A statistical book called Sale Statistics was developed to answer frequently asked questions relating to bidding information for offshore lease sales, eliminating the need to query an on-line database in all instances. It contains summary tables, figures, individual sale data, and a glossary of terms. It encompasses sales from December 1979 through 1986; 1987 and 1988 sale statistics will be added early in FY 1989.

- Development of computer models for estimating lease revenues, optimal length of lease terms and forms of diligence requirements, effects of changes in economic conditions on tract values, and the influence of new leasing systems (e.g., work commitment, two-stage, etc.) on bidding and production behavior.

- Numerous improvements have been incorporated into the MONTCAR model to enhance its use in the Resource Evaluation Program. Efforts are also underway to adapt MONTCAR for use on specially configured personal computers, thereby ensuring greater security of the data associated with tract evaluation as well as accommodating a significant decrease in mainframe ADP expenditures.

- Continued modifications of PRESTO computer model.

- The PRESTO III computer model has been modified to develop estimates for noneconomic accumulations of oil and gas. The methodology and changes to PRESTO III were developed in response to a 1986 recommendation by the National Academy of Sciences that MMS should expand its estimation and reporting procedures to address the entire oil and gas resource base. The model and methodology are being incorporated in the national oil and gas assessment project.

- A database of U.S. onshore and offshore oil and gas fields depicting essential geologic and engineering data, as well as reserves and production information, was procured in FY 1988 for use in developing analog data for future assessment activities.

- o Modification of existing Bureau of Mines and State of Alaska computer models are being evaluated for possible use in anticipated future sales of OCS non-energy minerals. Concurrently, efforts are underway to develop a model specifically addressing offshore dredging as a means of developing offshore gold placers for possible use in the planned FY 1990 Norton Sound Sale of Non-energy minerals.

8. Program Management and Support ($3,748,000)

This subelement provides program guidance and direction, internal and external coordination of OCS program activities and program and technical support for the work of the Resource Evaluation Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems Center which centrally reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

Other Programs

Cooperative Agreement: Texas Bureau of Economic Geology ($540,000)

In an effort to broaden the base of data and information available to MMS on offshore lands, the MMS entered into a cooperative agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin, in September 1983. The BEG acts as a central contact between the MMS and the geological surveys of coastal States and monitors multidiscipline, scientific activities conducted by the surveys for the MMS. The general area that the cooperative effort addresses is geologic studies relating to hydrocarbon and solid mineral resources. In FY 1990, approximately 21 coastal States will participate in the program.

Strategic and International Minerals ($1,781,000)

In FY 1990, the primary thrust of this program will be the continuation of ongoing studies of marine mineral resources, such as cobalt-rich manganese crusts, heavy minerals, phosphorites, sand and gravel, and carbonate sands, to determine whether future lease sales of these resources are indicated. The studies will generally begin as resource evaluations and economic feasibility assessments, advancing to more detailed mineral-and site-specific resource and environmental impact evaluations where near-term commercial potential and industry interest are demonstrated.

The MMS has established cooperative agreements with the States of Hawaii, North Carolina, Georgia, Mississippi, Alabama, Louisiana, Texas, Alaska, and Oregon for the joint analysis of resource potential and environmental consequences of potential marine mineral leasing. Offshore areas within the jurisdiction of the United States are identified and investigated for the development potential of minerals other than oil, gas, and sulphur. Various mineral commodities (e.g., cobalt-rich manganese crusts, placers, phosphorites, construction aggregates, and carbonate sands) are being examined to determine their commercial viability. The effort is expected to include preparation of documents required by NEPA to evaluate mineral development offshore those States where commercial feasibility exists.

Additionally, MMS will continue to provide technical support to the State Department for minerals including oil, gas and strategic/international resources for areas beyond national jurisdiction including the Arctic and Antarctic.

The development of a regulatory framework for lease administration and mining operations was completed by MMS in FY 1989. Identification of potential and viable lease areas for marine mineral commodities and resolution of issues related to leasing typically will be accomplished by joint Federal/State task forces or similar coordinative mechanisms. These task forces include interested Federal agencies and affected States. In addition, delineation mapping and data analyses will be done for the areas where marine minerals might be offered for lease. A decision to commit additional resources for supplemental mineral resource studies or the preparation of an environmental document is dependent on the outcome of initial assessments.

Appropriate documents for complying with NEPA requirements will be prepared. Comments from affected States and interested parties would be solicited through the Notice of Intent and the publication and hearings on NEPA documents. After receiving comments, decision material would be prepared, decisions made, and a Notice of Sale published in the Federal Register.

Two new initiatives are possible for FY 1990. The MMS has received inquiries relating to the New York-New Jersey and Mid-Atlantic (Virginia) areas that could result in the formation of joint Federal/State task forces or similar coordinative mechanisms. Once formed, the New York-New Jersey task force would address development of sand and gravel resources and the Virginia task force would address heavy mineral placer deposits which are known to occur east of the mouth of the Chesapeake Bay.

MMS will continue to provide technical support to the Department of State (DOS) for international activities relating to minerals (oil, gas, and strategic and critical minerals) development in areas beyond national jurisdiction. In particular, DOS, with MMS technical support, has recently negotiated a Convention on the Regulation of Antarctic Mineral Resource Activities. Signature and ratification by the United States is expected in FY 1989. The MMS will play a key role in the Development of domestic legislation for implementing this convention. Subsequently, MMS will develop regulations governing sponsorship by the United States of U.S. entities wishing to engage in prospecting for and development of antarctic mineral resources. The MMS will also be providing support to DOS on U.S. obligations under a number of bilateral and multilateral agreements on minerals development and related environmental concerns in the Arctic.

WORKLOAD SUMMARY

A summary of the major workloads in the Resource Evaluation Program by sub-element is presented in the following table.

	FY 1988 Actual	FY 1989 Estimate 1/	FY 1990 Estimate 1/	Inc. (+) Dec. (-)
1. Acquisition of G&G Data:				
o G&G permits processed and approved	321	304	302	-2
o G&G data acquisition actions	66	70	68	-2
o Line miles of CDP data acquired	78,500	82,000	80,000	-2,000
2. Production of regional G&G maps and analyses:				
o Geology reports	4	8	7	-1
o Determination of area of hydrocarbon potential	6	8	7	-1
o Area identification recommendations	5	9	8	-1
3. Production of tract- and prospect-specific maps & analyses:				
o Completed sales	5	3	11	+8
o Sales in progress	20	24	29	+5
4. Development of estimates of undiscovered resources for planning areas:				
o Section 606 reports	0	1	0	-1
o Review of 5-Year Leasing Schedule	1	1	1	---
o NEPA and decision documents	12	20	27	+7
5. Reserve inventory:				
o Field reserve estimates	100	105	120	+15
6. Economic and engineering evaluations for lease sales:				
o E&D reports	5	7	10	+3
o Cost estimates and price assumptions	6	3	10	+7
o Bidding system design analyses	4	7	8	+1
o Fair market value determinations	5	3	8	+5
o Economic value estimates	14	10	26	+16

	FY 1988 Actual	FY 1989 Estimate 1/	FY 1990 Estimate 1/	Inc. (+) Dec. (-)
7. Economic and engineering methodologies and studies for the OCS leasing program:				
o Geologic studies	5	10	10	---
o Economic studies	25	25	25	---
o Engineering studies	8	13	12	-1

1/ In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through delays in filling positions and employee attrition. Although the impact is difficult to predict, reductions to some of these program outputs are expected.

Decrease from FY 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	22,985	22,436	-549
FTE	(350)	(342)	(-8)

Fixed Cost Absorption (-$549,000)

MMS is reducing direct program funds from activities/subactivities to absorb the fixed cost increases. Since the Resource Evaluation Program is reducing its FTE usage by 8 to absorb payroll costs associated with the FY 1989 pay raise, a $549,000 reduction in other than payroll costs is proposed to fund fixed cost increases. Reductions would be made in travel and training associated with FTE reductions. Funding for ADP equipment, accessories, software and services will be reduced and delayed. Also funding for computer time-sharing to other agencies will be reduced, as more modeling is being performed on advance personal computers.

FY 1989 Pay Raise (-8 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Travel	-20
Other Services	-130
Supplies/Materials	-30
Equipment	-369
Total	-549

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(Dollar amounts in thousands)

Program Element		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Regulation of Operations	$	27,233	27,403	27,929	+696	+526
	(FTE)	(407)	(407)	(397)	(-10)	(-10)
Technology Assessment and Research	$	864	864	864	---	---
	(FTE)	(---)	(---)	(---)	(---)	(---)
Oil and Gas Information	$	896	899	876	-20	-23
	(FTE)	(7)	(7)	(7)	(---)	(---)
Total Requirements	$	28,993	29,166	29,669	+676	+503
	(FTE)	(414)	(414)	(404)	(-10)	(-10)

Objectives

- Regulate OCS oil, gas and marine minerals exploration, development, and production operations in a manner that ensures protection of the environment, protection of the natural resources, and prompt and efficient exploration and development.

- Provide a comprehensive technology base for the supervision of leasehold operations, including the use of best available and safest technologies (OCSLA Sec. 21(b)). Provide a technical basis and methodology for the determination of reliability and risk associated with OCS operations.

- Provide information concerning OCS oil and gas and other mineral activities to affected State and local governments.

The Regulatory Program consists of the following separate program elements: Regulation of Operations; Technology Assessment and Research; and Oil and Gas Information.

Regulation of Operations

Objectives

- o Work toward developing a safe and pollution-free environment through careful regulation of activities such as exploration, development, and production operations, the transportation of production to shore, and pipeline design and maintenance.
- o Identify and report the cause of major fires, oil spills, deaths, or significant injuries.
- o Conduct an effective inspection and enforcement program.
- o Assure ample opportunity for participation by affected States, other Federal Agencies, and the public in the decisionmaking process during the review and approval of lessee-submitted exploration plans and development and production plans.
- o Assure that affected States are provided with copies of exploration plans and development and production plans to enable them to deal with actual and potential onshore effects of OCS activities.
- o Assure that industry personnel engaged in activities on the OCS are properly trained in safety, environmental protection, and natural resource protection.
- o Provide technology support to MMS operations personnel as the industry moves into the hostile frontiers of the deep oceans and ice-infested Arctic.
- o Provide assurance of structural integrity of drilling, exploration, and production platforms, especially those located in deep waters or hostile environments.
- o Assure proper lease development and prevention of hydrocarbons waste in the reservoir through unitization and review of maximum efficient rates of production, verification of shut-in wells, reviewing requests for flaring of gas, reviewing requests for suspension of production, and evaluating opportunities for enhanced recovery.
- o Determine pricing categories for natural gas production from new leases, new reservoirs on existing leases, high cost natural gas reservoirs, and stripper wells.
- o Assure that appropriate Minerals Management Service regulations and management systems are in place so that procedures for leasing and mining operations for nonenergy minerals are available.
- o Inventory and maintain information for release to the public.
- o Provide technical and operational support for Environmental Impact Statements and other environmental documents, including Coastal Zone Management plans and draft study proposals.

Base Program

Regulation of the OCS oil, gas, and marine minerals Operations Program provides for the comprehensive and systematic review, approval, and oversight of lessee-conducted exploration, development, and production operations on the OCS. This is accomplished through the review and approval or disapproval, if appropriate, of exploration plans, development and production plans, and development operations coordination documents; and through the issuance of permits, the inspection of lessee-conducted activities to ensure compliance with governing requirements, and the taking of appropriate enforcement actions when requirements are not met.

Mandated responsibilities require: coordination of approvals of OCS exploration plans and development and production plans with the affected States; conducting scheduled inspections for each facility annually (with intermittent unscheduled inspections to ensure regulatory compliance); and the establishment of a civil penalties program through which the Minerals Management Service may assess and collect monetary penalties.

Oil and gas produced from the OCS contribute significantly to the Nation's current and future energy supplies and to the Nation's plans to reduce its dependency on foreign sources of energy. Production from the OCS has only been established in the Gulf of Mexico and in the Pacific Ocean off southern California. Exploration drilling has been conducted off Alaska with some success and off the Atlantic coast with noneconomic results. However, exploratory activity is expected to continue. Off the coast of California, production is on the increase. Discoveries made in the Santa Maria Basin have given rise to even more exploratory drilling and to the submission of additional development and production plans.

Oil and gas reserves are increasing in the Gulf of Mexico. Significant discoveries in deep water areas of the Gulf of Mexico are expected to continue to contribute to these reserves. Leases off the Alaskan Arctic coast will continue to be subjects of near-term exploration drilling. The Arctic area is highly promising and could lead to prolific discoveries ready for development and production in the 1990's.

The four major subelements of the Regulation of Operations program element and their products are described on the following pages.

Major Subelements and Subelement Products:

1. Exploration and Production Review and Approval ($4,975,000)

   The objective of this subelement is the review and approval of plans and applications related to all aspects of drilling, producing, development, flaring, commingling, unitization, etc., in the interest of ensuring the conduct of safe, pollution-free, and workmanlike operations. This work is also conducted in the interest of ensuring that responsible and prudent production and conservation practices are followed in the production, depletion, drainage, transportation, and measurement of produced hydrocarbons, in accordance with applicable Regulations, and Notices to Lessees and Operators.

Description of Subelement Products

a. Exploration and Development Plans Processed

- Lease Plans

The OCS Lands Act, as amended, and the implementing Regulation 30 CFR 250.34 require OCS operators to prepare and submit to the MMS, for approval, an Exploration Plan (EP), a Development and Production Plan (DPP) or a Development Operations Coordination Document (DOCD) prior to commencing exploratory or development operations, respectively.

Generally, after an operator acquires an OCS lease, the initial step to be taken is the drilling of one or more wells in an attempt to determine whether the lease contains oil or natural gas in commercial quantities. However, such exploration of a lease can begin only after the operator has submitted a EP and received approval of it by MMS.

An EP is required to address many topics related to safety and environmental protection. A typical EP includes a description of the proposal together with a schedule of activities to be undertaken, a description of the major equipment to be used, a discussion of safety and pollution-control features and the oil spill contingency plan, a map showing the location of each well, a map showing appropriate geological formations, and a discussion of potential geological or man-made drilling hazards. An Environmental Report (ER) is submitted with each EP which addresses the potential environmental effects of the proposed activity.

After an EP is received, the MMS performs a technical review of the plan. This review includes, in part, verification that the operations are to be conducted using sound engineering practices, that the proposed locations for drilling activities are free of potential hazards, and that the operations will not interfere unduly with other uses of the OCS, such as shipping, fishing, and military activities.

The MMS also performs an environmental assessment (EA) of each plan. This review ensures that potential impacts on air and water quality, endangered species, cultural resources, undersea biological features, and live-bottom areas are minimized. MMS environmental scientists prepare appropriate documentation for each plan to determine compliance of the proposed activities with the requirements of the National Environmental Policy Act of 1969. Any modifications of a plan required as a result of the technical or environmental review must be made by the operator prior to its approval.

If an exploratory program is successful, the operator then must submit to the MMS for approval a DPP or a DOCD prior to drilling development wells or installing fixed production platforms, pipelines, or production equipment. In the Western Gulf of Mexico, a Development Operations Coordination Document (DOCD) is required in lieu of a DPP, per 43 U.S.C. 1351.

A typical DPP or DOCD for lease operations in the Gulf of Mexico includes most of the items which are required for a EP in addition to a description of any fixed structures and production equipment to be used and a discussion of the hydrocarbons discovered, including expected production rates and the anticipated time to produce the reserves. As with EPs, the MMS performs an extensive technical and environmental review of DPPs and DOCDs. Any modifications to a plan required as a result of this review must be made prior to approval.

Another important function of the EP, DPP, and DOCD program is to satisfy the requirements of the Coastal Zone Management (CZM) Act of 1972, as amended. The CZM Act requires all Federal Agencies which regulate activities that affect the coastal zone to cooperate and participate with State and local governments by assisting them to effectively exercise their responsibilities of managing the coastal zone. The EA contains information that is utilized by State officials in the formulation of decisions pertaining to the use of land and water resources of their coastal zone, with full consideration being given in such decisions to ecological, cultural, historic, and esthetic values, as well as economic development. During the MMS review process, plans and accompanying EAs are transmitted to the affected States. The MMS does not approve DPP or DOCD's until the State has concurred that the activities proposed in the plan are consistent with its CZM plan. The MMS may approve the EP prior to the plan receiving a consistency concurrence, but no drilling is permitted until concurrence is received.

Approval of a plan does not constitute final approval to conduct any specific operations associated with the plan. An operator must file with the MMS an individual Application for Permit to Drill (APD) for each activity, which describes in detail how the activity is to be performed, and receive approval from the MMS before actual operations can begin. The activities permitted must agree with those in the approved plan.

- Unit Plans

The unitization agreement is the contract that modifies the terms of the committed lease contracts and consolidates them to form the unit. This agreement provides for exploration, development, and production of minerals from individual OCS leases as a single consolidated entity without regard to separate ownership, and for the allocation of costs and benefits on a basis defined in the agreement.

The unit operator for each approved unit is required to submit, annually, a plan of exploration or development and production, depending on the type of agreement. The MMS monitors unit activity by reviewing these plans to ensure proper and timely exploration or development.

o <u>Production Verification</u>

The Gulf of Mexico Region has begun a nationwide production verification program by assigning additional responsibilities to an existing organizational unit. This nationwide program has been designed to be phased into the current OCS program over a 3-year period commencing in FY 1987.

<u>Objectives of the Verification Program</u>

o Annual inspection of all (currently 1,019) onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with regulations.

o Perform onsite production verification and inspections as needed to respond to discrepancies noted in the records being reviewed.

o Start up an automated system that would verify crude oil production by analyzing run tickets, meter proving reports and system sales allocation reports on a continuous basis. The system is being designed to detect underreported crude oil production.

o Conduct a pilot gas production verification project in the GOM Region to determine whether a complete gas verification program is needed.

b. <u>Permitting</u>

o <u>Processing of Applications for Permit to Drill, Workover, Recomplete, and Abandon</u>

Applications for Permit to initially drill a well require completion and submittal of MMS Form 331-C, supported by a detailed well plan including procedures and schematic drawings giving well location, directional plan casing procedures, cementing program, mud program, etc. Applications to deepen, redrill, plug back, workover, recomplete, or abandon require completion and submittal of Form MMS-331, Sundry Notices and Reports on Wells, supported by detailed plans, procedures, depths, drawings, etc. Prior to approval, each such application or proposal is thoroughly reviewed from the technical, engineering, and regulatory viewpoints to ascertain compliance with regulations in order to ensure safety and protection of both personnel and the environment.

Although the number of drilling applications currently being received is less than the number during the peak oil price period, it is anticipated that drilling activity will continue to increase along with oil prices in FY 1990. The workload related to workovers will continue to increase in FY 1990 as a result of more strenuous workover requirements contained in the Regulatory Consolidation Package. Recent FY 1988 lease sales activity is another indicator of increasing operations when compared to the past few years.

- Platform Installation Applications Processed

30 CFR 250.131 requires that an operator submit to the MMS for approval, applications for the installation of new bottom founded or fixed platforms and applications for significant modifications to applications already approved. All new platforms or other structures are required to be designed, fabricated, installed, and inspected in accordance with the requirements of 30 CFR 250 Subpart I in the interest of minimizing occurrences of platform failures that may endanger life or health or cause damage to property or the environment.

Each platform application or significant modification to an approved application is reviewed by geologists, geophysicists, structural engineers, and other appropriate staff, including oceanographers. They review the design and design criteria of the platform to ensure that it is appropriate for the expected environmental and operating conditions, to ensure that the platform can withstand the loads to which it may be exposed, both during and after its transportation and installation, to ascertain the projected influence of the soil conditions and other factors on the stability of the platform, and the steps to be taken to protect against corrosion.

In addition to the preceding, there is a Platform Verification Program. This program requires the involvement of a third-party verification agent who provides an independent assessment of the design, fabrication, and installation of the platform, which: are to be installed in water depths exceeding 400 feet; have natural wave periods greater than three seconds; are to be installed in areas of unstable bottom conditions; have designs not previously proven for use; or are to be installed in seismically active areas.

- Pipeline Applications Processed

30 CFR 250 Subpart J require that an operator or right-of-way holder submit to the MMS for approval applications for the design, other features, and plan of installation of all pipelines authorized under any lease or pipeline right-of-way. All pipelines and associated valves, flanges, and fittings are required to be designed, installed, operated, maintained, and abandoned in a manner which provides for the safe and pollution-free transportation of fluids without unduly interfering with other uses of the OCS.

Each new pipeline application is reviewed by a petroleum engineer and environmental scientist. A petroleum engineer reviews the pipeline design to ensure that it is technically competent to meet the operating requirements previously enumerated. An environmental scientist reviews and documents compliance with the National Environmental Policy Act of 1969.

In addition to the preceding requirements, when a pipeline qualifies as a right-of-way pipeline, the pipeline can not be installed until a right-of-way has been requested and granted. Right-of-way grants are issued pursuant to Section 5(e) of the OCS Lands Act.

In addition to applications for new pipelines, operators and right-of-way holders are required to submit applications for approval for actions on existing pipelines.

- Suspension of Operations

  Suspensions of Operations (SOOs) which have the effect of extending a lease beyond its primary term are to be granted when in the national interest, with due consideration given to difficult or unforeseen problems. These suspensions are approved with the understanding that all deadlines within approved activity schedules will be met. Once a schedule has been approved, the deadlines are closely monitored to make certain that the lease is placed on production at the earliest possible date.

- Gas Flaring Approvals

  Requests for flaring or venting are reviewed and only operations which are according to 30 CFR 250.175, and according to MMS policies developed to minimize flaring, are approved. Long-term requests are made by written application and are approved in writing for periods up to 1 year. Short-term, emergency requests (e.g., equipment failure, testing, well purging, etc.) are handled by telephone and confirmed with a letter.

- Enhanced Recovery Operation Analysis

  Operators submit secondary and tertiary enhanced oil recovery projects consisting of applications together with supporting geologic and engineering data showing that the projects are in the interest of conservation of the natural resources on the OCS. Operators are required to submit annual reports for each approved injection project, including information on the number of days and volume of gas injected and volume in oil, gas, and water produced. These data are used in reservoir analyses and statistical reports, as well as in monitoring individual injection projects to ensure maximum recovery of hydrocarbons.

- Approval of Safety Systems on New Platforms

  Drawings and schematics of new platform facilities showing production and process equipment, as well as safety and anti-pollution controls and devices, are reviewed for compliance with applicable OCS orders and regulations and are utilized to verify that the production system equipment is installed in the field in conformance with the approval granted.

c. Determination and Agreements

- Determination of Maximum Production Rates by Reservoir (MER) and by Well Maximum Producible Rate (MPR)

  Requests and supporting information (eg., structure maps, tests, etc.) to establish reservoir MERs and well MPRs are reviewed. Operations are only approved according to 30 CFR 250.172 and according to rate control policies developed to prevent waste and ensure conservation of oil and gas. MERs are redetermined at least annually for each producing reservoir. MPRs are redetermined for oil wells at least quarterly and for gas wells at least twice a year.

- NGPA Category Determinations

  The NGPA category determinations are made on the applications of gas producers, based on engineering and geological evidence, which must conform to specific requirements of the Federal Energy Regulatory Commission (FERC). This office makes three categories of determinations which in effect, set the maximum price a producer can receive for gas produced from the well receiving the category determination. This, in turn, could affect the royalty received by the Government from OCS leases. Without a final category approval, the gas must be sold for a lower price as specified in the regulations.

- Commingling Agreements

  Commingling applications are submitted to the Surface Commingling and Production Measurement Section when a lessee or lease operator intends to move production from multiple leases to a central facility for the purpose of treating, measuring, and storing this production. In response, the MMS approves or disapproves the commingling or mixing for the above purposes. Further, commingling may involve the mixing of production from different wells, leases, and fields, with production of other operators.

- Review Development Activities/Lease Drainage

  Development and production activities are monitored within and around all Federal leases with royalty rates other than the normal one-sixth and those leases along the State/Federal line to ensure the prevention of Federal royalty drainage.

Recent Activities and Accomplishments for this Subelement Include:

- The Gulf of Mexico OCS Region is currently monitoring the development and production of 184 active units in the Gulf of Mexico through the processing of annual and supplemental unit plans.

- During FY 1988, the Gulf of Mexico OCS Region approved 32 unit agreements (29 for exploration and 3 for production and development).

- o During FY 1988, 364 Suspensions of Production (SOPs) were approved in the Gulf of Mexico OCS Region. A total of 187 Suspensions of Operations (SOOs) were approved during FY 1988. These included 31 issued due to NTL 86-12; and 81 issued due to Lease Stipulation 5, which directs extension of operations for the Eastern Gulf of Mexico Region; 73 for leases below the 26 degree North latitude off Florida and 2 pursuant to 30 CFR 250.10(a)(4). As of September 30, 1988, there were 259 leases beyond their primary term with approved SOP's.

- o As of September 30, 1988, there were 272 active secondary and tertiary enhanced oil recovery projects on the Gulf of Mexico OCS.

- o In FY 1988, the Gulf of Mexico OCS Region processed 12,052 MER/MPR applications and 273 NGPA applications, most of which are for the 102(d) category which is the most difficult and time-consuming category to determine.

2. Inspection and Certification ($13,633,000)

The objective of this subelement is the inspection of all OCS oil and gas exploration, development, and production activities, the certification of well-control and safety device training programs, and accreditation of safety and pollution prevention equipment. The inspection of OCS operations is required by the OCS Lands Act to ensure compliance with all applicable safety and environmental protection laws and regulations. To measure lessee compliance and to evaluate the inspection program, selected facilities reviews are performed on operations in a specific area. The certification and accreditation programs are instituted to ensure that personnel working on the OCS are properly trained and that the equipment used on the OCS has a high degree of reliability. These programs have provided positive results in the pursuit of safe operations on the OCS as well as ensuring that the environment is protected.

a. Inspection Activities

(1) Inspections - The inspection of OCS operations is a major work unit of the regulatory program. All drilling and production facilities on the OCS are inspected annually on a scheduled basis. In addition, unannounced inspections are conducted on at least 10 percent of all facilities annually. Inspections are conducted utilizing the National Potential Incident of Noncompliance (PINC) inspection characteristics list. In the scheduled annual inspection, all inspection characteristics pertaining to the operation being inspected are utilized. In the unannounced inspections, a minimum of 25 percent of the pertinent PINC's are used.

Inspections are conducted on drilling, production, measurement, pipeline, workover and completion, and abandonment operations. In addition, there are PINC's which pertain to environmental requirements and other general requirements pertinent to all operations. Drilling inspections are conducted to ensure that the proper equipment is used, sufficient supplies are on location, and proper techniques are followed to maintain control of the well and prevent blowouts, spills, and other accidents.

Production inspections are conducted to ensure that the proper equipment is used and that it is installed and calibrated correctly to prevent accidents and pollution. Measurement inspections are performed to ensure that the disposition of oil and gas production resources is accomplished in accordance with applicable requirements. Pipeline inspections are performed to ensure that pipelines are constructed and operated safely. Workover, completion, and abandonment inspections are conducted to ensure that those operations are performed safely and according to approved plans and regulations.

Inspections are conducted by petroleum engineering technicians located in district offices near the offshore facilities. The MMS has four district offices and two sub-district offices in the Gulf of Mexico OCS Region, two district offices in the Pacific OCS Region, and one district office in the Alaska OCS Region. The number of inspections that are completed must be viewed in an overall context as representing a compilation of numerous checks and examinations performed by MMS inspection personnel. Some of the inspections conducted may take as long as 30 hours to complete. These inspections are highly technical in nature and consist of inspecting a number of small individual items that in the aggregate, measure the overall condition and compliance record of the particular operation being examined. The difference in drilling and production equipment, and environmental conditions in the three regions must also be taken into account when considering individual inspections and overall statistics. In the Gulf of Mexico and Pacific OCS Regions, conventional drilling facilities are utilized and environmental conditions are generally mild. In Alaska, the facilities are usually state-of-the-art rigs designed for Arctic ice and severe weather conditions. The weather conditions frequently affect travel involved with inspection efforts. Due to logistical constraints and the unique conditions imposed on lessee activities, the Alaska OCS Region maintains a near continuous inspection presence at the drill site.

(2) Accident Investigation - The OCS Lands Act requires that major fires, explosions, and oil spills be investigated and that a public report be prepared for each such incident. The MMS is notified of every accident occurring on the OCS. Major accidents are investigated by a panel of experienced personnel and a public report is prepared.

(3) Safety Award for Excellence - The Safety Award for Excellence Program was developed to recognize and commend those operating companies that expend extra effort and conduct their operations in a safe and pollution-free manner by adhering to all regulatory requirements, employing trained and motivated personnel, and taking that extra step to enhance safety of operations and environmental protection.

The Safety Award for Excellence is presented on both district and national levels and is judged on the criteria outlined below. The District Safety Award for Excellence is given to a lessee or company and is based on exemplary performance on a single platform or rig, lease, or field or throughout an entire district. The National Safety Award for Excellence is given to a lessee or company selected from the winners of the district awards. The District Safety Award for Excellence is presented semi-annually by the regional manager or Director, MMS, and it covers the periods January 1 through June 30 and July 1 through December 31 of each calendar year. The National Safety Award for Excellence is presented annually by the Secretary of the Interior or his representative.

(4) Selected Facilities Review - A selected facilities review (SFR) is an intensive inspection effort aimed at facilities in a small geographic area. Inspection teams comprised of two inspectors using previously selected PINC's inspect a high number of facilities in a short (usually two day) period of time. The inspections are unannounced and are intended as a tool to evaluate the effectiveness of the MMS inspection program as well as lessee compliance.

Recent activities and accomplishments for this subelement include:

- The MMS performed 10,681 inspections of drilling, production, meter, pipeline, workover, and abandonment operations during FY 1988.

- In the Arctic, inspections are conducted on a spray-ice island and on other unique structures to evaluate the construction integrity and technology for exploratory drilling structures. Annual inspections are also made of the abandoned gravel islands to assess damage to the islands after breakup and to note the presence of oil, trash, or other debris which may have been uncovered.

b. School Certification Activities

The MMS certifies drilling well control training schools and in FY 1989 is considering the certification of training schools in completion/workover well control and in production safety systems. In certifying the training schools, the MMS first reviews the schools' proposed program and curriculum. Once the program is deemed to conform with the appropriate set of training standards, the MMS grants approval of the documented program, subject to an onsite evaluation of a class in training. Final certification is given after the onsite evaluation if the school is conducted in accordance with the set of standards and the approved documented program. All certified schools are subject to unannounced audits by the MMS.

(1) Drilling Well Control Training - Certain industry personnel who work in drilling operations on the OCS are required by OCS Order No. 2 to attend and successfully complete a certified course in drilling well-control operations. The MMS certifies drilling well-control training schools in accordance with MMS Standard OCS-T-1, titled "Training and Qualifications of Personnel in Well-Control Equipment and Techniques for Drilling on Offshore Locations." The Standard is applicable to

personnel classified as Rotary Helpers, Derrickmen, Drillers, Toolpushers and Operator's Representatives.

(2) Completion/Workover Well Control Training - Certain industry personnel who work in completion or workover operations on the OCS will be required to attend and successfully complete a certified course in completion/workover well control operations. The MMS will begin certifying completion/workover well control training schools in FY 1989 in accordance with an MMS standard which is currently being developed. The standard will be applicable, beginning in FY 1989, to personnel engaged in the removal of the "christmas tree" (i.e., the wellhead control valves manifold), the installation of the blow-out preventor (BOP), or the use of snubbing, coiled tubing, or wireline units. Applicable personnel will include floorhands, completion/workover supervisors, and well servicing operators and supervisors.

(3) Production Safety System Training - In FY 1989 certain industry personnel who work with production safety systems on the OCS will be required to attend and successfully complete a certified course on production safety systems in accordance with an MMS standard which is currently being developed. The standard will be applicable, beginning in FY 1989, to all OCS production personnel engaged in the installation, testing, maintenance, and operation of production safety systems. Applicable personnel will also include platform supervisors and platform operators.

Recent activities and accomplishments include:

In FY 1988, the MMS certified or recertified 8 well control training schools. Unannounced audits have been conducted on 18 schools. There are currently 186 certified well-control training schools (55 basic, 55 refresher, and 76 rotary helper/derrickmen).

There has been no recent activity in completion/workover well-control training or Production Safety System Training while both programs are in the "proposed rule" stage. It is anticipated that these programs will become effective in FY 1989 and the number of schools to be certified will increase during FY 1989 and 1990.

c. Equipment Certification Activities

Safety and Pollution Prevention Equipment Accreditation: Certain safety and pollution prevention equipment (SPPE) used on the OCS must conform to the American National Safety Standards Institute/American Society of Mechanical Engineers Standard "Quality Assurance and Certification of Safety and Pollution Prevention Equipment Used in Offshore Oil and Gas Operations," (ANSI/ASME SPPE-1). The MMS participates with the ASME in the accreditation program by attending and monitoring ASME surveys of manufactures and by serving on ASME committees.

3. Operations Supervision ($4,356,000)

The objective of this subelement is to provide support for MMS Regulation of Operations responsibilities for OCS lease management. This support includes:

- o Training of MMS personnel in the performance of their duties and in the improvement of technical capabilities.
- o Development and/or assembly of technology and equipment capabilities information for use during the review and approval of oil and gas exploration, development, and production plans.
- o Development and/or assembly of technology and equipment capabilities information for use in conjunction with Government inspection and certification activities.
- o Development preparation, promulgation, and review of rules and regulations, safety alerts, Notices to Lessees, and internal operating procedures.
- o Review, analysis, and improvement of the MMS safety and pollution prevention inspections of oil and gas drilling and production operations and facilities.
- o Other associated operations support.

Description of Subelement Products

a. Training

A variety of technical and safety training courses are attended by all employees. As a technically oriented Agency, training is an integral part of the MMS operations. Training to enhance professionals and managerial capabilities is considered vital to maintaining a workforce capable of monitoring the expanding technology of the petroleum industry. Equally important is the spectrum of safety training to make the work environment reasonably safe for MMS employees and to ensure that MMS inspectors recognize unsafe equipment and unsafe operating procedures when they occur.

b. Technology and Equipment

The MMS continuously assesses the offshore oil and gas industry's capabilities, procedures, and currently available equipment to conduct oil and gas operations in a safe and pollution-free manner. This is in compliance with OCS Lands Act, Section 21(b) which requires that the best available and safest technologies (BAST) be used in offshore minerals drilling and production operations. To assess BAST, the MMS has established a technology information coordination network which makes use of Operations Technology Assessment Committees (OTACs) at each MMS regional office. These groups review problems, new procedures and technologies, and evaluate potential solutions to a variety of regulatory related problems.

The MMS participates with other interested Federal Agencies and the Canadian Government in the evaluation of capabilities for oil spill containment and cleanup equipment and procedures. Testing is conducted both offshore and in an Environmental Protection Agency test tank for open-ocean and broken-ice conditions.

Recent tests in the laboratory and in-situ of the burning of oil spills have contributed significantly to the approval of drilling operations during broken-ice periods in the Beaufort Sea. Other information is being used to quantify the effectiveness of manufactured equipment and operational procedures and to assist in the evaluation of oil spill contingency plans submitted to the MMS for approval. Oil spill technology, equipment, and procedures continue to represent significant issues for OCS activities.

A formal contract research program (i.e., Technology Assessment and Research) is administered by the MMS which addresses operational needs for permitting OCS drilling and production, safety and pollution inspections, enforcement actions, accident investigations, and well control requirements. Program planning is guided by lease sale plans and by inferences drawn from industry research. Examples of MMS administered studies include:

- o Diverting shallow gas blowouts away from drilling vessels.
- o Environmental effects of removing old OCS platforms with explosives.
- o Critical technical concerns relative to new types of OCS platforms for deep water areas (i.e., tension leg platforms and floating production systems).
- o Cleanup of oil spills by in-situ burning.
- o Validation of standardized procedures for testing the performance of oil containment booms without using spilled oil. MMS Technical material developed via this program is transferred to regulatory personnel through conferences, workshops, OTAC meeting, briefings, and written reports.

c. Rules and Regulations

In association with studies of technology and equipment, the adequacy of current regulations, and standards are continually reviewed relative to new and emerging technology and information gained from analysis of accident reports. Internal directives and operating procedures establish consistency in MMS operations. Notices to operators and lessees add specific regulatory explanation and guidance. Safety Alert Notices result from detailed analysis of particular accidents and provide recommendations to prevent recurrence of these types of accidents.

d. Inspection Analysis

The Offshore Inspection Program (OIP) has been developed to provide for uniform and consistent inspections nationwide. The OIP utilizes a National Potential Incident of Noncompliance (PINC) List and incorporates a computer system whereby the date and results from all inspections are entered into an automated data base. The OIP includes documented procedures at each organizational level and is subject to annual internal review.

The first full internal review of the OIP was conducted during FY 1988. Several discrepancies with established procedures were noted and corrective actions have been initiated. This annual internal review will assist in its consistent nationwide application.

e. Associated Operation Support

These support activities include a "plethora" of requests from local, State, and other Federal agencies for information and meetings relative to regulations, terms, and conditions which affect OCS operations. Additionally, they involve providing support to MMS inspection and enforcement related activities. These support activities include the generation of weekly, monthly, semi-annual, and annual reports of various kinds and types, review of requests for departure or variance from specific regulatory requirements, and review of particular problems related to OCS drilling and production operations.

Recent activities include:

- Preparation of responses to Freedom of Information Act requests.

- Maintenance of public and proprietary information files.

- Implementation of an ongoing coordination program with military installation in locations where military activities may conflict with OCS oil and gas exploration and development activities.

- Providing technical support and information for highly sensitive environmental and political negotiations relating to OCS activities.

4. Program Management and Support ($4,965,000)

This subelement provides program guidance and direction, internal and external coordination of program activities, and program and technical support for the work of the Regulation of Operations Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Operations, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems Center which centrally reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

Workload Output	FY 1988 Actual	FY 1989 Estimate 1/	FY 1990 Estimate 1/	Inc.(+) Dec.(-)
Inspections..........................	10,681	11,825	12,250	+425
Exploration/Development and Production Plans Processed....................	792	811	861	+50
Production Verifications..............	0	24,720	24,960	+240
Applications for Permit to Drill Processed...........................	906	1,020	1,061	+41
Platform Installation Applications Processed...........................	199	211	231	+20
Pipeline Applications Processed.......	264	252	272	+20
Production Rate Control (MER & MPR)...	12,347	8,450	9,231	+781
NGPA Category Determinations..........	277	260	256	-4
Commingling Agreements................	246	201	221	+20
Unitizations and Other Agreements Processed...........................	700	704	730	+26
Review Development Activity/ Lease Drainage......................	228	243	206	-37
Accident Investigations...............	176	171	172	+1
Applications for Workover, Recompletion, and Abandonments...................	8,117	8,308	8,479	+171
Suspensions of Operation/Production...	558	382	316	-66
Enhanced Recovery Operation Analyses..	10	16	17	+1
Gas Flaring Approvals.................	509	521	519	-2
Verification of New Platforms.........	21	15	16	+1
Well Control School Certification Activities........................	26	180	250	+70
Water Survival Training Actions.......	41	51	49	-2
Inspector Training Program Activities..	1	2	1	-1
Selected Facilities Review............	1	1	1	---

1/ In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through delays in filling positions and employee attrition. Although the impact is difficult to predict, reductions to some of these program outputs are expected.

Increase from FY 1990 Base:

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	27,403	27,929	+526
(FTE)	(407)	(397)	(-10)

Helicopters (+$863,000)

Higher rates for helicopter services call for an increase of $475,000 to maintain the current level of service needed for inspection and enforcement of regulations governing OCS oil and gas operations. The existing contract for helicopter services extending through 1991 calls for cost increases of 3.85% in FY 1989 and 4.93% in FY 1990.

The recent increase in the number of active leases, and especially the extension of OCS leasing into areas further from shore or in more remote areas in the Gulf of Mexico, calls for the expansion of MMS's helicopter capability needed for performing inspection and enforcement activities. In addition, new requirements for the inspection of well workovers and a change in the inspection program to do more sampling checks on a larger number of facilities will also increase the use of helicopters. An increase of $388,000 is requested to fund the conversion of one helicopter from single engine to twin turbines; use of one additional helicopter; and increased use of the existing fleet.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Other Services..	+863

Fixed Cost Absorption (-$337,000)

MMS is reducing direct program funds from activities/subactivities to absorb the fixed cost increases. Since the Regulatory Program is reducing its FTE usage by 10 to absorb payroll costs associated with the FY 1989 pay raise, a $337,000 reduction in other than payroll costs is proposed to fund fixed cost increases. Reductions would be made in travel and training associated with the FTE reductions. Funding for ADP equipment, accessories, software and services will be reduced and delayed. The effort to improve productivity and efficiency through ADP modernization will be stretched out.

FY 1989 Pay Raise (-10 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Travel..	-40
Other Services................................	-75
Supplies/Materials............................	-15
Equipment.....................................	-207
Total	-337

Technology Assessment and Research (TA&R)

Objectives

- Conduct independent analyses of the OCS technologies to identify technology gaps and to assure the use of the Best Available and Safest Technologies (OCSLAA Section 21(b)-BAST). The program provides MMS personnel a continuing engineering dialogue with the industry and the research community on the operational technologies.

- Assist in the development of technical and operational requirements for leaseholders to assure safe, pollution-free operations. These requirements are incorporated in OCS orders, regulations, and the conditions for granting permits.

Base Program ($864,000)

Offshore operations conducted by oil and gas lessees and monitored by the MMS are becoming increasingly involved in pioneering efforts in a number of complex technologies as exploration and production move into deeper and more hostile environments of the open oceans and the ice-infested Arctic. The TA&R Program provides a comprehensive technological base for the MMS in the supervision of leasehold operations. This support is stated within the OCS Lands Act Amendments of 1978 (OCSLAA), Section 21(b), which requires the use of the BAST on all offshore operations.

The TA&R Program operates through contracts with universities, private firms, and Government laboratories. It takes advantage of participatory or collaborative studies with industry, other agencies, and with other countries such as Canada, the United Kingdom, and Norway, where similar operations, programs, and concerns exist.

Examples of activities and accomplishments:

1. Theoretical analyses and large-scale tests at Louisiana State University (LSU) of shallow gas blowout diverter (piping) systems, used when blowout preventors are not installed, are being run to develop an improved understanding of design and operational parameters. This information is needed to improve MMS regulations on the usage of these safety systems which have heretofore proven generally less than successful in operation.

2. Theoretical and experimental investigations are being conducted at LSU into improved methods of controlling well kicks (potential blowouts) in deep water drilling operations where the long flow lines between the rig and the blowout preventor on the ocean floor make effective control operations more difficult. A signalling device has been developed which can digitally transmit bottom hole pressure readings, while drilling, to the rig, and through the use of a computer, actuate a surface choke to control these blowout pressures in a timely manner.

3. Experimental investigations of the physics of burning various crude oils on the ocean surface are being conducted at the National Bureau of Standards in collaboration with the Canadian government. These studies have resulted in recent encouraging test findings in confined areas of broken ice.

4. The MMS is participating with industry on the evaluation of verification procedures for deep water platforms and of reverification procedures for aging platforms.

5. In collaboration with industry, MMS is determining the mechanical properties of multiyear sea ice and the forces which the ice packs exert against structures.

6. The MMS is participating with industry and the U.S. Coast Guard in evaluating the inspection approaches and monitoring techniques for the tendons (tensioned legs) of buoyant tension leg platforms. The first platform of this type in U.S. waters will be installed in the Gulf of Mexico in 1988/1989.

7. The MMS has conducted international workshops on subjects such as concrete technology for Arctic structures, underwater welding repairs of structures, and the use of risk analysis in OCS operations. Planned workshops for 1988/1989 include oil spill response technology for Arctic conditions and technologies for controlling nitrogen oxide emissions during offshore operations.

8. Oil spill containment and cleanup technologies are being investigated in collaboration with North Sea and Canadian government agencies.

9. MMS is pursing a program to seek industry, state, and public cooperation to develop and demonstrate offshore technologies which would reduce the emission of nitrogen oxides during offshore operations.

Selected outputs for the Technology Assessment and Research Program are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Technological Investigations	12	12	12	---
Technological Assessments	3	3	3	---
Technology Seminars Conducted	2	3	2	-1
Technical Reports Published	1	1	1	---

Oil and Gas Information

Objectives

- o Provide State and local officials with a summary of scientific, technical and policy data to assist them in planning for the potential offshore, nearshore, and onshore impacts of OCS mineral exploration, development, and production activities.

- o Compile, organize, print, and disseminate OCS laws and regulations on a current and continuing basis.

Base Program: ($876,000)

This program has the prime responsibility for providing State and local officials with summary information regarding the potential impacts of OCS mineral exploration, development, and production as mandated by the OCS Lands Act Amendments of 1978 (OCSLAA) (P.L. 95-372).

Major Subelements and Subelement Products

1. OCS Oil and Gas Information Program

   a. Provide continuing coordination with MMS headquarters and regional personnel, other Federal Agencies, State agencies, industry representatives, and local government officials regarding data needs and acquisition.

   b. Develop Regional Update Reports, Regional Map Plates, OCS Directory, and OCS Leasing/Operations Procedures Document from analysis and synthesis of available data.

   c. Develop and maintain current automated mailing list of State and local officials and other interested parties, and provide Summary Reports/Indexes and other data upon request.

2. OCS Regulations (Section 21(f) OCSLAA).

   Compile, organize, format, print, and disseminate the compilation of OCS regulations.

3. OCS Laws

   Compile, organize, format, print, and disseminate the compilation of OCS laws.

4. Program Management and Support

   This subelement provides program guidance and direction, internal and external coordination of program activities, and program and technical support for the work of the Oil and Gas Information Program. The function of the Office of Information and Publications includes:

   a. Overall management, development, and coordination of publication and information policies and activities related to the OCS program.

   b. Development and implementation of policies, procedures, and products that support these activities to meet the objectives of MMS in providing State and local officials, industry, and the public with scientific, technical, and policy information for the planning of OCS mineral activities.

Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Directors, and the Office of Offshore Management Support.

Recent Activities and Accomplishments Include:

- Publication of the Gulf of Mexico Update Report on Offshore and Onshore Oil and Gas Activities as mandated by section 26 of the OCS Lands Act, as amended.

- Publication of the Alaska Update Report on Offshore and Onshore Oil and Gas Activities, as mandated by section 26 of the OCS Lands Act, as amended.

- Publication of the Gulf OCS Directory of Federal and State agencies and their OCS-related responsibilities.

- Publication of the OCS Regulations as mandated by section 21(f) OCSLAA.

- Preparation of the OCS National Compendium.

Selected Oil and Gas Information Program Outputs are:

Workload Output	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Annual Regional Update Reports	2	4	4	---
OCS Regulations Document............	1	0	0	---
OCS Regulations Revision............	0	0	1	+1
OCS Laws Update.....................	0	1	0	-1
OCS National Directory..............	1	1	1	---
OCS Leasing/Operations Procedures...	0	1	0	-1
Annual Update of Regional Map Plate Series.................	0	4	4	---

Decrease from FY 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	899	876	-23
(FTE)	(7)	(7)	(---)

Fixed Cost Absorption (-$23,000)

MMS is reducing direct program funds from activities/subactivities to absorb the fixed cost increases. Oil and Gas Information's allocation of fixed costs reduction is $23,000. Reductions in travel and training are proposed. MMS would reduce the distribution volume of regional reports which are made available to planning officials and the general public. Savings would accrue in printing by decreasing the number of copies. Reduction in funding is proposed for ADP equipment, accessories, software and services.

Distribution of change by object class

The object class detail for the proposed changes is as follows:

	Amount ($000)
Travel..	-2
Printing..	-5
Supplies/Materials..............................	-2
Equipment.......................................	-14
Total	-23

Activity Summary

Activity: Royalty Management

(In thousands of dollars)

Subactivity	FY 1988 Actual	FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	16,359	17,438	17,553	18,542	+1,104	+989
Mineral Revenue Compliance	14,912	15,136	15,236	20,236	+5,100	+5,000
Systems Development and Operation	18,205	19,728	19,762	18,718	-1,010	-1,044
Interest on Late Payments	200	---	---	---	---	---
Total Requirements	49,676	52,302	52,551	57,496	+5,194	+4,945

Authorizations

25 U.S.C. 397, et seq. — The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on lands bought and paid for by Indians.

25 U.S.C. 396, et seq. — The Indian Mineral Leasing Act of 1909 authorizes oil and gas leases on Indian allotted lands.

25 U.S.C. 396-396(g), et seq. — The Indian Mineral Leasing Act of 1938 authorizes oil and gas leases on Indian tribal lands and provides uniformity with respect to leasing of tribal lands for mining purposes.

30 U.S.C. 181, et seq. — The Minerals Leasing Act provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulphur, and sodium and the payment of bonuses, rents, and royalties on such leases.

43 U.S.C. 1331, et seq. — The Outer Continental Shelf Lands Act of 1953 as amended, (OCSLAA) extends the jurisdiction of the United States to the Outer Continental Shelf; provides for granting of leases to develop offshore energy and minerals; and provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.

30 U.S.C. 1001, et seq.	The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 181, et seq.	The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
25 U.S.C. 2101, et seq.	The Indian Mineral Development Act of 1982 provides that any Indian tribe may enter into lease agreements for mineral resources within their boundaries with the approval of the Secretary. Allotted land owners may join tribal mineral agreements.
30 U.S.C. 1701, et seq.	The Federal Oil and Gas Royalty Management Act of 1982 provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.

The Royalty Management Program (RMP) is responsible for the determination, collection, accounting for, and distribution of royalty and other revenue from Federal onshore and Outer Continental Shelf Lands mineral leases and producing Indian leases. The program is a major source of revenue to the Federal Government, to Indian tribes and allottees, and to those States which share in revenues from Federal onshore and certain offshore mineral leases.

All royalty accounting operations are located in the Lakewood Accounting Center to provide efficiency and economies of scale in the financial and data collection process and to assure consistent guidance to lessees and operators. However, functions are clearly separated to provide essential counterchecks for proper internal control (see Mineral Revenue Collections subactivity). Auditors are located geographically close to major workload areas to provide a more efficient audit capability (see Mineral Revenue Compliance subactivity). A systems function is responsible for the development, operation, and maintenance of the complex automated systems (see Systems Development and Operation subactivity).

Recent Program Initiatives

Recent program initiatives are serving to enhance the accomplishment of program responsibilities. Among the most important initiatives are:

- The MMS audit strategy has been revised to provide improved audit coverage of Federal and Indian leases. The MMS will direct the majority of its audit resources toward major payor company audits. The remaining payors will be subject to audit through a sample selection process; audit referrals from Bureau of Indian Affairs (BIA) and Bureau of Land Management (BLM); and exception referrals from the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS).

- o The increase of 50 additional auditors in late FY 1987 has assisted the Royalty Compliance Division in implementing its audit strategy. These new auditors have obtained oil and gas auditing experience through a combination of on-the-job and formal training and now contribute significantly to improved audit coverage.

- o As part of the audit strategy, MMS, States, and Indian tribes jointly schedule comprehensive company audits at the major payors who submit over 90% of Federal and Indian revenues.

- o The MMS has initiated the conversion of El Paso Natural Gas Company (EPNG), its affiliate Meridian Oil Company (Meridian), and the 500 working interest owners (formerly reported by EPNG) to the AFS. This conversion will be accomplished in four phases, with the first royalty reporting scheduled to begin in early FY 1989 and the final phase to be completed in FY 1990. Phases I through III will convert those working interest owners with the largest volume of leases and those who are already payors in AFS. All other working interest owners and EPNG/Meridian will be converted in Phase IV. This is a major step toward improved financial accounting and internal controls over reported data, mineral receipts, and final disbursements to States and Indians. Once converted, these leases will be subjected for the first time to AFS reporting edits, exception processing for underpayment and late payment routines, and reported sales data for each lease can be compared with production data reported to PAAS to detect potential underpayment of royalties.

- o During FY 1988, MMS assumed the responsibility of accounting for Indian nonstandard leases and agreements. These leases and agreements contain unique provisions, some of which cannot readily be adapted to the standard reporting formats of the AFS, and consequently will have to be accounted for separately. The MMS plans to develop, with contractor assistance, manual and microcomputer applications for processing these data.

- o On January 15, 1988, MMS published final regulations for determining the value for royalty purposes of oil and natural gas produced from Federal and Indian leases. These regulations became effective March 1, 1988. Final rulemaking for coal product valuation was published in the <u>Federal Register</u> in January 1989.

- o On October 15, 1988, approximately 50 percent of the onshore oil and gas lease universe covering 65 percent of onshore production was successfully being reported to PAAS. The MMS plans to convert all remaining onshore leases to this system during FY 1990. When the conversion is completed, MMS will be able to systematically and comprehensively compare sales reported by operators on production reports to sales reported by payors on royalty reports.

- o The Office of External Affairs (OEA) participated in 36 outreach meetings with RMP clientele during FY 1988. The OEA has completed 34 desk accounting reviews on Indian leases, and received 42 additional desk accounting review requests from Indian tribes and allottees during FY 1988.

- A contract with a major accounting firm for accounting and systems advice is in place. During FY 1988, the contractor completed: reviews of AFS for compliance with generally accepted accounting principles, and compliance with rules, regulations, and laws; an analysis of AFS internal controls, audit trails, systems assurance programs, error edit criteria, and case management processes; and a study of accounting procedures for Indian nonstandard leases. Most of the contractor's recommendations for improvement have been accepted and implemented or are in the process of implementation. In FY 1989 and FY 1990, MMS will task the contractor for other key reviews covering such topics as the audit strategy and software acceptance test functions.

- During FY 1987, MMS gathered recommendations from users, the Royalty Management Advisory Committee (RMAC), and other interested parties regarding possible enhancements to be made to the AFS. During FY 1988, systems personnel analyzed the feasibility and cost-benefit yield of each suggested enhancement and began implementing the highest priority short-term initiatives during the second half of the fiscal year. These initiatives have simplified reporting resulting in reductions in industry reporting burden and data error rates. Implementing assessments for late and missing PAAS reports has increased reporting accuracy. Use of correct royalty rate and unit value on Explanation of Payment reports has resulted in better information to States and Indians. Long-term enhancements to further simplify industry reporting, accelerate the processing and disbursement of receipts, and improve relations with and services to clientele were incorporated in the RMP's Business Systems Improvement Plan, which will be implemented over a 3-year period commencing in FY 1989.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(Dollar amounts in thousands)

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	$	17,438	17,553	18,542	+1,104	+989
	(FTE)	(295)	(295)	(289)	(-6)	(-6)
Total Requirements	$	17,438	17,553	18,542	+1,104	+989
	(FTE)	(295)	(295)	(289)	(-6)	(-6)

Mineral Revenue Collections

Objective

- To efficiently carry out the provisions of legislation providing for collection and distribution of mineral revenues. In particular, the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) requires the timely collection of revenues due, the detection of incorrect payments, and the enforcement of the penalty and assessment provisions for noncomplying royalty payors and reporters. Accurate and efficient collection of royalties is an important matter of equity and good government.

Base Program

The Mineral Revenue Collections subactivity provides funds to collect, process, account for, and distribute bonuses, rents, royalties, penalties, interest, associated fees, and other payments received by the MMS. In addition, this activity supports the review and calculation of windfall profits taxes and the operation of the Royalty-In-Kind (RIK) Program, which provides a long-term secure supply of crude oil at a reasonable price to small, independent refiners. The MMS charges a fee to recover the administrative costs of the RIK Program and deposits this revenue in the General Fund of the Treasury.

The MMS developed three accounting systems to carry out its objective of accurate and timely collection and distribution of mineral revenues. They are the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS). The operation and maintenance of these systems is supported under the Systems Development and Operation subactivity, while the primary users of the information and data provided by the systems are the staff funded by the Mineral Revenue Collections subactivity. These systems and their functions are detailed below. In addition, MMS developed an information access system, the State and Tribal Support System (STATSS), to provide States and Indian tribes with remote access to MMS data.

In FY 1990, it is estimated that the Royalty Management Program will collect and account for approximately $7.2 billion in mineral leasing revenues. To further verify payments and guard against underreporting of sales volumes, production data from the remaining onshore Federal and Indian leases will be converted to a centralized production reporting system in FY 1990.

This system will compare production data to royalty data to verify that proper royalties have been reported and paid. The RMP was created to minimize undercollections and will continue to work toward improving collection and reporting mechanisms in FY 1990.

Auditing and Financial System (AFS)

The AFS is designed to fulfill eight principal objectives: (1) process royalties reported by the payors promptly and efficiently; (2) distribute mineral revenues to State, Indian, and General Treasury accounts on a monthly basis in accordance with the FOGRMA; (3) calculate, distribute, and disburse interest and penalty payments to States and Indians in those instances where it is required by FOGRMA; (4) identify instances of underreporting and nonreporting at a level of detail which enables MMS to effectively and quickly communicate with payors and promptly collect revenues due; (5) account for all mineral revenues due, collected, and disbursed in a system of accounts which enhances MMS's ability to control and report on the RMP; (6) provide royalty accounting and statistical information to those parties, including States and Indian tribes, which have a need for such information; (7) build and maintain a data base which can effectively be matched with production data in the production accounting system; and (8) create an automated billing process for all receivables generated by the system.

In FY 1987 the AFS was moved from the original undersized minicomputer hardware configuration to a new mainframe computer with sufficient on-line capacity to allow for interactive error correction and file updating. Data in the system is available to States, Indian tribes, and Department of the Interior users such as the Bureau of Indian Affairs (BIA) through STATSS. Enhancements are occasionally made to STATSS to maintain efficient report production and to keep the STATSS applications responsive to user needs.

Exception Processing: The purposes of the exception processing program are to identify payor noncompliance in royalty reporting and paying and to point out recurring problems in order to improve reporting and paying accuracy. Billable exceptions are generated by comparing what a payor reports and pays to what the system expects the payor to report and pay. Although the AFS generates these exceptions each month, a manual effort is necessary to assure that a true discrepancy exists and that the royalty payor is in fact responsible for the problem.

Since FY 1986, MMS has augmented the exception processing effort with contractor employees in order to handle the large workloads. Through the contractual effort, MMS issues billings on Federal and Indian leases for late reporting, late payments, and insufficient estimated payments on Indian leases. Contractual funds are also being directed toward processing backlogs in the billing workload. This backlog processing initiative, which was initially intended to be a 2-year effort, has been extended because of budget reductions in FY's 1986 and 1987 and greater workload volumes than expected in the current periods. Additionally, increased contractor costs required MMS to shift funds from the backlog effort to the processing of current exceptions. Annual contractor and in-house costs to carry out the exception processing program are projected to total $1.9 million in FY 1990.

Although exception processing has the primary goal of increasing compliance with the law and implementing regulations, increased revenues are a secondary benefit of this activity. As of September 1988, gross revenues have increased by a total of $36.0 million as a result of exception processing. During FY 1988, MMS collected additional gross revenues of $14.3 million. In FY's 1989 and 1990, anticipated gross receipts are estimated at $10 million and $12 million, respectively. The MMS will also be exploring further enhancements to exception processing routines which could favorably impact billings and collections.

The revenue generated by exception processing has been shared, as appropriate, with States and Indian tribes and allottees. Assuming that exception processing has the desired deterrent effect, the amount of revenues which can be directly associated with the process itself should decline after the backlogs are resolved.

Error Correction: The RMP made continued progress during FY 1988 in reducing payor error rates in the AFS and in improving payor compliance. This is attributed in part to payor training effort which included the presentation of 14 2-day training sessions for approximately 178 royalty payors in FY 1988. Improved reporting accuracy by many of these companies has been noted. Additional help comes from the Payor Handbook (the official guide to royalty payors on how to report to the AFS) which was substantially improved in FY 1987 and updated again in FY 1988. Improved payor compliance is also attributed to a vigorous program of assessments and penalties for incorrect reporting and failure to submit payor information forms. These penalties are levied under the provisions of the OCSLAA, the MLA, the FOGRMA, and other implementing regulations. The improvement in payor compliance with paying and reporting requirements can be seen in the historical drop in the percent of total fatal lines (those data lines with errors which make it impossible to accurately disburse funds until corrected) as reflected in Figure 3. The number of error corrections completed in FY 1988 is lower than previously estimated because of: 1) a drop in the payor error rate from 4.8 percent in FY 1987 to 3.9 percent in FY 1988, and 2) a delay in the anticipated conversion of El Paso Natural Gas leases to the AFS. Conversion of these leases during FY 1989 and FY 1990 will temporarily increase the error rate as MMS gradually adds 500 new payors and 50,000 to 70,000 more lines to the AFS. The El Paso conversion will also generate an increase in the number of payor information forms to be processed in FY 1989 and FY 1990. Because payors will be reporting to the AFS for the first time, RMP anticipates increased error rates during and immediately following the conversion.

As displayed in Figure 3, the percentage of rejected fatal lines is depicted by type of data input -- tape, other than tape, and total lines. The trend over time has been a steady decline in the percent of total fatal lines, from 17.3 percent in FY 1984 to 3.9 percent in FY 1988.

ROYALTY REPORTING ERROR RATES
BY TYPE OF DATA INPUT
% Fatal Lines
30
20
10
0
Tape
Other than tape
Total
Mar/84
Jun/84
Sep/84
Dec/84
Mar/85
Jun/85
Sep/85
Dec/85
Mar/86
Jun/86
Sep/86
Dec/86
Mar/87
Jun/87
Sep/87
Dec/87
Mar/88
Jun/88
Sep/88
Report Month

Figure 3

Electronic Funds Transfer: In an effort to run an efficient accounting operation and realize savings to the Federal Government, MMS initiated the use of Electronic Funds Transfer (EFT) to expedite royalty payments to the Government. Regulations initially in place required all payors with transactions in excess of $50,000 to use EFT. Then, in keeping with Treasury Department goals, MMS reduced the EFT threshold to $10,000 in FY 1987. In addition, MMS extended the use of EFT to solid mineral and geothermal leases and certain deferred bonus payments. As a result of these changes, RMP identified about 150 additional payors to be converted to the EFT payment method of which about 80 have been converted. The remaining 70 should be converted in FY 1989. The MMS is also working with a major payor to convert all BRASS rental payments to EFT. This conversion effort will be completed in FY 1989, generating approximately 100 EFT messages per year.

Accounting for Indian Nonstandard Leases: In March 1988, MMS assumed the responsibility of accounting for and auditing nonstandard leases and agreements for tribes and allottees. This is consistent with the recommendations of the Secretary's Royalty Management Advisory Committee and the desires expressed by several Indian tribes. Nonstandard leases are those that contain unusual provisions such as nonstandard royalty rates, variable or escalating arrangements, joint venture provisions, and royalty-in-kind provisions. Many of these leases and agreements cannot be processed by the standards formats of the AFS and will have to be processed manually. In addition to the processing of nonstandard leases, there is an anticipated increase in workload for error correction, exception processing, and assessments and their associated billings.

Selected Program Outputs Relative to the AFS are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
AFS Warnings/Billings Issued	15,998	11,000	12,000	+1,000
AFS Reporting Error Corrections Completed	100,432	112,000	142,000	+30,000
Checks Deposited	36,563	35,600	34,600	-1,000
Payor Information Forms Processed (New and Revised)	32,222	42,000	42,000	---
EFT Messages Received	6,928	7,800	7,800	---
Percentage of Collections by EFT	89	91	93	+2

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur. For example, MMS may be forced to reduce its exception processing effort, thus reducing the number of billings issued and the resulting collection of revenue.

Production Accounting

The RMP's automated production reporting system is designed to accomplish the following objectives: (1) support lease management functions by supplying accurate and timely production data to MMS Offshore Regional Offices, the Bureau of Land Management (BLM), and the Bureau of Indian Affairs (BIA); (2) identify potential royalty underpayments by comparing sales volumes reported by operators to sales volumes reported by royalty payors; (3) account for and reconcile production data and disposition volumes for leases and agreements; (4) trace mineral production from point of origin to point of sale for all offshore and all solid mineral leases; (5) identify inconsistencies in production data to target leases and operators for audit and on-site inspection; and (6) provide production data on a lease-by-lease basis to States and Indian tribes.

The Production Accounting and Auditing System (PAAS) became operational as a pilot program in January 1984. Currently, three groups of operators have been brought into the system: (1) all offshore oil and gas leases; (2) all solid minerals leases; and (3) approximately 50 percent of onshore oil and gas leases. In FY 1990 all remaining onshore leases are planned to be converted to the PAAS onshore production reporting system.

At present, the system collects data on over 90 percent of all minerals production. The MMS receives, processes, edits, and corrects production reports from lease operators and provides monthly production data to agencies, States, and tribes. Comparisons of AFS/PAAS data are made on a monthly basis and exceptions representing differences between sales and production data are examined and reconciled. The MMS then contacts payors and operators to assure reports are corrected and additional royalties are paid. From June 1985 through November 1988, this effort has resulted in additional royalty collections of $27.9 million.

In June 1987, the Department of the Interior (DOI) decided to convert all onshore leases to a centralized, automated production accounting system. This conversion, which began in FY 1988, represents a small percentage of total production volumes, but embodies a much larger percentage of the workload in terms of leases, production reports, and reporting entities. Consequently, to ensure a smooth conversion and minimize error rates, MMS is using a phased approach. Each phase is preceded by thorough operator training and detailed verification of automated lease and well information in MMS and BLM data bases. Similarly, reporting companies prepare for the conversion by modifying their automated or manual reporting systems. As companies began reporting, MMS monitors error rates closely to ensure they are at acceptable levels before proceeding with additional conversions.

By June 1988, MMS had converted leases representing about 23 percent of onshore production. Initial error rates were lower than expected and declined steadily to about 5 percent within 4 months.

The lease operators reporting to the BLM State offices of Colorado, Montana, Utah, and Wyoming were converted to the automated system in October 1988, increasing the total amount of onshore production converted to 65 percent. This increment, which involved over 850 operators, 500 leases and agreements, and 30,000 wells, was by far the largest production conversion undertaken. Nevertheless, the initial results reflected a high degree of operator compliance, with an even lower initial error rate. Error rates in October and November 1988 were 12.3 and 6.9 percent, respectively. The MMS had previously targeted 15 percent as the expected initial error rate.

Based on the low initial error rates for these phases and the pattern of steady declines after conversion, MMS plans to convert the remaining onshore leases in early FY 1990.

The conversion of onshore leases to a production accounting system improves MMS's compliance with FOGRMA and satisfies a major commitment by the Department of the Interior and MMS to the States and Indians. Industry will benefit through use of standardized reporting procedures by eliminating the need for certain companies to report on three separate forms. The conversion will provide a level of assurance to the States and Indians and to the Federal Government that reported royalty volumes are compared to production volumes, often resulting in additional royalty collections. Although it is difficult to forecast revenues with precision, MMS estimates this comparison could generate as much as $5.9 million in FY 1990.

During FY 1989, MMS is enhancing its exception processing software for increased efficiency and productivity. The upgraded software will increase efficiency by eliminating several manual research, follow-up and tracking activities, and minimize generation of erroneous exceptions.

The MMS is continuing to rely heavily on contracting to provide the necessary work force for error correction, exception resolution, system operation and maintenance, and software development.

Selected Program Outputs Relative to Production Accounting are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
o Technical Assistance Projects				
--Operators	66	100	100	---
--Other DOI Offices	41	50	50	---
o Error Corrections				
--Reference Document Errors	8,875	14,500	12,700	-1,800
--Operation Document Errors	30,879	86,400	137,800	+51,400
o Exception Resolution				
--AFS/PAAS Comparison Exceptions	20,920	27,500	40,000	+12,500
--Other PAAS Exceptions	28,536	49,500	70,000	+20,500
o Data Verification Requests	296	425	600	+175

The onshore conversion will cause most program outputs to increase markedly in FY 1989 and again in FY 1990. Reference document errors should peak in FY 1989 as much of the data base preparatory work for the final phase of the conversion is accomplished.

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Bonus and Rental Accounting Support System (BRASS)

In FY 1984, MMS accepted responsibility for the collection of bonuses and rents from Federal onshore nonproducing leases. As of September 30, 1988, there were 63,058 active leases in rental status. For this function to be compatible with the AFS and to meet the requirements of the FOGRMA, an automated Bonus and Rental Accounting Support System (BRASS) was designed and installed. Operation of this system began in April 1984.

The principal functions of BRASS are: (1) collect and account for lease bonuses and create new lease records as a result of bonuses paid; (2) generate courtesy notices for annual rentals and deferred bonuses; (3) collect, deposit, and account for annual rental payments; (4) feed financial update and general ledger functions of the AFS; (5) provide rental accounting data to BLM State Offices which manage the leases; (6) support monthly distribution and disbursement requirements as specified in the FOGRMA; and (7) provide lease data to AFS when leases go into production.

The number of BRASS refunds processed is projected to decrease in FY 1989 due to the success of a joint MMS/BLM initiative to clean up accumulated backlogs. Contractor resources were used in this effort and the backlog is now eliminated. Other BRASS program outputs are projected to increase in FY 1989 as a result of renewed BLM lease issuance and adjudication activity. During FY 1988, BLM was involved with implementing provisions contained in the Federal Onshore Oil and Gas Leasing Reform Act of 1987, thereby reducing various BRASS output items.

Selected Program Outputs Relative to the BRASS are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Unidentified Checks	7,905	10,000	10,000	---
Refunds Processed	2,569	1,500	1,500	---
Lease Financial Adjustments	6,640	8,400	8,400	---
Industry Inquiries	12,475	14,000	14,000	---
Data Base Maintenance Actions	24,000	27,000	27,000	---
Checks Deposited	49,694	48,400	48,400	---
EFT Messages Received	1	100	100	---

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

After 5 years of operation, the RMP systems have stabilized and are performing the major functions for which they were designed. The systems have the following characteristics:

- While payor and system error rates have dropped to systems integrity levels, sustaining these levels has required a continuing resource-intensive effort on the part of RMP staff.

- Over ninety-six percent of all dollars collected each month is disbursed within the following month.

- The penalty and assessment procedures contained in MMS regulations have been helpful in reducing error rates and improving payor and reporter compliance.

Increase from 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	17,553	18,542	+989
(FTE)	(295)	(289)	(-6)

Accounting for Indian Nonstandard Leases (+$120,000)

An increase of $120,000 over the $200,000 funded in FY 1989 is proposed to fully fund the staff needed to account for Indian nonstandard leases and agreements. The MMS has assumed responsibility to account for these leases and agreements in response to desires expressed by several Indian tribes and a recommendation of the Secretary's Royalty Management Advisory Committee. Nonstandard leases and agreements are those that include unusual provisions such as nonstandard royalty rates, net profit share arrangements, royalty-in-kind provisions, or variable or escalating rent and royalty arrangements. These leases and agreements are negotiated to provide Indian tribes and allottees with the potential for increased economic benefits. But, because of their unusual conditions, some cannot be processed by the standard formats of the AFS. Consequently, RMP must develop and implement specialized manual and microcomputer processes to account for these leases and agreements. The MMS will contract certain accounting functions to free up Federal employees who will carry out this function.

Onshore Production Reporting (+$500,000)

An increase of $500,000 is proposed to complete DOI plans to centralize and automate all minerals production reporting within RMP. For FY 1989 Congress limited the conversion effort to the States of Colorado, Wyoming, Utah, and Montana to ensure a smooth conversion effort with a minimal error rate. With the success of the early conversions and the low error rates experienced, RMP is ready to pursue and complete the conversion effort for the remaining onshore leases in FY 1990. This additional funding is proposed for contractual services for error correction, exception resolution, and other related costs.

Increase in Contract Costs of Ongoing Activities (+$369,000)

An increase of $369,000 is proposed for increased costs of the base level contract efforts in exception processing, error correction, and reference data base maintenance. In RMP, 45 percent of the workload in the fiscal accounting function is carried out by contractors. Because most MMS contracts include adjustments for normal salary increases and other rising costs, the amount of work which can be accomplished within the same level of available funds declines each year.

During the last five years, the costs of obtaining contract support have increased by an average of 4 percent per year, and are expected to increase at about the same rate in FY 1989 and FY 1990. Funding this proposal will better enable RMP to maintain contract efforts in exception processing and reference data maintenance, thereby continuing the collection of these additional revenues and assuring the quality of the data base.

FY 1989 Pay Raise (-6 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Other Services....................................	+989

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Mineral Revenue Compliance	$ (FTE)	15,136 (256)	15,236 (256)	20,236 (251)	+5,100 (-5)	+5,000 (-5)
Total Requirements	$ (FTE)	15,136 (256)	15,236 (256)	20,236 (251)	+5,100 (-5)	+5,000 (-5)

Mineral Revenue Compliance

Objectives

- To provide accurate and effective product value guidance to royalty payors which will better assure that royalties paid on all products removed from Federal and Indian lands are in accord with law and applicable regulations.

- To assure that those who report and pay to MMS are in compliance with statutes and regulations governing royalty payments and that revenue due from mineral production on Federal and Indian lands has been properly reported and paid.

Base Program

The Mineral Revenue Compliance subactivity consists of three functions: (1) product valuation, (2) audit, and (3) other compliance activities.

The product valuation function is responsible for: providing the technical support, including product valuation and allowance monitoring and review, needed by the RMP to assure that royalties are being calculated on the market value of minerals produced from Federal, Indian, and Outer Continental Shelf Lands; preparing regulations and guidelines to be used in valuing minerals for royalty purposes; providing regulatory training to RMP and industry on new and revised product valuation and allowance regulations and guidelines; approving certain transportation and processing allowances which are deducted by payors from royalty payments; and providing advice and assistance on valuation, appeals, and allowance issues.

The audit function performs continuing audits of mineral revenue and payor activities. This function also resolves exceptions noted through the automated royalty management systems, and it undertakes special audits and reviews in support of MMS (OCS) and BLM lease management activities, and as requested, by

Indians through the BIA. Delegated or cooperative audit agreements with States and Indians under the provisions of FOGRMA are monitored to assure that audit work is being performed in accord with consistent standards and applicable regulations and statutes.

The other compliance activities function is responsible for an outreach effort to provide continuing contact and assistance between RMP and the external user community (e.g., States, Indians, industry, the public, and other Government entities) and the development and promulgation of regulations.

Product Valuation

Royalty payments due are based on the value of the commodity produced, the volume of production sold, and the royalty rate applicable to the lease. In the past, the product value reported by the lessee--normally the sales price--was usually accepted as the value for royalty purposes. The value of the commodity, however, cannot always be determined by the reported sales price. Several factors add to the complexity in determining the value of the commodity sold, such as vertically integrated companies selling to themselves, Government price controls, long-term sales contracts, complicated marketing agreements, and complex relationships among the various owners and operators of producing leases. As a result of these complexities, new product value regulations for oil and gas were published and went into effect on March 1, 1988. These new regulations provide more definitive and consistent guidance to industry for valuing production from Federal and Indian leases for royalty purposes. Final rulemaking for coal product valuation was published in January 1989 and proposed geothermal rules will be published later in FY 1989.

In FY 1990, the Royalty Valuation and Standards Division (RVSD) will continue to provide valuation and allowance approvals as required under both the old and the new regulations, provide assistance to MMS's Appeals Division, and provide advice and assistance to industry and other parties affected by the regulations. The RVSD will also be developing oil and gas valuation and allowance guidelines which will become chapters in the MMS Payor Handbook. The intent of these guidelines is to provide further clarification and interpretation of MMS's new regulations.

The new valuation regulations specify that all royalty values reported and transportation and processing allowances claimed by the lessee are subject to monitoring and review. To provide for this requirement, MMS is developing an automated product value and allowance exception processing system to assist in regulatory compliance and monitoring. To this end, MMS will develop transportation and processing allowance data bases and perform automated comparisons of values contained in the data bases to values reported by royalty payors on form MMS 2014. Additionally, MMS will perform automated comparisons to assure that only those lessees who have filed the appropriate allowance forms are reporting and claiming allowances. The MMS will also perform automated checks to assure that revised 2014 allowances match actual allowance costs incurred (such checks will be performed after the end of the allowance period). The MMS will assess the feasibility of developing oil and gas product value data bases for the purpose of performing automated comparisons of expected values to those reported on form MMS 2014. The MMS will, if product value exception processing is determined to be feasible, develop and maintain product value data bases to be used for exception processing, majority price determinations, and major purchaser determinations. The MMS will then use the information produced by the automated comparisons to identify and select projects for detailed review.

It is anticipated that an automated exception processing system for coal, if feasible, will also be developed and implemented during FY 1990. By focusing on allowance and valuation projects having the potential for the greatest discrepancies, MMS expects to increase the overall effectiveness of its valuation and allowance program and to provide greater assurance to the States and tribes that royalties are being properly and timely paid.

The impact on MMS workload of implementing the new regulations is significant. Having begun in FY 1988, the MMS will continue to process: (1) a backlog of projects that are covered under the old regulations; (2) newly received projects that are covered under the old regulations, and (3) new projects that are covered under the new regulations. Projects affected by the old regulations can take place for a period of 6 years following the implementation of the new regulations, or until FY 1994. The current backlog of projects covered under the old regulations is expected to be eliminated by FY 1990.

Selected Program Outputs for Product Valuation are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec. (-)
Valuation Determinations	121	140	140	---
Advice and Assistance	156	200	200	---
Processing Allowance Applications Reviewed	81	70	70	---
Transportation Allowance Applications Reviewed	911	650	320	1/ -330
Appeals of Royalty Valuation Determinations	32	65	65	---
Valuation/Allowance Regulatory Training	19	10	10	---
Regulatory Compliance and Monitoring (exceptions reviewed)	---	---	2/ 2,500	+2,500

1/ Decrease results from eliminating the backlog of projects covered under the old regulations which are being carried forward from previous years.

2/ Outputs represent exceptions generated by the automated system and reviewed by RVSD staff.

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Audit

In Fiscal Years 1985 through 1988, the MMS audit program recovered over $304 million in collections from previously unpaid or underpaid royalties, interest payments, liquidated damages, and refund denials.

The MMS audit strategy has been revised to provide improved audit coverage for mineral revenues from Federal and Indian leases. The MMS will direct the vast majority of its audit resources toward major payor company audits. The strategy proposes that audits of major payors, who submit over 90 percent of Federal and Indian revenues, be performed on a 6-year cycle. Audit coverage for remaining payors and revenues will be accomplished using sampling, system monitoring, and other special audit techniques.

In addition, MMS plans to start a major project in FY 1990 that will accelerate the completion of prior-year audits and place the 6-year cycle on a more contemporaneous schedule. Currently, companies are often required to retain records for 7-12 years to accommodate the audit of 6 years of data. This project will minimize retention periods for companies and it will accelerate collections of any additional royalties due. We believe that this is consistent with the intent of Congress when it established a 6-year record retention requirement in FOGRMA. To accomplish this initiative audit resources must be increased temporarily.

Delegated and cooperative audit authority to States and Indians under the provisions of Sections 202 and 205 of FOGRMA has changed the audit strategy and approach for the MMS compliance program. MMS audit resources are supplemented by State and Indian audit resources under the Federally funded audit effort for certain States and Indians. The States and Indians have authority for most audit compliance activities with the exception of enforcement actions. The resultant audit compliance program for mineral revenues from leases of those States and Indians is a cooperative effort between MMS, State, and Indian audit resources. The remainder of the MMS audit effort provides audit coverage for offshore and other Federal and Indian mineral revenues not included in delegated or cooperative audit agreements.

In 1982, the Royalty Compliance Division (RCD) began devoting considerable staff years of effort toward the follow-up support of Office of Inspector General (OIG) audits performed in FY 1982 through 1986. Now virtually completed, these activities have resulted in the collection of over $20 million. Beginning in FY 1987, RCD started a second audit cycle for some companies originally audited by the OIG.

The MMS's audit strategy covers the following areas: (1) company audits; (2) residency audits; (3) State and tribal audit activities (4) Indian lease audits; (5) net profit and Indian joint venture agreements; (6) exception resolution; (7) litigation support; (8) referrals and requests from other organizations; and (9) refund request reviews.

Company Audits

Company audits encompass a broad range of compliance review activities to assure that mineral revenues are accurately reported and paid. Company audits begin with a systematic compliance review to test the accuracy and validity of the payors' automated or manual reporting systems. After these payor systems have been evaluated, audit work is directed toward specific leases to cover the audit period.

Leases are targeted for audit by using various selection criteria to ensure effective coverage of the payor's lease universe. Among the selection criteria are total value of royalties, previously identified exceptions, referrals, and identified problem areas. Detailed testing for accounting accuracy is then conducted for a sample of monthly transactions for each targeted lease and addresses the three aspects of royalty determination (value, volume, and royalty rate) on individual leases or leases in unitized areas. Both standard and non-standard (net profit share) Federal and Indian leases are targeted for detailed testing. Monthly transactions selected for testing are audited to determine that royalties were accurately calculated and paid. If systemic errors are identified in the company's royalty calculation, MMS may direct the company to recalculate all affected royalties on all leases to correct the error.

Residency Audits

The MMS maintains "on-site" resident audit staffs located at 12 individual major companies. These audit teams are responsible for:

- Conducting ongoing audits of the company's royalty payment and reporting activities, providing guidance and technical assistance to the company in reporting through MMS accounting and auditing systems, and resolving policy and procedural questions which may arise;

- Resolving exceptions identified by AFS, PAAS, and BRASS;

- Resolving royalty payment problems identified by field operations' inspection program (for both the MMS Offshore and the BLM Onshore inspection programs), OIG, or other sources;

- Coordinating requests for information related to audit work at the company from MMS auditors and from States and Indian tribes that conduct cooperative and delegated audit activities;

- Conducting financial reviews of royalty rate reduction requests and making recommendations regarding acceptance or rejection;

- Performing continuous audit of the company's records covering functional areas such as valuation, allocation, production, gas plants, and accuracy of reporting; and

- Identifying and resolving special problems unique to individual leases.

The residency audit approach accomplishes an important purpose by coordinating all requests for information related to audit work through the central point of the team manager of the residency audit team. This reduces the impact on a payor company, eliminates overlap, and provides assurance that DOI is conducting its audit activities in a planned and efficient manner.

The 12 companies included in this activity pay approximately two-thirds of all royalties received by MMS. The major focus of the residency program to date has been on the follow-up to findings contained in the OIG audit reports. The resident audit work force also reviews refund requests from the company. During FY 1990, the residency audits will continue to focus on exceptions generated by comparison of data from the AFS and production accounting systems.

State and Tribal Audit Activities

As of FY 1988, eight States (Alaska, California, Colorado, Montana, North Dakota, Oklahoma, Utah, and Wyoming) have executed delegated audit agreements under the provisions of Section 205 of FOGRMA. Also, one additional State may enter into a Section 205 delegated audit agreement. Two Indian tribes, the Navajo and the Ute, have executed funded agreement under the provisions of Section 202. Based upon expressions of interest from tribal representatives, MMS may enter into an estimated two additional Section 202 funded cooperative agreements with tribes during FY 1989.

In addition, MMS has unfunded cooperative audit activities under way with the Jicarilla Apache and Southern Ute Indian tribes (joint audits by MMS and Tribe), the State of New Mexico (data sharing agreement), the States of Montana and Utah (coal audits by State), and the State of California (geothermal audits by State).

In all instances, audit work is cooperatively performed by MMS and the State and tribal auditors under standards developed by MMS. Enforcement action is reserved to MMS staff who take action on the basis of the audit work done by the States and tribes. The Office of State and Tribal Program Support in RCD monitors State and tribal audit activities and provides technical assistance to States and tribes participating in the program.

The RMAC developed and recommended funding guidelines for audit agreements issued under Sections 202 and 205 of FOGRMA. These funding guidelines were implemented in FY 1987.

Through the funding guidelines, funds are distributed based on a two-step formula. The first distribution calls for a minimum funding level for each participant, plus a pro rata share of the funding available based on oil and gas royalty revenues at risk within the State or Indian tribal boundaries. The second distribution allocates a portion of the funding based on a ratio of previous audit results to the amount of Federal reimbursement, thereby rewarding audit programs with a successful cost versus benefit ratio.

The MMS annual funding to States and Indian tribes under Sections 202 and 205 is $2.5 million, including $35 thousand added by Congress in FY 1989 to conduct audits on Section 8(g) leases for the State of Louisiana.

Indian Audits

While Indian royalties represent about 2 percent of the royalties collected, the workload associated with Indian royalty management is complex and resource intensive.

The Department's role in auditing Indian mineral revenues originates from the Federal Government's trust responsibility to Indians and tribes. By treaty and law, the Federal Government has the duty to protect Native Americans and their property. In order to accomplish the trust responsibility for Indian revenues, a 2-tiered approach has been developed for Indian revenue compliance activities that combines systematic audit coverage of Indian revenues and resolution of specific problems that are identified and referred to RCD.

The approach to auditing revenues from Indian mineral leases comprises the following elements:

- o Residency audits at 12 major companies provide audit coverage for about 60 percent of the total revenue from Indian mineral leases.

- o Company audits of major non-resident companies provide audit coverage for about 15 percent of the revenue from Indian leases.

- o Audits targeted on other predominant Indian payors provide coverage of about 20 percent of the total revenue from Indian mineral leases.

- o Special audit techniques, such as statistical sampling and compliance monitoring through exception processing, will provide additional coverage so that all royalty payors for Indian leases will have an opportunity for audit.

- o Periodic audits of negotiated nonstandard mineral lease agreements that contain unique terms and conditions for the calculation and payment of mineral revenues provide audit coverage of these specialized leases.

- o Review of specific royalty payment issues/problems on tribal or allotted leases are identified and referred to RCD for resolution.

This strategy that includes combining periodic audits with investigation of identified problems provides a high level of audit coverage for the revenue from Indian tribal and allotted mineral leases. This strategy maximizes audit coverage of the total Indian mineral revenues. Audit targeting is designed to consider maximum coverage of the revenue from Indian leases while reserving resources that can be responsive to specific issues and problems identified by Indian tribes, allottees, and BIA. This approach provides a framework to enforce compliance with the laws, rules, and regulations that govern the payment of royalties on Indian mineral leases.

Net Profits and Indian Joint Venture Agreements

Special mineral lease agreements for production from OCS and Indian lands provide for sharing of the net profits from lease operations. These agreements differ significantly from the standard lease royalty calculation provisions in that they require special accounting procedures for capital accounts and allowable expenditures for lease operations. These agreements require special auditing techniques to verify the accuracy of net profit determinations and pay-out periods for development and operating costs. Since OCS net profit leases involve major oil and gas exploration and development companies, MMS will provide audit coverage through the residency teams and company audits for the major offshore payor companies. Audit coverage of the Indian Joint Venture Agreements is provided through the mobile audit teams responsible for the major Indian payor companies and the audit resources allocated for referrals from BIA to resolve royalty issues on tribal and allotted leases.

Exception Resolution

During FY's 1988 and 1989, efforts are under way to increase the audit effort associated with the resolution of exceptions produced by AFS/PAAS comparisons. To a great extent, exceptions from these systems will be resolved by the Mineral Revenue Collections staff. However, where exceptions indicate systemic problems of a payor's compliance with the regulations, resolution of the exceptions will be referred to Compliance offices to do a thorough on-site review of the underlying problems causing ongoing instances of noncompliance. The conversion of onshore and Indian leases to a centralized production reporting system is expected to increase the number of referrals from that system. These referrals will be reviewed for possible audit action.

Litigation Support

Litigation support is a compliance workload which continues to grow due to: (1) testing in court by industry of MMS positions expressed in demand letters, (2) implementing regulations of FOGRMA, and (3) applying product valuation regulations. Litigation support entails staff efforts such as responding to requests for documents, preparing responses to interrogatories, gathering statistical royalty data, preparing position papers in defense of the Government's position in appeals and legal actions, and preparing for and undergoing deposition. The MMS estimates that support for litigation, appeals, and Freedom of Information Act (FOIA) requests will be necessary for approximately 325 cases during FY 1990. Many of these cases will involve new product value regulations and other new or unique issues.

Referrals and Requests from Other Organizations

Among its commitments, RCD responds to special requests and referrals regarding potential underpayments of royalties. These requests and referrals come from BIA, BLM, OIG, the General Accounting Office, other MMS units, and industry.

Refund Request Reviews

Royalty payors file formal requests with MMS for recoupment or refund of some royalty overpayments in the royalty refund process. Refund requests result primarily from overpayments on offshore leases that are governed by Section 10 of the OCSLAA. However, they can result from changes in Federal Energy Regulatory Commission orders and from other overpayments on onshore Federal and Indian leases. The RCD reviews certain requests to assess the validity of the claim for overpayment and the correctness of the royalty overpayment computations. In FY's 1988 and 1989, many refund request reviews are included in routine company audits.

Selected Workload and Activity Indicators for the Compliance Function are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Company Audits	82	92	92	---
Lease/Subject Audits	258	278	278	---
Refund Request Reviews	212	102	102	---
Referrals	87	85	85	---
AFS/Production Accounting System (Case Load)	24	27	27	---
OIG Support (Case Load)	94	15	15	---
Special Projects (Compliance Enforcement)	56	43	43	---
Litigation/Appeals/FOIA (Case Load)	271	224	224	---
Cooperative Audit Agreements				
-- Section 202 of FOGRMA	1	3	3	---
-- Unfunded Cooperative	5	7	7	---
Delegated Audit Agreements	8	10	10	---
Residency Audit Teams 1/	12	12	12	---

1/ A new audit initiative is proposed to begin in FY 1990 at a first year cost of $5 million. These resources will fund initial contractor staffing to augment the current residency audit effort, allowing MMS to complete ongoing residency audits during a shorter period than would otherwise occur.

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Increase from FY 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	15,236	20,236	+5,000
(FTE)	(256)	(256)	(-5)

New Audit Initiatives (+$5,000,000)

This increase will fund the first year of the phase-in of additional contractor audit resources for a proposed three year, one-time project to perform the audit cycle at the 12 residency audits and at other major payors on a more contemporaneous schedule. This increase will also allow more complete coverage of past royalty payment periods (1983-1986) for a number of payors as comprehensive audits are initiated.

Currently, MMS audits leases in 6-year blocks. However, company royalty accounting records must remain open for 7-12 years to accommodate this cycle. One 6-year cycle of residency company records is audited during the subsequent 6-year period. Similarly, at the 220 major payors, a 6-year period of records is audited in the following year. These cycles delay the ultimate collection of any additional royalties due and require companies to retain records for an unduly long period. Under the proposed strategy, audits will be performed in shorter cycles and billings will usually be accomplished within 6 years from when the payment was made. We believe that this is consistent with the intent of Congress in establishing a 6-year record retention requirement in FOGRMA.

Shortening the audit period will provide a more effective and reasonable basis for conducting and completing audits, collecting findings, and protecting the public interest.

- This initiative will help MMS comply with the intent of FOGRMA as reflected in the Act's legislative history ("...Secretary will require that records be maintained beyond the 6-year limit only for such period that he is diligently pursuing an audit and will release the record holder of his obligation to maintain records at the earliest possible date.")

- The records required for conducting the audits will be more current and more readily available. The older the records, the more difficulty experienced in locating and interpreting them. Similarly, company personnel will be more able to explain and clarify recent records than those 8, 10, or even 12 years old.

- A more current and frequent audit schedule may improve payor compliance through a deterrent effect as well as quicker incorporation of audit resolutions into future reporting. Payors will be aware that audits are on a more current schedule, using a more comprehensive approach.

- The revised audit schedule will provide greater assurance to States, Indians, the Federal government, and the public in general that royalty payments are being carefully monitored and that the proper amounts are being collected on a more timely basis.

- Industry is currently challenging in court MMS's authority to keep company records periods open more than 6 years. If industry is successful, MMS could lose its authority to audit older records, thereby forfeiting the potential revenues due from prior periods.

- Industry's record-retrieval burden will be reduced if prior audit periods are closed out more contemporaneously.

To accomplish this initiative, audit resources will need to be increased temporarily to complete prior year audits. In FY 1990 the contractors selected will initiate audit efforts at certain residencies, while MMS auditors will focus their efforts on remaining residencies. During subsequent years of this initiative, contractors will also audit a portion of the other major payors, while MMS staff will audit the remaining major payors. This joint effort will help resolve the backlogs and place all future audits on a more contemporaneous schedule. After the transition to the new audit cycle, a portion of the resources contained in the final year's funding of this initiative will be required in the out years to maintain the increased audit frequency and the

6-year record retention period.

FY 1989 Pay Raise (-5 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Other Services..................................	+5,000

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(Dollar amounts in thousands)

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Systems Development and Operation	$ (FTE)	19,728 (86)	19,762 (86)	18,718 (82)	-1,010 (-4)	-1,044 (-4)
Total Requirements	$ (FTE)	19,728 (86)	19,762 (86)	18,718 (82)	-1,010 (-4)	-1,044 (-4)

Systems Development and Operation

Objectives

- o To maintain and operate an effective and cost efficient Automated Data Processing (ADP) environment in which the RMP systems can operate.
- o To devise and manage a program for assuring that the RMP systems operate at maximum production levels to accomplish within statutory timeframes the collection and distribution of mineral revenues.
- o To continually review the condition of the four large-scale automated systems (AFS, PAAS, BRASS, and STATSS) to determine the need for enhancements and changes to reflect modified program requirements.

Base Program

The Systems Development and Operation subactivity provides computer and related high-technology systems support for the Royalty Management operating programs. This includes: (1) planning, designing, and installing new software programs; (2) modifying and enhancing operating systems to meet changing needs or to increase efficiency; (3) operating and maintaining the systems; and (4) determining, obtaining, installing and maintaining necessary hardware.

Planning, Designing, and Installing Software Systems

Royalty Management has three major operating systems, plus one major data access system. The design, development, installation, maintenance, and hardware operations of these systems are provided for in this subactivity.

After the AFS began operation in FY 1983, it became evident that the minicomputer configuration initially purchased to handle the AFS would be inadequate. Hence, after a 2-year procurement process a contract was awarded in April 1985 to install a new mainframe computer and to reimplement the AFS applications software on the new computer. The mainframe hardware was successfully installed in the fall of 1985 and the AFS was reimplemented in the fall of 1987. For the first time, the AFS ran on the mainframe with sufficient capacity to provide on-line support for data correction and update processes.

A major element of the Royalty Management Action Plan was to improve access by States and Indian tribes to data on the MMS systems. On April 30, 1986, AFS data from individual leases was made available to States and Indian tribes through STATSS. Additionally, training and equipment were provided to Indian tribes and States to allow interaction with the MMS computer. As of November 1988, 10 States, 10 tribes, and 16 BIA offices could access AFS data through STATSS. There are approximately 600 individual users of STATSS. Participation in the use of STATSS is expected to increase by about 50 users in FY 1989 and again in FY 1990.

The RMP began work on the development of production reporting system software for onshore leases in FY 1988. Following the decision to transfer all onshore production reporting to MMS, RMP began developing software that will allow MMS to receive and process MMS-3160 production reports, provide data to BLM, States, and tribes, process additional exceptions through software enhancements. The RMP will continue the development and refinement of software for this initiative in FY 1990.

Modifying and Enhancing Operating Systems to Meet Changing Needs and to Increase Efficiency

All four RMP systems continue to need enhancement and software improvements as the systems operate in the production mode. In the case of the AFS, the system was "frozen" for over 2 years during the software reimplementation process. Many user changes were pending at the time the reimplementation process started and many other improvements have been identified since. As a result, numerous enhancements to the AFS are being made in the mainframe environment. These enhancements are being assigned priorities and made ready for development. Most of the changes will improve the production cycle or produce reports in the mainframe operating environment which are not possible on the minicomputer configuration.

Enhancement of the BRASS and PAAS systems is also an ongoing process as these systems develop new or different user needs once they have been in the production environment for a period of time. These improvements, or enhancements, make the system run better and, in the long run, minimize the further escalation of operational costs by improving hardware, software and user efficiency.

Since the implementation of the AFS, PAAS, and BRASS on minicomputers and the subsequent decision to reimplement AFS to a mainframe computer, discussion has focused on RMP's long-term systems requirements. Although the mainframe computer is expected to help resolve many of the Department's system and operational needs, experience has demonstrated the need for intensive, long-term strategic planning to address data processing, accounting, auditing, internal control, and management information needs into the 1990's. To meet these needs, RMP initiated a systems improvement effort to perform long-range strategic planning and to make appropriate recommendations as to the type and degree of systems modifications, enhancements, and overhaul needed to accomplish program goals in the most resource-effective method.

Systems improvement efforts have utilized IBM's Business Systems Planning Methodology (BSP) to evaluate the effectiveness of current systems, to identify both short-term and long-term functional improvements, and to develop a long-term strategic plan for future systems design and implementation. This project has also incorporated detailed input from the Secretary's Royalty Management Advisory Committee's Systems Improvement Panel, a group comprising representatives from States, Tribes, and industry. In Phase I of the project, completed in September 1987, RMP identified areas for improvement in the current systems. In Phase II, RMP analyzed and examined the cost effectiveness of the identified improvements and prepared a Business Systems Improvements Plan. This plan contains 6 policy and regulatory projects and 15 systems projects. The improvements contained in the plan, if implemented, will provide the following benefits:

- Accelerate the processing and disbursement of receipts.
- Simplify industry reporting.
- Improve relations with and services to clientele.
- Improve the efficiency and effectiveness of internal operations.
- Minimize duplication of data collection and maintenance.

Systems personnel implemented many of the highest priority short-term improvements during FY 1988. The MMS will continue consulting with RMP clientele on the proposed improvements.

Several workload and activity indicators are increasing substantially as a result of enhancements to RMP systems and because of the development and operation of the PAAS onshore system. For instance, transactions processed (key entered and verified) will grow from the current level of 6,450,000 to 8,900,000 by the end of FY 1990 with the implementation of the PAAS onshore initiative. Over the same timeframe, the total RMP database size is expected to increase by nearly 80 percent. The RMP also anticipates that its computer system will have to support approximately 75 additional terminal users for the PAAS onshore project by FY 1990. Due to all development and enhancement efforts, the total number of lines of program code maintained will grow from the current 2,310,000 to approximately 3,000,000 by FY 1990. Office automation devices (word processors, personal computers, optical readers, etc.) supported by systems personnel are expected to grow by 75 units through FY 1990.

Operating and Maintaining the Systems

As additional functions are placed in operation and payors/reporters are brought onto MMS systems, the operation and maintenance function takes on increasing importance. The following operation and maintenance functions are performed by contract:

- Computer operations - Computer operations are performed in two operating environments. The mainframe computer has been running STATSS software since April 1986 and the AFS since October 1987; the PAAS onshore software is being developed on the mainframe. A minicomputer configuration runs the existing PAAS and BRASS software.

- Data entry - Data entry and data validation services for the three operating systems.

- Software maintenance - Maintenance of all software for all RMP applications, systems testing, and the installation of fully tested software into the production mode.

- Additional support services - In addition, support services, such as micrographics, reproduction, tape storage, and similar services, are provided.

Selected Workload and Activity Indicators for the Systems Function are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc. (+) Dec. (-)
Lines of Program Code Maintained (000)	2,310	2,680	3,000	+320
Database Size Maintained (Megabytes)	6,660	7,300	11,950	+4,650
Contracts Managed ($000)	15,236	16,436	15,761	-675
Interactive Terminal Users Supported	350	400	425	+25
Transactions Processed (000)	6,450	8,050	8,900	+850
Data Transactions Keyed (000)	3,100	4,200	4,200	---
STATSS Users Supported	600	650	700	+50
Reference Documents Processed (000)	300	300	300	---
Responses to Information Requests	800	800	800	---
Office Automation Stations Supported	275	300	350	+50

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur. For example, MMS may reduce its systems enhancements effort.

Decrease from 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	19,762	18,718	-1,044
(FTE)	(86)	(82)	(-4)

Onshore Production Reporting (+$350,000)

An increase of $350,000 is proposed to complete the onshore production reporting conversion. For FY 1989 Congress limited the conversion effort to the States of Colorado, Wyoming, Utah, and Montana to ensure a smooth conversion effort with a minimal error rate. With the success of the early conversions and the low error rates experienced, RMP is ready to pursue and complete the conversion effort for the remaining onshore leases in FY 1990. This additional funding is proposed for computer operation and maintenance, data entry, document processing, and other related expenses.

Systems Enhancements (-$412,000)

A reduction of $412,000 is proposed from RMP software enhancements in order to cover MMS fixed cost increases and unfunded payroll costs. The MMS will re-evaluate and re-prioritize the planned enhancements and delay selected projects such as: software to consolidate all production reporting onto the IBM computer; software improvements recommended by the Secretary's Royalty Management Advisory Committee; or other enhancements associated with RMP's Business Systems Plan.

Computer Hardware Costs (-$1,300,000)

The current estimate for mainframe computer hardware costs in FY 1990 is $1,300,000 or a reduction of $1,300,000 from the FY 1989 level. This reduction is proposed as a result of RMP's completion of payments as provided for in the hardware contract. The remaining funds will cover maintenance of the hardware plus the addition of hardware peripherals and updates of system software that will maintain the efficiency of the mainframe.

Increase in Contract Costs of Ongoing Activities (+$318,000)

An increase of $318,000 is proposed for increased costs of the base level contract efforts in computer operations and maintenance and related systems contracts. In RMP, 67 percent of the workload in the systems management function is carried out by contractors. Because most MMS contracts include adjustments for normal salary increases and other rising costs, the amount of work which can be accomplished within the same level of available funds declines each year.

During the past 5 years, the cost of obtaining contract support has increased by an average of 4 percent per year, and is expected to increase at about the same rate in FY 1989 and FY 1990. Funding this proposal will better enable RMP to maintain the current level of effort in systems operations and maintenance and systems enhancements. System improvements recommended by the Secretary's Royalty Management Advisory Committee, requested by States and Indian tribes, needed to improve MMS operational efficiency and effectiveness will be preserved.

FY 1989 Pay Raise (-4 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Other Services....................................	-1,044

Activity Summary

Activity: General Administration

(In thousands of dollars)

Subactivity	FY 1988 Actual	FY 1989 Enacted To date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Executive Direction	3,480	3,535	3,580	3,580	+45	---
Administrative Operations	9,917	10,127	10,209	10,099	-28	-110
General Support Services	12,994	13,822	15,565	17,604	+3,782	+2,039
Total Requirements	26,391	27,484	29,354	31,283	+3,799	+1,929

The General Administration activity provides support for the program responsibilities of MMS and is divided into three subactivities: Executive Direction, Administrative Operations, and General Support Services.

Executive Direction. The Executive Direction subactivity provides budget authority for the Office of the Director and immediate staff, the Office of Congressional and Legislative Affairs, the Office of Public Affairs, the Office of Equal Employment Opportunity, and the Office of the Assistant Director for Program Review. These functions provide for overall program leadership, direction and policy guidance, budget formulation and execution, program review and evaluation, and management coordination of all the responsibilities of MMS.

Administrative Operations. The Assistant Director for Administration is responsible for the administrative activities of MMS. These administrative functions include financial management; personnel management and training; safety and health program management; procurement; property and space management; office services; personnel and physical security; and information resources management functions, such as automated data processing, management analysis, records and paperwork management, and printing. In carrying out these responsibilities, the Assistant Director is supported by four headquarters divisions, three Field Administrative Service Centers, and a satellite office. The four headquarters divisions are Financial and Administrative Management, Personnel Management, Procurement and Property Management, and Information Resources Management.

General Support Services. The General Support Services activity includes funding for costs such as Federal space rental, Federal Telecommunications System (FTS) service, postal services, commercial communications, and support services for all of MMS.

Justification of Program and Performance

Activity: General Administration
Subactivity: Executive Direction

(Dollar amounts in thousands)

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc. (+) Dec. (-) from 1989	Inc. (+) Dec. (-) from Base
Executive Direction	$ (FTE)	3,535 (74)	3,580 (74)	3,580 (72)	+45 (-2)	--- (-2)
Total Requirements	$ (FTE)	3,535 (74)	3,580 (74)	3,580 (72)	+45 (-2)	--- (-2)

Authorization

Secretarial Order No. 3071 — The order established the Minerals Management Service under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Executive Direction

Objective

- o Provide executive leadership, policy direction, and program management for all programs and mission responsibilities of the Minerals Management Service.

Base Program

The Executive Direction subactivity is comprised organizationally of the Director and his immediate staff, the Office of Congressional and Legislative Affairs, the Office of Public Affairs, the Office of Equal Employment Opportunity, and the Office of the Assistant Director for Program Review.

The Office of the Director is responsible for providing general policy guidance and management of the organization.

The Office of Congressional and Legislative Affairs serves as the primary point of contact between the Minerals Management Service and the Congress and provides information and assistance in response to inquiries by Members of Congress or congressional staff and committee personnel. Specifically, the Office evaluates, or coordinates the evaluation of, legislative proposals affecting MMS responsibilities; maintains continuing communications regarding programs and policies, items of legislative action, statements of positions on matters under consideration by the Congress, legislative initiatives, preparation and coordination of testimony for witnesses; and coordinates arrangements for congressional authorizing committee hearings and meetings, and congressional activity that affects or may affect the Minerals Management Service.

The Office of Public Affairs provides advice to the Director and other officials on policy and procedures for disseminating information about program activities and products to the public through the press and news media. The office also prepares and distributes news releases to the print and electronic media and responds to inquiries from the media and the public or refers such inquiries to other officials. Close liaison with the Secretary's Office of Public Affairs and counterpart offices within the Department and other agencies is maintained.

The Office of Equal Employment Opportunity develops, directs, monitors, and operates the Equal Employment Opportunity (EEO) Program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, Departmental directives, and other related statutes and orders. Specifically, these duties include the discrimination complaint system, counseling, development and implementation of equal employment opportunity and affirmative action plans, special emphasis programs, and EEO-related training. The Office also provides expertise and leadership for other civil rights matters and technical assistance to supervisors and managers.

The Assistant Director for Program Review is responsible for assuring that resources are utilized effectively in support of the missions of the Minerals Management Service. The functions of this organization include planning for and allocating budgetary resources for operating and support programs; delineating objectives; developing and evaluating policy initiatives; determining the effectiveness of management and internal controls in meeting program objectives; preparing recommended decisions in appeals arising from the decisions of operating officials; and maintaining liaison with Department offices and other Government agencies regarding program planning, budget and program execution, and program evaluation. In carrying out these responsibilities, the Assistant Director is supported by three headquarters divisions: Budget, Internal Review, and Appeals.

Budget. The Budget Division provides analysis, policy guidance, and recommendations regarding budget and program formulation and justification; assures proper funding and staffing allocation and budget execution in accordance with the law, congressional, departmental, and bureau program directives, goals, and objectives; and develops, prepares, and maintains budget data; and provides analysis of financial and other resource use reports. The Division is also responsible for and assisting in the presentation and explanation of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress.

Internal Review. The Internal Review Division conducts evaluations of MMS programs to determine the degree of program performance and conducts analyses of Minerals Management Service programs and policies. It provides an analytical consultation and review capability within the agency to assure proper policy analysis and development of programs. It is responsible for monitoring follow-up and implementation of internal review and evaluation recommendations and coordinating the Bureau's management-by-objective program. The Division also serves as the central point of contact, control, and coordination for comments and actions resulting from General Accounting Office and Office of the Inspector General reports. The Division develops, implements, and monitors internal control systems to prevent fraud, waste, and abuse as prescribed in the provisions of OMB Circular A-123.

Appeals. The Appeals Division administers the appeals process within the MMS through direct staff support of the appellate responsibilities of the Director (and the Deputy Assistant Secretary-Indian Affairs in appeals cases involving Indian lands) pursuant to 30 CFR Part 290 - Appeals Procedures. Specifically, the Division of Appeals is the authorized representative of the Director for the purpose of reviewing, considering, and preparing recommended decisions on matters within the jurisdiction of the MMS in accordance with existing policies, regulations, and procedures. These responsibilities include program and policy liaison and coordination between the various MMS programs, other Bureaus and Department offices, and various segments of the Federal Government and the private sector.

Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(Dollar amounts in thousands)

Program Element		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Administrative Direction and Coordination	$	312	315	315	+3	---
	(FTE)	(7)	(7)	(7)	(---)	(---)
Financial and Administrative Management	$	1,837	1,851	1,741	-96	-110
	(FTE)	(41)	(41)	(40)	(-1)	(-1)
Personnel Management	$	1,400	1,411	1,411	+11	---
	(FTE)	(29)	(29)	(28)	(-1)	(-1)
Procurement and Property Management	$	1,573	1,586	1,586	+13	---
	(FTE)	(34)	(34)	(33)	(-1)	(-1)
Information Resources Management	$	1,293	1,301	1,301	+8	---
	(FTE)	(20)	(20)	(20)	(---)	(---)
Field Administrative Services	$	3,712	3,745	3,745	+33	---
	(FTE)	(97)	(97)	(95)	(-2)	(-2)
Total Requirements	$	10,127	10,209	10,099	+28	-110
	(FTE)	(228)	(228)	(223)	(-5)	(-5)

Authorizations

31 U.S.C. 65	Budget and Accounting Procedures Act of 1950
31 U.S.C. 3901-3906	Prompt Payment Act of 1982
31 U.S.C. 3512(c)	Federal Managers' Financial Integrity Act of 1982
5 U.S.C. 552	Freedom of Information Act of 1966, as amended
31 U.S.C 7501-7507	Single Audit Act of 1984

Authorizations

41 U.S.C. 35-45	Walsh Healy Public Contracts Act of 1936
41 U.S.C. 351-357	Service Contract Act of 1965
41 U.S.C. 601-613	Contract Disputes Act of 1978
44 U.S.C. 35	Paperwork Reduction Act of 1980
44 U.S.C. 2101	Federal Records Act of 1950
40 U.S.C. 486(c)	Federal Acquisition Regulation of 1984
31 U.S.C. 3501	Privacy Act of 1974
31 U.S.C. 3501	Accounting and Collection
31 U.S.C. 3711,3716-19	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 et seq.	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	Anti-Deficiency Act of 1905, as amended
41 U.S.C. 252	Competition in Contracting Act of 1984
18 U.S.C. 1001	False Claims Act of 1982
18 U.S.C. 287	False Statements Act of 1962
41 U.S.C. 501-509	Federal Grant and Cooperative Agreement Act of 1977
41 U.S.C. 253	Federal Property and Administrative Services Act of 1949
41 U.S.C. 401	Office of Federal Procurement Policy Act of 1974, as amended
15 U.S.C. 631	Small Business Act of 1953, as amended
15 U.S.C. 637	Small Business Act Amendments of 1978
10 U.S.C. 137	Small Business and Federal Competition Enhancement Act of 1984
15 U.S.C. 638	Small Business Innovation Research Program of 1983
10 U.S.C. 2306(f)	Truth in Negotiations Act of 1962

Administrative Operations

Objective

- Provide continuing administrative direction and coordination to support the technical and mineral revenue collection programs of the MMS.

Base Program

The Administrative Operations subactivity consists of the following functions: Administrative Direction and Coordination, Financial and Administrative Management, Personnel Management, Procurement and Property Management, and Information Resources Management. These functions are directed and carried out at headquarters and nationwide through three Field Administrative Service Centers (ASC's) and a satellite office.

Administrative Direction and Coordination is carried out by the Assistant Director for Administration and his immediate staff. The staff is responsible for (1) compliance with laws relating to administrative activities; (2) the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and (3) the development of appropriate organizational guidance to assure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. The Assistant Director is also responsible for the oversight of administrative activities of the MMS, including financial management, personnel management and training, management analysis, management of automated data processing, procurement, property and space management, office services, records management, personnel and physical security, safety, and the printing of publications. Liaison is maintained with departmental offices in order to effect a coordinated and unified administrative program consistent with the mission and goals of the Department of the Interior. The Assistant Director for Administration provides direct administrative support to managers nationwide through three Field Administrative Service Centers and a satellite office.

The Service Security Officer also reports to the Assistant Director. The security program encompasses personnel security, physical security, and document security Bureauwide. Specific duties include identifying sensitive positions; initiating, through the Office of Personnel Management, personnel background investigations; adjudicating completed investigative reports; issuing suitability certifications and ADP authorizations; granting national security clearances; providing guidance to collateral duty security personnel and security training for employees; investigating security violations, incidents, and thefts; and conducting security inspections.

Financial and Administrative Management Division is responsible for administering the financial management and administrative services programs. FAMD operates the administrative accounting systems, provides payroll liaison functions, audits and schedules bills for payment, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with departmental offices and other Government Agencies. This Division is also responsible for facilities management; transporting of good/materials; telecommunications operations; mail management; safety and health programs;

records and paperwork management; directives; organizational and management studies; regulations processing; the information collection budget; productivity improvement, including A-76; and Privacy Act, Freedom of Information Act, and Paperwork Reduction Act compliance. Technical direction is provided MMS-wide through the issuance of policy and onsite assessment and assistance.

Secretarial Order No. 3111, dated December 20, 1985, consolidated in the Bureau of Reclamation (BOR) all responsibility for the maintenance and operation of the Department's payroll system. The MMS reimburses BOR for the costs associated with the program. The FAMD provides processing support for the entry of data and serves as liaison for the Bureau.

In concert with the Department's Financial Integration Review for Management (FIRM) project, the MMS is planning to convert to a standard Departmentwide financial system. Even though the MMS is scheduled for conversion in FY 1991, development will be ongoing during FY 1989-1990.

In the areas of management analysis and records management, FAMD conducts reviews, systems studies, analyses, productivity initiatives, and special projects; for instance, one or more reviews will be conducted under productivity improvement initiatives. The Division will continue to provide advice, counsel, and direction on organizational activities and will analyze and process organizational structures for implementation; provide guidance to program offices on the preparation, review, and issuance of Federal Register documents and delegation of authorities; manage the directives system; and provide policy and procedural review to ensure compliance with regulations and utilization of enhanced records and information management technologies. Emphasis will continue on efforts to aid the Bureau in meeting its Information Collection Budget.

The safety and facilities management program will continue to oversee assigned space in 36 buildings in 24 cities. Responsibilities include processing space requests and reimbursable work authorizations; conducting space utilization surveys, safety inspections of facilities, and annual space inventories; and issuing facilities management policy and guidelines Bureauwide. Responsibilities also include coordinating office moves and telephone design and ordering; and providing mail delivery services, overseeing a Bureauwide metered mail system, airline ticket deliveries, messenger services, mail shipments, household goods, and bulk shipments. Safety responsibilities include developing and implementing a safety program; investigating accidents and incidents; developing a water survival safety program; providing employees with safety training; and overseeing the disposal of toxic materials.

Major selected program outputs for the FAMD are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc. (+) Dec. (-)
Obligations Recorded	18,000	18,000	18,000	---
Auditing & Paying Invoices	24,200	24,000	24,000	---

Auditing & Paying Travel Vouchers	8,500	8,500	8,500	---
Miscellaneous Financial Documents Processed	5,000	5,000	5,000	---
Cash Management Reports Processed	16	16	16	---
Debt Management Reports Processed	16	16	16	---
Financial Policies & Procedures Developed	7	8	8	---
Internal Reports Prepared	100	100	100	---
External Reports Prepared	60	60	60	---
Conduct Management Reviews/Studies	10	10	6	-4
Monitor Federal Register Cost Accountability	320	320	320	---
Review Policy Documents (Directives System)	80	80	100	+20
Analysis of Organization Proposal	17	20	20	---
Process Other Documents	441	455	455	---
Conduct Records Management Training	3	2	3	+1
Conduct Space Utilization Studies Layouts	2	2	2	---
Design Office Space Layouts	350	375	150	-225
Inhouse Moves	519	375	150	-225
Process Telephone Orders	642	2,000	900	-1,100
Process Telephone Complaints	225	700	400	-300
Conduct Safety Inspections	5	6	8	+2

Investigate Accidents/ Incidents	54	55	60	+5

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Personnel Management is carried out by the Personnel Division. This organization develops and implements Bureauwide policies, procedures, guidelines, and standards related to general personnel management; recruitment and employment; position management, classification, and utilization; training and career development; personnel planning; personnel program evaluation; labor management relations; employee relations and services; conflict of interest and ethics; incentive awards; the Federal Equal Opportunity Recruitment Program (FEORP); and public policy programs. The Division also provides assistance and guidance related to personnel matters to all levels of management in developing and administering personnel programs as well as personnel program direction to field personnel offices. This involves day-to-day and long-range personnel planning, evaluation, and operational activities in: examining; recruitment and selection; placement; retention; pay administration; employee development; employee relations and services; labor relations; special interest programs; affirmative action; conflict of interest; motivation; discipline; performance evaluation; monetary awards; insurance and annuities; attendance and leave; appointments and processing; and a variety of personnel reports, records, and statistics. Liaison with the Office of Personnel Management, the Department of the Interior, Office of the Inspector General, and the Federal Labor Relations Authority on personnel management and related issues is required.

The Personnel Division will continue to accomplish its basic personnel support mission for MMS in FY 1990. In addition, several personnel management projects and programs will receive emphasis. Two personnel management evaluations are scheduled. They will cover operating practices; merit promotion and recruitment; classification accuracy; performance management; compliance with governing policies, regulations, and guidelines; management assistance activities; and personnel processing. The development of supervisors, managers, and executives will receive continued attention. Training courses in technical and administrative areas will be arranged for employees and supervisors. Policies, guidance, and programs will be reviewed and modified, as necessary, to meet the needs and objectives of the MMS as well as departmental and Office of Personnel Management guidelines. Initiatives relating to leave sharing and the Federal drug-free workplace will be continued at levels required by public policy. Portions of the Minerals Management Service Manual (MMSM) will need to be revised because there are continual changes to the Federal personnel regulations. Chapters will be developed or revised and implemented to provide policy and guidance for use throughout the organization in FY 1990.

Selected program outputs for Personnel Management are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc. (+) Dec. (-)
Positions Reviewed	355	250	250	---
Vacancy Announcements Processed	139	140	140	---
Classification Audits Conducted and Positions Reviewed	85	100	100	---
Personnel Actions Processed	3,110	2,500	2,500	---
PAY/PERS Processing	4,536	3,500	3,500	---
Employment and Financial Interest and Public Disclosure Statements Processed	1,800	2,000	2,000	---
Personnel Management Evaluations Conducted	1	2	2	---
Personnel Policies/ Procedures Issued	62	50	50	---
Training Requests Processed & Reviewed	622	550	550	---
Executive/Managerial Training Processed	203	175	225	+50
Training Courses Developed/Presented	18	16	20	+4
Performance Appraisal/ Merit Pay Reviews Conducted	1,000	1,000	1,200	+200
Employees Relations Cases Processed/ Guidance Given	775	900	950	+50
Labor Relations Cases Processed/Guidance Given	117	100	125	+25
Worker Compensation Cases, Incentive Awards, Beneficial Suggestions, and Retirements Processed	450	440	440	---

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Procurement and Property Management. The Procurement and Property Management Division develops and implements policies, procedures, and standards for the execution and administration of the MMS's procurement and property management programs. The programs are designed to ensure the formulation and implementation of practices and procedures that will produce effective, economical project results in compliance with applicable laws, regulations, and sound business decisions. Technical direction is also provided to the Field Administrative Service Centers and a satellite office through the issuance of policy and by field reviews and visits.

The Division is responsible for two distinct programs which will be performed in FY 1990 in support of MMS:

1. Procurement. The procurement program includes entering into and administering contracts, small purchases, grants, cooperative agreements, and interagency agreements essential for fulfilling the mission of the MMS. Other responsibilities include managing the Small and Disadvantaged Business Utilization Program and Historically Black College and University Program; conducting acquisition management reviews of field offices; conducting cost and price analyses; developing annual Advance Procurement Plans; and issuing procurement policy guidance to a variety of target groups, including private industry, senior management, contracting officers, and the Offshore and Royalty Management Programs.

2. Property Management. The property program maintains accountability records for over 10,000 line items of property valued at approximately $30 million. Specific responsibilities include conducting an annual inventory of property assigned to over 190 accountable and custodial property officers using bar code technology; managing a nationwide data system, including property in the possession or control of contractors; managing a Departmental Fleet Management System for the Buerau; managing a printing and publications activity; managing a warehouse facility; and managing a duplicating and copying program; and issuing policy guidance on property, supplies, and printing, duplicating, and copying Bureauwide.

   An Intra-Agency Agreement between the MMS and the Office of Surface Mining Reclamation and Enforcement (OSMRE) provides for the implementation of a property management system for the OSMRE and provides for future specific services in maintaining the system on a reimbursable basis each fiscal year.

Selected program outputs for Procurement and Property Management are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Award Contracts	372	340	350	+10
Award Small Purchases	5,359	6,000	5,500	-500
Administer Contracts	343	370	395	+25
Conduct Acquisition Management Reviews:				
Primary	1	1	1	---
Follow-up	---	1	1	---
Update Property Management Records	4,587	7,500	7,500	---
OSM Transactions	5,507	1,000	1,000	---
Contractor-Property Transactions	---	800	1,300	+500
Conduct Property Management Reviews of ASC's	2	1	3	+2
Issue Individual Inventories of Controlled Property	28	200	200	---
Review Property Survey Board Actions	39	20	20	---
Printing Requests	629	600	500	-100
Develop Procurement Policy Directives	25	25	25	---
Issue Information Requests or Transmittals	95	100	100	---
Pricing Reports				
Pre-award	52	50	50	---
Closeout	6	12	12	---
Audit Request				
Pre-award	21	20	20	---
Closeout	8	11	11	---
Special Projects	175	200	225	+25
Review and Adjudicate GAO/OIG/Departmental (PAM) Audit Investigations	5	10	10	---
Respond to GAO/GSA/CO Protests	2	4	5	+1

Conduct Internal Control Reviews	2	2	2	---

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Information Resources Management (IRM). The IRM Division is responsible for direction and review of the MMS's IRM programs. These include planning, analyses, and direction for data administration and telecommunication; office automation; security of data, systems, and equipment; and operation, maintenance, and improvement of the administrative systems, such as the Advanced Budget/Accounting Control and Information System (ABACIS) and Payroll/Personnel System (PAY/PERS).

In FY 1990, the Division will issue the MMS Automated Data Processing (ADP) Strategic Plan as an ongoing process providing the Department consolidated budgetary and planning information on the MMS's ADP activities and future programs. It will participate in Bureauwide efforts identified in the MMS ADP Strategic Plan such as cyclical reviews of current systems; telecommunications activities; common data elements and standards between program areas; awareness of and analysis of ADP costs; future ADP hardware, microcomputer, and electronic mail policy; and analysis of ADP roles and responsibilities. The plan also calls for development of a number of new administrative systems. Some of these tasks will be initiated in FY 1990, and others will be continued.

The Division will continue to provide administrative and technical support to the ADP Review Council in the planning and oversight of ADP projects. The Division will participate in implementing and executing a departmental Strategic Framework for Information Resources Management to increase productivity, improve management and delivery of information, and increase effectiveness in the use of technology. The system life cycle management program will continue as well as the ADP security program.

Maintenance efforts and improvements to existing administrative systems will continue. Support of the Office of Surface Mining's controlled property tracking requirements will continue to be satisfied using the Property Management System. Assistance will be given, as required, in the conversion efforts to a single departmental accounting system (FIRM) and the new payroll/personnel system. It is expected that these applications will require significant development efforts to accommodate new requirements. Existing hardware and software will be evaluated for utility in supporting the new departmental systems, and maintenance upgrade or replacement will be initiated, as necessary. Support for Headquarters microcomputer users will continue, and connectivity among program functions will be reviewed and enhanced.

Selected program outputs for Information Resources Management are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Maintain/Operate Administrative Systems	14	18	16	-2
Develop/Enhance (Major) Administrative Systems	11	7	7	---
Operate Vendor-Supplied Systems	8	8	11	+3
Issue MMS ADP Strategic Plan	0	1	1	---
Conduct ADP Security Reviews	2	2	3	+1
Participate in Departmental IRM Projects	6	6	6	---
Respond to Requests for ADP Data	12	10	9	-1
Perform Studies of Bureau ADP/Telecommunications Operations	7	7	6	-1
Prepare Planning Documents (5 yr. ADP/Telecommunication Plan)	3	3	3	---
ADP Acquisition Reviews	503	400	500	+100

Field Administrative Services. Direct administrative support is provided to program managers through three Field Administrative Centers (ASC's) and a satellite office, located in proximity to major program offices in the field. These ASC's provide services to all field activities of the MMS, except for the Atlantic OCS Region, which receives support directly from the Office of Administration in Herndon, Virginia.

The Office of the Assistant Director for Administration and the ASC's are structured to assist managers in matters related to personnel, safety, security, space and property management, procurement and contracting, information resources management activities, and financial management. The ASC's in the field operate under the direction of a service center manager who reports to the Assistant Director for Administration. The administrative service organizations and their service areas are:

Service Organizations	Region/Activity	Location
Office of the Assistant Director for Administration	MMS Headquarters Atlantic OCS Region	Herndon, Virginia
Alaska Administrative Service Center	Alaska OCS Region	Anchorage, Alaska

Central Administrative Service Center	Royalty Management	Lakewood, Colorado
Administrative Satellite Office	Pacific OCS Region	Ventura County, California
Southern Administrative Service Center	Gulf of Mexico OCS Region Royalty Management	New Orleans, Louisiana

Selected program outputs for the Field Administrative Service Centers are:

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate	Inc.(+) Dec.(-)
Small Purchases Processed	4,620	4,690	4,740	+50
Contracts Awarded	183	160	168	+8
Contracts Administered	148	145	153	+8
Property Actions	10,134	13,550	13,650	+100
Property Inventoried	7,600	7,735	7,870	+135
Space Utilization Studies/Layouts	66	56	68	+12
Work Authorizations/ Building Repairs	325	325	292	-33
Telephone Connects/ Disconnects Processed	1,108	1,210	1,285	+75
Safety Inspections/Accident Investigations	46	64	64	---
Security Clearances	445	505	530	+25
Positions Reviewed	385	640	630	-10
Vacancy Announcements Processed	190	190	180	-10
Training Courses Developed/Presented	13	14	13	-1
Training Requests Processed & Reviewed	3,329	3,150	3,150	---
Personnel Actions Processed	4,285	4,350	4,250	-100
Employee Relations Cases Processed/ Guidance Given	2,226	2,365	2,365	---

BPA Calls Processed	2,013	2,205	2,205	---
Invoices Processed	5,169	6,950	6,950	---
Mail Processed	1,081,000	1,133,000	1,235,000	+102,000
Reproduction Work	5,359,088	5,000,000	6,000,000	+1,000,000
Imprest Fund Actions	2,616	2,760	2,830	+70
PAY/PERS Input	58,361	60,106	61,150	+1,044

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing certain payroll increases in FY 1989 and FY 1990 through employee attrition. Although the precise impact is difficult to predict, reductions to some program outputs will occur.

Decrease from 1990 base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	10,209	10,099	-110
(FTE)	(228)	(223)	(-5)

Headquarters Consolidation (-$110,000)

A savings of $110,000 results from efficiencies achieved by consolidating all MMS Virginia offices in one location. The consolidation which will occur in FY 1989 will facilitate daily program operations and enhance communications and overall effectiveness of program planning and management.

FY 1989 Pay Raise (-5 FTE)

In the interest of meeting Federal deficit reduction objectives, MMS is absorbing the 4.1 percent pay increase that was effective January 1, 1989, by reducing FTE Usage in FY 1989 and FY 1990. Since this reduction will be achieved through employee attrition, the programmatic impact is not yet known.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Personnel Compensation..........................	-13
Personnel Benefits..............................	- 2
Other Services..................................	-95
Total	-110

Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(Dollar amounts in thousands)

Subactivity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc. (+) Dec. (-) from Base
General Support Services	$ (FTE)	13,822 (---)	15,565 (---)	17,604 (---)	+3,782 (---)	+2,039 (---)
Total Requirements	$ (FTE)	13,822 (---)	15,565 (---)	17,604 (---)	+3,782 (---)	+2,039 (---)

Authorization

Secretarial Order No. 3071	The order established the Minerals Management Service (MMS) under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

General Support Services

Objectives

- o Provide adequate and safe work space and facilities that will contribute to the productivity and efficiency of the employees of the MMS in achieving goals and objectives.

- o Provide appropriate services to support the operating programs.

Base Program

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at $11.521 million in FY 1990, is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of $1.3 million is based on data developed by the Department and actual FY 1988 costs. Commercial communication expenses of $350,000 are based on FY 1989 estimates and include local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

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

(In thousands of dollars)

Rent	11,521
Los Angeles move.......................	2,039
Postage	300
Commercial Communications..............	350
Department of Interior Working Capital Fund and Miscellaneous Charges	648
Federal Telecommunications System	1,256
Reimbursable Services	346
Employees' Compensation Fund	113
Federal Financial System................	500
Miscellaneous Costs....................	478
Unemployment Compensation	53
Total............................	17,604

Increase from 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	15,565	17,604	+2,039
(FTE)	(---)	(---)	(---)

The increase of $2.04 million is for expenses related to the relocation of the Pacific OCS Regional office in Los Angeles, California, and the consolidation of the Ventura District office into a new single location in Ventura County.

The Pacific region covers offshore areas with the second greatest oil and gas production after the Gulf of Mexico. The largest concentration of OCS operations in the region is in the Santa Barbara Channel and Santa Maria Basin. Since these areas are the focal point for industry office operations, the relocation of the Pacific Regional office to nearby Ventura would enhance communications and coordination with those offices and with the local governments in the area. The improved communication and access to the developing fields and local government regulatory personnel will enable MMS to improve the effectiveness of program planning, management, and local government coordination and to incur savings through reduced travel costs.

Relocation to a larger facility is essential to eliminate severe overcrowding of personnel and provide special-use space for ADP operations and proprietary records storage. In addition, the space required for an existing paleontology laboratory is inadequate and does not comply with fire, safety, and health regulations.

Additionally, relocation is essential to ensure the personal safety of employees and improve staff recruitment. Personnel safety has become a major concern for employees in the Pacific Regional office. The office is located in a high crime district of Los Angeles, and police arrest records for the first three quarters of 1987 show high incident rates for felony assaults, theft, vice, and adult felony and misdemeanors. Since incidents, such as employee harassment by transients and automobiles being vandalized, are not isolated, 81 percent of the employees feel personal safety outside the office is unacceptable. The situation, which is expected to deteriorate, has been a principal cause of the high turnover in professional and administrative personnel. The overall turnover rate for these employees in 1987 was 16 percent as compared to the rate of 8 percent for the offshore program nationwide. Recruitment has also been adversely impacted since potential employees have declined employment after learning that the regional office is located in a high crime district. The end result is that the offshore program effectiveness has suffered since positions have remained unfilled for long periods of time.

The costs estimated to be incurred during FY 1990 will provide for space acquisition and office modification; physical relocations; reimbursements to employees for the movement of household goods; and installation of telephone and other systems, etc. Specific one-time cost estimates are:

Office moves to new location..................	$ 85,000
Permanent Change of Station...................	1,399,000
Office alterations (including................. telephone system and uninterrupted power supply) of new location...............	555,000
Total	$2,039,000

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Personnel Benefits........................	+700
Travel and Transportation of Personnel.....	+106
Equipment..................................	+125
Transportation of Things...................	+243
Other services.............................	+865
Total	+2,039

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management

Program and Financing (In thousands of dollars)

14-1917-0-1-302	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
Program by activities:			
DIRECT PROGRAM:			
00.0101 Outer Continental Shelf Lands......	92,339	90,958	91,682
00.0201 Royalty Management.................	49,579	52,302	57,496
00.0301 General Administration.............	26,314	27,484	31,283
	=======	=======	=======
00.9101 Total direct program............	168,232	170,744	180,461
	-------	-------	-------
01.0101 Reimbursable program...............	---	200	200
	=======	=======	=======
10.0001 Total obligations...............	168,232	170,944	180,661
FINANCING:			
Offsetting collections from:			
11.0001 Federal funds......................	---	-100	-100
14.0001 Non-Federal sources................	---	-100	-100
25.0001 Unobligated balance lapsing........	485	---	---
40.0001 Budget authority (appropriation)...	168,717	170,744	180,461
Relation of obligations to outlays:			
71.0001 Obligations incurred, net..........	168,232	170,744	180,461
72.4001 Obligated balance, start of year.........................	70,700	74,802	74,719
74.4001 Obligated balance, end of year.........................	-74,802	-74,719	-81,185
77.0001 Adjustment in Expired Accounts.....	656	---	---
90.0001 **OUTLAYS**........................	164,787	170,827	173,995

Summary of Requirements by Object Class

Appropriation: Leasing and Royalty Management **(Dollar amounts in Thousands)**

Object Class	FY 1990 Base FTE	FY 1990 Base Amount	FY 1990 Estimate FTE	FY 1990 Estimate Amount	Difference FTE	Difference Amount
11. Personnel Compensation:						
11.1 Full-time permanent	1,896	70,005	1,896	69,992		-13
11.3 Other than full-time permanent	100	2,238	100	2,238		---
11.5 Other personnel compensation	9	1,348	9	1,348		---
11.8 Special personal services payments	---	27	---	27		---
11.9 Total Personnel Compensation	2,005	73,618	2,005	73,605		-13
12.1 Personnel benefits: civilian		13,599		13,771		172
13.0 Benefits for former personnel		112		112		---
21.0 Travel and transportation of persons		4,450		4,544		94
22.0 Transportation of things		431		1,550		1,119
23.1 Standard level user charges		10,949		10,949		---
23.2 Rental payments to others		109		109		---
23.3 Communications, utilities and miscellaneous charges		4,432		4,502		70
24.0 Printing & reproduction		1,648		1,678		30
25.0 Other services		58,369		64,847		6,478
26.0 Supplies and materials		1,963		1,886		-77
31.0 Equipment		3,616		2,881		-735
41.0 Grants, subsidies and contributions		---		---		---
42.0 Insurance claims and indemnities		27		27		---
Total Requirements		173,323		180,461		7,138

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management

Object Classification (In thousands of dollars)

14-1917-0-1-302	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
Direct Obligations:			
PERSONNEL COMPENSATION			
111.10 Full-time permanent..................	66,401	69,317	69,992
111.30 Other than full-time permanent.......	2,123	2,216	2,238
111.50 Other personnel compensation.........	1,279	1,335	1,348
111.80 Special personal services payments...	26	27	27
111.90 Total personnel compensation......	69,829	72,895	73,605
112.10 Civilian personnel benefits..........	12,960	13,628	13,771
113.00 Benefits for former personnel........	126	112	112
121.00 Travel and transportation of persons.	3,989	4,450	4,544
122.00 Transportation of things.............	445	431	1,550
123.10 Rental payments to GSA...............	8,137	9,373	10,949
123.20 Rental payments to others............	133	109	109
123.30 Communications, utilities and miscellaneous charges..............	3,370	4,370	4,502
124.00 Printing and Reproduction............	1,316	1,648	1,678
125.00 Other services.......................	59,528	58,382	64,847
126.00 Supplies and materials...............	2,151	1,963	1,886
131.00 Equipment............................	6,032	3,356	2,881
141.00 Grants, subsidies, and contributions.	200	---	---
142.00 Insurance claims and indemnities.....	16	27	27
199.00 SUBTOTAL, direct obligations.........	168,232	170,744	180,461
Reimbursable Obligations:			
225.00 Other services.......................	---	200	200
299.00 SUBTOTAL, reimbursable obligations...	---	200	200
999.90 **TOTAL OBLIGATIONS**................	168,232	170,944	180,661

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management

Personnel Summary

14-1917-0-1-302	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
Direct:			
Total number of full-time permanent positions...............	1,931	2,021	1,973
Total compensable workyears:			
Full-time equivalent employment...	2,009	2,044	1,996
Full-time equivalent of overtime and holiday hours...............	10	10	9
Average ES salary..................	$73,466	$75,725	$76,478
Average GS grade....................	10.28	10.28	10.28
Average GS salary..................	$34,280	$35,334	$35,685
Average salary of ungraded positons	$10,055	$10,364	$10,467

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management

Detail of Permanent Positions

14-1917-0-1-302	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
ES-6	2	2	2
ES-5	3	3	3
ES-4	7	7	7
ES-3	4	4	4
ES-2	1	1	1
ES-1	---	---	---
Subtotal	17	17	17
GS/GM-15	63	63	61
GS/GM-14	174	174	170
GS/GM-13	384	384	375
GS-12	469	469	458
GS-11	159	161	157
GS-10	41	41	40
GS-9	107	107	104
GS-8	41	41	40
GS-7	169	169	165
GS-6	127	127	124
GS-5	144	144	141
GS-4	104	104	101
GS-3	18	18	18
GS-2	---	---	---
GS-1	---	---	---
Subtotal	2,000	2,002	1,954
Ungraded	2	2	2
Total permanent positions	2,019	2,021	1,973
Unfilled positions end of year	88	---	---
Total permanent employment, end of year	1,931	2,021	1,973

Appropriation Summary Statement

Minerals Management Service

Appropriation: Payments to States from Receipts under Mineral Leasing Act

Payments to States from Receipts under Mineral Leasing Act: (-$96,518,000)

In accordance with 30 U.S.C. 181 et seq. (the Mineral Leasing Act), all States (except Alaska) are paid 50 percent of the receipts from bonuses, royalties, and rentals resulting from the leasing of mineral resources under the Act, on public domain lands. Alaska is paid 90 percent of the receipts from such leasing (except for lands within the National Petroleum Reserve-Alaska (NPRA)).

The Federal Oil and Gas Royalty Management Act of 1982 required monthly, instead of semi-annual, payments to a State of its share of royalty funds on production from federal leases within the State (and of payor late payment interest collected under that Act on oil and gas royalties from public domain lands) and to Indian accounts on production from leases on Indian lands.

On October 24, 1988, 30 U.S.C. 191a was signed into law. This law authorized sharing with the States and all other recipients any interest on payor late payments accrued from all payments due on all Government lands, and from all minerals. Interest received by the Government on or after July 1, 1988, will be shared in the same manner as the rents, royalties, or bonuses with respect to which it is paid. The MMS estimates the States' share of this interest from Mineral Leasing Act (MLA) public domain lands to be $6.0 million in FY 1990. Future estimates will include interest from acquired or non-MLA lands which will not be disbursed through this activity because they do not pass through this account. At that time, an estimate will be made for the miscellaneous payment activity.

This appropriation provides for monthly payments to all States for their share of revenues realized as a result of mineral leasing activities under the MLA on Federal lands within their boundaries.

Miscellaneous Payments (+$655,231)

- Interest on Late Payments. An increase of $200,000 is requested to pay interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714, as required under 30 U.S.C. 1721(b) and (d).

- Interest on Refunds. An increase of $150,000 is requested to pay interest to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.

-- Rewards. An increase of $200,000 is requested to reward persons who provide information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government.

-- Refunds. An increase of $105,231 is requested to refund three payments successfully appealed on Indian allotted leases. As future royalty payments are expected to be small or non-existent, recoupment by netting the refund due against future royalties is impractical.

Appropriation Language Sheet

PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

In fiscal year 1990, from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, (30 U.S.C. 181 et seq.) and the Geothermal Steam Act of 1970, as amended (30 U.S.C 1001 et seq.) which are not payable to a State or to the Reclamation Fund or to any other recipients, such amounts as may be necessary shall be available for the following payments:

1. interest owing to States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714, and 1721(b) and (d);

2. the sum of $105,231 for refunds of overpayments made by Samedan Oil Corp. in connection with certain Indian leases in Oklahoma (case no. MMS-85-0135-IND before the Director of the Minerals Management Service) and by Bow Valley Petroleum Co. and Mapco in connection with certain Indian leases in Utah in which the Director concurred with the claimed refund due;

Further, from such moneys collected, such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government in accordance with 30 U.S.C. 1723;

Further, during fiscal year 1990 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.), the Geothermal Steam Act of 1970, as amended (30 U.S.C. 1001 et seq.), and the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1331 et seq.), which are not payable to a State or to the Reclamation Fund, and notwithstanding any provision to the contrary contained in section 10(a) of the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1339(a)), such amounts as may be necessary shall be available for the payment of interest, from the date of payment until the date of refund and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611), on any refund of any moneys paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law.

Justification of Proposed Language Changes

PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

1. "In fiscal year 1990, from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Minerals Lands Leasing Act of 1920, as amended, (30 U.S.C. 181 et seq.) and the Geothermal Steam Act of 1970, as amended, (30 U.S.C 1001 et seq.) which are not payable to a State or to the Reclamation Fund or to any other recipients, such amounts as may be necessary shall be available for the following payments:

   1. interest owing to States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191 and 1721(b) and (d);"

   This is an annual provision which asks for an appropriation to pay authorized late disbursement interest to the States.

2. "2. the sum of $105,231 for refunds of overpayments made by Samedan Oil Corp. in connection with certain Indian leases in Oklahoma (case no. MMS-85-0135-IND before the Director of the Minerals Management Service) and by Bow Valley Petroleum Co. and Mapco in connection with certain Indian leases in Utah in which the Director concurred with the claimed refund due;"

   This provision would allow the MMS to settle three appeals on behalf of certain Indian allottees. The allottees do not have the moneys to pay refunds to the companies, and as the monthly rents and royalties currently collected on the affected leases are either so small or nonexistent, recoupment from future royalty payments is not possible in a reasonable time. As a matter of fairness, the MMS asks for authority to reimburse the companies and for and an appropriation of $105,231 to do so.

   Past policy required the MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible. New procedures allow the companies to post bonds for the disputed amounts and to have the MMS suspend the disputed payment. Only after the appeal is settled would the MMS distribute BIA's portion. Due to these new procedures, the need for these settlements should not recur for bills issued after 1987. However, settlements may be necessary for bills issued prior to 1987.

3. "Further, from such moneys collected, such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government in accordance with 30 U.S.C. 1723;"

   This is an annual provision which asks for an appropriation to pay authorized rewards.

4. "Further, during fiscal year 1990 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.), the Geothermal Steam Act of 1970, as amended (30 U.S.C. 1001 et seq.), and the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1331 et seq.), which are not payable to a State or to the Reclamation Fund, and notwithstanding any provision to the contrary contained in section 10(a) of the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1339(a)), such amounts as may be necessary shall be available for the payment of interest, from the date of payment until the date of refund and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611), on any refund of any moneys paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law."

This provision would give the MMS permanent, indefinite authority to pay appropriate interest on all refunded payments for the period of time during which the disputed amount has been in the accounts of the Government, thus reflecting greater fairness and better business practice toward all royalty payors.

Appropriation Language Citations

PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

1. In fiscal year 1990, from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Leasing Act of 1920, as amended,

30 U.S.C. 181 et seq.

The Mineral Leasing Act, provides for the sharing of receipts with States from various mineral leasing activities on Federal public domain lands within their boundaries.

2. and the Geothermal Steam Act of 1970, as amended,

30 U.S.C. 1001 et seq.

The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

3. which are not payable to a State or to the Reclamation Fund or to any other recipients, such amounts as may be necessary shall be available for the following payments:

   1. interest owing to the States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191, and 1721(b) and (d);

30 U.S.C. 1721(b) and (d)

The Federal Oil and Gas Royalty Management Act of 1982 provides for monthly payments to a State of its share of royalty funds from oil and gas production on Federal public domain lands within the State and to Indian accounts on production from leases on Indian lands, and for payments of interest to States and Indian accounts when funds are not disbursed as required by 30 U.S.C. 191 and 1714.

4. 2. the sum of $105,231 for refunds of overpayments made by Samedan Oil Corp. in connection with certain Indian leases in Oklahoma (case no. MMS-85-0135-IND before the Director of the Minerals Management Service) and by Bow Valley Oil Co. and Mapco in connection with certain Indian leases in Utah in which the Director concurred with the claimed refund due;

   This provision is being proposed to allow MMS to refund three companies' amounts successfully appealed which are due from Indian allottees.

5. Further, from such moneys collected, such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral revenues owed to the Government in accordance with 30 U.S.C. 1723;

30 U.S.C. 1723

The Federal Oil and Gas Royalty Management Act of 1982 authorizes payment of a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government.

6. Further, during fiscal year 1990 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.), the Geothermal Steam Act of 1970, as amended (30 U.S.C. 1001 et seq.), and the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1331 et seq.), which are not payable to a State or to the Reclamation Fund, and notwithstanding any provision to the contrary contained in section 10(a) of the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1339(a)), such amounts as may be necessary shall be available for the payment of interest, from the date of payment until the date of refund and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611), on any refund of any moneys paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law.

This provision is being proposed to allow the MMS to pay appropriate interest on successfully appealed bills. This would reflect greater fairness and better business practice towards royalty payors.

Summary of Requirements

Appropriation: Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1989	---	448,692
Base Adjustments..............................	---	---
1990 Base Budget..............................	---	448,692

Comparison by Activity/Subactivity	FY 1988 Actual FTE	FY 1988 Actual Amount	FY 1989 Enacted To Date FTE	FY 1989 Enacted To Date Amount	FY 1990 Base FTE	FY 1990 Base Amount	FY 1990 Estimate FTE	FY 1990 Estimate Amount	Inc./Dec. from FY 1989 FTE	Inc./Dec. from FY 1989 Amount	Inc./Dec. from Base FTE	Inc./Dec. from Base Amount
Payments to States	---	396,368	---	448,692	---	448,692	---	352,174	---	-96,518	---	-96,518
Miscellaneous Payments	---	---	---	---	---	---	---	655	---	+655	---	+655
	---	396,368	---	448,692	---	448,692	---	352,829	---	-95,863	---	-95,863

Justification of Program and Performance

Activity: Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

Activity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Payments to States	$	448,692	448,692	352,174	-96,518	-96,518
	(FTE)	(---)	(---)	(---)	(---)	(---)

Authorizations

30 U.S.C. 181, *et seq.* — The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that stature on Federal lands within their boundaries.

30 U.S.C. 351 *et seq.* — The Mineral Leasing Act for Acquired Lands as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.

30 U.S.C. 1001, *et seq.* — The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

30 U.S.C. 191a — This law authorizes the sharing of all late payment interest collected on all Government lands and from all minerals categories. This law applies to all interest paid to the Government on or after July 1, 1988. Any interest the Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.

Objective

- Provide payments to the States on a monthly basis for development of mineral resources on Federal lands within their boundaries.

Base Program

This activity provides for payments to all States due shares of revenues realized as a result of the leasing of minerals on Federal lands located within the boundaries of the States. Revenues for these payments are accrued from bonuses, rentals, and royalties collected from Federal onshore mineral leases. Amounts paid to States are determined in accordance with various laws which specify the percentages of revenues to be paid. The payment a State receives is determined by the total revenues collected from minerals leasing and production within their boundaries. 30 U.S.C. 191a provides that all interest on late payments shall be distributed to the recipients in the same manner as the royalty, rental, bonus, or other charges from which it accrued.

The Mineral Leasing Act, 30 U.S.C. 181 et seq., provides that all States (except Alaska) be paid 50 percent of the revenues from bonuses, royalties, and rentals resulting from the leasing of mineral resources on Federal public lands within their borders. The estimate of payments to all States except Alaska for any future fiscal year is an allocation based on the projected total mineral leasing receipts during that year. The actual payments from the prior fiscal year are used to determine the estimated allocation by State. Payments to be made to Alaska are done differently. Alaska receives 50 percent of the revenues from mineral leases in the National Petroleum Reserve in Alaska (NPRA) and 90 percent of revenues from all other public domain land leases in Alaska.

Distribution to the States

The FY 1990 President's Budget includes an initiative to fund Interior's and Agriculture's fire fighting costs from timber and mineral receipts. The method of estimating the mineral revenue distribution to States, with and without this Fire Fund, is displayed on Table 3. The Fire Fund program costs are deducted from gross receipts before any distributions are made to the States and other agencies.. The amount to be deducted from the mineral receipts collected by the MMS is proportional to its contribution to the total mineral and timber receipts collected by the Departments of Interior and Agriculture. In FY 1990, $164 million has been deducted from MMS estimated gross mineral collections. Then the estimate of total revenues from onshore minerals production, less ANWR receipt estimates, is developed. From this total, the amount collected for non-Mineral Leasing Act lands and distributed by other Federal agencies and or other Interior bureaus is deducted. This amount is estimated to be 6 percent of the total revenues collected, as historically experienced. From the 6 percent estimate, deductions are made for the three accounts MMS distributes. These deductions are based on prior year actuals. Because of Alaska's unique revenue sharing arrangements, Alaska's estimated receipts are then deducted prior to determination of amounts available for the distribution to the Lower 48 States.

The designated amount to be distributed to Alaska under the Mineral Leasing Act is added to the Lower 48 total to arrive at the total amount to distribute to all the States (the NPRA receipts are distributed by the Bureau of Land Management).

Table 3

Method of Estimating the FY 1990 Mineral Revenue Distribution to States (In thousands of dollars)

	Without Fire Fighting Program	With Fire Fighting Program	Difference
Total Estimated Mineral Receipts	2,990,831	2,990,831	---
Deduct: Fire Fighting Program	---	163,898	163,898
	2,990,831	2,826,933	-163,898
Deduct: ANWR receipts	2,100,600	2,100,600	---
Total Receipts for Distribution	890,231	726,333	-163,898
Other Distributions (6%)	53,414	43,580	-9,834
Royalties 2039-MMS distributes	7,490	7,490	---
LU 5896 -MMS distributes	596	596	---
Bu. Rec. -MMS distributes	76	62 1/	-14
Deduct: Other Agencies	45,252	35,432	-9,820
94% Distribution	836,817	682,753	-154,064
Deduct: Alaska 1/	7,040	5,744	-1,296
ANILCA 1/	1,598	1,304	-294
NPRA 1/	1,579	1,288	-291
Available to share with Lower 48	826,600	674,417	-152,183
To States			
50% "Lower 48"	413,300	337,209	-76,091
90% "AK & ANILCA" 2/	7,774	6,343	-1,431
Account 5003-Mineral receipts distributed to the States	421,074	343,552	-77,522

To Derive "Payments to the States" in FY 1990

Take 1/12th the FY 1989 Payments to States estimate, plus 11/12th of the FY 1990 Account 5003 Estimate.
This is to account for the lag between fiscal years (receipts collected in September are distributed in October).

FY 1990 Payments to the States	422,720	352,174	-70,546 3/

1/ These accounts have been decreased by their Fire Fighting Program contribution. Deductions were based on contribution to total mineral receipts. The various distributions were then done as usual.

2/ The NPRA receipts are deposited to a separate account for distribution to the state of Alaska.

3/ This amount is the reduction in Payments to States attributable to deducting to the FY 1990 DOI estimated fire fighting costs which total \$166.5 million.

Under the Federal Oil and Gas Royalty Management Act of 1982, receipts are to be distributed to the States in the month following the month of collection. When estimating the annual amount available for distribution to the States, there is a lag between fiscal years that must be taken into account. Receipts that are collected in September 1989 (the current fiscal year), will be distributed in October 1989 (the following fiscal year). Thus, 91 percent of current fiscal year collections and 9 percent of prior year collections are calculated to derive the current year distribution amount. The estimated distribution of this amount is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State, as displayed in Table 4.

Table 4

MINERAL REVENUE PAYMENTS TO THE STATES
(In thousands of dollars)

	FY 1988 Actual Payments	FY 1989 Estimated Payments	Without Fire Fighting Program FY 1990 Estimated Payments	Fire Fighting Program Estimated Deductions	With Fire Fighting Program FY 1990 Estimated Payments
Alabama	89	101	95	16	79
Alaska	7,040	7,969	7,774	1,431	6,343
Arizona	387	438	413	69	344
Arkansas	495	560	528	88	440
California	25,518	28,887	27,198	4,535	22,663
Colorado	31,162	35,276	33,213	5,538	27,675
Florida	3	3	3	1	2
Idaho	2,338	2,647	2,491	414	2,077
Kansas	928	1,051	989	164	825
Louisiana	545	617	581	97	484
Michigan	173	196	185	31	154
Minnesota	2	---	---	---	---
Mississippi	104	118	111	18	93
Montana	26,066	29,507	27,782	4,633	23,149
Nebraska	156	177	166	27	139
Nevada	6,266	7,093	6,679	1,115	5,564
New Mexico	91,661	103,762	97,694	16,289	81,405
North Dakota	5,734	6,491	6,111	1,018	5,093
Ohio	---	---	---	---	---
Oklahoma	1,616	1,829	1,722	287	1,435
Oregon	565	640	603	101	502
South Dakota	822	931	876	145	731
Texas	8	9	9	2	7
Utah	30,607	34,647	32,621	5,439	27,182
Virginia	18	20	19	3	16
Washington	232	263	247	41	206
Wyoming	163,833	185,460	174,610	29,044	145,566
Total	396,368	448,692	422,720	70,546	352,174

Decrease from 1990 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	448,692	352,174	-96,518
(FTE)	(---)	(---)	(---)

An estimated $70.6 million reduction in payments to States results from a proposed initiative to deduct the Department of Interior's and the Department of Agriculture's fire fighting costs from total Federal timber and mineral receipts. Under the proposed initiative, two permanent indefinite appropriation accounts would be established for the fire fighting programs of (1) the Department of Agriculture's Forest Service and (2) the Department of Interior's Bureau of Land Management, Fish and Wildlife Service, National Park Service, and Bureau of Indian Affairs. The costs of these fire fighting programs will be offset by deductions from mineral and timber receipts in Interior and Agriculture prior to distributing the receipts as currently required by law. By deducting the costs of the fire programs prior to sharing receipts with State and local governments, the public lands will have paid for their own fire protection. This will result in a lessening of receipts to State and local governments. However, protection of Federal lands benefits those that share in the proceeds generated by those lands.

An additional decrease in payments to States of $36.9 million results mainly from reductions in Federal onshore oil and natural gas royalties due to a projection of lower oil and gas prices.

These decreases are partially offset by an increase of $5.0 million in the estimates for the Lower 48 States' oil and gas bonuses (based on recent sales results) and an increase $6.0 million in shared interest from payor late payments. Section 7 of Public Law 100-524 (30 U.S.C. 191a), enacted October 24, 1988, authorizes the sharing of all interest accrued from payor late payments on any lands owned by the Government for all types of minerals rather than just those authorized under FOGRMA. Thus, an additional $6.0 million of payor late payments from MLA public domain lands is estimated to be paid to the States in FY 1990.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Grants, subsidies, and contributions............	-96,518

Justification of Program and Performance

Activity: Miscellaneous Payments

(Dollar amounts in thousands)

Activity		FY 1989 Enacted To Date	FY 1990 Base	FY 1990 Estimate	Inc.(+) Dec.(-) from 1989	Inc.(+) Dec.(-) from Base
Miscellaneous Payments	$	---	---	655	+655	+655
	(FTE)	(---)	(---)	(---)	(---)	(---)

30 U.S.C. 1714, 1721(b),1721(d), and 30 U.S.C. 191, as amended	The Federal Oil and Gas Royalty Management Act of 1982 provides for timely payments of royalty funds from oil and gas production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed by the date required under 30 U.S.C. 191 and 1714.
30 U.S.C. 191a	This law authorizes the sharing of all interest accrued from payor late payments on any lands owned by the Government for all types of minerals.
30 U.S.C. 1723	This provision of the Federal Oil and Gas Royalty Management Act of 1982 provides for payment of rewards to persons who furnish information resulting in recovery of mineral lease revenues owed to the government of up to 10 percent of amounts collected.

Objectives

- o Provide interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714.
- o To assure an equitable payment of interest forgone is made to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.
- o To encourage receipt of information that results in the collection of additional mineral revenues owed to the Government.
- o To pay three settlement cases concerning Indian allotted leases on which recoupment can not be made in the normal manner.

Increase from 1989 Base

(Dollar amounts in thousands)

	FY 1990 Base	FY 1990 Estimate	Difference
$	---	+655	+655
(FTE)	(---)	(---)	(---)

Indefinite amounts are requested for three different types of payments: (1) $200,000 to pay Interest on Late Payments, (2) $150,000 to pay Interest on Refunds, and (3) $200,000 to pay Rewards. A definite amount of $105,231 is requested for a refund type payment.

Interest on Late Payments (+$200,000)

The Federal Government shares with States revenues generated from most Federal mineral leasing activities within State boundaries. Indian lessors receive all the revenue from mineral leasing activities on their land. The Minerals Management Service collects, processes, accounts for, and audits, bonuses, rents, royalties, and interest due the Federal Government from mineral leasing activities and distributes shares to the Treasury, States, and various Indian accounts. Funding for this service is provided by three subactivities within the Royalty Management budget activity of the Leasing and Royalty Management appropriation--Mineral Revenue Collections, Mineral Revenue Compliance, and Systems Development and Operation.

The Payments to States from Receipts under Mineral Leasing Act budget activity provides permanent, indefinite authority to pay the States their share of revenues. In addition, a portion of this activity, Miscellaneous Payments, is requested to provide funds to make payments of interest to States and Indian accounts when mineral leasing revenues due them are not disbursed within the timeframes prescribed by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA).

The FOGRMA changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. For States, payments must be made by the last business day of the month in which receipts are warranted by the United States Treasury. In addition, FOGRMA provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to the "appropriate Indian account" at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Section 111 (b) and (d) of the Act provides that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 is owed if the payment schedules listed above are not met.

However, receipts cannot be disbursed to State accounts until a proper determination can be made of the source of all incoming royalties. For example, an error which prevents a royalty accounting line item from processing through the system may occur, which will result in interest liability. Thus, this instance, MMS has the cash available, but cannot determine to whom the cash belongs until the error is corrected.

In contrast to money due the States, Indian lease revenues are deposited in the Treasury the same day it is received and transferred to the Bureau of Indian Affairs (BIA) as soon as practicable (normally within 2 working days). MMS has undertaken several initiatives to reduce errors and keep interest owed on late disbursements to a minimum. These efforts have resulted in late interest payments being reduced from $1.16 million in FY 1985 to approximately $0.20 million in FY 1988. Late disbursement interest payments for FY 1990 are estimated to stay about the same.

Interest on Refunds (+$150,000)

Some royalty payors who contest a particular assessment or royalty payment obligation pay the disputed amounts to MMS pending administrative appeal or judicial review. In some cases, all or some portion of the amount so paid ultimately is determined to be not owing to the United States, an Indian account, or an Alaska Native Corporation.

The MMS believes it is appropriate to pay interest on the amount refunded for the period from payment until refund, thus reflecting greater fairness and better business practice toward the royalty payors. The interest rate provided is one which corresponds closely to the time value of the funds; it is not a punitive interest rate. Interest on refunds for FY 1990 is estimated to be $0.15 million.

Rewards (+$200,000)

The MMS is authorized by Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 to pay a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government. Regulations to implement the reward program were published in the Federal Register in July 1987. The reward percentage will be dependent upon the amount and usefulness of the information provided. The regulations provide a formula similar to that used by the IRS to determine what percentage of the collected amount individuals will receive. These rewards do not apply to information obtained from Federal Government employees, an officer or employee of a State or Indian tribe acting pursuant to a cooperative agreement or delegation under this Act, or any person acting pursuant to a contract authorized by FOGRMA.

This reward program will enhance current royalty collection efforts and lead to increased royalty collections. In FY 1990, $0.20 million is estimated to be needed for reward payments.

Refunds (+$105,231)

Refund payments due in FY 1990 for three specific Indian lease cases total $105,231. The Indian allottees are not able to make the refund and due to the current royalty revenue on the leases being either so small or non-existent, recoupment from lease royalty payment is not possible or would require an unduly long period of time.

Past policy required a payor who appealed a bill to pay the bill pending the outcome of the appeal. Additionally, the policy required the MMS to distribute the revenues to various BIA area offices as soon as possible so they could subsequently disburse the revenues to the individual Indian royalty owners. In cases where the payor's appeal was upheld and the moneys were not available to repay the company, recoupment was made against future royalty payments. To mitigate these situations, in 1987, the BIA changed its policy, and the MMS implemented new procedures. Now, payment of an appealed bill on the allotted leases is routinely suspended if the company posts a bond for the disputed amount. These procedures insure that distribution is not made until after the appeal is resolved. However, the need may arise for settlements of pre-1987 bills.

Distribution of change by object class

The object class detail for the proposed change is as follows:

	Amount ($000)
Other services	+200
Grants, subsidies and contributions	+200
Refunds..	+255
Total	+655

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

Program and Financing
(In thousands of dollars)

14-5003-0-2-806	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
Program by activities:			
Direct Program:			
00.01 Payments to States..................	396,368	448,692	352,174
00.02 Miscellaneous Payments...............	---	---	655
10.00 Total obligations (object class 41.0)......................	396,368	448,692	352,829
Financing:			
39.00 Budget authority.....................	396,368	448,692	352,829
Budget authority:			
40.00 Appropriation (definite).............	---	---	105
40.00 Appropriation (indefinite)...........	---	---	550
60.00 Appropriation (permanent, indefinite)......................	396,368	448,692	352,174
Relation of obligations to outlays:			
71.00 Obligations incurred, net............	396,368	448,692	352,829
90.00 Outlays..............................	396,368	448,692	352,829