UNITED STATES
DEPARTMENT OF THE INTERIOR
BUDGET JUSTIFICATIONS, F.Y. 1993

MINERALS MANAGEMENT SERVICE

NOTICE: These budget justifications are prepared for the Interior and Related Agencies Appropriations Subcommittees. Approval for release of the justifications prior to their printing in the public record of the Subcommittee hearings may be obtained through the Office of Budget of the Department of the Interior.

PRINTED ON
RECYCLED PAPER

GENERAL STATEMENT

The Minerals Management Service (MMS) has two major responsibilities: timely and accurate collection, distribution, accounting for and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands; and management of energy and mineral resources on the Nation's Outer Continental Shelf. These responsibilities are carried out under the provisions of the Federal Oil and Gas Royalty Management Act, the Mineral Leasing Act, the Indian Mineral Leasing Acts, the Outer Continental Shelf (OCS) Lands Act, and other related statutes.

Comparison of FY 1993 President's Budget with FY 1992 Enacted Budget

(Dollar amounts in thousands)

		FY 1992 Enacted Budget	FY 1993 President's Budget	Inc.(+) Dec.(-)
Leasing and Royalty Management	$	204,461	197,812	-6,649
	(FTE)	(2,057)	(2,008)	(-49)
Mineral Leasing and Associated Payments	$	420,136	415,529	-4,607
	(FTE)	(---)	(---)	(---)
PROPOSED APPROPRIATIONS				
Coastal Communities Impact Assistance Fund	$	---	---	1
	(FTE)	---	---	---
Arctic National Wildlife Refuge	$	---	---	2
	(FTE)	---	---	---
Oil Spill Research	$	---	5,377	+5,377
	(FTE)	---	---	---
Total, MMS	$	624,597	618,718	-5,879
	(FTE)	(2,057)	(2,008)	(-49)

1 Proposed legislation authorizes earmarking of the collected receipts in FY 1993, with payment to States and Counties in FY 1994.

2 Proposed legislation authorizes monthly revenue sharing with the State of Alaska. First sale will be held in FY 1994.

The objective of the MMS royalty management program is to enhance the relationship between the Federal Government and private industry in the process of ensuring that all revenues properly owing from mineral leases on Federal onshore and offshore and Indian lands are fairly and efficiently collected, accounted for, and dispersed in a manner that meets or exceeds Federal financial integrity requirements and recipient expectations. The objective of the OCS program is to promote responsible stewardship of the energy and mineral resources of the OCS by establishing management policies and programs that help achieve balanced development in an environmentally sound and safe manner.

The major missions of the programs included in the appropriation "Leasing and Royalty Management" are to:

(1) collect and account for all revenues due the Federal Government, States, and Indian Tribes from onshore and offshore mineral leases on lands under Federal jurisdiction and from Indian lands;

(2) distribute all revenues collected to authorized recipients;

(3) review and audit collection and distribution processes to ensure that all collections and disbursements are accomplished in accordance with existing laws and regulations;

(4) husband the nation's gas, oil and other natural resources while ensuring human safety and protection of the environment through oversight of energy and mineral exploration, development, and production operations on Federal leases;

(5) identify areas that could potentially contribute to the nation's energy and mineral needs by classifying and assessing the energy and non-energy mineral resources of offshore areas;

(6) minimize adverse environmental impacts and make fully informed decisions on lease proposals and exploration and development permit applications by conducting environmental studies and evaluating the effects of the offshore activity program on the marine and coastal environments; and

(7) make available for lease, as appropriate, subject to environmental, energy, economic, and other considerations, portions of the OCS for exploration and possible development of domestic gas, oil and other mineral resources in order to help meet the nation's energy and mineral needs.

The appropriation "Mineral Leasing and Associated Payments," provides States with a statutory share of bonuses, rentals, royalties and interest collected by the Federal Government for minerals produced on onshore Federal lands.

Through the proposed appropriation "Coastal Communities Impact Assistance Fund" presented in this budget, the Administration plans to make annual payment to coastal States and counties for a share of new revenues realized as a result of oil and gas production activities on Federal OCS lands within 200

GENERAL STATEMENT

The Minerals Management Service (MMS) has two major responsibilities: timely and accurate collection, distribution, accounting for and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands; and management of energy and mineral resources on the Nation's Outer Continental Shelf. These responsibilities are carried out under the provisions of the Federal Oil and Gas Royalty Management Act, the Mineral Leasing Act, the Indian Mineral Leasing Acts, the Outer Continental Shelf (OCS) Lands Act, and other related statutes.

Comparison of FY 1993 President's Budget with FY 1992 Enacted Budget

(Dollar amounts in thousands)

		FY 1992 Enacted Budget	FY 1993 President's Budget	Inc.(+) Dec.(-)
Leasing and Royalty Management	$	204,461	197,812	-6,649
	(FTE)	(2,057)	(2,008)	(-49)
Mineral Leasing and Associated Payments	$	420,136	411,901	-8,235
	(FTE)	(---)	(---)	(---)
PROPOSED APPROPRIATIONS				
Coastal Communities Impact Assistance Fund	$	---	---	[1]
	(FTE)	---	---	---
Arctic National Wildlife Refuge	$	---	---	[2]
	(FTE)	---	---	---
Oil Spill Research	$	---	5,377	+5,377
	(FTE)	---	---	---
Total, MMS	$	624,597	615,090	-9,507
	(FTE)	(2,057)	(2,008)	(-49)

1 Proposed legislation authorizes earmarking of the collected receipts in FY 1993, with payment to States and Counties in FY 1994.

2 Proposed legislation authorizes monthly revenue sharing with the State of Alaska. First sale will be held in FY 1994.

The objective of the MMS royalty management program is to enhance the relationship between the Federal Government and private industry in the process of ensuring that all revenues properly owing from mineral leases on Federal onshore and offshore and Indian lands are fairly and efficiently collected, accounted for, and dispersed in a manner that meets or exceeds Federal financial integrity requirements and recipient expectations. The objective of the OCS program is to promote responsible stewardship of the energy and mineral resources of the OCS by establishing management policies and programs that help achieve balanced development in an environmentally sound and safe manner.

The major missions of the programs included in the appropriation "Leasing and Royalty Management" are to:

(1) collect and account for all revenues due the Federal Government, States, and Indian Tribes from onshore and offshore mineral leases on lands under Federal jurisdiction and from Indian lands;

(2) distribute all revenues collected to authorized recipients;

(3) review and audit collection and distribution processes to ensure that all collections and disbursements are accomplished in accordance with existing laws and regulations;

(4) husband the nation's gas, oil and other natural resources while ensuring human safety and protection of the environment through oversight of energy and mineral exploration, development, and production operations on Federal leases;

(5) identify areas that could potentially contribute to the nation's energy and mineral needs by classifying and assessing the energy and non-energy mineral resources of offshore areas;

(6) minimize adverse environmental impacts and make fully informed decisions on lease proposals and exploration and development permit applications by conducting environmental studies and evaluating the effects of the offshore activity program on the marine and coastal environments; and

(7) make available for lease, as appropriate, subject to environmental, energy, economic, and other considerations, portions of the OCS for exploration and possible development of domestic gas, oil and other mineral resources in order to help meet the nation's energy and mineral needs.

The appropriation "Mineral Leasing and Associated Payments," provides States with a statutory share of bonuses, rentals, royalties and interest collected by the Federal Government for minerals produced on onshore Federal lands.

Through the proposed appropriation "Coastal Communities Impact Assistance Fund" presented in this budget, the Administration plans to make annual payment to coastal States and counties for a share of new revenues realized as a result of oil and gas production activities on Federal OCS lands within 200 miles of their coastline. New revenues are those monies defined as royalties but only from leased tracts from which such revenues are first received by the government after the date of enactment. Collections of receipts into the Coastal Communities Impact Assistance Fund will begin October 1, 1992. Per bill language, annual payment can be made no earlier than the following fiscal year and no later than December 31st of that fiscal year. Therefore the first annual payment will not be made until FY 1994. Thus the Coastal Communities Impact Assistance Fund has receipt collections in FY 1993 but will not require any budget authority or outlay authority until FY 1994.

The Administration, through the Arctic National Wildlife Refuge (ANWR) Payments to Alaska Appropriation is proposing to provide for a payment to the State of Alaska for a fifty percent share of all revenues realized as a result of oil and gas leasing and production activities in the Arctic National Wildlife Refuge.

A Trust Fund for Oil Spill Research has been established for the Minerals Management Service to accept funds derived from the Department of Transportation's Oil Spill Liability Trust Fund. Research related expenses incurred by the Minerals Management Service, and authorized for reimbursement under the Oil Pollution Act of 1990, will be offset with funds from the Minerals Management Service's Trust Fund for Oil Spill Research.

The programs and missions of the MMS are conducted by the major components shown in the organizational chart on page MMS-11.

Highlights of the FY 1993 Estimate

The MMS's FY 1993 budget is a fiscally sound, responsible budget that is part of an overall Federal Government-wide spending plan which meets the domestic discretionary funding caps set forth in the Budget Enforcement Act of 1990, while continuing to meet the Service's goals and objectives. The MMS proposed funding level for FY 1993 represents a net decrease of approximately $6.6 million from the FY 1992 Enacted Budget in the Leasing and Royalty Management (LARM) appropriation (approximately $3.9 million in base increases and approximately $10.6 million in program decreases); a net decrease of $4.6 million in the appropriation for Mineral Leasing and Associated Payments and an increase of $5.4 million in the Trust Fund for Oil Spill Research from the FY 1992 Enacted Budget. Program changes in the LARM appropriation include:

- transfer of $1.3 million in oil spill related environmental studies to the Trust Fund for Oil Spill Research.

- funding for the environmental studies program will:
  - support leasing activities in the Gulf of Mexico and off the coast of Alaska;
  - support existing exploration and production operations for all Regions;
  - support planned leasing activities in the Gulf of Mexico and offshore Alaska; and
  - provide a means of leveraging $3.0 million of available studies funding to two or three times its current purchasing

power through a cooperative program to establish marine environmental research institutes with States and educational institutions.

- decreases in Leasing and Environmental Assessment (-$1.3 million, -17 FTE) and in Resources Evaluation (-$1.6 million, -20 FTE) activities in the both the regions and at headquarters.

- the transfer of staff and support costs for oil spill research activities from Regulation of Operations to the Trust Fund for Oil Spill Research (-$.600 million, -6 FTE);

- the transfer of funding resources from Technology Assessment and Research (-$3.1 million) to the Trust Fund for Oil Spill Research;

- funding of up to $5.0 million for the Technical Information Management System (TIMS) offset through additional collection from an increase in preset receipts and fees related to the administration of various OCS activities;

- a decrease in Mineral Revenue Collections (-$.59 million) to adjust for completed workload and increased efficiencies gained through operational streamlining;

- a decrease in Mineral Revenue Compliance (-$.29 million) to reduce one time costs associated with establishment of new field offices, lower maintenance costs for office equipment, and through operational streamlining;

- a decrease in Systems Development and Operation (-$1.0 million), by delaying post Business System Plan Implementation (BSPI) software enhancements, the development of the Business Information System and the reimplementation of solid minerals production accounting in an IBM environment;

- a decrease in Administrative Operations (-$.37 million; -10 FTE) due to the reduced requirements for the leasing and resource evaluation programs; and

- a decrease in General Support Services (-$.38 million) due to the reduced office space requirements by the OCS programs.

A net decrease in the Mineral Leasing and Associated Payments appropriation (-$4.6 million) is due to a greater deduction from onshore mineral leasing receipts (to recover a larger portion of increased Federal mineral leasing administrative program costs) (-$22.8 million) which is partially offset by an estimated increase in mineral leasing receipts on coal royalties, oil and gas lease sale bonuses (+$18.2 million).

A new account, the "Trust Fund for Oil Spill Research" is proposed for work performed using funds derived from the Department of Transportation's Oil Spill Liability Trust Fund. The Oil Pollution Act of 1990 authorized the funding of oil spill research and financial responsibility activities from the Oil Spill Liability Trust Fund. MMS has historically committed substantial resources to oil spill research from within the funds provided under the Leasing and Royalty Management appropriation.

Leasing and Royalty Management

Base Increases

An increase of $3.9 million in the base level of funding for the Leasing and Royalty Management (LARM) is proposed. This will enable MMS to:

- provide for pay raises due to an increase in the general schedule for FY 1992 and FY 1993 (+$2.6 million); and

- make several other adjustments (both increases and decreases) for items such as retirement costs, working capital fund, postage, FTS, workers compensation, unemployment compensation, PAY/PERS. (adjustments are offsetting); and

- implement the Federal Finance System, a Department-wide accounting system (+$1.3 million).

Programmatic Base Increases

An increase of $0.5 million is proposed to offset partially the increased cost of contractual services due to inflation. This increase will enable the Royalty Management Program to operate at a level only slightly lower than that achieved in FY 1992.

Programmatic Changes

Outer Continental Shelf (OCS) Lands

A net decrease of $7.9 million and 43 FTE from the FY 1993 base is proposed for the OCS programs.

A decrease of approximately $1.3 million is proposed in the environmental studies program. The source of these funds will be moved to the Minerals Management Service's Trust Fund for Oil Spill Research to perform fate, transport and effects studies related to oil spill investigations.

Approximately three million dollars of the environmental studies funds will be leveraged through a cooperative program with State educational institutions. This approach will multiply the purchasing power of environmental studies funding by two to three times. This effort will substantially contribute to the body of knowledge that the MMS draws upon when performing an environmental evaluation of the impacts of proposed lease sale activities and of exploration and development.

A decrease of approximately $1.3 million and 17 FTE is shown for the Leasing and Environmental Assessment Program. This decrease will:

- align the information management and distribution capabilities of environmental studies to a level consistent with the lower funding and workload level;

- reallocate resources for activities in both the regions and headquarters to a level consistent with a more focused program;

- reduce conflict management and outreach activities.

A reduction of $1.6 million and 20 FTE in the Resource Evaluation Program will:

- allocate resource evaluation efforts in the Atlantic and Pacific planning areas in line with a more focused program; and

- reduce funding for cooperative study efforts with the Geological Surveys of various coastal states managed through an agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin.

The Regulatory Program will transfer oil spill research related personnel and funding resources to the Trust Fund for Oil Spill Research. The Service's oil spill research activities are summarized under "Oil Spill Research". The following program elements will transfer funding resources and FTE for oil spill research and support related costs to the Trust Fund for Oil Spill Research:

- $0.6 million and 6 FTE from Regulation of Operations;
- $3.1 million from Technology Assessment and Research; and
- $1.3 million from Environmental Studies.

The Information Management Program will initiate a multi-year upgrade and modernization of the automated data processing capability. A pilot project for the Gulf of Mexico will be undertaken in FY 1993 with possible application for the entire OCS Lands Activity in subsequent years. This initiative, entitled the Technical Information Management System (TIMS) will be funded through collection of up to $5.0 million in increased fees and receipts related to the administration of various OCS activities.

<u>Royalty Management Program</u>

A net decrease of $1.9 million and 0 FTE is proposed from the FY 1993 Base for the Royalty Management Program (RMP). This will adjust RMP to:

- reflect the completion of workload in the Mineral Revenue Collections Division and to account for improved efficiencies in operations(-$.59 million);

- account for one time costs associated with the establishment of new field offices in Farmington N.M. and Oklahoma City, Oklahoma by the Mineral Revenue Compliance Division, adjust for lower maintenance costs for office equipment and to account for improved efficiencies in operations (-$.29 million);

- delay post-BSPI software enhancements, the Business Information System development, and reimplementation of solid minerals production accounting to an IBM environment by the Systems Management Division while system evaluation is being undertaken (-$1.0 million).

General Administration

A net decrease of $.74 million and 11 FTE is proposed from the FY 1993 Base for General Administration. This will reduce the support functions for Executive Direction, Administrative Operations, and General Support Services to conform to the lower funding and staffing level of the leasing program and the resource evaluation program.

Mineral Leasing and Associated Payments

The Minerals Management Service is responsible for the collection and distribution to the States of their shares of bonuses, royalties, rentals, and other payments from the leasing of onshore Federal mineral resources in accordance with applicable laws.

The FY 1993 payments to the States decrease overall from the FY 1992 estimate due to the following factors:

- a $22.8 million decrease caused by an increase in the amount of the Federal Government's mineral leasing program costs from $68.2 to $115.3 million to be recovered through cost recovery measures; and

- an $18.2 million increase in mineral leasing receipts based on increased coal royalties, and oil and gas lease sale bonuses.

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.); 30 U.S.C. 191a; 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.

PROPOSED APPROPRIATIONS

Coastal Communities Impact Assistance

This proposed appropriation will provide for a monthly payment to coastal States and Counties for a share of new royalties and for an annual payment of interest earned from new royalties invested in the fund realized as a result of natural gas and oil and other mineral production activities on Federal Outer Continental Shelf (OCS) lands within 200 miles off their coastline.

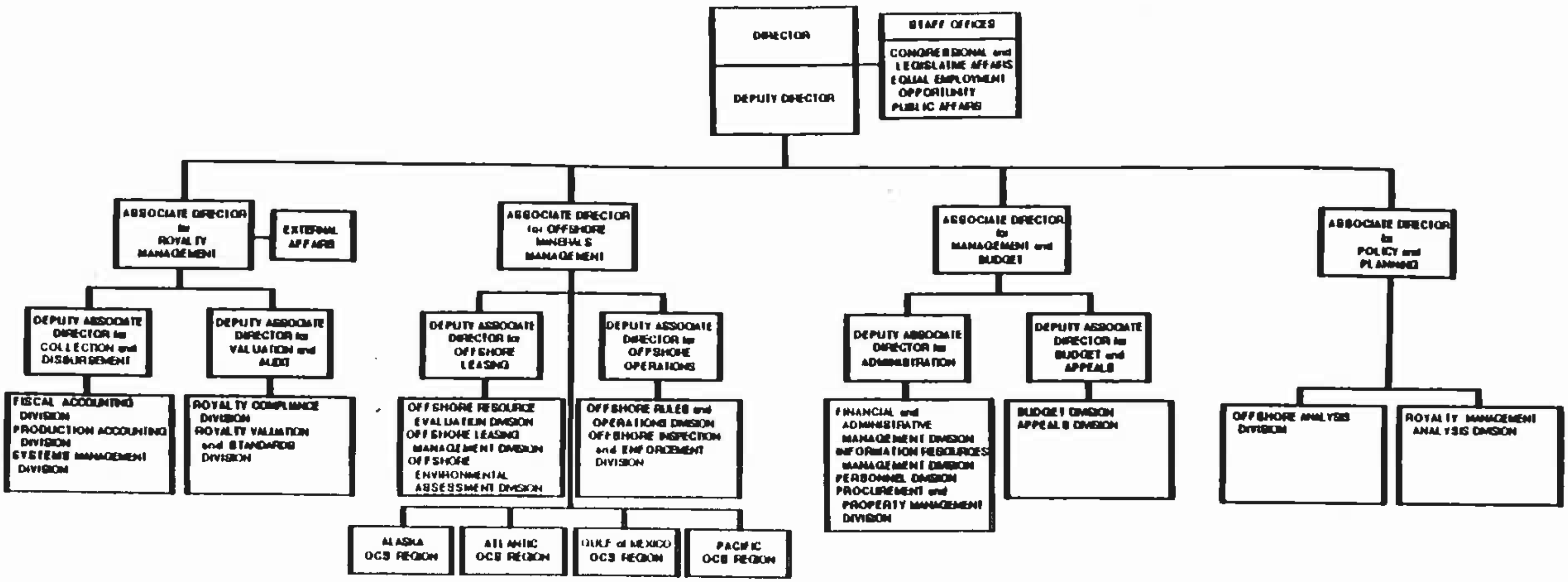
Arctic National Wildlife Refuge

This proposed appropriation will provide for a monthly payment to the State of Alaska for a fifty percent share of all revenues realized as a result of natural gas and oil leasing and production activities in the Arctic National Wildlife Refuge.

Trust Fund for Oil Spill Research

Budget resources will be derived from the existing Department of Transportation's Oil Spill Liability Trust Fund into this account which is being established for the MMS's oil spill research and financial responsibility activities.

MINERALS MANAGEMENT SERVICE



DEPARTMENT OF THE INTERIOR
Minerals Management Service
Advisory and Assistance Services
(In thousands of dollars)

Account Title and Symbol Leasing and Royalty Management 14-1917-0-1-302			FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
I.	Contractual Services				
	Individual Experts & Consultants	B.A.	426.8	550.0	600.0
		Oblig.	426.8	550.0	600.0
		Outlays	424.6	500.9	557.9
	Subtotal	B.A.	426.8	550.0	600.0
		Oblig.	426.8	550.0	600.0
		Outlays	424.6	500.9	557.9
II.	Personnel Appointments	B.A.	---	---	---
		Oblig.	---	---	---
		Outlays	---	---	---
III.	Advisory Committees	B.A.	---	---	---
		Oblig.	---	---	---
		Outlays	---	---	---
TOTAL		B.A.	426.8	550.0	600.0
		Oblig.	426.8	550.0	600.0
		Outlays	424.6	500.9	557.9

Prepared: January 23, 1992
Nadine M. Leisz
202/208-5728

Appropriation: Leasing and Royalty Management

Appropriation Summary Statement

Minerals Management Service

This annual operating appropriation provides resources to enable the Service to carry out its responsibilities for:

- collecting, depositing, auditing, and distributing royalties and other mineral revenues that are due the Federal Government, States, and Indian tribes from Federal onshore and offshore mineral leases and leases on Indian lands;

- regulating industry operations in the exploration, development and production of leasable energy and mineral commodities on the OCS lands in an environmentally sound and safe manner;

- classifying and evaluating the energy, solid mineral, and environmental resources of OCS lands;

- collecting a comprehensive body of environmental information and performing environmental assessments to ensure the sound and balanced development and management of OCS mineral resources in compliance with the OCS Lands Act, the National Environmental Policy Act (NEPA), and other environmental protection laws; and

- implementing the proposed 5-year Outer Continental Shelf (OCS) Comprehensive Program and developing the next 5-year program.

The FY 1993 appropriation request for these activities totals $197,812,000. A summary of the changes proposed from the 1993 base is provided below:

<u>Outer Continental Shelf Lands (-$7,913,000 and -43 FTE)</u>:

This budget activity funds the program for OCS natural gas and oil and other minerals resource evaluation, environmental analyses, leasing, and regulation of offshore activities, including:

(1) development, review, and implementation of the 5-Year Comprehensive OCS Natural Gas and Oil Program;
(2) classification and estimation of the potential gas, oil and other mineral resources of OCS lands;
(3) collection of environmental information and conduct of environmental assessments and environmental impact statements (EIS's), both prelease and postlease, to ensure fully informed decisions in 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 Federal 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 dissemination of that information.

While most of the MMS's efforts concern OCS natural gas and oil, the agency also performs the above functions for other minerals (e.g. cobalt, chromite, titanium, gold, phosphorite, sand and gravel) on offshore lands under Federal jurisdiction.

Program changes, resulting in a total decrease of $7,913,000 and 43 FTE from the base, are proposed as follows:

-- Environmental Studies. A total decrease of $1,252,000 is proposed for the Environmental Studies Program. This results from the funding resources for oil spill research activities, performed under this element, being derived from the Trust Fund for Oil Spill Research.

Funding will support MMS's increased efforts to develop cooperative study projects with State universities and institutions and with other Federal and State agencies. Through leveraging, available resources will be multiplied, insuring that important environmental research will be accomplished under a Marine Environmental Research Institute Program.

-- Leasing and Environmental Assessment. A decrease of $1,315,000 and 17 FTE is shown for the Leasing and Environmental Assessment Program. A reallocation of resources for activities in both the regions and headquarters to a level consistent with a more focused program enables the MMS to be responsive to the domestic discretionary funding caps. Leasing and Environmental Assessment will be reduced $1,000,000 and 17 FTE, conflict management and outreach funds will be reduced $315,000.

-- Resource Evaluation. A decrease of $1,598,000 and 20 FTE is shown for the Resource Evaluation Program. The MMS will concentrate its resources on areas of promising resource potential in a more focused leasing program. (-$1,300,000; and -20 FTE).

In addition $298,000 will be reduced from cooperative study efforts with the Geological Surveys of various coastal states. This cooperative study is managed through an agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin.

-- Regulation of Operations. The decrease of $600,000 and the conversion of 6 FTEs to a reimbursable status due to the transfer of the source of funding for personnel and other administrative costs related to oil spill research to the Minerals Management Service's Trust Fund for Oil Spill Research.

-- Technical Assessment and Research. The decrease of $3,148,000 is due to the transfer of the source of funding for oil spill research performed by the Minerals Management Service to the Minerals Management Service's Trust Fund for Oil Spill Research.

-- Information Management Program. The Minerals Management Service is proposing funding for the Technical Information Management System (TIMS) through increased collection of up to $5,000,000 in preset fees and receipts related to the administration of various OCS activities. The funds will continue MMS's vital program efforts to replace outdated and obsolete computer equipment and software and to ensure the survival of existing systems until new hardware can be installed, tested and made operational.

Royalty Management (-$1,903,000)

The Royalty Management Program (RMP) provides for the collection and disbursement of mineral revenues due the Federal Government, States, and Indian lessors from minerals produced on Federal onshore, Indian and OCS lands. In addition, the RMP performs a compliance function to assure that those who report and make payments to MMS have done so in accordance with all pertinent statutes and regulations. In FY 1993, it is estimated that RMP will collect and account for approximately $4.6 billion in mineral leasing revenues and interest, and release of escrow funds from the resolution of the OCS Alaska/Federal boundary dispute. The program is comprised of three major 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, resulting in a net decrease of $1,903,000 from the FY 1993 Base funding for Royalty Management are proposed:

-- Mineral Revenue Collections. A decrease of $0.59 million is proposed for the Mineral Revenue Collection program. This decrease will reflect the completion of workload associated with database verification projects such as the change in the definition of a selling arrangement, and through operational streamlining and innovative software in the areas of error correction, bill generation of PAAS assessments, and late payment processing.

-- Mineral Revenue Compliance. A decrease of $0.29 million is proposed for the Mineral Revenue Compliance program. This decrease will adjust for the completion of establishing new field offices in Farmington N.M. and Oklahoma City, Oklahoma and to adjust for lower maintenance costs for office equipment.

-- Systems Management Division. A decrease of $1.0 million is proposed for the Systems Management Division. This decrease will delay post-BSPI software enhancements, the Business Information System development, and reimplementation of solid minerals production accounting to an IBM environment while RMP is evaluating systems improvements related to enhanced compliance and enforcement.

General Administration

General Administration 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 and payment of support costs such as rent and communication. 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. The following changes, resulting in a net decrease of $743,000 and 11 FTE from the FY 1993 Base funding for Royalty Management are proposed:

-- Executive Direction. A net decrease of 1 FTE is requested for Executive Direction. The decreases in OCS programs will allow a small reduction in staff support required at the Executive Direction level. The salary savings are offset by increases in equipment modernization, consulting services, and travel.

-- Administrative Operations. A net decrease of $365,000 and 10 FTE is requested in Administrative Operations. This decrease will reduce administrative support functions for the OCS program in concert with their reduction in staffing, and will adjust for completion of redesign and modernization of administrative systems and completion of the upgrading of equipment for the Automation Training Center.

-- General Support Services. A net decrease of $378,000 in office space rental costs will result due to the staffing reductions requested for the OCS and Administrative Operations programs in FY 1993.

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; [$207,070,000 of which not less than $66,584,000 shall be available for royalty management activities:]/\ $197,812,000, and an estimated amount not to exceed $5,000,000 for the Technical Information Management System of the OCS Lands Activity, to be credited to this appropriation and to remain available until expended, from additions to current preset receipts and from additional fee collections relating to OCS administrative activities performed by the Minerals Management Service over and above what the Minerals Management Service currently collects to offset its costs for these activities: Provided, That $1,500,000 for computer acquisitions shall remain available until September 30, [1993] /\1994: Provided further, That funds appropriated under this Act shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d): 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, notwithstanding any other provision of law, $10,000 under this head shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service concurred with the claimed refund due; Provided further, That notwithstanding any other provision of law, [$68,200,000]/\ $115,275,000 shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury; [Provided further, That notwithstanding any other provision of law, for fiscal year 1992 and each year thereafter, the Secretary of the Interior or his designee is authorized to-

(a) enter into a cooperative agreement or agreements with any State or Indian tribe to share royalty management information, to carry out inspection, auditing, investigation or enforcement (not including the collection of royalties, civil penalties, or other payments) activities in cooperation with the Secretary, except that the Secretary shall not enter into such cooperative agreement with a State with respect to any such activities on Indian lands except with the permission of the Indian tribe involved; and

(b) upon written request of any State, to delegate to the State all or part of the authorities and responsibilities of the Secretary under the authorizing leasing statutes, leases, and regulations promulgated pursuant thereto to conduct audits, investigations, and inspections, except that the Secretary shall not undertake such a delegation with respect to any Indian lands except with the permission of the Indian tribe involved,

with respect to any lease authorizing exploration for or development of coal, any other solid mineral, or geothermal steam on any Federal lands or Indian lands within the State or with respect to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)), on the same terms and conditions as those authorized for oil and gas leases under sections 202, 203, 205, and 206 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1732, 1733, 1735, and 1736) and the regulations duly promulgated with respect thereto: Provided further, That section 204 of the Federal Oil and Gas Royalty Management

Act of 1982 (30 U.S.C. 1734) shall apply to leases authorizing exploration for or development of coal, any other solid mineral, or geothermal steam on any Federal lands, or to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)); Provided further, That the Secretary shall compensate any State or Indian tribe for those costs which are necessary to carry out activities conducted pursuant to such cooperative agreement or delegation.] <u>Provided further, That, notwithstanding any other provision of law, in fiscal year 1993 and thereafter, the Minerals Management Service shall have the authority to collect and expend all collections from user fees resulting from the Minerals Management Service providing the services of its Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) testing facility in Leonardo, N.J., and these collections shall be credited to this account to remain available until expended, and used to offset operation and maintenance costs associated with providing such services.</u>

Justification of Proposed Language Changes

1. Deletion: $207,070,000 of which not less than $66,584,000 shall be available for royalty management activities:

   The language proposed for deletion restricts the Minerals Management Service from committing fiscal resources to critical areas of need. The deletion is proposed to enhance MMS's ability to respond in a timely manner to situations such as oil spills in environmentally sensitive areas and the concomitant research needs associated with them.

2. Insertion: $197,812,000, and an estimated amount not to exceed $5,000,000 for the Technical Information Management System of the OCS Lands Activity, to be credited to this appropriation and to remain available until expended, from additions to current preset receipts and from additional fee collections relating to OCS administrative activities performed by the Minerals Management Service over and above what the Minerals Management Service currently collects to offset its costs for these activities:

   The Minerals Management Service proposes to implement the TIMS project by increasing preset receipts and fee collections, the funding for which will remain available until expended. This will enable MMS to initiate a pilot project for TIMS in the Gulf of Mexico in FY 1993 without having to increase the MMS's budget authority.

3. Insertion: <u>$115,275,000</u>

   The Minerals Management proposes to increase the amount of administrative costs recovered through the Net Receipts Sharing Initiative. This amount represents collection of approximately 75% of the total government's FY 1993 mineral leasing administrative program costs ($153.7 million); the States' shares of FY 1993 administrative costs is therefore about 37.5% of the administrative costs. In FY 1992, Congress enacted recovery of about 50% of the estimated FY 1992 program costs ($136.4 million); the States' share of the FY 1992 administrative costs is therefore 25%.

4. Deletion: Provided further, That notwithstanding any other provision of law, for fiscal year 1992 and each year thereafter, the Secretary of the Interior or his designee is authorized to-

   (a) enter into a cooperative agreement or agreements with any State or Indian tribe to share royalty management information, to carry out inspection, auditing, investigation or enforcement (not including the collection of royalties, civil penalties, or other payments) activities in cooperation with the Secretary, except that the Secretary shall not enter into such cooperative agreement with a State with respect to any such activities on Indian lands except with the permission of the Indian tribe involved; and

   (b) upon written request of any State, to delegate to the State all or part of the authorities and responsibilities of the

Secretary under the authorizing leasing statutes, leases, and regulations promulgated pursuant thereto to conduct audits, investigations, and inspections, except that the Secretary shall not undertake such a delegation with respect to any Indian lands except with the permission of the Indian tribe involved, with respect to any lease authorizing exploration for or development of coal, any other solid mineral, or geothermal steam on any Federal lands or Indian lands within the State or with respect to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)), on the same terms and conditions as those authorized for oil and gas leases under sections 202, 203, 205, and 206 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1732, 1733, 1735, and 1736) and the regulations duly promulgated with respect thereto: Provided further, That section 204 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1734) shall apply to leases authorizing exploration for or development of coal, any other solid mineral, or geothermal steam on any Federal lands, or to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g)); Provided further, That the Secretary shall compensate any State or Indian tribe for those costs which are necessary to carry out activities conducted pursuant to such cooperative agreement or delegation.

Permanent request in FY 1992, therefore language is unnecessary.

5. Insertion: Provided further, That, notwithstanding any other provision of law, in fiscal year 1993 and thereafter, the Minerals Management Service shall have the authority to collect and expend all collections from user fees resulting from the Minerals Management Service providing the services of its Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) testing facility in Leonardo, N.J., and these collections shall be credited to this account to remain available until expended, and used to offset operation and maintenance costs associated with providing such services.

   Basic maintenance and operation of the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) facility will be provided through contract support using LARM appropriated funds. However, the facility will be used by governmental organizations, industrial associations and individual firms to perform various oil-spill related tests. Tests will incur costs considerably above the basic operational level, which will be fully recovered through a user fee structure. The proposed language is required to credit these recovered costs to the LARM account (rather than Treasury) in order to compensate fully the OHMSETT facility contractor.

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 Federal Government...."

5. 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.

Summary of Requirements

Appropriation: Leasing and Royalty Management

(Dollar amounts in thousands)

Summary of Base Adjustments	FTE	Amount	FTE	Amount
Appropriation Enacted, 1992	---	---	2,057	204,461
Base Adjustments:				
Additional Cost in 1993 for 1992 and 1993 Pay Raise	---	2,648		
One less Paid Day in FY 1993	---	-412		
Workers' Compensation Payments	---	38		
CSRS/FERS/Health Adjustment Cost	---	214		
Unemployment Compensation Payments	---	8		
Departmental Working Capital Fund	---	59		
PAY/PERS	---	-3		
Federal Financial System Implementation	5	1,298		
Commercial Telecommunications System	---	116		
Contract Support Costs for RMP	---	496		
Postage	---	-5		
Federal Telecommunications System	---	-547		
Total Base Adjustments	5	3,910	5	3,910
1993 Base Budget			2,062	208,371

Summary of Requirements
(Dollar amounts in thousands)

Comparison by Activity/Subactivity	FY 1991 Actual FTE	FY 1991 Actual Amount	FY 1992 Enacted to Date FTE	FY 1992 Enacted to Date Amount	FY 1993 Base FTE	FY 1993 Base Amount	FY 1993 Estimate FTE	FY 1993 Estimate Amount	Inc./Dec from FY 1992 FTE	Inc./Dec from FY 1992 Amount	Inc./Dec. from FY 1993 Base FTE	Inc./Dec. from FY 1993 Base Amount
OCS Lands												
Leasing & Environmental Program	322	45,377	265	38,016	265	38,390	248	35,823	-17	-2,193	-17	-2,567
Resource Evaluation Program	312	22,807	276	21,096	276	21,458	256	19,860	-20	-1,236	-20	-1,598
Regulatory Program	395	33,412	388	37,894	388	38,343	382	34,595	-6	-3,299	-6	-3,748
Information Mgmnt Program	---	---	116	7,287	116	7,416	116	7,416	---	129	---	---
Subtotal	1,029	101,596	1,045	104,293	1,045	105,607	1,002	97,694	-43	-6,599	-43	-7,913
										3,148 oil spill 3451		
Royalty Management												
Mineral Revenue Collections	297	19,983	290	21,270	290	21,955	290	21,367	---	97	---	-588
Mineral Revenue Compliance	316	22,168	329	24,515	329	24,831	329	24,539	---	24	---	-292
Systems Development & Operation	80	19,722	80	20,934	80	21,222	80	20,199	---	-735	---	-1,023
Interest on Late Payments	---	242	---	---	---	---	---	---	---	---	---	---
Allottee Refunds	---	8	---	10	---	10	---	10	---	---	---	---
Subtotal	693	62,123	699	~~66,574~~ 66,729	699	~~68,487~~ 68,018	699	~~66,739~~ 66,115	---	~~165~~ -614	---	~~-1,748~~ -1,903
General Administration												
Executive Direction	71	5,369	78	5,616	78	5,720	~~78~~ 77	5,720	-1	104	-1	---
Admin. Operations	227	10,924	235	11,904	240	13,441	230	13,076	-5	1,172	-10	-365
Gen. Support Svcs	---	15,981	---	15,919	---	15,585	---	15,207	---	-712	---	-378
Subtotal	298	32,274	313	33,439	318	34,746	307	34,003	-6	564	-11	-743
Total Requirements	2,020	195,993	2,057	204,461	2,062	208,371	2,008	197,812	-49	-6,649	-54	-10,559

Justification of Adjustments to Base

LEASING AND ROYALTY MANAGEMENT

	($000s) 1992 Est/1993 Change 1992 FTE/1993 Change
The Additional Cost in FY 1993 of the January 1992 and the January 1993 Pay Raise................................ The adjustment is for an additional amount of $1,302,000 needed in FY 1993 to fund 50% the one quarters' costs associated with the 4.2% pay raise effective in January 1992 and for an additional amount of $1,346,000 needed in FY 1993 to cover a 50% of the estimated 3.7% pay raise that will be effective in January 1993.	+$2,648
One Less Paid Day than in FY 1992.................... The decrease in personnel compensation results from there being one less paid day in FY 1993 than in FY 1992.	-$412
Workers Compensation Payments........................ This adjustment is for increased costs for compensation to injured employees through June 1990, 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.	$312/+$38
CSRS/FERS Retirement and Health .... The adjustment is for the increase in estimated retirement costs resulting from the continuing growth in the relative proportion of FERS employees in the bureau work force.	+$214
Unemployment Compensation............................ This adjustment is for increased 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.	$52/+$8
Departmental Working Capital Fund.................... This adjustment is for increased costs assigned to the Bureau for administrative services provided on a Department-wide basis. In FY 1993, costs of the overall services provided will increase as a result of pay raises. In addition, the employee training centers will be undergoing an expansion and a new center will be opened in Anchorage, Alaska. Increased costs have also resulted in the expanded use of the services provided by General Services.	$383/+$59

PAY/PERS Customary Service........................... $378/-$3

The adjustment is for changes in costs of operating the centralized PAYPERS payroll system used by the Department of Interior bureaus and offices.

Federal Financial System............................ $0/+$1,298
0/+5 FTE

This adjustment is for the costs of implementing the Department's standard administrative accounting system, the Federal Financial System (FFS).

Commercial Telecommunications System................. $398/+$116

The adjustment reflects changes in usage and implementation

Contract Support Costs for Royalty Management Program. +$496

The adjustment is to account for the inflation related increasing costs of contractor services.

Postage... $418/-$5

The adjustment is for the change in costs for postage services and includes efforts to use postage service classes more efficiently and the effect of reduced use of the U.S. mail due to electronic communications and private express services options.

Federal Telecommunications System (FTS 2000)......... $1,256/-$547

The adjustment is for the decreased costs payable to GSA resulting from the lower voice service charges under FTS 2000 net of amounts required for new services and extensions available under FTS 2000.

Activity: ***Outer Continental Shelf Lands***

Activity Summary

(In thousands of dollars)

Subactivity	FY 1991 Actual	FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Leasing & Environmental Program	45,377	38,016	38,390	35,823	-2,193	-2,567
Resource Evaluation Program	22,807	21,096	21,458	19,860	-1,236	-1,598
Regulatory Program	33,412	37,894	38,343	34,595	-3,299	-3,748
Information Mgmt Program	---	7,287	7,416	7,416	129	---
Total Requirements	101,596	104,293	105,607	97,694	-6,599	-7,913

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 actions having a significant effect on the environment.

16 U.S.C. 1451, et seq.

The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.

16 U.S.C. 1531-1543	The <u>Endangered Species Act of 1973</u> established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.
42 U.S.C. 7401, <u>et</u> <u>seq.</u>	The <u>Clean Air Act</u>, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require pollutant emission permits administered by the EPA or the States.
16 U.S.C. 470-470w6	The <u>National Historic Preservation Act</u> established procedures to ensure protection of significant archaeological resources.
30 U.S.C. 21(a) 30 U.S.C. 1601 <u>et seq.</u>	The <u>Mining and Minerals Policy Act of 1970</u> and the <u>Materials and Minerals Policy, Research and Development Act of 1970</u> set forth the continuing policy of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
33 U.S.C. 2701, <u>et</u> <u>seq.</u>	The <u>Oil Pollution Act of 1990</u> established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
43 U.S.C. 1301	The <u>Marine Protection, Research, and Sanctuaries Act of 1972</u> provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. MMS provides information and comments 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 <u>Marine Mammal Protection Act of 1972</u> provided for the protection and welfare of marine mammals.

The funds provided by the Outer Continental Shelf Lands activity enable the MMS to carry out its many and varied responsibilities, including classifying, evaluating, and conserving energy and non-energy resources; consulting with States, local governments, and other parties; conducting resource, economic, and environmental studies and assessments; regulating exploration, development, and production; ensuring that the American people receive full market value for the leases and rights MMS conveys; collecting, storing, and analyzing mineral and regulatory data; and developing multi-year natural gas and oil management programs that reflect MMS's responsibility to strike a balance between the need to protect the environment and the need to provide energy to the American people.

The Office of Offshore Minerals Management (OMM) is the organization in MMS that directly manages the OCS program, and its offices are located in several geographic areas to promote efficiency and be near major OCS activity. The headquarters offices are in the Washington, D.C. area, and the four regional offices are in Anchorage, Alaska (Alaska Region); Camarillo, California (Pacific Region); New Orleans, Louisiana (Gulf of Mexico Region); and Herndon, Virginia (Atlantic Region). The OCS Survey Group is located in Denver, Colorado.

The OMM's responsibilities and functions are separated into the (1) Leasing and Environmental Program, (2) Resource Evaluation Program, (3) Regulatory Program, and (4) Information Management Program. These four subactivities are integral components of a highly coordinated, comprehensive OCS program.

The MMS has initiated a restructuring of its comprehensive program to reflect the President's June 1990 statement announcing that his goal is "to create a much more carefully targeted OCS program -- one that is responsive to local concerns, to environmental concerns, <u>and</u> the need to develop prudently our nation's domestic energy resources."

As the manager of the nation's OCS energy and non-energy mineral resources, MMS's long-term strategy will be to assess those resources to determine if they can be developed in an environmentally sound manner and to then lease the appropriate areas. This long-term strategy will affect the way MMS manages the OCS resources and the way MMS faces the challenge of maintaining a balance between providing energy and protecting the Nation's unique and sensitive environments.

Recent Program Initiatives

Because of the continuing need to meet the goals of the MMS mission while being responsive to the domestic discretionary funding caps set forth in the Budget Enforcement Act of 1990, all of the programs have been carefully examined. This examination has resulted in several proposals to decrease resources planned for the MMS Outer Continental Shelf Natural Gas and Oil Program. Some of these important changes are described below:

- Environmental Studies

  The MMS's program initiatives for FY 1992 included: (1) air quality studies for the producing areas of the Gulf of Mexico; (2) emphasis on socioeconomic impacts of OCS activities on coastal communities; (3) environmental impact monitoring studies in producing areas to better understand chronic, long-term effects of OCS activities; and (4) studies needed to support the 5-Year Program. Changes in regional emphasis in FY 1993 have required a re-evaluation and, in some cases, a decrease in certain regional efforts. A continuing initiative in FY 1993 will involve the leveraging of MMS funds to establish local research centers with State institutions in areas with OCS exploration and development. Its purpose is to conduct environmental and socioeconomic research relevant to OCS leasing and development. Approximately $3 million from the Environmental Studies Program budget will be leveraged with the goal being to initiate matching funds projects with State institutions under a Marine Environmental Research Institute Program. A pilot project was initiated in FY 1992.

- Resource Evaluation

  A project to develop an interactive geologic mapping system was initiated in the Gulf of Mexico Region. This system will provide interactive capability in the mapping, interpretation, and analysis of resource data used to determine fair market value. It will also reduce the time required for post-sale resource analysis and speed the receipt of bonus revenues to the U.S. Treasury. The interactive geologic mapping system will replace slow manual methods in the analyses efforts.

- Operations and Oil Spill Research

  The MMS is taking steps to enhance the detection and cleanup technology and procedures for OCS oil spills to improve responses to any spill that may occur. As part of the President's June 1990 announced decisions on the OCS program, he directed the Executive Branch agencies to "reduce the possibility of oil spills offshore from whatever source" and to "improve the ability of industry and the federal government to respond to oil spills offshore." These directions were issued to ensure that offshore energy resource development takes place in the most environmentally protective manner possible. In addition, the Oil Pollution Act of 1990 imposed similar requirements on Federal agencies to implement regulatory programs to protect the environment from pollution and to prosecute individuals and firms that do not comply.

The MMS is increasing the effectiveness of its OCS Inspection Program, training requirements for offshore employees, and oil spill drill and equipment inspections, and is reimplementing OCS Civil and Criminal Penalties procedures. Starting in FY 1993, the MMS and DOI propose to fund the oil spill research and related support activities and costs from the Oil Spill Liability Trust Fund, as authorized by the Oil Pollution Act of 1990. In addition, funding for the financial responsibility activities, transferred from the U.S. Coast Guard in FY 1992, will derived from the Trust Fund.

- Information Management Program

MMS created a separate sub-activity in FY 1992 to enhance accounting and presentation of automated data processing support and development.

In FY 1993, MMS proposes a funding level increase of $5,000,000 to continue a multi-year, multi-phased initiative known as the Technical Information Management System (TIMS). The source of these increased funds will be additional revenues from fees and receipts related to the administration of various OCS activities which does not represent an increase in Budget Authority. Upon full authorization of TIMS, the eight year initiative will upgrade and modernize the mission support and information management capability (i.e., database, connectivity, hardware, and software) for the entire OCS Lands activity. MMS proposed funding support for this initiative in FY 1992, but none was enacted. Consequently, limited FY 1992 resources started preliminary program design activities, with implementation of a pilot project in the Gulf of Mexico requested for FY 1993.

The OCS Activity and its major subactivities are described on the following pages.

Since 1973, the Department of the Interior has funded over $1/2 billion in environmental studies to address possible effects of oil and gas development on the coastal and marine environment.

Justification of Program and Performance

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

(Dollar amounts in thousands)

Program Element		FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Environmental Studies	$	20,864	20,864	19,612	-1,252	-1,252
	(FTE)	---	---	---	---	---
Leasing & Environ'l Assessment	$	17,152	17,526	16,211	-941	-1,315
	(FTE)	(265)	(265)	(248)	(-17)	(-17)
Total Requirements	$	38,016	38,390	35,823	-2,193	-2,567
	(FTE)	(265)	(265)	(248)	(-17)	(-17)

Environmental Studies

Objectives

- To continue to support the Department's goals of providing adequate scientific and technical information on environmental, social, and economic effects of oil, gas and other mineral activities before decisions are made.

- To continue to plan and initiate scientific investigations to contribute to a basic and broad-scope understanding of the marine environment in OCS areas.

- To develop and conduct studies that address the environmental information needs for planned and ongoing OCS natural gas and oil decisions, including lease, exploration, and development considerations.

- To continue the commitment for lessening or removing adverse impacts.

- To continue the monitoring of postlease natural gas and oil and other mineral operations in support of the departmental mandate to protect the environment.

- To develop and provide the new information that is needed to support the 5-Year Comprehensive Program.

- To maximize the utilization of information within the existing data sets.
- To increase the usability and accessibility of environmental studies information for States and other users.

Program Description

The Environmental Studies (ES) Program began in 1973. Since that time, the program has actively sought to obtain the scientific and technical data necessary to support the OCS program's mandate to consider environmental and social concerns during all phases of the program. In the 18 years the program has been in existence, its focus has changed to address the issues of greatest concern. Early on, this meant focusing on broad information requirements to support leasing in frontier areas. Later, the program began to invest an increasing proportion of its funds towards information related to postlease management decisions while still supporting information needs in the remaining frontier areas. More recently, the ES Program has begun to concentrate on possible long-term, low-level impacts which, if present, remain to be more clearly defined. This means that a significant portion of the ES Program needs to occur in areas where natural gas and oil activities are (or have been) occurring and can be evaluated. In addition, the ES Program must collect the information necessary to support the 5-Year Comprehensive OCS Natural Gas and Oil Program as well as continue to support the President's decisions concerning natural gas and oil development on the OCS. At the same time, the Department is committed to sound environmental management in all areas and intends to expand its efforts to address any significant potential effects of natural gas and oil activities.

The ES program is a critical part of the MMS evaluation and decision-making process that determines which areas are environmentally acceptable for potential leasing. In a very real sense, the ES program is of critical importance in providing technical and scientific information concerning the impacts of development of mineral and hydrocarbon resources in the Nation's OCS area.

As each study is completed, its results are evaluated and used in the planning of future proposed sales, permitting actions, and if appropriate, additional studies. The MMS has also undertaken initiatives to analyze and evaluate the status of selected research topics. The 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.

Particular emphasis is being given to providing the environmental information needed to support the 5-year comprehensive program; air quality studies in the producing areas of the Gulf of Mexico; monitoring of long-term chronic impacts in producing areas; socioeconomic impacts of OCS development on coastal communities; collection of environmental information for Arctic areas; and synthesis and evaluation reports for selected topics. The goal of maximum use and availability of existing information has also led to the development of initiatives on information and data management and to expanded efforts involving local universities in the ES Program.

Three million dollars of the remaining environmental studies will be leveraged by initiating matching fund projects with State institutions under a Marine Environmental Research Institute Program. The Institutes will perform research towards developing a more comprehensive understanding of the marine environment. This effort will substantially contribute to the core of knowledge that the MMS draws upon when performing an environmental evaluation of the impacts of proposed lease activities and of exploration and development.

The MMS is continuing to emphasize the use of different ways to address and resolve environmental issues associated with the program. Special joint Federal/State task forces; increased meetings at the local and State levels with concerned interest groups, elected officials, and the citizenry; and the use of negotiated or facilitated resolution of contentious issues are examples of the types of activities MMS is pursuing and/or considering to determine the appropriateness of the development of individual leasing proposals. Greater efforts are being made and will be continued to work with coastal community and public interest groups to better understand their concerns and to assure that they have information to understand the benefits and risks associated with the program.

Recent Activities and Accomplishments

- In response to a congressional mandate in the Clean Air Act of FY 1990, MMS initiated a multi-year air quality/ozone study in FY 1992 for the producing areas of the Gulf of Mexico. This work will be continued in FY 1993 and is being coordinated with the States of Louisiana and Texas, EPA, and industry.

- The MMS continued to emphasize impact monitoring studies to determine the long-term effects of gas and oil development and production. A multi-year effort in southern California, begun in FY 1983, was extended for 3 years in FY 1991 to monitor environmental impacts from a production well off Point Arguello. In addition, in FY 1992, MMS initiated a 2-year study for active lease areas in southern California to monitor impacts of OCS exploration activities on deepwater reef communities. A 4-year development and production monitoring effort for the producing areas of the Gulf of Mexico was initiated in FY 1992.

- A major, multi-year cooperative effort was initiated with the Scripps Institute of Oceanography to study water movement and circulation off Southern California, keying initially on the Santa Barbara Channel area in which production is occurring.

- FY 1992 is the fourth year of MMS's 5-year University Initiatives Program with the University of California at Santa Barbara (UCSB) and the Louisiana Marine Consortium (LUMCON). This program provided $2.5 million to each of the institutions to study post-lease impacts of OCS natural gas and oil activities. The UCSB studies concentrated on environmental impacts associated with development and production activities. LUMCON studies concentrated on social effects such as impacts on family life, and economic effects such as boom-and-bust cycles. The MMS has been evaluating the University Initiatives Program with an eye towards extending, and possibly expanding, the program.

- The MMS-supported studies have successfully developed a satellite-linked radio tag for tracking the movements of large whales. This work, which was begun in FY 1989, will be continued and extended to the tracking of sea turtles in the Gulf of Mexico.

- A high resolution circulation model for the deep basin and near shore portions of the Gulf of Mexico was initiated in FY 1992.

- The MMS initiated a major 5-year field physical oceanography effort in the Gulf of Mexico in FY 1991. This effort has 3 components--circulation and cross-shelf transport/mixing on the Texas and Louisiana shelf, Mississippi River plume dynamics, and measurements and characterization of eddies moving onto the shelf from the basin. The information collected will be very important for both prelease and postlease decision making.

- An MMS study of an oil spill at the Smithsonian Tropical Research Institute in Panama is scheduled for completion in mid-FY 1992. The field work on this study was completed in FY 1991, and an interim report was submitted to MMS in June 1991. The final report is scheduled for March-April 1992. Information gathered in this study will be valuable in evaluating impacts of spilled oil on tropical marine communities such as coral reefs and mangrove swamps. The results will also be valuable in determining how well these communities recover and how long it takes them to recover.

- Studies on the distribution and movement of marine mammals and sea turtles in the Gulf of Mexico were greatly expanded in FY 1991 and continue to be a significant aspect of the Gulf of Mexico studies program.

- A high resolution circulation model for the U.S. Atlantic coast which incorporated Gulf Stream dynamics was completed in FY 1991. Animated time-step presentation of Gulf Stream dynamics for up to a 10-year simulation period can be demonstrated on an enhanced computing and graphics workstation.

- A physical oceanography modeling study for the Arctic was completed in FY 1992. This study incorporated water circulation, meteorological, and ice movement submodels.

- In FY 1991, MMS initiated a major, multi-year effort to improve and revamp its environmental information management system. The new system will allow users easy, computer dial-in access to the MMS environmental studies database. Phase 1 of this new system is planned to be operational in FY 1993.

Transfer of Base Funding

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	20,864	19,612	-1,252
(FTE)	---	---	---

Source of Funding Derived from the Trust Fund for Oil Spill Research (-$1,252,000)

This decrease is due to the transfer of the source of funding for fate, transport and effects studies related to oil spill investigations to the Trust Fund for Oil Spill Research. The Oil Pollution Act of 1990 directed designated agencies to coordinate research through The Interagency Coordinating Committee on Oil Pollution Research. The Act permits funding for this research to be derived from the Trust Fund for Oil Spill Research under certain prescribed conditions and limits. These activities will henceforth be funded from the Trust Fund for Oil Spill Research (TFOSR) which is discussed on page MMS-200 et seq. TFOSR funding is derived from the Oil Spill Liability Trust Fund, which is authorized under the Oil Pollution Act of 1990.

These actions will improve the coordination with other agencies. The goals of the Oil Pollution Act and the information needs of MMS will continue to guide this Program.

Distribution of change by object class

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

	Amount ($000)
Other Services..................................	-1,252
Total..................................	-1,252

Leasing and Environmental Assessment

Objectives

- To promote responsible stewardship of OCS resources through a comprehensive foundation of environmental and socioeconomic information.

- To manage responsibly the nation's OCS resources through a long-term planning strategy which assesses the energy and non-energy resources of an area and determines if development can be performed in an environmentally sound manner.

- To preserve, protect, and develop the resources of the OCS in a manner consistent with the need to balance orderly energy and non-energy resource development with protection of the human, marine, and coastal environments.

- 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 energy and minerals on the OCS.

- 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.

Program Description

The eight major subelements of the Leasing and Environmental Assessment Program are described below (dollar amounts shown reflect funding identified as the FY 1993 Estimate):

1. Development of a 5-Year Comprehensive Program ($418,000)

   An innovative approach is being taken in the development of a new comprehensive OCS program consistent with the President's June 1990 announced decisions. In addition to identifying areas to be considered for leasing during the five year period 1992-1997, the new program will cover a range of OCS activities to set the stage for the longer term. This approach to the program's development will include the selection of a 5-year OCS natural gas and oil leasing program. It will also include MMS's proposed future directions for the acquisition of new geologic data, the planning for future environmental studies, and assuring continued safe OCS operations beyond the 5-year program.

   In FY 1993, the new 5-Year Comprehensive Program will be in its first full year of implementation. The new context for this process was set by the President's June 26, 1990, statement on the OCS. The Draft

Proposed Program (DPP) was issued in February 1991. Comments on the DPP were received and incorporated in the Proposed Program that was issued in July 1991. A draft EIS was issued at the same time. A Proposed Final Program and Final EIS are scheduled to be distributed in Spring 1992. This will be followed by the approval of the Final Program. The entire process of developing a final 5-year program takes 2 to 3 years.

The Program has been tailored to fit the different characteristics of the Nation's coastal regions and to respond to the views expressed by States, local governments, and the public. The program seeks to make judicious decisions on where to consider leasing, focusing on the geologic basins with the highest resource potential that can be developed in an environmentally sound manner.

2. Management of Environmental Studies ($2,538,000)

The Environmental Studies (ES) Program has continually evolved and changed to meet the needs of the OCS Program and the cumulative increase in information and understanding of the OCS environment. The program contributes to the basic and broad-scope understanding of the environment in OCS areas, and it provides information for the environmentally safe operation of OCS oil, gas and other mineral activities and the development of the 5-year program leasing proposals. As stated in the OCS Lands Act, the purpose of the ES Program 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."

Continuous consultation occurs with the States, academics, industry, and others throughout the Program. Workshops and meetings are held to design studies and strategies and to review their results.

The knowledge gained from the studies conducted under this program is used by the Department in making decisions on the balanced development of marine mineral resources. Many of the studies, while targeted for determining potential effects of natural gas and oil activities, result in the collection of fundamental data on the marine environment. The data are used in selecting areas for proposed leasing, analyzing environmental effects, formulating lease stipulations, modifying leasing and operating rules and regulations, and assessing potential 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. Monitoring and other study efforts are used to design appropriate measures to mitigate or change potential adverse effects by amending and modifying OCS regulations or by issuing Notices to Lessees and Operators (NTL's). When an environmental study in a specific geographical area indicates a need to further protect the environment, new or changed operating conditions may be imposed on existing and future leases.

3. <u>Lease Sale Process/Consultation to Develop Leasing Proposals</u> ($531,000)

The objective of the consultative process is to fully evaluate OCS areas for various OCS management decisions. The location of the various OCS planning areas can be found in Figure 1 and Figure 2.

The designation of a planning area for consideration signals the beginning of an in-depth evaluation process, the Area Evaluation and Decision Process (AEDP). The AEDP is designed to determine in consultation with affected States, local governments, and the public, where, when, and if leasing will actually occur. The AEDP has three interactive elements: 1) information acquisition and evaluation process; 2) planning and consultation process; and 3) analysis of decision options process. The first step of this process is the information base review.

A variety of coordinating mechanisms ensure broad and active participation in identifying issues and acquiring, synthesizing, and evaluating environmental and gas and oil resource information. Options to accomplish this include workshops, task forces, regional technical working groups (RTWG'S), Information Transfer Meetings, and Regional Studies.

The timing and techniques used in the development of leasing proposals may vary among planning areas. Steps in the process include issuing a Call for Information and Nominations (Call) and a Notice of Intent to Prepare an EIS (NOI), scoping meetings, and other coordination meetings. In some areas, a Request for Interest and Comments (RFIC) precedes a decision on the issuance of a Call. Existing coordinating mechanisms (for example RTWG's and task forces) are employed. This process leads to a decision to stop, delay, or proceed with the AEDP.

A Proposed Action and Alternatives Memorandum is prepared for this decision. If a decision is made to proceed, an Area Identification is made and announced, along with an announcement regarding the scope of the draft EIS.

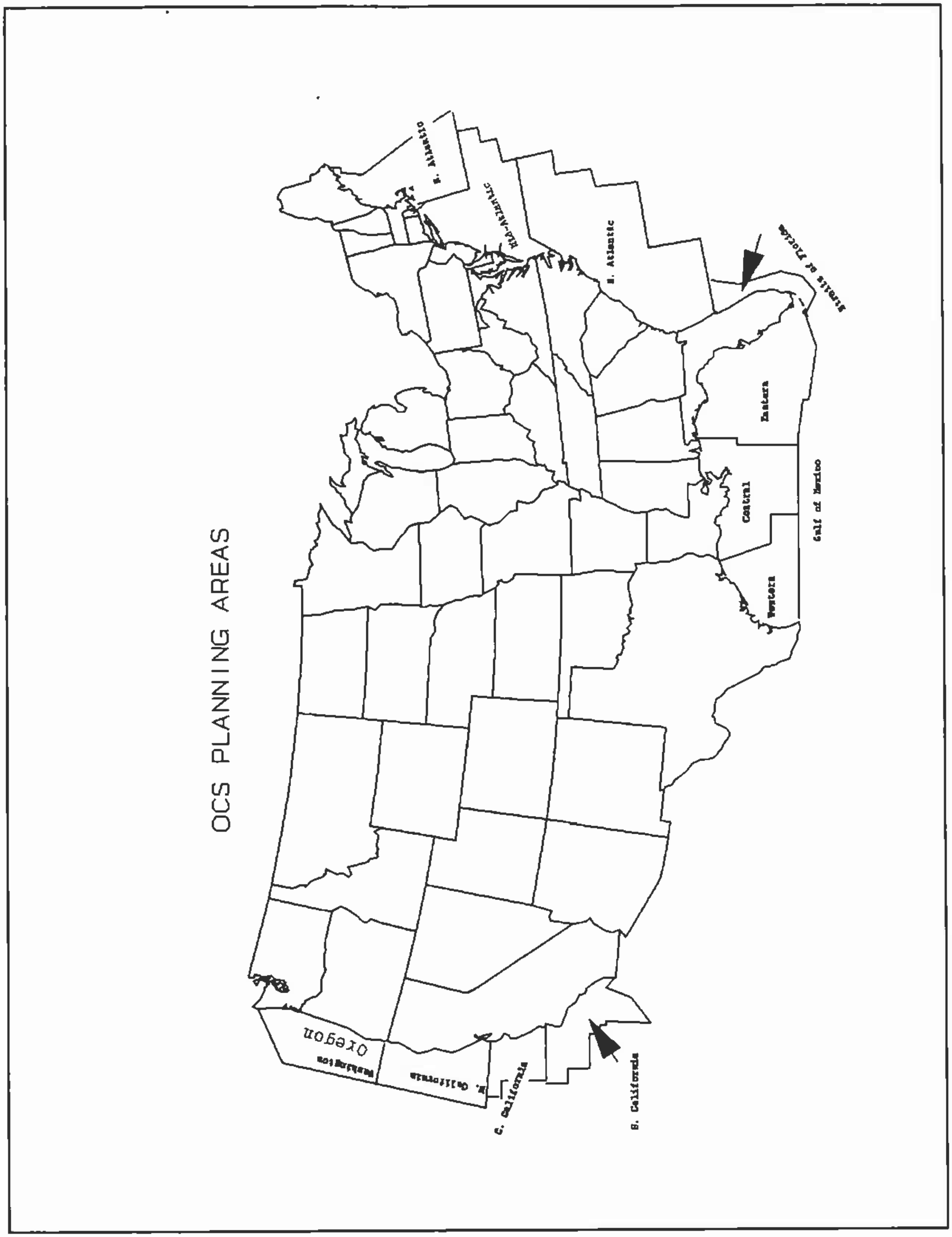

OCS PLANNING AREAS
N. Atlantic
Mid-Atlantic
S. Atlantic
Straits of Florida
Eastern
Central
Western
Gulf of Mexico
Oregon
Washington
N. California
C. California
S. California

Figure 1

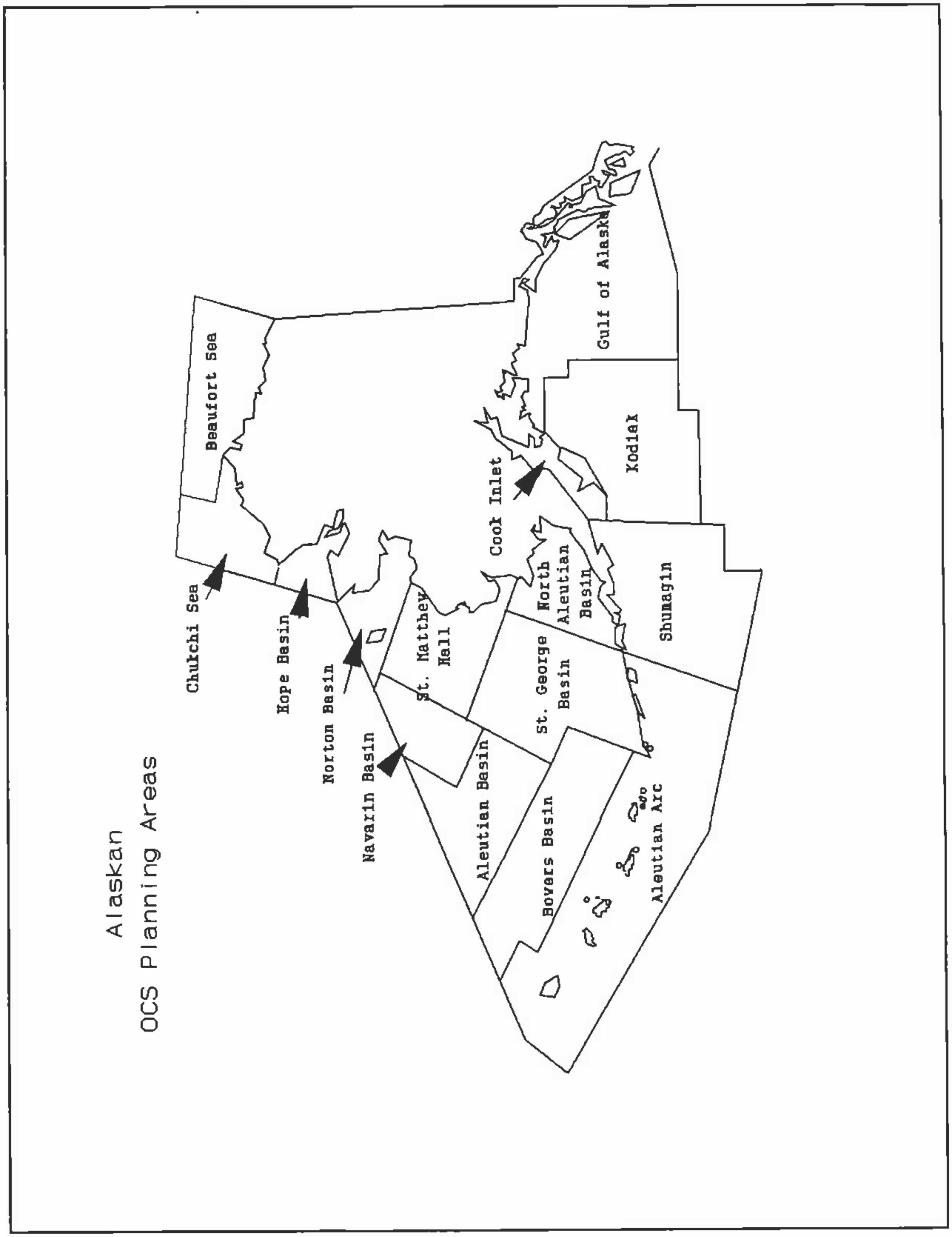

Alaskan
OCS Planning Areas
Beaufort Sea
Chukchi Sea
Hope Basin
Norton Basin
Navarin Basin
St. Matthew
Hall
Cook Inlet
Gulf of Alaska
Kodiak
North
Aleutian
Basin
Shumagin
St. George
Basin
Aleutian Basin
Bowers Basin
Aleutian Arc

Figure 2

4. <u>Environmental Assessment Process</u> ($5,401,000)

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.

Prior to the Secretary of the Interior deciding whether to hold an OCS lease sale proposed in the 5-year natural gas and oil program, MMS prepares an EIS and holds public hearings on the document in compliance with NEPA.

One aspect of the environmental analysis process for proposed lease sales is the oil spill risk analysis and report. The availability of environmental data, such as that on wind and ocean currents, is an important factor in the analysis. The analysis provides a measure of the likelihood of oil spill occurrence, as well as the estimated pathways of spills in relation to biological and socioeconomic resources.

The development of mitigating measures appropriate to the pertinent environmental concerns is another important phase of the prelease NEPA process for specific leasing proposals. Lease stipulations and Information to Lessees clauses, which are implemented through work in the Regulatory Program, are developed in conjunction with the environmental analyses. An evaluation of the effectiveness of these stipulations to mitigate potential adverse impacts is provided. Such mitigation, in conjunction with the existing regulatory framework, has proven to be an effective and economical means of minimizing potential adverse environmental effects while allowing the search for offshore natural gas and oil 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 reviewing and permitting of postlease activities.

Pursuant to Section 7 of the Endangered Species Act of 1973, the MMS 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 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.

5. <u>Leasing Proposal Process/Consultation and Analysis</u> ($1,164,000)

The coordination and presentation to departmental decision makers of issues and options on the terms and conditions of a leasing proposal is built on the information and analyses gathered through the new AEDP. Following the EIS analysis, decision options relevant to the proposed Notice of Sale are developed and presented to decision makers.

Decisions on the size, timing, location, terms, and conditions of a sale are included in a proposed Notice of Sale and published in the Federal Register. It contains specific information on the blocks and bidding units which may be offered for sale. The public, industry, and other Federal and State agencies are provided an opportunity to comment.

Governors of affected States are provided the opportunity to comment on the size, timing, and location of a proposed lease sale. The Governors receive the proposed Notice of Sale, the EIS, and the Coastal Zone Consistency Determination. MMS may meet with State officials to discuss and possibly resolve issues associated with the proposed sale.

A final Notice of Sale is published in the Federal Register at least 30 days before the announced sale date. This Notice includes the terms and conditions applicable to the sale and to ensuing leases. It places limitations on joint bidders and establishes the stipulations applicable to the various blocks offered. It describes the procedures to be followed by successful bidders for obtaining their leases and for paying the balance of payments due.

The Governor of each affected State receives written notification of the reasons for the determination to accept or reject the Governor's recommendations on the lease sale. The Department accepts such recommendations if it is determined, after having provided the opportunity for consultation, that the recommendations provide for a reasonable balance between the national interest and the well-being of the citizens of the affected States.

6. Lease Sale Process/Adjudication ($1,033,000)

The sale of offshore leases is conducted under competitive sealed bidding procedures. After the bid opening, MMS adjudicates the bids to assure compliance with regulations and to determine whether the highest valid bid for each block exceeds the 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 each bid must, by regulation, occur within 90 days of the sale. Pertinent information is sent to the Department of Justice, Antitrust Division, and the Federal Trade Commission for anti-trust purposes. Their clearance of the bids are required before leases can be issued.

Lease records must be maintained until that lease is terminated by law, relinquished, or expired. Maintenance includes 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 gas or oil are found, a pipeline permit may be 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.

Bonuses and rents paid for OCS leases and royalties from subsequent production have a positive effect on the Federal Budget. In FY 1992, an estimated $315 million in rents and bonuses and $1.967 billion in royalties are expected to be received. Approximately $3.6 billion is estimated to be received in FY 1993. Of the FY 1993 amounts, gross royalty receipts from producing OCS leases are estimated to be $2.06 billion of which $25 million will be paid to coastal states and counties in FY 1994 under the Coastal Community Impact Assistance Act and in addition, $1 million in accrued interest will be paid. Lease sale bonuses and rentals are estimated at $336 million and escrow principal at $434 million and interest of $802 million.

7. <u>National Environmental Protection Act (NEPA) and Other Reviews for Industry Activities</u> ($2,669,000)

Discussions with the lessees take place concerning any special requirements (outside of the normal requirements set forth in OCS regulations) needed to mitigate potential impacts identified during the prelease NEPA process and the Secretarial decision process.

Lessees are required to develop plans detailing their proposed actions for exploration and, if sufficient resources are discovered and the lessee wishes to produce, for development and production including pipeline activities. Each plan must contain a certification of consistency with applicable State plans approved under the Coastal Zone Management Act (CZMA). Each plan and its environmental information are reviewed to determine the impacts from the proposed activities and the mitigation needed to allow exploration, development, or production to be performed in an environmentally sound manner.

As part of the review, an environmental analysis for each plan is prepared, as required by NEPA. This may take several forms depending on the activity.

A Categorical Exclusion (CE) Review for Regulatory Action covers actions which typically 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. If the potential for a significant impact is determined from the categorical exclusion review, an Environmental Assessment (EA) is prepared.

An EA for Regulatory Actions is prepared for non-categorically excluded activities. The environmental effects of the activities proposed in the plan are reviewed and documented in an EA prior to approval of an exploration plan or a development/production plan in accordance with NEPA. An EA is used as a decision making tool to determine whether the approval of the plan would constitute a major Federal action significantly affecting the quality of the marine, coastal, or human environment. An EIS is required prior to plan approval if potential impacts can significantly affect the marine, coastal, or human environment.

An EIS for regulatory actions is prepared when the analysis in an EA concludes that the approval of the plan would constitute a major Federal action significantly affecting the quality of the marine, coastal, or human environment. In addition, Section 25 of the OCS Lands Act provides that an EIS will be required for the approval of at least one natural gas and oil development and production plan in any area other than the producing areas of the central and western Gulf of Mexico.

An oil spill risk analysis may be prepared for each development/production plan EIS and some exploration plan or development/production plan EA's. The analysis examines potential risks from proposed activities and potential oil spill pathways and provides a quantitative basis for discussion in the development and production plan EIS or other NEPA document. A formal report describing the oil spill model and analysis (including assumptions made and results) may be prepared.

The Endangered Species Act (ESA), Section 7, consultation may be reinitiated at the exploration or development stage if the proposed activity has the potential to affect an endangered or threatened species or destroy or adversely modify its critical habitat. Consultation may also be reinitiated at any time if species are newly listed or critical habitat designated, an action or its effects changes significantly, new biological information or effects warrant re-examination of previous biological opinions, or allowable incidental take limits are exceeded.

During conduct of lessee operations, activities are monitored to ensure compliance with any required mitigation and to ensure that the measures in place are sufficient to mitigate the adverse impacts. At the end of the life of a platform, MMS reviews the lessee's proposed method of its removal, prepares an EA, and, as necessary, completes Endangered Species Act Section 7 consultations.

Also, as part of its oversight of industry activity, MMS conducts an environmental review of proposals for construction of pipelines on the OCS and for geological and geophysical activities permitted under the Resource Evaluation Program. Two documents are required to support the NEPA process for those activities.

A Categorical Exclusion Review for Geological and Geophysical Activity is prepared prior to issuing a permit to conduct a geological and geophysical (G&G) survey (an activity conducted through the Resource Evaluation Program). In this review, 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, and then an EA is prepared. If the potential for a significant impact is determined from the categorical exclusion review, an EA is prepared.

8. Program Management and Support ($881,000)

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire 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, and the Office of Offshore Management Support. Nationwide editorial, document distribution, and budgetary support are provided within the Office of Offshore Management Support. Within each Region, cartographic, editorial, budgetary, and other program support duties are provided by support staffs.

Recent Activities and Accomplishments

- MMS continued a major effort with the National Academy of Sciences (NAS) to review its Environmental Studies Program. Topics included marine ecosystems, physical oceanography, and socioeconomics. The first volume on physical oceanography is now available.

- In FY 1991, MMS completed a summary of the first 15 years of the ES Program. This document highlighted the accomplishments of the program to date.

- The following EIS's have been published and filed with the Environmental Protection Agency during FY 1991:

  - Norton Sound Mining Proposed Sale (Final EIS)
  - Gulf of Mexico Proposed Sales 139/141 (Draft and Final EIS)
  - Beaufort Sea Proposed Sale 124 (Final EIS)
  - Navarin Basin Proposed Sale 107 (Final EIS)
  - Chukchi Sea Proposed Sale 126 (Final EIS)

- MMS continued to improve its oil-spill risk analysis (OSRA) effort by testing methods to better project the movement, spreading, and dissolution of oil spills on the ocean surface. In addition, a panel of experts has been convened for technical advice on complex ocean modeling issues.

- Actual OSRA's performed in FY 1991 were for the Central and Western Gulf Lease Sales 139/141. The analysis for Central and Western Gulf Lease Sales 142/143 was initiated and completed in FY 1992. Initial analyses on the Beaufort Sea Lease Sale 144 and Chukchi Sea Lease Sale 148 may also begin in FY 1992.

- In accordance with the 1990 Clean Air Act Amendments, OCS Air quality, except in the central and western Gulf of Mexico, will be regulated by the Environmental Protection Agency. The EPA is consulting with MMS in the development of these rules which are expected to be published in CY 1992.

- The MMS is initiating a three-year ozone modeling study for the Western and Central Gulf of Mexico, as mandated by the 1990 Clean Air Act Amendments. The MMS has worked in cooperation with the States of Texas and Louisiana, EPA, and industry in defining the technical approach for this study. In addition, there are plans for an interim ozone impact assessment for the Gulf of Mexico OCS in cooperation with EPA in Research Triangle Park using a regional model being developed for the southeastern United States. This effort will be completed sometime in FY 1992 with results to be used in future Lease Sale EIS's.

- In FY 1991, MMS held a workshop on offshore oil-spill movement and risk assessment. More than 30 scientists experienced in the areas of oil-ocean circulation modeling, observations, and risk assessment attended along with MMS personnel. The workshop defined oceanographic and oil-spill modeling and risk assessment techniques in response to recommendations made by the National Academy of Sciences.

- In FY 1991, MMS prepared and distributed the Draft Proposed Program, the Proposed Program, and the Draft EIS for the 5-Year Comprehensive Program. Affected States, local communities, national and local interest groups, and the public had 90 days to comment on the Proposed Program and Draft EIS. The Proposed Final Program and Final Program are expected to be issued in the spring and summer of 1992, respectively.

- In FY 1991, MMS held two sales in the Gulf of Mexico (March and August) and two sales offshore Alaska (Beaufort Sea in June and Chukchi Sea in August). These sales were held after extensive consultation with the affected States to assure that their concerns were addressed.

- During the development of the 5-Year Comprehensive Program for 1992-1997, MMS established an AEDP for areas considered for leasing which will include decision points where a determination will be made to proceed, delay, or stop the process, and a listing of the earliest possible sale dates which the MMS proposes. The AEDP provided a regional framework to order and focus the activities that must be accomplished to effectively manage OCS natural gas and oil resources.

In addition to the programs 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. These activities are discussed below.

Other Activities ($1,576,000)

Leasing Area Maps and Diagrams

The OCS must be accurately defined to assure that only Federal lands are offered for lease. The definition of this coordinate infrastructure is based on the North American Datum of 1983 (NAD 83). The official MMS NAD 83 Implementation Plan was approved by the Director, MMS, on April 23, 1991, and was published in the Federal Register on May 1, 1991. The MMS NAD 83 Project Plan is currently being developed and reviewed by the Agency.

The NAD 83 effort will require the MMS to redefine approximately 500 existing Official Protraction Diagrams (OPD's) and Leasing Maps (LM's) and 15,500 existing Supplemental Official OCS Block Diagrams (SOBD's) on the new datum. The NAD 83 process will eliminate all existing NAD 27 cadastres and redefine them on the metric Universal Transverse Mercator (UTM) system. In addition, a number of new official output products will be required in order to define existing NAD 27 leases on the NAD 83 datum and to depict ambulatory leasing boundaries, the limit of the Exclusive Economic Zone (EEZ), and international maritime boundaries. These new requirements and complete SOBD coverage of all relevant areas may generate as many as 200,000 diagrams.

The implementation of NAD 83 is being facilitated by the development of an offshore digital coordinate database called the, Offshore Block, Boundary, and Map/OPD Information System (OB2MIS). This process will incorporate and comply with the National Oceanic and Atmospheric Administration's June 14, 1989, Federal Register Notice (54 FR 25318) to implement the new datum, NAD 83, and Executive Order 12770 of July 25, 1991, Metric Usage in Federal Government Programs.

The MMS continues to participate in a number of cooperative efforts with coastal states to develop jointly Federal/State boundaries. These projects continue to enhance relationships and promote the best use of Agency resources, since expenses are shared and data is available to all parties. The collective efforts may prevent costly and time-consuming Federal/State jurisdictional disputes over boundary lines. Jurisdictional disputes that are not resolved have the potential for causing delays or reductions in the size of proposed Federal and State natural gas and oil lease sales.

The MMS is taking an active role in the Office of Management and Budget Circular A-16 process for the coordination, development, and dissemination of surveying, mapping, and related spatial data activities. The MMS has appointed appropriate key personnel to the Federal Geodetic Data Committee (FGDC) and Interior Geodetic Data Committee (IGDC) and various other related subcommittees and working groups. The MMS is in the second year of a ten year Memorandum of Understanding with the United States Geological Survey for services to supply NAD 83 shorelines and grids to meet the Comprehensive Program schedule.

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 OCS Lands Act.

The OCS Lands Act requires that Interior consult with affected States and other interested parties on all aspects of leasing, exploration, development, and protection of the resources of 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 members are appointed and provide advice to officials within the Department of the Interior. The membership is balanced as required by the Federal Advisory Committee Act to ensure that all interested constituencies, including the coastal States, are adequately represented. The Advisory Board committees meet separately several times a year and have distinct purposes as explained in their charters. The Advisory Board committees frequently appoint subcommittees for in-depth issue analyses, and findings are reported back to the standing committees.

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

International Activities and Marine Hard Minerals

Commencing in FY 1991, the Minerals Management Service increased its attention to international activities related to the on-going mission of the bureau. Activities comprised three types: seeking additional opportunities for cooperative research projects with nations actively involved in offshore gas and oil production; continuing to provide advice to the Department of State during the course of developing United States policy with respect to ocean issues; and, making a start at offering assistance to lesser developed nations with offshore concerns.

During FY 1991 and 1992, the MMS continued or inaugurated close partnership arrangements with 16 coastal States. The task forces formed through cooperative agreements have undertaken joint analysis of marine mineral resources and impacts of potential resource recovery. These efforts include preparation of documents required by NEPA to evaluate the effects of mineral development.

The Gulf of Mexico Task Force has been subdivided into three components to allow for greater attention to the needs of the participating States. A new agreement with Louisiana and Mississippi was consummated and provided for a continuation of work on the Ship Shoal/Isles Dernieres project and evaluation of offshore shell resources in support of construction needs. This effort investigated the potential use of Federal OCS sand resources from Ship Shoal to mitigate wetland and barrier island destruction in State of Louisiana. A geologic, engineering, economic, and environmental model was developed, and preliminary results indicated the resource could be used economically and without serious environmental consequences to aid a major coastal problem. A mineral resource from the Federal OCS would be utilized to mitigate an environmental problem on the vulnerable coastline of Louisiana. Further environmental studies were undertaken in FY 1992 in anticipation of the preparation of a prelease EIS by FY 1993. New independent Alabama and Texas joint agreements also targeted sand resources and were expected to utilize heavily the experience of the Ship Shoal project to evaluate their resource options. Environmental evaluations are possible for Alabama and Texas in the FY 1993.

MMS continued working closely with the State of Georgia in a joint task force in the development of a study plan to assess the current level of environmental information available offshore Georgia and its applicability for environmental impact assessment in relation to marine mineral development offshore Georgia. Since MMS, through its Environmental Studies Program, contracted for an extensive compilation of scientific literature describing such effects, the two efforts were being closely coordinated.

Other joint arrangements involved the States of North Carolina, Hawaii, Oregon, and Virginia. The latter was initiated in the late summer 1991.

Two other developments are expected in FY 1993 which have a bearing on pre-lease or environmental activity. One involves the results of two studies undertaken by a joint agreement involving the New England States. The studies are examining the demand and potential supply sources for aggregates. If the Federal offshore area is identified as a source for the resource, the joint arrangement between the States and MMS may move into a phase of exploring that potential further and evaluating the environmental impacts. Finally, a benthic repopulation study, which would have wide applicability to aggregate extraction in offshore areas, will be initiated.

Conflict Management

MMS continued to develop a comprehensive conflict management program in response to the President's June 26, 1990, directive calling for an OCS program that is more responsive to local concerns. The goals of the conflict management program have been: to encourage greater and more effective public participation in the OCS decision-making process; to evaluate and improve current methods of public interaction; to minimize conflicts that result from insufficient information about MMS policies and practices; and to ensure that MMS personnel are equipped with the necessary skills to manage contentious issues.

Recent Activities and Accomplishments

- Proceeded to implement the North American Datum of 1983. The MMS is producing Offshore Protraction Diagrams in the Chukchi Sea planning area on NAD 83. These diagrams will be used for the Chukchi sale scheduled for mid-1994.

- In August 1990, the MMS and State of Hawaii completed the final Environmental Impact Statement for the possible future development of cobalt-rich manganese crusts adjacent to Hawaii and Johnston Island.

- Completed contract award for a marine mining study which includes a literature search, synthesis, and analysis of potential environmental effects from offshore mining. This is the first marine mining environmental study funded through the MMS Environmental Studies Program.

- In an effort to respond to the need for a sand source in order to protect the loss of wetlands and mitigate coastal erosion problems, the MMS initiated an environment assessment of the future extraction of sand from Ship Shoal, offshore Louisiana, for beach nourishment and restoration of the Isles Dernieres.

- Continued to work closely with the Bureau of Mines' Marine Minerals Technology Centers to integrate their efforts to develop environmentally safe technology for mineral extraction with the MMS's activities.

- In November of 1991, a Memorandum of Understanding was signed by MMS and Australia's Department of Primary Industries and Energy. The document establishes a framework for information sharing and possible future cooperative efforts relating to offshore oil, gas, and mineral development.

- Provided advice to the Department of State during the development of the "Arctic Environmental Protection Strategy" document which was signed by representatives of all eight Arctic Nations in June 1991.

- Continued the process of working with the Department of State during the lengthy process that led to the presidential decision in July 1991 to sign the environmental protocol which will serve as a supplement to the Antarctic Treaty.

- Assisted the Department of State with preparation of background papers for use by the U.S. delegations during preparatory meetings and, in 1992, the United Nations Conference on Environment and Development.

- Began to develop a training capability by: assisting the Hungarian Government with the organization of a new Minerals Management Agency; supplying four instructors for a United Nations Development Program sponsored course for Pacific Basin countries in marine geology/mining; and, creating a short course which, when tailored to the needs of a particular country, could provide an overview of the types of technical assistance available from MMS.

- Continued the expansion of the outreach program and the development of informal information exchanges on the development of the new OCS program. MMS also began development of a video on consultation with the States and public participation in its decision-making process.

- Increased the number of workshops held with local groups to provide a forum for the discussion of issues and concerns of the public.

- Continued to test and evaluate new approaches to public interaction. Provided more face-to-face dialogue with the public and pursued innovative, timely ways to assure that the public's concerns and issues were addressed in the development of the OCS program.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Leasing and Environmental Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Development of Comprehensive OCS Program:				
o Develop a New Program	1	1	0	-1
o Annual Review	1	1	1	0
2. Management of Environmental Studies:				
o Regional Studies Plans	8	8	4	-4
o National Studies Lists	2	2	1	-1
o Procurement Packages	95	101	92	-9
o Technical Proposal Evaluations	34	40	28	-12
o Contracts Monitored	338	356	320	-36
3. Lease Sale Process/Consultation to Develop Leasing Proposal:				
o Information Base Reviews	4	3	2	-1
o Requests for Interest and Comments	2	2	2	0
o Calls for Information and Nominations	2	4	4	0
o Proposed Action and Alternatives Memoranda	0	5	4	-1
o Area Identifications	0	6	4	-2

Semi-submersible rigs are used for exploratory drilling in waters on the OCS. The environmental record for exploratory drilling is excellent - there have been no major spills during exploratory drilling on the U.S. OCS, and there have been more than 10,000 exploratory wells drilled.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
4. Environmental Analysis Process:				
o Scoping Process Reports	5	7	6	-1
o Draft Environmental Impact Statements	4	3	6	3
o Oil Spill Risk Analyses/Reports	4	5	4	-1
o Endangered Species Consultations	11	11	8	-3
o Public Hearings	12	8	14	6
o Final Environmental Impact Statements	10	4	4	0
o Environmental Assessments	0	0	2	2
5. Leasing Proposal Process/Consultation and Analysis:				
o Secretarial Issue Documents	4	1	0	-1
o Proposed Notice Decision Memoranda	6	4	6	2
o Proposed Notices of Sale	6	4	6	2
o Section 19 Letters	11	12	9	-3
o Alternatives Update Memoranda	1	2	5	3
o Final Notice Decision Memoranda	5	2	2	0
o Final Notices of Sale	5	2	2	0
o Balancing Letters	9	6	6	0
o CZMA Consistency Determinations	8	4	4	0
6. Lease Sale Process/Adjudication:				
o Lease Sales	4	2	2	0
o Active Leases Maintained	7,559	8,111	8,571	460
7. NEPA Review for Industry Activities:				
o Categorical Exclusion Reviews for Regulatory Action	1,104	1,156	1,231	75
o Environmental Assessments for Regulatory Action	282	386	205	-181
o Environmental Impact Statements for Regulatory Action	2	4	3	-1
o Oil Spill Risk Analyses/Reports	2	3	3	0
o Endangered Species Consultations	24	25	22	-3
o Environmental Reports Reviewed	603	706	350	-356
o Categorical Exclusion Reviews for Geological/Geophysical Activity	579	897	263	-634
o Environmental Assessments for Geological/Geophysical Activity	15	22	3	-19

Other Activities	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Leasing Area Maps and Diagrams:				
o Official Protraction Diagrams	28	64	68	4
o Supplemental Split Block Diagrams	1,486	4,134	2,135	-1,999
o Lease Bidding Unit Diagrams	9,000	2,000	9,000	7,000
o Composite Block Diagrams	45	45	598	553
2. Advisory Board Coordination:				
o Policy Committee Meetings	1	2	2	0
o Subcommittee Meetings	2	5	5	0
o Regional Technical Working Group Committee Meetings	12	12	12	0
o Scientific Committee Meetings	3	3	2	-1
3. International Activities and Marine Minerals (also see subelements above)				
o Identification of Opportunities for Cooperative Research (includes MOUs, information sharing, and joint research)	0	2	4	2
o Provide international assistance	1	2	3	1
4. Conflict Management Products	4	6	4	-2

(Note: International Activities and Marine Minerals workload outputs are included in this table (and in the Resource Evaluation Program table).

Decrease from FY 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	17,526	16,211	-1,315
(FTE)	(265)	(248)	(-17)

Leasing and Environmental Assessment Program Decrease (-$1,315,000; -17 FTE)

The MMS's FY 1993 budget is a fiscally sound, responsible budget that is part of an overall Federal Government-wide spending plan which meets the domestic discretionary funding caps set forth in the Budget Enforcement Act of 1990, while continuing to meet the Service's goals and objectives. In light of those constraints, each MMS program was carefully examined. This examination resulted in several decrease proposals for the MMS Outer Continental Shelf (OCS) Natural Gas and Oil Program.

Plans for a more focused leasing program and changes in priorities will allow for a reallocation of resources based on a lower level of activity. These adjustments will realize a decreased need in the Leasing and Environmental Assessment Program of 17 FTE (-$1,000,000) and a reduction of conflict management and outreach funding of $315,000.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation	-731	
Personnel Benefits	-119	
Travel	-34	
Rents, Communications, & Utilities	-17	
Printing & Reproduction	-14	
Other Services	-349	
Supplies	-34	
Equipment	-17	
Total	-1,315	-17

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(Dollar amounts in thousands)

Program Element		FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Resource Evaluation Program	$	21,096	21,458	19,860	-1,236	-1,598
	(FTE)	(276)	(276)	(256)	(-20)	(-20)
Total Requirements	$	21,096	21,458	19,860	-1,236	-1,598
	(FTE)	(276)	(276)	(256)	(-20)	(-20)

Resource Evaluation

Objectives

- To advise Department and Bureau management on matters related to the OCS leasing programs and issues from a petroleum geology and resource economic perspective.

- To obtain and analyze geophysical and geological (G&G) data and information, produce area-wide resource potential maps, and produce tract-specific and prospect-specific maps for environmental and economic evaluations. In particular, resource studies are undertaken to determine: (1) whether geologic conditions for energy or non-energy minerals exist, (2) where potential concentrations of the resources are located, (3) the size of the accumulations and the likely amount of resources those accumulations may contain, and (4) the economic value of the resource.

- To evaluate OCS hydrocarbon resources in order to decide where environmental studies should be conducted with special emphasis on areas of greatest mineral potential. To play an active role identifying and ranking those areas to be deferred from leasing until additional environmental studies can be conducted.

- To develop estimates of commercially recoverable energy and non-energy minerals to be used to determine where environmental studies should be undertaken and where leasing activities should take place considering that the focus should be on areas of greatest mineral potential.

- To analyze, develop, and design economic and engineering criteria to be used in 1) assessing environmental impacts and 2) in determining whether to accept or reject high bids received for tracts in a lease sale.

- To expand the usage of post-discovery well data and other information to estimate equivalent data for undeveloped areas and to develop geologic analogs to project and estimate resource potential in underdeveloped and frontier areas.

- To utilize economic and engineering methodologies and studies that can assist management in making informed recommendations and decisions.

Program Description

The Resource Evaluation (RE) Program identifies potential locations and accumulations of offshore energy or non-energy mineral resources. The amount and economic values of Federal resources are estimated by acquiring and analyzing scientific data. Resource assessments are the basis for understanding the relative importance of resources in various OCS areas.

Determining the resource potential enables MMS to meet its mandate of responsible stewardship of the OCS. Estimates of technologically and economically recoverable resources serve as the basis for identifying candidate areas for assessing potential environmental impacts. Economic analyses of possible environmental damages and adverse coastal zone effects from proposed OCS leasing are performed to estimate environmental costs.

The RE Program develops and updates estimates of natural gas and oil reserves. It also provides information on possible accumulations of discovered and undiscovered energy and non-energy mineral resources. Accurate resource inventories are essential to the Nation's security as these resources may be needed to meet future energy and mineral supply emergencies. These inventory reports are given to Congress, as required by law.

Information provided by the RE Program helps the Department to make balanced decisions when resolving conflicts with other Federal agencies, States, localities, and other groups. This information can also be used by the public and industry to make informed decisions on areas to be considered for possible future leasing. MMS also disseminates data and information related to resource potential in support of other Federal Agencies' activities (for example, proposed marine sanctuaries, traffic separation schemes, international boundary disputes, etc.)

Much of the G&G data and analyses are combined with resource, economic, and engineering data to identify and rank OCS areas for environmental studies and possible leasing and to develop the fair market value of prospects against which potential bids are considered. The design, maintenance, and update of advanced computer models, ADP systems, and data bases for economic and engineering analyses are fundamental to accomplishing these objectives.

The seven major subelements of the RE program and their descriptions follow (dollar amounts shown reflect funding identified as the FY 1993 Estimate):

1. Geological Studies Program ($3,655,000)

The objective of this subelement is to acquire and analyze G&G data and information to identify broad areas and to specify tracts with geologic potential for energy or non-energy minerals. These data and information form the basis for the detailed mapping and evaluation of formations and the distribution of potential offshore resources. 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. These data are used for determining the need for and the locations of additional environmental studies and for evaluations of bids received in an OCS lease sale.

A guiding principle, in determining future areas that may be leased, is the necessity of adequate scientific and technical information regarding the resource potential of each area considered for leasing as well as a general directive to target more carefully toward areas with truly promising resource potential. In the past, when sales were scheduled in specific areas, G&G permits were issued to industry for the gathering of prelease data. Industry generally conducted extensive G&G work for 1 to 3 years prior to the proposed sale. There has been a lack of data in recent years because of deferrals, moratoria, or cancellations of lease sales causing industry to not acquire data in these OCS areas. As a result, MMS may have to acquire its own G&G (including seismic) data to have adequate information to perform analyses and make decisions concerning these areas with no industry activity. Seismic data form the primary base of information for the area identification/prospect evaluation process, and for the support of activities of the Energy Information Administration and National Oceanic and Atmospheric Administration. Adequate technical input must be available when analyzing proposed legislation or issues concerning other Departments, Federal Agencies, State or local governments, and other interested groups.

Information resulting from this effort is disseminated to the public through: MMS-published OCS reports, maps, and press releases; technical papers given at professional meetings; and information transfer meetings.

2. Program Formulation ($1,958,000)

The early phases of the Comprehensive 5-Year Program activities are analyses of the broad geologic framework of regional areas to assess the presence of natural gas and oil. Planning area resource estimates are also developed for use in the annual review of the 5-Year Program and any subsequent development of a new comprehensive program. For those areas thought to contain natural gas and oil, the emphasis shifts to more detailed analyses of data and information to determine the location of specific geologic features or conditions and the need for environmental and further resource studies. Engineering and economic analyses are performed to assess potential benefits to adjacent States of production (including revenues attributable to leasing) versus costs. Guidelines are established to offer the areas with the best prospects first. The guidelines are based on estimates of the economic value of expected bonuses (for the Office of Management and Budget) and the expected profitability of the resources. These estimates are also used to help determine the optimum interval between sales and the frequency of sales in the various planning areas.

The formulation of the comprehensive program envisions a more active MMS role in identifying and ranking those areas of the OCS to be deferred until additional environmental studies can be conducted. A significant step in the leasing decision process is the identification of the prospective portions of the planning areas proposed to be offered under the 5-Year Program. It is necessary to determine the range of potential for the areas to establish the need for environmental studies or initiate action on a proposed lease offering. Information on industry interest is also considered. Priorities are weighed against environmental, economic, and military concerns to identify the specific areas to be included in the proposed sales.

3. <u>Evaluation Decisions Prior to a Lease Sale</u> ($5,454,000)

After a decision is made to conduct environmental studies and lease the areas of promising resource potential, further detailed studies and analyses of energy and non-energy mineral prospects are conducted. They are necessary to determine the size of the prospects and their economic value. Engineering (exploration and development (E&D) reports) and economic scenarios (bidding system design) and parameters are developed to assess the potential impacts of leasing decisions on specific areas. Once the amount, value, and costs of the resources are estimated, lease terms and royalty rates are assigned to ensure adequate competition and receipt of fair market value.

Detailed G&G mapping and analyses of tracts are made in order to estimate their resource potential. The maps and associated documents are required before the issuance of the Call for Information and Nominations to identify those portions of the planning area having hydrocarbon potential. These data are considered along with industry interest and weighed against environmental, economic, and military concerns. The result is the identification of specific areas to be included in the proposed sales. Maps, data, and analyses form the basis for determining parameters that serve as input to the resource estimation process (and in NEPA and other decision documents) and the postsale evaluation process for assessing bid adequacy.

4. <u>Evaluation Decisions Following a Lease Sale</u> ($2,409,000)

Energy and non-energy mineral acreage is leased by a competitive bidding process. After a lease sale is held, high bids are evaluated to make sure the public has been offered fair market value for its resources.

This includes determinations of the type of tracts, the viability of prospects, tract-specific resources, economic values, and development costs to determine the final acceptance or rejection of high bids (i.e., fair market value determinations). Cost estimates and price assumptions are prepared for lease sales in each fiscal year and include the following: gas and oil prices; transportation costs (pipeline, tanker, etc.); real price changes; inflation and discount rates; and exploration, development, and production costs. A computer model calculates both resource and economic values using estimates of recovery factors; production profiles; exploration, development, operating, and transportation costs; and market supply and demand. A continuous research effort is necessary to refine the guidelines for bid adequacy as well as the methodology and procedures involved with the model and the modeling process.

5. Reserves Assessment Program ($1,306,000)

The Reserves Assessment Program (RAP) provides necessary services and information to all facets of the RE Program as well as for the regulation of operators and other functions within MMS. The RAP develops and maintains reserve estimates and their supporting data. No other single entity, public or private, independently and consistently assesses the natural gas and oil reserves of the entire Federal OCS.

The objective of this program is to assimilate, develop, and maintain detailed engineering and geologic information pertaining to natural gas and oil discoveries on the OCS. This effort provides vital information to assist MMS in its lease management responsibilities and furnishes Congress with reserves data and related information on a scheduled basis. Estimates of natural gas and oil reserves are developed for new field discoveries as well as for the remaining reserves in previously inventoried fields.

The G&G mapping and reservoir engineering analysis of hydrocarbon discoveries provides the RE Program with analogs for resource estimates, exploration and development scenarios, and fair market value determinations.

Reserves information and related data provide the basis for MMS oversight of field and reservoir development. The MMS is responsible for ensuring optimal production processes which protect producing formations while maximizing hydrocarbon recovery. Information provided by RAP is used in decision making regarding exploration and development and production plans; unitization agreements; and revenue forecasts.

In addition, MMS uses production forecasts (based on reserve estimates) for calculations of royalties and other government revenues and for its analyses of 1) oil spill risks and effects and 2) studies of social and economic impacts.

Reserves related information is furnished to other Federal Agencies for use in audits of industry production and determinations of producible reserves. Such audits are conducted by the Inspector General, Department of Energy/Energy Information Administration, Internal Revenue Service, and other regulatory Agencies. Reserves information and data are also important evidentiary material in 8(g) revenue disputes involving fields on Federal/State boundaries and, at some future point, may become important in pending international boundary disputes.

Resource estimates are developed for biennial reports to Congress containing estimates of undiscovered recoverable gas and oil resources and known reserves in the OCS. In addition, those Regions having hydrocarbon reserves publish annual regional reserves reports. Headquarters, in conjunction with the Regions, produces a report that provides additional reserves related details presented from a total Federal OCS perspective.

6. Special Studies ($1,794,000)

Studies (geologic, engineering, and economic) are conducted on special issues affecting the OCS Program, most in conjunction with other Federal or State agencies and with universities. These studies include the National Resource Assessment, coastal impact assistance, international boundary disputes (State Department), marine sanctuaries (Department of Commerce), the National Energy Strategy (Department of Energy), traffic separation schemes (Department of Transportation), and artificial reefs (U.S. Army Corps of Engineers and States).

Outreach efforts promote cooperation with State and local governments and enhance their understanding of the OCS Program and its effects on their communities. State cooperative agreements allow MMS to obtain vital information from State coastal areas for inclusion in MMS analysis of the Federal OCS. The MMS has such a cooperative agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin. The BEG acts as a central contact between MMS and the geological surveys of the coastal States and monitors multidisciplinary scientific activities conducted by the surveys for MMS. In FY 1993, approximately 23 coastal States will participate in the program.

7. Program Management and Support ($1,747,000)

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire 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, and the Office of Offshore Management Support. Nationwide editorial, document distribution, and budgetary support are provided within the Office of Offshore Management Support. Within each Region, cartographic, editorial, budgetary, and other program support duties are provided by support staffs.

Recent Activities and Accomplishments

- During FY 1990 and 1991, the MMS updated the OCS resource assessment of undiscovered, economically recoverable gas and oil resources that was initially completed in 1987. As a result of this update, the resource estimates for five Planning Areas were increased; those areas included the Eastern Gulf of Mexico, Chukchi Sea, Beaufort Sea, Hope Basin, and the Northern California Planning Area. The resource estimates for the other OCS Planning Areas remained the same. This update of the National Assessment formed the resource base for the proposed 1992-1997 5-Year Program.

- In FY 1991, the MMS awarded an initial contract to begin acquisition of an interactive mapping system for the Gulf of Mexico Region's Resource Evaluation activity. Through the use of an interactive mapping system, MMS will be in a better position to map the geology of the OCS and ensure that the Federal Government receives fair market value for leases issued.

- During FY 1990 and 1991, MMS acquired approximately 100,000 miles of seismic information from companies who were issued OCS Exploration Permits. This information was used by regional offices to map the subsurface geology of the OCS for lease sale evaluation, resource assessment, and similar activities.

- Estimates were derived for numerous leasing options and subareas of the OCS addressed by the new 5-Year Comprehensive Program. In addition to estimates of the occurrence of natural gas and oil in the areas addressed by the various alternatives, estimates of the potential amounts of natural gas and oil that may be leased in each proposed sale were developed.

- Lease terms, conditions and procedures, and resource assessment and tract evaluation models were developed for leasing gold or other non-energy minerals offshore Alaska and for sand and gravel in the Gulf of Mexico. Database software were prepared for resource estimates retrieval.

- Studies were performed related to environmental costs and infrastructure in the Pacific with particular attention given to air quality.

- During FY 1991, the fields containing roughly 50 percent of the reserves for the OCS were reviewed as part of the ongoing review cycle.

- In FY 1991, MMS published a reserve report for the Pacific and a total Federal OCS report. The MMS Statistics Report was also updated with reserve and resource estimates.

- Several options, and their effects on bidding, were developed for configuring sales under the new 5-Year Program.

- MMS planned a Bureau-wide effort to upgrade the RE Program's geologic mapping capabilities.

- MMS prepared a sensitivity analysis of the potential economic costs of catastrophic oil spills in sensitive marine environments for the 5-Year Program.

- MMS estimated the price effect benefits and energy security externalities associated with the proposed 5-Year Program. None of these OCS benefits had been estimated before. Also a comparison was made between OCS natural gas and oil and potential energy alternatives.

- Made numerous resource, production, and economic value estimates to project the effects of various coastal impact assistance bills, including one proposed by MMS.

- Studies were conducted or have begun covering environmental and infrastructure costs throughout the OCS, with particular attention given to air quality in the Pacific OCS.

- Made several economic value estimates to project the effects of moratoria on leasing and drilling, the economic viability of proposed future OCS natural gas and oil lease sales, and statutory changes affecting lease sales and bidder eligibility.

- Completed buy-back studies on Eastern Gulf of Mexico and North Aleutian Basin leases in response to Congressional directive.

- Completed a study on integrated versus independent company performance in the Gulf of Mexico lease sales.

- Completed an OCS report on "Production Projections of Developed and Undeveloped Reserves and Leased and Unleased Undiscovered Resources from 1992 through 2030."

- Developed scenarios, in conjunction with the National Energy Strategy, specifying the production effects associated with different access dates for the natural gas and oil resources in Federal areas currently withheld from leasing by the President, congressional moratoria, military or NASA deletions, ANWR, and wilderness considerations.

- Completed a paper giving estimates of different measures of resources, economic values, and Federal Government receipts associated with moratoria for the National Energy Strategy.

- Used MMS's environmental cost model, which was employed throughout the development of the National Energy Strategy, to quantify the adverse environmental effects of oil spills associated with the imports needed to replace foregone domestic production resulting from additional environmental regulations, etc.

- Provided substantial input to the Hydrocarbon Supply Model being developed by Environmental and Energy Analysis for the National Petroleum Council's assessment of domestic natural gas resources.

- Changed the MMS tract evaluation model to allow for the option of using subsea wells during the development phase.

- Initiated the design of an updated tract evaluation model to handle trial-specific reservoir selection, cost/price relationships and exploratory optimization.

- Developed and tested an economic model to estimate the rate of return received on OCS leases. The results of studies using this model will form the basis for fine-tuning fair market value criteria.

Other Activities

International Activities and Marine Hard Minerals ($1,537,000)

The MMS established joint cooperative agreements with coastal States to investigate the potential of the Nation's marine hard mineral resources and ascertain whether these resources can be developed in an environmentally acceptable manner. A unique aspect of the program is the formation of Federal/State task forces or similar coordination arrangements which provide for a case-by-case examination of offshore resources. Participation in the task forces gives the States an effective voice in technical components of offshore activities and program and policy matters of mutual interest.

During FY 1993, the MMS will continue to ensure that State and local interests are fully considered and provide a forum for early identification and resolution of issues. Some ongoing projects have progressed to the prelease stage, while others continue to assess resource potential and gather and analyze environmental data and information vital to decision making. New initiatives and expansion of existing partnership arrangements will provide new information on sand, gravel, shell, and possibly heavy mineral deposits.

Recent Activities and Accomplishments

- Geologic, economic, environmental, and engineering models were developed for a sand recovery project on the Federal OCS in the Gulf of Mexico. These models will have applicability to other coastal areas where this resource is needed for potential public and private projects.

- For the North Carolina offshore area, sand resource surveys were supported, and information on phosphate resources was published.

- A study of construction aggregate demand in the New England States was expanded to include a study of potential supply sources. This effort is anticipated to lead to a task force which would assess in more detail the benefits and problems that might be associated with OCS aggregate resource recovery.

- Procedures were developed for assessing adequacy of bids for the Norton Sound Lease Sale, and studies were completed regarding market value and economic benefit from leasing gold placers offshore Alaska.

- Completed a feasibility study for Oregon placer minerals which summarized the mineral resource information and included an economic evaluation and environmental review.

- Conducted a seismic survey and a bulk sampling program offshore Georgia as part of the Federal/State of Georgia cooperative agreement. Environmental monitoring and data gathering were also a part of the program.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Resource Evaluation Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Geological Studies Program:				
o G&G Permits Processed and Approved	208	293	287	-6
o G&G data Acquisition Actions	25	61	37	-24
o Seismic Data Acquisition (line m's)	40,819	47,000	62,000	15,000
o Geology Reports	4	2	2	0
2. Program Formulation				
o Sales in Progress	9	8	12	4
o Review of 5-Year Leasing Schedule	1	1	1	0
o Economic Value Estimates	7	4	8	4

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
3. Evaluation Decisions Prior to a Lease Sale:				
o Determinations of Area of Hydrocarbon Potential	5	4	4	0
o Area Identification Recommendations	4	6	5	-1
o E&D Reports	5	5	6	1
o NEPA and Other Decision Documents	7	5	6	1
o Bidding System Design	5	2	2	0
4. Evaluation Decisions Following a Lease Sale				
o Completed Sales	5	2	2	0
o Cost Estimates and Price Assumptions	2	2	3	1
o Fair Market Value Determinations	4	2	2	0
5. Reserves Assessment Program:				
o Reserves Reports	5	4	5	1
o Field Reserve Studies	34	36	41	5
o Preliminary Geologic Studies	47	57	59	2
o Engineering Reviews	130	175	225	50
6. Special Studies:				
o Geologic Studies	14	11	11	0
o Engineering Studies	15	10	11	1
o Economic Studies	25	25	27	2

Note: International Activities and Marine Minerals workload outputs are included in this table (and in the Leasing and Environmental Program table).

Decrease from FY 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	21,458	19,860	-1,598
(FTE)	(276)	(256)	(-20)

Resource Evaluation Program Decrease (-$1,598,000; -20 FTE)

The MMS's FY 1993 budget is a fiscally sound, responsible budget that is part of an overall Federal Government-wide spending plan which meets the domestic discretionary funding caps set forth in the Budget Enforcement Act of 1990, while continuing to meet the Service's goals and objectives. All of the MMS programs have been carefully examined in light of those constraints. This examination has resulted in several proposals to decrease resources planned for the MMS Outer Continental Shelf Natural Gas and Oil Program.

In light of a more focused leasing program, efforts of the Resource Evaluation Program will concentrate on areas of resource potential. The MMS is proposing a reduction of 20 FTE and $1,300,000 in the Resource Evaluation Program. The direct results of this action primarily will be to reduce the Resource Evaluation efforts in the both the regions and at headquarters.

In addition, $298,000 will be reduced from the cooperative study effort with the Geological Surveys of various coastal states. This cooperative study is managed through an agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin. The reduced effort will support a level of activity consistent with a more focused leasing program.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation............................	-900	
Personnel Benefits................................	-200	
Travel..	-40	
Rents, Communications, & Utilities................	-20	
Printing & Reproduction...........................	-20	
Other Services....................................	-338	
Supplies..	-40	
Equipment...	-40	
Total...	-1,598	-20

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(Dollar amounts in thousands)

Program Element		FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Regulation of Operations	$	32,947	33,387	32,787	-160	-600
	(FTE)	(374)	(374)	(368)	(-6)	(-6)
Technology Assessment and Research	$	4,043	4,043	895	-3,148	-3,148
	(FTE)	---	---	---	---	---
Oil and Gas Information	$	904	913	913	9	---
	(FTE)	(14)	(14)	(14)	---	---
Total Requirements	$	37,894	38,343	34,595	-3,299	-3,748
	(FTE)	(388)	(388)	(382)	(-6)	(-6)

Regulation of Operations

Objectives

- To ensure safe and environmentally sound development of OCS energy and non-energy resources through careful regulation of exploration, development, pipeline transportation, and production or extraction operations.

- To ensure that operations on the OCS are conducted in compliance with regulations and, in the absence of full compliance, generate information needed for corrective action by the operator and, if necessary, for assessment of civil and criminal penalties.

- To provide data needed for the development of improved operating practices.

- To provide affected States, other Federal Agencies, and the public with ample opportunity to participate in the decision-making process during the review of lessee-submitted exploration plans and development and production plans for energy minerals or mining plans for non-energy minerals, and the delineation and testing of the extent of the minerals.

- To ensure conservation of hydrocarbons through protection of correlative rights, regulation of unitization agreements, maximum efficient rates of production, verification of shut-in wells, flaring of gas, suspensions of production, and the use of enhanced recovery techniques.

Program Description

The Regulation of Operations Program Element incorporates the resources and procedures necessary for the regulation of procedures and equipment for safe OCS operations, protection of the environment, and conservation of OCS oil, gas, and other marine mineral resources. This is accomplished through comprehensive and systematic reviews, approvals or disapprovals, and oversight of lessees' OCS exploration, development, and production plans and operations.

Approvals of OCS exploration plans and development and production plans are coordinated with the affected States. Scheduled annual inspections and intermittent unscheduled inspections are conducted to ensure regulatory compliance. OCS facilities not in compliance are shut down when necessary to ensure safety, environmental protection, and conservation of natural resources. Safety and environmental protection are also accomplished through the review and certification of training of industry personnel engaged in well control, environmental protection, and conservation of natural resources. The overall results and experience of the regulation of operations becomes a significant input into the decision-making process described in the Leasing and Environment Subactivity.

The four major subelements of the Regulation of Operations Program are described below (dollar amounts shown reflect funding identified as the FY 1993 Estimate):

1. Exploration and Production Review and Approval ($5,219,000)

Plans and applications related to all aspects of operations, i.e., drilling, mining, dredging, producing, developing, flaring, commingling, unitization, etc., are closely reviewed in the interest of ensuring safe, environmentally sound, and conservation-oriented operations. The work involved is undertaken to ensure that proposed operations will be conducted in accordance with applicable lease terms and stipulations, regulations, and Notices to Lessees and Operators.

The elements of the exploration and production review and approval activities are as follows:

a. Exploration and Development Plans

- Lease Plans

  The OCS Lands Act, as amended, governs the search for and development of both OCS energy and non-energy minerals. Regulations in 30 CFR 250.33 require OCS gas and oil operators to obtain approval from the MMS for their exploration plans (EP) prior to commencing exploration activities. During the preparation of these plans, the operators are required to address lease stipulations, hazard mitigation measures, and procedures for implementing these measures.

Regulations at 30 CFR 282 require OCS non-energy mineral operators to obtain approval from the MMS for their delineation and testing, or mining plans prior to commencing activities.

If an oil and gas exploratory program is successful, the operator then must submit to the MMS for review its Development and Production Plan (DPP) or its Development Operations Coordination Document (DOCD) in accordance with 30 CFR 250.34. In the Western Gulf of Mexico, a DOCD is required in lieu of a DPP, as authorized under 43 U.S.C. 1351. Approval by the MMS for each DPP or DOCD is required prior to the drilling of development wells or the installing of fixed production platforms, pipelines, or production equipment.

o <u>Unit Plans</u>

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

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.

b. <u>Permitting</u>

o <u>Platform Installation Applications</u>

Provisions in 30 CFR 250 Subpart I, Platforms and Structures, 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 that have already been approved. All new platforms or other structures are required to be designed, fabricated, installed, and inspected in accordance with these requirements. The requirements were designed to prevent the endangerment of life or health or damage to the environment and to ensure the structural integrity of platforms when they are subjected to hurricanes, earthquakes, ice, other natural hazards, and boat collisions.

To ensure clean, safe operations, MMS conducts regular and surprise inspections on the OCS. Each year MMS conducts more than 10,000 OCS inspections.

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, platforms 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 in that area; or are to be installed in seismically active areas, are subject to the requirements of the MMS Platform Verification Program. The Platform Verification Program requires both a more detailed review by the MMS and the review and approval of a third party verification agent who provides an independent engineering assessment of the design, fabrication, transportation, and installation of the platform.

- Pipeline Applications

Regulations contained in 30 CFR 250 Subpart J, Pipelines and Pipeline Rights-of-Way, require that an operator or right-of-way grant holder submit to MMS, for its review, 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 assures the safe and pollution-free transportation of fluids without unduly interfering with other uses of the OCS.

When a pipeline qualifies as a right-of-way pipeline, the pipeline cannot be installed until right-of-way approval 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 grant holders are required to submit applications for approval for the modification or repair of existing pipelines. Periodic inspection reports are also required to be submitted.

- Suspension of Operations

Suspensions of Operations (SOO) are directed when necessary for safety or environmental reasons or are granted for reasons in the national interest which are specified in regulations. The SOO's that have the effect of extending a lease beyond its primary term are granted with due consideration given to difficult or unforeseen problems. These suspensions are approved with the understanding that the lessee will meet all deadlines within approved activity schedules. 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.

- <u>Gas Flaring</u>

  Requests for flaring or venting are reviewed to ensure that unnecessary flaring does not occur. Flaring or venting is approved only when requested operations are in accordance with MMS regulations that are intended to avoid unnecessary loss of natural resources and minimize environmental effects of flaring. Flaring requires written application and written approval. When warranted, such approvals are given for specified time periods that may be up to 1-year long. Emergency requests (e.g., equipment failure, testing, and well purging) are handled by telephone and confirmed with a letter.

- <u>Enhanced Recovery Operations</u>

  Operator applications for MMS approval of secondary and tertiary enhanced oil recovery projects must be accompanied by 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 fluid injected and volume of 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.

- <u>Safety Systems on New Platforms</u>

  Safety systems on production platforms are a primary means of providing for operational and personnel safety and environmental protection. 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 regulations. Following approval of the facility, these drawings are used to verify that the production system equipment is installed in the field in conformance with the approved plan.

- <u>Production Verification</u>

  The MMS has designed and implemented a nationwide production verification program to ensure that the public interest in OCS minerals is protected. The program is being phased into the current OCS program over a 3-year period that began in FY 1989.

Annual inspections are conducted of all onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with OCS regulations. MMS personnel perform onsite production verification and inspections to check discrepancies noted in the records being reviewed. The MMS has developed an automated system that analyzes crude oil production run tickets, meter proving reports, and system sales allocation reports on a continuous basis. The system will detect under-reported crude oil production. The MMS has conducted a pilot gas production verification project in the Gulf of Mexico Region which supports the need for a complete gas verification program. In June 1991, the Director accepted a report on Production Reporting which included 11 recommendations for improvements in production verification. An MMS working group has been formed to design an implementation plan concerning these recommendations.

c. Determination and Agreements

- Reservoir Maximum Efficient Rate (MER) of Production and Well Maximum Producible Rate (MPR)

  Well and reservoir production rates are set to provide for conservation of resources and prevention of waste. Requests for MER's and MPR's and supporting information (i.e., structure maps, tests, etc.) are reviewed, and operations are approved in accordance with established OCS regulations implementing rate control policies developed to prevent waste and ensure conservation of oil and gas. MER's are redetermined at least annually for each sensitive producing reservoir. MPR's are redetermined at least quarterly for oil wells and at least semiannually for gas wells.

- Natural Gas Policy Act (NGPA) Category

  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 determinations which, in effect, set the maximum price a producer can receive for gas produced from a well receiving a category determination.

- Commingling

  Commingling agreements are reviewed to ensure that such agreements do not result in a reduction in the royalty due to the Federal Government. Commingling applications are submitted 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. 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.

- Development Activities/Lease Drainage

  Federal royalty payments can be affected by drainage across a State/Federal boundary, from leased land to unleased land, or from one lease to a lease with a different royalty rate. To ensure that Federal royalty payments are not reduced as a result of drainage, development and production activities are monitored within and around all Federal leases with royalty rates other than the normal one-sixth, on leases adjacent to unleased land, and on those leases along the State/Federal line.

2. Inspection and Certification ($20,294,000)

The objective of this subelement is to ensure safe operations, protection of the environment, and conservation of natural resources through:

- the inspection of all OCS oil and gas exploration, development, and production activities, and the enforcement of penalties for non-compliance with MMS Regulations;

- the certification of OCS drilling, completion and workover, and well-servicing, well-control, and production safety system training programs; and

- the accreditation of manufacturers of certain 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 required to ensure that personnel working on the OCS are properly trained and that certain safety and pollution prevention equipment required by regulation is manufactured in accordance with the American Society of Mechanical Engineers (ASME) or American Petroleum Institute (API) Quality Assurance Programs. 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 and Enforcement

- Inspections

  The inspection of OCS operations is a major work unit of the regulatory program. Drilling and production facilities on the OCS are inspected using both scheduled and unannounced inspections. Scheduled inspections are conducted annually on all facilities and unannounced inspections are conducted on a portion of the facilities each year. All inspections are conducted utilizing the MMS National Potential Incident of Noncompliance (PINC) list of inspection characteristics. This PINC list contains inspection characteristics for regulatory requirements pertinent to all operations conducted offshore (i.e., drilling, production, safety, environmental, etc.).

Inspections are conducted on drilling, production, measurement, pipeline, workover and completion, oil spill response equipment, and abandonment 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 to prevent blowouts, spills, and other accidents.

Production inspections are performed to ensure that the proper equipment is used and installed correctly to preclude accidents and pollution. Measurement inspections are performed to ensure that the facilities and calibration of measurement equipment used for 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, maintained, and operated in compliance with OCS regulations. Workover, completion, and abandonment inspections are conducted to ensure that those operations are performed safely and according to approved plans and regulations.

Petroleum engineering technicians perform the inspections and are located in district offices near the offshore facilities. The MMS has four district offices and two sub-district offices in the Gulf of Mexico Region, two district offices in the Pacific Region, and one district office in the Alaska Region. Inspections are highly technical in nature and consist of inspecting a number of individual items or characteristics that, in the aggregate, measure the overall condition and compliance record of the particular operation being inspected. The number of inspections that are completed must be viewed in an overall context as representing a compilation of numerous record checks and verification tests performed by MMS inspection personnel.

- <u>Accident Investigations</u>

  The MMS is notified of every accident occurring on the OCS. Accident investigations are conducted to: identify and rectify specific safety or environmental problems; analyze and assess the effectiveness of current equipment, procedures, and operations; identify the need for new or modified regulations; and provide information needed to support other aspects of the Regulation of Operations Program. The OCS Lands Act requires that the MMS investigate and report on major fires, explosions, and oil spills. A panel of experienced personnel investigate and prepare a public report on each major accident. Accident investigation procedures are being revised to: provide for dedicated headquarters and regional staff to be available for accident investigations;

increase data management, data review, and data analysis activities; and improve the accident investigation program.

- Safety Award for Excellence

  The Safety Award for Excellence Program was developed to recognize and commend the operating companies that expend extra effort to conduct their operations in a safe and pollution-free manner. This award provides positive reenforcement of superior performance.

  The Safety Award for Excellence is presented on both district and national levels. Each MMS district presents awards semi-annually 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 presented annually by the Secretary of Interior to a lessee or company selected from the winners of the district awards.

- Selected Facilities Review

  A selected facilities review (SFR) is an intensified inspection effort directed at facilities in a specific geographic area. Special inspection teams comprised of two to four inspectors from two or more Regions inspect a designated number of various types of facilities in a short (usually three days) period of time using preselected PINC's. The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the MMS inspection program and the level of lessee compliance with OCS regulations. In FY 1992, one SFR is planned for the Gulf of Mexico Region.

- Enforcement

  Provisions governing issuance of civil and criminal penalties significantly influence how MMS requirements are enforced. Revisions to the current provisions relative to the issuance of civil and criminal penalties in the OCS Lands Act are contained in the Oil Pollution Act of 1990. The MMS will promulgate implementing regulations. The added flexibility provided by this Bill in assessing civil penalties is expected to significantly aid in dealing with lessees who do not operate in compliance with applicable plans, permits, and regulations.

b. MMS School Certifications

To ensure that workers in the OCS receive proper training necessary for safe drilling and production operations, protection of the environment, and conservation of natural resources, the Minerals Management Service has expanded the procedures and regulations to review and certify drilling, completion and workover, well-servicing and production safety system training schools in the United States. The programs, instructors, curriculum, and record-keeping procedures are considered in the MMS approval process.

c. Offshore Inspector Training Program

The Minerals Management Service is implementing an inspector training program which will enhance the development of natural resources in the OCS. To accomplish this, a formalized training program is being developed for the Petroleum Engineering Technicians (PET's) which will increase the efficiency and effectiveness of the inspection program. In addition to training in drilling, production, measurement, completions/ workovers, and production safety systems, training will be provided in specialized areas such as statistical sampling methods, safety and environmental protection management, auditing principles and techniques, inspection of electrical installations, and principles and techniques for air and water quality inspections. This training is designed to enhance professional and managerial capabilities that will establish a workforce capable of monitoring an expanding technology in the petroleum industry and changing regulatory requirements.

d. Equipment Accreditation

To ensure that key safety and pollution-prevention equipment used on OCS platforms is manufactured and maintained in accordance with accepted quality assurance standards and practices, the MMS has instituted a Safety and Pollution Prevention Equipment (SPPE) Accreditation Program. Lessees are required to use and maintain equipment for specified functions in locations that conform to specified standards.

The initial survey and ongoing auditing of accredited or licensed equipment manufacturers are performed by the ASME and the API in accordance with an agreement set forth in an exchange of correspondence between the MMS and each of these organizations. The MMS performs an annual audit of the activities of both the ASME and the API to ensure that they continue to comply with their documented program procedures and to ensure that pertinent records are being maintained. In addition, when MMS is performing offshore inspections of production platforms, inspectors ensure, through both records checks and visual means, that accredited and/or licensed safety and pollution prevention equipment is installed where required.

e. Safety and Environmental Management Program

The MMS is currently evaluating a concept that would require each OCS lessee/operator to develop, maintain, and operate under the control of a Safety and Environmental Management Program (SEMP). Under this concept, a lessee or operator would prepare a SEMP plan that describes policies and procedures to assure safety and environmental protection while conducting oil, gas, and sulphur operations on the OCS. A Federal Register notice published July 2, 1991, discussed the SEMP concept and requested the oil and gas industry and the general public to submit comments.

f. Handheld Computers Demonstration Project

The MMS is evaluating a pilot project to investigate the use of pen-based handheld computer systems in the collection of inspection data. A limited number of these computers have been purchased along with the software necessary to download and upload appropriate files. Upon completion of the programming segment of the project, the computers will be utilized in one District to demonstrate the viability of the use of the pen-based technology for inspection data collection.

g. Oil Spill Financial Responsibility

The Oil Pollution Act of 1990 assigns to the President the responsibility for ensuring that parties responsible for offshore facilities possess sufficient liability insurance to cover the maximum potential liability to which they could be exposed under the Act. This responsibility is being transferred from the U.S. Coast Guard to the MMS. Starting in FY 1993, the MMS is proposing to fund the cost of this activity from the Trust Fund for Oil Spill Research.

3. Operations Supervision ($4,722,000)

The objective of this subelement is to ensure that the inhouse technical expertise and information necessary to support the MMS Regulation of Operations responsibilities are available and current.

a. Training

To ensure that MMS personnel are capable of performing their assigned duties, of recognizing and incorporating improved procedures, and of understanding the applicability of new or improved technology to OCS operations, a variety of technical, safety, and managerial training courses are made available or are made mandatory for employees. As a technically-oriented Agency, technical seminars and training are considered an integral part of the MMS operations. Training to enhance professional and managerial capabilities is considered vital to maintaining a work force capable of monitoring the expanding technology of the petroleum industry. Also included is a spectrum of safety training to make the work environment safe for MMS employees and to ensure that MMS inspectors recognize unsafe equipment and unsafe operating procedures when they occur.

b. Technology and Equipment

To ensure that OCS procedures, technology and equipment information needs for the regulation of OCS operations are available, the MMS has implemented a multifaceted approach. A formal contract research program is funded which investigates the safety, pollution prevention, and oil spill response technologies. This program is funded as the Technology Assessment and Research Program Element. It is administered as part of the Regulation of Operations Program Element.

Operations Technology Assessment Committees are established at each Region and at Headquarters to consider procedures, problems, and technologies. Seminars and workshops are conducted to discuss new or improved procedures, technology, and equipment. Contracts to identify and/or evaluate new procedures and equipment are funded and administered. Also, multi-Agency contracts are funded and administered to evaluate and provide advice concerning the Nation's capability to accomplish its marine and maritime objectives.

c. <u>Regulations and Associated Information</u>

In association with studies of technology and equipment, the adequacy of current regulations and standards are continually reviewed relative to operating experience and new 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 a detailed analysis of particular accidents and provide recommendations to prevent recurrence of accidents and provide information necessary to facilitate safe operations and protection of the environment.

d. <u>Inspection Analysis</u>

The MMS has implemented the Offshore Inspection Program (OIP) to ensure uniform and consistent inspections nationwide and to identify potential problems in operational areas that require further investigation. The OIP utilizes the MMS National Potential Incident of Noncompliance (PINC) List and incorporates a computer system to monitor and analyze the results from all inspections. The OIP includes documented procedures at each organizational level and is subject to annual internal review for consistent implementation in all Regions.

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. These internal reviews will assist in consistent nationwide application of offshore inspections.

e. <u>Associated Operation Support</u>

Substantial staff time is spent fulfilling requests from local, State, and other Federal agencies for information and meetings relative to regulations, terms, and conditions which affect OCS operations. Support is also provided to MMS inspection and enforcement related activities. This support includes 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. Best Available and Safest Technology (BAST) reviews are also conducted.

4. Program Management and Support ($2,552,000)

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire 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, and the Office of Offshore Management Support. Nationwide editorial, document distribution, and budgetary support are provided within the Office of Offshore Management Support. Within each Region, cartographic, editorial, budgetary, and other program support duties are provided by support staffs.

Recent Activities and Accomplishments

- On September 30, 1991, the MMS was monitoring the development and production of 183 active units on the OCS.
- During FY 1991, 215 Suspensions of Production (SOP's) and 120 Suspensions of Operation (SOO's) were issued. As of September 30, 1991, there were 118 leases beyond their primary term with approved Suspensions of Operation (SOP's).
- During FY 1991, 2 Suspensions of Operation (SOO's) were issued in the Pacific Region. As of September 30, 1991, there were 61 leases beyond their primary term with approved SOO's.
- In 1992 and 1993, the MMS, through the Platform Verification Program, will review the design and fabrication of the Shell Oil Company's tension-leg platform, "Auger," planned for installation in 2,861 feet of water.
- In the Arctic, structural inspections of unique structures are being conducted to evaluate the construction and technology for exploratory drilling structures.
- On September 30, 1991, the Pacific Region was monitoring the development and production of 21 active units on the OCS.
- With the initiation of production operations at Point Arguello, MMS began an evaluation of the effectiveness of the project's wet-oil metering system, which is critical to future OCS consolidation policies. The Point Arguello Field Development Project entered its production phase on May 27, 1991.
- The Gulf of Mexico Region is inspecting up to 50 OCS facilities per year for compliance with the National Pollution Discharge Elimination System permit provisions for the Environmental

Protection Agency (EPA). An MMS inspection checklist, agreed to by EPA, is being used to conduct the facility inspections.

- The Pacific Region is, jointly with the Region IX Regional Response Team, evaluating questions and concerns of State and local air quality agencies concerning the impacts and effects of in-situ burning of spilled oil. These efforts began with a jointly sponsored workshop and will include the development of protocols for the approval process for oil spill containment and cleanup procedures.

- The MMS is implementing task force recommendations on oil spill response capabilities and regulations in each OCS Region. Approximately 36 unannounced oil spill containment and cleanup drills per year are being conducted in the Gulf of Mexico (8) and the Pacific (28) Regions. All four OCS Regions have implemented internal guidelines for conducting four different levels of spill drills and exercises from simulations to actual unannounced deployments.

- An MMS Safety Review Task Group has made recommendations for new operating practices and regulations related to platform and pipeline safety based on information presented at an MMS seminar conducted in November 1989. These recommendations, which pertain to pipeline shutdown valves, firefighting systems, notification and communication, and structural safety, are being considered for implementation.

- As a result of new authority pursuant to the Oil Pollution Act (OPA) of 1990, the MMS is instituting a comprehensive Civil Penalties Program for OCS oil and gas operations. The MMS now has the authority to assess penalties without prior notice.

- The MMS is expanding its accident investigation program to ensure independent review of capabilities, availability of adequately trained personnel, availability of detailed, statistical data bases, and comprehensive reporting and data input.

- In July 1991 the MMS published a Notice in the Federal Register requesting advice from the public on how well the oil and gas operating regulations published in 1988 are serving their intended purpose. If the public comments show that revisions are needed, a series of meetings may be in order to develop the amendments. The process will continue through FY 1992 and FY 1993.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Regulatory Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Exploration and Production:				
o Exploration/Development and Production Plans Processed	637	579	630	51
o Offshore Mining Permits Processed	0	0	0	0
o Unitization Agreements, Operating Agreements, and Enhanced Recovery Operations Analyses Processed	746	797	848	51
o Applications for Permit to Drill Processed	703	622	829	207
o Platform Installation Applications Processed and Verifications of New Platforms	260	280	331	51
o Pipeline Applications Processed	261	306	302	-4
o Suspensions of Operation/Production	340	341	341	0
o Gas Flaring Approvals	232	246	256	10
o Enhanced Recovery Oper. Analyses	2	4	4	0
o Production Verifications	29,653	30,100	30,500	400
o Production Rate Control (MER/MPR)	3,709	3,875	3,950	75
o NGPA Category Determinations	161	115	80	-35
o Commingling Agreements and Measurement Approvals	215	203	200	-3
o Review Development Activity/ Lease Drainage	331	335	337	2
o Quarterly and Semiannual Well Test	20,920	21,250	14,300	-6,950
o Applications for Workover, Recompletion, and Abandonments	11,429	12,374	12,874	500
o Platform Removals and Site Clearances Processed	238	251	263	12
o Air Quality Evaluations Processed	110	121	151	30
o Field Development Studies Performed	70	92	112	20
o Oil Spill Contingency Plan Reviews	122	252	279	27
o Critical Operations and Curtailment Plans Processed	18	21	21	0
o Downhole Comming/500 ft Lease Line	105	116	126	10
o Joint Plans Development/Production	0	2	3	1
o Sensitive Reservoir Studies	188	200	220	20
o Platform Modifications	118	150	180	30

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
2. Inspection and Certification:				
* o Inspections for Energy Minerals Operations	16,901	17,590	18,060	470
o Inspections for Nonenergy Minerals Operations	0	0	0	0
o Unannounced Oil Spill Drills Conducted	36	45	51	6
o Oil Spill Response Exercises Evaluated	142	161	172	11
o Accident Investigations	105	111	117	6
o Selected Facilities Reviews	0	1	1	0
o Civil and Criminal Penalties Cases Processed	3	13	17	4
o MMS School Certifications	22	75	125	50
3. Operations Supervision:				
o Technical Courses Attended	80	82	84	2
o Safety Courses Attended	18	22	24	2
o Management and Administrative Courses Attended	35	32	32	0
o Technology and Equipment Studies Administered	0	1	1	0
o Regulations Promulgated	9	11	12	1
o Freedom of Information Requests Processed	27	33	34	1
o Public Information Requests Processed	447	510	520	10
o Reports/Statistics Prepared	226	230	230	0
o Interagency (Fed, State, and local government) Coordination Activities	90	110	110	0
o Coordination Activities with other organizations/government agencies	80	90	90	0
o Regulatory Reviews Performed	118	120	120	0
o Preliminary Lease Activities	16	16	16	0
o Lease Stipulation Activities	29	31	31	0
o External Affairs Activities	64	91	116	25
o Development of Guidelines and Rules	83	110	112	2
o Legal Actions	14	18	18	0
o Responses to Congressional Requests for Information	16	17	17	0
o Biological Task Force Meetings	3	5	6	1

Transfer of Base Funding

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	33,387	32,787	-600
(FTE)	(374)	(368)	(-6)

Source of Funding Derived from the Trust Fund for Oil Spill Research (-$600,000; -6 FTE)

This decrease is due to the transfer of the source of funding for personnel and other administrative costs related to oil spill response research to the Trust Fund for Oil Spill Research. The Oil Pollution Act of 1990 directed designated agencies to coordinate research through The Interagency Coordinating Committee on Oil Pollution Research. The Act permits support costs of this research to be derived from the Trust Fund for Oil Spill Research under certain prescribed conditions and limits. These activities will henceforth be funded from the Trust Fund for Oil Spill Research (TFOSR) which is discussed on page MMS-200 *et seq.* TFOSR funding is derived from the Oil Spill Liability Trust Fund, which is authorized under the Oil Pollution Act of 1990.

These actions will improve the accountability and coordination with other agencies. The goals of the Oil Pollution Act and the information needs of MMS will continue to guide this Program.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation......................	-398	
Personnel Benefits..........................	-75	
Travel......................................	-50	
Rent Communication and Utilities............	-3	
Printing and Reproduction...................	-25	
Other Services..............................	-25	
Supplies....................................	-12	
Equipment...................................	-12	
Total.......................................	-600	-6

Technology Assessment and Research (TA&R)

Objectives

- To provide a continuing and comprehensive technology base within the MMS to ensure that safe, pollution-free OCS operations can proceed in a timely manner, thus complying with OCSLA Section 21(b) which requires the use of the best available and safest technologies (BAST) and to ensure that the use of up-to-date technology is incorporated into the regulatory process.

- To provide encouragement to industry, through research participation and dialogue at the engineering level, and to investigate and apply BAST technologies on the OCS.

Program Description

The TA&R Program is a balanced, comprehensive approach to the investigation of the regulatory or safety-related and pollution prevention and response technologies applicable to industry's movements into deeper, more hostile waters while maintaining the existing aging facilities. This approach is most important to the safety of life, property, and the environment; it provides the necessary technical oversight for offering the highest probabilities for minimizing failures and incidents of failure in the integrated network of hazardous functions which constitute OCS operations.

The TA&R Program operates through contracts to universities, private firms, and Federal Government laboratories to assess the safety-related and pollution abatement technologies and to perform necessary research. To a large extent, the Program works cooperatively with industry and with North Sea and Canadian governments. This cooperative approach is becoming increasingly prevalent mostly as a result of increasing expenses and lessons learned from recent accidents such as the North Sea Piper Alpha explosion, which had great loss of life, and the Prince William Sound oil spill.

The four major subelements of the TA&R Program are described below (dollar amounts shown reflect funding identified as the FY 1993 Estimate):

1. Deep Ocean Operations ($275,000)

   Safe development of hydrocarbons becomes increasingly demanding and expensive with increased water depth. These operations are complex and densely configured on platforms. Facility functions need to be designed, arranged, operated, and inspected in such a way as to minimize the probabilities of element failures. Element failures could cause a cascade of sequential failures resulting in catastrophes. Deep ocean well control needs to be improved to provide drillers more timely and more accurate bottom-hole information and improved means for controlling potential blowouts. Present diverter design and operations are generally proving to be less than satisfactory for these environments, and innovative systems need to be devised.

2. <u>Old and Innovative Structures and Pipelines</u> ($240,000)

As platforms and pipelines are damaged or simply age, which is of growing concern, their structural integrity becomes more of an unknown factor. Improved inspection and monitoring systems need to be devised and, as well, a philosophy needs to be developed to determine a figure of merit for assessing acceptable loads and residual service lives. Innovative technologies used by industry for designing deep ocean compliant structures, some of which are not peer reviewed, need to be verified to ensure safety.

3. <u>Offshore Earthquakes ($220,000)</u>

Though earthquake consideration is the critical factor in the design of facilities off southern California, the magnitude of the forces and the responses of structures to them remain unquantified. A seismic monitoring program is necessary to obtain data offshore as tremors travel through seabed sediments and through the water column impacting pipelines, platform foundations, and other operations. The data needs to be gathered and interpreted, and design factors determined, tasks requiring perhaps several years.

4. <u>Nitrogen Oxide (NO_x) Pollution on the OCS</u> ($160,000)

To meet the goals of the new air quality standards, additional gains in reducing NO_x emissions (from turbines and diesels operating on the OCS) by about 75 percent will be necessary and are probably feasible based upon technology assessments. By means of developing combinations of these improved technologies (exhaust gas treatment and engine combustion controls) for OCS application, these goals probably can be met within the next 5 years. A combined MMS/industry development demonstration program is necessary to focus technology and resources.

<u>Recent Activities and Accomplishments</u>

- Held an international workshop on the reliability of offshore operations.
- Installed the second of three seafloor earthquake measurement instruments for the seismic data gathering network in the Santa Barbara Channel.
- Completed tests and evaluation on the engineering properties of sea ice under multi-axial load condition as when an ice floe moves against a platform.
- Conducted testing and evaluation of the integrity of damaged platform elements.
- Completed development of an assessment methodology to determine the integrity of aging platforms.

- Developed and verified, through laboratory test, engineering guidelines for the determination of hydrodynamic loading effects for deepwater platforms.

- Completed evaluation of blast effects, resulting from the removal of platform legs with explosives, upon the environment.

- Completed an assessment of the reliability of current state-of-the-art soil/pile interaction models as to their ability to predict the dynamic response of an offshore platform to actual earthquake loadings.

- Assessed technologies for leak detection and monitoring of subsea pipelines.

- Assessed the feasibility of using synthetic fiber mooring lines for deep water floating production facilities.

- An automated system to sense bottom hole instabilities while drilling and to maintain well control is being transitioned from the research phase to in-situ evaluation.

- Modifications to improve the flow life and safety of diverter systems were (and are being) investigated.

- Completed the assessment of methodologies for applying reasonably available control technologies (RACT) for the Pacific OCS.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Technology Assessment and Research Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The output for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Technology Projects	28	28	18	-10*
2. Major Technology Transfer Seminars/Workshops	1	2	1	-1*
3. Major Program Reports	0	1	0	-1*

* Refer to Oil Spill Research workloads.

Transfer of Base Funding

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	4,043	895	-3,148
(FTE)	(---)	(---)	(---)

Source of Funding Derived to the Trust Fund for Oil Spill Research (-$3,148,000)

This decrease is due to the transfer of the source of funding for oil spill response research to the Trust Fund for Oil Spill Research. This research consists of detection, containment, recovery, chemical treating agents, in-situ burning, and characterization of spilled oil. The Oil Pollution Act of 1990 directed designated agencies to coordinate research through The Interagency Coordinating Committee on Oil Pollution Research. The Act permits funding for this research to be derived from the Trust Fund for Oil Spill Research, under certain prescribed conditions and limits. These activities will henceforth be funded from the Trust Fund for Oil Spill Research which is discussed on page MMS-200 et seq. Funding is derived from the Oil Spill Liability Trust Fund, which is authorized under the Oil Pollution Act of 1990.

These actions will improve the coordination with other agencies. The goals of the Oil Pollution Act and the information needs of MMS will continue to guide this Program.

Distribution of change by object class

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

	Amount ($000)
Other Services..............................	-3,148
Total..	-3,148

Oil Spill Research

The research, studies and projects, described in this section, are those efforts supported by funds derived from the Trust Fund for Oil Spill Research.

Objectives

- To provide continued research leadership to promote increased oil spill response capabilities in the event of an oil spill in the marine environment.
- To continue studies that will increase the understanding of oil spill fate and the effects occurring within the marine environment.
- To comply with Title VII of the Oil Pollution Act of 1990 and cooperate with the Interagency Coordinating Committee on Oil Pollution Research, as called for in the Oil Pollution Act.
- To continue operation and maintenance of the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) in Leonardo, New Jersey.

Program Description

The Oil Spill Research Program was initiated in 1986 when the Minerals Management Service (MMS), in cooperation with the Department of the Environment, Canada (EC), began funding a coordinated focused program. The program addresses major aspects of oil spill response consisting of detection, containment, recovery, chemical treating agents, in-situ burning, and characterization of spilled oil. Following the EXXON VALDEZ spill in Prince William Sound, the Department of the Interior augmented this research program on June 2, 1989, by reprogramming $1 million of MMS resources for oil spill research. In December of 1989, the MMS entered into a cooperative arrangement with the American Petroleum Institute (API) which committed API to apply $3 million over a three-year period to this research. In addition, the MMS pursues studies concerning spill fate, transport, and effects of oil on the marine environment.

In August of 1990, the Oil Pollution Act (OPA) was signed into law (P.L. 101-380). The OPA called for certain Federal agencies to establish the Interagency Coordinating Committee on Oil Pollution Research, chaired by a representative of the Department of Transportation. This Committee is charged with planning and developing an Oil Pollution Research and Technology Plan. Its purpose is to guide all Federal research efforts pertaining to oil spills. The OPA authorizes the use of the Trust Fund for Oil Spill Research to support research efforts, under certain restrictions and funding limits. In addition, the OPA allows the related administrative costs to be funded from the Trust Fund for Oil Spill Research. All expenses directly related to this program, such as travel, equipment, and training are also included in this funding.

MMS shares with other countries the expertise and technical information we have gained from activities in oil spill research, prevention, cleanup technology assessment and equipment development.

The MMS has been an active member of the Interagency Committee and is responsive to its guidance concerning research needs.

A critical link in the testing of equipment and procedures is the OHMSETT Facility in Leonardo, New Jersey. After negotiations with the U.S. Navy, an agreement was signed in April of 1990 which transferred management of this facility to MMS. The importance of this test site is further highlighted by Title VII of the Oil Pollution Act which states, "Agencies represented on the Interagency Committee shall ensure the long-term use and operation of the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) Research Center in New Jersey for oil pollution technology testing and evaluations." The facility becomes available for use in the early spring of 1992.

Recent Activities and Accomplishments

- Will have refurbished, by April 1992, the oil spill response test facility, OHMSETT. The facility is expected to be operational in April 1992.
- Tested the in-situ burning of crude oil at the intermediate scale; concluded that 90 percent effectiveness can be routinely expected with many toxic compounds in the crude oil destroyed and no new toxic compounds produced.
- The MMS is continuing interagency cooperative research in oil spill response technology with the U.S. Coast Guard, EPA, and U.S. Navy. It also is continuing a long-standing cooperative effort in oil spill response research with the Canadian Government.
- The OHMSETT facility is scheduled to be reopened in April 1992. Approximately 95 percent of all current performance data for oil spill response booms and skimming systems were generated at this facility. Reopening OHMSETT will enable the MMS, with other agencies, to continue important research concerning the performance of oil spill containment booms and skimming systems.
- Completed the laboratory development of an oil-slick thickness remote sensor.
- Developed experiment plans and conducted environmental assessments for performing shoreline oil spill cleanup studies.
- Developed experimental dispersants that are a hundred times more effective on medium and heavy crude oil than existing products.
- Completed the development of a remote, laser fluorosensor for determining if apparent slicks are, in fact, hydrocarbons or false targets.
- Completed final draft of proposed standard test procedures for oil-spill containment and cleanup skimmers and booms.

- Developed a portable oil slick analysis kit.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Oil Spill Research Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document. The outputs for FY 1991 and FY 1992 are reported in the Technology Assessment and Research workload tables.

Subelement	FY 1991 Actual*	FY 1992 Estimate*	FY 1993 Estimate	Inc (+) Dec (-)
1. Technology Projects	---	---	11	+11
2. Major Technology Transfer Seminars/Workshops	---	---	1	+1
3. Major Program Reports	---	---	1	+1

* Refer to TA & R workload elements for fiscal years prior to FY 1993.

Oil and Gas Information

Objectives

- To assist State and local officials and the general public in planning for potential near shore impacts of OCS mineral exploration, development, and production activities and to assist them in working with the MMS by providing summaries of scientific, technical, and policy data.

- To compile, organize, print, and disseminate this information to facilitate efforts by other Federal Agencies, State and local governments, and the public to manage OCS activities.

Program Description

This program has responsibility for providing State and local officials with summary information designed to aid in planning for and managing potential coastal and onshore impacts resulting from OCS oil and gas exploration, development, and production.

The three major subelements of the Oil and Gas Information Program are described below (dollar amounts shown reflect funding identified as the FY 1993 Estimate):

1. Oil and Gas Information Program ($542,000)

   a. Identify State information needs related to Offshore activities by consulting with MMS headquarters and regional personnel, other Federal Agencies, State agencies, industry representatives and local government officials.

b. Develop and publish informational documents containing the data discussed above including Regional Update Reports, Map Plates, an OCS Compendium, an OCS Directory, Offshore Stats Quarterly Report, and Compilations of OCS Laws and OCS Regulations.

c. Maintain a computerized mailing list of State and local officials and other interested parties to use in distribution of MMS publications and other data.

2. Technical and Statistical Information Publications ($248,000)

a. Development and publishing of reports containing information on offshore activity such as the annual Federal Offshore Statistics report, which is a mandated Annual Report to Congress on the Oil & Gas Leasing/Production Program.

b. Develop and maintain electronic files of statistical non-proprietary data that can be accessed by remote microcomputers.

3. Program Management and Support ($123,000)

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire 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, and the Office of Offshore Management Support. Nationwide editorial, document distribution, and budgetary support are provided within the Office of Offshore Management Support. Within each Region, cartographic, editorial, budgetary, and other program support duties are provided by support staffs.

Recent Activities and Accomplishments

Preparation, printing, and/or distribution of the following documents as authorized under section 26 of the OCS Lands Act, as amended:

- Pacific Update; December 1989--December 1991: Outer Continental Shelf Oil & Gas Activities.
- Map plates for the Southern California, Arctic, and the Chukchi Sea areas.
- OCS Directory; Federal and State Agencies Involved in the Outer Continental Shelf Oil and Gas Program. (July 1991)
- OCS National Compendium; Outer Continental Shelf Oil and Gas

Information through October 1990.

- Oil & Gas Leasing/Production Program: Annual Report/FY 1990.
- Federal Offshore Statistics: 1989; Leasing, Exploration, Production, and Revenues.
- Federal Offshore Statistics: 1990; Leasing, Exploration, Production, and Revenues.
- Offshore Stats; Quarterly statistical report; April 1991.
- Offshore Stats; Quarterly statistical report; August 1991.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Oil and Gas Information Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
Regional Update Reports	1	3	4	1
OCS Operations Procedures	0	1	0	-1
Regional Map Plates	2	2	2	0
Offshore Statistics Report	2	4	4	0
Annual Report to Congress	1	1	1	0
Federal Offshore Statistics	1	1	1	0

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Information Management Program

(Dollar amounts in thousands)

Program Element		FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc(+) Dec(-) from 92	Inc(+) Dec(-) from Base
Information	$	7,287	7,416	7,416	129	0
Mgmt Program	(FTE)	(116)	(116)	(116)	(0)	(0)
Total	$	7,287	7,416	7,416	129	0
Requirements	(FTE)	(116)	(116)	(116)	(0)	(0)

Information Management Program

Objectives

- To integrate, operate, and maintain effective and efficient automated data processing systems and databases to support and enhance mission programs.
- To analyze the effectiveness of the various systems and databases to determine the need for enhancements and changes responsive to evolving mission program requirements.
- To fully correlate and assess the large volumes of environmental and resource data being gathered under private and contractual efforts and apply productive automation techniques to make the data fully and easily accessible to other MMS mission requirements, including bid adequacy, fair market determination, and royalty validation.
- To participate in and work towards the development and maintenance of gas and oil industry standards, simplifying the exchange of information about the OCS between industry and OCS staff.
- To improve resource assessment, providing full response to the President's directive to achieve a balance between the need to provide energy for the American people and the need to protect unique and sensitive coastal and marine environments, by effectively applying computer tools and analytical mapping techniques.
- To assure conformance to established regulations, safe operations, and accurate production measurement.

Program Description

The Information Management Program provides the essential technical and program support information necessary to carry out the Outer Continental Shelf Lands Activity; i.e., the Leasing and Environmental Program, Resource Evaluation Program, and Regulatory Program. Those scientific, engineering, and land management activities are information intensive, drawing from a wide variety of current, historical, and multi-disciplinary data and are used daily by all levels of staff in the decision-making process. The accumulation, storage, retrieval, combination, and computations of the data have been increasingly automated in a somewhat piecemeal manner over the past decade. The OCS Lands Activity depends upon a dozen major automated data processing (ADP) systems and more than 200 minor systems and databases, and employs 5 Perkin-Elmer minicomputers and 1,100 microcomputers. The computers, systems, databases, and data are essential tools used daily by MMS employees to efficiently and effectively carry out their jobs.

These major and minor systems contain information vital to leasing and lease administration functions of the Bureau. Examples include the following types of data: geologic hazards, inspections, industry structures/platforms, geological and geophysical, environmental, block boundary, lease ownership, drilling and production, and inspection profiles. They permit MMS employees to estimate resources and reserves, model air quality and project possible impacts of oil spills, determine minimum acceptable bids, retrieve applications for permit to drill (APDs), monitor bonding, and track ownership. The systems, data, and resulting reports permit faster processing of documents, better estimates of resource values and possible adverse environmental effects, forecasting of potential problems, and have increased the overall productivity of the MMS staff. The databases for the activity continue to grow with continuing operations on existing leases, the conduct of additional environmental studies, the acquisition of more G&G data, and the investigation of other potential leasing areas. New and more complex models are being developed to provide timely information for decision-making. New software for more accurate and faster mapping is being acquired from commercial sources and is also being developed in-house.

The Information Management Program itself involves the acquisition, integration, maintenance, and/or the recurring replacement of computers, printers, plotters, and other auxiliary equipment; acquisition of software; development of specialized software to conduct unique functions; and the acquisition and management of ADP supplies and personnel to operate, maintain, and enhance the equipment, software, and systems. While the equipment and systems were acquired piecemeal in MMS' early days, the mission program has recognized the requirement for standardization and integration of equipment and the benefits to be derived from sharing data and using the computer for analysis of a wide variety of alternatives. As a result, the ADP Program has been centrally planned, coordinated, and guided for the past four years, even though the daily operations continue to be decentralized among the Regions and Divisions.

The Program is guided by an annually-updated Strategic Plan for Information Management, an Information Management Committee composed of senior officials, and a set of internal technical procedures and guidelines. The Strategic Plans have been based on a major study of the Program's information requirements using Business Systems Planning analysis techniques. Technical expertise is distributed among an Offshore Systems Center, regional ADP staffs, technical staff in the various divisions and offices, and several technical coordinating committees. The management structure thus provides clear long-term direction and necessary standardization while maintaining responsiveness to program requirements and ensuring innovation to meet changing program needs.

While major efficiencies have been realized through better internal management, the program is at a threshold where significant major improvements will require an evolutionary merger of databases, increased connectivity between systems and organizational units, and full integration of equipment with enhanced flexibility and compatibility.

<u>Recent Activities and Accomplishments</u>

- ADP staff and committees established and implemented program-wide standards for word processing, database management and communications protocols between personal computers and other associated Offshore hardware, as well as standards for Local Area Networks (LANs) and personal computer configuration.

- Data administration staff developed and distributed the MMS Data Element Dictionary and the Petroleum Industry Data Dictionary which is providing leadership in industry standards for data elements.

- ADP staff, in conjunction with program staff, revised a long-term information requirements document and updated a requirements analysis and benefit/cost analysis to focus equipment acquisition for the program. They also developed a project plan for program application software development which was verified by an outside consultant.

- Program staff solicited and analyzed industry comments to the Statement of Work for the replacement of hardware, and revised it based on the comments and recommendations supplied by an industry consultant. The revised Statement of Work will be released in the third quarter of FY 1992 with contract award estimated late in FY 1993.

- ADP and program staff implemented Continuity of Operation Plans (COOP) for the three major computer centers. One LAN COOP has been implemented, and 12 others are under development for use throughout the Offshore program.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Information Management Program by subelement and other initiatives is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

Subelement	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc (+) Dec (-)
1. Thousands of Lines of Code (developed or maintained)	1,130	1,300	1,600	300
2. Database Applications (developed or maintained)	230	250	280	30
3. Local Area Networks (LANs)	8	9	11	2
4. LAN Work stations	580	650	800	150
5. Personal Computers (installed and maintained)	1,115	1,150	1,200	50
5. ADP Contracts Administered	7	5	8	3

Technical Information Management System

($5,000,000 to be provided from increased preset fees and receipts)

The MMS is proposing funding for the Technical Information Management System (TIMS) through collection of up to $5,000,000 in additional fees and receipts related to the administration of various OCS activities. The increased fees and receipts will be used to begin in the Gulf of Mexico Region a phased replacement of the existing Perkin-Elmer computer software and hardware.

This proposal reflects a conscious effort to reduce start-up cost by restricting the initiative to assure that the most pressing needs in the Gulf of Mexico Region are met. For FY 1993, we are proposing $5,000,000 from offsetting collections for the TIMS initiative. This multi-year initiative would upgrade and modernize the automated data processing capability for the entire OCS Lands Activity including: replacement of Perkin-Elmer computers and applications; acquisition of additional interactive mapping and graphics systems; maintenance of PCs, minicomputers, and peripherals; and acquisition of additional data storage capacity. Implementation of this initiative will be accomplished regionally, with the high volume regions activated first, on a schedule that provides an initial hardware implementation for all areas by FY 1996. The Gulf of Mexico Region would experience limited initial implementation in FY 1993.

This program began limited development in FY 1992 with in-house resources and the institution of a pilot project in the Gulf of Mexico Region. The $5 million requested for FY 1993 will continue the following program efforts.

Initiative for the replacement of equipment and applications includes:

- o the equipment cost for the initial production capability in New Orleans associated with replacement of obsolete and outdated Perkin-Elmer minicomputers;

- o continued applications systems development using a corporate database structure on a PC-based network environment that will transfer existing applications to the production environment of the new TIMS; and

- o new application systems to support expanding mission-critical requirements in the areas of bid-adequacy determination, environmental sensitivity, and inspection effectiveness/redirection, plus continued expanding needs for data that are used for technical and managerial decision-making.

Initiative to acquire mapping and graphics systems includes:

- o Preliminary work for replacement of existing Perkin-Elmer based analytical mapping capability.

Initiative for maintenance and enhancement of existing equipment includes:

- o Very limited upgrade of TIMS-related PCs, LANs, plotters, peripherals, and network equipment; and

Escalating maintenance cost, near capacity utilization, and, particularly, technological obsolescence dictate replacement of the Perkin-Elmer minicomputers without delay. Existing programs include a number of specialized applications (including mission-essential mapping capability) that are not transportable. Therefore, applications systems development will be required to rewrite these applications for the new operating environment of any replacement system(s). The ORACLE database management system, acquired in FY 1990, and easily transportable applications that are being developed on existing LAN platforms, will facilitate a smooth system transition to a full range of new hardware and the integration with existing LAN hardware, where possible.

TIMS SCHEDULE

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Projected TIMS Cost (millions)	$5.0	$9.93	$12.36	$11.93	$9.89	$9.55	$9.95

Total Cost: FY 93 through FY 99 - $68.61 million

Note: Outyear software development and hardware acquisition will be funded through cost recovery.

Major deliverables under this schedule:

FY 92 -- Begin application development and start pilot project in Gulf of Mexico Region. Employ a distributed development approach which would include the use of initial development platforms and associated software in the Gulf of Mexico Region, Offshore Systems Center, and Alaska Region.

FY 93 -- Continue application development, begin to acquire initial major production capability and software for Gulf Region, acquire initial GIS workstations, acquire additional geologic interpretive workstations.

FY 94 -- Continue application development, complete acquisition of initial production capability and software for Gulf of Mexico Region and begin operations, acquire initial phase of production capability in Alaska Region, acquire additional workstations.

FY 95 -- Continue application development, acquire remaining initial production capability and software in Alaska Region and an initial production capability for Headquarters, begin significant funding for applications maintenance.

FY 96 -- Continue application development, acquire expanded production capability and software in Gulf of Mexico Region, acquire main production capability in Denver mapping group and Pacific Region.

FY 97 -- Continue application development, acquire expanded production capability in Alaska Region and expanded production capability in Headquarters.

FY 98 -- Continue application development, acquire expanded production capability in Pacific Region.

FY 99 -- Complete application development, continue application maintenance, acquire normal replacement hardware.

Distribution of change by object class

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

	Amount ($000)
Other Services	+$1,500
Supplies	+$500
Equipment/Software	+$3,000
Total	+$5,000

Activity: Royalty Management

Activity Summary

(In thousands of dollars)

Subactivity	FY 1991 Actual	FY 1992 Enacted to Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	19,983	21,270	21,955	21,367	+ 97	-588
Mineral Revenue Compliance	22,168	24,515	24,831	24,539	+ 24	-292
Systems Development and Operation	19,722	20,934	21,222	20,199	-735	-1,023
Indian Refunds	8	10	10	10	---	---
Total Requirements	66,123	66,729	68,018	66,115	-614	- 1,903

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 Mineral Leasing Act of 1920 (MLA) 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, provides for granting of leases to develop offshore energy and minerals; 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 (FOGRMA) 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.
P.L. 102-154	The FY 1992 Department of Interior and Related Agencies Appropriations Bill requires the deduction of $68.2 million from mineral receipts before their distribution to States and Treasury to recover a portion of the government's mineral leasing program costs.

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 RMP continues to place top priority on the accurate and timely processing of mineral revenues on behalf of Indian Tribes, Indian allottees, States, and the U.S. Treasury. In the 12 months ending September 30, 1991, the RMP collected, accounted for, and distributed over $4.1 billion in mineral revenues from more than 90,000 Indian and Federal mineral leases.

- Through September 1991, comprehensive royalty payment review and follow-up procedures have generated well over three quarters of a billion dollars and continue to produce about $100 million annually in unpaid and underpaid mineral revenues. These programs include: AFS exception processing, which has collected more than $86 million to date; the AFS/PAAS comparison, which has contributed more than $77 million; and the audit program, which has generated more than $725 million.

- When RMP embraced the philosophy and principles of total quality management (TQM) in FY 1990, it made a long-term commitment to achieve its vision of royalty management excellence. This action followed a history of active RMP participation in the President's quality and productivity program. Applying TQM principles, RMP is pursuing continuous improvement through the integrated efforts of management and employees with a unified attitude of public service and stewardship of public resources. The success of this commitment was demonstrated when, on May 31, 1991, RMP received the 1991 Award for Management Excellence from the President's Council on Management Improvement.

- The MMS audit strategy has been revised to provide improved audit coverage of Federal and Indian leases. The MMS is directing the majority of its audit resources toward nearly 200 major payor company audits. The remaining payors are subject to audit through a sample selection process; through audit referrals from the Bureau of Indian Affairs (BIA) and the Bureau of Land Management (BLM); and through 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).

- The MMS Contemporaneous Audit Initiative, begun in FY 1989 to accelerate the completion of prior year audits, is progressing on schedule. In FY 1990, the Royalty Compliance Division completed audits of the 11 residency companies for the 1980-83 business period and is currently auditing the 1984-89 period. The MMS, States, and Indian Tribes also completed joint comprehensive audits of about 40 major payor companies in FY 1991 and are scheduled to complete 42 more in FY 1992.

- In November of 1991, RMP issued an Action Plan for Royalty Compliance designed to implement the recommendations of the Task Force on Royalty Compliance. The Task Force was established by the Office of the Assistant Secretary for Land and Minerals Management and MMS to examine RMP compliance strategy and operation and offer methods to improve the efficiency and effectiveness of royalty compliance and enforcement activities. The recommendations of the Task Force revolve around the key areas of: 1) clear rules and aggressive enforcement programs to encourage voluntary compliance; 2) full integration of compliance activities utilizing systems compliance activities to the fullest extent possible and field audits to address compliance issues beyond the capabilities of systems; and 3) development and employment of methods to measure overall royalty compliance. The Action Plan includes both short-term and long-term action elements for implementation of the recommendations as well as calling for a pilot program to test the elements of the enhanced royalty compliance strategy.

- During FY 1988, MMS assumed the responsibility of accounting for Indian nonstandard leases and agreements. Because these leases and agreements contain unique provisions not readily adaptable to AFS, MMS developed off-line microcomputer applications to account for these leases. The implementation of the new off-line system was completed in FY 1989. All Indian Royalty-in-Kind leases were converted to the AFS and all non-standard leases were converted to the microcomputer system by the end of FY 1990. Prior to the end of FY 1992, MMS plans to enhance AFS so that Indian nonstandard lease and agreement data will flow through the distribution and disbursement system similar to all other Indian royalties.

- During FY 1991, MMS improved the process for monitoring revenue on Indian leases. The recoupment of royalties by a company is a common and permitted practice whereby a company offsets a current royalty payment due against a previous excess royalty payment. The FY 1991 budget included staffing necessary to monitor overrecoupment activity and to assure that Indian allottees can expect relatively consistent monthly royalty payments. This process will be made significantly more efficient once MMS begins operating under BSPI in FY 1992. New and improved recoupment reports will make the detection of royalty based and percentage based overrecoupments considerably easier than in the past. Centralizing responsibility for the review and follow-up of recoupment report exceptions will also expedite the correction of such overrecoupments by the payor.

- The PAAS interface for online production data was implemented in May 1991. This system provides basic online access to BIA, States, and Tribes for lease, agreement, and well data contained in the PAAS data base and monthly and year-to-date production information. Software enhancements to expand the system are in process and should be completed in 1992.

- In February 1990, MMS announced release of an Initiative for Indian Tribes and Allottees (IITA) Action Plan for Improved Indian Royalty Management, which contains 18 action elements for improving the services provided to the Indian community. Accomplishments in improved Indian royalty management since IITA started include: (1) increase in Indian outreach efforts in the Oklahoma City area; (2) publication of rulemaking to provide for 100 percent funding of Indian cooperative audits; and (3) establishment of an audit team dedicated to Indian "spot audits" in Oklahoma City. In FY 1992 Congrss funded: (1) $180,000 and 2 FTE to augment current staffing for AFS/PAAS exception resolutions and to increase contractor staff to monitor royalty rates; (2) $1,110,000 and 5 FTE to expand MMS outreach efforts to the northwestern New Mexico area; and (3) $350,000 to continue software enhancements begun in FY 1991.

- In FY 1993, the IITA will continue at the FY 1992 level. During 1993, RMP will evaluate IITA and determine if further improvements are needed.

- The Office of External Affairs (OEA) in FY 1993 will conduct some 40 visits with Indian tribes, allottees, allottee organizations, and Bureau of Indian Affairs (BIA) offices to foster communication and cooperative problem solving. The OEA will also respond to a growing workload of individual problem referrals. As Indians become aware of the services MMS offers, referrals are expected to double from 272 in FY 1991 to 500 in FY 1993.

- Culminating a comprehensive long-range planning process involving a broad range of RMP's constituency, RMP issued its Strategic Plan for Operations and Systems in May 1990. The RMP developed its Strategic Plan, which incorporates RMP's major initiatives such as the Business Systems Improvement Plan and the Initiative for Indian Tribes and Allottees (IITA), with the involvement of States, Indians, industry, other Federal entities, and the Royalty Management Advisory Committee (RMAC). These entities were afforded the opportunity to help review and reassess RMP's statutory and regulatory requirements as well as its mission, goals, overall performance, and long-range plans. In FY 1992 the Strategic Plan will be revised to include the recommendations contained in the report of the Task Force on Royalty Compliance.

- The MMS is continuing its initiative to enhance the AFS in response to recommendations from systems users, the RMAC, and other interested parties. Benefits derived so far from these enhancements include simplified reporting, increased revenues, and improved information to RMP clientele. 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 System Improvement Plan. The implementation phase of this plan is the Business System Planning Implementation. The MMS is continuing implementation of this plan during FY's 1991 through 1992.

- In FY 1991, MMS issued a Request for Proposal for upgrading the central processing unit (CPU) of the IBM mainframe. The new CPU will be installed in FY 1992.

Computer tape library at the Royalty Management Program headquarters in Lakewood, Colorado, contains 29,815 active tapes with over 85 billion bytes of information.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	$ (FTE)	21,270 (290)	21,955 (290)	21,367 (290)	+ 97 (---)	-588 (---)
Total Requirements	$ (FTE)	21,270 (290)	21,955 (290)	21,367 (290)	+ 97 (---)	-588 (---)

Objective

- To efficiently carry out the provisions of legislation providing for collection and distribution of mineral revenues. In particular, 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.

Program Description

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 MMS. In addition, this activity supports 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, and the Interagency Database

Verification System (IDVS) to verify the consistency of lease data among Department of the Interior Bureaus.

In FY 1993, RMP expects to collect and account for over $4.6 billion in mineral leasing revenues through AFS and BRASS. In addition, the RMP operates a centralized reporting system, PAAS, to process production reports from Federal and Indian leases. Production data from PAAS is compared to financial data from AFS to guard against under reporting of sales volumes and to verify that proper royalties have been reported and paid. The RMP was created to minimize under collections and will continue to work toward improving collection and reporting mechanisms in FY 1993.

The MMS automated systems have stabilized and are performing the major functions for which they were designed. The systems have the following status:

- 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;

- Approximately 97 percent of all dollars collected each month are disbursed within the following month; and

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

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 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 delinquent receivables and generate follow-up letters to collect unpaid balances from payors, lessees, and lessee sureties; (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 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) automatically produce bills for all receivables generated by the system.

Data in the system is available to States, Indian Tribes, and Department of the Interior users, such as the BIA, through STATSS. Enhancements are occasionally made to STATSS to maintain efficient report production and to keep STATSS applications responsive to user needs.

The following is a description of the major activities within the subactivity.

Exception Processing: The purposes of the exception processing programs are to identify payor noncompliance with royalty reporting and payment requirements and encourage payors to comply with these requirements. Exceptions are generated when payor reports and payments do not comply with the royalty reporting and payment requirements. 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. When necessary, RMP issues bills on Federal and Indian leases for late payments and late reports.

The MMS augments the exception processing effort with contractor employees in order to handle the large workloads. In FY 1992, RMP anticipates that the contractor workload in support of exception processing will increase due to the implementation of the Business Systems Improvement Plan and the Initiative for Indian Tribes and Allottees (IITA). Because of these initiatives, nine new exception processing modules will be implemented and RMP anticipates increases in FY 1992 and FY 1993 from FY 1991 in the number of bills issued and the number of appeals received, completed, and resolved. Although significant increases are anticipated, it is not possible at this time to estimate with any degree of accuracy the number of additional bills. The Debt Collection Act of 1982 and FOGRMA require that RMP follow-up and collect on delinquent bills. The RMP estimates that workload for the follow-up and collection activities from RMP issued bills will increase in both FY 1992 and FY 1993 due to increases in workloads.

The RMP utilized IBM's Business Systems Planning (BSP) methodology 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 within the Systems Development and Operation subactivity. Part of RMP's in-house cost within the Mineral Revenue Collections subactivity is for the testing of new and modified software. This cost will increase in FY 1992 due to a higher level of testing required on the BSP system improvements to permit full acceptance of the new and enhanced software.

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. From February 1985 through September 1991, MMS increased royalty collections by $86.7 million as a result of exception processing. Additional billings and collections are expected from new BSP routines on rents, minimum royalties, and advance royalties.

The revenue generated by exception processing has been shared, as appropriate, with States and Indian Tribes and allottees.

Error Correction: The RMP continued to improve the accuracy and validity of the data it processes by applying AFS system edits to screen incoming data and by training and encouraging companies to report accurately. The program consists of:

- Automated reporting, whereby companies are encouraged to submit royalty reports by magnetic tape to eliminate transcription and input errors.

Similarly, MMS mails out "model" royalty reports, with static information already filled out, to help minimize the opportunity for transcription and input errors.

- Payor training efforts which included the presentation of 16 sessions for 276 royalty paying companies and 712 attendees through July 1991. Currently, RMP has plans for 16 sessions during FY 1992.

- Substantial improvements to the MMS Payor Handbook (the official guide to royalty payors on how to report to the AFS).

- A vigorous program of assessments and penalties for incorrect and late reporting as well as failure to submit payor information forms. These penalties are levied under the provisions of the OCSLA, the MLA, the FOGRMA, and various 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 shown below.

Figure 3 depicts the percentage of rejected fatal lines by type of data input: tape; other than tape; and total lines. Total fatal lines has declined from an average of 17 percent in FY 1984 to about 4.8 percent in FY 1991.

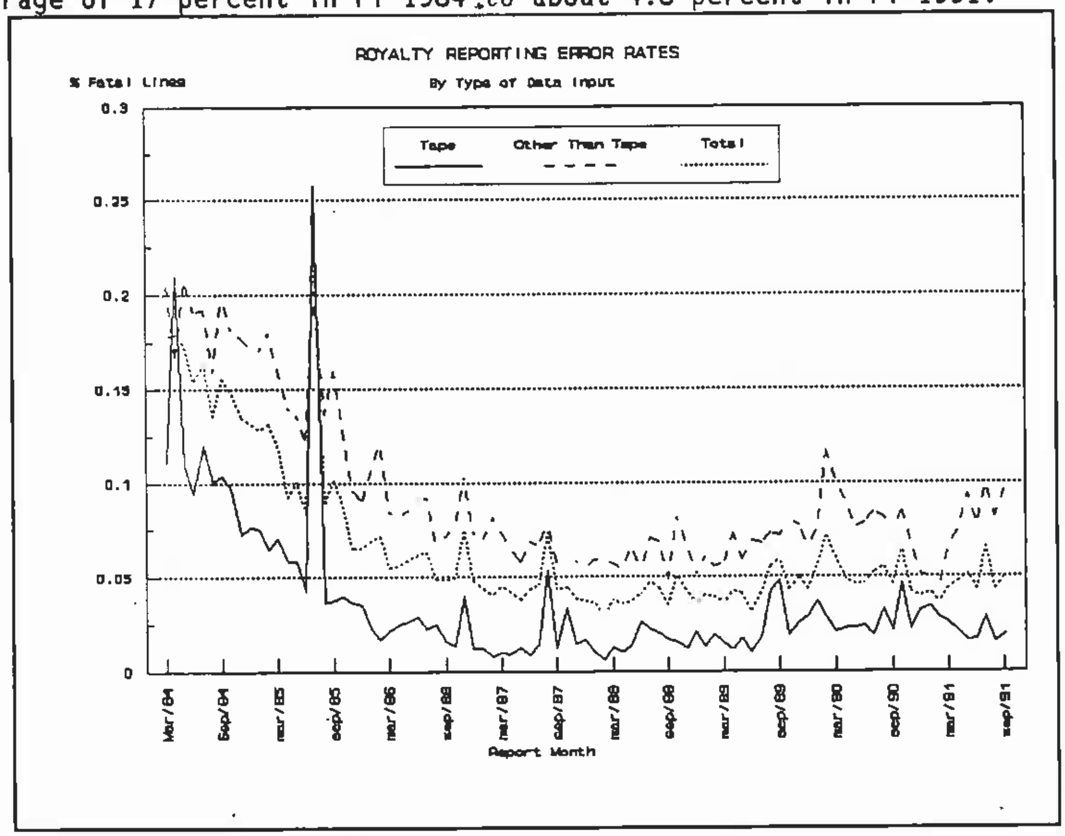


Figure 3

No major changes to error corrections are anticipated in FY 1993 as a result of edit changes. However, implementation of the Action Plan for Royalty Compliance calls for a number of enforcement initiatives which may increase workload which will be accomplished with existing resources. Some of the enforcement initiatives are: lowering assessment rates for erroneous reporting, assessing penalties for data base errors, and graduated assessment rates for erroneous reporting.

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 Federal 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. The MMS will continue converting payors to EFT as their payments meet the appropriate criteria. For FY 1991, the number of EFT messages increased by 854. For FY 1992, the number of EFT's is expected to increase by about 1,400 and for FY 1993 to increase by 100, with a corresponding decrease of 100 checks received.

Reference Data - Payor Information Forms (PIF): The number of PIF's processed will decrease in FY 1993 since any additional receipts due to the FY 1991 implementation of the allowance billing system should stabilize and the definition of selling arrangement was modified. This may change if additional PIF's are necessary to properly track allowances which are tied to selling arrangements and any valuation issues affecting the database (Percentage of Proceeds contracts). All 114,000 selling arrangements that currently reside in the AFS data base will be reviewed and consolidated in FY 1992 by contractor support staff based on the new definition of a selling arrangement. Subsequent to this review and with the implementation of the Common Reference Database (CRD) in FY 1992, better control over what is being established in the data base by payors should be possible.

The CRD has provided increased flexibility in the areas of effective dating and inquiries, and it increased the amount of data maintained in a single data base. The new system will allow the data base to be more responsive to users needs and requests.

In FY 1992, BLM will issue a rule to reduce royalty rates for a 5-year period on certain low producing properties. The rule will affect about 4,000 to 5,000 producing leases. MMS will verify operator calculated royalty rates and monitor the qualifying properties and periods. Various tasks are necessary including verifying qualifying properties through production data, entering reduced rates in the database and monitoring royalty rates reported by payors on Form MMS-2014. Any unresolved discrepancies will be referred to BLM.

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 RMAC 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 (RIK) provisions. Many of these leases and agreements could not be processed by the standard AFS formats and are now being processed on an off-line microcomputer. By the end of FY 1990, all Indian RIK leases were converted to the AFS and all nonstandard leases were converted to the microcomputer system. Prior to the end of FY 1992, MMS plans to enhance AFS so that Indian nonstandard lease and agreement data will flow through the distribution and disbursement system similar to all other Indian royalties. The off-line system will perform a variety of audit steps to ensure that the unique provisions of each nonstandard lease and agreement are being adhered to by the appropriate payors.

Royalty-in-Kind: The Royalty-in-Kind (RIK) arrangement, authorized by the Mineral Leasing Act of 1920 for onshore leases and the OCS Lands Act for offshore leases, allows the Federal Government to take oil and gas royalties in barrels of oil and quantities of gas rather than in value of cash payment. The Federal Government may then sell that royalty oil or gas to interested and eligible refiners who are experiencing difficulty obtaining sufficient quantities of oil or gas on the open market at an equitable price. Participants in the program pay a fee which covers the annual Federal Government direct administrative costs of the program of approximately $400,000. The number of RIK leases administered is projected to increase in FY 1992 because the RMP anticipates a sale to assist small refiners.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Auditing and Financial System is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations.. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
AFS Warnings/Bills Issued	9,139	14,500	14,500	---
AFS Reporting Error Corrections Completed	119,000	120,000	120,000	---
Checks Deposited	39,212	39,000	38,900	-100
Payor Information Forms Processed (New and Revised)	31,000	35,000	32,000	-3,000
EFT Messages Received	6,069	7,500	7,600	+100
Percentage of Collections by EFT	91	93	93	---
RIK Leases Administered	400	800	800	---
Delinquent Bill Notices Issued	2,953	5,500	5,500	---
Completed Appeals (FAD Initiated)	125	375	375	---

Production Accounting and Auditing System (PAAS)

Complementing the mineral revenue accounting operation, RMP conducts a sophisticated, centralized production accounting activity.

The objectives of the production accounting operation and the automated systems which support it are to: (1) support lease management functions by supplying accurate and timely production data to Offshore Minerals Management (OMM) Regional Offices, BLM, and 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 onshore 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 MMS receives, processes, edits, and corrects production reports from lease operators and provides monthly production data to agencies, States, and Tribes. Comparisons of AFS and 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 ensure reports are corrected and any additional royalties are paid. This effort has continually proven to be highly cost-effective. From June 1985 through November 1991, this effort resulted in additional royalty collections of $80.3 million. With the completion of the onshore conversion and the system enhancements discussed below, MMS increased annual collections to $20 million in FY 1991.

The MMS implemented assessments for late production reporting for onshore properties late in FY 1990 and assessments for erroneous reporting in FY 1991. Nineteen operators of sand, gravel, and other solid mineral leases were trained and converted to automated production reporting in FY 1991. Additionally, an automated access system similar to STATSS was implemented in May 1991 and is designed to provide on-line production data to States, Tribes, and other DOI users.

In FY 1991 PAAS processed approximately 300,000 lines of data per month from 26,500 reports submitted by 2,600 operators with an error rate of less than 5%. Contractors provide operation and maintenance support for the automated system and perform document error correction, reference data maintenance, and files maintenance. The number of lines reported to PAAS continues to grow. With the growing number of production lines and new operators, RMP expects the number of technical assistance projects to increase proportionally. The increase in assessments and appeals is based on the increase in Other PAAS Exceptions and an increase of amended reports as a result of the AFS/PAAS comparisons. In addition, RMP will continue the ongoing training program for operators and new reporters.

BLM's regulations to reduce the royalty rate on stripper wells is expected to increase reported error rates and PAAS exceptions generated. Changes in well status must now be edited, since changes in producing and service wells could serve to increase the benefits of the royalty reduction. These changes will be investigated by MMS and will require contact with the operator and BLM. We estimate 2,000 errors per month will require investigation and resolution. Production volume variances are estimated to increase 500 per year requiring investigation and referral to BLM for inspection at the well level. In addition, "days producing" exceptions are estimated at 2,000 per year.

Presently, PAAS operates on two computer environments: (1) offshore and a small portion of onshore oil and gas production data plus solid minerals production data is processed on a VAX minicomputer: and (2) most onshore oil and gas production data is processed on the IBM mainframe. The MMS will complete the conversion of all remaining oil and gas production data from the VAX minicomputer to the IBM mainframe in May 1992. Subsequently solid minerals production data will be converted and processed on the IBM computer.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Production Accounting and Auditing System is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document. In addition, some of the FY 1992 and FY 1993 estimates have been revised to reflect workloads experienced in FY 1991.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Technical Assistance Project				
--Operators	225	1,500	1,500	---
--Other DOI Offices	35	60	60	---
Processing Workloads				
--Reference Document Lines	91,021	89,000	89,000	---
--Operating Document Lines	3,595,260	3,600,000	3,600,000	---
Royalty Rate Reduction				
--Errors	0	12,000	24,000	+12,000
--Exceptions	0	1,250	2,500	+1,250
Exception Resolution				
--AFS/PAAS Comparison Exceptions	20,589	21,000	22,000	+1,000
--Other PAAS Exceptions	130,295	100,000	100,000	---
Assessments and Appeals	2,000	2,500	2,500	---
Production Verification Support				
Liquid Verification System	660	2,000	2,000	---
BLM/RMP OEA	927	1,100	1,100	---

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 July 1991, there were 54,309 active leases in rental status. For this function to be compatible with the AFS and to meet the requirements of the FOGRMA, an automated BRASS was designed and installed. Operation of this system began in April 1984.

The principal functions of BRASS are to: (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 and OCS rights-of-way; (4) provide financial update and general ledger data to 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 FOGRMA; and (7) provide lease data to AFS when leases go into production.

On January 19, 1989, the Secretary implemented a rental rate reduction lowering the rates for Federal onshore oil and gas leases for a period of three years. As a result, RMP performed lease financial adjustments and processed refunds on many of the 36,000 affected leases. In FY 1992, when the rental rate reduction period ends, BRASS refunds and lease financial adjustments are expected to again increase. The decline in data base maintenance actions reflects a corresponding decline in the number of new leases and assignments by BLM.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Bonus and Rental Accounting Support System is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Unidentified Checks	5,854	8,000	8,000	---
Refunds Processed	1,425	1,800	1,800	---
Lease Financial Adjustments	4,026	12,000	12,000	---
Industry Inquiries	4,332	7,000	7,000	---
Data Base Maintenance Actions	18,264	22,000	22,000	---
Checks Deposited	46,295	47,800	47,000	-800
EFT Messages Received	100	1,500	1,500	---

Recent Program Accomplishments

Day-to-day operations continue uninterrupted and a number of projects were successfully completed or continue to advance toward completion. They include:

- Selling Arrangements - Based on the new definition of selling arrangement, a review and consolidation of selling arrangements in AFS by contractor staff was initiated in FY 1991 and is scheduled for completion in February 1992.

- Lease and Agreement Reviews With BLM - A review and verification, with appropriate BLM offices, of all compensatory royalty agreements and assessments residing in AFS was initiated and completed. A review of all renewal and exchange leases with BLM was initiated and completed thus assuring terms were correctly established in AFS.

- Solid Mineral Indian Lease Conversion - Conversion of Solid Mineral Indian Leases to the AFS and PAAS was completed. Nineteen operators who hold 23 leases that produce sand and gravel, cinder, gypsum, limestone, uranium, and other products received training during April and May 1991 and began reporting in August 1991. In addition, representatives from 14 BIA offices, 7 BLM offices, and 6 Alaskan Native Corporations were also trained and assisted in identifying leases to be converted and in communicating with the lease operators.

- STATSS Production Data - On May 31, 1991, RMP made production data for Indian leases and agreements available to tribes and BIA on the STATSS. Also during FY 1991, software was put in place in the PAAS which allows for the distribution of "Quarterly Accomplishment Reports" to States, tribes, and BIA providing information on additional collections resulting from AFS/PAAS comparisons.

- Erroneous Reporting - In June 1991, RMP increased efforts to assess operators for erroneous reporting to the PAAS. In the following months, the operator error rate continued to decline from over 4% to the present rate of 2.6%.

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	21,955	21,367	-588
(FTE)	(290)	(290)	(---)

Decreasing Cost of Contractor Services

A decrease of $588,000 is proposed in FY 1993 due to the:

- Completion of the workload associated with the January, 1989 Secretarial order to temporarily rollback or reduce the onshore rental rate,

- Completion of the workload associated with the change in the definition of a selling arrangement,

- Additional decreases will be taken from program areas such as completion of database verification projects and efficiencies gained through operational streamlining and innovative software in the areas of error correction, bill generation of PAAS assessments, and late payment processing.

Distribution of change by object class

	Amount ($000)	FTE
Other Services....................................	-588	---

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Mineral Revenue Compliance	$ (FTE)	24,515 (329)	24,831 (329)	24,539 (329)	+ 24 (---)	-292 (---)
Total Requirements	$ (FTE)	24,515 (329)	24,831 (329)	24,539 (329)	+ 24 (---)	-292 (---)

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 regulation.
- To ensure 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.

Program Description

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 preparing regulations and guidelines to be used in valuing minerals for royalty purposes; interpretation and enforcement of valuation regulations and guidelines; 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; and providing advice and assistance on valuation, appeal, and allowance issues. The product valuation function is also responsible for providing the technical support, including valuation and allowance monitoring and review, needed by RMP to ensure that royalties on minerals produced from Federal, Indian, and OCS lands are calculated in accordance with existing laws and regulations;

Within the audit function, MMS performs audits of mineral revenue and payor activities. This function also includes resolution of exceptions which have been identified by automated royalty management systems, but cannot be resolved by other RMP organizations. The MMS audit staff also undertake special audits and reviews in support of MMS and BLM lease management activities and in response to requests from Indians through the BIA. Delegated or cooperative audit agreements with States and Indians under the provisions of FOGRMA are monitored to ensure that audit work is being performed in accord with applicable standards, applicable regulations, and statutes.

Other activities in the Mineral Revenue Compliance subactivity include: an effort to provide contact and assistance for the external user community, e.g., States, Indians, industry, the public, and other Federal Government entities; and the development and promulgation of regulations.

Product Valuation

Royalty payments 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, Federal Government price controls, long-term sales contracts, complicated marketing agreements, and complex relationships among the various owners and operators of producing leases. To better deal with these complexities, revised product value regulations for oil and gas were published and went into effect on March 1, 1988. These revised regulations provide more definitive and consistent guidance to industry for valuing production from Federal and Indian leases for royalty purposes. As noted in a series of reports to Congress, analysis to date shows no clear evidence that these 1988 regulations either enhance or diminish aggregate revenues. A study of the royalty impacts of the revised oil and gas product valuation regulations during the first 3 years of their existence, is scheduled to be completed in FY 1992.

As a result of litigation and other objections, the Department of Interior decided to reconsider several product valuation issues by means of proposed rule making. By the end of 1988, MMS had prepared and issued Federal Register Notices on extraordinary cost allowances, percentage-of-proceeds contracts, and the royalty liability on take-or-pay payments.

On November 8, 1988, a final rule making which deleted take-or-pay payments from the definition of gross proceeds was published in the Federal Register. On September 13, 1991, a final rule was published in the Federal Register regarding percent-of-proceeds contracts. A proposed rulemaking concerning the valuation benchmarks that apply to gas not sold under an arm's length contract was published for comment on December 12, 1991.

Final rule making for coal product valuation was published and became effective on March 1, 1989. Due to a controversy over the exclusion of the cost of certain taxes and fees from value for royalty purposes, the Secretary directed the Department to review the revised regulations. A comprehensive review and analysis of the effects of the exclusions on both national and regional coal production and on the Federal, State, and Indian treasuries was completed in January 1990. On July 17, 1990, the Secretary of the Interior announced his decision to return to the historic practice of valuing coal based on gross proceeds and directed MMS to implement this decision immediately. The final rule making was published in the Federal Register on August 30, 1990 and became effective October 1, 1990.

Final geothermal rules were published in the Federal Register on November 8, 1991. Payor training sessions addressing these revised regulations will be held in the second or third quarter of FY 1992.

In FY 1992, the Royalty Valuation and Standards Division (RVSD) will continue to provide valuation and allowance approvals as required under both old and new regulations and the old procedural guidelines. The RVSD will continue to provide assistance to MMS's Appeals Division and advice and assistance to industry and other parties affected by the regulations. Oil, gas, geothermal, and coal product valuation and allowance guidelines developed in FY 1992 will be incorporated as chapters in the MMS Payor Handbook. The intent of these guidelines is to provide further clarification and interpretation of MMS's revised regulations. Oil, gas, geothermal, and coal product valuation and allowance payor training will continue as part of the total MMS outreach effort.

The new valuation regulations specify that all royalty values reported and transportation and processing allowances claimed by lessees are subject to monitoring and review. To provide for this requirement, RVSD is currently developing an automated allowance tracking system (AATS) and is developing a prototype of a product value monitoring system for oil and gas. The performance of automated allowance and valuation monitoring is a proactive approach to the enforcement of MMS regulations. It is intended to detect allowances or values that may not be proper under the requirements of the regulations. Additional revenues will be generated in those cases where unauthorized allowances and understated values are found. In turn, royalty recipients will have the benefit of monies rightfully due them at a date much earlier than if these exceptions are not detected until the leases are audited. The billing module of AATS has been developed and is now operational. In FY 1992 RMP will complete development of the exception processing module of AATS and the prototype of the oil and the gas automated monitoring system. In FY 1992 and thereafter, product valuation and allowance monitoring activities will be a major RVSD workload factor. After an increase in FY 1992 due to the implementation of the billings module, the appeal workload is expected to level out in FY 1993.

Based on a study completed in FY 1989, coal product valuation and allowances monitoring will be performed using an in-house microcomputer and off-the-shelf software. This study determined that this approach would in the near term be the most efficient and cost effective means of monitoring coal product valuation and allowances under the revised regulations.

In valuing gas production from Federal onshore lands sold under non-arm's length contracts and gas production from Indian lands for periods prior to March 1, 1988, value must be determined with consideration given to the highest price paid for a majority of like-quality production in the field or area. For periods on and after March 1, 1988, major portion analyses, where feasible, are required for Indian lands only. Various actions, including a number of court decisions, passage of the NTL-5 Gas Royalty Act of 1987, the issuance of final, revised oil and gas valuation regulations by MMS, and issuance of the Senate Select Committee Report, reiterated the major portion consideration and the Secretary's trust responsibility to Indians for its enforcement. In view of these actions, a decision was made to research the feasibility and pursue the design and development of an automated data base to assist in computing majority prices.

The RVSD continued to perform a variety of oversight duties involving offshore Net Profit Share Leases (NPSLs) during FY 1991. These leases differ from most other oil and gas leases in that a capital account is established to accumulate the various costs and revenues to the lease. Once the aggregate revenues exceed aggregate costs, a profit share payment, rather than a standard royalty, is due. The RVSD continued to monitor required reports from lessees, provide interpretations of the NPSL regulations for industry and RCD, administer an NPSL data base, and so perform a number of other delegated NPSL functions. An industry training seminar on the NPSL regulations and reporting requirements was also held during FY 1991. Similar training will be provided as needed in FY 1992 and FY 1993, and RVSD will continue to monitor NPSL reporting, provide regulatory interpretations, support the audit function related to NPSLs, and to carry out its other delegated NPSL responsibilities.

In FY 1990, RVSD began reporting workload outputs for the development and maintenance of regulations and guidelines. This activity constitutes a significant workload for the Division. Included in this category are changes and amendments to existing regulations, development of payor handbook chapters, and the preparation of general notification letters to companies. Major rule makings, however, will be handled separate and apart from the above-mentioned activities as they occur.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs associated with the product valuation function is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Valuation Determinations	54	55	55	---
Advice and Assistance	272	275	275	---
Processing Allowance Applications Reviewed	53	50	50	---
Transportation Allowance Applications Reviewed	118	115	115	---
Appeals of Royalty Valuation Determinations	38	180	180	---
Valuation/Allowance Regulatory Training	25	25	25	---
Regulatory Compliance and Monitoring (exceptions reviewed)	43	1,350	1,350	---
Develop/Maintain Product Value Regulations and Guidelines	33	35	35	---

Audit

From FY 1988 through FY 1991, the MMS audit program has recovered $322 million in collection of previously unpaid or underpaid royalties, interest payments, liquidated damages, and refund denials. Since 1982, the program has generated $725 million in additional mineral revenues.

The MMS audit strategy provides 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 started a major project in FY 1989 to be completed in FY 1992, the Contemporaneous Audit Initiative, that will accelerate the completion of prior-year audits and place the 6-year cycle on a more contemporaneous schedule. Prior to the initiative, companies were often required to retain records for 7-12 years to accommodate the audit of 6 years of data. This project will shorten record retention periods for companies and will accelerate collections of any additional royalties due. MMS believes that this is consistent with the intent of Congress when it established a 6-

year record retention requirement in FOGRMA and that Congress anticipated a significant lag until this equilibrium cycle could be achieved and intended that MMS be able to audit records predating FOGRMA over a reasonable number of years. However, MMS has now completed audits for the pre-FOGRMA periods for the largest companies and is moving toward a more contemporaneous cycle by auditing 3 years of payments within 3 years at the residencies and auditing 5 years of payments in 1 year at the other major payors. Congress appropriated an increase of $3.6 million in FY 1990 and $1.77 million in FY 1991 to support the full annual funding requirement of the Contemporaneous Audit Initiative.

Delegated and cooperative audit authority granted to States and Indians under the provisions of Sections 202 and 205 of FOGRMA broadens the audit strategy and approach for the MMS compliance program. The MMS audit resources are supplemented by State and Indian audit resources under the federally funded audit effort, providing a cooperative effort among MMS, State, and Indian audit resources. The States and Indians have authority for most audit compliance activities with the exception of enforcement actions. The remainder of the MMS audit effort provides audit coverage for offshore and other Federal and Indian mineral revenues.

The MMS audit strategy covers the following areas:

- company audits;
- residency audits;
- State and Tribal audit activities;
- Indian (Tribal and allotted) lease audits;
- net profit and Indian joint venture agreements;
- exception resolution;
- litigation support;
- referrals and requests from other organizations; and
- refund request reviews.

Company Audits

Company audits encompass a broad range of compliance review activities to ensure 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.

Residency Audits

The MMS maintains "on-site" resident audit staffs located at 11 individual major companies. These audit teams are responsible for:

- Conducting ongoing audits of each 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 problems identified through the MMS offshore inspection program, the BLM onshore inspection programs, Office of the Inspector General, and 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 company records which cover functional areas such as valuation, allocation, production, gas plants, and accuracy of reporting; and
- Identifying and resolving special problems unique to individual leases.

The 11 companies included in this activity pay approximately two-thirds of all royalties received by MMS. Audit of the 1980-83 business period was completed at all 11 residencies by March 1990. The residency program is now auditing the 1984-1989 business period as planned. The resident audit work force also reviews refund requests from the company.

State and Tribal Audit Activities

Nine States (California, Colorado, Louisiana, Montana, North Dakota, Oklahoma, Texas, Utah, and Wyoming) have delegated audit agreements under the provisions of section 205 of FOGRMA. Three Indian Tribes, the Navajo, the Northern Ute, and the Southern Ute, have funded agreements under the provisions of section 202, and three additional Tribes, the Shoshone/Arapaho, the Blackfeet Tribe, and the Ute Mountain Ute, have expressed interest in establishing an audit agreement, possibly in FY 1992. In addition, MMS has unfunded joint audit agreements with two Indian Tribes. The MMS has an agreement with the Jicarilla Apache Tribe to audit oil and gas leases and with the Navajo Indian Tribe to audit coal leases. Participation in the 202 program is also expected to increase in FY 1993.

The MMS annual base funding to States and Indian Tribes under Sections 202 and 205 was increased in FY 1990 to $3.2 million. The FY 1991 budget was increased by $0.6 million to increase the funding level for Indian cooperative audits from 50 to 100 percent and the addition of up to 4 Tribes to the funded cooperative audit program. Funding for FY 1992 and FY 1993 is expected to be at or about the FY 1991 level.

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. By treaty and law, the Federal Government has the duty to protect Native Americans and their property. In order to fulfill the trust responsibility for Indian revenues, an approach has been developed that combines systematic audit coverage of Indian revenues and resolution of specific problems that are identified and referred to MMS's Royalty Compliance Division (RCD).

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

- Residency audits at 11 major companies provide audit coverage for about 60 percent of the total revenue from Indian mineral leases.

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

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

- Royalty payors for Indian leases will have an opportunity for additional audit coverage through special audit techniques, such as statistical sampling, and compliance monitoring through exception processing.

- 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.

- Review of specific royalty payment issues/problems on Tribal or allotted leases are identified and referred to RCD, through BIA, for resolution.

- The FY 1991 funding increase began implementation of the Initiative for Indian Tribes and Allottees, which provides $432,000 and 8 FTE to initiate a spot audit approach of companies holding Indian Tribal and allottee leases.

- The FY 1992 funding includes an increase of $180,000 for 2 FTE under IITA to augment current staffing for AFS/PAAS exception resolutions and to increase contractor staff to monitor royalty rates. Benefits include increased timeliness in the processing of royalty rate discrepancies and increased accuracy of disbursements to Indians, and the generation of additional revenues from exception processing.

- Also under IITA, the FY 1992 budget includes an additional $1,110,000 and 5 FTE to expand the outreach effort by increasing outreach staff and creating remote offices near Indian allottees, to enhance monitoring and control systems for royalty payments and reports, and provides contractor staff to operate an allowance tracking system.

- The FY 1992 level of Indian audit activity will be maintained in FY 1993.

RMP's audit strategy, maximizes audit coverage by combining periodic audits with investigation of identified problems. 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 also 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 provides 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

Activities associated with the resolution of exceptions are produced by AFS/PAAS comparisons. Many of these exceptions are resolved by the Mineral Revenue Collections staff. However, when exceptions indicate systemic problems of a payor's compliance with the regulations, the case is referred to compliance offices to do a thorough on-site review to identify the underlying problems causing ongoing instances of noncompliance.

Litigation Support

Litigation support is necessary due to: (1) industry's testing in court of MMS positions expressed in demand letters, (2) implementing regulations of FOGRMA, and (3) application of product valuation regulations. Litigation support includes responding to requests for documents, preparing responses to interrogatories, gathering statistical royalty data, preparing position papers in defense of the Federal 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 requests will be necessary for approximately 297 cases during FY 1992. 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 underpayment of royalties. .These requests and referrals come from BIA, BLM, OIG, GAO, 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 OCSLA. 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. Refund request reviews are included in routine company audits whenever possible.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs associated with the audit function is presented in the following table. The outputs for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Company Audits	127	127	127	---
Lease/Subject Audits	310	310	310	---
Refund Request Reviews	268	268	268	---
Referrals	128	128	128	---
AFS/Production Accounting System (Case Load)	28	28	28	---
OIG Support (Case Load)	141	141	141	---
Special Projects (Compliance Enforcement	54	54	54	---
Litigation/Appeals/FOIA (Case Load)	297	297	297	---
Cooperative Audit Agreements --Section 202 of FOGRMA	3	8	10	+2
Delegated Audit Agreements	9	9	9	---
Residency Audit Teams	11	11	11	---

Recent Program Accomplishments

Day-to-day operations continue uninterrupted and a number of projects were successfully completed or continue to advance toward completion. They include:

- Spot Audit - Created an Indian spot-audit team of four full-time equivalencies in Oklahoma City in late 1990 and staffed in early 1991.

- Contemporaneous Audit - Audits for 11 residency companies for the 1980-83 period were completed in March 1990. The audits at the residency companies for the period October 1, 1983, through September 30, 1989, are to be completed in September 1992.

- Geothermal Valuation Regulations - A final rulemaking was completed for valuation of geothermal resources. This final rule addresses the valuation of geothermal resources utilized to generate electricity and those that are used directly by the lessee for space heating, industrial processes, etc.

- Amendments to the January 15, 1988, Oil and Gas Product Valuation Regulations - Many of the rulemakings initiated early in FY 1989 were not completed in that fiscal year due to administration changes resulting in reassessment of policy decisions. A final rulemaking was completed in FY 1991 for the valuation of gas sold under arm's-length POP contracts.

- Outreach - The RMP continued onsite visits with Indian tribes, allottee organizations, individual allottees, and BIA Area and Agency offices in FY 1991. These meetings addressed such subjects as payor reporting procedures on Indian leases, royalty accounting, auditing, and EOP reports. RMP also conducted allottee contact meetings in New Mexico, Oklahoma, and Utah to provide onsite resolution of problems, when appropriate, and to communicate directly with allottees concerning their oil and gas lease problems.

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	24,831	24,539	-292
(FTE)	(329)	(329)	(---)

Decreasing Cost of Contractor Services

A decrease of $292,000 and is proposed in FY 1993 based on:

- The completion of the establishment of new field offices in Oklahoma City and in the Four Corners area of New Mexico will reduce the requirements for furniture, equipment, and microcomputers, and

- The reduction in contracted maintenance costs of office equipment due to the recent replacement of some equipment.

- Efficiencies gained through operational streamlining and innovative software.

Distribution of change by object class

	Amount ($000)	FTE
Other Services..	- 37	
Equipment...	-255	
Total	- 292	---

Employees at the Royalty Management Program headquarters in Lakewood, Colorado, review software development schedule for the automated systems improvement project.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Systems Development and Operation	$	20,934	21,222	20,199	-735	-1,023
	(FTE)	(80)	(80)	(80)	(---)	(---)
Total Requirements	$	20,934	21,222	20,199	-735	-1,023
	(FTE)	(80)	(80)	(80)	(---)	(---)

Systems Development and Operation

Objectives

The Systems Development and Operation subactivity provides computer and automated system support necessary for the Royalty Management Program (RMP) to perform its mission. The Systems Management Division (SMD) is charged with administering all RMP automated systems and facilities. In this capacity SMD specifically:

- develops, integrates, maintains, and operates all RMP automated systems;
- analyzes and plans the introduction of new technology and improvements to existing systems;
- provides data base administration services;
- administers contract resources;
- receives and processes all incoming reports, payments, and correspondence related to RMP automated systems;
- develops and maintains RMP's statistical reporting system; and
- evaluates and processes requests for information.

As outlined on the accompanying chart, the program has developed several major automated systems and is currently in the process of enhancing, re-engineering, and integrating these systems via the 3 1/2 year BSPI project. Added functional capabilities are planned for the coming years.

Program Description

Operation and maintenance of RMP mission critical systems (AFS, PAAS, BRASS, and STATSS) is a major activity conducted by a single contractor firm with oversight provided by SMD staff. It involves tasks ranging from data entry to final report distribution and all processes in between. The annual workload in data entry entails processing of nearly 6 million records. Maintaining AFS, PAAS, BRASS, and STATSS software is a substantial effort involving over 2 million lines of program code, 1,000 computer programs, and 1,800 unique data files. Both data entry and software maintenance workloads are expected to increase in response to growth in the RMP software inventory and new reporting requirements from industry. To support day-to-day operational activities, SMD staff manages 58 maintenance agreements covering a wide range of ADP hardware and software, microcomputers, minicomputers, tape and disk drives, printers, terminals, and other office equipment.

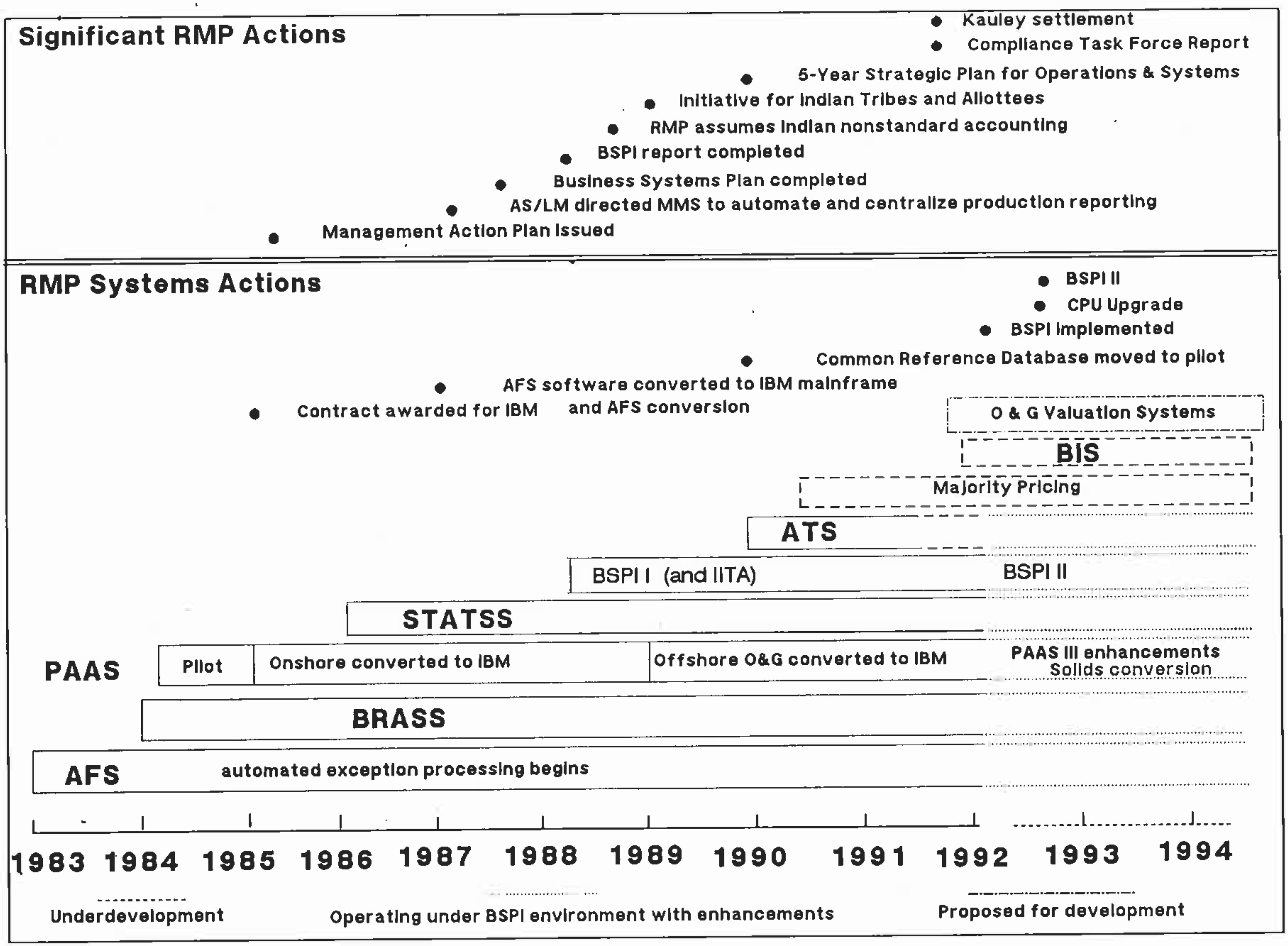
Short and long range ADP planning is central to continued mission accomplishment. SMD planning efforts govern the orderly introduction of new technology into the RMP systems environment. New initiatives to improve client services, enhance staff productivity, and support compliance and other program activities are the focus of SMD's systems planning. See time line chart demonstrating systems development and growth in response to RMP needs.

Computer capacity planning called for a CPU upgrade in 1991 to accommodate planned growth of software and processing requirements. In FY 1993 mainframe peripherals, software packages, and development tools will be acquired or upgraded. The upgrade of selected hardware devices is necessary because they are technically obsolete, expensive to maintain, and incapable of supporting future demand. New software packages will improve maintenance, analysis, testing, and efficiency of application software. Planned acquisition of design and tuning tools will maximize resource utilization, reduce errors, expedite software design and development processes, and increase system efficiency.

The SMD staff continues to be actively engaged in system development activities. FY 1992 will see the completion of such major system development activities as the Business System Improvement Plan, Initiatives for Indian Tribes and Allottees, Automated Allowance Tracking, and PAAS Phase III (offshore production accounting on the IBM). The development effort for FY 1993 will concentrate on post BSIP enhancements and new systems projects such as PAAS Late and Erroneous Reporting Billing, Majority Pricing System, Oil and Gas Valuation Monitoring System, Contract Management System, and solid minerals conversion.

As part of its data administration responsibility, the Division annually updates and distributes an MMS Data Element Dictionary and participates in the on-going development of a petroleum industry data element dictionary. It continues administration of naming conventions, definitions, and formats to facilitate automated processing and sharing of petroleum royalty related data. SMD continues its proactive role in the development of national standards for electronic data interchange (EDI) of regulatory data with the private sector. Pilot projects are in progress to determine the benefits and feasibility of

EDI to reduce paperwork, improve timeliness of data exchanges, eliminate errors, and upgrade communications and working relationships with private industry. EDI will receive continued emphasis in FY 1993.


Significant RMP Actions
Kauley settlement
Compliance Task Force Report
5-Year Strategic Plan for Operations & Systems
Initiative for Indian Tribes and Allottees
RMP assumes Indian nonstandard accounting
BSPI report completed
Business Systems Plan completed
AS/LM directed MMS to automate and centralize production reporting
Management Action Plan Issued
RMP Systems Actions
BSPI II
CPU Upgrade
BSPI Implemented
Common Reference Database moved to pilot
AFS software converted to IBM mainframe
Contract awarded for IBM and AFS conversion
O & G Valuation Systems
BIS
Majority Pricing
ATS
BSPI I (and IITA)
BSPI II
STATSS
PAAS
Pilot
Onshore converted to IBM
Offshore O&G converted to IBM
PAAS III enhancements
Solids conversion
BRASS
AFS
automated exception processing begins
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
Underdevelopment
Operating under BSPI environment with enhancements
Proposed for development

The SMD manages over 50 contracts ranging in scope from the over $8 million annual ADP operations and maintenance contract to a small maintenance contract for forklift service. Division staff monitor contractor performance, formulate statements of work, resolve problems, and actively participate in the acquisition of contractor supplied support services. Contractors are an integral part of RMP operations and clearly defined and well managed contracts will contribute substantially to continued mission accomplishments.

Continued direct access to RMP data is provided to States and Tribes through the State and Tribal Support System (STATSS). The STATSS Section conducts training, provides "hot line" services for users, and plans system changes and enhancements. SMD staff also support microcomputer users and maintain automated office networks. Responses to inquiries for statistics, reports, and other program information is supplied by SMD staff who operate and maintain the RMP statistical reporting system. The staff answers hundreds of information requests annually and authors several reports reflecting RMP activities and accomplishments.

Recent Program Accomplishments

Day-to-day systems operations continue uninterrupted and a number of significant improvement projects were successfully completed or continued to advance toward completion. They include:

- ADP Support Services Contract Award - MMS awarded a 7-year facilities management and ADP support services contract to American Management Systems, Inc. in June 1991. The contract will provide RMP with a wide range of services including data entry, data base administration, microcomputer support, and data communication. Under the new contract, applications software to support RMP's mission will also be developed and maintained. This major procurement ensures contractor ADP support through FY 1998.

- Central Processing Unit Upgrade - The central processing unit upgrade will be installed in FY 1992. The additional processing capacity will allow RMP to maintain and respond to increased demands in the level of service to both RMP users and to the States and Tribes.

- Business Systems Planning Implementation (BSPI) - With the assistance of the Secretary of the Interior's Royalty Management Advisory Committee, MMS identified a total of 59 specific system improvement recommendations benefitting RMP clients. A Business System Improvement Plan outlining RMP's implementation strategy was published in August 1988.

  The BSPI project encompasses a combination of software modernization and significant functional enhancements to RMP's complex royalty and production accounting systems. It features consolidation of RMP systems under a common shared data structure which will allow better data validation and improved system efficiency. The new common data structure has been operational in a pilot environment since January 1990. It will provide the foundation for implementation of specific enhancements designed to move money faster, simplify reporting, improve information availability, and strengthen compliance programs.

Implementation was planned in two phases over a 3 1/2-year period. Phase I established the subject data base environment and enhanced reference data, royalty, financial, and exception processing. Phase I was scheduled in December 1991. Phase II, which is scheduled for implementation in March 1992, focuses on integration of VAX-based systems which includes BRASS (Bonus and Rental Accounting Support System) and IDVS (an automated data verification interface with the Bureau of Land Management). In addition, enhanced audit support, exception processing routines, and a business information system will be implemented in Phase II.

FY 1992 funds will be used to complete BSPI and conduct a post implementation review.

- Automated Production Accounting for Onshore Oil and Gas Leases - PAAS Phase II was completed in March 1990. All exception updating and reporting is now processed on the IBM. In addition to the basic conversion from the VAX to the IBM, efficiency tools to assist exception analysis and workload management enhancements were included. Phase III, the final phase for full implementation of the PAAS on the IBM, will be completed in FY 1992. Final reimplementation on the IBM will be accompanied by new capabilities including STATSS-like inquiries and purge/archive/restore functions. As noted above, subsequent PAAS enhancements include an automated late and erroneous billing system and other systems-specific changes identified via the post implementation review.

- Initiatives for Indian Tribes and Allottees (IITA) - IITA Phase I enhancements were completed in November 1990. They included improved PAAS reports identifying improper tax deductions, amended data, missing data, and resolved exceptions. In addition, PAAS reports are now available on a variety of output media. The last two phases of the Initiatives for Indian Tribes and Allottees will be completed in FY 1992. Additional enhancements to improve service to Indian clients will be considered during the post implementation review described above.

- Business Information System (BIS) - The BIS now provides improved access to RMP production and royalty. As a continuance of the BIS project, significant enhancements will be made to STATSS. These enhancements include the integration of STATSS with the new BSPI Common Reference Database and Financial System. This integration will provide improved client service by providing access to effective-dated reference data, access to up-to-date financial data, and access to future system improvements as they are made.

Additionally, concurrent with the above integration, online access to royalty history will also be provided that will greatly facilitate end-user access to this key data.

- Electronic Data Interchange (EDI) with Private Industry - The SMD initiated two pilot projects for EDI with private industry to determine efficiencies and economies of automated electronic exchange of regulatory data. SMD continues to work with MMS offshore and petroleum industry representatives to define national standards for the interchange of regulatory data between MMS and the private sector. SMD is maintaining its working relationships with the petroleum industry to improve communications and data exchange for mutual benefits. EDI offers the potential to reduce paper report volume and improve royalty reporting error rates.

- Automated Allowance Tracking System (AATS) - Another significant proposal resulting from the BSPI initiative involves a joint effort by SMD and the Royalty Valuation and Standards Division to develop the AATS. The AATS will enable RMP to administer transportation and processing allowances taken by payors in the computation of production royalty payments. The development was scheduled in two phases. Phase I provides for the entry, correction, and storage of data submitted by the lessee on allowance reporting forms required by the new oil and gas valuation regulations. The Phase I module, consisting of 42 programs developed by SMD personnel, was placed in production in January 1989. Phase II required development of exception routines to determine the extent of compliance with the oil and gas valuation regulations. When noncompliance is detected, interest will be billed and, in some instances, lessees will be required to remit allowances claimed. The Phase II module was placed in production in December 1990.

- Publications and Reports - The SMD continues to prepare and upgrade the following publications and reports addressing RMP program operations and performance: Monthly Activity Report; Program Overview; Annual Report to Congress under Section 302 of the Federal Oil and Gas Royalty Management Act of 1982; Annual Report to Congress under Section 602 of the Outer Continental Shelf Lands Act Amendments of 1978; and Mineral Revenues: Report on Receipts from Federal and Indian Leases (an annual report and a decade report issued for 1980-1989). The SMD further responded to over 900 written and verbal requests for statistical information in FY 1990 and a projected level of 1,000 requests in FY 1991. It is expected that requests for statistical information will continue to grow in FY 1992 and FY 1993.

- State and Tribal Support System (STATSS) - In FY 1990 the SMD focused on improving customer support services. The STATSS training program was upgraded by developing many hands-on exercises and adding more visual aids to the training. As a result, 110 people from States, Tribe, BIA, and some RMP organizations were trained. Eight site visits were made to State and Tribal locations. In FY 1991 SMD will replace approximately one half of the State and Tribal personal computers with new, upgraded equipment. In FY 1991 the network access for States and Tribes was converted from TYMNET to FTS2000.

o Information Center Section (ICS) - The ICS has expanded the SMD Local Area Network (LAN) to include all division personnel and is actively providing technical support to other divisions with LAN implementation. Progress is underway to prototype a data base server, communication between RMP LANs on the Federal Center, and to install a software management package for SMD managers. ICS is also working on an automated model 2014 reporting system with a pre-edit feature. The SMD projects all clerical work will be accomplished via the LAN and new word-processing software. Old documents will be translated from the MMS's aging word processing system by the middle of FY 1992. Also, SMD developed a new advanced hands-on word-processing training course which will be offered during this time frame.

Future Systems Initiatives

FY 1992 will see completion of BSPI and PAAS Phase III development projects along with installation of an upgraded mainframe computer. The focus for FY 1993 will be to build upon the systems foundation established in prior years and build system features which will continue to improve efficiency and deliver new and better services to our diverse clientele, These include:

- system enhancements identified through the post BSPI implementation review process;
- solid minerals conversion from the VAX to the IBM;
- Compliance Task Force system initiatives;
- deferred Production Accounting and Auditing System enhancements;
- majority pricing and oil and gas valuation systems; and
- STATSS and BIS enhancements.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs associated with the systems function is presented in the following table. The output for FY 1992 are based on FY 1992 appropriations. The outputs for FY 1993 reflect the FY 1993 base and proposed program changes presented in this document.

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Lines of Program Code Maintained (000)	3,599	4,405	2,904	-1,501
Data Base Size Maintained (Megabytes)	21,226	23,364	17,802	-5,562
Contracts Managed ($000)	16,600	17,100	17,100	---
Interactive Terminal Users Supported	619	590	590	---
Input Lines Processed (000)	6,456	6,574	6,693	+119
Data Transactions Keyed (000)	5,771	6,059	6,362	+303
STATSS Users Supported	1,000	1,000	1,000	---
Reference Documents Processed (000)	500	500	500	---
Responses to Information Requests	900	900	900	---
Office Automation Stations Supported	750	750	750	---

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	21,222	20,199	-1,023
(FTE)	(80)	(80)	---

Decreasing Cost of Contractor Services

A decrease of $1.023 million is proposed in FY 1993 to be accomplished through the delay of software development programs while RMP reviews the role of systems developments in its planned improved royalty compliance and enforcement efforts.

Distribution of change by object class

	Amount ($000)	FTE
Other Services................................	-1,023	---
	-1,023	---

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Allottee Refunds

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Allottee Refunds	$	10	10	10	---	---
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements	$	10	10	10	---	---
	(FTE)	(---)	(---)	(---)	(---)	(---)

MMS proposes to continue to pay refunds to companies on behalf of Indian allottees when recoupment of company overpayments from future royalties is not feasible. Allottees are unable to refund overpayments to the companies when production is too low to generate sufficient royalties. Past policy required a payor who appealed a bill to pay the bill pending the outcome of the appeal. Additionally, the policy required MMS to distribute BIA's portion of an appealed bill to BIA regional 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 allottee was not able 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. These new procedures allow the companies to post bonds for the disputed amounts and to have MMS suspend the payment. Only after the appeal is settled would MMS distribute BIA's portion. These procedures ensure that the distribution is not made until after the appeal is resolved.

However, the need occasionally arises for settlements and refunds on pre-1987 bills. In FY 1990, RMP refunded approximately $63,000 to Samedan Oil Corporation, Bow Valley Petroleum, and Mapco, Incorporated. In FY 1991, RMP refunded $8,000 to Samedan Oil Corporation, Ram Asset Management, Arthur D. Weber, Pan Texas Petroleum Corporation, and Lyric Energy, Incorporated.

Of the $9,874 allocated for refunds in FY 1992, $53 will be paid to Lyric Energy, Incorporated to complete the refund of monies due. The remaining balance of $9,821 will be used to partially pay Giant E & P Company for a successfully appealed interest bill of $19,119. If other successfully appealed bills arise in FY 1992 and FY 1993, they would also be considered for payment. MMS will not be able to pay the balance of the settlement to Giant E & P Company until FY 1993 at the earliest and will be able to make payments in FY 1993 only if the $10,000 requested is appropriated. Refunds on allottee leases are not highly predictable occurrences or typically known well in advance of requirements.

Activity: General Administration

Activity Summary

(In thousands of dollars)

Subactivity	FY 1991 Actual	FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Executive Direction	5,369	5,616	5,720	5,720	+104	---
Administrative Operations	10,924	11,904	13,441	13,076	+1,172	-365
General Support Services	15,981	15,919	15,585	15,207	-712	-378
Total Requirements	32,274	33,439	34,746	34,003	+564	-743

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, Office of the Associate Director for Policy and Planning, and Office of the Deputy Associate Director for Budget and Appeals. These functions provide for overall program leadership and direction, policy and planning, program review and evaluation, budget formulation and execution, and management coordination of all the responsibilities of MMS.

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

General Support Services. The General Support Services subactivity includes funding for support services and fixed costs, such as rent, Federal Telecommunications System (FTS), postage, and commercial communications for MMS nationwide.

Justification of Program and Performance

Activity: General Administration
Subactivity: Executive Direction

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Executive Direction	$	5,616	5,720	5,720	+104	---
	(FTE)	(78)	(78)	(77)	(-1)	(-1)
Total Requirements	$	5,616	5,720	5,720	+104	---
	(FTE)	(78)	(78)	(77)	(-1)	(-1)

Authorization

Secretarial Order No. 3071	The order established the Minerals Management Service in January 1982, under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Executive Direction

Objective

- Provide executive leadership, policy direction, and program management for all programs and mission responsibilities.

Program Description

The Executive Direction subactivity is comprised operationally of the Office of the Director, the Office of Congressional and Legislative Affairs, the Office of Public Affairs, the Office of Equal Employment Opportunity, the Office of the Associate Director for Policy and Planning, and the Office of the Deputy Associate Director for Budget and Appeals.

The Office of the Director, which includes the Director, the Deputy Director and their immediate staff, 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 MMS and the Congress, providing 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's 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 MMS.

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, and development and implementation of equal employment opportunity and affirmative action plans.

The EEO program is responsible for special initiative programs which are underway to involve more women and minorities in the program areas and throughout all levels of management. Emphasis will be placed on the recruitment of women and minorities at job fairs and training managers and supervisors in employee development and human resources planning. In addition, efforts will be made to increase the participation of women and minorities in the Cooperative Education Program, upward mobility program, and the management development programs of the MMS.

The Office also provides expertise and leadership for other civil rights matters and technical assistance to supervisors and managers.

The Office of the Deputy Associate Director for Budget and Appeals is responsible for the planning and effective utilization of budgetary resources in support of the varied operating and support programs and for the adjudication of appeals resulting from decisions made by operating officials of MMS. These functions are carried out by the Budget and Appeals Divisions.

The Budget Division provides analysis, budget 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; develops, prepares, and maintains budget data; and provides analysis of financial and other resource use reports. The Division is also responsible for assisting in the presentation and explanation of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress.

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 Appeals Division is responsible for the review and analysis of appeals to the Director which contest the payment of royalties and for the preparation of decision documents for the Director. These responsibilities also include program and policy liaison and coordination between the various MMS programs, other Bureaus and departmental offices, and various segments of the Federal Government and the private sector.

Primarily as a result of the passage of the Federal Oil and Gas Royalty Management Act of 1982, its implementing regulations, and intensified audit and collection activities, the number of appeals increased tenfold. From 1975 through 1985, 458 appeals were decided. From 1986 through August 1991, 2177 appeals were decided with a dollar value of over $325 million. While some issues have been resolved in the appeals decisions already rendered, the workload of the Division of Appeals is not expected to decrease as new product valuation rules effective in 1988, automated production reporting requirements, and other issues are adding to the number of appeals filed each year.

The Office of the Associate Director for Policy and Planning is responsible for the policy and planning of MMS and for ensuring that resources are utilized effectively in support of the missions of MMS. The functions of this organization include delineating objectives; developing and evaluating policy initiatives; determining the effectiveness of management and internal controls in meeting program objectives; and maintaining liaison with departmental offices and other Federal Government agencies regarding program planning and evaluation. It is also responsible for monitoring and implementing policy and planning recommendations; coordinating the Bureau's management-by-objective programs; and serving 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 organization develops, implements, and monitors internal control systems to prevent fraud, waste, and abuse as prescribed in the provisions of OMB Circular A-123. In carrying out these responsibilities, the Associate Director is supported by two divisions: Offshore Analysis; and Royalty Management Analysis.

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	5,720	5,720	---
(FTE)	(78)	(77)	(-1)

Decrease of Executive Direction Support for the OCS Program: Staffing reductions to the OCS in FY 1992 and FY 1993 will enable the Executive Direction function to be reduced by one FTE. The salary savings will be used to support equipment modernization, additional contractual services, and travel.

Distribution of change by object class

	Amount ($000)	FTE
Personnel Compensation......................	-55	
Personnel Benefits..........................	-12	
Travel......................................	+5	
Rents, Communications and Utilities.........	+3	
Other Services..............................	+35	
Supplies....................................	+3	
Equipment...................................	+21	
Total	---	-1

Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec(-) from 1992	Inc.(+) Dec.(-) from Base
Administrative Direction and Coordination	$ (FTE)	1,090 (17)	1,107 (17)	1,107 (16)	+17 (-1)	--- (-1)
Financial and Support Svcs	$ (FTE)	1,620 (34)	2,957 (39)	2,962 (38)	+1,342 (+4)	+5 (-1)
Personnel Management	$ (FTE)	1,498 (29)	1,527 (29)	1,539 (28)	-23 (-1)	-52 (-1)
Procurement and Property Mgmt	$ (FTE)	1,789 (37)	1,826 (37)	1,774 (36)	-15 (-1)	-52 (-1)
Information Resources Mgmt	$ (FTE)	1,709 (23)	1,732 (23)	1,732 (22)	+23 (-1)	--- (-1)
Field Admin Services	$ (FTE)	4,198 (95)	4,292 (95)	4,026 (90)	-172 (-5)	-266 (-5)
Total Requirements	$ (FTE)	11,904 (235)	13,441 (240)	13,076 (230)	+1,172 (-5)	-365 (-10)

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
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 Outer Continental Shelf Lands and Royalty Management programs of the MMS.

Program Description

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

Administrative Direction and Coordination is carried out by the Associate Director for Management and Budget through the Deputy Associate Director for Administration and 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 ensure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. The Deputy Associate 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. The Deputy Associate Director for Administration provides direct administrative support to managers nationwide.

The Chief, Administrative Management and Security Office (AMSO) reports to the Deputy Associate Director for Administration and is responsible for management analysis activities, regulations processing and management improvement, including OMB Circular A-76. Other responsibilities include administering personnel, physical, and document security; budget planning and formulation; and allocation of personnel and funding for the Office of Administration.

In the area of management analysis, the staff conducts management reviews, systems studies, analyses, productivity reviews, and special projects. Combined management reviews of our Service Center areas will be conducted. This office is responsible for overseeing the Total Quality Management effort for the Bureau including plan implementation and training. Additionally, this office will continue to provide advice, counsel, and direction on organizational activities; will analyze and process organizational structures for implementation; provide guidance to program offices on the preparation, review, and issuance of Federal Register documents and delegations of authority; and provide policy oversight for the directives and OAB systems.

The security program encompasses personnel security, physical security, and document security Bureau-wide. 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; building security; and conducting security inspections.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the Administrative Management and Security Office are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Conduct Management Reviews/Studies	8	6	7	+1
Monitor Federal Register Cost Accountability	120	120	150	+30
Policy Review of Directives	40	50	50	---
Analysis of Organization Proposals	16	16	16	---
Process Other Documents*	120	120	120	---
Initiates/Updates Directives	13	10	12	+2
Security Investigations Initiated	476	480	500	+20
Investigations Reviewed/ Adjudicated	533	560	575	+15
Suitability/ADP Access/ National Security Clearances Granted	618	640	660	+20

Financial and Support Services. The Financial and Support Services Division (FSSD) is responsible for administering the financial management and support services programs. The FSSD 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 Federal Government agencies. This Division is also responsible for facilities

* Includes Federal Register and OAB processing.

management; transporting of goods/materials; mail management; safety and health programs; records and paperwork management; directives; the information collection budget; and compliance with the Privacy Act, Freedom of Information Act, and Paperwork Reduction Act. Technical direction is provided nationwide through the issuance of policy and onsite assessment and assistance.

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

The FSSD is responsible for records and mail management. The Division will continue to manage the directives system, issue mail management policy and guidelines, oversee a metered mail system, and mail shipments bureau-wide; 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 MMS in meeting its information collection budget requirements.

The safety and facilities management program will continue to oversee assigned space in 31 buildings in 18 cities. Responsibilities include: operation of a consolidated facility in the Northern Virginia area; processing space requests and reimbursable work authorizations; conducting bureau-wide space utilization surveys, safety inspections of facilities, and annual space inventories; and issuing bureau-wide facilities management policy and guidelines.

Responsibilities also include coordinating office moves, and managing general services contracts for shuttle and courier services. Safety responsibilities include developing and implementing a safety program; investigating accidents and incidents; providing employees with safety training; and overseeing the disposal of toxic materials.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the Financial and Support Services Division are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Obligations Recorded	17,800	18,000	18,000	---
Auditing & Paying Invoices	22,700	23,500	23,500	---
Auditing & Paying Travel Vouchers	9,200	9,100	9,100	---
Miscellaneous Financial Documents Processed	5,500	5,500	5,500	---
Cash Management Reports Processed	16	16	16	---
Debt Management Reports Processed	16	16	16	---
Financial Policies & Procedures Developed	8	8	6	-2
Internal Reports Prepared	100	100	100	---
External Reports Prepared	60	60	60	---
Review Policy Documents (Directives System)	100	120	120	---
Process Other Documents	435	435	435	---
Conduct Records Management Training	5	5	5	---
Conduct Space Utilization Studies/ Layouts	2	2	2	---
Design Office Space Layouts	50	100	50	-50
Plan and Implement In House Moves	50	300	100	-200
Conduct Bureau Safety Inspections	6	6	6	---
Investigate Accidents/ Incidents	75	70	70	---

Personnel Management. The Personnel Division is responsible for development and implementation of Bureauwide policies, procedures, guidelines, and standards related to general personnel management; recruitment and employment; position management and classification; compensation; training and career development; 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 on 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: employment; employee relations and services; labor relations; special interest programs; affirmative action; conflict of interest; motivation; discipline; performance management; monetary awards; insurance and annuities; attendance and leave; appointments and processing; and a variety of personnel reports, records, and statistics. Liaison is required with the Office of Personnel Management, departmental offices of Personnel and Inspector General, and the Federal Labor Relations Authority on personnel management and related issues.

In FY 1993, Personnel Division staff will participate in two management reviews in order to evaluate personnel management. These evaluations 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 conversion to the Federal Personnel and Payroll System (FPPS) will require heavy involvement in technical requirements and the actual conversion process (e.g., participation in testing, training, and assisting new users). The Personnel Division will be finalizing implementation Bureauwide of an automated position description system for selected positions. The Personnel Division will be implementing Executive Order 12674 to ensure that all covered employees receive training in Conflict of Financial Interest and Standards of Conduct on an annual basis. The MMS currently has 1,700 covered positions. MMS will implement the Department of Interior's Executive Managerial Supervisory Development Program and a Supervisory Development Program for GS 11/12 MMS employees. MMS will also provide Total Quality Management training in-house for all employees in FY 1993. Recruitment efforts involving Historically Black Colleges and Universities and the Hispanic Association of Colleges and Universities will increase including attendance at job fairs and development of additional agreements between MMS and individual colleges.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for Personnel Management are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Positions Reviewed	250	300	325	+25
Vacancy Announcements Processed	60	90	100	+10
Classification Audits Conducted and Positions Reviewed	100	125	150	+25
Personnel Actions Processed	400	425	400	-25
PAY/PERS Processing	3,300	4,000	4,300	+300
Employment and Financial Interest and Public Disclosure Statements Processed	2,150	2,150	2,150	---
Personnel Management Evaluations Conducted	1	2	2	---
Personnel Policies/ Procedures Issued	50	50	50	---
Training Requests Processed & Reviewed	1,500	1,500	2,000	+500
Executive/Managerial Training Processed	150	150	200	+50
Training Courses Developed/Presented	20	30	60	+30
Performance Appraisal/ Merit Pay Reviews Conducted	1,100	1,100	1,100	---
Employee Relations Cases Processed/ Guidance Given	975	1,000	1,000	---
Labor Relations Cases Processed/Guidance Given	200	200	200	---
Worker Compensation Cases, Incentive Awards, Beneficial Suggestions, and Retirements Processed	440	440	440	---

Procurement and Property Management. The Procurement and Property Management Division develops and implements policies, procedures, and standards for the execution and administration of the 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 ASC's and satellite offices through the issuance of policy guidance and by field reviews and visits.

The Division is responsible for two distinct programs 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 (HBCU) Program; conducting acquisition management and internal control reviews of procurement activities; managing the Contracting Officers Technical Representative training program for all regions; 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; coordinating and overseeing a bureauwide effort to introduce alternative fueled vehicles into the bureau's fleet and to reduce the petroleum consumption of the bureau' fleet vehicles; managing a printing and publications activity; managing a warehouse facility; managing and operating a supply store; managing a contractor operated copy center; managing a duplicating and copying program; and issuing policy guidance on property, vehicles, supplies, and printing, duplicating, and copying.

   The MMS established a property management system for the Office of Surface Mining Reclamation and Enforcement (OSM) under an intra-agency agreement. In FY 1993 MMS will provide the required services in maintaining the system on a reimbursable basis.

   This office is also responsible for the implementation of the Arts and Artifacts program MMS-wide by establishing MMS regulations and procedures for assessing Bureau collections, providing guidance to field locations and conducting property management reviews emphasizing artwork and artifacts. Additionally, MMS will continue to support a central staff capability with the National Park Service (NPS) that will provide Departmentwide policies and procedures for use by and in support of all the bureaus; MMS will also participate in the NPS-led effort.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for Procurement and Property Management Division are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Award Contracts	260	300	300	---
Award Small Purchases	2,600	2,150	1,940	-210
Administer Contracts	450	430	430	---
Conduct Acquisition Management Reviews:				
Primary	1	1	1	---
Follow-up	0	0	0	---
Update Property Management Records	12,500	14,000	14,000	---
OSM Transactions	3,600	4,000	4,000	---
Contractor-Property Transactions	150	3,000	500	-2,500
Conduct Management Control Reviews (Property)	1	1	1	---
Issue Individual Inventories of Controlled Property	285	200	200	---
Review Property Survey Board Actions	28	150	100	-50
Process Printing Requests	423	450	450	---
Desk Top Publishing	210	200	200	---
Issue Supplies:				
Filling Orders	1,936	2,500	2,500	---
Ordering/Restocking	800	950	950	---
ADP Transactions	2,508	3,000	3,000	---
Develop Procurement Policy Directives	4	10	10	---
Issue Information Requests or Transmittals	46	60	60	---
Prepare Pricing Reports:				
Pre-award	60	60	60	---
Closeout	30	45	45	---
Process Audit Requests:				
Pre-award	25	32	32	---
Closeout	20	15	15	---
Initiate, Review, and Implement Special Projects	281	350	350	---
Analyze, Revise, or Provide Written Guidance on Procurement Approval Requests	32	35	35	---

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Review and Adjudicate GAO/OIG/Departmental (PAM) Audit Investigation	4	10	10	---
Respond to GAO/GSA/CO Protests	1	3	3	---
Conduct Management Control Reviews (Procurement)	1	1	1	---
Establish and Monitor Procurement Integrity Procedures/Controls	230	100	100	---

Information Resources Management (IRM). The IRM Division has responsibility for providing coordination and direction for Bureauwide IRM initiatives in technical areas such as data administration, computer security, acquisition management, voice and data telecommunications, FTS 2000 services, and Wide-Area Networks (WAN's). The IRM is also responsible for developing and maintaining the Bureau administrative information systems and providing support for the Office of Administration computer installation and local area networks (LAN's) maintained at two geographic sites. These LAN's support Office of Administration users as well as the Director and executive staff.

In FY 1993, IRM will issue the annual update to the MMS Strategic Plan for Information Management, providing the Department consolidated budgetary and planning information on the Bureau IRM activities and future initiatives. The Division will also participate in Bureauwide efforts identified in the Strategic Plan, such as cyclical reviews of current systems; telecommunications activities; common data elements, electronic data interchange, and standards between program areas; information resources security; awareness of and analysis of ADP costs; ADP hardware, microcomputer, and electronic mail policy; and analysis of ADP roles and responsibilities. The Plan calls for the development of a number of new administrative systems, consistent with Departmentwide systems initiatives, such as an integrated property and procurement system.

IRM will continue to provide administrative and technical support to the ADP Review Council in the planning and oversight of information systems. The IRM will participate in implementing and executing the departmental Strategic Framework for Information Resources Management to increase productivity, improve the management and delivery of information, and increase effectiveness in the use of technology. The system life cycle management, annual IRM review for GSA, and ADP security and data administration programs will continue. The ADP Security Reviews of sensitive administrative systems will continue on a recurring cycle.

Maintenance efforts and redesign of administrative systems will continue and provide improved responsiveness and flexibility within the Office of Administration and the Bureau as a whole. Acquisition of a new minicomputer in FY 1993 will facilitate the modernization of the administrative systems and will provide better support in terms of faster response and expansion of the user community. An applications generator will be utilized in the redesign and development of administrative systems. This software will supplement the Computer Aided Software Engineering (CASE) tools which will be purchased in FY 1992. Another high priority item will be the support of the Bureaqu's use of Departmental administrative systems. In particular, the IRM Division will devote significant attention in assuring telecommunications and other ADP support for the use of the Federal Personnel/Payroll System (FPPS).

Increased use and dependence on PC's and LAN's will result in the acquisition of additional related hardware and software. As more users join the PC/LAN environment, the need for connectivity of ADP resources at disparate locations will become more acute and necessitate the further expansion of the MMS WAN.

Contractual services will provide additional support for the operation and management of the LAN's and other support services. Additionally, these services will support: acquisition management, policy and planning, data administration, technology assessment, and systems development. Additional resources proposed in FY 1993 will enable IRM to improve support of: administrative applications, LAN's, telecommunications, and ADP security.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for Information Resources Management are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Maintain/Operate Administrative Systems	15	17	20	+3
Develop/Enhance (Major) Administrative Systems	12	13	15	+2
Vendor-Supplied Software Utilized	20	23	24	+1
MMS ADP Strategic Plan	1	1	1	---
Prepare Planning Documents (other than Strategic Plan)	6	6	6	---
Conduct ADP Security Reviews	0	7	7	---
Participate in Departmental IRM Projects and Work Groups	13	21	22	+1
Respond to Requests for IRM Policy/Procedures Reviews	14	12	12	---
Perform Studies of Bureau ADP/Telecommunications Operations	6	7	6	-1
ADP Requisition Reviews	792	700	650	-50
ADP Acquisition Management Reviews	1	5	5	---
Process Telephone Orders	932	800	600	-200
Handle Telephone Complaints	194	400	300	-100
Resolve E-Mail Problems/Complaints	50	500	1,000	+500
Resolve Administrative LAN Users Problems (hot line)	1,847	2,000	2,200	+200
Resolve MMS LAN/WAN Issues	0	50	300	+250
Resolve MMS LAN problems at Main Interior Building	2,096	1,700	1,300	-400
PC User Support/Maintenance Requests	525	600	700	+100

<u>Field Administrative Services</u>. Direct administrative support is provided to program managers through two Field Administrative Service Centers (ASC's) and two satellite offices. These offices 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 Deputy Associate 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 operate under the direction of a service center manager who reports to the Deputy Associate Director for Administration. The two administrative satellite offices report to the Manager, Western Administrative Service Center. The administrative service organizations and their service areas are:

Service Organizations	Region/Activity	Location
Office of the Deputy Associate Director for Administration	MMS Headquarters Atlantic OCS Region	Herndon, Virginia
Southern Administrative Service Center	Gulf of Mexico OCS Region/Royalty Management	New Orleans, Louisiana
Western Administrative Service Center	Royalty Management	Lakewood, Colorado
California Administrative Satellite Office	Pacific OCS Region	Camarillo, California
Alaska Administrative Satellite Office	Alaska OCS Region	Anchorage, Alaska

SELECTED WORKLOAD OUTPUTS

The summary of selected workload outputs for the Administrative Service Centers are:

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
EEO Activities Completed	1,255	1,145	1,145	---
Employee Relations Cases Processed	2,824	3,315	3,040	-275
Labor Mgmt. Relations Cases Processed				
a. Tangible Products	42	55	55	---
b. Guidance Given	525	570	550	-20
Personnel Actions Processed	6,245	7,475	7,060	-415
Positions Reviewed	385	725	640	-85
Recruitment/Outreach Activities Completed	45	44	45	+1
Training Courses Developed/Presented	43	58	63	+5
Training Requests Processed & Reviewed	4,075	3,950	4,180	+230
Vacancy Announcements Processed	200	183	183	---
Contracts Administered	91	87	86	-1
Contracts Awarded	102	113	118	+5
Small Purchases Processed	6,183	6,300	6,645	+345
Repairs, Complaints, Requests Processed	1,900	2,060	2,050	-10
Health Related Activities Completed	182	162	162	---
Mail Processed	1,730,000	1,955,686	1,986,714	+31,028

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate	Inc.(+) Dec.(-)
Printing Work Orders Processed	4,725,000	3,600,229	3,600,258	+29
Property Actions Processed				
Non ADP	13,553	15,513	15,759	+246
ADP	7,562	8,537	8,626	+89
Property Inventories Completed	2,684	2,975	2,970	-5
Safety Inspections/Accident Investigations Completed	75	204	204	---
Space Utilization Studies/Layouts Completed	80	134	139	+5
Supplies Activities	15,000	15,700	16,200	+500
Telephone Systems Operations and Maintenance Processed	1,815	2,150	2,211	+61
Vehicle Activities Actions Processed	640	665	600	-65
Imprest Fund Actions Processed	3,857	4,100	4,100	---
Invoices Processed	3,530	4,535	4,725	+190
PAY/PERS Input Completed	75,000	76,300	76,800	+500
Security Investigation - Forms Submitted/Provided	1,215	355	353	-2

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	13,441	13,076	-365
(FTE)	(240)	(230)	(-10)

Decrease of Administrative Support for the OCS Program: Staffing reductions to the OCS in FY 1992 and FY 1993 will enable the administrative support services, (i.e. personnel, procurement, etc.) to be reduced to a level more consistent with the staff services required.

Distribution of change by object class

	Amount ($000)	FTE
Personnel Compensation......................	-274	
Personnel Benefits.........................	-54	
Travel.....................................	-11	
Rents, Communications and Utilities.........	-3	
Other Services.............................	-8	
Supplies...................................	-8	
Equipment..................................	-7	
Total	-365	-10

Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted To Date	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
General Support Services	$ (FTE)	15,919 (---)	15,585 (---)	15,207 (---)	-712 (---)	-378 (---)
Total Requirements	$ (FTE)	15,919 (---)	15,585 (---)	15,207 (---)	-712 (---)	-378 (---)

Authorization

Secretarial Order No. 3071 — The order established the Minerals Management Service in January 1982, 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.

Program Description

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 $12.2 million in FY 1993, is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of $0.7 million is based on data developed by the Department and actual FY 1991 costs. Commercial communication expenses of $0.5 million are based on FY 1991 actuals and include operations and maintenance and 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	$11,833
Mail Services..........................	413
Commercial Communications...............	514
Department of Interior Working Capital Fund, Printing and Miscellaneous Charges	556
Federal Telecommunications System	709
Reimbursable Services	375
Employees' Compensation Fund	350
Miscellaneous Costs.....................	397
Unemployment Compensation	60
Total............................	$15,207

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	15,585	15,207	-378
(FTE)	(---)	(---)	(---)

Decrease of General Support Services for the OCS Program: Staffing reductions to the OCS in FY 1992 and FY 1993 will enable the space rental costs to be reduced to a level more consistent with the staff services required.

Distribution of change by object class

	Amount ($000)	FTE
Personnel Compensation.....................	---	
Personnel Benefits.........................	---	
Travel.....................................	---	
Rents, Communications and Utilities.........	-378	
Other Services.............................	---	
Supplies...................................	---	
Equipment..................................	---	
Total	-378	---

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
LEASING AND ROYALTY MANAGEMENT
Program and Financing
(in thousands of dollars)

14-1917-0-302	FY 1991 Actual	FY 1992 Enacted	FY 1993 Estimate
Program by activities:			
DIRECT PROGRAM:			
00.0101 Outer Continental Shelf Lands.......	101,419	104,293	97,694
00.0201 Royalty Management..................	61,665	66,729	66,115
00.0301 General Administration..............	32,153	33,439	34,003
00.9101 **Total direct program**............	195,237	204,461	197,812
01.0101 Reimbursable program................	2,774	2,578	13,235
10.0001 **Total obligations**...............	198,011	207,039	211,047
FINANCING:			
21.4001 Unobligated Balance Available, Start of Year......................	-1	-1	-1
24.4001 Unobligated Balance Available, End of Year........................	1	1	1
25.0001 Unobligated balance lapsing........	755	---	---
39.0001 **Budget Authority**.................	198,766	207,039	211,047
BUDGET AUTHORITY:			
Current:			
40.0001 Appropriation......................	195,993	207,070	197,812
40.7580 Reduction pursuant to P.L. 101-512.	---	-2,609	
43.0001 Appropriation (adjusted)...........	195,993	204,461	197,812
Permanent:			
68.0001 Spending authority from offsetting collections........................	2,774	2,578	13,235
Relation of obligations to outlays:			
71.0001 Total obligations..................	198,011	207,039	211,047
72.4001 Obligated balance, start of year.........................	67,391	81,359	77,728
74.4001 Obligated balance, end of year.........................	-81,359	-77,728	-75,701
77.0001 Adjustment in Expired Accounts.....	-731	---	---
87.0001 Outlays (gross).................	183,312	210,670	213,074
Adjustments to budget authority and outlays			
Deductions for offseting collections:			
88.0001 Federal funds......................	-2,674	-2,078	-7,735
88.4001 Non-Federal sources................	-100	-500	-5,500
88.9001 Total, offsetting collections......	-2,774	-2,578	-13,235
89.0001 **Budget authority (net)**............	195,993	204,461	197,812
90.0001 **Outlays (net)**......................	180,539	208,092	199,839

Summary of Requirements by Object Class

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

	Object Class	FY 1993 Base FTE	FY 1993 Base Amount	FY 1993 Estimate FTE	FY 1993 Estimate Amount	Difference FTE	Difference Amount
11.	Personnel Compensation:						
11.1	Full-time permanent	1,978	88,878	1,938	86,622	-40	-2,256
11.3	Other than full-time permanent	75	1,873	67	1,782	-8	-91
11.5	Other personnel compensation	9	1,760	9	1,754	0	-6
11.8	Special personal services payments	0	71	0	66	0	-5
	11.9 Total Personnel Compensation	2,062	92,582	2,014	90,224	-48	-2,358
12.1	Personnel benefits: civilian		19,551		19,091		-460
13.0	Benefits for former personnel		73		73		0
21.0	Travel and transportation of persons		4,419		4,289		-130
22.0	Transportation of things		301		301		0
23.1	Standard level user charges		10,636		10,258		-378
23.2	Rental payments to others		112		112		0
23.3	Communications, utilities and miscellaneous charges		2,732		2,692		-40
24.0	Printing & reproduction		1,137		1,078		-59
25.0	Other services		71,842		65,109		-6,733
26.0	Supplies and materials		2,224		2,133		-91
31.0	Equipment		2,293		1,983		-310
41.0	Grants, subsidies and contributions		459		459		0
42.0	Insurance claims and indemnities		0		0		0
44.0	Refunds		10		10		0
	Total Requirements		208,371		197,812		-10,559

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Object Classification
(In thousands of dollars)

14-1917-0-1-302	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
Direct Obligations:			
Personnel compensation			
111.10 Full-time permanent................	78,868	86,461	86,622
111.30 Other than full-time permanent.....	1,666	1,826	1,782
111.50 Other personnel compensation.......	1,565	1,716	1,754
111.80 Special personal services payments.	69	69	66
111.90 Total personnel compensation....	**82,168**	**90,072**	**90,224**
112.10 Civilian personnel benefits........	16,851	19,383	19,091
113.00 Benefits for former personnel......	405	73	73
121.00 Travel and transportation of persons	3,552	4,404	4,289
122.00 Transportation of things............	329	301	301
123.10 Rental payments to GSA..............	10,901	10,870	10,258
123.20 Rental payments to others...........	112	112	112
123.30 Communications, utilities and miscellaneous charges............	2,740	2,732	2,692
124.00 Printing and Reproduction...........	1,129	1,137	1,078
125.00 Other services......................	68,170	70,631	65,109
126.00 Supplies and materials..............	2,892	2,224	2,133
131.00 Equipment...........................	5,738	2,053	1,983
141.00 Grants, subsidies, and contributions	242	459	459
142.00 Insurance claims and indemnities....	---	---	---
144.00 Refunds.............................	8	10	10
199.00 SUBTOTAL, direct obligations........	**195,237**	**204,461**	**197,812**
Reimbursable Obligations:			
211.10 Full-time permanent.................	---	---	398
212.10 Civilian personnel benefits.........	---	---	75
221.00 Travel of Persons...................	18	---	50
223.30 Comm, Utilities & Msc Chrgs.........	3	---	3
225.00 Other services......................	2,714	2,578	9,160
226.00 Supplies & Materials................	7	---	512
231.00 Equipment...........................	32	---	3,012
299.00 SUBTOTAL, reimbursable obligations..	**2,774**	**2,578**	**13,235**
999.90 TOTAL OBLIGATIONS...............	**198,011**	**207,039**	**211,047**

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management
Personnel Summary

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
Direct Funds:			
Full-time equivalent employment	2,020	2,057	2,008
Full-time equivalent of overtime and holiday hours	17	19	11
Reimbursable Funds:			
Full-time equivalent employment	0	0	6
Full-time equivalent of overtime and holiday hours	0	0	0

DEPARTMENT OF INTERIOR
Minerals Management Service
Leasing and Royalty Management
Employee Count by Grade

	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
ES-6	2	2	2
ES-5	3	4	4
ES-4	7	7	7
ES-3	2	3	3
ES-2	1	1	1
ES-1	1	2	2
Subtotal	16	19	19
GS/GM-15	67	69	66
GS/GM-14	187	187	183
GS/GM-13	418	421	417
GS-12	487	485	481
GS-11	194	199	196
GS-10	39	39	38
GS-9	113	113	109
GS-8	51	49	47
GS-7	154	155	152
GS-6	140	137	136
GS-5	127	130	124
GS-4	80	81	77
GS-3	4	7	3
GS-2	2	2	2
GS-1	0	0	0
Subtotal	2063	2074	2031
Ungraded	2	2	2
Total employment (actual/projected), end of fiscal year	2081	2094	2051

Permanent Appropriations

This section addresses permanent appropriations which are administered by the MMS. These appropriations provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on Federal lands. MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

Included under this heading are the following permanent appropriations:

1) Mineral Leasing and Associated Payments (MLAP)

2) Coastal Communities Impact Assistance Fund Payments (CCIAF)

3) Arctic National Wildlife Refuge (ANWR) Payments to Alaska

1) The estimated payments in FY 1993 for MLAP total $415.5 million after recoupment of 75% of the government's program administrative costs.

2) The CCIAF requires new legislation to implement. The presentation reflects the budgetary impacts of the proposed legislation in FY 1993. Collection of applicable OCS revenues and their deposit into the CCIAF will begin in FY 1993. Per bill language, payment of $25 million from applicable royalties and $1 million in accrued interest is estimated to be paid to coastal States and counties in FY 1994.

3) Authorization to share monthly 50 percent of all ANWR revenues with the State of Alaska begins in FY 1993. However, the first lease sale is not anticipated until FY 1994. Alaska's share of sale bonuses and first year rentals is estimated at $1.28 billion to paid in FY 1994.

Appropriation: Mineral Leasing and Associated Payments

Appropriation Summary Statement

Minerals Management Service

<u>Payments to States: (-$4,607)</u>

- <u>Shared Revenue Payments (-$4,607):</u> This subactivity provides for monthly payments to all States for their share of revenues realized as a result of mineral leasing activities and associated interest charges under various authorizing statutes on Federal lands within their boundaries. In FY 1991 and 1992 Congress included a provision to recover $68.2 million, approximately one-half, of the Departments of the Interior and Agriculture-Forest Service (USFS) mineral leasing administrative program costs. This year's budget proposes recovering roughly 75 percent or $115.3 million of the total FY 1993 program costs of $153.7 million. Cost recovery is accomplished by reducing the Federal government's, the Bureau of Reclamation Fund, and the States' shares of mineral leasing receipts.

  In accordance with 30 U.S.C. 181 <u>et seq.</u> (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)). Also included are MMS disbursements of the States' shares of mineral leasing receipts as authorized under 30 U.S.C. 351 <u>et seq.</u> (The Mineral Leasing Act for Acquired Lands) and 30 U.S.C. 1001 <u>et seq.</u> (The Geothermal Steam Act of 1970). The States' shares of payor late payment interest, as authorized by FOGRMA and 30 U.S.C. 191a, is also included in this subactivity.

  The FY 1993 payments to the States decrease overall from the FY 1992 estimate due to the following factors:

  o a $22.80 million decrease caused by an increase in the amount of the Federal Government's mineral leasing program costs, from $68.2 million to $115.3 million, to be recovered through cost recovery measures, and an increase in the States' shares from approximately 25% to 37.5%

  o a $18.2 million increase in mineral leasing receipts based on increased coal royalties, and oil and gas lease sale bonuses.

Summary of Requirements

Appropriation: Mineral Leasing and Associated Payments

(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1992	---	420,136
Base Adjustments..............................	---	-------
1993 Base Budget..............................	---	420,136

Comparison by Activity/Subactivity	FY 1991 Actual 1/ FTE	FY 1991 Actual 1/ Amount	FY 1992 Enacted FTE	FY 1992 Enacted Amount	FY 1993 Base FTE	FY 1993 Base Amount	FY 1993 Estimate FTE	FY 1993 Estimate Amount	Inc./Dec. from FY 1992 FTE	Inc./Dec. from FY 1992 Amount	Inc./Dec. from Base FTE	Inc./Dec. from Base Amount
Payments to States	---	480,071	---	420,136	---	420,136	---	415,529	---	- 4,607	---	- 4,607
Total	---	480,071	---	420,136	---	420,136	---	415,529	--	-4,607	---	-4,607

1/ Outlays totaled $479,976.

Justification of Program and Performance

Activity: Payment to States

(Dollar amounts in thousands)

Subactivity		FY 1992 Enacted	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Payments to States	$ (FTE)	420,136 (---)	420,136 (---)	415,529 (---)	- 4,607 (---)	- 4,607 (---)
Total Requirements		420,136	420,136	415,529	- 4,607	- 4,607

Authorizations

105 Stat. 990 — The FY 1992 Department of the Interior Appropriations Act requires the recovery of $68.2 million, approximately one-half of the Federal Government's mineral leasing program costs, before distribution of receipts to States and the Treasury.

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 Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

30 U.S.C. 1714, 1721(b), 1721(d), 30 U.S.C. 191, as amended	Federal Oil and Gas Management Act of 1982 provides for timely payments of royalty funds and from gas and 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. 104(a), 30 U.S.C. 191, as amended	The Federal Oil and Gas Royalty Management of 1982 authorizes the sharing of oil and gas royalties with States and all other charges collected from oil and gas leases located on public domain lands.
30 U.S.C. 191a	This law authorizes the sharing of all late payment interest collected on all Federal Government lands and from all minerals categories. This law applies to all interest paid to the Federal Government on or after July 1, 1988. Any interest the Federal Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.

Objectives

- o Provide payments to the States on a monthly basis based on the bonuses, rents, and royalties paid for mineral resources on Federal lands within their boundaries.
- o To share payor late payment interest with the States.
- o Recover a portion of the government's mineral leasing administrative program costs.

Base Program - Shared Revenue Payments

Background This activity provides for payments to all States due shares of mineral leasing receipts and payor late payment interest 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 payor interest, and 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 mineral leasing and production within its boundaries.

In FY 1991 and 1992 Congress included a provision to recover $68.2 million, approximately one-half, of the Departments of the Interior and Agriculture-Forest Service (USFS) mineral leasing administrative program costs. This year's budget proposes recovery of approximately 75 percent, or $115.3 million of the government's total program costs of $153.7 million. Cost recovery is accomplished by reducing the Federal government's, the Bureau of Reclamation Fund, and the States' shares of mineral leasing receipts.

Development of Mineral Leasing Program Costs The assumptions used in the FY 1993 President's Budget are based on the same method used in FY 1991 and in 1992. MMS has workload associated with Outer Continental Shelf (OCS) and Indian mineral leases, as well as Federal onshore leases. Because MMS's functions are concentrated on producing leases, its estimated costs were prorated based on the ratio of Federal onshore producing leases to total producing leases. Then BLM and USFS onshore mineral leasing program costs were totalled after deducting program costs for Indian mineral leasing and non-leasable minerals. Because these bureaus only have onshore operations, costs associated with onshore Federal activities are readily identified. Overhead costs were also included for administrative support services and managerial oversight functions. The three bureaus' components of the $153 million mineral leasing program costs are:

o	Bureau of Land Management	$ 76.7
o	Minerals Management Service	$ 58.8
o	USFS	$ 18.2
		$153.7

Distribution to the States

The Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., provides that all States be paid 50 percent of the revenues from bonuses, rentals, and royalties resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent). Alaska also receives 50 percent of the revenues collected on the non-MLA public domain lands of the National Petroleum Reserve-Alaska (NPRA). The estimate of payments to each State 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.

Figure 1 details the steps in this derivation process in flow chart form. The reader may find it useful to refer to Figure 1 while reading the following paragraphs.

Any applicable deductions for legislative proposals are made to derive a subtotal of mineral collections. For example, in FY 1992, a deduction to fund about 50%, or $68.2 million, of the Department of the Interior's and Agriculture's mineral leasing administrative program costs was taken from the gross mineral collections before any distribution to the Treasury or States. In FY 1993, the administration is proposing to deduct $115.3 million of the government's mineral leasing program costs before distribution to States and the Treasury.

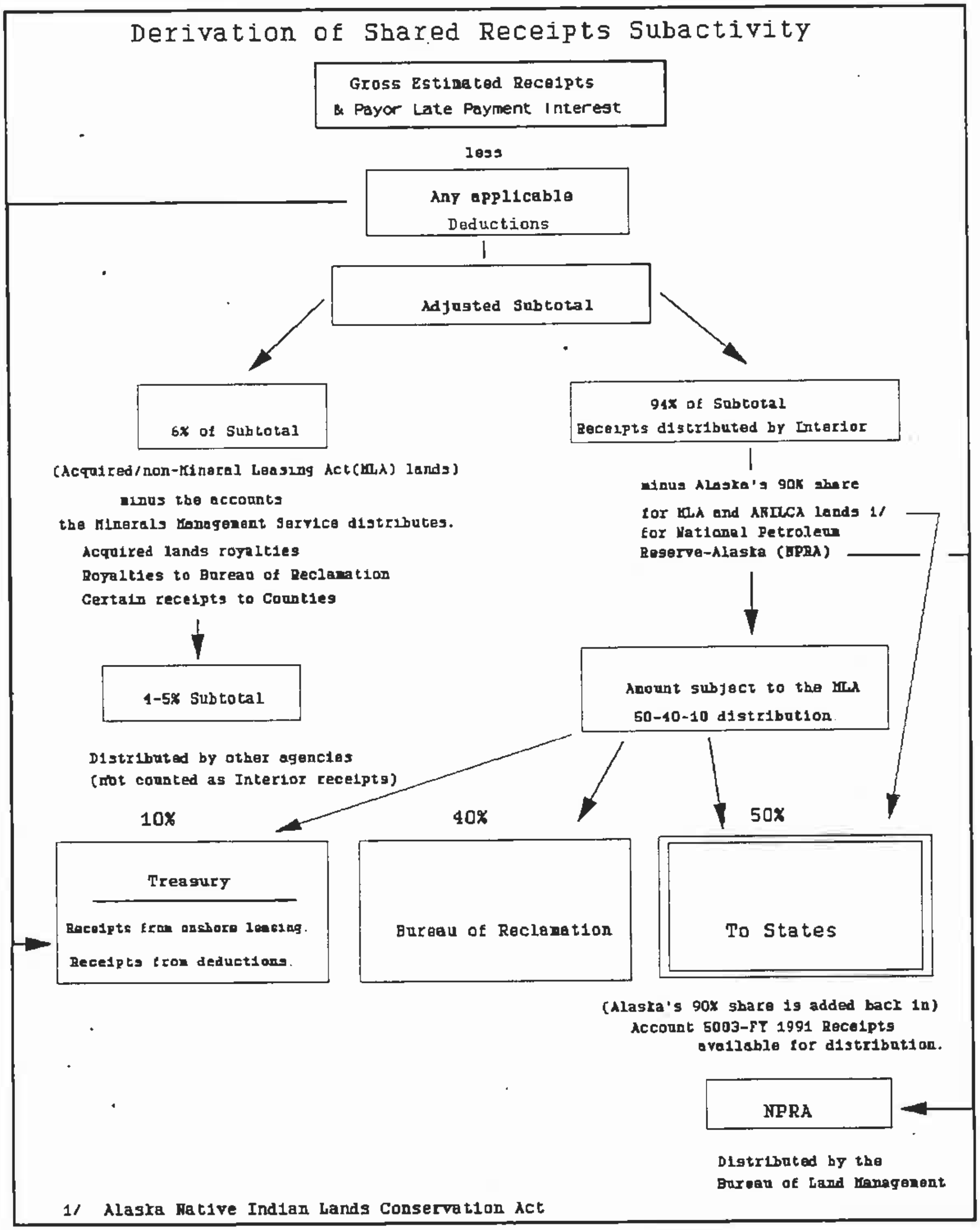

Derivation of Shared Receipts Subactivity
Gross Estimated Receipts
& Payor Late Payment Interest
less
Any applicable
Deductions
Adjusted Subtotal
6% of Subtotal
(Acquired/non-Mineral Leasing Act(MLA) lands)
minus the accounts
the Minerals Management Service distributes.
Acquired lands royalties
Royalties to Bureau of Reclamation
Certain receipts to Counties
4-5% Subtotal
Distributed by other agencies
(not counted as Interior receipts)
94% of Subtotal
Receipts distributed by Interior
minus Alaska's 90% share
for MLA and ANILCA lands 1/
for National Petroleum
Reserve-Alaska (NPRA)
Amount subject to the MLA
50-40-10 distribution
10%
40%
50%
Treasury
Receipts from onshore leasing.
Receipts from deductions.
Bureau of Reclamation
To States
(Alaska's 90% share is added back in)
Account 5003-FY 1991 Receipts
available for distribution.
NPRA
Distributed by the
Bureau of Land Management
1/ Alaska Native Indian Lands Conservation Act

Figure 1

From this adjusted subtotal (gross receipts less any applicable deductions), approximately six percent is then deducted which represents the amount collected for non-MLA lands and is based on past actuals. Most of these amounts are distributed by other Federal agencies. These are not considered Interior receipts and therefore are not in the Interior administered Shared Revenue Payments calculations. However, deductions are made to these amounts for their appropriate share of cost recovery subsequent to their transfer to other agencies (U.S. Forest Service and the U.S. Corps of Engineers).

The Shared Revenue Payments estimate is derived from the remaining 94 percent of the mineral receipt estimate. Its derivation may be tracked on the right hand side of the flow chart, Figure 1. Because of Alaska's unique revenue sharing arrangements, Alaska's estimated receipts are deducted prior to determination of amounts available for distribution to the Lower 48 States. The revenues to be shared with counties are also deducted before determination of the amounts available for distribution to the Lower 48 States. After the Lower 48 States' 50 percent share is calculated, the amount to be distributed to Alaska for its 90 percent share of MLA collections is added to the Lower 48 total to arrive at the amount to distribute through the Shared Revenue Payments account.

Alaska's share of NPRA receipts are not included in the Payments to States from Mineral Leasing Receipts activity account. They are also subject to the net receipts provision. Alaska share of costs to be deducted from its share of NPRA revenues is $12 thousand (net payment of $88 thousand). These reductions are made before MMS transfers the money to the Bureau of Land Management (BLM) for distribution through a separate account (See BLM's Justification for further details).

The current method distributes costs based on revenues generated within each State. It allocates some of the costs to every State with leasing activity, but reflects the more significant efforts necessary to provide supervision of operations and royalty accounting for leases with higher production and revenue levels. The estimated distribution to each State is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State. On a monthly basis, MMS withholds an equal portion of the cost recovery amount. Each state's monthly withholding is based on that State's prior month's cumulative fiscal year disbursements. September 1992 withholdings will be based on the full year's disbursements. Table 1 displays, for each State, the FY 1991 gross payment and the deduction taken to achieve the mandated recoverable program costs. Tables 2 and 3 provide the same type information estimated for 1992 and proposed for 1993.

Table 1
Mineral Leasing and Associated Payments
FY 1991 Payments to States
(in actual dollars)

	Gross Payments	Less Net Receipts Sharing	Net to States 1/
Alabama	133,627	-4,215	129,412
Alaska	10,259,274	-674,188	9,585,086
Arizona	184,200	-11,186	173,014
Arkansas	2,256,583	-147,392	2,109,191
California	29,836,563	-1,912,415	27,924,148
Colorado 2/	62,072,952	-4,148,662	57,924,290
Florida	49,322	-1,024	48,298
Idaho	2,015,306	-123,399	1,891,907
Kansas	985,148	-63,903	921,245
Kentucky	0	0	0
Louisiana	346,805	-18,997	327,808
Michigan	713,183	-44,805	668,378
Minnesota	0	0	0
Mississippi	119,637	-4,751	114,886
Missouri	0	0	0
Montana	24,800,039	-1,578,366	23,221,673
Nebraska	0	0	0
Nevada	9,891,941	-667,650	9,224,291
New Mexico	115,360,351	-7,569,291	107,791,060
North Dakota	6,393,623	-418,097	5,975,526
Ohio	2,909	-91	2,818
Oklahoma	1,815,242	-116,423	1,698,819
Oregon	278,518	-17,580	260,938
South Dakota	633,101	-41,134	591,967
Tennessee	0	0	0
Texas	20,176	2,152	22,328
Utah	34,444,713	-2,202,181	32,242,532
Virginia	20,068	-1,255	18,813
Washington	241,940	-10,508	231,432
Wisconsin	101	0	101
Wyoming	210,483,663	-13,607,573	196,876,089
Total	513,358,985	-33,382,934	479,976,050

1/ Indicates outlays for FY 1991. Budget authority totaled $479.98 million. Doesn't reflect adjustments made in October 1991 to charge cost recovery based on a full 12 months of disbursements. Based on a full year of disbursements, the state's total deductions is $33,966,316.

2/ Includes $18.8 million from a one time coal royalty rate readjustment case.

Table 2
Mineral Leasing and Associated Payments
FY 1992 Estimated Payments to States
(in actual dollars)

	Gross Payments	Less Net Receipts Sharing	Net to States
Alabama	127,147	-9,255	117,892
Alaska	9,417,306	-685,492	8,731,814
Arizona	169,986	-12,373	157,612
Arkansas	2,072,272	-150,842	1,921,430
California	27,435,357	-1,997,038	25,438,319
Colorado	38,454,300	-2,799,115	35,655,185
Florida	47,452	-3,454	43,998
Idaho	1,858,791	-135,303	1,723,488
Kansas	905,119	-65,884	839,235
Kentucky	0	0	0
Louisiana	322,070	-23,444	298,626
Michigan	656,678	-47,800	608,878
Minnesota	0	0	0
Mississippi	112,875	-8,216	104,659
Missouri	0	0	0
Montana	22,815,196	-1,660,734	21,154,462
Nebraska	0	0	0
Nevada	9,062,827	-659,689	8,403,137
New Mexico	105,904,261	-7,708,844	98,195,417
North Dakota	5,870,929	-427,349	5,443,580
Ohio	2,769	-202	2,568
Oklahoma	1,669,082	-121,494	1,547,588
Oregon	256,370	-18,661	237,709
South Dakota	581,605	-42,335	539,270
Tennessee	0	0	0
Texas	21,937	-1,597	20,340
Utah	31,678,151	-2,305,874	29,372,277
Virginia	18,483	-1,345	17,138
Washington	227,381	-16,551	210,830
Wisconsin	100	-7	92
Wyoming	193,430,796	-14,079,960	179,350,835
Total	453,119,240	-32,982,860	420,136,380

Table 3
Mineral Leasing and Associated Payments
FY 1993 Estimated Payments to States
(in actual dollars)

	Gross Payments	Less Net Receipts Sharing (@75%)	Net to States
Alabama	132,243	-15,644	116,599
Alaska	9,794,751	-1,158,689	8,636,062
Arizona	176,799	-20,915	155,884
Arkansas	2,155,328	-254,969	1,900,359
California	28,534,964	-3,375,598	25,159,366
Colorado	39,995,545	-4,731,350	35,264,195
Florida	49,354	-5,838	43,516
Idaho	1,933,291	-228,702	1,704,588
Kansas	941,396	-111,364	830,032
Kentucky	0	0	0
Louisiana	334,979	-39,627	295,352
Michigan	682,998	-80,797	602,201
Minnesota	0	0	0
Mississippi	117,399	-13,888	103,511
Missouri	0	0	0
Montana	23,729,627	-2,807,142	20,922,485
Nebraska	0	0	0
Nevada	9,426,064	-1,115,074	8,310,990
New Mexico	110,148,894	-13,030,275	97,118,619
North Dakota	6,106,235	-722,349	5,383,886
Ohio	2,880	-341	2,539
Oklahoma	1,735,979	-205,361	1,530,618
Oregon	266,646	-31,543	235,102
South Dakota	604,916	-71,560	533,356
Tennessee	0	0	0
Texas	22,816	-2,699	20,117
Utah	32,947,809	-3,897,624	29,050,185
Virginia	19,224	-2,274	16,950
Washington	236,495	-27,977	208,518
Wisconsin	104	-12	91
Wyoming	201,183,485	-23,799,387	177,384,098
Total	471,280,220	-55,751,000	415,529,220

Alternative Methods. The Conference language for the FY 1992 Department of the Interior Appropriations Act states "the MMS, in cooperation with the Bureau of Land Management and the USFS, should report in its fiscal year 1993 budget request, recommendations for revising the methodology used to assess mineral leasing royalty collection and distribution costs by State...". In response to this request, the Minerals Management Service has reviewed the current method and developed five additional options.

As BLM and USFS operations are only onshore, their total costs are readily identified and therefore there was no need to re-evaluate them. The following is a discussion of options used to determine RMP costs attributable to Federal onshore leasing and to allocate BLM, USFS and RMP costs amongst the States.

The first option would be to determine RMP's federal onshore costs on a revenue basis and then to also allocate BLM, USFS, and RMP costs on a revenue basis. All recipients of portions of revenue, including the Federal government, share in the costs in proportion to the revenues they receive. The advantages of this method would be ease of administration and calculation. Furthermore, costs are directly related to benefits received. The major disadvantage of this option is that it is not cost oriented; it does not consider the amount of work actually performed in administering leases or in the collection and disbursement of lease revenues. This option would reduce the net receipts sharing base by allocating a high percentage of costs to the offshore program. States with relatively high-revenue leases would pay a disportionately large share of the costs while those states with relatively low-revenue leases would pay a disportionately small share of the costs. 1

A second option would be to split the total program costs amongst the States based on computer systems "reporting lines" (bits of information processed). The split between State and Federal revenues would be based on distribution formulae. This option would also be easy to administer and would represent a form of cost based allocation. Costs are related to the expense of processing each line of information from a payor. However, this option does not measure the complexity or cost of compliance activities. Under this option, States with relatively high-revenue leases would pay a disproportionately small share of the costs and States with relatively low-revenue leases would pay a disproportionately large share of the costs. 2

A third option would base total program costs on the number of producing leases within each State. The distribution between Federal and State share would be based on revenue sharing statutes. This option would be administratively simple and also represent a form of cost based allocation; but it is not representative of relative workloads. For example, many leases have been subdivided extensively resulting in a significant number of payors with attendant higher processing costs. It also does not assess any charges to those States which have no producing leases but do receive disbursements. Under this option, States with relatively high-revenue leases would pay a disproportionately small share of the costs and States with relatively low-revenue leases would pay a disproportionately large share of the costs. 3

The fourth option is similar to the third option except it would base total program costs on the number of total leases (both producing and non-producing) within each State. This option would be administratively simple and also 4 represent a form of cost based allocation. Like the third option, it is not representative of relative workloads. Non-producing leases are the least costly to administer. Variation between States as to the proportion of producing and non-producing leases may make the cost sharing allocation inequitable. Again, under this option, States with relatively high-revenue leases would pay a disproportionately small share of the costs and States with relatively low-revenue leases would pay a disproportionately large share of the costs.

5

The fifth option, of all the options developed, reflects most closely the government's workload associated with each State. Therefore, it was chosen for outside expert review and will be discussed more fully than the other options. Under this option, the total program costs are $143.6 million. The following is a description, by bureau, of the fifth method.

Bureau of Land Management ($76.7 million) - BLM's costs are based on the funding levels requested in the FY 1993 President's Budget under its Management of Lands and Resources appropriation, Energy and Minerals Activity. The range of programs managed under this activity are oil and gas, coal, mining law administration, geothermal, minerals materials sales, non-energy mineral leasing, uranium and oil shale. The BLM administers programs for the following leasable commodities: oil and gas, coal, geothermal and nonenergy minerals. Only Federal lands are included as Indian lease administration costs and other commodity programs are not covered under net receipt sharing provisions. These programs are carried out by BLM's 11 western State Offices and one office in Virginia for eastern States activities. The estimated distribution of cost, by BLM state organization, is a projection based upon historical proram management costs, and is not a commitment to future allocations of program funds by BLM for FY 1993 by State. Included in the BLM's total cost is a pro rata share of general administrative cost.

Minerals Management Service ($48.6 million) - MMS's Royalty Management Program (RMP) accounts for and audits the mineral leasing activities of Federal onshore and offshore leases and Indian leases. For efficiency, RMP's activities are organized functionally rather than geographically. The RMP operates centralized automated accounting and monitoring systems. This permits large volumes of transactions (lines of information processed), which apply to multiple leases, mineral commodities, and companies, to be processed in the most efficient manner possible. Audit activities are generally directed towards companies paying larger royalties. Audit work on one company often involves several lease types, commodities, and States. Such costs cannot be directly attributable to a single State or lease type.

205 pymt no longer True OBRA 93

Therefore, only a small portion of RMP's costs are directly attributable to specific lease types for specific States. To attribute a much larger portion of RMP's costs directly to States, RMP developed a more cost-based accounting method consisting of actual costs and allocations. First, any direct costs, such as audit contracts with individual States, were applied to States. Secondly, each RMP operating division allocated its remaining costs based on appropriate measurable criteria for that division. The primary workload measurement criterion chosen for three of RMP's divisions was transactions processed, which yields an approximation of the amount of staff time and other resources committed to processing each transaction. For the audit division, the primary criterion was royalty payments by lease, which identifies potential audit targets. Other costs, such as RMP general management and overhead, were allocated in the same ratios as the composite of allocated costs. A portion of MMS's General Administration Subactivity budget, based on a pro rata FTE basis, was included for executive management and various support costs such as personnel, procurement, and space rental.

USFS ($18.2 million) - The USFS is similar to BLM in that it only has onshore operations and therefore there was no need re-evaluate their costs from the current method. The USFS costs are based on the funding levels requested in the FY 1993 President's Budget under its National Forest System appropriation (Leasable Minerals Program). Budgeting is at the regional office level. Regional office costs were allocated to a State based on the number of leased acres within a State to total leased acres. Included in the USFS's total cost is a pro-rata share of general administration and managerial oversight charges which are based on past obligations. These costs are allocated on a pro rata basis to each of the States based on their dollars to the total cost.

Distribution of Costs among States (Option 5) - The fifth option distributes total government program costs to States based on workload factors. A State's share of total program costs is then allocated to the applicable appropriations from which that State receives mineral revenue payments. BLM's and MMS's total costs allocated to a State for a particular appropriation are pro rated based on the State's payment from a particular appropriation to the total of all States' payments from the same appropriation. The estimated distribution of cost by BLM state organization is a projection based upon historical costs, and is not a commitment to future allocations of program funds by BLM for FY 1993 by State. The USFS program costs were allocated based on public domain acreage versus acquired lands acreage.

The Tables 4 and 5 compare the effect of the two methods on the distribution of deductions for program costs and resulting net payments to States. Both Tables assume recovery of 75% of total adminstrative costs. Table 4 shows the effect on the Mineral Leasing and Associated Payments appropriation while Table 5 shows the effect on the other three appropriations. It should be noted, the Option 5 costs and distribution by State were developed using workload factors and receipt data from the first nine months of FY 1991. Such data may change slightly through the years due to changes in program workload and mineral commodity supply and demand. If the fifth method were to be chosen, reevaluation would be necessary on a periodic basis.

Under the fifth option, for those States for which the amount to be deducted exceeds the revenues payable to that State, the excess costs over revenues could be apportioned 1) among other States, or 2) among the Federal government accounts. The fifth option would require revising the current appropriation language.

Table 4
Department of the Interior
Mineral Revenue Sharing Appropriations
Comparison of Methods
(Dollars in thousands)
Assumes States share of total costs is 37.5% for both methods

MLA lands Account 5003	Gross Estimated Payments	Less Deductions alternative (option 5) method	Less Deductions Pres Budget (current) method	Net to States Alternative 1/	Net to States Pres Budt
Alabama	133	20	16	113	117
Alaska	9,795	1,800	1,159	7,995	8,636
Arizona	177	688	21	-510	156
Arkansas	2,155	72	255	2,083	1,900
California	28,535	2,952	3,376	25,583	25,159
Colorado	39,996	6,375	4,731	33,621	35,265
Florida	49	39	6	10	43
Idaho	1,933	662	229	1,271	1,704
Kansas	941	769	111	172	830
Louisiana	335	244	40	91	295
Michigan	683	73	81	610	602
Mississippi	117	15	14	102	103
Montana	23,730	3,860	2,807	19,870	20,923
Nevada	9,426	905	1,115	8,521	8,311
New Mexico	110,149	12,076	13,030	98,073	97,119
North Dakota	6,106	1,311	722	4,795	5,384
Ohio	3	1	0	2	3
Oklahoma	1,736	903	205	833	1,531
Oregon	267	680	32	-412	236
South Dakota	605	149	72	456	533
Texas	23	1	3	22	20
Utah	32,948	3,996	3,898	28,952	29,050
Virginia	19	2	2	17	17
Washington	236	54	28	182	208
Wyoming	201,183	12,895	23,799	188,289	177,384
Totals:					
States shares	*471,280*	*50,538*	*55,751*	*420,742*	*415,529*
NPRA (non-MLA) See Bureau of Land Management for details.					
Alaska share	*100*	*33*	*12*	*67*	*88*

1/ Under alternative method, language could require deductions to be no greater than receipts. Therefore, payments to States would total $421,664 not $420,742.

2/ The Federal payments include the recovered amounts for program costs.

Table 5
Other Departments' Appropriations
FY 1993 Budget Request
Comparison of Methods
(Dollars in thousands)
Assumes States share of total costs is 37.5% for both methods

non-MLA lands Account 5096 Account 5008	Gross Estimated Payments	Less Deductions alternative method	 Pres Budget method	Net to States 1/ Alternative	 Pres Budt
Alabama	862	146	219	716	644
Arkansas	1,833	224	465	1,609	1,368
California	5	0	1	5	3
Colorado	7	0	2	7	5
Florida	2	17	0	-15	1
Georgia	0	12	0	-12	0
Idaho	1	0	0	1	1
Illinois	61	21	16	41	46
Kentucky	86	72	22	14	64
Louisiana	117	89	30	28	88
Michigan	189	86	48	102	141
Minnesota	15	14	4	1	11
Mississippi	733	158	186	575	547
Missouri	1,352	53	343	1,299	1,009
Nebraska	4	47	1	-44	3
New Mexico	5	0	1	5	3
North Carolina	0	5	0	-5	0
North Dakota	26	127	7	-101	20
Ohio	312	88	79	223	233
Oklahoma	97	9	25	87	72
Oregon	0	2	0	-2	0
Pennsylvania	23	106	6	-83	17
South Carolina	1	9	0	-8	1
Tennessee	0	2	0	-2	0
Texas	535	48	136	487	399
Utah	22	2	5	20	16
Virginia	30	73	8	-43	22
West Virginia	324	207	82	118	242
Wisconsin	10	17	3	-7	7
Totals:					
States shares	*6,651*	*1,634*	*1,686*	*5,017*	*4,965*

1/ Under alternative method, language could require deductions no greater than receipts. Therefore, payments to States would total $5,342 not $5,017. MMS is not responsible bureau for estimating non-MLA payments. For this exercise, distribution by State is based on 6 months of annualized FY 1991 payments. Gross estimated payments have been increased to reflect increased receipts estimates.

The current method distributes costs based on revenues generated within each State. It allocates some of the costs to every State with leasing activity but reflects the more significant efforts necessary to provide supervision of operations and royalty accounting for leases with higher production and revenue levels. As noted above, the current methodology is sound.

After internal review of cost sharing methods, an independent accounting firm, Coopers & Lybrand (C&L), was contracted to review the current method and the fifth option which seemed most cost based. Of the current method, Coopers & Lybrand said "It is a reasonable approach that distributes the costs to the appropriate States based on the cash receipts distributed to each entity during the fiscal year." Of the fifth method, C&L said "It is a reasonable approach and the philosophy is consistent with the Activity Based Costing approach currently being implemented by various companies within the United States."

Decrease from 1993 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	420,136	415,529	- 4,607
(FTE)	(---)	(---)	(---)

The overall decrease in the Payments to States activity is due to the following:

o a $18.2 million increase in mineral leasing receipts due to a increase in the estimated coal royalties and oil and gas lease sale bonuses;

o a $22.8 million decrease based on:
  - an increase in the amount of government mineral leasing administrative program costs from $136.4 in FY 1992 to $153.7 million in FY 1993; and
  - an increase in the percentage of total progam costs to be recovered from 50% in FY 1992 to approximately 75% in FY 1993 (States' shares increase from roughly 25% to 37.5%).

Distribution of change by object class

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

	Amount ($000)
Grants, subsidies, and contributions..........	- 4,607
	- 4,607

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
MINERAL LEASING AND ASSOCIATED PAYMENTS

Program and Financing
(in thousands of dollars)

14-5003-0-2-5003	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
Program by activities:			
Direct Program:			
00.01 Payments to States...	480,071	420,136	415,529
00.02 Miscellaneous Payments...........	0	0	0
Total obligations	480,071	420,136	415,529
Financing:			
39.00 Budget authority.....	490,071	420,136	415,529

Budget authority:			
40.00 Appropriation (definite)	---	---	---
40.05 Appropriation (indefinite)	---	---	---
60.25 Appropriation (permanent, indefinite).....	480,071	420,136	415,529

Relation of obligations to outlays:			
71.00 Obligations incurred, net.......	480,071	420,136	415,529
72.10 Obligated balance, start of year	-87	-8	---
74.10 Obligated balance, end of year	-8		
90.00 Outlays..............	479,976	422,144	415,529

Appropriation Summary Statement

Minerals Management Service

Royalty Payments to Eligible Coastal States and Communities

- The Administration is proposing legislation to pay coastal States and counties a share of certain OCS revenues. The following presentation reflects the budgetary impacts of the proposed legislation.

- This activity provides for a monthly payment to coastal States and counties for a share of new royalties realized as a result of oil and gas and other mineral production activities on Federal Outer Continental Shelf (OCS) lands within 200 miles off their coastline. New royalties are those royalties, including those taken in kind, net profit share payments, and related payor late payment interest but only from leased tracts from which such revenues are first received by the Federal government after the date of enactment.

- New royalties are deposited monthly into an investment account with annual withdrawal and payments being no later than December 31 of each year.

  - Per bill language, no payments can be made earlier than one year following enactment. Therefore, the first annual payments from this appropriation will occur by December 31, 1993.

- Eligible counties are designated by the Governors of the respective States and must include all coastal counties. Other counties may include those within 60 miles of the coast where there are significant impacts from OCS activity.

- Coastal States and counties are paid 12.5 percent of the royalties (including royalty-in-kind) and associated payor late payment interest resulting form the production of mineral resources leased under the Outer Continental Shelf Lands Act, as amended.

- Assistance is weighted inversely according to each State's minimum distance from the tract. Thus, States closer to the tract receive a greater share of assistance that States more distant from the tract. Within each State, 50% of the allocation goes to the State government, and the remaining 50% is distributed to eligible counties within 200 miles of the tract, weighted inversely according to each county's minimum distance from the tract.

Interest Payments to Eligible Coastal States and Counties

- This activity provides for annual payments, in the same attributable share as royalties paid to coastal States and counties, for their share of interest earned from new royalties invested in the fund.

Summary of Requirements

Appropriation: Coastal Communities Impact Assistance

(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1992	---	---
Base Adjustments..............................	---	-------
1993 Base Budget..............................	---	---

Comparison by Activity	FY 1991 Actual		FY 1992 Enacted		FY 1993 Base		FY 1993 Estimate		Inc./Dec. from FY 1992		Inc./Dec. from Base	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Royalty Payments	---	---	---	---	---	---	---	---	---	---	---	---
Interest Payments	---	---	---	---	---	---	---	---	---	---	---	---
Total Requirements	---	---	---	---	---	---	---	---	---	---	---	---

Note: Under proposed legislation, collections of applicable OCS revenues and their deposit into a Special Fund receipt account begins October 1, 1992. Receipts are estimated to be $25 million in royalties and $1 million in interest. However, payments to eligible States and counties will not be made until the following year (FY 1994).

Justification of Program and Performance

Activity: Royalty Payments to Eligible States and Counties

(Dollar amounts in thousands)

Activity		FY 1992 Enacted	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Royalty Payments	$	0	0	0	0	0
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements		0	0	0	0	0

Note: Under proposed legislation, collections of applicable OCS revenues and their deposit into a Special Fund receipt account begins October 1, 1992. However, payments to eligible States and counties will not be made until the following year (FY 1994).

Authorizations

Proposed: The Coastal Communities Impact Assistance Act proposes to legislation establish a Special Fund for payment to eligible coastal states and communities an appropriate share of new OCS royalty revenues.

Objectives

o Provide impact assistance to coastal States and eligible counties directly affected by OCS development.

o Amount of assistance is 12.5% of new royalties (including royalty-in-kind, and payor late payment interest) from each OCS tract.

o New royalties are deposited monthly into an investment account with annual payment being no later than December 31 of each year.

  - Under proposed legislation, no payments can be made earlier than one year following enactment. Therefore, the first annual payments from this appropriation will occur by December 31, 1993.

o Provide payments to the coastal States within 200 miles of a given tract, weighted inversely according to each State's minimum distance from the tract. Thus, States closer to the tract receive a greater share than States more distant from the tract.

- Within each State, 50% of the allocation goes to the State government, and the remaining 50% is distributed to eligible counties within 200 miles of the tract, weighted inversely according to each county's minimum distance from the tract.

This activity provides for impact assistance to all eligible coastal States and counties 12.5% of new royalties from each OCS tract due shares of mineral leasing receipts and payor late payment interest realized as a result of the production of oil and natural gas OCS lands located offshore the boundaries of the States. This program only applies to tracts outside the 8(g) zone. New royalties are those royalties, including those taken in kind, net profit share payments, and related payor late payment interest; but only from leased tracts from which such revenues are first received by the government after the date of enactment.

New royalties and associated revenues are deposited monthly into an investment account, the Coastal Impact Assistance Fund, with annual payment being made no later than December 31 of each year from new revenues received during the immediate preceding fiscal year, but not earlier than one year following enactment.

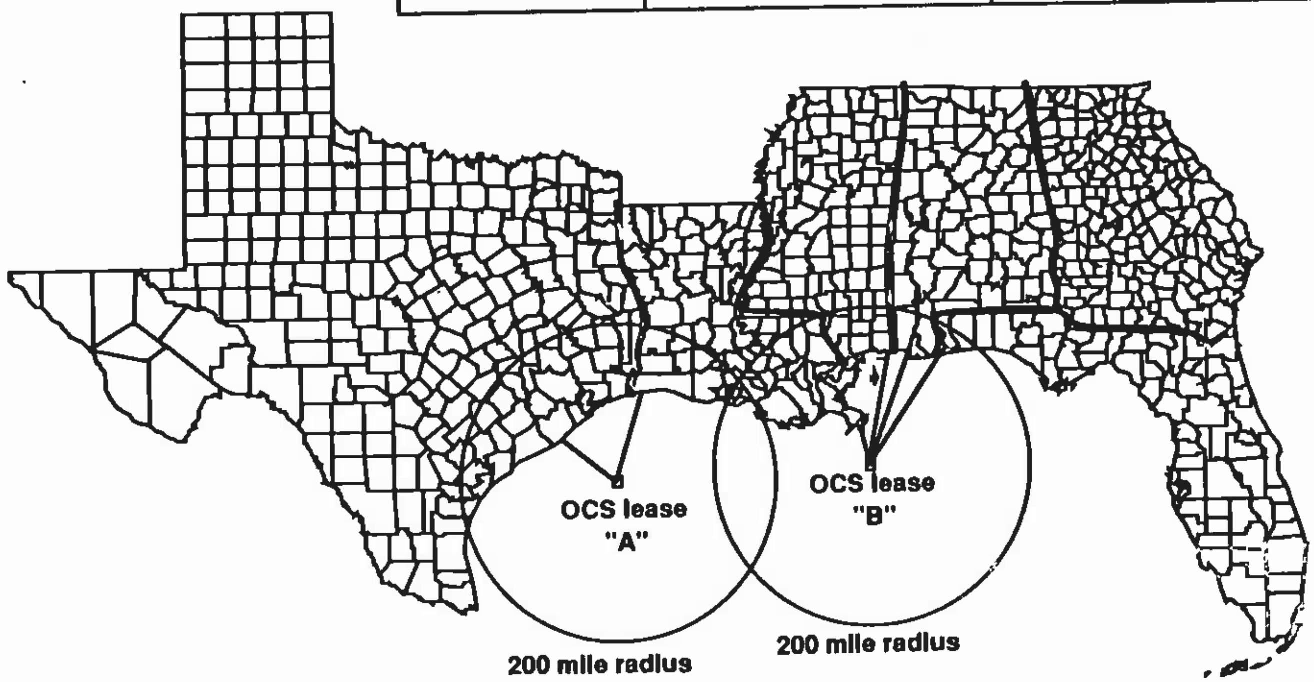
Assistance to a State is weighted inversely according to its minimum distance from a tract producing new royalties. Thus, a State closer to the tract receives a greater share of assistance than States more distant from the tract. Figure 1 may help the reader visualize this concept. Within each State, 50% of the allocation goes to the State government, and the remaining 50% is distributed to eligible counties within 200 miles of the tract, weighted inversely according to each county's minimum distance from the tract.

Eligible counties are those designated by the Governors of the respective States and must include all coastal counties. A Governor may designate other counties to receive assistance if they are within 60 miles of the coast and there are significant impacts from OCS activity. The Governor of any eligible coastal State may modify this list whenever significant changes in OCS activities require a change, but no more frequently than once each year.

No payments can be made earlier than one year following enactment, therefore, the first annual payments from this appropriation will occur by December 31, 1993. The following are outyear estimates for the Gulf of Mexico States and counties, the only region where new production is expected before the end of FY 1997.

Hypothetical Examples of Impact Assistance Calculations

Recipient	Lease "A"		Lease "B"	
	Min. Distance	Share	Min. Distance	Share
All Non-Fed.		12.5%		12.5%
of which:				
Texas	89 miles	7.0%	> 200	-
Louisiana	115 miles	5.5%	48 miles	6.4%
Mississippi	> 200	-	143 miles	2.1%
Alabama	> 200	-	145 miles	2.1%
Florida	> 200	-	165 miles	1.9%



Estimated Impact Assistance New Royalties Payments
Payments from Gulf of Mexico Receipts

(in millions of nominal dollars) 1/

Fiscal Year	Payments
1994	25
1995	36
1996	50
1997	64

1/ Prices are based on those supporting the FY 1993 President's Budget.

Justification of Program and Performance

Activity: Interest Payments to Eligible Coastal States and Counties

(Dollar amounts in thousands)

Activity		Enacted	FY 1992 Base	FY 1993 Estimate	Inc.(+) FY 1993 from 1992	Inc.(+) Dec.(-) from Base
Interest Payments	$ (FTE)	0 (---)	0 (---)	0 (---)	0 (---)	0 (---)
Total Requirements		0	0	0	0	0

Note: Under proposed legislation, collections of revenues and deposition into a Special Fund receipt account begins October 1, 1992. However, payments to eligible States and communities will not be made until the following fiscal year (FY 1994).

Authorizations

Proposed legislation The Coastal Communities Impact Assistance Act proposes to establish a Special Fund for payment to eligible coastal States and communities an appropriate share of new OCS royalty revenues and associated interest.

Objectives

- This activity provides for an annual payment, in the same attributable share as royalties paid, to coastal States and counties for a share of interest earned from new royalties invested in the fund.

- Interest is accrued from debt securities and maturities suitable to the needs of the fund. Interest is accumulated from monthly deposits of new royalties into the Fund.

- Per bill language, no payments can be made earlier than one year following enactment. Therefore, the first annual payments of new royalties and accrued interest from this appropriation will occur by December 31, 1993 (FY 1994).

The Secretary of the Interior is authorized to invest the monthly accumulation of royalties in the fund in public debt securities and maturities.

Interest paid to States and counties is allocated in the same manner as are new royalties. As previously discussed, Assistance is weighted inversely according to its minimum distance from a tract producing new royalties. Thus, a State closer to the tract receives a greater share of assistance than States more distant from the tract. Within each State, 50% of the allocation goes to the State government, and the remaining 50% is distributed to eligible counties within 200 miles of the tract, weighted inversely according to each county's minimum distance from the tract.

No payments can be made earlier than one year following enactment, therefore, the first annual payments from this appropriation will occur by December 31, 1993. The following are outyear interest payment estimates for the Gulf of Mexico States and counties, the only region where new production is expected before the end of FY 1997.

Estimated Impact Assistance Interest Payments
Payments from Gulf of Mexico Receipts
(in millions of nominal dollars) 1/

Fiscal Year	Payments
1994	1
1995	1
1996	2
1997	2

1/ Interest is calculated using Treasury bill rates supporting the FY 1993 President's Budget.

Appropriation: Arctic National Wildlife Refuge (ANWR) Payments to Alaska

Appropriation Summary Statement

Minerals Management Service

- The President's FY 1993 Budget assumes that 50 percent of all ANWR revenues will be shared with the State of Alaska. The following presentation reflects the budgetary impacts of the proposed legislation.

- This activity provides for a monthly payment to the State of Alaska for a fifty percent share of all revenues realized as a result of oil and gas leasing and production activities in the ANWR. Revenues to be shared include competitive bids, bonuses, royalties, rents, various other fees and income specified in the Administration's National Energy Policy.

- Prior to any distribution of any revenues, the Secretary shall deduct a percentage of the Federal government's mineral leasing program costs associated with ANWR, as determined by the Secretary, incurred by the government in carrying out its ANWR oil and gas program.

Summary of Requirements

Appropriation: Arctic National Wildlife Payments to Alaska
(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1992	---	---
Base Adjustments............................	---	-------
1993 Base Budget............................	---	---

Comparison by Activity	FY 1991 Actual		FY 1992 Enacted		FY 1993 Base		FY 1993 Estimate		Inc./Dec. from FY 1992		Inc./Dec. from Base	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ANWR Payments	---	---	---	---	---	---	---	---	---	---	---	---
Total Requirements	---	---	---	---	---	---	---	---	---	---	---	---

Note: Authority to collect and deposit ANWR receipts into a Special Fund receipt account will begin in FY 1993. However, the first ANWR lease sale will not be held until FY 1994. Alaska's share of receipts in FY 1994 is estimated to be $1.28 billion.

Justification of Program and Performance

Activity: ANWR Payments to Alaska

(Dollar amounts in thousands)

Activity		FY 1992 Enacted	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
ANWR Payments	$ (FTE)	0 (---)	0 (---)	0 (---)	0 (---)	0 (---)
Total Requirements		0	0	0	0	0

Note: Under proposed legislation, the authority to collect and deposit ANWR receipts into a Special Fund receipt account will begin in FY 1993. However, the first ANWR lease sale will not be held until FY 1994. Alaska's share of receipts is estimated to be $1.28 billion.

Authorizations

Proposed legislation — The Administration's National Energy Strategy proposes sharing fifty percent of all revenues with the State of Alaska, through the establishment of a special fund account, to be collected from oil and gas leasing and production activities in the ANWR.

Objectives

- Provide payment to the State of Alaska on a monthly basis for a fifty percent share of all revenues realized as a result of oil and gas leasing and production activities within the ANWR.

- Recover some portion of the government's ANWR mineral leasing program costs.

This activity provides for a monthly payment to the State of Alaska for a fifty percent share of all revenues realized as a result of oil and gas leasing and production activities in the ANWR. Revenues to be shared include competitive bids, bonuses, royalties, rents, various other fees and income specified in the Administration's National Energy Policy.

Prior to the distribution of any revenues, the Secretary shall deduct a percentage of the Federal Government's mineral leasing program costs ANWR, as determined by the Secretary, incurred by the government in carrying out its ANWR oil and gas program. Similar to other net receipts sharing proposal in the President's Budget, the Administration proposes to recover approximately $589,000, or 75%, of its total ANWR program costs with Alaska's share of these costs being approximately $294,000. This represents the estimated ANWR program costs for the Bureau of Land Management and the Minerals Management Service. This estimate assumes no change in non-ANWR related workload, that lease sales will be held in a manner similar to Outer Continental Shelf (OCS) lease sales, and that an estimated 200,000 acres will be leased in FY 1994 and 1996.

The first lease sale in ANWR is anticipated for FY 1994 with bonuses estimated at $2.56 billion and rentals of $600 thousand. Alaska's share of receipts, less its net receipts sharing reduction, is estimated at $1.28 billion. The next lease sale will be held in FY 1996.

Estimated ANWR Payments to Alaska
(After Net Receipts Sharing)

Fiscal Year	Estimated Amount ($ in thousands)
1994	1,280,006
1995	6
1996	765,306
1997	306

Appropriation: Oil Spill Research

Appropriation Summary Statement

Minerals Management Service

- o Budget resources will be derived from the existing Department of Transportation's Oil Spill Liability Trust Fund (OSLTF) into this account which is being established for the Minerals Management Service's (MMS) oil spill research and financial responsibility activities.

- o Resources from this trust fund will be used to finance the oil spill research and financial responsibility activities of the Outer Continental Shelf (OCS) Lands activity.

  - A detailed discussion of the research activities is found after the Technology and Assessment Research section of the OCS Regulatory Program subactivity. These funds will be used primarily for contracted research on oil spill research, fates and effects studies, and pollution cleanup technologies.

  - The financial responsibility activities are discussed in the Regulatory Program and the Oil Spill Research Activity.

Appropriation Language Sheet

Oil Spill Research

<u>For necessary expenses to carry out the purposes of the Oil Spill Liability Trust Fund, pursuant to Title VII of the Oil Pollution Act of 1990, $5,377,000 which shall be derived from the Fund, to be available until expended for the purposes of the Fund in accordance with Title VII of that Act.</u>

Title VII of the Oil Pollution Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, to perform oil pollution research. Resources from this trust fund will be used to finance the oil pollution research and financial responsibility activities of the Outer Continental Shelf (OCS) Lands activity.

Justification of Proposed Language Changes

Oil Spill Research

1. For necessary expenses to carry out the purposes of the Oil Spill Liability Trust Fund, pursuant to Title VII of the Oil Pollution Act of 1990, $5,377,000 which shall be derived from the Fund, to be available until expended for the purposes of the Fund in accordance with Title VII of that Act.

This is an annual provision which asks for the transfer of funds from the Oil Spill Liability Trust Fund (Department of Transportation) to this account for the MMS to carry out it's oil spill research and financial responsibility activities.

Summary of Requirements

Appropriation: Oil Spill Research

(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1992	---	---
Base Adjustments	---	-------
1993 Base Budget	---	---

Comparison by Activity	FY 1991 Actual FTE	FY 1991 Actual Amount	FY 1992 Enacted FTE	FY 1992 Enacted Amount	FY 1993 Base FTE	FY 1993 Base Amount	FY 1993 Estimate FTE	FY 1993 Estimate Amount	Inc./Dec. from FY 1992 FTE	Inc./Dec. from FY 1992 Amount	Inc./Dec. from Base FTE	Inc./Dec. from Base Amount
Trust Fund	---	---	---	---	---	---	---	5,377	---	5,377	---	5,377
Total Requirements	---	---	---	---	---	---	---	**5,377**	---	**5,377**	---	**5,377**

Justification of Program and Performance

Activity: Oil Spill Research

(Dollar amounts in thousands)

Activity		FY 1992 Enacted	FY 1993 Base	FY 1993 Estimate	Inc.(+) Dec.(-) from 1992	Inc.(+) Dec.(-) from Base
Trust Fund	$	0	0	5,377	5,377	5,377
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements		0	0	5,377	5,377	5,377

Authorizations

33 U.S.C. 2701, *et seq*. Title VII of the Oil Pollution Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.

33 U.S.C. 2701, *et seq*. The Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company with respect to an offshore facility has established, and maintains, evidence of financial responsibility in the amount of at least $150,000,000 to meet potential pollution liability.

Proposed legislation Language is being proposed to establish an account within the MMS for its oil spill research activities.

43 U.S.C. 1331, *et seq.* Section 21 (b) of the Outer Continental Lands Act, as amended, requires the use of the best available and safest technologies (BAST) and to ensure that the use

of up-to-date technology is incorporated into the regulatory process.

Executive Order 12777 — E.O. 12777, signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service).

Objectives

- To finance the certification process for financial responsibility with respect to offshore facilities. This function is being transferred from the U.S. Coast Guard to the Minerals Management Service in FY 1992.

- To transfer budget resources from the existing Department of Transportation's Oil Spill Liability Trust Fund (OSLTF) into this account which is being established for the MMS's oil pollution research activities.

- To finance the oil pollution research activities mandated by the Outer Continental Lands Act, as amended, of the OCS Regulatory subactivity.

Base Program

A detailed discussion of the activities to be funded from this account is found under the previously discussed OCS Regulatory subactivity; Oil Spill Research beginning on page MMS-91. These funds will be used primarily for the contracted research on oil spill pollution cleanup technologies.

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1993 Base	FY 1993 Estimate	Difference
$	---	5,377	+5,377
(FTE)	(---)	(---)	(---)

Oil Pollution Research (+$5,000,000)

An increase of $5,000,000 is being requested to establish an account to transfer monies from the existing Oil Spill Liability Trust Fund, under the Department of Transportation's authority, from which to fund the MMS's mandated oil pollution research activities.

Title VII of the Oil Pollution Control Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.

A detailed discussion of the activities to be funded from this account is found under the previously discussed OCS Regulatory subactivity; Oil Spill Research beginning on page MMS-91. These funds will be used primarily for the contracted research on oil spill pollution cleanup technologies.

Financial Responsibility (+$377,000)

This increase will provide for the following:

- The administration of a certification process which ensures that each responsible company with respect to an offshore facility has established, and maintains, evidence of financial responsibility in the amount of at least $150,000,000 to meet potential pollution liability.

- The development, promulgation, implementation, and revision of, as appropriate, Federal regulations which prescribe the criteria and procedures for governing a national program of financial responsibility for oil pollution liability for OCS facilities.

- The specification of policy or other contractual terms, conditions, or defenses which are necessary, or which are unacceptable, in establishing evidence of financial responsibility to meet the intent of the Oil Pollution Act of 1990 (Public Law 101-380).

- The establishment and maintenance of an offshore facility owner/operator, leaseholder, responsible party database to support financial responsibility certification operations and civil and criminal penalty enforcement actions.

On October 18, 1991, President Bush signed Executive Order 12777 which assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service). This responsibility was assigned to the President in Section 1016 (e) of the Oil Pollution Act of 1990 (Public Law 101-380). A similar responsibility had previously been assigned to the Secretary of Transportation (U.S. Coast Guard) by the Deep Water Ports Act (Public Law 98-419).

Section 1012 (a) (5) of the Oil Pollution Act of 1990 also authorized payment from the Oil Spill Liability Trust Fund of "... Federal administrative, operational, and personnel costs and expenses reasonably necessary for and incidental to the implementation, administration, and enforcement of this Act ...".

Distribution of change by object class

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

	Amount ($000)
Other Services.........................	5,377
Total	5,377

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
OIL SPILL RESEARCH

Program and Financing
(in thousands of dollars)

14-8370-0-7-302	FY 1991 Actual	FY 1992 Estimate	FY 1993 Estimate
Program by activities:			
Direct Program:			
10.00 Total obligations	---	---	5,377
Financing:			
40.00 Budget authority (appropriations) (object class 25.00)	---	---	5,377

Relation of obligations to outlays:

71.00 Total Obligations	---	---	5,377
72.10 Obligations, start of year	---	---	0
72.40 Obligations, end of year	---	---	1,613
90.00 Outlays	---	---	3,764

FY 1993 President's Budget
Explanation of Receipts Estimates

In FY 1993, onshore mineral leasing receipts from federal onshore lands are estimated at $995 million of which $45 million will be transferred to other Departments (Forest Service and Corps of Engineers) for distribution to States, counties and the Federal Treasury. Estimated receipts for FY 1992 are $956 million with $44 million to be transferred to other Departments. The majority of these mineral receipts, about 85 percent, are from royalty collections with the remainder coming from rents and sale bonuses.

Receipts from Outer Continental Shelf (OCS) activities are estimated at $3.6 billion (including receipts in the Coastal Communities Impact Assistance Fund) in FY 1993 with $1.2 billion anticipated from escrow payout and interest and the remainder from rents, bonuses, and royalties. Receipts estimates for FY 1992 total $2.3 billion from rents, bonuses, and royalties.

The ensuing discussion highlights the significant changes in receipts estimates between FY 1992 and 1993. This discussion is followed by Tables 1, 2, and 3 which detail the Department of Interior receipt estimates (less those amounts transferred to other Departments) for FY 1992 through 1997. Tables 1 and 2 are based on proposed Presidential policy (by source category and by account) and Table 3 is based on current policy (by account).

Onshore Mineral Receipts

Royalties:

Between FY 1992 and 1993, oil and gas royalties decrease slightly. Starting in FY 1993, the Administration proposes to reduce the royalty rate on lower producing wells (stripper wells) in a graduated fashion. Stripper wells are defined as those wells producing less than 15 barrels a day. It is anticipated the royalty rate reduction will stimulate production in the long term by keeping previously uneconomic wells in production for a longer period of time. In the short term, the royalty rate reduction is estimated to reduce Department of Interior oil royalties by about $22 million per year ($22.8 million reduction to all government royalties). This decrease is partially offset by increased oil (3%) and gas (6%) price estimates. Production estimates remain about the same for both oil and gas.

Coal royalties are expected to increase about 9 percent based on increased demand. Geothermal and other mineral royalties remain constant between FY 1992 and 1993.

Rents and Bonuses:

Between FY 1992 and 1993, rentals from coal, geothermal, oil shale and other minerals remains constant. Oil and gas rents and sale bonuses increase somewhat based on anticpated industry demand. Lease sales are planned for the Arctic National Wildlife Refuge (ANWR) in FY 1994 and 1996 with bonuses estimated at $2.56 billion and $1.53 billion respectively, and rents estimated at $.600 million increasing to $1.2 million after the second sale. The Administration is proposing to share 50 percent of all ANWR receipts with the State of Alaska.

Coal bonuses increase about $10 million, a 100 percent from FY 1992 based on an anticipated leasing in the Powder River Basin of Wyoming. Oil and gas bonuses also increase 20 percent from about $50 million in FY 1992.

OCS Mineral Receipts

Royalties:

Between FY 1992 and 1993, it is estimated royalties from OCS production will increase from $1.97 to $2.06 billion, about five percent. This increase is based on increased oil (3%) and gas (6%) price estimates and nominal production changes (oil increases 1% and gas declines about 3%). The estimates are net the amount transferred to 8(g) States for their 27% share of current royalty collections ($16 million) and the $45.5 million annual payment for past escrowed amounts.

In addition to payments made to coastal States for their share of royalties within the 8(g) zone, the Administration plans to make annual payments to coastal States and counties for a share of new revenues realized as a result of OCS production activities beyond the 8(g) zone and up to 200 miles off their coastline. The Coastal Communities Impact Assistance Act provides for the deposition of new revenues into a Special Fund beginning October 1, 1992 with the first payment to be made in FY 1994. FY 1993 collections for new revenues and accrued interest are estimated at $26 million. New revenues are those monies defined as royalties but only from leased tracts from which such revenues are first received by the government after the date of enactment.

To obtain a total of OCS receipts when reviewing Tables 1 and 2, one must look under both offsetting and non-offsetting receipt accounts.

Rents and Bonuses:

The rental estimate is $60 million for FY 1992 and 1993. In FY 1992, lease sales will be held in the central and western Gulf of Mexico. Bonuses are estimated at $255 million. Again in FY 1993, two Gulf sales will be held with bonuses estimated at $276 million. Bonus estimates increase due to increased oil (4.6%) and gas (8%) prices.

Escrow:

In FY 1993 the longstanding dispute between the State of Alaska and the Federal government over the boundary line in the Beaufort Sea is anticipated to be resolved. Resolution is assumed in the Federal government's favor. Therefore, FY 1993 receipt estimates include 100 percent of the estimated escrow principle ($433.6 million) and interest ($801.9 million).

Table 1
FY 1993 President's Budget
President's Policy
Receipts by Source Category
(dollars in thousands)

	Estimate FY 1992	Estimate FY 1993	Estimate FY 1994	Estimate FY 1995	Estimate FY 1996	Estimate FY 1997
			OFFSETTING COLLECTIONS			
Rents and Bonuses–Onshore						
Oil and Gas....................................	90,350	110,811	105,428	104,078	102,523	101,205
ANWR Payments to Alaska...............	0	0	1,280,006	6	765,306	306
Coal...	10,502	20,067	26,725	36,264	43,872	48,615
Geothermal....................................	1,909	1,911	1,909	1,909	1,907	1,906
Oil Shale..	3	3	3	3	3	3
All Other..	910	911	910	909	909	908
Subtotal, Rents & Bonuses	103,674	133,703	1,414,980	143,169	914,521	152,943
Royalties–Onshore						
Oil and Gas....................................	525,717	518,708	537,209	556,214	576,856	592,753
Coal...	238,686	253,221	305,642	291,069	309,966	333,632
Geothermal....................................	19,095	19,111	19,089	19,086	19,075	19,065
Oil Shale..	0	0	0	0	0	0
All Other..	24,823	24,844	24,816	24,812	24,797	24,784
Subtotal, Royalties	808,322	815,885	886,756	891,182	930,694	970,234
Subtotal, Offsetting Onshore	911,996	949,803	2,301,956	1,034,570	1,845,436	1,123,401
OCS Coastal Comm. Impact– Royalty	0	25,000	36,000	50,000	64,000	80,000
OCS Coastal Comm. Impact–Interest	0	1,000	1,000	2,000	2,000	3,000
Royalty–in–Kind administrative fees......	400	400	400	400	400	400
TOTAL, Offsetting Receipts..............	912,396	976,203	2,339,356	1,086,970	1,911,836	1,206,801
			NON–OFFSETTING COLLECTIONS			
OCS Rents and Bonuses....................	315,000	336,000	405,000	449,000	463,000	514,000
OCS Royalties..................................	1,967,000	2,033,000	2,180,000	2,182,000	2,188,000	2,182,000
OCS Escrow Payout...........................	0	433,561	0	0	0	0
OCS Escrow Interest.........................	0	801,860	0	0	0	0
Federal Share of ANWR rents (NRS*)		0	594	594	894	894
Federal Share of ANWR bonuses		0	1,280,000	0	765,000	0
TOTAL, Non–Offsetting Receipts........	2,282,000	3,604,421	3,865,594	2,631,594	3,416,894	2,696,894
TOTAL, ALL MMS RECEIPTS..............	3,194,396	4,580,624	6,204,950	3,718,564	5,328,730	3,903,695
Total, All Onshore mineral receipts	*912,396*	*950,203*	*3,582,950*	*1,035,564*	*2,611,730*	*1,124,695*
Total, All OCS mineral receipts	*2,282,000*	*3,630,421*	*2,622,000*	*2,683,000*	*2,717,000*	*2,779,000*

* NRS includes amount deducted from Alaskan share for its share of adminstrative costs.

Table 2
FY 1993 President's Budget
President's Policy
Receipts by Account
(dollars in thousands)

		Estimate FY 1992	Estimate FY 1993	Estimate FY 1994	Estimate FY 1995	Estimate FY 1996	Estimate FY 1997
	OFFSETTING COLLECTIONS						
1811	General Fd–Onshore Rents and Bonuses	12,232	11,942	12,890	12,992	13,602	14,178
2039	General Fund–Onshore Royalties	148,230	194,233	199,005	201,668	205,652	209,406
2419.1	Royalty–in–Kind Adminstrative fees	400	400	400	400	400	400
5003	Mineral Leasing and Associated Payments	420,136	415,529	452,477	457,972	480,742	502,214
5251	ANWR Payments to Alaska	0	0	1,280,006	6	765,306	306
5045	National Petroleum Reserve–Alaska	139	88	45	0	0	0
5132	Mineral recpts–Range Improvement Fund	0	0	0	0	0	0
5896.11	Mineral recpts (Grasslands) to Counties	0	0	0	0	0	0
5000.24	Mineral recpts to Reclamation Fund	331,259	327,795	357,315	361,714	379,913	397,074
5158.1	OCS Coastal Comm. Impact Asst–royalties	0	25,000	36,000	50,000	64,000	80,000
5158.2	OCS Coastal Comm. Impact Asst–interest	0	1,000	1,000	2,000	2,000	3,000
	TOTAL, Offsetting Receipts....................	912,396	975,987	2,339,136	1,086,751	1,911,615	1,206,577
	NON–OFFSETTING COLLECTIONS						
1820	OCS Rents and Bonuses to General Fund	0	0	0	0	0	0
2020	OCS Royalties to General Fund	1,368,334	1,840,371	1,622,810	1,668,810	1,688,810	1,733,810
5005.7	OCS rent/bonus receipts to LWCF	165,000	619,561	255,000	299,000	506,000	364,000
5005.8	OCS royalty receipts to LWCF	598,666	192,629	557,190	513,190	306,190	448,190
5140	OCS Rent/bonus receipts to Hist. Pres.	150,000	150,000	150,000	150,000	150,000	150,000
1493	OCS Escrow Interest	0	801,860	0	0	0	0
2021	General Fd–ANWR Rents & Bonuses (NRS*)	0	0	1,280,594	594	765,894	894
	TOTAL, Non–Offsetting Receipts....................	2,282,000	3,604,421	3,865,594	2,631,594	3,416,894	2,696,894
	TOTAL, ALL MMS RECEIPTS.......................	3,194,396	4,580,408	6,204,730	3,718,345	5,328,509	3,903,471
	Total, All Onshore mineral receipts	*912,396*	*949,987*	*3,582,730*	*1,035,345*	*2,611,509*	*1,124,471*
	Total, All OCS mineral receipts	*2,282,000*	*3,630,421*	*2,622,000*	*2,683,000*	*2,717,000*	*2,779,000*

* NRS Includes amount deducted from Alaskan share for its share of adminstrative costs.

Table 3
FY 1993 President's Budget
Current Policy
Receipts by Account
(dollars in thousands)

		Estimate FY 1992	Estimate FY 1993	Estimate FY 1994	Estimate FY 1995	Estimate FY 1996	Estimate FY 1997
	OFFSETTING COLLECTIONS						
1811	General Fd–Onshore Rents and Bonuses	12,232	13,729	14,665	14,762	15,369	15,942
2039	General Fund–Onshore Royalties	148,230	89,346	94,048	96,702	100,648	104,368
2419.1	Royalty–in–Kind Adminstrative fees	400	400	400	400	400	400
5003	Mineral Leasing and Associated Payments	420,136	471,280	508,221	513,724	536,489	557,956
5251	ANWR Payments to Alaska	0	0	0	0	0	0
5045	National Petroleum Reserve–Alaska	139	100	50	0	0	0
5132	Mineral recpts–Range Improvement Fund	0	0	0	0	0	0
5896.11	Mineral recpts (Grasslands) to Counties	0	0	0	0	0	0
5000.24	Mineral recpts to Reclamation Fund	331,259	371,828	401,381	405,783	423,995	441,169
5158.1	OCS Coastal Comm. Impact Asst–royalties	0	0	0	0	0	0
5158.2	OCS Coastal Comm. Impact Asst–interest	0	0	0	0	0	0
	TOTAL, Offsetting Receipts....................	912,396	946,683	1,018,765	1,031,371	1,076,902	1,119,835
	NON–OFFSETTING COLLECTIONS						
1820	OCS Rents and Bonuses to General Fund	0	0	0	0	0	0
2020	OCS Royalties to General Fund	1,368,334	1,865,371	1,658,810	1,718,810	1,752,810	1,813,810
5005.7	OCS rent/bonus receipts to LWCF	165,000	619,561	255,000	299,000	313,000	364,000
5005.8	OCS royalty receipts to LWCF	598,666	192,629	557,190	513,190	499,190	448,190
5140	OCS Rent/bonus receipts to Hist. Pres.	150,000	150,000	150,000	150,000	150,000	150,000
1493	OCS Escrow Interest	0	801,860	0	0	0	0
2021	General Fd–ANWR Rents & Bonuses (NRS*)	0	0	0	0	0	0
	TOTAL, Non–Offsetting Receipts....................	2,282,000	3,629,421	2,621,000	2,681,000	2,715,000	2,776,000
	TOTAL, ALL MMS RECEIPTS......................	3,194,396	4,576,104	3,639,765	3,712,371	3,791,902	3,895,835
	Total, All Onshore mineral receipts	*912,396*	*946,683*	*1,018,765*	*1,031,371*	*1,076,902*	*1,119,835*
	Total, All OCS mineral receipts	*2,282,000*	*3,629,421*	*2,621,000*	*2,681,000*	*2,715,000*	*2,776,000*

* NRS includes amount deducted from Alaskan share for its share of adminstrative costs.