UNITED STATES
DEPARTMENT OF THE INTERIOR
BUDGET JUSTIFICATIONS, F. Y. 1985

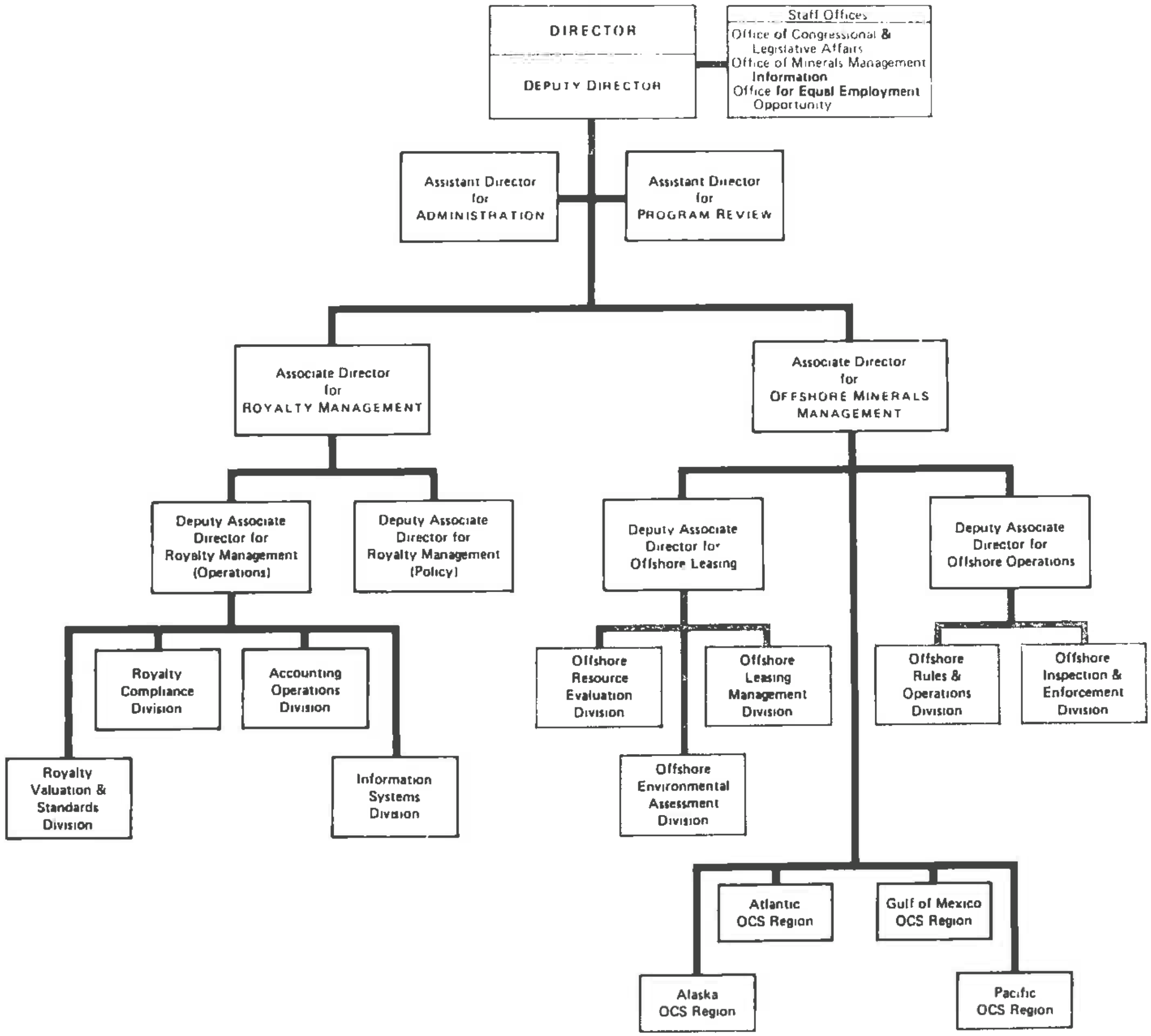
MINERALS MANAGEMENT SERVICE

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Fiscal Year 1985 Budget

Table of Contents

Table of Contents (Continued)

MINERALS MANAGEMENT SERVICE



GENERAL STATEMENT

The Minerals Management Service (MMS) was established by Secretarial Order No. 3071 on January 19, 1982. The MMS was further delineated by amendments to that order and by the issuance of Secretarial Order No. 3087 on December 3, 1982. The overall objectives of the establishment and consolidation of the Service were to:

- o Improve accountability for revenues received by the Department through bonus, rental, and royalty collections resulting from mineral leasing on OCS, Federal, and Indian lands.
- o Reduce costs by avoiding duplication of effort and overlapping functions within the Department.
- o Enable the Department to more effectively balance offshore energy and mineral development and production with protection of the marine and coastal environments and the security needs of the Nation.
- o Insure the timely and accurate distribution of State's shares of revenues for minerals produced on Federal lands within State boundaries.

The following summary compares the amounts included in the FY 1984 Appropriations with the FY 1985 estimates for these appropriation accounts managed by the Minerals Management Service:

(Dollar Amounts in Thousands)

Appropriations Requested		FY 1984 Enacted To Date	FY 1985 Estimate	Inc. (+) or Dec. (-)	Perm. Employ. 12/31/83 1/
1. Minerals and Royalty Management 2/	$	163,561	167,381	+3,820	1,984
	(FTE-T)	(2,038)	(2,056)	(+18)	
2. Payments to States from receipts under Mineral Leasing Act	$	714,812	599,115	-115,697	--
	(FTE-T)	(--)	(--)	(--)	
Total, Appropriations Requested	$	878,373	766,496	-111,877	1,984
	(FTE-T)	(2,038)	(2,056)	(+18)	

The major missions of the programs included in the appropriation "Minerals and Royalty Management" (MARM) are: (1) To manage the leasing of oil and gas and other minerals on the Outer Continental Shelf (OCS); (2) to classify and evaluate the energy and nonenergy mineral resources of the OCS lands; (3) to supervise mineral development and production operations on leased OCS lands; and (4) to collect and distribute revenues due the Federal Government and Indian tribes from all onshore and offshore mineral leases.

1/Represents all full-time employees with permanent appointments.
2/FY 1985 budget proposes appropriation language that would change title from "Leasing and Royalty Management" to "Minerals and Royalty Management."

The appropriation "Payments to States from Receipts under Mineral Leasing Act" provides States with their statutory share of bonuses, rentals, and royalties collected by the Federal Government for minerals produced on Federal lands. Total receipts have been reduced, prior to any allocation, to reflect the proposal that all beneficiaries equitably share in the cost of collecting and distributing these revenues.

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

Highlights of the FY 1985 Request

The changes between the FY 1984 estimate and the requested FY 1985 budget are highlighted below by appropriation.

Minerals and Royalty Management

The requested $3.82 million increase in FY 1985 funding primarily reflects the increased costs of existing space and personnel. Requested program increases are more than offset by proposed decreases in other program activities. These program changes are discussed below.

A net decrease of $6.3 million from the base funding level is proposed for the Outer Continental Shelf (OCS) lands activity. This proposed decrease is made possible as a result of several developed and implemented management innovations. The OCS leasing process has been reviewed and the areawide leasing concept fully implemented. As a result, MMS projects reduced requirements for geologic and geophysical (G&G) data and related analyses, as well as a reduction in prospect evaluations. Recent court decisions relating to civil penalties assessments have reduced projected workload in that area and have made possible the reduction of funding related to civil penalties proceedings. Recent acquisition of replacement data processing equipment has been accomplished, providing for more efficient operations and reductions in equipment acquisition budgets. An increase of $0.28 million is proposed to continue to track developments in the risk assessment and analysis of OCS programs, and to study oil spill containment and recovery operations in arctic environments. This increase in Technology Assessment and and Research is directly related to a decrease proposed in Regulation of Operations and reflects a decision to manage centrally all technology assessment and research projects.

An increase of $4.1 million from the base funding level is proposed for the Royalty Management Program, of which $2.05 million is related to Mineral Revenue Compliance audit programs. This proposed increase will provide for continuing and increasing cost sharing with State and Indian cooperative audits ($+1.2 million); expanded resident audit programs ($+0.73 million); and operating a sub-district audit office near major corporate headquarters in Los Angeles ($+0.12 million). Work on these audit programs conducted during prior years has proven extremely cost beneficial to both States and the Federal Treasury. The balance of this request will be utilized to upgrade current computer hardware capability ($+1.8 million) and for systems development in support of small operator production accounting ($+0.25 million). Operational experience gained to date indicates that estimates of data input workload made prior to initial procurement of hardware and software packages was substantially underestimated. Replacement of the existing hardware configuration and further refinements in systems software will provide for more realistic capability in processing of data as envisioned by the Linowes Commission report and recommendations of several other reports.

An increase of $1.14 million from the base funding level is proposed in the General Administration program. This increase is needed to provide an additional $0.31 million for postage, Federal Telecommunications System, and commercial communication billings which are essentially uncontrollable; previously unbudgeted costs ($0.234 million) for overtime use of utilities beyond the normal 40 hour, 5-day workweek and rental payments to GSA ($0.6 million) for office consolidation and limited additional storage and office requirements.

Payments to States from Receipts under the Mineral Leasing Act

The Minerals Management Service is responsible for the collection, and distribution to the States of their share, of bonuses, royalties, and rentals from the leasing of Federal mineral resources in accordance with applicable laws. Payments to the States in FY 1985 are estimated to be $599.1 million, a decrease of $115.7 million from FY 1984. The primary cause of this decrease is the change in the timing of payments resulting from the Federal Oil and Gas Royalty Management Act of 1982. In FY 1984, a large one-time increase of $243.7 million will be distributed because payments covering 17 months of receipts will be made, resulting from the change from semi-annual to monthly distribution. In FY 1985, payments will be made on a monthly basis and will cover only 12 months of receipts.

In FY 1985, it is proposed that the cost of onshore Royalty Management activities be deducted from receipts before revenues are distributed between the States and the Treasury. This ensures that the beneficiaries of receipts from Federal onshore mineral leasing will equitably share in the cost of collecting and distributing these receipts. This proposal is reflected in the estimates for this permanent appropriation.

Authorizations

The basic authorizing legislation for the Minerals Management Service includes the OCS Lands Act of 1953 (43 U.S.C. 1331-43); the OCS Lands Act Amendments of 1978 (43 U.S.C. 1801); the Mineral Leasing Act of 1920, as amended (30 U.S.C. 181, et seq.), and the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1701, et. seq.).

Appropriation Summary Statement

Appropriation: Minerals and Royalty Management 1/

The Minerals Management Service is responsible for implementing the 5-year OCS Oil and Gas Leasing Schedule approved in July 1982; supervising the exploration for and development and production of leasable energy and mineral commodities on the Outer Continental Shelf (OCS) lands; classifying and evaluating the energy and non-energy mineral resources of the OCS lands; performing environmental assessments to ensure compliance with the National Environmental Policy Act (NEPA); and collecting, depositing, and distributing royalties and other mineral revenues due the Federal government and Indian tribes on all onshore and offshore leases. The FY 1985 appropriation request for these activities totals $167,381,000. This total represents a change from the FY 1984 appropriation enacted to date of +$3,820,000. A summary of the program changes proposed for FY 1985, which total -$1,045,000, is provided below:

Outer Continental Shelf Lands: (-$6,295,000, -31 FTE-T)

This budget activity provides funds for the Minerals Management Service program which accomplishes: (1) Performance of environmental assessments to ensure compliance with the National Environmental Policy Act (NEPA) and oil spill trajectory analyses to support the leasing program; (2) conduct of lease offerings; (3) classification of OCS lands for resource potential for oil, gas, and non-energy minerals; (4) evaluation of tracts offered for lease by competitive bidding; (5) assurance that the Government receives fair market value for leased lands through determination of bid adequacy; (6) regulation and supervision of leasable mineral prospecting, development, and production operations on the OCS lands; (7) conduct and maintenance of an inventory of oil and gas activities; and (8) providing information concerning oil and gas activities to affected State and local governments.

An increase of $0.275 million in FY 1985 is proposed for the Technology Assessment and Research Program to more properly manage resources used in gathering information and data relative to the implementation of a risk assessment study program and expanded studies on oil spill containment and recovery techniques for Arctic and open ocean areas. These programs are in direct response to concerns expressed by various coastal States, and were previously funded in the Regulation of Operations Program.

Reductions are proposed in three elements of the OCS Program: (1) A reduction of $0.3 million is proposed for the Reserve Inventory Program resulting from full implementation of the automated reserves data systems; (2) a decrease of $1.27 million is proposed in the Regulation of Operations Program as a result of reduced caseload related to civil penalties proceedings, redirection of information and studies funding to the Technology Assessment and Research line item, and the one-time purchase of updated data processing equipment acquired during FY 1984; and (3) a reduction of $5.0 million is proposed in the Resource Evaluation subactivity due to reduced workload related to information and data collection and analysis functions, and a reduction in the amount of CDP seismic data needed to be acquired for analysis.

1/FY 1985 budget proposes appropriation language that would change title from "Leasing and Royalty Management" to "Minerals and Royalty Management."

Royalty Management: (+$4,106,000 + 21 FTE)

The Royalty Management Program provides accounting, auditing, and compliance activities for royalties, rentals, and bonuses owed the Federal Government and Indian lessors from minerals produced on Federal, Indian, and Outer Continental Shelf Lands. The program is built around an automated revenue and production accounting system which ensures that all royalties are properly collected and disbursed. Starting in FY 1984, the program will provide comparisons of production reported from leases to sales reports, thereby providing an exception mechanism not previously available. Activities under the new program have significantly increased revenues to both States and the Federal treasury and will improve accountability for revenues.

Program increases in Royalty Management are proposed to: Fund State and Indian cooperative audits (+$1.2 million); increase overall audit capability by increasing the numbers of resident auditors and opening a subdistrict audit office in Los Angeles (+$0.856 million); provide full-year funds for the lease costs of the ADP hardware system acquired in FY 1984 (+$1.8 million); and provide contract services to support overall operator production accounting (+$0.25 million).

General Administration: (+$1,144,000)

General administrative expenses provide for management, executive direction and coordination, and administrative support. This includes such essential functions as budget, financial management, personnel administration, procurement and contract administration, property management, and information resource management. The Offices of the Director and the immediate executive staff are provided for in the Executive Direction subactivity. The Office of Administration and the Administrative Service Centers are supported in the Administrative Operations subactivity, while fixed operational costs, such as rental payments to GSA and federal and commercial telecommunications and postal expenses, are included in the General Support Services subactivity.

The increase of $1.144 million is primarily the result of overtime utility charges (+$0.234 million), increased fixed costs for Federal Telecommunications System and postage (+$0.31 million), and costs for additional rental space required for field office relocation and Royalty Management Program contract personnel (+$0.6 million).

Appropriation Language Sheet

Minerals Management Service

[LEASING] MINERALS 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 8 passenger motor vehicles for replacement only: [$163,561,000 of which not less than $34,869,000 shall be available for royalty management activities including general administration.] $167,381,000; Provided, That notwithstanding any other provision of law, the amount expended in the collection of Federal onshore mineral leasing receipts shall be deducted 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. (Public Law 98-146, making appropriations for the Department of the Interior and Related Agencies, 1984.)

Minerals Management Service

Justification of Proposed Language Changes

Appropriation: Minerals and Royalty Management

1. Deletion: "Leasing" from the title of the appropriation. The word "Leasing" is too restrictive as the Minerals Management Service is responsible for both the leasing and regulation of operations on offshore leases.

2. Addition: "Minerals" to the title of the appropriation.

   This addition better describes the range of responsibilities and all of the activities of the Minerals Management Service.

3. Deletion: "of which not less than $34,869,000 shall be available for royalty management activities including general administration."

   This internal limitation of the funds appropriated is unnecessary since royalty management activities are appropriated a specific amount through the Royalty Management budget activity.

4. Addition: "Provided, That notwithstanding any other provision of law, the amount expended in the collection of Federal onshore mineral leasing receipts shall be deducted 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."

   Historically, the Royalty Management Program has been funded entirely by the Federal Treasury, while the States have shared only in distribution of revenues. States have shared all of the benefits but none of the associated costs. States typically receive fifty (50) percent of the receipts from onshore mineral leasing, but their share would be based, under the above proposal, on net receipts after deducting the cost of program management. The above proposal represents an equitable distribution of these costs to the direct beneficiaries of the program rather than forcing the general public to bear all the costs.

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

APPROPRIATION: Minerals and Royalty Management

Appropriation language citations:

Language:

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 8 passenger motor vehicles for replacement only.

Citations:

43 U.S.C. 31(a) provides for the classification of the public lands and examination of the mineral resources and products of the national domain by the Interior Department.

43 U.S.C. 1332(a) Provides that, "It is the declared policy of the United States, that the subsoil and seabed of the Outer Continental Shelf appertain to the United States and are subject to its jurisdiction, control, and power of disposition as provided in this subchapter."

43 U.S.C. 1340 Provides that, "Any agency of the United States and any person authorized by the Secretary may conduct geological and geophysical exploration in the Outer Continental Shelf ....."

43 U.S.C. 1801 States that resources should be developed in light of long-range energy needs and recognizes that State and local governments are to have access to planning information as well as have an opportunity to comment on decisions on offshore activities.

43 U.S.C. 4331-4335 Provides Congressional declaration of a national environmental policy.

25 U.S.C. 396 Provides that all lands allotted to Indians may be leased for mining purposes as deemed advisable by the Secretary and that the Secretary of the Interior is authorized to perform any and all acts and make such rules and regulations as may be necessary for the carrying out of the provisions of this section (Title 25-Indians).

25 U.S.C. 396(d) Provides that, "All operations under any oil, gas, or other mineral lease issued pursuant to the terms of any act affecting restricted Indian lands shall be subject to the rules and regulations promulgated by the Secretary of the Interior....."

30 U.S.C. 181 Provides that lands owned by the United States containing various mineral deposits, sand, rock, oil, gas, and other materials shall

be subject to disposition. This section further provides that the United States reserves ownership of and the right to extract helium from all gas produced from lands leased or otherwise granted under the provisions of this chapter, under rules and regulations as may be prescribed by the Secretary of the Interior.

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) 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..."

30 U.S.C. 1711(a) Provides that, "The Secretary shall establish a comprehensive inspection, collection and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect and account for such amounts in a timely manner."

DEPARTMENT OF THE INTERIOR
MINERALS AND ROYALTY MANAGEMENT
Activity/Subactivity Change Crosswalk - FY 1984 Enacted to Date
(In thousands of dollars)

Format of FY 1984 Congressional Budget

Appropriation/Activity/Subactivity	Amount 1984 Enacted to Date
Minerals and Royalty Management:	
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program...	$ 42,004
(2) Resource Evaluation Program.......	32,014
(3) Regulatory Program................	34,106
Total, Outer Continental Shelf Lands....................	108,124
B. Royalty Management	
(1) Royalty Collections...............	21,043
(2) Royalty Compliance................	5,381
(3) Systems Development & Maintenance.	8,445
Total, Royalty Management.........	34,869
C. General Administration	
(1) Executive Direction..............	3,212
(2) Administrative Operations.........	9,357
(3) General Support Services..........	7,999
Total, General Administration.....	20,568
Combined Total.............	$163,561

Format of FY 1985 Congressional Budget

Appropriation/Activity/Subactivity	Amount 1984 Enacted to Date
Minerals and Royalty Management:	
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program....	$ 43,975
(2) Resource Evaluation Program........	32,014
(3) Regulatory Program................	32,135
Total, Outer Continental Shelf Lands.....................	108,124
B. Royalty Management	
(1) Mineral Revenue Collections........	13,896
(2) Mineral Revenue Compliance.........	7,032
(3) Systems Development & Operation....	13,941
Total, Royalty Management..........	34,869
C. General Administration	
(1) Executive Direction..............	3,212
(2) Administrative Operations.........	9,557
(3) General Support Services..........	7,799
Total, General Administration.....	20,568
Combined Total.............	$163,561

DEPARTMENT OF THE INTERIOR
MINERALS AND ROYALTY MANAGEMENT
Activity/Subactivity Change Crosswalk - FY 1985 Request
(In thousands of dollars)

Format of FY 1984 Congressional Budget

Appropriation/Activity/Subactivity	Amount 1985 Estimate
Minerals and Royalty Management:	
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program...	$ 42,501
(2) Resource Evaluation Program.......	27,551
(3) Regulatory Program................	33,113
Total, Outer Continental Shelf Lands....................	103,165
B. Royalty Management	
(1) Royalty Collections...............	23,699
(2) Royalty Compliance................	7,777
(3) Systems Development & Maintenance.	8,414
Total, Royalty Management.........	39,890
C. General Administration	
(1) Executive Direction...............	3,370
(2) Administrative Operations.........	9,692
(3) General Support Services..........	11,264
Total, General Administration.....	24,326
Combined Total..............	$167,381

Format of FY 1985 Congressional Budget

Appropriation/Activity/Subactivity	Amount 1985 Estimate
Minerals and Royalty Management:	
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program....	$ 44,472
(2) Resource Evaluation Program........	27,551
(3) Regulatory Program.................	31,142
Total, Outer Continental Shelf Lands.....................	103,165
B. Royalty Management	
(1) Mineral Revenue Collections........	12,545
(2) Mineral Revenue Compliance.........	10,255
(3) Systems Development & Operation....	17,090
Total, Royalty Management..........	39,890
C. General Administration	
(1) Executive Direction..............	3,498
(2) Administrative Operations.........	9,892
(3) General Support Services..........	10,936
Total, General Administration.....	24,326
Combined Total.............	$167,381

MINERALS MANAGEMENT SERVICE

Summary of Requirements
(dollar amounts in thousands)

Appropriation: Minerals and Royalty Management

SUMMARY OF BASE ADJUSTMENTS

	FTE-T	Amount	FTE-T	Amount
Appropriation, 1984			2,038	163,561
Adjustments to base				
Anticipated Savings from Management Initiatives				
Management Bulge Reduction	--	-194		
Centralized Travel Office Savings	--	-21		
Savings Related to A-76	-7	--		
Total Adjustment for 1984 Pay Increase	+30	+2,830	--	
Transfers:				
Transfer to Office of Aircraft Services	--	-261		
Other increases and/or decreases				
Employees' Compensation Fund	--	+22		
Unemployment Compensation Fund	--	+280		
Rental Payments to GSA (SLUC)	--	+1,815		
Full-Year Cost in 1985 of Positions Funded for Part of Year in 1984	+5	+140		
One More Workday in 1985	--	+254		
Total Adjustments to Base			+28	+4,865
1985 Base Budget			2,066	168,426

Comparison by Activity/Subactivity	FY 1983 Act. FTE-T[1]	FY 1983 Act. Amount	FY 1984 Enacted To Date FTE-T	FY 1984 Enacted To Date Amount	FY 1985 Base FTE-T	FY 1985 Base Amount	FY 1985 Est. FTE-T	FY 1985 Est. Amount	Inc.(+)/Dec.(-) from 1984 FTE-T	Inc.(+)/Dec.(-) from 1984 Amount	Inc.(+)/Dec.(-) from 1985 Base FTE-T	Inc.(+)/Dec.(-) from 1985 Base Amount
OCS Lands												
Leasing & Environmental Program	302	43,485	372	43,975	365	44,472	365	44,472	-7	+497	--	--
Resource Evaluation Program	369	30,724	397	32,014	427	32,551	397	27,551	--	-4,463	-30	-5,000
Regulatory Program	421	30,667	420	32,135	420	32,437	419	31,142	-1	-993	-1	-1,295
Subtotal	1,092	104,876	1,189	108,124	1,212	109,460	1,181	103,165	-8	-4,959	-31	-6,295
Federal and Indian Lands 2/												
Subtotal	425	17,067	--	--	--	--	--	--	--	--	--	--

Comparison by Activity/Subactivity	FY 1983 Act. FTE-T[1]	FY 1983 Act. Amount	FY 1984 Enacted To Date FTE-T	FY 1984 Enacted To Date Amount	FY 1985 Base FTE-T	FY 1985 Base Amount	FY 1985 Est. FTE-T	FY 1985 Est. Amount	Inc.(+)/Dec.(-) from 1984 FTE-T	Inc.(+)/Dec.(-) from 1984 Amount	Inc.(+)/Dec.(-) from 1985 Base FTE-T	Inc.(+)/Dec.(-) from 1985 Base Amount
Royalty Management												
Mineral Revenue Collections	255	10,347	298	13,896	303	12,545	303	12,545	+5	-1,351	—	--
Mineral Revenue Compliance	167	7,249	177	7,032	177	8,199	198	10,255	+21	+3,223	+21	+2,056
Systems Development and Operations	44	18,968	61	13,941	61	15,040	61	17,090	--	+3,149	—	+2,050
Subtotal	466	36,564	536	34,869	541	35,784	562	39,890	+26	+5,021	+21	+4,106
General Administration												
Executive Direction	64	3,125	73	3,212	73	3,498	73	3,498	--	+286	—	—
Admin. Operations	220	10,532	224	9,557	224	9,892	224	9,892	--	+335	--	--
Gen. Support Services	4	9,963	16	7,799	16	9,792	16	10,936	—	+3,137	—	+1,144
Subtotal	288	23,620	313	20,568	313	23,182	313	24,326	--	+3,758	--	+1,144
Total Requirements	2,271	182,127	2,038	163,561	2,066	168,426	2,056	167,381	+18	+3,820	-10	-1,045

1/Actual FY 1983 FTE-T was accounted for by budget activity only as the account structure then in existence and did not permit accounting at the subactivity level. Accordingly, actuals at the subactivity level reflect best available estimates.

2/Reflects transfer of Federal and Indian Lands activity to the Bureau of Land Management in FY 1983 pursuant to Secretarial Order 3087.

MINERALS MANAGEMENT SERVICE

Justification of Adjustments to Base

(dollar amounts in thousands)

	FTE-T	Amount
Appropriation: Minerals and Royalty Management		
Anticipated savings from management initiatives:		
In FY 1985 certain management initiatives will be conducted to improve performance and cost effectiveness of the Bureau's management and support functions. The savings expected to result from these initiatives are discussed below.		
Management bulge reduction..........................	---	-194
In FY 1985, approximately 10 positions in the GS 11-15 range will be affected by this management initiative. These positions will be filled at a lower grade level.		
Centralized travel office savings.....................	---	-21
This management initiative involves closing the Department's centralized travel office in Washington in FY 1985 and obtaining services from private travel agencies. Resulting savings are anticipated to be $21,000 in FY 1985.		
Savings related to A-76..............................	-7	---
This management initiative involves estimated savings of 7 FTE's resulting from contracting out services currently provided by Bureau personnel, based on cost comparison reviews conducted under OMB Circular A-76. Although funding savings are anticipated as a result of these reviews, dollar savings are not forecast until later years due to uncertainty regarding one-time costs associated with the conversion of services from a Government-operated to a contractor-operated basis.		
Total adjustments for 1984 pay increase		
Anticipated FY 1984 pay increase supplemental ... 1,064		
Amount of FY 1984 pay increase to be absorbed ... 1,064		
Total cost in FY 1984 of pay increase 2,128		
Amount in FY 1985 to provide full-year 1984 costs 702		
Total adjustment for 1984 pay increase....................	+30	+2,830

The anticipated 1984 pay supplemental of $1,064,000 is for general schedule and executive pay increases effective with the first pay period in January 1984. An additional $702,000 is required in 1985 to cover the full year cost of the 1984 pay increase for general and executive schedule.

Funding of the pay cost absorption in FY 1984 is made possible by the projected lapse of 30 FTE in FY 1984 as programs continue to staff toward full levels following the establishment of the Bureau. In FY 1985, these 30 FTE have been restored as full staffing will have been achieved by the beginning of the fiscal year.

Transfers

Transfer to the Office of Aircraft Services.................. --- $ -261

In FY 1985 certain costs of the Office of Aircraft Services will be funded in the Departmental Management Appropriation. The amount being transferred ($261,000) represents the current estimate of the Minerals Management Service's pro rata share of these costs.

Other Increases and/or decreases:

Employees' Compensation Fund............................. --- $ +22

The increase in the repayment to the Employee's Compensation Fund is the result of higher costs in the 1982-83 expense period. These charges will be reimbursed to the Department of Labor, Employees' Compensation Fund, with FY 1985 funds pursuant to Public Law 94-273.

Unemployment compensation payments....................... --- $ +280

The increase in payment to the Federal Employment Compensation Account (FECA) is the result of higher costs for unemployment compensation payments. These charges will be reimbursed to the Department of Labor, Federal Employment Compensation Fund, in 1985 pursuant to Public Law 96-499.

Rental payments to GSA (SLUC)............................ --- $ +1,815

The GSA conducted a Fair Annual Rental (FAR) appraisal, which resulted in a FY 1985 estimate of $6,000,000 for space occupied in FY 1984. The amount of $4,185,000 provided in the FY 1984 appropriation for SLUC was subtracted from the estimate of $6,000,000 and included as an adjustment of $1,815,000 to the FY 1985 base.

<u>Full-year cost in 1985 of positions (FTE-T) funded for part of year in 1984</u>.........................	+5	$ +140

The increase results from the annualization of 5 FTE positions that had been lapsed in the FY 1984 increase for the Mineral Revenue Collections subactivity.

<u>One more workday in FY 1985</u>................................	---	$ +254

The increase for personnel compensation results from there being one more workday in FY 1985 than in FY 1984 for most full-time employees.

MINERALS MANAGEMENT SERVICE
Summary of Funding by Subactivity

Activity: Outer Continental Shelf (OCS) Lands

(Dollar Amounts in Thousands)

Subactivity	FY 1983 Actual	FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Increase (+) Decrease (-) from 1984	Increase (+) Decrease (-) from 1985 Base
Leasing and Environmental Program	43,485	43,975	44,472	44,472	+497	--
Resource Evaluation Program	30,724	32,014	32,551	27,551	-4,463	-5,000
Regulatory Program	30,667	32,135	32,437	31,142	-993	-1,295
Total	104,876	108,124	109,460	103,165	-4,959	-6,295

Activity: Outer Continental Shelf (OCS) Lands

The Outer Continental Shelf (OCS) Lands Budget Activity provides resources to support the Interior Department's consolidated program for administering all functions related to the offering and award of energy and mineral leases and regulation of exploration, development, and production on Federally-leased OCS lands. The budget for the program is described in three subactivities entitled: Leasing and Environmental Program, Resource Evaluation Program, and Regulatory Program. This division is a useful description of the major activities of the Minerals Management Service on the Outer Continental Shelf Lands, and each subactivity represents an integral component of a highly coordinated program. OCS program activities are directly responsive to: (1) The Administration's policy to increase the Nation's reliance on its own energy and nonenergy resources; (2) the OCS Lands Act, the OCS Lands Act Amendments of 1978 (OCSLAA), the Coastal Zone Management Act (CZMA) and other relevant statutes, and (3) the Administration's efforts to improve the Federal regulatory process. In FY 1985, MMS' efforts will continue to emphasize carrying out the 5-year OCS Oil and Gas Leasing Schedule approved in July 1982 (see Figures 1, 2, and 3 for the leasing schedule and related milestones and geographic distribution of the planning areas for the proposed offerings) and the effective supervision of industry operations on all leases on the OCS.

The primary focus of the OCS program is the offering and issue of offshore mineral leases, and the supervision, monitoring, and regulation of the exploration and development of oil and gas resources. A more specific effort was begun in FY 1983 directed toward developing a process for leasing strategic and critical minerals and sand and gravel on the OCS, which will provide for future production of much needed commodities.

U.S. DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

TENTATIVE MILESTONES FOR 5-YEAR OFFSHORE LEASING SCHEDULE

JANUARY 12, 1984

1984

SALE	Proposed Date	J	F	M	A	M	J	J	A	S	O	N	D
79 E. Gulf of Mexico	1/84	S											
83 Navarin Basin	4/84		G	N	S								
81 C. Gulf of Mexico	4/84		G	N	S								
80 S. California								ON			HOLD		
82 N Atlantic								ON			HOLD		
87 Diapir Field	6/84		F P		G	N	S						
84 W. Gulf of Mexico	7/84		P			G	N	S					
88 Gulf of Alaska/Cook Inlet	10/84	E	H				F P		G	N	S		
89 St. George Basin	12/84			E	H				F P		G	N	S
90 S. Atlantic	1/85				E	H				F P		G	N
85 Barrow Arch	2/85					E	H				F P		G
92 N. Aleutian Basin	4/85			E	H				F				P
98 C. Gulf of Mexico	5/85								E	H			
111 Mid-Atlantic	6/85	A								E	H		
102 W. Gulf of Mexico	8/85								E	H			
91 C. & N. California	9/85	C	D		A								
100 Norton Basin	10/85	C	D		A								
94 E. Gulf of Mexico	11/85								E	H			
95 S. California	1/86					C	D		A				
96 N. Atlantic	2/86						C	D		A			
107 Navarin Basin	3/86							C	D		A		
104 C. Gulf of Mexico	4/86								C	D		A	
97 Diapir Field	6/86										C	D	
105 W. Gulf of Mexico	7/86								C	D		A	
99 Kodiak	10/86												
101 St. George Basin	12/86												
108 S. Atlantic	1/87												
109 Barrow Arch	2/87												
110 C. Gulf of Mexico	4/87												
86 Shumagin	6/87												

1985

SALE	Proposed Date	J	F	M	A	M	J	J	A	S	O	N	D
79 E. Gulf of Mexico	1/84												
83 Navarin Basin	4/84												
81 C. Gulf of Mexico	4/84												
80 S. California													
82 N Atlantic													
87 Diapir Field	6/84												
84 W. Gulf of Mexico	7/84												
88 Gulf of Alaska/Cook Inlet	10/84												
89 St. George Basin	12/84												
90 S. Atlantic	1/85	S											
85 Barrow Arch	2/85	N	S										
92 N. Aleutian Basin	4/85		G	N	S								
98 C. Gulf of Mexico	5/85	F P		G	N	S							
111 Mid-Atlantic	6/85		F P		G	N	S						
102 W. Gulf of Mexico	8/85	F			P		G	N	S				
91 C. & N. California	9/85	E	H			F P		G	N	S			
100 Norton Basin	10/85	E	H				F P		G	N	S		
94 E. Gulf of Mexico	11/85	F						P		G	N	S	
95 S. California	1/86				E	H				F P		G	N
96 N. Atlantic	2/86					E	H				F P		G
107 Navarin Basin	3/86						E	H				F P	
104 C. Gulf of Mexico	4/86							E	H				F P
97 Diapir Field	6/86	A								E	H		
105 W. Gulf of Mexico	7/86							E	H				F
99 Kodiak	10/86		C	D		A							E
101 St. George Basin	12/86				C	D		A					
108 S. Atlantic	1/87					C	D		A				
109 Barrow Arch	2/87						C	D		A			
110 C. Gulf of Mexico	4/87								C	D		A	
86 Shumagin	6/87										C	D	

1986

SALE	Proposed Date	J	F	M	A	M	J	J	A	S	O	N	D
79 E. Gulf of Mexico	1/84												
83 Navarin Basin	4/84												
81 C. Gulf of Mexico	4/84												
80 S. California													
82 N Atlantic													
87 Diapir Field	6/84												
84 W. Gulf of Mexico	7/84												
88 Gulf of Alaska/Cook Inlet	10/84												
89 St. George Basin	12/84												
90 S. Atlantic	1/85												
85 Barrow Arch	2/85												
92 N. Aleutian Basin	4/85												
98 C. Gulf of Mexico	5/85												
111 Mid-Atlantic	6/85												
102 W. Gulf of Mexico	8/85												
91 C. & N. California	9/85												
100 Norton Basin	10/85												
94 E. Gulf of Mexico	11/85												
95 S. California	1/86	S											
96 N. Atlantic	2/86	N	S										
107 Navarin Basin	3/86	G	N	S									
104 C. Gulf of Mexico	4/86		G	N	S								
97 Diapir Field	6/86		F P		G	N	S						
105 W. Gulf of Mexico	7/86			P		G	N	S					
99 Kodiak	10/86	H					F P		G	N	S		
101 St. George Basin	12/86			E	H				F P		G	N	S
108 S. Atlantic	1/87				E	H				F P		G	N
109 Barrow Arch	2/87					E	H				F P		G
110 C. Gulf of Mexico	4/87							E	H				F P
86 Shumagin	6/87	A								E	H		

1987

SALE	Proposed Date	J	F	M	A	M	J	J	A	S	O	N	D
79 E. Gulf of Mexico	1/84												
83 Navarin Basin	4/84												
81 C. Gulf of Mexico	4/84												
80 S. California													
82 N Atlantic													
87 Diapir Field	6/84												
84 W. Gulf of Mexico	7/84												
88 Gulf of Alaska/Cook Inlet	10/84												
89 St. George Basin	12/84												
90 S. Atlantic	1/85												
85 Barrow Arch	2/85												
92 N. Aleutian Basin	4/85												
98 C. Gulf of Mexico	5/85												
111 Mid-Atlantic	6/85												
102 W. Gulf of Mexico	8/85												
91 C. & N. California	9/85												
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96 N. Atlantic	2/86												
107 Navarin Basin	3/86												
104 C. Gulf of Mexico	4/86												
97 Diapir Field	6/86												
105 W. Gulf of Mexico	7/86												
99 Kodiak	10/86												
101 St. George Basin	12/86												
108 S. Atlantic	1/87	S											
109 Barrow Arch	2/87	N	S										
110 C. Gulf of Mexico	4/87		G	N	S								
86 Shumagin	6/87		F P		G	N	S						

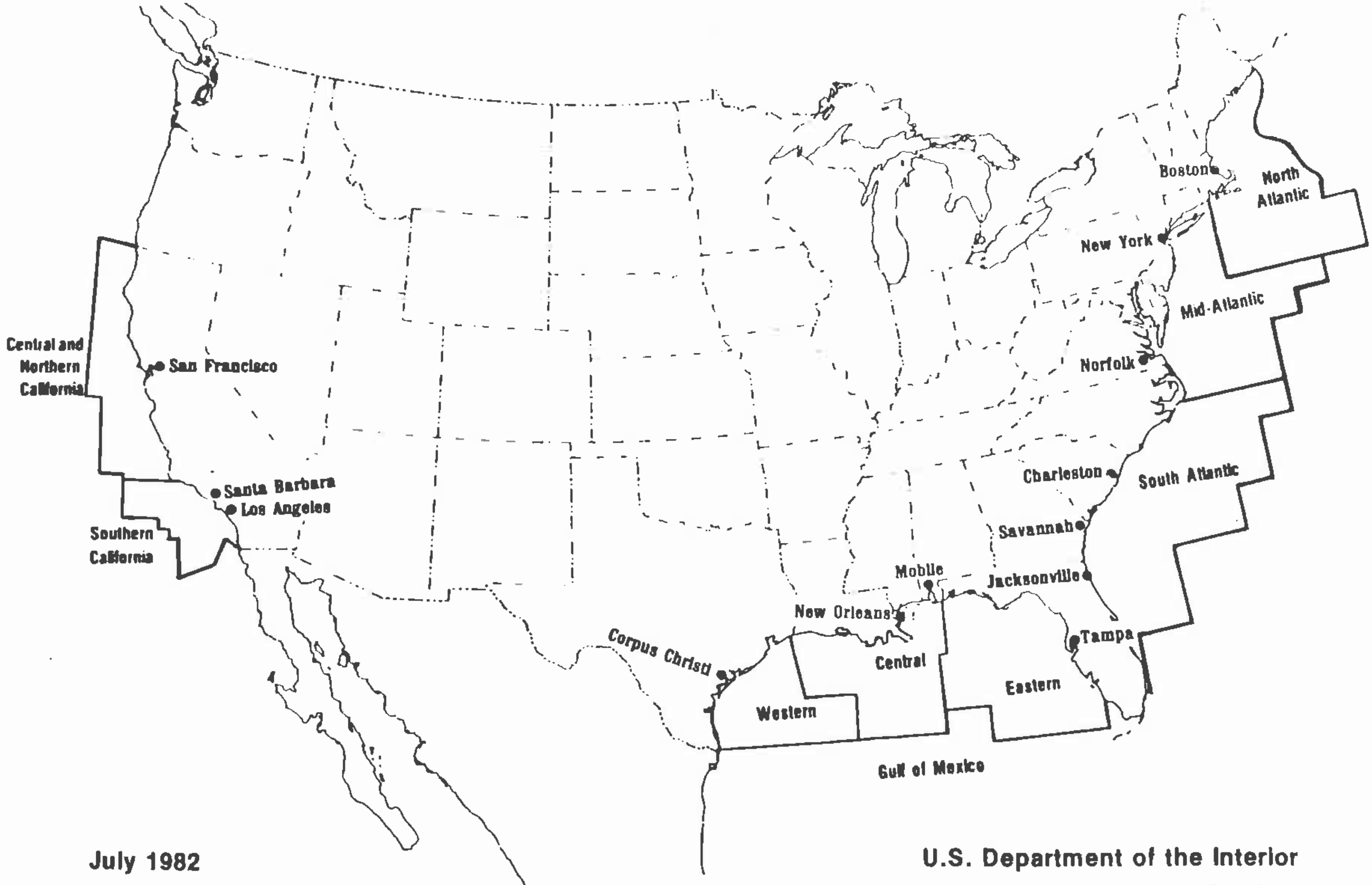
1988

SALE	Proposed Date	J	F	M	A	M	J	J	A	S	O	N	D
79 E. Gulf of Mexico	1/84												
83 Navarin Basin	4/84												
81 C. Gulf of Mexico	4/84												
80 S. California													
82 N Atlantic													
87 Diapir Field	6/84												
84 W. Gulf of Mexico	7/84												
88 Gulf of Alaska/Cook Inlet	10/84												
89 St. George Basin	12/84												
90 S. Atlantic	1/85												
85 Barrow Arch	2/85												
92 N. Aleutian Basin	4/85												
98 C. Gulf of Mexico	5/85												
111 Mid-Atlantic	6/85												
102 W. Gulf of Mexico	8/85												
91 C. & N. California	9/85												
100 Norton Basin	10/85												
94 E. Gulf of Mexico	11/85												
95 S. California	1/86												
96 N. Atlantic	2/86												
107 Navarin Basin	3/86												
104 C. Gulf of Mexico	4/86												
97 Diapir Field	6/86												
105 W. Gulf of Mexico	7/86												
99 Kodiak	10/86												
101 St. George Basin	12/86												
108 S. Atlantic	1/87												
109 Barrow Arch	2/87												
110 C. Gulf of Mexico	4/87												
86 Shumagin	6/87												

C - Call for Information
D - Information Due
A - Area Identification
E - NEPA Document
H - Public Hearing
F - NEPA Document
P - Proposed Notice of Sale
G - Governor's Comments Due
N - Notice of Sale
S - Sale

FIGURE 1

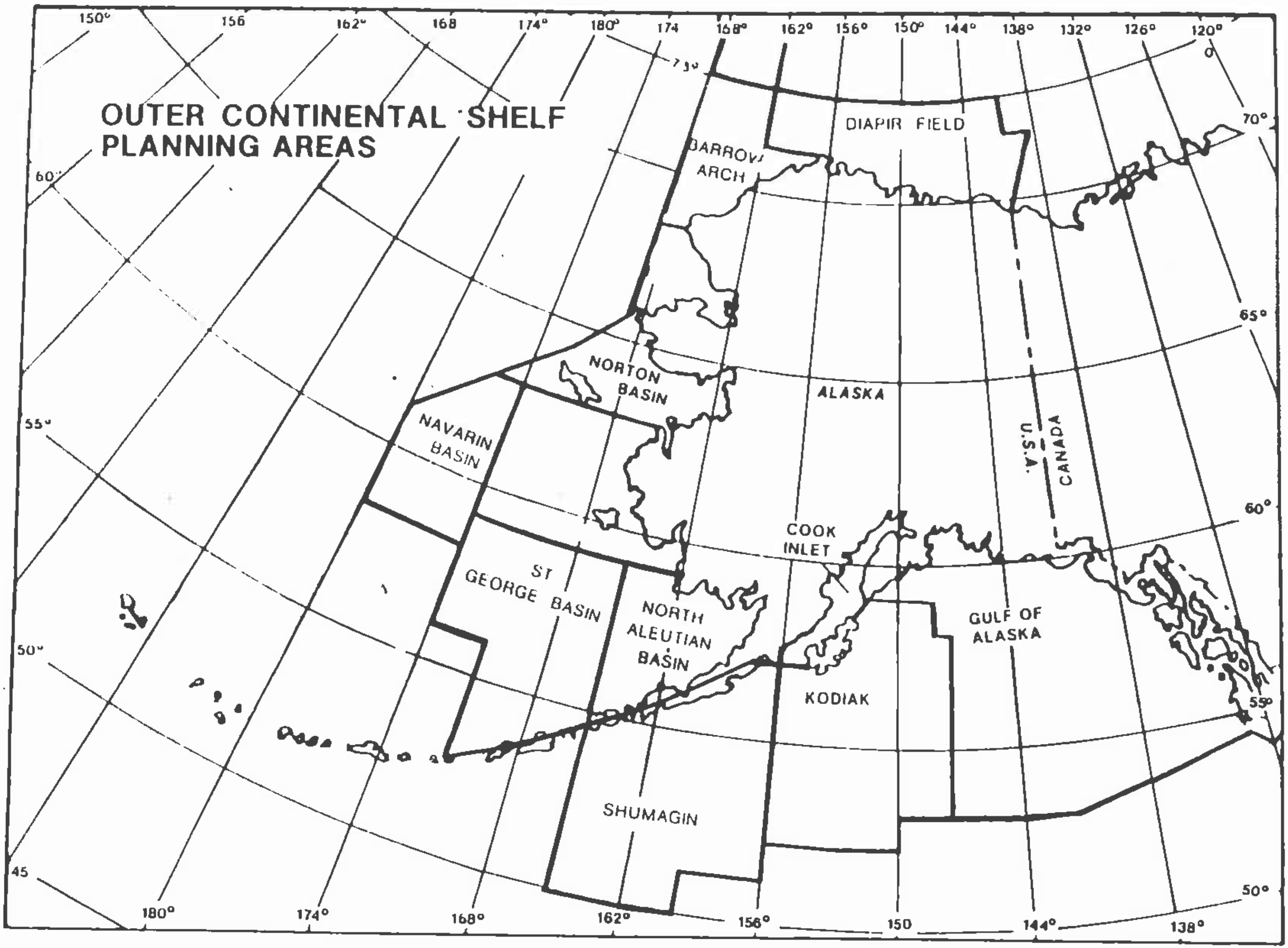
OUTER CONTINENTAL SHELF PLANNING AREAS



July 1982

U.S. Department of the Interior
Minerals Management Service

FIGURE 2



July 1982

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Minerals Management Service

FIGURE 3

Justification of Program and Performance

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

Program Element		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Leasing and Environmental Assessment	($)	16,087	16,584	16,584	+497	---
	(FTE-T)	(372)	(365)	(365)	(-7)	---
Environmental Studies	($)	27,888	27,888	27,888	---	---
	(FTE-T)	(---)	(---)	(---)	(---)	(---)
Total Requirements	($)	43,975	44,472	44,472	+497	---
	(FTE-T)	(372)	(365)	(365)	(-7)	(---)

Authorization

43 U.S.C. 1331-1343 P.L. 83-212 and P.L. 93-627	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf and provided for granting of leases to develop offshore energy and minerals.
43 U.S.C. 4321, 4331-4335, 4341-4347 ~~P.L. 91-190~~	The National Environmental Policy Act of 1969 required preparation of environmental impact statements for Federal projects having a significant effect on the environment.
43 U.S.C. 1801 P.L. 95-372	The Outer Continental Shelf Lands Act Amendments of 1978 established a policy for the management of oil and gas in the Outer Continental Shelf and required revision of bidding systems and lease administration, coordination and consultation with affected State and local governments, development of environmental studies for lease sale areas, and development of a five-year leasing program.

Leasing and Environmental Assessment

Objectives

Long Term

- Implement the 5-Year OCS Oil and Gas Leasing Schedule.
- Insure informed decisionmaking and compliance with the National Environmental Policy Act (NEPA) and other statutes in support of the OCS Leasing and Regulatory Programs, including the performance of oilspill trajectory analyses and environmental and socioeconomic studies.

- Implement and refine procedures for the conduct of a strategic and critical minerals leasing program.

- Issue leases as quickly as possible after each lease sale to ensure early receipt of revenues.

Specific 1985 Objectives

- Complete all major prelease planning milestones on 22 oil and gas lease offerings in progress during the fiscal year.

- Conduct 9 oil and gas lease offerings potentially involving up to 455 million acres.

- Complete prelease milestones for up to 6 strategic and critical mineral or sand and gravel lease offerings, and conduct up to 3 such offerings.

- Review and revise, as necessary, the 5-year OCS oil and gas leasing schedule.

Base Program

The primary functions of the Leasing and Environmental Assessment Program are: (1) To manage and directly support the OCS oil and gas leasing activities, beginning with the Call for Information through preparation of draft and final Environmental Impact Statements (EIS's) and Secretarial Issue Documents (SID's) and other decision documents, and ending with the conduct of the offering and the issuance of leases; and (2) to review and assess the environmental impacts associated with permits issued under the Resource Evaluation and Regulatory Program subactivities. Coordination of the oil and gas leasing program with other Federal agencies, including consultation with affected State and local governments and the public sector, is a major task of this program. Additionally, the activities required to develop an OCS nonenergy minerals leasing program will continue and nonenergy minerals lease offerings will be scheduled in FY 1985 and beyond.

Leasing

The OCS Leasing Program, while accomplishing its program objectives, also supports the Administration's goals of reducing the Nation's reliance on foreign oil sources, enhancing national security, and strengthening the Nation's economy.

Major economic benefits resulting from the OCS Leasing Program are the bonuses and rents paid for leases, which were approximately $8.1 billion in FY 1983, and royalty receipts from producing OCS leases, which are estimated to be $3.3 billion in FY 1985, and are expected to increase in future years. Accomplishments through FY 1983 in the OCS Leasing Program include having offered for lease on the OCS 33,718 oil and gas tracts (175.6 million acres).

Under the OCS Lands Act, the Secretary of the Interior must develop a leasing schedule (Figure 1) that indicates as precisely as possible the size, timing, and location of leasing activity for the 5-year period following approval. The schedule is a planning document. The specific size, timing, and location of lease offerings are determined through the prelease process, the major steps of which are shown on Figures 1 and 4.

CHRONOLOGY OF THE OCS LEASING PROCESS

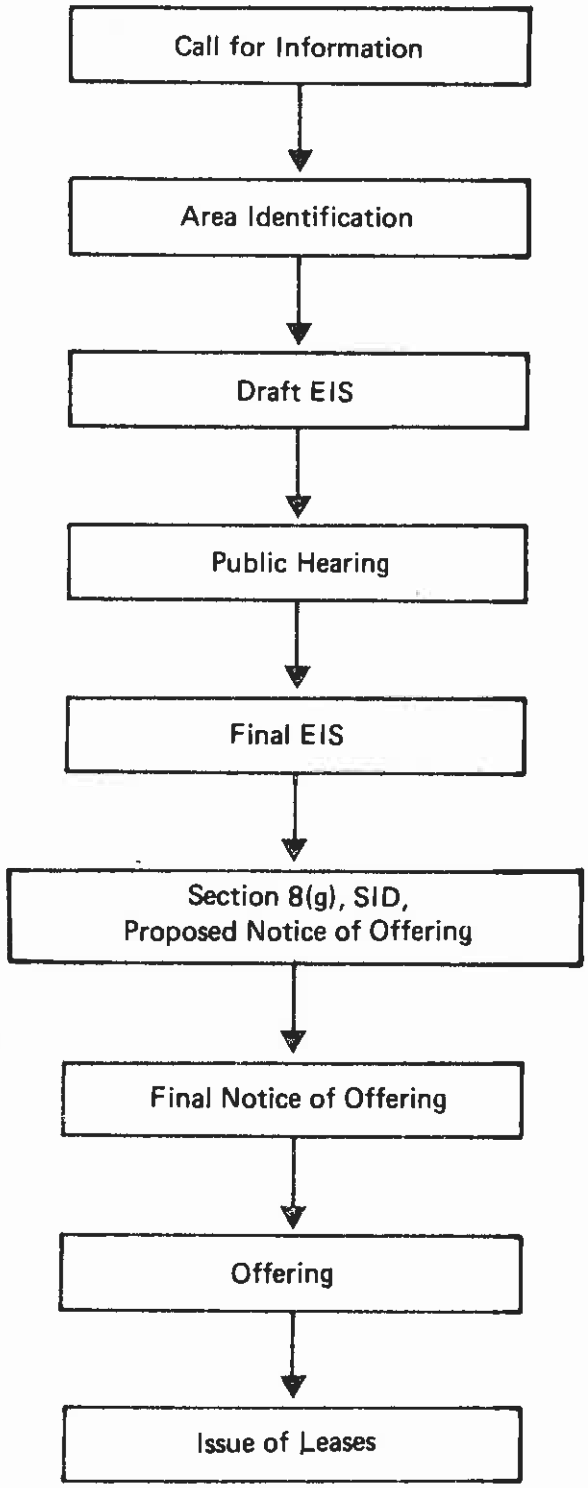


FIGURE 4

An annual review of the 5-year Oil and Gas Leasing Schedule is required by Section 18(e) of the OCS Lands Act Amendments of 1978 (OCSLAA). Based on the type of factors analyzed in the FY 1983 review and the fact that when FY 1985 begins 26 months will have passed since the issuance of the 5-year OCS Oil and Gas Leasing Schedule, it is anticipated that the FY 1984 review will result in a decision to make significant revisions, particularly the addition of offerings beyond FY 1987. Potentially, a revision of the 5-year leasing schedule could begin in FY 1985. This revision will be made under the same procedures used to develop the July 1982 5-year schedule--a process requiring 1.5 to 2 years to complete, including the preparation of any necessary NEPA documents.

To support the 5-year OCS Oil and Gas Leasing Schedule (Figures 1, 2, and 3), the Minerals Management Service must complete a number of major steps in the leasing process, which are shown in Figure 4 and described below in chronological order. These activities rely both on environmental assessment and environmental studies data produced in this subactivity, on basic and interpretive data and outputs produced by programs within the Resource Evaluation subactivity, and on results of consultations with States and other Federal agencies.

The Call for Information: This Federal Register publication provides a basis for making the Area Identification which determines the area to be analyzed in National Environmental Policy Act (NEPA) documents as the proposed lease offering. It solicits comments by industry, States, local governments, and other parties on portions of the planning area which they believe have potential for discovery of oil and gas and areas or topics of concern that should be considered in further steps in the leasing process. The Call opens an entire planning area for consideration and highlights the area having geologic potential as determined directly from work carried out by the Resource Evaluation staff. In FY 1985, eight Calls will be prepared and published covering about 383 million acres and including 6 of the 18 planning areas.

Area Identification: Following the Call for Information, the area that is believed to have potential for commercial production of oil and gas is identified from information collected through the Call for Information and from resource estimates and economic and development data and analyses developed by the Resource Evaluation program staff. This Area of Geologic Potential is considered along with information from the Call, and then the area to be proposed for leasing and to be analyzed in the NEPA document is identified. Where States, environmental, and military conflicts exist for any area, attempts are made at resolution. If such areas do not meet essential tests of potential energy value they can be dropped from further consideration. In FY 1985, eight Area Identifications are planned.

National Environmental Policy Act (NEPA) Process: This process is more fully described in a following section entitled Environmental Assessment but is briefly described here since it is an integral part of the leasing process. The process consists of the preparation of a draft and final EIS and all related public hearings and may begin as early as a year before the Call for Information with the development of general descriptive material on the planning area. Environmental and socioeconomic modelling efforts must be planned and information needs identified during this early phase. Usually this preliminary analysis occurs before detailed, lease-offering specific information and resource estimates are available.

The information that is developed during the NEPA process is carried forward during preparation and review of the Secretarial Issue Document (SID) and proposed and final Notices of Offering. The NEPA documents contain a detailed analysis of the potential environmental, economic, and social effects of the proposal based on resource estimates and development scenarios formulated by the Resource Evaluation Program. Additionally, the preparation of NEPA documents identifies information needs that the Environmental Studies Program can satisfy for use in later postlease activities or subsequent offering processes.

A Draft Environmental Impact Statement (DEIS) is filed with the Environmental Protection Agency (EPA) and released for public review about 8 months after the Area Identification.

Public Hearings are usually held 30 to 45 days after the draft is released to allow additional opportunity for interested individuals and groups to comment and provide information prior to the preparation of the final EIS.

Minerals Management Service considers all of the comments provided during the public review, revises the draft EIS as appropriate, and releases a Final EIS and a Proposed Notice of Offering (discussed below) approximately 3 months after the Public Hearings.

The Lease Offering Decision Process is comprised of several critical elements. First, a Secretarial Issue Document (SID) and a companion summary decision memorandum are prepared summmarizing the findings of the planning work, such as resource potential, economic benefits, and bidding systems (derived from the Resource Evaluation Program subactivity); risks to the marine, coastal, and human environment derived from the EIS; a consideration of the potential for conflicts with State Coastal Zone Management Programs; and the views of Governors and local governments of affected States and other Federal agencies as reflected in comments in the DEIS. Second, based on the Secretary's decision, a Proposed Notice of Offering is prepared, which contains all of the terms and conditions, including bidding systems and stipulations, proposed for the offering. Third, the proposed Notice is sent to the Governors of the potentially affected coastal States for their comments (required by Section 19 of the OCS Lands Act) and is published in the Federal Register for public review. At the same time, coordination with State Coastal Zone Management Programs is also carried out.

In addition, Section 8(g) of the OCS Lands Act requires notification of a Governor of any tract that is to be offered for lease that is located within three miles of the State's seaward boundary. The Governor is provided with information on the proposed sale area such as the leasing schedule, geophysical, geological, and ecological characteristics, and estimates of the oil and gas resources. Much of this information is developed in the Resource Evaluation Program subactivity. In addition, prior to the decision process for the proposed Notice of Offering, detailed diagrams (maps) are produced of each block in the offering which will be subject to Section 8(g). This entails archival research into the State/Federal boundary history, mathematical computations, and mapping of both the 3-mile (split block) and 6-mile (8(g)) geographic lines. Also, diagrams are reviewed by the affected State(s) which can require additional technical negotiations before both parties agree. In FY 1985, an estimated 1,095 split block and 8(g) block diagrams will be produced.

Under Section 8(g), the Governor of each affected State must be provided with an opportunity to enter into an agreement with the Federal Government concerning disposition of revenues which may be generated by a Federal lease of a tract with common oil and gas pools. This offer is made concurrent with the decision process on the Proposed Notice of Offering.

In addition to receipt of State comments on the proposed Notice, extensive negotiations may be carried out with State officials regarding terms and conditions of the lease offering, especially tracts to be offered and applicable stipulations. The comments of the Governors are reviewed, analyzed, and summmarized in a Final Decision Memorandum, along with late arriving data or information for a final Secretarial decision on size, timing, and location of the offering. This decision is reflected in the Final Notice of Offering, which is published in the Federal Register at least 30 days prior to the lease offering.

Lease Offering and Issue of Leases: The lease offering is held for the purpose of publicly opening the sealed bids that have been submitted on tracts listed in the Notice. At the time of the offering, no decisions are made concerning which high bids will be accepted. Within 90 days of the offering, evaluation of high bids occurs leading to a decision to accept or reject high bids and to offer leases to successful (acceptable) bidders. Although personnel in the Leasing and Environmental Program subactivity develop the decision material, personnel in the Resource Evaluation Program subactivity perform the evaluation. Leases are offered to successful bidders who have 15 days to accept and pay the remaining four-fifths of the bonus bid, as well as the first year's rental on the lease.

Throughout the life of the lease, any adjudication and maintenance of leases is the responsibility of the Leasing and Environmental Program subactivity. This includes developing and updating bidder qualification files and lease records and processing of lease assignments and relinquishments. All rents on undeveloped leases, and royalties on producing leases, are collected and accounted for by the Royalty Management Program.

The first offerings for critical and strategic minerals, and sand and gravel related to oil and gas development, are being considered for FY 1984. The prelease steps will be somewhat similar to those for oil and gas offerings. However, rather than a Call for Information, it is anticipated that decisions on what commodities to offer will be based on formal contacts, results of participation in workshops and conferences on related topics, and unsolicited indications of industry interest. The planning stage will begin with a Federal Register Notice of Intent to prepare an EIS. This will solicit comments to help design the proposal. A Draft EIS, hearings, and Final EIS will follow. Next, a Federal Register Notice of Preliminary Terms and Conditions will solicit comments on possible lease terms and conditions, such as offering configuration, lease term, bidding system, etc. After receiving comments, decision material will be prepared, decisions made, and a Notice of Offering will be published in the Federal Register. Comments from affected States and others will be solicited through the Notice of Intent, draft EIS publication and hearing, and the Notice of Preliminary Terms and Conditions.

In addition to major elements of the OCS leasing process described above, the process includes other significant activities. The OCSLAA requires consultation by Minerals Management Service with affected States and other interested parties on all aspects of leasing, exploration, development, and production of the resources on the OCS. This requirement is partially fulfilled through the activities of the OCS Advisory Board, which is composed of: (1) A Policy Committtee; (2) Regional Technical Working Group Committees; and (3) an Environmental Scientific Committee. The Policy Committee, which meets two or three times each year, includes representatives of the Governors of coastal States, various Federal agencies, and the private and public sector.

Six Regional Technical Working Group Committees, which operate at the field level and meet as needed during the year, provide advice to the Secretary on technical questions and issues relating to OCS activities. Membership totals about 110-120 technical level representatives of coastal States, Federal agencies, and members of the private and public sector.

The Environmental Scientific Advisory Committee, is composed of 15 scientists, each selected on the basis of technical expertise in a discipline of importance to the Studies Program. The Committee meets three times each year and advises the Secretary on the feasibility, appropriateness, and scientific value of the OCS Environmental Studies Program described later in this document.

Consultation is carried out throughout the leasing process with Federal agencies such as the Department of Defense, the National Aeronautics and Space Administration, the Coast Guard, and the National Oceanic and Atmospheric Administration regarding potential multiple-use conflicts within a proposed offering area.

A tentative schedule of possible nonenergy mineral offerings has been developed in Minerals Management Service for planning purposes. It is based on current assessments of industry interest, past solicitations, and on recent unsolicited requests for rights to explore for and produce such minerals. Based on this tentative schedule, up to three nonenergy mineral offerings may be conducted in FY 1985. Preparation will begin for two sand and gravel, and one strategic and critical mineral offerings in FY 1986.

Environmental Assessment

In FY 1985, all OCS NEPA-related work, both prelease and postlease, will be accomplished within the Leasing and Environmental Program. In FY 1983 and 1984 most NEPA activity relative to postlease or regulatory programs was funded within the Regulatory Program.

During FY 1983 and 1984, the Minerals Management Service established an organization responsible for all environmental concerns pertinent to the OCS Program. This organization maintains all expertise and uses the information gained in the Environmental Studies Program to address all environmental concerns related to the OCS Program. The organizational integration of all environmental activities in the one program element reflects the reality that many environmental concerns are germane to both the prelease and postlease decision processes. All funding for environmental activities is, therefore, provided through this program element. A transfer of both funds and positions to the Leasing and Environmental Program from the Regulatory Program has been completed as an adjustment to the base budget.

Prelease NEPA Process. As previously noted, this process may be started as early as one year before the Call for Information with the development of general descriptive material. This is followed by scoping, which marks the beginning of the development of the EIS for each lease offering and usually begins at the time of the Call for Information.

Contacts with the public and various State and local governments, and review by Minerals Management Service staff identify significant issues to be analyzed in the EIS. Additionally, the information gathered and developed during scoping assists in the design of the offering proposal, in identifying alternatives, and in focusing the EIS on the major issues of concern.

One of the most useful and critical inputs to the preleasing environmental assessment process is the oil spill risk analysis. This is an environmental modelling technique which incorporates the best available physical oceanographic and meteorological data; the location and volumes of oil expected to be produced as a result of the lease offering; the location of environmental resources (e.g., fish spawning areas, recreational beaches, whale migration routes, etc.); transportation routes; and the likelihood of accidents based on past records. The model provides a measure of the likelihood of oil spill occurrence, as well as the likely trajectories of spills in relation to recreational and biological resources. Based on the model results, an oil spill risk analysis report is prepared for each lease offering. This report is used to make an assessment of the effects of the proposed sale. The availability of adequate environmental data, such as that on wind and ocean currents, is a critical factor. The Environmental Studies Program provides for timely gathering and analysis of these data as well as for examination of historical oil spill and accident statistics. Oil resource estimates are provided by the Resource Evaluation Program subactivity.

The need occasionally arises for special model runs to analyze issues raised after completion of the EIS; for example, an issue raised by a State in response to the Proposed Notice of Offering.

The development of mitigating measures appropriate to the pertinent environmental concerns is another critical phase of the prelease NEPA process. Lease stipulations and Information to Lessees clauses, which are implemented through work in the Regulatory Program subactivity, are developed in conjunction with the environmental analyses. These mitigating measures, in conjunction with the existing regulatory framework, have proven to be an effective and economical means of minimizing many potential environmental effects while maximizing the effort to lease and develop onshore oil and gas resources. Additionally, much of the analytical environmental work carried out at this stage provides background information that directly supports Environmental Analyses related to review and permitting of postlease activities.

Pursuant to Section 7 of the Endangered Species Act of 1974, Minerals Management Service formally consults with the National Marine Fisheries Service (NMFS) and/or the U.S. Fish and Wildlife Service (FWS), as appropriate, if the proposed activity has the potential to affect an endangered species. The Minerals Management Service provides NMFS/FWS with detailed background information on each lease offering and formally requests their "Biological Opinion" on whether OCS mineral leasing, exploration, and development in an area will jeopardize the continued existence of one or more endangered species. The formal consultation process is associated with the preparation of the EIS, and the information provided is factored into the EIS analysis and the lease-offering decision process. Additional consultation is undertaken as necessary at the development stage.

A Draft Environmental Impact Statement (DEIS) is filed with the Environmental Protection Agency (EPA) and released for public review about 8 months after the Area Identification. The public, State and local governments, other Federal agencies, and the oil and gas industry review and comment on the document. Public Hearings are usually held 30 to 45 days after the draft is released to allow additional opportunity for interested individuals and groups to comment and provide information prior to the preparation of the final EIS.

Minerals Management Service considers all of the comments provided during the public review, revises the draft EIS as appropriate, and releases a Final EIS about 3 months after the Public Hearings. In FY 1984, seven draft EIS's will be published while four will be in preparation; seven final EIS's will be published and two will be in preparation. In FY 1985, eight draft and nine final EIS's will be published; four draft EIS's and three final EIS's will be in preparation. Additionally, in FY 1984 and FY 1985, nine technical papers are planned for publication. These papers support the lease offering EIS's, and can be incorporated by reference into the EIS, thus avoiding lengthy technical and descriptive material, while maintaining the usefulness of the EIS as a decisionmaking document.

Included under prelease environmental activities are reviews and analyses performed for areawide exploratory geological and geophysical activities permitted under the Resource Evaluation Program subactivity. These activities require Categorical Exclusion Reviews (CER's) or Environmental Assessments.

Postlease Environmental Activities. After the issuance of a lease, lessees are notified of any special requirements (outside of the normal requirements set forth in OCS regulations) on a lease needed to mitigate potential impacts identified during the prelease NEPA process. Such special requirements include those measures needed to fulfill the stipulations developed through the prelease NEPA process and are applicable only to specific tracts.

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

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

In addition, section 25 of the OCSLAA states that an EIS will be prepared for the approval of at least one development and production plan in any area other than the Gulf of Mexico. In FY 1985, one developmental EIS is tentatively planned to be in preparation for Alaska. One or two EIS's likely to be prepared for California will be funded by non-Federal sources although review of of these documents will be undertaken by MMS personnel.

During conduct of lessee operations, activities are monitored to ensure compliance with any required mitigation measures and that the measures in place are sufficient to mitigate the adverse impacts. By carefully evaluating the mitigation measures, technical and operational requirements are kept up-to-date and are incorporated in regulations, orders, and conditions for granting permits.

Outputs and Estimated Unit Costs. The following table provides: 1) A summar of the number of major activities for oil and gas lease offerings in the Leas and Environmental Assessment Program planned to be accomplished in FY 1985; (2) a comparison for FY 1983 and FY 1984; and 3) estimates of the average FY 1985 unit costs directly associated with accomplishing these planned activities.

Major Activities	Actual FY 1983	Estimated FY 1984	Planned FY 1985	Estimated Averag Unit Cost ($)
Call for Information	7	7	8	40,000
Area Identification	6	7	8	25,600
Secretarial Issue Document	8	8	9	43,800
Proposed Notice of Offering	8	8	9	40,200
State Consultation Letters (Sec. 19)	31	28	26	13,300
Final Notice of Offering	7	8	9	34,400
Lease Offering	7	8	9	241,200
Lease Offering Draft Environmental Impact Statement	7	7	8	405,900
Public Hearing for Lease Offering EIS	7	6	11	12,400
Lease Offering Final Envionmental Impact Statement	5	7	9	166,100
Development Environmental Impact Statement	--	1	1	750,000

Public Hearing for Development EIS	--	1	4	7,200
Endangered Species Consultations	2	4	5	7,200
Prelease Categorical Exclusion Review	120	110	175	370
Postlease Categorical Exclusion Review	962	1,066	1,178	214
Prelease Environmental Assessment	4	5	9	8,090
Postlease Environmental Assessment	101	111	139	4,330
Environmental Reports Review	321	380	394	380

1/Actual FY 1985 unit costs may vary from these estimates because of the implementation of initiatives presently being considered.

Environmental Studies

Objectives

Conduct a studies program:

- o That provides information necessary for prediction, assessment, and management of potential effects of oil and gas activities on the OCS and adjacent coastal areas.

- o Designed to support the 5-year OCS Oil and Gas Leasing Schedule and potential nonenergy mineral offerings by providing data to support regional and national information needs.

- o To monitor postlease OCS oil and gas operations.

Base Program

The resources of the Environmental Studies Program were originally devoted to support prelease decisions involving the prediction and assessment of environmental impacts of OCS oil and gas operations. This strategy was based on the need for this information in the numerous frontier regions existing during FY 1973-1977 and on the limited areas in which to conduct well-defined monitoring studies.

Since its inception in 1973, the program has supported prelease studies in all areas on the OCS leasing schedules. The program has produced a significant amount of relevant information on environmental and socioeconomic characteristics of currently proposed leasing areas. This existing information is used in the analyses of risks and benefits of OCS leasing as required by Section 18 of the OCSLAA and in the production of offering-specific and programmatic

Environmental Impact Statements (EIS's), Secretarial Issue Documents (SID's), and other decision documents. In 1980, the Environmental Studies Program began to invest a substantial proportion of its funds in issues related to postlease management decisions. This action could be taken because the number of frontier areas had decreased, most lease areas had several years of completed study, and opportunities for scientifically credible monitoring experiments became available. More emphasis on the postlease studies was undertaken also because they are often more cost effective than intensive site-specific prelease studies of areas that may not actually be leased or developed. Postlease studies focus on observing the effects of various OCS activities.

Monitoring for biological and chemical effects of exploratory and development activities was initiated on Georges Bank and in Southern California, respectively. Programs to observe the effects of OCS operations on endangered species (Bowhead and Gray Whales, sea otters, and ringed seals) have also been initiated. The information from these studies is used in postlease determinations on the effectiveness of stipulations to protect the environment under such requirements as the Endangered Species Act (ESA), Marine Mammals Protection Act (MMPA), and the National Pollutant Discharge Elimination System (NPDES). The information gained from these studies is also used in development of the overall leasing program under Section 18 of the OCS Lands Acts Amendments of 1978 and in lease-offering EIS's, SID's, etc.

The Environmental Studies Program is designed to support both regional and national information needs. Regional information needs are assessed annually through the development of Study Plans. These plans are developed in close consultation with the Regional Technical Working Groups. During FY 1985, regional offices will develop a draft and then a final Regional Study Plan for studies to be completed in FY 1987. Development of these plans requires several months from initiation to final approval, including extensive review. During the annual formulation of the National Study Plan, regional needs are combined with national needs and ranked in order of their importance to decisionmakers. Studies are ranked using a set of criteria developed for the program with the assistance of the Office of Management and Budget. The Minerals Management Service is assisted in defining nationally important information needs by the OCS Advisory Board through its Technical and Scientific Committees.

The ranking system includes the following criteria:

1. Importance of the information to the decisionmaker.

2. Date of the decision for which the study is designed.

3. Generic applicability of study results.

4. Availability of information in the subject of the study.

5. Applicability of the study to issues of regional or programmatic concern.

In FY 1985, the program will continue to support the 5-year OCS Oil and Gas Leasing Schedule. Sufficient areawide reconnaissance studies have been carried out over the last 10 years in most OCS areas to support prelease environmental assessment and leasing decisions. Only some of the more remote planning units in Alaska, such as the Navarin Basin, Hope Basin, and Chukchi

Sea, will require further reconnaissance. Additional biological reconnaissance may be carried out in the Kodiak and Shumagin lease offering areas.

Deep-water reconnaissance in the Atlantic and Gulf of Mexico planning areas will be nearly complete in FY 1985. Therefore, emphasis will shift toward postoffering monitoring of OCS oil and gas operations and field and laboratory studies of the long-term, chronic effects of OCS operations.

Study topics and associated funding proposed for FY 1985 are displayed in Table 1.

Table 1
FY 1985 Environmental Studies Program

OCS Region/ Lease Offering No.	Estimated Investment ($)	Study Categories: ENDANGERED SPECIES	POLLUTANT TRANSPORT	HAZARDS	MARINE ECOLOGY	MONITORING	FATES AND EFFECTS	SOCIOECONOMICS	METEOROLOGY	OTHER	Remarks
North Atlantic: 42, 52, 82, 96 Mid Atlantic: 111 South Atlantic: 90,108	$4,865,000		X		X	X			X		Emphasis on reconnaissance of biological communities and physical oceanographic processes on the lower continental slope and continental rise in all planning areas; monitoring of exploratory operation impacts on continental slope areas in the North Atlantic.
Eastern Gulf of Mexico: 79, 94 Central Gulf of Mexico: 81,98 104,110 Western Gulf of Mexico: 84, 102, 105	$3,900,000	X	X		X		X	X			Continued emphasis on describing physical oceanographic features in deep-water areas of the Gulf; continued refinement of oil spill trajectory modeling; completion of reconnaissance of biological communities along the lower continental slope.
Central/Northern California: 35, 48, 68, 91 Southern Calif: 80, 95	$4,000,000	X	X		X	X		X	X		Continued emphasis on field effects monitoring to evaluate long-term chronic discharge impacts of OCS operations; evaluation of the vulnerability of the sea otter to OCS development; continued study to define the physical oceanography of northern and central California.
Gulf of Alaska Gulf of Alaska/ Cook Inlet: 88 Kodiak: 99 Shumagin: 86					X						Emphasis on updating information base developed for previous offerings in this area; initiation of preliminary reconnaissance of commercially important organisms.
Bering Sea Navarin Basin: 83, 107 St. George Basin: 89, 101 North Aleutian Basin: 92 Norton Basin: 57, 100	$11,905,000	X	X	X		X	X	X			Continued development of reconnaissance information on endangered species, biological communities, and physical oceanographic features; monitoring of effects of OCS operations on whales and native communities; evaluation of hazards to operations posed by sea ice.
Arctic Ocean Diapir Field: 71, 87, 97 Barrow Arch: 85, 109 BF		X	X	X		X	X	X			Continued monitoring of effects of OCS operations on Bowhead whales and other marine mammals; monitoring of OCS development effects on native populations; evaluation of hazards to operations posed by sea ice; continued analysis of pollutant transport by oceanographic features and sea ice.
Programmatic Studies	$3,218,000						X	X		X	Continued emphasis on program quality assurance and integrity; development of consistent data for analyses of environmental and socio-economic impacts of a potential new 5-year schedule; management of information transfer; design and coordination of a long-term effects program.

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(dollar amounts in thousands)

Program Element		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Geologic and Geophysical Data Acquisition, Evaluations and Analyses	$	25,230	25,647	21,847	-3,383	-3,800
	(FTE-T)	(309)	(327)	(309)	(--)	(-18)
Resource Economic and Engineering Evaluations and Analyses	$	6,784	6,904	5,704	-1,080	-1,200
	(FTE-T)	(88)	(100)	(88)	(--)	(-12)
Total Requirements	$	32,014	32,551	27,551	-4,463	-5,000
	(FTE-T)	(397)	(427)	(397)	(--)	(-30)

Authorization

43 U.S.C. 1331-1343, P.L. 83-212	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf and provided for granting of leases to develop offshore energy and minerals.
43 U.S.C. 4321, 4331-4335, 4341-4347 P.L. 91-190	The National Environmental Policy Act of 1969 required preparation of environmental impact statements for Federal projects having a significant effect on the environment.

Objectives

- Provide sound analytical and technical support to the offshore leasing process, including postlease regulatory activities, so that all activities can be carried out effectively and efficiently.
- Provide a scientific base of information and data on the offshore to assure adequate information is available (to the Secretary) to support leasing decisions.
- Provide resource estimates, exploration and development scenarios, and economic parameters and statistical data on lease offering areas.
- Provide resource economic evaluations and bid adequacy determinations for tracts bid upon in lease offerings to assure that the Government receives fair market value for leased lands.

Base Program

The Resource Evaluation Program subactivity consists of two program elements: Geologic and Geophysical Data Acquisition, Evaluations, and Analyses and Resource Economic and Engineering Evaluations and Analyses. These two elements are closely interrelated and both directly support the Offshore Leasing, and Regulatory Program subactivities.

The Geologic and Geophysical Data Acquisition, Evaluations, and Analyses element provides information throughout the leasing process, focusing on the use of geologic and geophysical data for the purpose of identifying and evaluating areas and tracts with potential for oil, gas, and nonenergy mineral resources. In the early stages of the leasing process, the program focuses on providing information, data, and analyses required for decisions that are made relative to entire planning areas being considered for lease. As the leasing process progresses, the focus shifts from planning areas to the specific area being offered for lease and the potential prospects within that area. Upon completion of the geologic and geophysical evaluations used as inputs for determination of bid acceptance/rejection, which occurs at the end of the offering process, the emphasis shifts again to the planning area for future lease offerings. Prospect-specific maps and analyses are updated from new information, when appropriate, for future lease offerings. The areawide analyses and mapping also identify promising areas that are used in reviewing and developing leasing schedules for oil, gas, and nonenergy minerals.

The Resource Economic and Engineering Evaluations and Analyses element provides a related set of technical and analytical inputs throughout the leasing process. This element utilizes input from the Geologic and Geophysical Data Acquisition, Evaluations, and Analyses element and, with the use of engineering and economic data and analyses, develops resource estimates and resource economic evaluations and analyses. The initial focus is on assessing the potential resources of entire planning areas, then on areas considered for leasing, and finally on tracts receiving bids in an offering. Within this element, engineering and economic analyses of minimum economic field size, minimum bid level, and lease terms, among others, are carried out. These analyses are directly related to specific lease offerings, and also provide necessary input for overall program decisions.

A schedule of the major outputs of both subactivities related to the Final 5-year OCS Oil and Gas Leasing Schedule is given in Table 2. Some of the outputs of the Resource Evaluation Program subactivity must be produced as much as 2 1/2 years prior to a planned offering. For FY 1985, this means that outputs are planned to be prepared for potential sales occurring beyond the timeframe of the final schedule. Accordingly, for purposes of budget development, a hypothetical sale schedule was developed based on the same assumptions contained in the Final Schedule. Outputs and products related to this planning schedule are shown in Table 3.

To fulfill requirements of Section 8(g) of the OCS Lands Act, the Governors of States adjacent to areas proposed for leasing are provided, in writing, the following information at the time of the Call for Information.

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

- o Information concerning the geophysical, geological, and ecological characteristics of the area or region;
- o An estimate of the oil and gas reserves in the areas proposed for leasing; and
- o An identification of any field, geological structure, or trap located within 3 miles of the affected States' seaward boundary.

The Resource Evaluation Program is responsible for providing all of this information, except for the identification and schedule of the areas proposed for leasing and estimates of oil and gas reserves. Additionally, at the time of Area Identification, the Resource Evaluation Program is responsible for making a determination of whether or not a common structure exists on each tract in the "Buffer Zone" and provides this information to the Governor(s) of affected State(s).

Table 2
Schedule of Major Products of the
Resource Evaluation Program Subactivity Planned for FY 1985
That are Directly Related to Lease Offerings
in the 5-Year OCS Oil and Gas Leasing Schedule

OCS Lease Offering No.	Proposed Date	Geologic & Geophysical Data Acquisitions	Resource Report	Area of Geologic Potential	Exploration and Development Report	Area Identification	Bidding System Design	Cost & Economic Assumptions	Fair Market Value Determinations
88	Oct. 84	*	*	*	*	*	*	Oct. 84	Nov. 85
89	Dec. 84	*	*	*	*	*	*	Dec. 84	Jan. 85
90	Jan. 85	*	*	*	*	*	*	Jan. 85	Feb. 85
85	Feb. 85	*	*	*	*	*	*	Feb. 85	Mar. 85
92	Apr. 85	*	*	*	*	*	Nov. 84	Apr. 85	May 85
98	May 85	*	*	*	*	*	Dec. 84	May 85	June 85
111	June 85	*	*	*	*	*	Jan. 85	June 85	July 85
102	Aug. 85	*	*	*	*	*	Mar. 85	Aug. 85	Sept. 85
91	Sept. 85	*	*	*	*	*	Apr. 85	Sept. 85	P
100	Oct. 85	P	*	*	*	*	May 85		
94	Nov. 85	P	*	*	*	*	June 85		
95	Jan. 86	P	*	*	*	*	Aug. 85		
96	Feb. 86	P	*	*	*	*	Sept. 85		
107	Mar. 86	P	*	*	*	Oct. 84			
104	Apr. 86	P	*	*	*	Nov. 84			
97	June 86	P	*	*	*	Jan. 85			
105	July 86	P	*	*	*	Nov. 84			
99	Oct. 86	P	*	*	*	Mar. 85			
101	Dec. 86	P	*	*	*	July 85			
108	Jan. 87	P	*	*	*	Aug. 85			
109	Feb. 87	P	*	*	Oct. 84	Sept. 85			
110	Apr. 87	P	*	*	Dec. 84	P			
86	June 87	P	Oct. 84	Nov. 84	Feb. 85				

* Completed in prior fiscal years.
P: In progress during FY 1985

Table 3
Schedule of Major Products of the
Resource Evaluation Program Subactivity Planned for FY 1985
Related to Planning Schedule

Planning Area	Planned Date of Offering	Geologic & Geophysical Data Acquisitions	Resource Reports	Area of Geological Potential	Exploration and Development Report
Mid-Atlantic	Jul. 87	P	Nov. 84	Dec. 84	Mar. 85
W.Gulf.of Mex.	Aug. 87	P	Dec. 84	Jan. 85	Apr. 85
C.&.N. Calif.	Sep. 87	P	Jan. 85	Feb. 85	May 85
E. Gulf of Mex.	Nov. 87		Feb. 85	Apr. 85	July 85
Alaska	Dec. 87		Mar. 85	May. 85	Aug. 85
So. Calif.	Jan. 88		May 85	June 85	Sept. 85
Alaska	Feb. 88		June 85	July 85	P
No. Atlantic	Mar. 88		July 85	Aug. 85	P
C. Gulf of Mex.	Apr. 88		Aug. 85	Sept. 85	P
Alaska	May 88		Sept. 85	P	

Geologic and Geophysical Data Acquisition, Evaluations, and Analyses

The Geologic and Geophysical Data Acquisition, Evaluations, and Analyses element provides technical information, data, and analyses on the geology and mineral resource potential, particularly oil and gas, on the OCS. Major outputs of this element are: (1) Acquisition of geologic and geophysical (G&G) data, (2) production of areawide G&G maps and analyses, and (3) production of tract- and prospect-specific maps and analyses for resource economic evaluations. These outputs are essential to completing major milestones in the leasing and evaluation process leading to the acceptance/ rejection of high bids received at the lease offering. The major outputs and related products are described below.

1. Acquisition of Geologic and Geophysical Data

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

Industry collects G&G data under permits issued through the Resource Evaluation Program. The Minerals Management Service (MMS) selectively acquires these data through regulations to directly support the analyses required throughout the leasing process. These data include logs and other data from wells drilled on leases and from deep stratigraphic tests and significant amounts of Common Depth Point (CDP) seismic data. Since 1968, over 850,000 line miles of CDP data have been acquired in OCS areas. These data are analyzed and interpreted in order to map a proposed lease offering and determine areas having potential for the occurrence of energy and mineral resources, to specifically locate and map geologic structures capable of trapping hydrocarbons, and to establish values for the geologic parameters necessary for resource economic evaluation in support of determinations of the adequacy of bids received at a lease offering.

The CDP seismic data provide the primary data base required for much of the effort in the area identification and evaluation process. Seismic data in a planning area are used not only for products related to a specific offering, but are supplemented, as required, with new data for later offerings in the same planning area. As is indicated in Tables 2 and 3, products requiring G&G data will be completed or in progress for more than 33 planned OCS oil and gas lease offerings. Substantial amounts of CDP data (estimated at 61,700 line miles) are planned to be acquired in FY 1985 in order to augment and update previously acquired data.

Products:

a. G&G Permits Processed and Approved

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

b. G&G Data Acquisition Actions

After data has been collected by permittees, MMS selectively acquires that data which is needed to augment the existing data base. The steps in acquiring data from permittees include: Preparation and approval of a proposed data acquisition list; onsite inspection of data; selection of data; preparation and submittal of requisition forms to reimburse permittees for data reproduction and certain processing costs; preparation of justifications for selection of data and lists of deliverable items; and contact and correspondence with permittees, administrative personnel, and headquarters personnel.

Expenditures for G&G permit data are prioritized and approved at the beginning of each fiscal year, continuously monitored throughout the year, and reassessed as data needs or the leasing schedule requires.

A comparison of the major products of Geologic and Geophysical Data Acquisition for the period FY 1983-1985 and associated FY 1985 estimated costs is given below.

Major Products	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
G&G permits processed and approved	622	593	620
G&G data acquisition actions	115	110	110
Line miles of CDP data acquired	113,700	86,700	61,700

Estimated FY 1985 Costs

- o To process and approve 620 G&G permits and accomplish 110 G&G data acquisition actions totals $993,000.
- o To acquire 61,700 line miles of CDP data at $120/line mile: $7,404,000.

2. Production of Areawide G&G Maps and Analyses

The objective of this activity is the development of maps identifying areas favorable for the accumulation of hydrocarbons and the analysis of the geologic history and processes involved in the formation and distribution of offshore resources. These maps and data are the basis for the Resource Report used in the early stages of the leasing process and later as input to the resource economic evaluation process.

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

The Resource Report consists of a geologic analysis section, a petroleum geology section, a petroleum resource potential section, and an environmental geology section that includes a general description of potential geohazards.

Release of the Resource Report generally precedes the Call for Information by approximately 1 year.

The information, analyses, and data in the Resource Report are updated and used in the leasing process as input to the NEPA documents as well as to other MMS and department decision and option documents. The maps and information also provide support to analyses carried out in the Area Identification and prospect evaluation process. Once an initial Resource Report is prepared for a planning area, it is updated with new or additional data, as appropriate, to prepare resource reports for succeeding sales in the same planning area.

Products:

a. Resource Report: This report consists of the following specific sections:

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

   (2) The petroleum geology section analyzes and provides information and data on the resource potential, probability of hydrocarbon occurrence and items such as source and reservoir rock, traps, and maturation. This information is also used to prepare the Exploration and Development (E&D) Report under the Resource Economic and Engineering Evaluations and Analyses element.

(3) The petroleum resource potential section provides estimates of the undiscovered recoverable oil and gas resources, and estimates of the probabilities of oil and gas occurrence in the planning area. This requires considerable knowledge of the general geology and petroleum geology of the planning area, and uses all available geologic and geophysical data, including public and proprietary seismic data, OCS well data, and industry-sponsored Continental Offshore Stratigraphic Test (COST) well data.

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

Sections of the Resource Report dealing with resource estimates are updated in the Resource Economic and Engineering Evaluations and Analyses Program element to support later steps in the leasing process. Resource estimates are periodically updated for use in preparing NEPA documents, including input to oilspill trajectory modeling; use in the development of alternative leasing options carried out by the Leasing and Environmental Program subactivity; and use in the preparation of reports developed during the evaluation process. During FY 1985, general areawide geohazards information will be updated to support the preparation of NEPA documents and, combined with the site-specific geohazards data submitted by industry, to support review of Exploration and Development Plans and Applications for Permit to Drill (APD's).

As shown in Tables 2 and 3, 11 Resource Reports are planned to be completed in FY 1985.

b. Determinations of Area of Geologic Potential

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

To initiate action on a lease offering, it is necessary to determine which specific areas, within a planning area, have potential for oil and gas accumulation. This effort goes beyond the analysis of G&G data. The MMS prepares a report that presents various offering size and configuration options and one recommendation. The identification of the area of geologic potential provides a basis for industry and public reaction during the Call for Information and must be completed several months prior to its issuance.

c. Recommendations for Area Identification

A significant step in the leasing decision process is the identification of that portion of the planning area that is proposed to be offered for lease. Identification is based, in part, on industry's interest and MMS' determination of the area's geologic potential, based on data and knowledge of the geology and resource potential of the planning area.

Area Identification occurs approximately 4 months after the Call for Information is issued. In response to the Call, industry, the public, and other interested parties submit information to the MMS on what areas within the planning area should or should not be included in the proposed offering.

The information and knowledge of the geology and resource potential in the planning area developed in this program is combined with information on industry interest and priorities and then weighed against environmental, economic, and defense concerns to identify the specific area to be included in the proposed offering. This area is the focus of the analysis in the NEPA documents.

A comparison of the major products of Areawide G&G Maps and Analyses for the period FY 1983-1985 and associated FY 1985 estimated costs is given below.

Major Products:	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Resource Reports	8	6	11
Determination of Area of Geologic Potential	11	6	10
Area Identification Recommendations	10	9	8

Estimated FY 1985 costs directly associated with preparing 11 Resource Reports, making 10 Determinations of Area of Geologic Potential, and making 8 Area Identification Recommendations totals $3,849,000.

3. Production of Tract- and Prospect-Specific Maps and Analyses

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

A comparison of the major products of the Tract- and Prospect-Specific Maps and Analysis for the period FY 1983-1985 and associated FY 1985 estimated costs is presented below.

Major Products For:	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Completed Offerings	9	9	9
Offerings in Progress	25	22	24

Estimated FY 1985 costs directly associated with the production of tract- and prospect-specific maps and analyses for 9 offerings completed and 24 offerings in progress totals $3,610,000.

Even though nine oil and gas offerings will be completed in FY 1983, products for twenty-four offerings proposed beyond FY 1983 will be prepared during FY 1985. Generally, work devoted to mapping and analysis of tracts commences 2 years prior to a proposed lease offering, with the exception of offerings in the Gulf of Mexico, where mapping and analysis begins 1 year prior to the offering.

Although the main focus of the Resource Evaluation Program will be on OCS oil and gas resources, a significant effort will also be directed to studies of nonenergy OCS resources, such as Arctic sand and gravel and Pacific Ocean polymetallic sulfides, in anticipation of future lease offerings of these resources. The process to be followed for these offerings will parallel that of oil and gas.

Decrease for FY 1985

(dollars in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
$	25,647	21,847	-3,800
(FTE-T)	(327)	(309)	(-18)

Data acquisition over the past 5 years includes data for all areas included in the 5-year schedule and repeated acquisition of data for areas leased in the past or scheduled for leasing through FY 1987.

During FY 1981-1984, over 340,000 line miles of geological and geophysical (G&G) data will have been acquired. By the beginning of FY 1985, the MMS will have acquired in excess of 850,000 line miles of Common Depth Point (CDP) seismic data; 275,000 line miles of high-resolution seismic data; 300,000 line miles of CDP seismic interpretations; and 350,000 line miles of gravity and magnetic data.

This data base provides significant coverage for the majority of the prospective OCS planning areas, so that by FY 1985, CDP seismic data will have been collected over parts of all frontier areas. The major acquisitions in seismic data accomplished in recent years allow MMS to propose a decrease in funding for the acquisition of additional G&G data ($3.0 million) and costs related to data analyses ($0.8 million) from the FY 1984 level. In FY 1985, MMS proposes to acquire 61,700 line miles of CDP seismic data (25,000 less than during FY 1984) to supplement the existing data base and to selectively fill gaps in existing data.

Associated with reduced data needs in FY 1985, efficiencies will be realized in areawide and prospect specific G&G mapping and analysis through updating existing work performed in prior years.

Distribution of change by object class

The object class detail for the proposed $3.80 million decrease is as follows:

	FTE-T	Amount
Personnel Compensation	18	$ 479,656
Personnel Benefits		55,160
Travel		20,600
Transportation of Things		9,000
Rent, Communications, Utilities		27,700
Printing and Reproduction		3,000
Other Services		3,145,884
Supplies and Materials		20,000
Equipment		39,000
Total		$3,800,000

Resource Economic and Engineering Evaluations and Analyses

The objectives of the Resource Economic Evaluations and Analyses element are to: (1) Develop estimates of technologically and economically recoverable energy and nonenergy OCS mineral resources for planning and potential lease offering areas for use throughout the leasing decision process; (2) analyze, develop, and design engineering and economic parameters on both a lease-offering and a tract-specific basis to be used in assessing environmental impact and in determining bid adequacy; and (3) conduct cost-benefit analyses of leasing alternatives. Fundamental to accomplishing these objectives is the design, maintenance, and update of advanced computer models, ADP systems, and data bases for engineering and economic analyses that are a basic part of the overall OCS program and policy decisionmaking.

This element combines much of the data and analyses derived under the Geologic and Geophysical Evaluations, Data Acquisition, and Analyses element with resource economic and engineering data and analyses to produce outputs and products that are essential to completing major steps in the leasing process from the Resource Report through the acceptance/rejection of high bids as well as providing input to the annual review of the 5-year schedule, as required by the OCSLAA, and any subsequent revision. Additionally, this element provides reliable and comprehensive information on the availability of offshore oil and gas resources that are essential to the national security of the United States and that could be made available to meet future energy supply emergencies. The major outputs and products are described below:

1. Development of Resource Estimates for Planning Areas: Engineering and economic analyses, supplemented by geologic and geophysical analyses, are carried out to develop estimates of technologically and economically recoverable resources for planning areas, lease offerings and alternatives for use in NEPA and lease-offering decision documents. These activities include the engineering and economic analyses needed for resource assessment. Products can be divided into those related to planning areas and those related to lease offerings areas. Those initially developed for planning areas are updated, as appropriate, with new or additional data for succeeding offerings in the same planning area.

Planning area resource estimates are developed for:

a. Biennial reports to Congress containing estimates of undiscovered recoverable oil and gas resources on the OCS as required by Section 606 of the OCS Lands Act Amendments of 1978 (OCSLAA).

b. Input to Resource Reports prepared under the Geologic and Geophysical Evaluations and Analyses element.

c. Use in the annual review of the 5-year OCS leasing schedule and any subsequent development of a new 5-year leasing schedule.

Lease offering area resource estimates are developed for use in:

a. Exploration and Development (E&D) Reports, NEPA documents, including cumulative impacts for subsequent lease offerings, and other decision documents.

b. Use in summary reports and updates produced by the Oil and Gas Information Program.

A comparison of the annual number of Planning Area Resource Estimates developed during the period FY 1983-1985 for use in reports, reviews, etc., and associated FY 1985 estimated costs is given below.

Resource Estimates for:	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Section 606 Reports	0	1	1
Review of 5-Year Leasing Schedule	1	1	1
Resource Reports	8	6	11
NEPA and Decision Documents	17	16	18
Oil and Gas Information Program	12	12	12

Estimated FY 1985 costs directly associated with development of 43 planning area Resource Estimates totals $865,000.

2. Engineering and Economic Evaluations for Lease Offerings: Engineering and economic parameters, on a lease-offering and tract-specific basis, are analyzed, developed, and designed for the purpose of determining bid adequacy and assessing impacts on the objectives of the OCS Lands Act. These parameters include oil and gas prices; inflation and discount rates; exploration, development, production, and transportation costs; supply and demand, and number of platforms, wells, and subsea completions.

   Products:

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

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

   c. Bidding System Design. This product consists of the analysis to support the designation of bidding systems for a particular lease offering. While many of the alternative systems provided for in OCSLAA have been exhaustively analyzed, unique lease offering cost and market conditions require examination of the various revenue components which comprise a bidding system. An analysis is made of the impacts of alternative royalty rates, minimum bid requirements, rental policy, etc. on the multiple goals of OCSLAA, such as the maintenance of competition and expeditious exploration, development and production. In addition, an analysis of the impacts of existing leases issued under alternative systems are reviewed in terms of newly arising information on exploration and development effects.

d. Bid Adequacy Determinations. These are determinations of the adequacy of high bids received at a lease offering. This includes determinations of viable prospects and tract types, tract-specific resource economic values, when required, and the development and analysis of economic criteria to determine the final acceptance or rejection of high bids.

e. Economic Value Estimates. These estimates are developed for revenue projections for budget purposes and other estimates associated with statutory or policy changes. These values are also used to develop economic and social value estimates for lease-offering decision documents.

The schedule of products planned for FY 1985 is shown on Tables 2 and 3.

A comparison of the major products of Engineering and Economic Evaluations for the period FY 1983-1985 and associated FY 1985 estimated costs is given below.

MAJOR PRODUCTS	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Exploration and Development (E&D) Reports	9	8	9
Cost Estimates and Price Assumptions	10	8	9
Analysis for Design of Specific Bidding System	11	8	9
Analysis for Bid Adequacy Determinations	8	7	8
Economic Value Estimates	19	17	18

Estimated FY 1985 costs directly associated with producing 9 E&D Reports, 9 Cost Estimates and Price Assumptions, 9 Analysis for Design of Specific Bidding Systems, 8 Analysis for Bid Adequacy Determinations, and 18 Economic Value Estimates totals $2,116,000.

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

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

   b. Design, development, refinement, maintenance and update of ADP data bases and systems to support determinations for bid acceptance/rejection, and to provide an historical data base for economic studies and the Annual Report to Congress on alternative bidding systems.

   c. Economic studies and the Annual Report to Congress--Sections 205 and 207 of the OCSLAA each require an annual report to Congress on the scheduling and use of alternative bidding systems in the OCS program and the costs and benefits derived from their use, as well as joint bidding and new market entrants. To prepare this report and to make recommendations on leasing policy for the overall program and for each offering, economic studies are conducted on specific bidding system parameters such as viable royalty rates, minimum bid levels, and lease terms.

   d. Engineering studies--Consistent and pertinent programwide technological procedures are designed, developed, and implemented and technology for adverse and severe conditions is assessed. These studies support resource assessment efforts, resource economic evaluations, and program and policy decisions.

A comparison of the major products of Engineering and Economic Methodologies and Studies for the period FY 1983-1985 and associated FY 1985 estimated costs is given below.

Major Products	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Economic Studies	4	6	8
Engineering Studies	1	1	3

Estimated FY 1985 costs directly associated with carrying out 8 Economic Studies and 3 Engineering Studies totals $1,514,000.

Decrease for FY 1985

	(dollars in thousands)		
	FY 1985 Base	FY 1985 Estimate	Difference
$	6,904	5,704	-1,200
(FTE-T)	(100)	(88)	(-12)

By FY 1985, most OCS planning areas will have had at least one areawide lease offering. Data and experience gained from the initial evaluations and analyses performed in frontier areas can be drawn upon for future evaluations and analyses. Efficiencies in the storage and retrieval of data required by this program will be realized by the use of new ADP systems being developed during FY 1983-1984. Also, information gained during the 5-year experiment with alternative bidding systems has provided the requisite basis for the selection of bidding systems for FY 1985 lease offerings.

Accordingly, these aggregate efficiencies allow MMS to reduce resources required to perform resource economic and engineering evaluation and analyses and to propose a $1,200,000 decrease in this program element.

Distribution of change by object class

The object class detail for the proposed $1.2 million decrease is as follows:

	FTE-T	Amount
Personnel Compensation	12	$ 347,333
Personnel Benefits		39,943
Travel		16,000
Transportation of Things		4,000
Rent, Communications, Utilities		18,500
Printing and Reproduction		1,400
Other Services		737,824
Supplies and Materials		14,000
Equipment		21,000
Total		$1,200,000

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(dollar amounts in thousands)

Program Elements		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Regulation of Operations	($)	26,464	26,682	25,412	-1,052	-1,270
	(FTE-T)	(355)	(355)	(355)	(--)	(--)
Reserve Inventory	($)	3,005	3,075	2,775	-230	-300
	(FTE-T)	(53)	(53)	(52)	(-1)	(-1)
Technology Assessment and Research	($)	1,507	1,514	1,789	+282	+275
	(FTE-T)	(5)	(5)	(5)	(--)	(--)
Oil and Gas Information	($)	1,159	1,166	1,166	+7	--
	(FTE-T)	(7)	(7)	(7)	(--)	(--)
Total Requirements	($)	32,135	32,437	31,142	-993	-1,295
	(FTE-T)	(420)	(420)	(419)	(-1)	(-1)

Authorization

43 U.S.C. 1331-1343 P.L. 83-212	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf and provided for granting of leases to develop offshore energy and minerals.
43 U.S.C. 1801 P.L. 95-372	The Outer Continental Shelf Lands Act Amendments of 1978 reaffirmed the established policy for the management of oil and gas in the Outer Continental Shelf, including coordination and consultation with affected State and local governments, the preparation of an environmental assessment for each plan, the development and maintenance of estimates of Federal Outer Continental Shelf (OCS) oil and gas reserves, and providing information to the affected States.

Objectives

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

- o Provide a comprehensive technological base for the supervision of leasehold operations including the use of best and safest technologies (OCSLAA Sec. 21(b)). Provide timely technical data for determination of reliability and risk associated with OCS operations.

- o Conduct and maintain an inventory of oil and gas reserves on OCS leases.

- o Provide information concerning oil and gas activities to affected State and local governments.

The Regulatory Program consists of several component elements. Among these are: Regulation of Operations; Reserve Inventory; Technology Assessment and Research; and Oil and Gas Information.

Regulation of Operations

Objectives

- o Assuring a safe and pollution-free environment through careful supervision of the management of activities such as exploration and development drilling operations, production operations, and the transportation of production to shore, including pipeline construction.

- o Investigating and reporting the cause of major fires, oilspills, deaths or significant injuries, and conducting an effective enforcement program using civil penalty authority, as well as shutdown authority. Under the authority of the Outer Continental Shelf Lands Act Amendment of 1978, Section 24b,c, civil penalties of up to $10,000 per violation may be levied, and up to $100,000 and imprisonment for up to 10 years in instances of knowing and willful violations.

- o Assuring an opportunity for participation by affected States in the decisionmaking process during the review and approval of lessee-submitted exploration plans and plans of development and production.

- o Assuring that affected States are provided with plans for exploration and for development and production to enable them to prepare plans to deal with onshore actual and potential effects of OCS activities.

- o Assuring that industry personnel engaged in activities on the OCS are properly trained in safety, environmental protection, and natural resource protection.

- Providing technology support to MMS operations personnel as the industry moves into the hostile frontiers of the deep oceans and ice infested Arctic.

- Providing maximum assurance of structural integrity of fixed platforms, especially those in deep waters or hostile environments.

- Assuring proper lease development and preventing waste of hydrocarbons in the reservoir through review of maximum efficient rates of production, verification of shut-in wells, reviewing requests for flaring of gas, reviewing requests for suspension of production, and assessing opportunities for enhanced recovery.

- Determining natural gas pricing categories for new leases, new reservoirs on existing leases, high cost natural gas, and natural gas production from stripper wells.

- Assuring that appropriate Minerals Management Service regulations and management systems are in place to assure the availability of procedures for leasing and mining operations for non-energy minerals.

Base Program

The Regulation of OCS Oil and Gas Operations Program provides for the comprehensive and systematic review, approval, and supervision of lessee-conducted oil and gas drilling, development, and production operations on the OCS. This is accomplished through the review and approval or disapproval, if appropriate, of plans for exploration and development and production, the issuance of permits, the inspection of lessee-conducted activities to assure compliance with governing requirements, and the taking of appropriate enforcement actions when requirements are not met.

The enactment of the OCS Lands Act Amendments of 1978 (OCSLAA) (P.L. 95-372) resulted in significant additional regulatory responsibilities for the Minerals Management Service. These responsibilities require: Coordination of all approvals of OCS exploration, development, and production plans with the affected states, conducting scheduled inspections for each facility annually (with intermittant unscheduled inspections to assure regulatory compliance) and the establishment of a civil penalties program through which the Minerals Management Service may assess and collect monetary penalties of up to $10,000 per incident. Penalties of up to $100,000 or 10 years imprisonment may also be imposed by a court of competent jurisdiction in cases of willful violation.

Oil and gas produced from the OCS contribute significantly to the Nation's current and future energy supplies and to the Nation's plans to reduce its dependency on foreign sources of energy. Production from the OCS has only been established in the Gulf of Mexico and in some areas of the Pacific off southern California. Exploration drilling has been conducted in certain areas off Alaska and the Atlantic coasts with non-economic results to date, although significant potential for discovery of producible fields exists in both areas. With the projection that production of oil and gas from the Gulf of Mexico will continue to decline, this exploratory activity is expected to continue. Off the coast of

California, production is on the increase, due mainly to further development of the Santa Ynez Unit. Several discoveries have also been made in the Santa Maria Basin which will give rise to even more exploratory drilling and to eventual increases in development and production.

Efforts to increase oil and gas production will remain intense in the Gulf of Mexico. The new discoveries off the coast of California, coupled with further development of the Santa Ynez unit will provide additional production. New deep water (6,800 ft.) drilling is scheduled for the Atlantic region and will hopefully lead to economic discoveries off the Atlantic coast. Two recent lease sales off the Alaskan Arctic coast will be subjects of exploration drilling during the near term. These Arctic areas are considered to be highly promising and could lead to additional economic discoveries that may see development and production late in the decade.

To accomplish the regulatory program in accordance with statuatory requirements, the Minerals Management Service performs the following tasks to assure acceptable leasehold operations. These tasks are generally in response to lessee submitted proposals and requests.

Approval of Exploration, Development, and Production Plan. Lessees are required to submit to the Minerals Management Service statements of offshore and onshore impacts expected to be associated with the implementation of proposed exploration plans or development and production plans. The Minerals Management Service Supervisor for Offshore Field Operations (S-OFO) must determine the adequacy of these statements, along with the plans, and transmit both documents to affected States. The States may then make comments on these documents to the supervisor who, in turn, must respond in writing to these comments. The Minerals Management Service Offshore Minerals staff periodically reviews each plan to determine if appropriate results have been obtained.

Particular emphasis is placed on the postsale assessment of geologic hazards to determine whether additional stipulations should be placed on lease exploration and development activities when lessees submit proposed exploration plans and development and production plans for approval. These geologic hazards assessments are based upon lessee-submitted high resolution and other hazards data and information in support of individual applications for plan approval.

Safety and Technology. The Minerals Management Service must ascertain that the lessee proposes to use the best available and safest technologies. This is accomplished by a formal program of assessing technologies used by the industry and conducting applied research where deemed necessary to provide technology support to MMS operations personnel. The program is directed at operational functions, such as well control training requirements, permit and plan approvals and accident investigations. It is accomplished during the plan review and approval process by keeping OCS orders up-to-date and through review of current technology improvements by the Operations Technology Assessment Committees at the regional, headquarters, and national levels.

Platform Structures. Lessees are required to submit for approval the design, fabrication, and installation plans for the siting of fixed platforms in deeper water or other unique settings. Such plans are reviewed by the Minerals Management Service, and the project is monitored by a third party certification/verification agent who is selected from a list of agents approved by the Minerals Management Service.

Application for Permits. The processing of Applications for Permit to Drill (ADP) is ongoing and anticipated to increase. This workload is predicated on and postdates the processing of exploration/development/production plans. The APD is a much more definitive document that deals with the specific technology and engineering that an operator proposes to use in drilling a particular well, after receiving approval for his exploration, development, or production plan.

Various other types of applications for performing work on production wells, including workovers, recompletions, and abandonments are likely to continue increasing, especially in the existing producing areas of the Gulf of Mexico. Workovers are often necessary during the life of a well to restore or increase production. Recompletion usually involves setting a cement plug and perforating the well bore in a higher pay zone. Abandonments are accomplished by plugging the well and removing casing to a specified depth below the mud line. These types of activities must be reviewed and approved by MMS officials to assure that the provisions of the OSCLAA and the Department of the Interior regulations are followed.

Enhanced Recovery Operations. The Analysis of Enhanced Recovery Operations involves a technical review of operator proposals pertaining to various producing fields and reservoirs. The Gulf of Mexico is currently the largest production area within the OCS. Some, but not all, of the producing reservoirs in the Gulf of Mexico are susceptible to enhanced recovery operations. This activity examines these areas and provides technical analysis and review to assure optimum recovery in the older and newer producing areas. This activity will continue and quite likely increase as the current and newly discovered reservoirs are produced through certain stages in their life cycle. To a degree, the economics of the oil market will play a role in the rate at which this work progresses.

Inspection of Operations. The inspection of OCS operations is a major work unit of this program. The number of inspections that are completed must be viewed in an overall context as representing a compilation of numerous checks and examinations performed by the OCS Operations Inspectors. Some of the inspections conducted may take as long as 30 hours or more to complete. These are highly technical in nature and consist in some degree of a number of small individual items that in the aggregate state the overall condition and compliance record of the particular operation being examined. A breakout of the individual items reviewed in the inspection would yield a much larger number of inspections. The inspection program has provided significant results in assuring both safe operations on the OCS as well as assuring that environmental concerns are protected.

Selected program outputs and estimated average FY 1985 unit costs are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Est. Cost Per Unit ($)
Exploration/Development and Production Plans Processed	836	894	981	2,725
Applications for Permit To Drill Processed	1,537	1,679	1,828	555
Platform Installation Applications Processed	163	181	202	1,200
Pipeline Applications Processed	1,539	1,676	1,802	175
Production Rate Control (MER,MPR,MAR).	16,072	16,080	14,090	35
NGPA Category Determinations	704	706	708	415
Commingling Agreements	56	66	88	1,090
Unitizations and Other Agreements Processed	466	471	537	1,355
Monitoring for Lease Drainage	184	186	212	1,470
Accident Investigations	184	212	226	645
Accident Investigations Requiring Open File Reports	3	8	9	6,830
Applications for Workover, Recompletion, and Abandonments	8,746	9,127	9,540	130
Suspensions of Production	222	213	224	1,100
Enhanced Recovery Operation Analyses .	6	6	6	7,125
Gas Flaring Approvals	408	409	460	265
Verification of New Platform Designs.	8	10	16	48,000
Verifications of New Platform Fabrications	4	6	12	9,175
Verifications of New Platform Installations	3	5	8	3,770
Applications for Major Production Structural Modifications or Repairs Processed	384	435	466	270
Inspections Performed	10,877	12,430	16,090	550
Examinations and Verifications of Shut-In Wells	3,008	3,058	3,110	50
Mining Plans Processed	—	1	8	11,025
Civil Penalty Proceedings	35	50	55	6,600
Well Control School Certification Activities	30	36	32	3,380

Decrease for FY 1985

	(dollars in thousands)		
	FY 1985 Base	FY 1985 Estimate	Difference
($)	26,682	25,412	-1,270
(FTE-T)	(355)	(355)	(--)

A decrease of $1.27 million is proposed in FY 1985 for Regulation of Operations. This proposal is made possible through redirection of studies and information program requirements to the Technology Assessment and Research program element; by reversing the increase for civil penalties related activities funded in the FY 1984 budget; and, through savings resulting from completion of ADP equipment modernization.

The Regulation of Operations program element has historically funded studies and information analyses that support the operational needs of field personnel. Minerals Management Service review of these studies and information collection efforts resulted in a decision to transfer total responsibility for managing these efforts to the Technology Assessment and Research group. This transfer will more properly align the workload of that group with the funds required to accomplish the information support for the operations program. A proposed reduction of $275,000 represents the funding support to be transferred. Several such projects have been underway over a period of several years and relate to the data needs and information requirements on general engineering and structural concepts. Drilling operations in the Beaufort Sea, the Norton Sound, and Diapir Field in offshore Alaska, have historically been provided by the Regulation of Operations program. This reduction transfers that support to its more proper budget line item and organizational component.

The OCS Lands Act Amendments of 1978 provide for the assessing of civil penalties against operators on the Outer Continental Shelf where incidences of noncompliance are deemed to warrant the assessment of penalties. Although the Civil Penalties Program was initiated in 1979 to comply with the provisions of the OCS Lands Act Amendments of 1978, budget authority was not requested to support the workload until FY 1984. A dramatic increase in the number of cases in FY 1982 and 1983 resulted in the MMS proposing a $400,000 increase in the Regulation of Operations program element in the FY 1984 budget to support that workload. The FY 1984 civil penalty caseload was estimated to reach 50 proceedings, with an increase to 55 estimated for FY 1985. However, as a result of decisions in litigation brought against the Government (Chevron USA, Inc. versus Watt, May 23, 1983, and CONOCO versus Watt, June 7, 1983) the court specified that lessees must be provided with the opportunity to correct any noted violation prior to the assessment of a civil penalty. This decision will significantly reduce the number of civil penalty proceedings which will be brought against lessees. It is estimated that the caseload in FY 1985 will be significantly below that which had been previously estimated. This decrease in workload permits MMS to propose a reduction of $325,000, thereby offsetting the increase provided by the Congress in FY 1984.

Upon reorganization, the MMS undertook the modernization and standardization of ADP and other equipment at headquarters and field office locations. The result of this effort led to the upgrading and replacement of outmoded equipment, word processors, and ADP-related terminals and hardware. This project developed into a thorough review of the equipment needs for MMS, and a resultant decrease in funds required to maintain and update equipment. MMS is, therefore, able to propose a $670,000 reduction from the equipment budget without negative impact on programs or operations. The operating budget will continue to include funds for replacement of equipment; however, the standardization of ADP and word processing equipment has resulted in savings through avoidance of duplication and the establishment of standards for replacement.

The above proposed reductions represent significant savings which result from the process of continual budget review and analysis. Adequate funding has been maintained to ensure protection of the environment and safe operations on the OCS. These savings, while significant, will align funding requirements presented in annual operating budgets with program requirements.

Distribution of change by object class

The object class detail for the proposed $1.27 million decrease is as follows:

	Amount
Travel	4,000
Other Services	574,000
Supplies and Materials	10,000
Equipment	682,000
Total	$1,270,000

Reserve Inventory

Objectives:

- o Develop an accurate and timely data file of oil and gas resources.
- o Provide a periodic updating of the reserves inventory data file.
- o Provide a re-examination of past data.
- o Determine the maximum attainable rate (MAR) of production of crude oil and gas from significant fields on the Outer Continental Shelf.
- o Provide an analysis of whether the actual production has been less than the MAR, and, if so, the reasons for the difference.
- o Provide an estimate of the total discovered crude oil and natural gas reserves by field (including proved and indicated reserves) and undiscovered crude oil and natural gas resources (including hypothetical and speculative resources) of the Outer Continental Shelf.
- o Determine the relationship of any and all such information to the requirements of conservation, industry, commerce, and the national defense.

Base Program

The Reserve Inventory Program was initiated in FY 1977 to develop and maintain accurate, up-to-date, and reliable estimates of Federal OCS oil and gas reserves in developing and developed fields. This program was later mandated by the OCS Lands Act Amendments of 1978 (OCSLAA) (PL 95-372 Section 606d2).

Reserve inventories are generated from well and reservoir data supplied by leasehold operators and data is tabulated by individual field, reservoir, and lease holdings. A computerized storage and retrieval system, referred to as the Field and Reservoir Reserve Estimates (FRRE), has been developed to accomplish the detailed information analyses required in this program. This system updates estimates and provides current reserve statistics for publication. The information from field and reservoir analysis and mapping directly supports the supervision of field and reservoir development, including production rate control, approval of drilling permits, unitization considerations, and geological and engineering data for lease offering evaluation.

The program includes developing estimates of the reserves for new field discoveries as well as updating information on the remaining reserves in those fields previously inventoried. Additional geologic, engineering, and production data are periodically obtained and utilized in accomplishing this work.

Selected program outputs and estimated average FY 1985 unit costs are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Inc/ Dec.	Est. Cost Per Unit($)
Field Reserve Estimates	102	105	117	+12	17,340

Decrease for FY 1985

(dollars in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
($)	3,075	2,775	-300
(FTE-T)	(53)	(52)	(-1)

A decrease of $300,000 in budget authority is possible as a result of completion of development and implementation of the Field and Reservoir Reserve Estimates (FRRE) computerized storage and retrieval system. Development of the FRRE system was funded by the Congress in FY 1983. This system, which is used to tabulate reserve estimates corresponding to a wide variety of specifications and to provide appropriate parameters and reserve estimates relevant to specific areas, enables MMS to provide for automatic flagging of fields and reservoirs that are in need of updating or revision of reserve estimates, to improve updating procedures, and to provide graphic support of reservoir analyses. The FRRE system was completed and systems enhancements and improvements were implemented during FY 1983 and FY 1984. The system will continue to be operated in order to meet the continuing need for information on the status of resource reserves on the OCS. However, continued operation of the system can be maintained at lower cost than development and implementation. This $300,000 proposed decrease is made possible as a result of savings gained through implementation and operation of the system as opposed to the more expensive design and development costs.

Distribution of Change by Object Class

	FTE-T	Amount
Personnel Compensation	1	$ 30,000
Personnel Benefits		3,000
Travel		9,000
Other Services		258,000
Total		$300,000

Technology Assessment and Research (TA&R)

Objectives:

- o To conduct or contract for independent assessments of OCS technologies and practices and provide the results to the Offshore Operations and Regulatory functions within Minerals Management Service, the oil and gas industry, other involved government agencies, and interested public concern groups. These data are also used in determining realistic operating requirements promulgated by the Minerals Management Service in supervision of offshore leasehold activities.

- o To provide a single point technical contact source within the Minerals Management Service for other Federal agencies which have special expertise in the various offshore technologies.

- o To recognize the various levels of risk involved in the development of OCS minerals permits, and the installation and maintenance of structures.

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

Base Program

Offshore operations conducted by oil and gas lessees and monitored by the Minerals Management Service are increasingly becoming involved in pioneer efforts in a number of complex technologies as exploration and production operations move into deeper and more hostile marine environments such as those found in the North Atlantic, sub-Arctic, and the Arctic. The Technology Assessment and Research Program provides a comprehensive technological base for the Minerals Management Service in the supervision of leasehold operations. This support is stated within the OCS Lands Acts Amendments of 1978 (OCSLAA), Section 21b that requires the use of the Best Available And Safest Technologies (BAST). The program also provides timely technical data for the determination of reliability and risks associated with equipment or design features on leasehold operations.

The Technology Assessment and Research Program operates through contracts with universities, private firms, and government laboratories. It takes advantage of participatory or collaborative studies with other agencies and with other countries such as Canada, the United Kingdom, and Norway, that have similiar operations programs, concerns and conditions.

Examples of accomplishments include:

1. The development of improved blowout prevention procedures for deepwater drilling operations.

2. Collaboration with Canadian and Norwegian Governments on development of prototype subsea collection system for oil and gas well control problems. Preliminary work on the "Steel Sombrero" concept used on the IXTOC-I blowout in Campeche Bay, Mexico, 1979, has led to new concepts applicable to under ice collection and to conditions where excess gas would render the "Sombrero" system ineffective.

3. Development of data to provide vibrational fatigue (strumming) information concerning marine risers and compliant structures situated in high current regions of the ocean. This information is being used to critique leaseholders' operation plans in frontier areas.

4. Development, in collaboration with industry, of a program to obtain technical information to verify structures subjected to ice loadings in the Beaufort Sea.

5. Determination that an operational failure of a mooring system was based on a design which used insufficient data and an inadequate computer program. New studies are directed toward providing Minerals Management Service personnel with adequate guidelines to determine reliability of operator proposals for mooring systems.

Additional areas for investigation include:

1. Development of a risk assessment study that will provide operational guidelines in plan and permit approval of OCS oil and gas operations.

2. Development of operational guidelines for utilization in plan and permit approval regarding Arctic and open ocean oil spill containment and recovery operations.

Selected program outputs and estimated average FY 1985 unit costs are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Estimated Cost Per Unit ($)
Technological Investigations	25	25	26	52,200
Technological Assessments	10	10	12	23,100
Technology Seminars Conducted	1	1	1	3,950
Technical Report Published	1	1	1	7,900

Increase for FY 1985

	(dollars in thousands)		
	FY 1985 Base	FY 1985 Estimate	Difference
($)	1,514	1,789	+275
(FTE-T)	(5)	(5)	(--)

An increase of $275,000 is proposed to fund additional and extended projects for the Technology Assessment and Research program element. This amount is made possible by the transfer of funding from the Regulation of Operations program element. This funding is used to support increased efforts in several areas of frontier technology related to the deep ocean and ice infested Arctic as follows: Ocean floor seismic data for assessing the integrity of offshore platforms planned for the California coast and in the Aleutian area. The program in cooperation with industry over the next few years, will obtain such data from special ocean bottom mounted instruments. Also in cooperation with industry, an existing project will be continued to determine the forces which build up around Arctic offshore structures from wind and current driven pack ice. Another continuing project pertains to the engineering properties of ocean bottom permafrost which must be better understood to assure the stability of concrete platforms and pipelines installed in such areas. Oilspill containment and cleanup technology in broken ice fields is not well addressed and must be further investigated and assessed in collaboration with other Federal agencies in order to ensure protection of the environment. Risk and reliability analysis, a new statistical method used in operational decisionmaking, is gaining much favor among North Sea oil and gas operations managers and technicians. An increase in that program is proposed to provide the MMS with the necessary knowledge to evaluate industry plans and operations in the Arctic and open ocean.

The Technology Assessment and Research Program continues to address more closely the oprational needs of Offshore field technical personnel, thus expediting the procurement and consolidating the management of technical studies. A number of these projects concern needs such as the general engineering requirements for operating in the Norton Sound and Diapir Field and the verification of new structural concepts for drilling in the Beaufort Sea. The funding for these studies, which would have been provided by the Regulation of Operations program element, is, therefore, being transferred to the Technology Assessment and Research program element to improve management and assure current information and data is available to the Offshore technical staff.

Distribution of Change by Object Class

Object Classification	
Other Services	$275,000
Total	$275,000

Oil and Gas Information

Objectives:

- o Update regional Indexes to reflect new activity, as well as the 5-year OCS Oil and Gas Leasing Schedule. Each regional Index will contain a revised directory.

- o Provide affected States with revisions and/or updates to Summary Reports in the North Atlantic, Mid-Atlantic, South Atlantic, Gulf of Mexico, Pacific, Gulf of Alaska, Bering Sea, and Beaufort Sea Lease offering areas.

Base Program

The Oil and Gas Information Program is mandated by Section 26 of the OCSLAA of 1978. The Amendments and subsequent regulations (30 CFR Part 252) require that the Minerals Management Service provide governors of affected States and, upon request, executives of affected local governments and other interested parties, data and information in the form of Summary Reports and Indexes. The Summary Reports and Indexes are provided to aid States and local governments in planning for onshore impacts of OCS development and production operations. As significant events occur, Summary Reports will have to be revised. The regional Indexes are updated annually.

Summary Reports and Indexes provide data designed to assist State and local governments in planning for the onshore impacts of possible oil and gas exploration, development, and production. This data is not as detailed as the Environmental Impact Statement (EIS) or Environmental Assessment (EA) documents which precede these publications; the Summary Reports and Indexes provide the State and local government entities with more recent information. Since they appear after the lease offering, the documents concentrate on the actual leased areas rather than offered areas.

Coastal States use the Summary Reports and Indexes in differing ways depending on the level of OCS activity and the level of their own expertise. However, all States report that they rely heavily on the Summary Reports for information and history as well as descriptions of future plans and ongoing activities. The Oil and Gas Information Program documents provide the only comprehensive OCS information source that is updated on a regular basis. Unlike the Environmental Impact Statements that project what might happen, at one point in the process, the Summary Reports and Indexes provide planners with a continuing overview of OCS activity and enable them to incorporate the information in their own planning processes. The Summary Report contains current information on operations, transportation strategies, and onshore facilities that are actually proposed as well as those already in the permitting process.

Initial Summary Reports have been prepared for each OCS region. Currently, Summary Reports are updated approximately every 6 months while Indexes are updated once a year.

Selected Oil and Gas Information Program outputs and estimated average FY 1985 unit costs are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Est. Cost Per Unit ($)
Annual Update of Indexes-------------	4	4	4	41,815
Initial Summary Report---------------	1	--	--	--
Revised Summary Reports--------------	6	6	6	86,075
Memorandum Updates of Summary Reports------------------------------	5	7	7	34,785

The output schedule above assumes that proposed lease offerings are the major significant events. Publications scheduled for a given fiscal year are subject to change due to other significant events, such as lease exploration, discoveries, or unanticipated changes in the 5-year OCS Oil and Gas Leasing Schedule.

MINERALS MANAGEMENT SERVICE
Summary of Funding by Subactivity

Activity: Royalty Management

(Dollar Amounts in Thousands)

Subactivity	FY 1983 Actual	FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Increase (+) Decrease (-) from 1984	Increase (+) Decrease (-) from 1985 Base
Mineral Revenue Collections	10,347	13,896	12,545	12,545	-1,351	--
Mineral Revenue Compliance	7,249	7,032	8,199	10,255	+3,223	+2,056
Systems Development and Operation	18,968	13,941	15,040	17,090	+3,149	+2,050
Total	36,564	34,869	35,784	39,890	+5,021	+4,106

Activity: Royalty Management

The Royalty Management Program is responsible for the accurate determination, collection, accounting for, and distribution of all royalty and mineral revenues from Federal, Indian, and Outer Continental Shelf lands leases.

The importance and scope of this program has increased in direct proportion to the dramatic rise in energy prices and substantially increased production of minerals on OCS, Federal and Indian lands. The complexity of the program has also increased as industry practices, such as lease fractionalization and intricate marketing agreements, have made it much more difficult to determine proper amounts and identify payors of royalty owed and paid per lease.

The Royalty Management Program began a complete redesign and restructure in FY 1981 as a result of continuing widespread criticism of the antiquated Royalty Accounting System (RAS). In FY 1982, these improvements were accelerated and enhanced in response to the report of the Commission on Fiscal Accountability of the Nation's Energy Resources (the Linowes Commission).

The Federal Oil and Gas Royalty Management Act of 1982 placed even more emphasis on the importance of accurate and timely accounting of onshore oil and gas revenues and placed additional responsibilities on the Royalty Management Program. In FY 1983, Secretarial Order No. 3087 was issued transferring responsibility for all Department accounting functions related to onshore mineral leases to the Minerals Management Service. Thus, beginning in FY 1984, the Royalty Management Program will be the primary organization responsible for all of the Department of Interior's mineral revenue management functions.

As a result of the restructuring begun in FY 1981, the Royalty Management Program is now established as a separate organization with emphasis on the discrete accounting and auditing functions necessary to ensure that appropriate emphasis and management attention are provided toward maintaining proper accountability for Federal and Indian mineral lease revenues. All accounting operations are centralized in the Lakewood Accounting Center to provide efficiency and economies of scale in the 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 effective audit capability (see Mineral Revenue Compliance Subactivity). A systems development and operation function has been established so that the complex automated systems now being designed, developed, and operated will be continually updated and maintained to assure their state-of-the-art capacity to meet changing royalty management requirements (see Systems Development and Operation Subactivity). Additionally, the Internal Review Division, a staff office of the Assistant Director for Program Review, performs audits, reviews, and assessments of the Royalty Management Program to ensure that strong internal controls, systems security, and good accountability are maintained.

The major new computer-based systems being implemented and operated are the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS). The

AFS is the new Royalty Management fiscal accounting system which focuses on the receipt, posting, calculation, editing, and distribution of mineral revenues and particularly royalties, based on sales information data. PAAS is Royalty Management's automated production accounting system. The system is being designed so that volumetric data collected on mineral production on Federal and Indian leases can be matched with sales and valuation data generated by the AFS. BRASS is a new accounting system being designed to accommodate the onshore lease bonus bid and rental accounting functions transferred to Minerals Management Service as a result of Secretarial Order 3087.

During FY 1983, the workload associated with AFS and PAAS became better defined. For AFS alone, the workload more than tripled since the original estimates were developed. The increased workload led to increased systems capacity requirements which the current hardware configuration could not accommodate. Therefore, the Royalty Management Program plans to lease a new hardware configuration beginning late FY 1984. Further detail on the systems, their function, and status is provided in the subactivity narratives which follow. The milestone chart in Figure 5 summarizes the steps in the implementation of the AFS, PAAS, BRASS, and the new hardware acquisition.

A flowchart is included (Figure 6) and is intended to present the major functions of the Royalty Management Program. The program is divided into three budget subactivities: Mineral Revenue Collections, Mineral Revenue Compliance, and Systems Development and Operation. These subactivities, which identify the primary programmatic emphases and provide detailed explanations of the functions of the program, are discussed separately on the following pages. The titles have been slightly modified to better reflect the functions accomplished within the organizations funded by each subactivity.

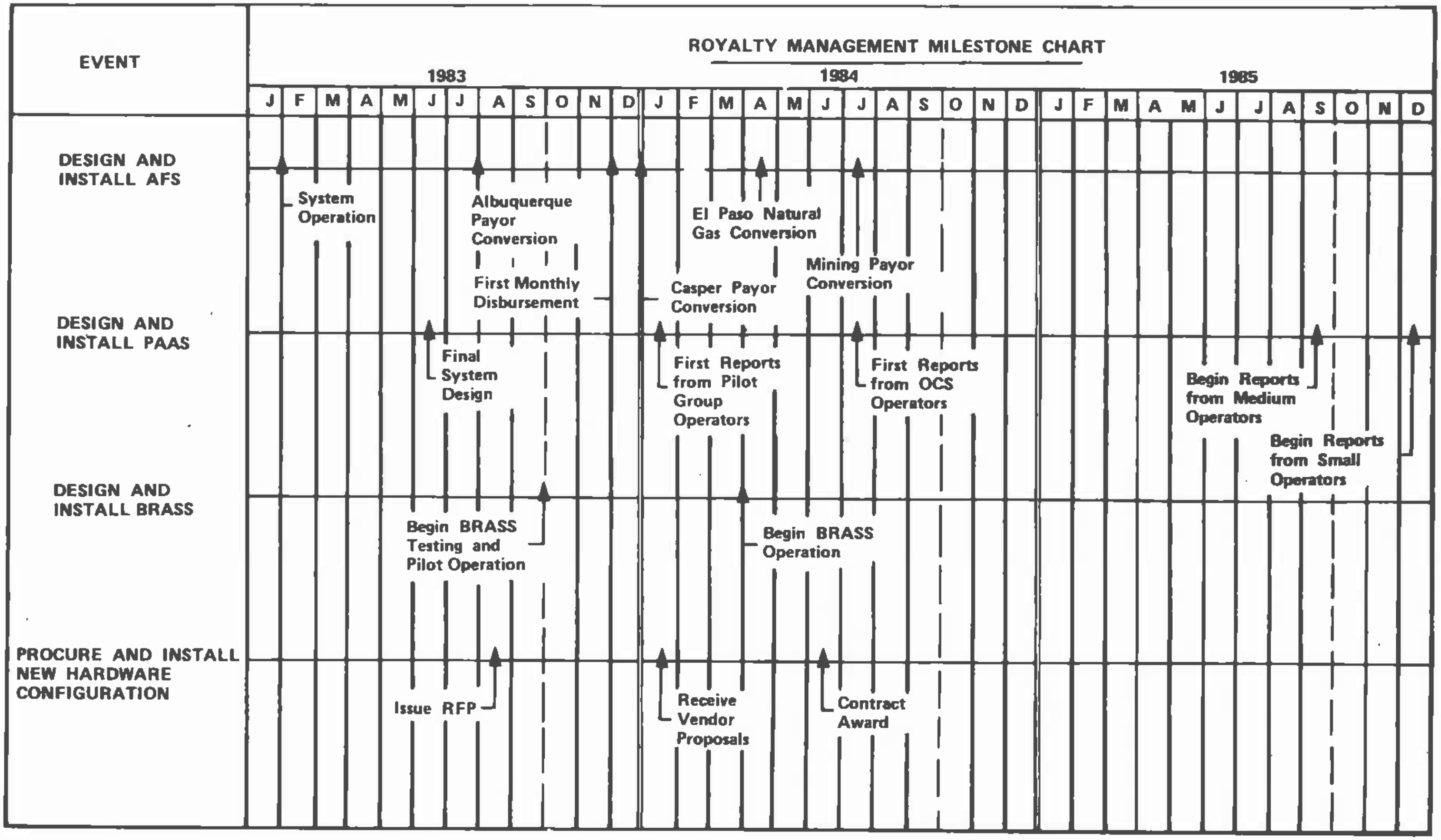
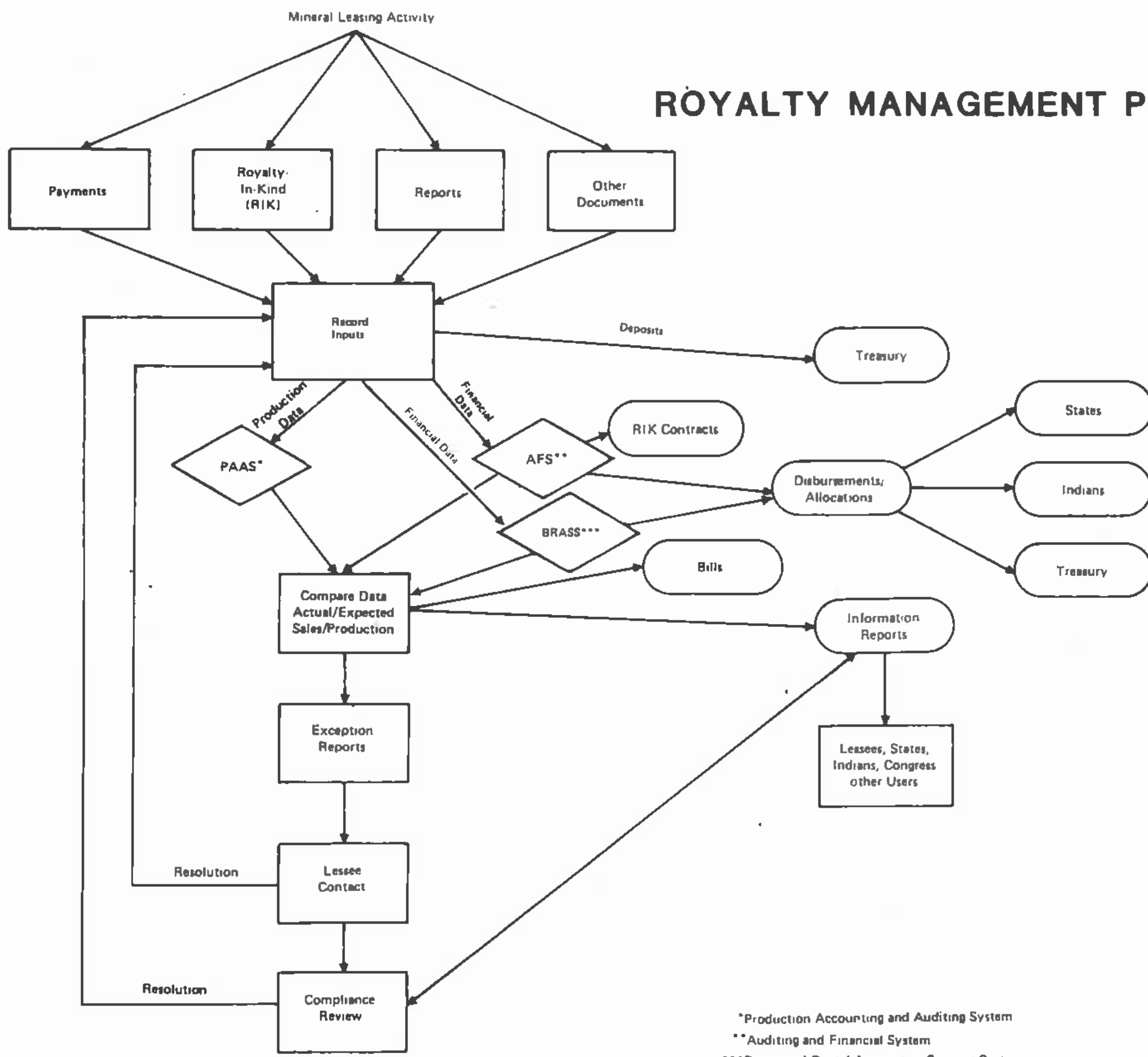

ROYALTY MANAGEMENT MILESTONE CHART
EVENT
1983
1984
1985
J F M A M J J A S O N D
DESIGN AND INSTALL AFS
DESIGN AND INSTALL PAAS
DESIGN AND INSTALL BRASS
PROCURE AND INSTALL NEW HARDWARE CONFIGURATION
System Operation
Albuquerque Payor Conversion
First Monthly Disbursement
El Paso Natural Gas Conversion
Casper Payor Conversion
Mining Payor Conversion
Final System Design
First Reports from Pilot Group Operators
First Reports from OCS Operators
Begin Reports from Medium Operators
Begin Reports from Small Operators
Begin BRASS Testing and Pilot Operation
Begin BRASS Operation
Issue RFP
Receive Vendor Proposals
Contract Award

FIGURE 5

ROYALTY MANAGEMENT PROGRAM



*Production Accounting and Auditing System
**Auditing and Financial System
***Bonus and Rental Accounting Support System

FIGURE 6

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(dollar amounts in thousands)

Subactivity		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Mineral Revenue	($)	13,896	12,545	12,545	-1,351	---
Collections	(FTE-T)	(298)	(303)	(303)	(+5)	(---)
Total	($)	13,896	12,545	12,545	-1,351	---
Requirements	(FTE-T)	(298)	(303)	(303)	(+5)	(---)

Primary Authorizations

43 U.S.C. 1331, et. seq. P.L. 83-212	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf; provided for granting of leases to develop offshore energy and minerals; and provided for bonuses, rents, and royalties to be paid in connection with such leases.
30 U.S.C. 181, et. seq. P.L. 66-146	The Mineral Lands Leasing Act of 1920, as amended, provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, and sodium and the payment of bonuses, rents, and royalties on such leases.
30 U.S.C. 1701, et. seq. P.L. 97-451	The Federal Oil and Gas Royalty Management Act of 1982 provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect for such amounts in a timely manner.

Objectives

- o Achieve AFS reporting error rate of 5 percent of line items (systems integrity level).
- o Begin conversion of operators with medium production quantities to the PAAS by the end of FY 1985.
- o Begin operation of BRASS.

Base Program

The Mineral Revenue Collections subactivity provides funds to support activities related to collecting, processing, accounting for, and distributing all bonuses, rents, royalties, penalties, interest, associated fees, and other payments received by the Minerals Management Service. This activity also supports the review and calculation of windfall profit taxes and the management and negotiation of contracts by which royalty oil taken in kind is sold to small refiners.

Accurate and efficient collection of royalties is an important matter of equity and good government. The Administration's commitment to decrease the budget deficit underscores the importance of this function. In FY 1985, it is estimated that the Royalty Management Program will collect over $9.6 billion in mineral leasing revenues. Undercollection of even 1 percent of revenues due would result in a loss of nearly $100 million to the Federal Government, States, and Indian tribes. The improved Royalty Management Program has been developed to minimize potential undercollections.

Accurate determination, collection, and disbursement of rents and royalties is not a simple matter of collecting checks, recording amounts received, and making deposits in the Federal Treasury. Several factors make this a complex and resource intensive, but extremely high benefit, function:

- Multiple Lease Ownership

  Ownership of oil and gas leases has been divided and subdivided extensively, often resulting in large numbers of payors for a single lease. Accounting for all payors on each lease is a sizeable and increasing workload. Although some aggregation is possible, the Auditing and Financial System (AFS) requires accounting by individual payor in order to reconcile all accounts through identification of 100 percent of the payors on each lease. Each time there is a change in payor responsibility (approximately 30 percent per year) a Payor Information Form must be processed and lease master records changed.

- Royalty Determinations

  The amount of royalty owed is determined by applying the proper royalty percentage rate to the volume and value of the commodity produced. Royalty rates vary widely and royalties can be paid in value (cash payment) or in kind (the mineral commodity itself) in accordance with the contract terms of the lease and the Government's applicable regulations.

  The volume produced is often difficult to determine. Oil and gas industry practices, for example, make it difficult to determine if the sales volume reported represents the full royalty liability. Metering practices are not standard throughout the industry; and the situation is further complicated by commingling, gas plant processing, changes during storage and treatment, etc. For these and other reasons, sales volumes often do not match quantities listed on production reports. The Production Accounting and Auditing System, however, will be structured so that meaningful production volume/sales volume comparisons can be made on a regular basis despite fluctuations in production, measurement, processing, and storage.

o Federal Regulations

Complex and sometimes conflicting Federal laws require difficult additional calculations to determine proper amounts of royalties owed. Two such examples are the Crude Oil Windfall Profit Tax Act of 1980 and the Natural Gas Policy Act of 1978. Both have significant impact on the workload of the Royalty Management Program.

o Multiple Disbursement Requirements

After mineral revenues are properly collected and accounted for, disbursement must be completed according to various land leasing formulas established by law. Royalty revenues collected from public land leases are distributed to the States, various special funds, and the general fund of the Treasury. Revenues from acquired land leases are collected by Minerals Management Service on behalf of the U.S. Forest Service and Department of Agriculture and distributed in various percentages to a number of different Treasury funds, States, and counties. Mineral revenues from military land leases, Indian land leases, and Outer Continental Shelf land leases are also distributed according to different formulas.

In order for the accounting operations staff to carry out their objective of accurate and efficient collection and disbursement of mineral revenues, three sytems have been developed and implemented. They are the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Support System (BRASS). The design, development, operations, and maintenance of these systems is being performed under the Systems Development and Operation Subactivity. The primary user, however, is the Mineral Revenue Collections staff. These systems and their functions are detailed below.

Auditing and Financial System (AFS)

This system replaces the Royalty Accounting System (RAS) which had been in use for 30 years. The AFS has been modified to respond to requirements set forth in the Federal Oil and Gas Royalty Management Act of 1982.

The AFS is designed to fulfill eight principal objectives:

- o Process rents and royalties reported by the payors promptly and efficiently. Each payor has a separate account for their paying responsibility on each lease.
- o Distribute mineral revenues to State, Indian, and General Treasury accounts on a monthly basis in accordance with the Royalty Management Act.
- o Calculate, distribute, and disburse interest and penalty payments to States and Indians in those instances where it is required by the Royalty Management Act.

- o Identify, using data provided by the payors, underreporting and non-reporting at a level of detail which enables MMS to effectively and quickly communicate with payors and promptly collect revenues due.

- o Account for all mineral revenues due, collected, and disbursed in a system of accounts which enhances MMS' ability to control and report on the Royalty Management Program.

- o Provide royalty accounting and statistical information to those parties, including State and Indian tribes, which have a need for such information.

- o Build and maintain a data base which can effectively be matched with production data when the Production Accounting and Auditing System is operational.

- o Create an automated billing process for all receivables generated by the system.

The system began operation in February 1983. At that point in time, the leases which produce 80 percent of revenue and 8 percent of the data had been put into the systems data base. The system was converted and installed in stages. By the end of the third quarter of FY 1984, all payors are scheduled to be on the AFS.

Conversion to the AFS changed the accounting scheme from a lease level bookkeeping system to a sublease or payor accounting system. This major change allowed for determination and accounting of royalties owed at a payor level, thus eliminating laborious manual and almost impossible lease account reconciliations. At the same time, it greatly multiplied the number of accounts and accounting line items with which Royalty Management personnel are required to work. For the current 19,000 producing leases, approximately 700,000 line items of data are submitted each month.

The new system uses a modified Internal Revenue Service approach in that it accepts incoming rent and royalty payments as essentially correct, subject to verification. The AFS has a complex set of edit routines to check for report accuracy. It also compares incoming data with expected data and generates exceptions when they do not match. In FY 1985, the accounting center personnel will correct approximately 420,000 reporting errors and resolve 350,000 exceptions from the AFS. This exception data represents the major change in approach which improves the accuracy of the program over the previous bookkeeping-oriented system.

The Accounting Operations staff provided a significant level of technical assistance to industry payors during the conversion process and implementation phase of the AFS. It is evident that "hands-on" instruction and assistance from royalty operations employees will be needed each time payor responsibilities change and new payors come into the system. There is a 30 percent turnover in paying responsibilities in any given year, thereby indicating a significant, continuing workload in this area. The royalty program also intends to provide ongoing guidance and assistance, since accurate reporting is crucial to the success of the system. Accounting center personnel will make about 500 payor visits in FY 1985 to provide this essential technical assistance to assure complete understanding and compliance with AFS reporting requirements.

Selected program outputs relative to the AFS are:

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Accounting line items of data	8,400,000	8,400,000	---
AFS exceptions processed	240,000	350,000	+110,000
Reporting error corrections for AFS	840,000 1/	420,000 2/	-420,000
Number of telephone contacts with payors	125,000	200,000	+75,000
Technical assistance visits to payors	300	500	+200
Checks deposited	60,000	51,000	-9,000 3/
Mineral revenue disbursements made	1,040	1,040	---
Payor Information Forms (new and revised) processed	40,000	25,000	-15,000
Royalty-in-Kind contracts	250	250	---

1/ Error rate = 10% of line items
2/ Error rate = 5% of line items
3/ Due to conversion to Electronic Funds Transfer for transactions in excess of $50,000 per day, the number of checks processed manually will decrease.

Production Accounting and Auditing System (PAAS)

The Royalty Management Program's automated production accounting system is designed to accomplish the following objectives:

- o Compare production volumes against sales data and identify exceptions which may indicate unpaid royalties.
- o Trace mineral production from point of origin to point of sale.
- o Account for all volumes produced on the lease.

- Allow MMS to control system "tolerances" so that minimal differences in sales/production data do not generate exceptions.

- Support lease management functions by allowing MMS and the Bureau of Land Managment (BLM) field offices to access production data from each lease.

- Provide production data on a lease-by-lease basis to States and Indian tribes.

- Facilitate comparisons of company data (production reports) with internal data (site inspection reports).

The PAAS is scheduled to be installed in phases. A pilot program with 14 firms will begin in November 1983. Reports from these firms with November 1983 data will be entered into PAAS in January 1984. The OCS producers, which represent 70 percent of all production volume, will come on line in July 1984, reporting May 1984 data. (See Milestone chart, Figure 5).

During FY 1985, it is anticipated that the production accounting staff will be correcting about 500,000 reporting errors and resolving 390,000 PAAS exceptions. With the small and intermediate reporters beginning conversions into PAAS, the staff will be making an estimated 1,500 assistance visits to the reporters.

Selected program outputs relative to the PAAS are:

	FY 1984 Estimate	FY 1985 Estimate	Increase(+) or Decrease(-)
Accounting line items of data	1,200,000	5,000,000	+3,800,000
Reporting error correction for PAAS	240,000	500,000	+260,000
PAAS exceptions processed	30,000	390,000	+360,000
Industry conversion assistance visits	1,000	1,500	+500
Number of telephone contacts with operators	25,000	75,000	+50,000
Technical assistance visits to operators	300	500	+200

Bonus and Rental Accounting Support System (BRASS)

On December 3, 1982, Secretarial Order No. 3087 transferred all BLM functions related to royalty and mineral revenue collection and management to the MMS. The transfer was effected to consolidate in MMS all Interior Department responsibilities for the management of all mineral revenues. This added responsibility includes the collection of bonuses from onshore lease sales and rentals from over 125,000 Federal onshore nonproducing leases. In order for this function to be compatible with the AFS and meet the requirements of the Royalty Management Act, an automated Bonus and Rental Accounting Support System (BRASS) is being designed.

The principal functions of BRASS are:

- o Collect and account for lease bonuses and create new lease records as a result of bonuses paid.
- o Generate courtesy notices for annual rentals and deferred bonuses.
- o Collect, deposit, and account for annual rental payments.
- o Feed financial update and general ledger functions of the AFS.
- o Support monthly distribution and disbursement requirements as specified in the Royalty Management Act of 1982.
- o Provide lease data to AFS when leases go into production.

The system was developed in FY 1983. Systems testing, acceptance testing, and pilot parallel operations will proceed for the first 6 months of FY 1984 while BLM continues the collection and accounting functions. MMS will perform monthly distributions during this period, and will pick up the entire function on April 1, 1984.

The FY 1984 output estimates given below reflect only one-half the workload associated with processing bonus and rental accounting functions. However, in FY 1985 the workload reflects a full year of operation by RMP. It is anticipated that 125,000 to 130,000 accounting line items of data will be processed, approximately 125,000 checks will be deposited and about 81,400 lease actions will be maintained. Maintenance actions involve expirations, terminations, relinquishments, cancellations, assignments, segregations, drilling extensions, unitization of leases, and the introduction of new leases.

<u>Selective program outputs relative to the BRASS are:</u>

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Accounting line items of data	130,000	260,000	+130,000
Checks deposited	71,000	125,000	+54,000
Lease maintenance actions	40,700	81,400	+40,700
Mineral revenue disbursements	2,450	2,450	---

<u>Electronic Fund Transfer</u>

MMS, in its effort to run an efficient accounting operation and realize savings to the Federal Government, instituted the use of Electronic Funds Transfer (EFT). This requirement impacts all payors making royalty, rental, and bonus payments to the Department that equal or exceed $50,000 for any given day. Use of EFT by payors will provide better internal controls for Accounting Operations staff in handling cash and reduce the time between receipt of payments and deposit in the Treasury accounts. The estimated savings to the Government in interest as a result of EFT usage in FY 1984 is $14.3 million. These savings will grow in direct proportion to receipt increases.

Since the submission of the FY 1984 Congressional Budget, the subactivity entitled "Royalty Collections" has been renamed "Mineral Revenue Collections." This newly-named subactivity is comprised essentially of the same functions that were included in the prior subactivity; however, there have been two changes in FY 1985 base program. First, the PAAS automation/quality assurance group functions and management of the systems operation and maintenance contract were transferred from this subactivity to the Systems Development and Operation subactivity. Second, the product valuation and standards function was transferred from the Mineral Revenue Collections subactivity to the Mineral Revenue Compliance subactivity. These transfers of functions help to better align the organizational responsibilities to the budget program which provides resources for their activities.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

(dollar amounts in thousands)

Subactivity		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Mineral Revenue Compliance	($) (FTE-T)	7,032 (177)	8,199 (177)	10,255 (198)	+3,223 (+21)	+2,056 (+21)
Total Requirements	($) (FTE-T)	7,032 (177)	8,199 (177)	10,255 (198)	+3.223 (+21)	+2,056 (+21)

Primary Authorizations

43 U.S.C. 1331, et. seq. P.L. 83-212	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf; provided for granting of leases to develop offshore energy and minerals; and provided for bonuses, rents, and royalties to be paid in connection with such leases.
30 U.S.C. 181, et. seq. P.L. 66-146	The Mineral Lands Leasing Act of 1920, as amended, provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, and sodium and the payment of such bonuses, rents, and royalties on such leases.
30 U.S.C. 1701, et. seq. P.L. 97-451	The Federal Oil and Gas Royalty Management Act of 1982 provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect for such amounts in a timely manner.

Objectives

- Complete Royalty Accounting System (RAS) account reconciliations by January 1985.
- Assure prompt and correct payment of all revenues due to the government from minerals production on Federal, Indian, and OCS lands.
- Provide a continuing system of audit activities at all major payor companies to assure immediate identification and correction of deficiencies and errors.

Base Program

The Mineral Revenue Compliance subactivity consists of two major functions: (1) Valuation and Standards and (2) Compliance.

Valuation and Standards is responsible for providing the technical support needed by the Royalty Management Program to carry out its assigned program functions for the product valuation of all minerals produced on Federal, Indian, and Outer Continental Shelf lands.

The Compliance function provides for continuing compliance reviews of lessee and payor activities; the follow-up and ultimate resolution of exceptions noted through the automated royalty management systems; and special evaluations in support of Minerals Management Service and Bureau of Land Management lease management and operational programs. The Compliance program is conducted similar to the Internal Revenue Service in that audits of company records provide for continuing assurance that the public interest is protected by collecting accurate revenues from mineral lease activities on Federal, Indian, and Outer Continental Shelf lands.

Valuation and Standards

Royalty payments due are determined by the value of the commodity produced and the level of production reported on the lease. In the past, the product value set by industry--normally the sales price--was usually accepted. The value of the commodity, however, cannot always be determined by the reported sales price. Such factors as vertically integrated companies selling to themselves, Government price controls, long-term sales contracts, complicated marketing agreements, and complex relationships among the various owners and operators of producing leases add to the complexity in determining the value of the commodity sold.

The old royalty system did not provide consistent, definitive valuation guidelines. Under the new Royalty Management Program, the Valuation and Standards staff will issue different product value guidelines for the major commodities (i.e., oil, gas, coal) and transportation and manufacturing allowances by the end of FY 1983. Additional guides, modifications, and individual product value determinations will be an ongoing workload throughout FY 1984 and 1985.

This function will be providing the consistent mechanism for establishing the fair market value of commodities extracted from Federal and Indian leases. During FY 1985, it is anticipated that the staff will process 75 site specific valuation determinations, 50 royalty reduction requests, 20 royalty rate determinations, 350 processing and manufacturing allowances, and 500 transportation allowances.

Selected program outputs for the Valuation and Standards function are:

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Site specific valuation determinations processed	64	75	+11
Royalty reduction requests processed	43	50	+7
Royalty rate determinations processed	17	20	+3
Processing and manufacturing allowances processed	300	350	+50
Transportation allowances processed	425	500	+75

Compliance

Compliance activities are multifaceted since the assurance of payment of correct royalties on a given Federal or Indian lease involves many different potentially auditable issues. These issues range from the price upon which the royalty was calculated, to production volumetric determinations to ensure that royalties have been paid on all volumes produced or used on a lease. In some instances, the audit function has to be expanded through the collateral activities of field inspectors or the Royalty Management product valuation staff when potential audit findings go beyond accounting or purely fiscal matters.

The Royalty Management auditing and compliance process has been in a state of transition. During the first 2 years of its existence, a large proportion of the compliance staff was devoted to two activities which are not part of the permanent compliance program; namely, reconciliation of old lease balances existing under the Royalty Accounting System (RAS) and assistance to payors converting to the new Auditing and Financial System (AFS).

During FY 1982 and FY 1983, these two activities combined have utilized 55 staff positions. In addition, 47 compliance personnel were devoted to the continuing operation of the RAS in those offices that had not yet converted over to the AFS. Though this activity continues to phase out, it will be a part of the compliance program through a portion of FY 1984. The transition period has taken longer than originally expected, as a result of the need to delay the conversion schedule of the AFS through the spring of 1984. This has, in turn, delayed the completion of the payors' assistance effort and RAS account reconciliations until January of 1985.

In spite of the considerable amount of effort spent on important but subsidiary activities, the compliance program has achieved stunning results. Since the inception of a professional audit program in October 1981 through September 1983, almost $81 million has been recovered in previously unpaid or underpaid royalties.

In the 61 years prior to this, audit collections totaled $33.6 million, less than one quarter of one percent of all the royalties paid in that period. The result of the compliance effort appears to justify the conclusions of the Commission on Fiscal Accountability of the Nation's Energy Resources that there was a substantial underpayment of royalties in past years. Part of this recovery effort has been in cooperation with eight States under cooperative audit agreements. These joint reviews have resulted in recovery of approximately $26 million, as of November 30, 1983, of which $10.5 million has been returned to the States.

The Compliance staff performs various types of reviews: (1) systematic compliance reviews, (2) exception resolutions, (3) cooperative State and Indian audits, (4) special reviews, and (5) lease account reconciliations.

Systematic Compliance Reviews. This activity is oriented toward maximum cost recovery. Compliance reviews and audits of lessee and payor activities are selected in accordance with a number of criteria, such as: (1) past incidents of recovery; (2) payor compliance history; (3) exceptions generated from the automated financial and production accounting systems; (4) random sampling among all payors; and (5) paying errors on a multiple interest lease where errors by one payor can expect to be found among other payors on the same lease.

During FY 1983, a primary emphasis of the compliance effort was devoted to assuring proper payment of royalties for the historic period dating back to 1976. This effort has been supplemented through the so-called "Lookback Audits" being conducted by the Office of the Inspector General (OIG) both with its own staff as well as through contract CPA firms. The OIG is in the process of auditing the 25 largest royalty payors. The focus of these audits is first, to review a company's royalty payment system and second, to identify areas, on a sample basis, which will require further review and investigation by Minerals Management Service staff. These Inspector General "lookback" audits are scheduled to be completed during calendar year 1984, and areas identified for further investigation will be incorporated into the Royalty Management compliance program.

The first two Lookback Audits completed were high-level systemwide company audits aimed at determining, on a broad sample basis, compliance of the two companies with Royalty Management policies and procedures. Once the system was reviewed, a limited audit sample was drawn which represented approximately one percent of all leases operated by both companies. While the actual additional dollars recovered as a result of these audit activities was not great, the main benefit derived was the identification of future audit trails to be pursued by Minerals Management Service (MMS) auditors. Based on a comprehensive examination of both audit reports, it appears that a total of 35 to 45 additional staff months of effort are required during FY 1984 and FY 1985 in order to identify and follow up on all audit trails found in the two audits. Usually, all payors on the same lease pay in a similar fashion. Therefore, as a result of the additional audit work done in these two companies, new audit trails will be opened up which will require further exploration of the royalty payment activities of the other companies paying on the same leases operated by these two companies.

The Department of the Interior Inspector General has recommended that MMS adopt the Residency Audit approach to continuously audit 17 of the largest royalty payor companies. MMS has adopted this recommendation, which is explained in greater detail under the compliance program offices section.

The Compliance staff conducts its reviews on an "exception" basis similar to the approach used by the Internal Revenue Service. A sampling of payor activities is analyzed to determine overall systems compliance with the regulations and procedures of MMS. More intensive audit work is undertaken in those areas where it appears questionable practices may lead to underpayments of royalties.

In FY 1982 and FY 1983, the compliance staff began reviewing the previous six years of payor activity, concentrating on the time period when there was a substantial increase in royalties paid to the Government due to rapidly increasing energy costs. By FY 1984, the approach will be to continue the review of the past period and to begin the review and resolution of exceptions produced by the new financial accounting system which will indicate areas of noncompliance requiring resolution.

Exception Resolution. By mid-fiscal year 1984, the AFS will be fully operational and will begin to generate on a regular basis accounting exceptions developed as a result of the sophisticated audit and edit routines contained in the system. The resolution of these exceptions is a multifaceted process which will be conducted by a number of resources from various parts of the MMS organization. The present estimate is that approximately 30 to 40 percent of all exceptions generated by the AFS will be the result of input errors or other reporting problems which will be resolved by lessee contact staff in the Collections subactivity. This will be accomplished either by mail, telephone, or correction of data input sheets from the individual payors. The remainder of the exceptions will be turned over to the compliance staff for resolution. The nature of these exceptions still remains unknown; however, it is expected that a large number will fall into what is considered the "systemic" area of exceptions. This is where payors, particularly large payors, are committing the same error in making their royalty payments which show up as "edit problems" on all payor reports submitted by the same company. In these instances, the elimination or resolution of these systemic problems will require intensive audit work by compliance personnel. The exact workload will only be known after the AFS is fully operational and has run for a number of months. However, based on present knowledge of the system, and the types of problems which have been uncovered as a result of Royalty Management's audit process, it is estimated that the AFS will produce between 25,000 to 30,000 exceptions per month, over half of which, it is anticipated, will be referred to the Compliance staff. These exceptions will then be analyzed to determine if a pattern indicative of noncompliance exists. If so, audits will be conducted to determine if payors are or are not in compliance with the regulations.

State and Indian Cooperative Audits. The State and Indian Cooperative Audit Program was begun in FY 1982 to implement the Commission's recommendation to assist State and Indian tribes in carrying out certain of their Royalty Management functions. During FY 1983, eight States and one Indian tribe participated in Royalty Management Program's cooperative audit effort.

Under the above agreements, RMP auditors participated with State and Indian auditors in performing the audit work. Under the cooperative efforts authorized by the Federal Oil and Gas Royalty Management Act of 1982, State and Indian audit activities will receive matching Federal funds, but will be performed by State and Indian royalty auditors under guidelines and standards established by the Minerals Management Service. Although Royalty Management auditors will no longer be performing cooperative audit work, these same resources will have to remain dedicated to the cooperative audit effort for the following reasons:

(1) Training - Under the provisions of the Royalty Management Act and good management practice, MMS will be required to provide continuing training to State auditors on royalty management audit processes. While the States have competent auditors, the intricacies of the royalty management system--past, present, and future--require specific training. Also, understanding the manner in which many royalty paying companies maintain their records is not an easy process and requires additional training. Finally, as the audit process moves from an historic audit mode toward dealing with exceptions generated by the AFS and PAAS, additional training will be required for State participants.

(2) Coordination and Oversight - One of the major concerns raised by the royalty paying industry was that under the provisions of the new Royalty Management Act, their business offices could be inundated with auditors from MMS, States, and Indian tribes all looking at and auditing the same records. In an attempt to preclude this kind of inefficiency, MMS will coordinate the audit effort at all the large royalty payors through the Resident Audit Program. This will involve a considerable amount of work--scheduling audits, requesting information, reviewing audit reports, following up on demand letters and payment notices--and other related activities.

Special Reviews. In addition to the continuing compliance review and evaluation program, the royalty staff will conduct special reviews when needed. For example, royalty reduction requests, requiring audit of financial information, may be made by industry in cases of economic hardship. Reviews will also be conducted in response to requests from the Minerals Management Service and Bureau of Land Management operational personnel in regards to lease management activities which require further explanation. Such requests may concern joint venture Indian leases, offshore net profit share leases, joint participation agreements, compensatory royalty assessments, or other lease management areas.

Lease Account Reconciliations. Under the old Royalty Accounting System (RAS), each lease had an account for each year that the lease was in production; 37,000 of which were out of balance at the time conversion to the AFS was undertaken. As each office is converted to the new AFS, the unbalanced accounts are reconciled. The unbalanced accounts for the Metairie, Tulsa, Los Angeles, Anchorage, and Washington, D.C. offices have been reconciled and closed out. As a result of the conversion delay for the Albuquerque and Casper offices, the reconciliation of unbalanced accounts for these offices will be completed in January 1985.

Litigation Support. A workload factor, not originally anticipated, but one which continues to grow is litigation support. Litigation support entails various staff-hour intensive efforts, such as responding to discovery requests for documents, preparing responses to interrogations and finally preparing for and undergoing deposition.

Compliance Program Offices

The compliance program is headquartered in Lakewood, Colorado. Audits and compliance reviews are carried out through three regional compliance offices, various suboffices, and residency audit staffs which report to the regional compliance offices. The three regional compliance offices are Houston, Texas; Lakewood, Colorado; and Tulsa, Oklahoma. In FY 1985, Houston will have one suboffice in Metairie, Louisiana; Lakewood will have suboffices in Albuquerque, New Mexico, and Casper, Wyoming. Tulsa will have a suboffice in Dallas, Texas.

As previously stated, MMS has implemented the OIG's recommendation of establishing residency audits at the largest royalty payors. Under the Residency Approach, MMS will station a full-time team of auditors who will continue on a cyclic basis to review the royalty paying activities at the company headquarters of the royalty paying component. During FY 1983, Royalty Management had resident auditors in six companies. Five more residencies are being established during FY 1984, and additional resources are being requested to establish six more in FY 1985 (see increase portion of this subactivity).

The Residency Audit Approach is cost-effective considering the large dollars involved. During FY 1984, it is expected that the residency audits will identify $115 million in findings and $150 million in FY 1985. In addition, the Residency Audit Approach accomplishes another important purpose by coordinating all requests for information related to audit work (including requests from States involved in joint audit activities) through the central point of the team manager of the Residency Audit team. This reduces the impact on a payor company, eliminates overlap, and provides the assurance that the Department is conducting its audit activities in a planned and efficient manner.

Compliance Workload

There are approximately 2,000 companies and individuals that make royalty payments on 19,000 producing Federal and Indian leases. As stated in the Collections subactivity, the AFS established an accounting procedure directed at the payor account level. Thus, an account is established for each payor on each lease, making a payor universe of approximately 80,000 accounts. This universe is highly structured in that 25 of the largest royalty payors provide approximately 80% of the total royalty dollars collected in any given fiscal year. The next 150 payors provide an additional 10% of the royalties and the remainder the last 10%. Under the approach being taken by the Royalty Management Compliance Program, ongoing reviews will be made of the largest royalty payors, as well as spot samples of the intermediate and smaller payors. The intent is to combine the lookback audits, being done under the sponsorship of the Inspector General, with the Royalty Compliance Program activities to complete a thorough review of royalty payment activities going back six years, thus accounting for at least 90% of the royalties paid on Federal and Indian leases.

The following table illustrates workload factors expressed both in terms of numbers of royalty payors as well as the number of individual lease subaccounts in which each group pays royalties.

Royalty Payors

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Largest Payors	25	25	--
Intermediate Payors	160	165	+5
Small Payors	1,840	1,845	+5
Total	2,025	2,035	+10

Royalty Payor Accounts

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Largest Payors	55,000	59,000	+4,000
Intermediate Payors	16,400	17,600	+1,200
Small Payors	8,550	9,550	+1,000
Total	79,950	86,150	+6,200

Selected program outputs for the Compliance function are:

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Royalty Payor Accounts Reviewed			
Largest Payors	3,200	3,450	+250
Intermediate Payors	600	615	+15
Small Payors	200	210	+10
Total	4,000	4,275	+275

Since the submission of the FY 1984 Congressional Budget, the subactivity entitled "Royalty Compliance" has been renamed "Mineral Revenue Compliance." This newly-named subactivity is comprised essentially of the same functions that were included in the prior subactivity. The one change is the inclusion of the product valuation and standards functions being transferred from Mineral Revenue Collections.

Increase for FY 1985

(dollars in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
($)	8,199	10,255	+2,056
(FTE-T)	(177)	(198)	(+21)

State and Indian Cooperative Audits (+$1,200,000)

Section 202 of the Federal Oil and Gas Royalty Management Act of 1982 authorizes the Secretary to enter into cooperative agreements with any State and Indian Tribe to carry out cooperative audit activities. Under the terms of the agreements, MMS will match on a dollar-for-dollar basis the royalty audit efforts of the States and Indian Tribes. Upon completion of the audit where the audit findings require enforcement and/or collection action, Royalty Management program personnel will undertake the required follow-up action. Such actions include review of audit papers, issuance of demand letters, coordination with companies, etc.

In FY 1983, eight States and one Indian Tribe entered into cooperative agreements with the Minerals Management Service. Under this arrangement, the States and Indian tribe contributed their respective staffs and personnel and MMS contributed its staff and personnel in a joint effort. While these efforts have been highly successful (over $32 million in findings as of July 31, 1983), they have been experimental.

The funding requirement for this request was developed by identifying the costs realized by a number of States under their current audit program with MMS and extrapolating these results to the audits to be performed under Section 202. Eight to nine States and several Indian tribes are anticipated to be participating in these cooperative audit efforts. It is estimated that $1,500,000 will be needed to reimburse their direct costs, for an increase of $1,200,000 from the base.

Resident Auditors (+$735,000, +21 FTE-T)

As stated in the base program, the residency audit approach has been adopted by the Royalty Management Program to provide continuing compliance review of the largest royalty payors because:

(1) It is cost-effective. During FY 1984, $115 million in findings is expected to be identified through the resident auditors and $150 million is projected for FY 1985.

(2) The residency audit team manager can coordinate all requests for information related to audit work of a particular company. This reduces the impact on a payor company, eliminates overlap, and provides the assurance that the Department is conducting its audit activities in a planned and efficient manner.

By the end of FY 1984, the Royalty Management Program will have 29 FTE dedicated to the residency program at 11 of the largest Royalty payor companies. An additional 21 FTE is being requested to establish residencies at six more payor companies in FY 1985, thus having resident programs at the 17 largest payor companies as recommended by the OIG. Staff resources freed up by the decreased reconciliation effort need to be redirected to the exception resolution effort and support for the State and Indian cooperative audits.

This increase is considered crucial so that the continuing effort on reviewing the past six years of payor compliance can be accelerated. The fewer staff years dedicated to an audit, the longer the audit is extended. If the audits are performed at a slower pace, the six-year statute of limitations will apply and a year will be lost, thereby losing any unpaid royalties for that year.

Additional Suboffice (+$121,000)

Royalty Management compliance personnel are located geographically close to major workload areas to provide a more effective audit capability. In FY 1985, it is proposed to open a suboffice in Los Angeles, California. Personnel to staff this office will be redirected from the Casper and Albuquerque suboffices. Additional funding of $121,000 is being requested for other than personnel costs associated with establishing this office.

Distribution of Change by Object Class

The object class detail for the proposed $2.056 million increase is as follows:

	FTE-T	Amount
Personnel Compensation	21	564,626
Personnel Benefits		65,374
Travel and Transportation Persons		20,000
Transportation of Things		63,000
Communications, Utilities, and Other Rents		17,000
Other Services		1,286,000
Supplies and Materials		2,000
Equipment		38,000
Total		$2,056,000

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(dollar amounts in thousands)

Subactivity		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Systems Development and Operation	($)	13,941	15,040	17,090	+3,149	+2,050
	(FTE-T)	(61)	(61)	(61)	(---)	(---)
Total Requirements	($)	13,941	15,040	17,090	+3,149	+2,050
	(FTE-T)	(61)	(61)	(61)	(---)	(---)

Primary Authorizations

43 U.S.C. 1331, et. seq.
P.L. 83-212

The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf; provided for granting of leases to develop offshore energy and minerals; and provided for bonuses, rents, and royalties to be paid in connection with such leases.

30 U.S.C. 181, et. seq.
P.L. 66-146

The Mineral Lands Leasing Act of 1920, as amended, provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, and sodium and the payment of bonuses, rents, and royalties on such leases.

30 U.S.C. 1701, et. seq.
P.L. 97-451

The Federal Oil and Gas Royalty Management Act of 1982 provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and to collect for such amounts in a timely manner.

Objectives

- Install new computer hardware configuration, convert existing software to operate on the new hardware, and begin operation of the new system.

- Monitor performance of new operations and maintenance contractor, hardware contractor, and software conversion contractor.

- o Establish a contingency program of systems enhancements to maintain the systems in state-of-the-art condition.

Base Program

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

Planning, designing, and installing new software systems.

Three major new computer based systems are being designed, developed, and installed in the Royalty Management Program -- the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS). Although these systems and their functions are described in the Royalty Collections subactivity, the design, development, and installation of these systems is done primarily through contract services with technical direction, oversight and contract monitoring functions provided by the Systems Development and Operation staff.

In FY 1983, AFS became operational. During FY 1984, the PAAS pilot program phase will begin with 14 pilot group operators. Following the pilot phase, all OCS operators will be converted to the system. BRASS design and development, which began in FY 1983, will culminate with full system operation in April 1984. Details regarding implementation schedules are described in the Royalty Collections subactivity and shown on the milestone chart (Figure 5). During FY 1985 resources dedicated to these systems will be redirected to the software conversion effort necessitated by the acquisition of a new hardware configuration (described in detail in the increase portion of this subactivity).

Modifying and enhancing operating systems to meet changing needs or increase efficiency.

As the major systems evolve from the developmental stage to an operational mode, some of the resources dedicated to initial development will be redirected to continuing modification and enhancement efforts. The Royalty Management Program, which has undergone significant changes, is not anticipating changes of the same scope and magnitude in the future; however, system development plans have taken into account the need to respond to future legislative changes, functional realignments, etc. A combination of in-house and contractual resources have been incorporated into the Royalty Management Program to provide the capability to modify the systems in response to changing demands.

By the beginning of FY 1985, all three major Royalty Management computer systems will be operational. The AFS will have been in operation for 20 months; the PAAS for 9 months; and the BRASS for 6 months. With any system as large and complex as the AFS or PAAS, steady state operation will continually manifest ways to improve the operation of the systems. Approximately 100 to 150 system enhancements are expected to be made each year. Examples of such enhancements are:

- o Changing program linkages to make on-line inquiry easier and more responsive to the user;
- o Repaging and formating of online and hard copy report formats based on user experience;
- o Recoding programs to add new features needed by users; and
- o Removing programs or parts of programs that are found not to be useful or have become obsolete because of changing legislative or other conditions.

These improvements, or enhancements, will make the system run better and, in the long run, minimize escalating operational costs by improving both hardware and software efficiency. Any system or systems which are not continually enhanced will soon lose their viability and retreat from their state-of-the-art condition. The history of the old Royalty Accounting System is indicative of what can happen when continuing enhancement is not part of steady state operation of complex systems like the AFS and PAAS.

Operating and maintaining the systems.

As each system becomes operational, regular maintenance and day-to-day operational costs increase significantly. The size of the data base will increase from 830 million bytes with the AFS operating to 5,900 million bytes with AFS, BRASS, and PAAS all operating by the end of FY 1985. When fully completed, the three major systems will have over 800 individual computer programs, 1,000,000 lines of program code, 100,000 pages of systems documentation and 4 major operating manuals (containing over 170 volumes) which must be constantly updated and maintained on a day-to-day basis. Resources required to operate the tape library and archival system, maintain system documentation, and update operating manuals have increased geometrically because of the complex interrelationships that exist among the systems and programs. Contract funds used for initial systems development have been redirected to bring the operations and maintenance funding to a steady-state level.

The computer center is operated on a 24-hours-a-day/7 days a week basis. Resources required for data entry and validation have increased as the input volume has grown from 88 million characters per month for the AFS during its operation to 170 million characters per month in FY 1985 for all three systems. Over 100 printed reports will be produced from the systems. This requires operations personnel to load paper and forms, burst, decollate and distribute these outputs. The number of printed lines per month has increased from 41 million in FY 1983 to 150 million in FY 1985.

Determining, obtaining, and installing necessary hardware.

Systems capacity and program requirements have changed frequently since the improved systems design began a few years ago. The Systems Development and Operation staff must continually examine the adequacy of current hardware in meeting the short and long term needs of the Royalty Management Program. They are responsible for determining the need for, acquiring, and installing any necessary equipment.

During FY 1983 and FY 1984, additional minicomputer and interconnecting equipment was acquired and installed to meet critical capacity needs. At the same time, a Request for Proposal was issued to acquire a new hardware configuration. This system is scheduled for delivery and installation in FY 1985. The Systems Development and Operation staff will be responsible for evaluating bids and overseeing the installation of and conversion to the new system while operating and maintaining the current systems.

In addition, a software conversion of AFS, PAAS, and BRASS is required to ensure compatibility with the new hardware. The estimated cost for the software conversion is based on the number of lines of code in each of the three systems to be converted, multiplied by a standard systems conversion cost factor. It is estimated that the $900,000 required during FY 1984 and requested in the Royalty Management Program's FY 1984 amended budget will be adequate for this conversion when combined with the $1,700,000 funded by resources redirected from within the Royalty Management Program budget activity. Total software conversion costs for FY 1985, estimated at $2,600,000, will be provided from within the base.

Selected workload factors for Systems Development and Operation are:

	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-)
Data base maintained (millions of characters)	3,900	5,900	+2,000
Computer programs operated and maintained	700	800	+100
Lines of program code maintained	800,000	1,000,000	+200,000
Lines of program code converted to new system	200,000	800,000	+600,000
Pages of systems documentation updated and maintained	85,000	100,000	+15,000
Number of characters entered into systems (per month)	120,000,000	170,000,000	+50,000,000
Number of lines printed (per month)	100,000,000	150,000,000	+50,000,000

Since the submission of the FY 1984 Congressional Budget, the subactivity entitled "Systems Development and Maintenance" has been renamed "Systems Development and Operation." This newly-named subactivity is comprised essentially of the same functions that were included in the prior subactivity. The change is the inclusion of the PAAS automation/quality assurance group functions and the systems operation and maintenance contract being transferred from Mineral Revenue Collections.

Increase for FY 1985

(dollars in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
($)	15,040	17,090	+2,050
(FTE-T)	(61)	(61)	(--)

New Computer Hardware Configuration (+$1,800,000)

A major problem for the Royalty Management Program over the last two years has been the difficulty in projecting systems capacity requirements. For the AFS alone, the original Statement of Work estimated 250,000 monthly line items of data. By December of 1982, that estimate had almost tripled. Recently, two large royalty payor companies decided to no longer pay royalties on behalf of some 600 small royalty interest payors, thus increasing systems capacity requirements for the AFS again. For these reasons, the Royalty Management Program was not in a position to evaluate the efficiency of the current computer hardware system until volume tests were performed using the developed software. Systems test and operation of the AFS occurred in February of 1983 and it is now evident that the current computer configuration will not be able to handle increasing capacity and process data quickly enough to meet the requirements of the Royalty Management Act.

The inability of the current hardware configuration to handle the requirements currently being placed on it has led to the following problems: Inadequate online response time; data entry "traffic jamming"; and inability to process data on a priority basis instead of sequential basis. All of these problems have continued to be exacerbated as more and more data is loaded into the system.

During FY 1983, the Systems Development and Operation staff developed and issued a Request for Proposal to acquire new hardware and convert the existing software to operate on the new hardware. The contract award is scheduled for June 1984. The new hardware will be able to accommodate all of the Royalty Management Program requirements and be modular and expandable as increased workload is added. All options, lease or purchase, will be considered and a decision will be made based on the most cost-effective method. Current analysis indicates that leasing is the most favorable option. An increase of $1,800,000 is being requested to provide full-year funds for the estimated lease costs of the new ADP hardware system. The base includes $600,000, which was requested as part of the Royalty Management Program's FY 1984 amended budget.

PAAS Operations and Maintenance for Small Operators ($250,000)

The small operator population is scheduled to be entered into the PAAS system in December of 1985. Experience with conversion to the AFS has shown that considerable "hands-on" instruction and asistance from royalty program employees or contract employees is required for successful implementation. Analysis of workload requirements for the conversion effort and steady-state operation associated with small operators has determined that it is more cost-effective to accomplish this workload through a contractor. The contractor will initiate data collection, review responses, follow-up on missing and erroneous forms, review and clean-up the data base, and provide the Royalty Management Program with verified, accurate data in tape form compatible to the PAAS system. This effort is scheduled to begin in late FY 1985; therefore, an increase of $250,000 is requested in FY 1985.

Distribution of change by object class

The object class detail for the proposed $2.05 million increase is as follows:

	Amount
Communication, Utilities, and Other Rents	$ 1,800,000
Other Services	250,000
Total	$ 2,050,000

MINERALS MANAGEMENT SERVICE
Summary of Funding by Subactivity

Activity: General Administration

(Dollar Amounts in Thousands)

Subactivity	FY 1983 Actual	FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Increase (+) Decrease (-) from 1984	Increase (+) Decrease (-) from 1985 Base
Executive Direction	3,125	3,212	3,498	3,498	+286	--
Administrative Operations	10,532	9,557	9,892	9,892	+335	--
General Support Services	9,963	7,799	9,792	10,936	+3,137	+1,144
Total	23,620	20,568	23,182	24,326	+3,758	+1,144

Activity: General Administration

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

Executive Direction. The Executive Direction subactivity provides budget authority and FTE ceiling for the Office of the Director and his immediate senior advisory staff, the Office of Congressional and Legislative Affairs, the Office of Minerals Management Information, the Office of Equal Employment Opportunity, and the Office of the Assistant Director for Program Review. These functions provide for overall program leadership, direction and policy guidance, budget formulation and execution, program review and evaluation, and management coordination of all the responsibilities of the Minerals Management Service. The Office of the Director provides centralized program policy development and guidance to all Minerals Management Service activities nationwide, and thereby precludes the need for subordinate policy staffs at multiple geographic locations. The Office of the Assistant Director for Program Review provides centralized policy and procedural staff that assures resources are utilized effectively, that the mandated functions of the organization are accomplished as approved by the Administration and the Congress, and that the program policies of the Director are implemented and completed effectively.

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

General Support Services. The General Support Services activity includes funding for costs such as Federal space rental, Federal Telecommunications System (FTS), postal services, and facilities, utilities, and other support services provided by the Geological Survey. The Geological Survey will continue to provide services for publications, visual products, the library, and data processing and computer time under negotiated reimbursable agreements. Such services will continue to be provided until the Minerals Management Service develops its own independent capabilities.

Justification of Program and Performance

Activity: General Administration
Subactivity: Executive Direction

(dollar amounts in thousands)

Subactivity		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Executive Direction	($) (FTE-T)	3,212 (73)	3,498 (73)	3,498 (73)	+286 (---)	-- (---)
Total Requirements	($) (FTE-T)	3,212 (73)	3,498 (73)	3,498 (73)	+286 (---)	-- (---)

Authorization

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

Objectives

- o Provide executive leadership, direction, policy and program guidance, review and evaluation, and management coordination of all the mandated responsibilities of the Minerals Management Service.

Base Program

The Executive Direction activity is comprised of the Director and his immediate Senior Advisory Staff, Office of Congressional and Legislative Affairs, Office of Minerals Management Information, Office of Equal Employment Opportunity, and the Assistant Director for Program Review, and support staff.

The Office of the Director is responsible for providing general policy guidance and management direction to the organization. As the Chief Executive Officer, the Director reports to the Assistant Secretary--Land and Minerals Management and provides general policy and management direction to the organization through a Deputy Director, two program Associate Directors, Offshore Minerals Management and Royalty Management, and Assistant Directors for Administration and for Program Review.

The Office of Congressional and Legislative Affairs serves as the primary point of contact between the Minerals Management Service and the Congress and provides information and assistance in response to inquiries by Members of Congress or congressional staff and/or committee personnel. Specifically, the Office maintains continuing communication 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, coordinating arrangements for congressional visits/meetings, and congressional activity that affects or may affect the Minerals Management Service.

The Office of Minerals Management Information 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 if not referred to other officials. Close liaison with the Secretary's Office of Public Affairs and counterpart offices within the Department and other agencies is maintained. Policy is developed on Freedom of Information Act activities and procedures.

An important activity of the Office of Minerals Management Information is the Outreach Program, which is an effort to reach out to the public, the private sector, the oil and gas industry, and the academic community to provide information to them about the Department's five-year OCS oil and gas leasing program. The Outreach Program is intended to move in several directions--it is product and action oriented. Numerous publications are produced as the need arises, such as brochures, booklets, and feature articles.

Prior to January, 1983, very little had been done in the way of "Outreach." In FY 1985 the program will devote a great deal of time developing publication pieces to explain Minerals Management Service (MMS) generally--the offshore leasing program, Royalty Management, and the ancillary functions for which MMS is responsible. Additionally, sale-specific, regionally oriented publications will be developed that are intended to respond to questions and perceived concerns about each lease offering.

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. The Office also administers the EEO program which includes the discrimination complaint system, counseling, development and implementation of equal employment opportunity and affirmative action plans, special emphasis programs, and EEO-related training. The office also provides expertise and leadership for other civil rights matters and technical assistance to supervisors and managers.

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

Budget. The Budget Division is responsible to the Assistant Director for Program Review for the management of the program and budget planning process. The Division provides analysis, policy guidance, and recommendatons regarding budget and program formulation and justification; assures proper fund and FTE ceiling allocation and execution in accordance with congressional, departmental, and bureau program directives, goals, and objectives; and develops, prepares, and maintains budget data and reports. Other specific tasks include coordinating the Bureau's Management by Objectives Program and other tracking systems; assessment of current budgetary resources measured against priorities; assisting in the presentation and defense of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress; the preparation of recommendations to senior management for operational funding and personnel allocations; and installation and maintenance of budget systems which relate the accomplishment of mission objectives to the expenditure of appropriated funds and use of personnel resources. These tasks assure that available resources are utilized effectively in support of missions of the Minerals Management Service.

Internal Review. The Internal Review Division is responsible to the Assistant Director for Program Review for all matters related to the evaluation of programs. This organization conducts special studies and policy and economic analyses of all programs and reviews within the headquarters and regional components to determine the degree of program performance and success. It is responsible for monitoring follow-up and implementations of internal review and evaluation recommendations.

The Internal Review Division also serves as the central point of contact, control, and coordination for comments and actions resulting from General Accounting Office and Office of the Inspector General reports. The development, installation, and monitoring of internal control systems to prevent fraud, waste, and abuse is another responsibility as prescribed in the provisions of OMB Circular A-123.

Other responsibilities include providing (1) On-site internal audits of the Royalty Management Program's automated fiscal and production accounting systems; (2) ongoing oversight of systems security and fiscal integrity of internal minerals revenue accounting and management systems; (3) a review and assessment capability to assure proper application of sound accounting collection and disbursement procedures; (4) methods for improving operations; and (5) a system of tracking and reporting on follow-on actions in response to the reports of the Office of the Inspector General and General Accounting Office required under OMB Circular A-73.

Appeals. The Appeals Division is responsible to the Assistant Director for Program Review for the administration of the appeals process within the MMS through direct staff support of the appellate responsibilities of the Director (and the Commissioner of Indian Affairs when Indian lands or other matters are involved) pursuant to 30 CFR Part 290 - Appeals Procedures. Specifically, the Division of Appeals is the authorized representative of the Director for the purpose of reviewing, considering, and making determinations and recommended decisions on matters within the jurisdiction of the MMS in accordance with existing policies, regulations, and procedures involving appeals from final orders or decisions of MMS officials. These responsibilities include program and policy liaison and coordination between the various MMS programs, other Bureaus and Department offices, and various segments of the Federal Government and the private sector.

Other duties include: (1) Advising and briefing high level MMS management and other Department officials on appeals and selected issues requiring broad policy and program determinations; (2) administering and expediting the appeals process within the MMS as well as improving appeals procedures and consolidating related functions; and (3) implementing and maintaining an electronic case docketing and status reporting system in order to track appeals and provide appropriate status, management information, and other reports.

Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(dollar amounts in thousands)

Program Element		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
Administrative Direction and Coordination	($)	185	191	191	+6	--
	(FTE-T)	(4)	(4)	(4)	(--)	(--)
Financial Management	($)	536	563	563	+27	--
	(FTE-T)	(18)	(18)	(18)	(--)	(--)
Personnel Management	($)	1,739	1,794	1,794	+55	--
	(FTE-T)	(37)	(37)	(37)	(--)	(--)
Procurement and General Services	($)	1,875	1,946	1,946	+71	--
	(FTE-T)	(47)	(47)	(47)	(--)	(--)
Information Resources Management	($)	2,095	2,162	2,162	+67	--
	(FTE-T)	(45)	(45)	(45)	(--)	(--)
Field Administrative Services	($)	3,127	3,236	3,236	+109	--
	(FTE-T)	(73)	(73)	(73)	(--)	(--)
Total Requirements	($)	9,557	9,892	9,892	+335	--
	(FTE-T)	(224)	(224)	(224)	(--)	(--)

Authorization

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

Objective

- Provide continuing administrative direction and support to the Minerals Management Service.

Base Program

The Administrative Operations subactivity consists of the following functions: Administrative Direction and Coordination, Financial Management, Personnel, Procurement and General Services, and Information Resources Management. These functions are directed and carried out at headquarters and through three field Administrative Service Centers (ASC).

Administrative Direction and Coordination is carried out by the Assistant Director for Administration and his immediate staff. The staff is responsible for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures and development of appropriate organizational guidance to assure compliance with Department, Office of Management and Budget, General Services Administration, and other executive administrative policies and regulations. The Assistant Director is responsible for the oversight of administrative activities of the Minerals Management Service, 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 and distribution of publications.

The Assistant Director for Administration is responsible for providing line supervision to the three Regional Administrative Service Centers. The Assistant Director also maintains liaison with department offices in order to effect a coordinated and unified Minerals Management Service administrative program consistent with the mission and goals of the Department of the Interior.

Financial Management is carried out by the Financial Management Division which is responsible for formulating and administering the financial management program. The Division develops and implements policies, procedures, guidelines, and standards related to financial management and provides liaison with the Department on financial management and related activities. This program includes central coordination and control of an integrated expenditure and obligation reports system; control and implementation of cost, allotment, and general ledger accounting; payroll systems and processing; voucher and claims examination and processing; and technical guidance on fiscal activities performed throughout the Minerals Management Service.

The Minerals Management Service will have its own stand-alone financial management system in FY 1985 and will, therefore, no longer require these services from the Geological Survey. Priorities for FY 1985 will focus on development of a fully-integrated financial management system. In this regard, efforts will be directed toward fully developing and integrating an automated procurement subsystem with the base financial management system developed in FY 1984. This will provide an effective method to track and monitor procurement requests, thus providing improved control over procurements. Additionally, an automated travel subsystem will be developed and integrated in FY 1985. The subsystem will allow on-line query of the status of outstanding travel advances and travel vouchers. It will also ensure that new advances are not granted to individuals with delinquent advances and vouchers, aid in reducing outstanding travel advances (an integral part of debt management), and systematically report to supervisors and managers their employees' current travel balance status.

Major selected program outputs for the Financial Management Division are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Inc. (+) Dec. (-) from FY 1984
Employee Payroll Processed 1/	2,100	2,100	2,100	--
Recording Obligations	--2/	--2/	40,000	+40,000
Auditing & Paying Invoices	--2/	--2/	30,000	+30,000
Auditing & Paying Travel Vouchers	2,000	9,600	9,600	--
Development of Stand-Alone Financial Management System	--	1	--	-1
Cash Management Reports Processed	--2/	--2/	12	+12
Debt Management Reports Processed	--2/	--2/	12	+12
Financial Policies and Procedures Developed	10	20	10	-10

1/Per pay period
2/Performed by Geological Survey on a reimbursable basis.

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

A wide range of essential and high priority personnel management projects and programs will receive special emphasis as the Minerals Management Service is developed. Following the initial intense activities related to staffing and establishing administrative policies for the organization, personnel management evaluations will be conducted. Two reviews are scheduled for FY 1985. These evaluations will focus on operating practices, merit promotion and recruitment, classification accuracy, compliance with governing policies, regulations and guidelines, management assistance activities, and personnel processing. Procedures and practices related to career development will also be developed by the Personnel Division in FY 1985. The development of supervisors, managers, and executives will receive priority attention. Interim policies, guidance, and programs will be reviewed and modified, as necessary, to meet the needs and objectives of the Minerals Management Service and the Office of Personnel Management guidelines.

Significant staff resources will be devoted in FY 1985 to the development and implementation of a bureauwide external recruitment program. The program will identify target recruitment sources and will involve the selection of and training of employees in recruitment and selection techniques. Since the Minerals Management Service employs large numbers of "shortage category" employees (e.g., accountants, auditors, engineers, geoscientists), an effective recruitment program is necessary to ensure that such employees are hired so the work will be performed in a timely manner.

Since the Department of the Interior has adopted a newly automated payroll and personnel system (PAY/PERS) for use throughout the organization, significant staff resources will be expended to tailor the system to Minerals Management Service needs. Software must be developed to accommodate specific usage requirements for reports and statistics, etc. Due to the sheer magnitude of the changeover, this process will occur throughout the fiscal year.

Significant portions of the Minerals Management Service Manual (MMSM) have not been completed because the Minerals Management Service is a relatively new organization. Numerous chapters will be developed and implemented to provide policy and guidance for use throughout the organization in FY 1985.

Training courses in technical and administrative areas (except for specific areas in the Royalty Management Program) will be developed for employees and supervisors. Directly related to this function is the requirement to continue to refine and revise policies and procedures for performance appraisal systems and to tailor these systems to Bureau needs. Significant effort will be devoted to training personnel specialists in systems operations and developing supervisory and managerial skills in the use of these systems.

Significant amounts of effort will be expended in assisting in the development of a software system to meet personnel reporting and record keeping requirements of the Minerals Management Service. This system will interface with work force information and financial management systems and will supplement the existing automated personnel/payroll information system. Personnel offices will have direct access to the data base via remote terminals for the purpose of report generation and data retrieval.

Selected program outputs for Personnel Management are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-) from FY 1984
Positions Reviewed	700	500	500	--
Vacancy Announcements Processed	200	200	180	-20
Training Courses Developed	9	10	10	--
Training Requests Processed and Reviewed	1,000	800	700	-100

Personnel Actions Processed	6,000	2,000	2,000	---
Employee Relations Cases Processed	250	225	200	-25
Employment and Financial Interest and Public Disclosure Statements Received and Processed	2,000	1,500	1,500	---

Procurement and General Services is carried out by the Procurement and General Services Division which is responsible for developing and implementing policies, procedures, and standards for the execution and administration of the Bureau's procurement and general services programs. These programs include contract award and administration, small purchases, procurement policy, special emphasis procurement programs such as small business, vehicle and supply management, real and personal property, facilities management, transportation, physical security, telecommunications operations, energy management, and safety and health programs. Technical direction is provided to the Administrative Service Centers in these areas through the issuance of policy and field reviews and visits.

This function includes the review of procurement policies and procedures as issued by the Department and General Services Administration and their implementation; the establishment, modification, and utilization of automated management systems relative to procurement; and the conduct of field reviews in all areas of procurement. Liaison is established and maintained with the Department of the Interior on procurement policy and procedures.

This procurement program includes contracts, small purchases, grants, cooperative agreements, and interagency agreements. The support provided is essential to the effective accomplishment of an increasing number of technical projects and programs vital to fulfilling the mission of the Minerals Management Service. These responsibilities encompass the entire spectrum of procurement policy and operations functions. They 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.

The Division is also responsible for developing and implementing policies, procedures, and standards for the execution and administration of vehicle, real and personal property; space; physical security; radio and telecommunications management; energy management; and supply and property management systems. In addition, the Division is responsible for (1) the administration of the Bureau's occupational and environmental safety and health programs and the development of plans, policies, standards, and procedures for the administration of an effective accident loss prevention program, including advising officials on all matters pertaining to specific accident loss prevention activities for Minerals Management Service personnel and conducting reviews in order to measure the progress of safety program efforts for Minerals Management

Service personnel; (2) the development, testing, implementation, and operation of a property management system; and (3) the sorting and pickup and delivery of all mail for all Minerals Management Service offices located in the Washington, D.C., metropolitan area. Specifically, operating areas include: Development and administration of a service and supply program for the acquisition, utilization, and disposition of personal and real property; maintenance of equipment, duplicating, and other program support services; development of policy guidance, coordination, and review of information for space management and acquisition at the field level; transportation, mail, and messenger service; and telephone and radio equipment and communications systems.

The Minerals Management Service in FY 1985 is expected to acquire more than $64 million in contracted services, studies, and equipment and supplies. Priority emphasis will be given to a broad range of procurement management projects and programs to ensure timely and efficient procurement.

The interim Automated Advance Procurement Plan which was established in FY 1983 will continue to be upgraded in FY 1985. This upgrading will reflect refinements that improve procurement leadtime for procurements in excess of $10,000. In addition, the Individual Contract Plan (ICP) System will be implemented, providing for the systematic development of a procurement strategy tailored to each requirement.

Two Procurement Management Evaluation Reviews are scheduled for FY 1985 which will focus on operating procedures, compliance with the Federal Procurement Regulations (FPR) and Department of the Interior procurement regulations, and Minerals Management Service policy guidance with special emphasis on procurement programs.

Based upon evaluation and analysis of the FY 1983 procurement program, business plans will be developed to increase the participation of small business. Particular emphasis in developing the plan will be given to minority and women-owned businesses as well as firms located in high unemployment areas. Steps will continue to be taken to integrate the various interim data systems implemented in FY 1983 into a master information system. Emphasis will be given to interfacing the Advance Procurement Plan and Individual Contract Plan Systems.

All interim policies and procedures being implemented in FY 1984 will be evaluated. Initiatives of General Services during FY 1985 will include a comprehensive design review of the Property Management System in use in the Minerals Management Service. In addition, arrangements will be made for warehousing facilities which protect and provide for storage of property.

Selected program outputs for Procurement and General Services are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-) from FY 1984
Small Purchases Processed	4,193	5,000	6,000	+1,000
Contracts Awarded	151	155	160	+5

Contracts Administered	494	575	665	+90
Procurement Management Information System (PMIS) Data Base Transactions	27,000	29,500	32,000	+2,500
Property Actions	10,000	12,000	12,000	--
Transportation Actions	4,000	6,000	6,000	--
Space Utilization Studies/ Layouts (work stations)	800	2,400	500	-1,900 1/
Work Authorizations/ Building Repairs	70	100	150	+50
Telephone Connects/Disconnects	700	1,200	500	-700 1/
Safety Inspection/Accident Reports	100	85	75	-10

1/Majority of personnel relocations and moves will take place in FY 1984. Only incidental moves are anticipated for FY 1985.

Information Resources Management is carried out by the Information Resources Management Division which is responsible for the direction and review of the information resources management program. This Division is responsible for developing and implementing Bureauwide policies, procedures, guidelines, and standards related to all phases of the information resources management program which include automated data processing (ADP); telecommunications; data administration; records and paperwork; directives; publications and printing; and management analysis studies such as organizational and administrative management studies. The Division is also responsible for the development and maintenance of the administrative ADP support systems and programs. The span of program activities covers the full information, and information processing technology life cycles, including the creation, acquisition, cataloging, communication, processing, usage, and disposition of information, and the acquisition and use of information processing technology.

During FY 1985, emphasis will continue to be directed to long range ADP planning activities, including the development of the 5-year ADP Plan which will become an important factor in shaping the progress of automation in the Minerals Management Service. Integration with the Department of the Interior planning process will be initiated. Efforts toward information technology standardization efforts will result in developing data standards for direct program and administration areas.

The Minerals Management Service will explore the optimum and most cost-effective methods for developing ADP support. A plan and schedule of ADP program implementation will be formulated to identify any areas of continuing support requirements. Local processing computers will be in place to complement mainframe computer hardware. An analysis of data processing options will be completed with a recommendation for appropriate action.

Management reviews will be conducted along with system studies and analyses and special projects. The program will develop, counsel, and advise on Bureau organization and modifications; review and comment on directives which affect management systems; and provide guidance to program offices on the preparation, review, and issuance of Federal Register documents and delegations of authority issuances. Policy and procedures will be developed to assure the Minerals Management Service complies with the Paperwork Reduction Act of 1980, Federal Records Act of 1950, and the Privacy Act of 1974.

A number of activities will be continued into FY 1985. Efforts will continue to develop and maintain required Information Resource Management (IRM) inventories. The program to standardize records filing, retention, and disposition within the Bureau will continue as well as the conversion of many records to microform. The usage of equipment to process, file, and retrieve microform will receive major emphasis.

Selected program outputs for Information Resources Management are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-) from FY 1984
Management Reviews	2	2	2	--
Policies Reviewed and Processed	120	175	120	-55
Planning Documents	1	2	2	--
ADP Acquisition Reviews	500	600	600	--
Departmental IRM Projects	5	9	9	--
Administrative Systems Supported	7	6	7	+1
Publications	20	--	--	--
Inventories Developed	8	10	11	+1
Development of Financial Management System	--	1	--	-1
Word Processing Acquisition Reviews	70	60	60	--
Printing Acquisition Reviews	400	400	400	--

Field Administrative Services. Direct adminstrative support is provided to managers through Administrative Service Centers, located in proximity to program offices in the field. These Centers provide services to all MMS field activities except for the Atlantic OCS Region which receives support directly from the Office of Administration headquarters. The Office of the Assistant Director for Administration and the Administrative Service Centers are structured to assist managers in matters related to personnel, safety, security, space and property management, procurement and contracting, IRM activities, and financial management.

Selected program outputs for Field Administrative Service Centers are:

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-) from FY 1984
Small Purchases Processed	4,200	4,300	4,400	+100
Contracts Awarded	44	49	54	+5
Contracts Administered	61	100	131	+31
Property Actions	10,000	13,000	13,000	---
Space Utilization Studies/ Layouts (work stations)	200	400	100	-300
Work Authorizations/ Building Repairs	50	75	100	+25
Telephone Connects/ Disconnects	500	200	200	---
Safety Inspection/Accident Reports	15	25	25	---
Security Clearances	15	10	10	---
Positions Reviewed	1,530	1,220	1,200	-20
Vacancy Announcements Processed	350	305	285	-20
Training Courses Developed	16	25	25	---
Training Requests Processed and Reviewed	1,600	1,720	1,750	+30
Personnel Actions Processed	4,955	4,620	4,340	-280
Employee Relations Cases Processed	485	500	420	-80

Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(dollar amounts in thousands)

Subactivity		FY 1984 Enacted To Date	FY 1985 Base	FY 1985 Estimate	Inc. (+) Dec. (-) from 1984	Inc. (+) Dec. (-) from Base
General Support Services	($) (FTE-T)	7,799 (16)	9,792 (16)	10,936 (16)	+3,137 (--)	+1,144 (--)
Total Requirements	($) (FTE-T)	7,799 (16)	9,792 (16)	10,936 (16)	+3,137 (--)	+1,144 (--)

Authorization

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

Objectives

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

- o Provide appropriate services to support the operating programs.

Base Program

The General Support Services subactivity includes funding for fixed costs and support services for all of Minerals Management Service. Services are provided in part by reimbursable agreement with the Geological Survey. Fixed costs include expenses for Standard Level User Charges (SLUC), Federal Telecommunications System (FTS) service, and postage, etc. SLUC, which is estimated at $6.6 million in FY 1985, is the payment to General Services Administration (GSA) in all Federal building space rental including expansion, and associated expenses from GSA for the normal 40 hours, 5-day workweek. This includes the cost of space of the John Wesley Powell Building headquarters complex in Reston, Virginia, which is presently being shared with the Geological Survey. The SLUC estimate does not include:

- o Guard services and special operating building costs of overtime services for work periods beyond the normal 40 hours, 5-day workweek. This amount is estimated at $234,000 in FY 1985.

- Space alterations and installation and repair of special ventilating, temperature, and humidity control equipment and systems, and related special purpose items.

Estimated FTS costs of $0.761 million are based on FY 1984 first quarter charges. Commercial communication expenses of $0.345 million include local and long distance communication services and switchboard/directory listing. Postage expense of $0.43 million is based on 1983 actual costs and on estimated charges for FY 1984. A summary of the above and other such expenses for General Support Services is shown below:

(dollar amounts in thousands)

Estimated FY 1985 Expenses	Cost
Standard Level User Charge (SLUC), including expansion	$6,600
Special Operating Building Costs	234
Commercial Communications 1/	345
Federal Telecommunications System	761
Department of Interior Charge for Printing	100
Postage	430
Department of Interior Working Capital Fund Charge	175
Employees Compensation Fund	22
Total 1/	$8,667

1/ For headquarters offices in the Washington, D.C. area only; other commercial communication costs are funded by operating programs.

2/ The balance of total funding ($2.269 million) represents other reimbursement costs, the salaries and related expenses for support personnel, and services provided under a reimbursable agreement with the Geological Survey.

The Geological Survey will continue in FY 1985 to provide the following reimbursable services until Minerals Management Service capabilities are fully developed:

1. Publication services, including editing, page layout and design, preparation and design of illustrations, typesetting, and printing and binding.

2. Visual products and services, including concept development, design and production of status displays, briefing charts, slides, viewgraphs, booklets, leaflets, flyers, miscellaneous graphics, and photographic and editorial services.

3. Library services, including circulation, inter-library borrowing, and reference and data base searching.

4. Computer services, including computer time and available data processing services for Multics and Amdahl computer systems related to administrative and program support systems.

5. Specific general administrative services for headquarters and the Administrative Service Centers, including office support, transportation, delivery and storage of supplies and equipment, and property management functions.

Increase for FY 1985

(dollars in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
$	9,792	10,936	+1,144
(FTE-T)	(16)	(16)	(--)

The proposed increase of $1.144 million results from three factors. First, an increase of $0.31 million is required for a projected 25 percent increase over FY 1984 levels for postage, Federal Telecommunications System (FTS), and commercial communications. This increase is based on GSA provided estimates of cost as well as projected increases for all telecommunications services. Second, $0.234 million is required for special building costs for overtime services for work periods beyond the normal 40 hours, 5-day work week, and guard services; no funds were specifically requested for this purpose in FY 1984. This estimate is based on actual FY 1983 experience and utility rates. Third, an increase in space costs of $0.6 million is caused by: (1) The forced relocation of personnel in Metairie, Louisiana, into a higher-cost facility because the current space does not meet GSA's minimum standards; (2) the consolidation of personnel in Anchorage, Alaska, to improve program management and administrative support; (3) additional space for the new ADP hardware system which will provide increased workload capacity and process data quickly enough to meet the requirements of the Royalty Management Act; (4) additional office space needed to support both added program FTE and contractor personnel in the Royalty Management Program's automated financial accounting system office in Lakewood; and (5) the acquisition of storage space in lieu of that which is provided by the Geological Survey.

Distribution of change by object class

The object class detail for the proposed $1.144 million increase is:

	Amount
Standard Level User Charges....................	$ 600,000
Rents, Communications and Utilities............	544,000
Total....................................	$1,144,000

Summary of Requirements by Object Class
(Dollar Amounts in Thousands)

Appropriation: Minerals and Royalty Management	1985 Base		1985 Estimate		Inc. (+) or Dec. (-)	
	FTE	Amount	FTE	Amount	FTE	Amount
Object Class						
11. Personnel compensation:						
11.1 Permanent positions - FTE-P................	1,858	61,644	1,848	61,352	-10	-292
11.3 Positions other than permanent.............	208	4,617	208	4,617	---	---
11.5 Other personnel compensation...............	46	2,327	46	2,327	---	---
Total personnel compensation..........	2,112	68,588	2,102	68,296	-10	-292
Other Objects						
12.1 Personnel benefits.........................		8,180		8,147		-33
13.0 Benefits for former personnel..............		253		253		---
21.0 Travel and transportation of personnel.....		3,932		3,902		-30
22.0 Transportation of things...................		909		959		+50
23.1 Standard Level User Charges................		6,000		6,600		+600
23.2 Other rent, comm., and utilities...........		4,302		6,617		+2,315
24.0 Printing and reproduction..................		933		928		-5
25.0 Other services.............................		68,226		65,322		-2,904
26.0 Supplies and materials.....................		1,795		1,753		-42
31.0 Equipment..................................		5,203		4,499		-704
41.0 Grants, subsidies and contributions........		100		100		---
42.0 Insurance claims and indemnities...........		5		5		---
Total requirements.....................		168,426		167,381		-1,045

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Minerals and Royalty Management
Program and Financing (in thousands of dollars)

14-1917-0-1-302	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Program by activities:			
Direct program:			
1. Outer Continental Shelf Lands...	104,876	108,700	103,165
2. Federal and Indian Lands........	17,067	---	---
3. Royalty Management..............	36,564	35,144	39,890
4. General Administration..........	23,544	20,781	24,326
Total direct program..........	182,051	164,625	167,381
Reimbursable program................	152	130	130
10.00 Total obligations...........	182,203	164,755	167,511
Financing:			
Offsetting collections from:			
11.00 Federal Funds.............	-72	-50	-50
14.00 Non-Federal sources.........	-80	-80	-80
25.00 Unobligated balance lapsing.	76	---	---
39.00 Budget authority...........	182,127	164,625	167,381
Budget authority:			
40.00 Appropriation..............	182,127	163,561	167,381
44.20 Supplemental for civilian pay raises.................	---	1,064	---

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Minerals and Royalty Management
Program and Financing (in thousands of dollars)

14-1917-0-1-302		FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Relation of obligations to outlays:				
71.00	Obligations incurred, net...	182,051	164,625	167,381
72.40	Obligated balance, start of year....................	---	63,027	32,768
74.40	Obligated balance, end of year....................	-63,027	-32,768	-33,476
90.00	Outlays, excluding pay raise supplementals........	119,024	193,876	166,617
91.20	Outlays from civilian pay raise supplemental.....	---	1,008	56

CCS	(544)	(30)
TECH. & ASS.	(2)	(0)
TOTAL OCS	(546)	(30)
ROYALTY	(260)	(15)
ADMIN.	(202)	(11)
	1,008	56

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
MINERALS AND ROYALTY MANAGEMENT
Object Classification (in thousands of dollars)

14-1917-0-1-302		FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Direct Obligations:				
Personnel compensation:				
111.10	Full-time permanent............	59,867	60,453	61,352
111.30	Other than full-time permanent.....................	4,193	4,530	4,617
111.50	Other personnel compensation...	1,691	2,284	2,327
111.90	Total personnel compensation...	65,751	67,267	68,296
112.10	Personnel benefits: Civilian..	9,086	7,524	8,147
113.00	Benefits for former personnel..	45	101	253
121.00	Travel and transportation of persons....................	4,027	3,932	3,902
122.00	Transportation of things.......	794	909	959
123.10	Standard level user charges....	6,068	5,791	6,600
123.20	Communications, utilities and other rent................	4,668	4,236	6,617
124.00	Printing and reproduction......	1,873	933	928
125.00	Other services.................	82,983	66,829	65,322
126.00	Supplies and materials.........	2,122	1,795	1,753
131.00	Equipment......................	4,545	5,203	4,499
141.00	Grants, subsidies, and contributions.................	86	100	100
142.00	Insurance claims and indemnities..................	3	5	5
199.00	Subtotal, direct obligations..................	182,051	164,625	167,381
Reimbursable obligations:				
224.00	Total reimbursable obligations..................	152	130	130
999.90	Total obligations..............	182,203	164,755	167,511

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
MINERALS AND ROYALTY MANAGEMENT
PERSONNEL SUMMARY

14-1917-0-1-302	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Direct:			
Total number of full-time permanent positions....................	1,877	1,885	1,875
Total compensable workyears:			
Full-time equivalent employment......	2,271	2,038	2,056
Full-time equivalent of overtime and holiday hours..................	47	47	46
Average ES salary......................	$59,867	$65,105	$65,105
Average GS grade.......................	10.16	10.18	10.17
Average GS salary......................	$31,720	$31,882	$32,536
Average salary of ungraded positions...	$16,161	$16,727	$17,312

MINERALS MANAGEMENT SERVICE
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS
DETAIL OF PERMANENT POSITIONS

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
ES-6	---	---	---
ES-5	4	4	4
ES-4	3	3	3
ES-3	4	4	4
ES-2	2	2	2
ES-1	---	---	---
Subtotal	13	13	13
GS/GM-15	61	61	60
GS/GM-14	149	150	147
GS/GM-13	338	341	338
GS-12	402	406	402
GS-11	194	198	203
GS-10	44	44	44
GS-9	107	103	102
GS-8	33	34	34
GS-7	123	119	116
GS-6	134	139	138
GS-5	139	135	137
GS-4	110	112	111
GS-3	24	24	24

MINERALS MANAGEMENT SERVICE
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS
DETAIL OF PERMANENT POSITIONS

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
GS-2	1	1	1
GS-1	---	---	---
Subtotal	1,859	1,867	1,857
Upgraded	5	5	5
Total permanent positions	1,877	1,885	1,875
Unfilled positions, end of year	70	---	---
Total permanent employment, end of year	1,807	1,885	1,875

Appropriation Summary Statement

Appropriation: Payments to States from Receipts under Mineral Leasing Act

In accordance with 30 U.S.C. 191 (the Mineral Leasing Act of 1920, as amended), 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 both public domain and acquired lands; and, in accordance with 30 U.S.C. 285, from leases of potash deposits on public lands. Alaska is paid 90 percent of the receipts from leasing outside of the National Petroleum Reserve-Alaska (NPRA) and 50 percent within NPRA. This appropriation provides for monthly payments to all States for their share of revenues realized as a result of mineral leasing activities on Federal lands within their boundaries.

Summary of Requirements
(Dollar Amounts in Thousands)

Appropriation: Payments to States from Receipts under Mineral Leasing Act

Summary of adjustments to base:	Permanent Positions	Amount
Estimate, 1984....................................	---	$714,812
Adjustment to base................................	---	---
1985 Base...	---	$714,812

Comparison by activities:	FY 1983 Actual 1/ FTE-T	FY 1983 Actual 1/ Amount	FY 1984 Estimate FTE-T	FY 1984 Estimate Amount	FY 1985 Estimate FTE-T	FY 1985 Estimate Amount	Inc. (+) or Dec. (-) from 1984 Estimate FTE-T	Inc. (+) or Dec. (-) from 1984 Estimate Amount
Payments to States from Receipts under Mineral Leasing Act.........	---	---	---	$714,812	---	$599,115	---	-$115,697

1/In FY 1983, funding ($535,242) for this permanent appropriation was included in a Bureau of Land Management account entitled Miscellaneous Permanent Appropriations.

Justification of Program and Performance

Appropriation: Payments to States from Receipts Under Mineral Leasing Act

(dollar amounts in thousands)

	FY 1984 Estimate	FY 1985 Base	FY 1985 Estimate	Inc. (+) or Dec. (-)
$	$714,812	$714,812	$599,115	-$115,697
(FTE-T)	(---)	(---)	(---)	(---)

Authorization

30 U.S.C. 181, et. seq. P.L. 66-146	The Mineral Lands Leasing Act of 1920, as amended, provides for leasing of coal, oil, oil shale, natural gas, phosphate, and sodium and the sharing of receipts from such leasing with the States on Federal lands within their boundaries.
30 U.S.C. 151 et. seq.	The Mineral Leasing Act for Acquired Lands provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts from such leasing with the States on acquired lands within their boundaries.
30 U.S.C. 1001, et. seq. P.L. 9-581	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.
P.L. 97-78	The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
30 U.S.C. 191 P.L. 97-451	The Federal Oil and Gas Royalty Management Act of 1982 provides for monthly distribution of mineral leasing receipts to the States.

Objectives

- Provide equitable compensation on a monthly basis to the States for development of mineral resources on Federal lands within their boundaries.

Base Program

This appropriation provides for payments to all States due shares of revenues realized as a result of leasing of minerals on Federal lands. Revenues for these payments are accrued from bonuses, rentals, and royalties collected from Federal onshore mineral leases, including leases of potash deposits.

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 received from minerals leasing and production within their boundaries. A provision of the Federal Oil and Gas Royalty Management Act of 1982 requires that, effective October 1, 1983, payments be made on a monthly basis, rather than semi-annually.

All States (except Alaska) are paid fifty (50) percent of the revenues from bonuses, royalties, and rentals resulting from the leasing of mineral resources on public lands under the Mineral Leasing Act of 1920 as amended (30 U.S.C. 191). Revenues produced from leases of potash deposits on public lands are shared in accordance with Section 285 of that Act. The estimate of payments to all States except Alaska for any future fiscal year is an allocation based on the projected total mineral receipts during that year. The actual payments from prior fiscal years is used to determine the estimated allocation by State. Payments to be made to Alaska are determined on a different basis. Alaska receives 90 percent of total revenues including those generated on lands governed by the Alaska National Interest Lands Conservation Act (ANILCA). The Appropriation Act of 1981 (93 Stat. 2964) authorized and directed a program of competitive leasing of oil and gas in the National Petroleum Reserve-Alaska (NPRA). That law provides for fifty (50) percent of the net receipts from rentals, bonuses, and royalties on the NPRA to be paid to the State of Alaska. Estimated payments to Alaska are computed separately, and are based on current projections of leasing and production anticipated in the NPRA and other areas.

Distribution to the States

The method of estimating the mineral revenue distribution to States is displayed on Table 4. First, the total estimate of revenues from onshore minerals production is developed. From this total, the cost of collecting and distributing Federal onshore mineral leasing revenues borne by the MMS Royalty Management Program are deducted so as to share with the States the cost of administering the program equally with the Federal Government. Next, the amount collected for distribution by other Federal agencies is deducted. This amount is estimated to be 6 percent of the total revenues collected, as historically experienced. The revenue sharing for Alaska must be calculated separately. Alaska's estimated payments are deducted prior to determination of amounts available for the distribution to the other States because of Alaska's unique cost sharing arrangements. Finally, the designated amounts to be distributed to ANILCA and NPRA lands are deducted from the total. From the resulting total, ten (10) percent is deposited to the General Fund of the Treasury, forty (40) percent is deposited in the Reclamation Fund, and the remaining fifty (50) percent is available for distribution to States.

Under the Federal Oil and Gas Royalty Management Act of 1982, receipts are to be distributed to the States in the month immediately following the month of collection beginning in October, 1983. When estimating the annual amount available for distribution to the States, there is a lag between fiscal years that must be taken into account. Receipts that are collected in September, 1983 (the current fiscal year), will be distributed in October, 1983 (the following fiscal year). Thus, 91% of current fiscal year collections and 9% of prior year collections are calculated to derive the current year distribution amount. The estimated distribution of this amount is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State.

Cost Recovery

It is proposed that, beginning in FY 1985, the relevant onshore related costs of the MMS' Royalty Management Program be deducted from Federal onshore mineral leasing receipts before such receipts are distributed between the Treasury and the States. Historically, the Royalty Management Program has been funded entirely by the Federal Treasury, while the States have shared only in distribution of revenues. States have shared all of the benefits but none of the associated costs. States receive at least fifty (50) percent of the receipts from onshore mineral leasing, but this percentage would be based, in the future, on net receipts after deducting the cost of program management. This proposal represents an equitable distribution of these costs to the direct beneficiaries of the program rather than to the general public as has previously been the case.

Approximately 75 percent of the Royalty Management workload is dedicated to Federal onshore lease activities, primarily based on the ratio of onshore to offshore producible leases. Another 18 percent of this workload (also based on total producible leases) is related to Indian lands. This cost recovery proposal will only deduct 75 percent of total Royalty Management Program costs (which includes a pro rata share of administrative costs) from the onshore mineral leasing receipts before distribution between the States and the Treasury. As can be seen on Table 5, the net effect to the States of the $35.1 million FY 1985 cost recovery will only be $15.0 million. This proposal is equitable since the cost recovery is distributed among the States based on the actual amount of Federal mineral receipts collected within their boundaries. MMS will continuously review the formula for allocating royalty management costs to assure equity among all States that share in these revenues.

Decrease for FY 1985

(dollar amounts in thousands)

	FY 1985 Base	FY 1985 Estimate	Difference
$	714,812	599,115	-115,697
(FTE-T)	(---)	(---)	(---)

In FY 1985 onshore mineral leasing receipts are expected to increase by $118.9 million over FY 1984. This is due primarily to increased oil and gas revenues.

Although total receipts are expected to increase, payments to the States will decrease due to a change in the timing of payments resulting from the Federal Oil and Gas Royalty Management Act of 1982. In FY 1984 a large one-time increase of $243.7 million was estimated to be paid because payments covering 17 months of receipts would be made as a result of changing from semi-annual to monthly distribution. In FY 1985, payments will still be made on a monthly basis, but will cover only 12 months of receipts.

Table 4

Method of Estimating the Mineral Revenue Distribution to States

(dollars in millions)

	Receipts	Payments to States
Estimated Onshore Mineral Leasing Receipts for FY 1985-------	$1,302	
Deduct:		
Cost of Collecting and distributing Federal onshore revenues--	35	
Amounts collected for other distribution (6% of receipts less cost recovery). ------------------------------------	76	
SUBTOTAL --	$1,191	
Deduct:		
Designated share of $14 million for Alaska; $5 million for ANILCA; and $18 million for NPRA (revenue sharing formula for Alaska uses a different percentage for Alaskan payments, hence, Alaska estimated revenues are deducted prior to lower 48 States distribution)	37	
SUBTOTAL--	$1,154	
91% (11/12) of $1,154 million is distributed in FY 1985;-----	1,050	
plus 9% of FY 1984 collections of $1,079. ------------------	97	
TOTAL Lower 48 States' net receipts to be collected in FY 1985 before distribution between Federal and States' share -------------------------------------	1,147	
Less--Federal Government's share (50%). ------------	573	
Distribute to Lower 48:--		$ 574
Distribute to Alaska:		
91% of NPRA money for FY 1985 of $18 million;--------	16	
plus 9% of FY 1984 collections of $17 million.-------	2	
TOTAL NPRA net receipts to be collected in FY 1985 before distribution between Federal and States' share ------	$ 18	
Less--Federal Government's share (50%). ------------	9	
Distribute to Alaska:--		$ 9
91% of Alaska and ANILCA FY 1985 monies of $18 million	16	
plus 9% FY 1984 collections of $16 million.	2	
TOTAL Alaska and ANILCA net receipts to be collected ------ in FY 1985 before distribution between Federal and States' share	18	
Less--Federal Government's share (10%). ------------	2	
Distribute to Alaska:--		$ 16
TOTAL DISTRIBUTION AMOUNTS TO ALL STATES ----------------------------------		$599

Table 5
Mineral Revenue Payments to the States
(Dollar amounts in thousands)

	FY 1983 Actual Payments	FY 1984 Estimated Payments	FY 1985 Gross Payments With No Cost Recovery	Cost Recovery	FY 1985 Estimated Net Payments
Alabama	$ 379	$ 536	459	$ 11	$ 448
Alaska	48,170	27,197	25,219	617	24,602
Arizona	4,295	6,076	5,204	127	5,077
Arkansas	579	819	701	17	684
California	35,829	50,688	43,413	1,063	42,350
Colorado	33,649	47,604	40,772	998	39,774
Florida	47	67	57	2	55
Idaho	4,346	6,148	5,266	129	5,137
Kansas	1,010	1,429	1,224	30	1,194
Louisiana	709	1,003	859	21	838
Michigan	70	99	85	2	83
Mississippi	7,419	10,496	8,990	220	8,770
Montana	18,489	26,157	22,403	548	21,855
Nebraska	259	367	314	8	306
Nevada	12,185	17,238	14,764	361	14,403
New Mexico	131,241	185,669	159,022	3,893	155,129
North Dakota	9,177	12,983	11,120	272	10,848
Oklahoma	2,025	2,865	2,454	60	2,394
Oregon	5,105	7,222	6,186	152	6,034
South Dakota	1,526	2,159	1,849	45	1,804
Utah	36,162	51,159	43,817	1,073	42,744
Washington	823	1,164	997	25	972
Wyoming	180,720	255,667	218,974	5,360	213,614
Total	$534,214	$714,812	$614,149	$15,034	$599,115

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Payments to States from Receipts Under Mineral Leasing Act
Program and Financing (in thousands of dollars)

14-5998-0-2-852		FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Program by activities:				
10.00	Total obligations.............	---	714,812	599,115
Financing:				
60.00	Budget authority (appropriation) (permanent, indefinitive, special funds)	---	714,812	599,115
Budget authority:				
40.00	Appropriation.................	---	714,812	599,115
Relation of obligations to outlays:				
71.00	Obligations incurred, net....	---	714,812	599,115
90.00	Outlays.....................	---	714,812	599,115