UNITED STATES
DEPARTMENT OF THE INTERIOR
BUDGET JUSTIFICATIONS, F. Y. 1986

MINERALS MANAGEMENT SERVICE

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Fiscal Year 1986 Budget

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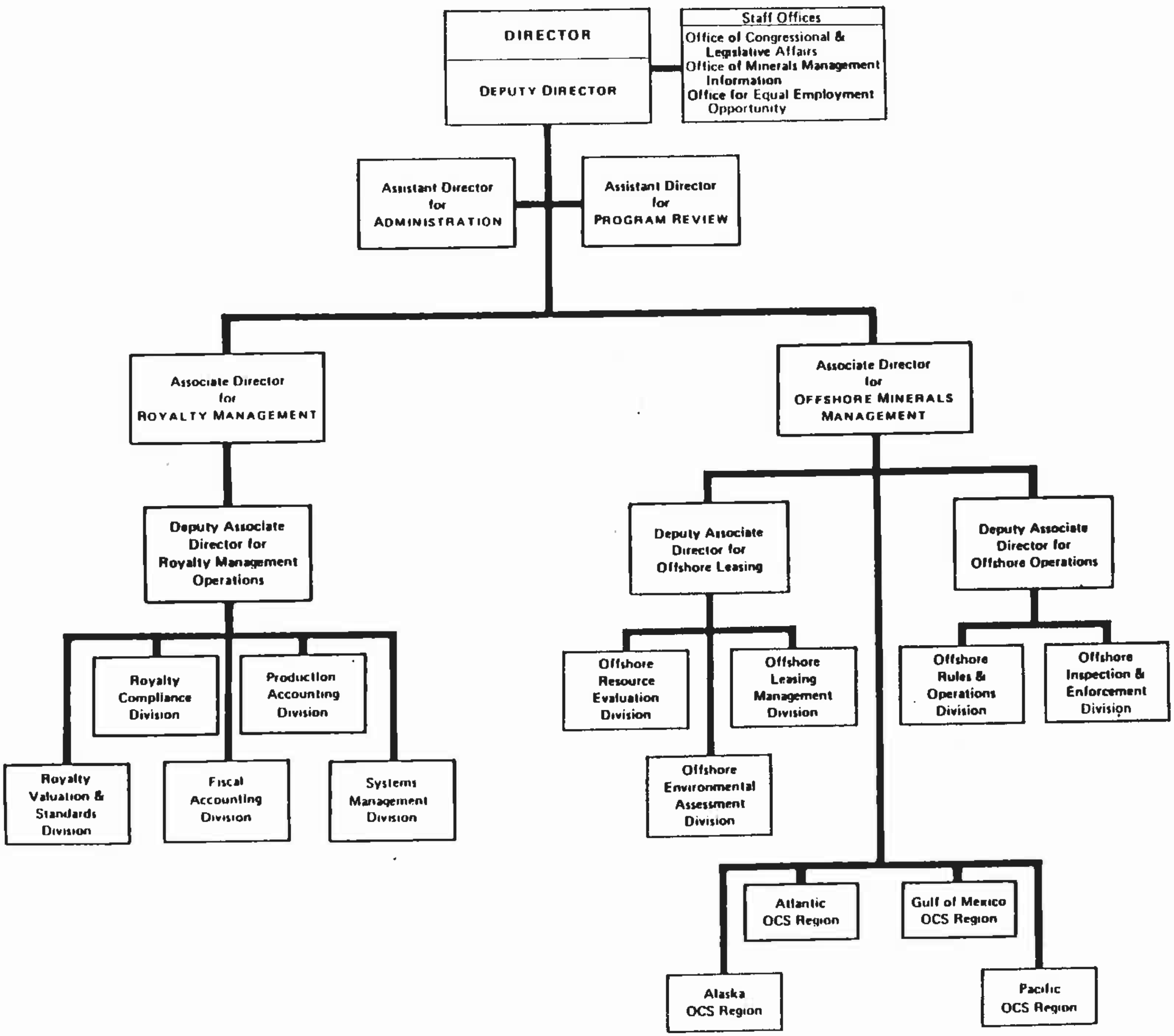

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GENERAL STATEMENT

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 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 Reduce costs by avoiding duplication of effort and overlapping functions within the Department.

The following summary table compares the FY 1985 budget authority with the FY 1986 estimate for each appropriation account managed by the Minerals Management Service:

Comparison of 1986 Estimate with 1985 Budget Enacted

(Dollar amounts in thousands)

Appropriations Requested		FY 1985 Enacted To Date	FY 1986 Estimate	Inc. (+) or Dec. (-)	Perm. Employ. 12/31/84
1. Minerals and Royalty Management 1/	$	162,560 2/	154,241	-8,319	1,874 3/
	(FTE)	(2,040)	(2,000)	(-40)	
2. Payments to States From Receipts Under Mineral Leasing Act	$	510,455	479,083	-31,372	---
	(FTE)	(--)	(--)	(--)	
Total, Appropriations Requested	$	673,015	633,324	-39,691	1,874
	(FTE)	(2,040)	(2,000)	(-40)	

The major missions of the programs included in the appropriation "Minerals and Royalty Management" are: (1) To manage the leasing of oil and gas and other minerals on offshore areas under the jurisdiction of the U.S. Government; (2) to classify and evaluate the energy and nonenergy mineral resources of those areas; (3) to supervise mineral development and production operations on

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1/ Reflects proposal that would change title from "Leasing and Royalty Management" to "Minerals and Royalty Management."

2/ Reflects transfer of Corpus Christi office to U.S. Geological Survey (-$922, 15 FTE-T).

3/ Represents all full-time employees with permanent appointments.

leased OCS lands; and (4) to collect and distribute revenues due the Federal Government, States, and Indian Tribes from all onshore and offshore mineral leases.

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 onshore Federal lands. Total receipts have been reduced, prior to any allocation, to reflect the cost of collecting and distributing these revenues. This appropriation also provides for interest to be paid to States and Indian accounts when mineral leasing revenues due them are not disbursed within the timeframes established by the Federal Oil and Gas Royalty Management Act of 1982.

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 1986 Request

The changes between the FY 1986 base funding levels and the requested FY 1986 budget are highlighted below by appropriation.

Minerals and Royalty Management

The proposed $6.17 million decrease from FY 1986 base funding levels primarily reflects termination of funding for processing costs related to the acquisition of geologic and geophysical data; deferral of decisions on how to proceed with modifications to the current computer system to support the Royalty Management Program; and phasing out of the Royalty-In-Kind Program.

Decreases totalling $4.8 million from the base funding level are proposed for the Outer Continental Shelf Lands (OCS) activity. A decrease of $4.8 million results from the proposal to terminate Federal funding for processing costs related to the acquisition of most geologic and geophysical (G&G) data. In FY 1986 and thereafter, G&G data would be acquired for the Government as a condition of the permit issued by MMS authorizing data collection. The Government would continue to reimburse industry for: The reasonable cost of reproducing such data; the acquisition of G&G data to support litigation, Section 8(g) and boundary disputes; and special reprocessing costs when required. This procedure would apply to data gathered under permits issued prior to FY 1986 and requested by the Government in FY 1986 and thereafter.

An increase of $1.4 million is proposed in the Offshore Regulation of Operations budget for additional helicopter service for the Gulf of Mexico OCS inspection program to support the increasing number of facilities to be certified and evaluated as required under the Outer Continental Shelf Lands Act Amendments of 1978 (OCSLAA). This increase will be funded by redirecting amounts in the base of the Offshore Program identified in FY 1985 pursuant to the Deficit Reduction Act of 1984 to reduce amounts expended for travel, printing, and studies.

Changes resulting in a net decrease of $1.26 million from the base funding level are proposed for the Royalty Management Program. Decreases of $5.0 million in the Systems Development and Operations subactivity, and $0.32 million in the Mineral Revenue Collections subactivity result respectively from deferral of decisions on how to proceed with modifications to the current computer system pending the outcome of an ongoing reappraisal of program plans and phasing out of the Royalty-In-Kind Program. These decreases are partially offset by an increase of $3.05 million in the Systems Development and Operation subactivity for additional operation and maintenance costs.

An increase of $0.9 million is also proposed in the Mineral Revenue Collections subactivity to support the additional workload anticipated in penalty assessment, exception relief processing, litigation support and reference data base maintenance.

A net increase of $.11 million is proposed in the Mineral Revenue Compliance subactivity comprised of: (1) an increase of $.4 million for delegated authority and cooperative audit efforts with the States; (2) a decrease of $.2 million in funding for an abstract service to be redirected to delegated authority and cooperative audit efforts; and (3) a decrease of $.09 million in one-time costs associated with establishment of a compliance sub-office in Los Angeles to also be redirected to the audit efforts.

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 1986 are estimated to be $479.1 million, a decrease of $31.4 million from FY 1985.

Beginning in FY 1986, the Administration has proposed that the cost of Federal onshore mineral leasing programs and activities be deducted from receipts before revenues are distributed between the States and the Treasury. This will ensure that the beneficiaries of receipts from Federal onshore mineral leasing will share in the net, rather than the gross, returns from mineral leasing activities.

For FY 1985, a new budget activity, Interest on Late Payments, would provide for payment of interest to States and Indian accounts when mineral leasing receipts are not disbursed by the dates prescribed by the Federal Oil and Gas Royalty Management Act of 1982. An FY 1985 Supplemental is proposed to cover these costs. In FY 1986 funding for this activity is estimated at $0.8 million and is included in the Payments to States budget estimate.

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

The Minerals Management Service is responsible for: Implementing the 5-year OCS Oil and Gas Leasing Schedule approved in July 1982 and for developing the next 5-year schedule; OCS Leasing, and supervising prelease resource and environmental activities, and 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 strategic and critical 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, States, and Indian Tribes on all onshore and offshore leases. The FY 1986 appropriation request for these activities totals $154,241,000. This total represents a reduction from the FY 1985 appropriation enacted to date of $8,319,000. A summary of the program changes proposed from the base for FY 1986 is provided below:

Outer Continental Shelf Lands: (-$4,799,000)

This budget activity funds the Offshore Oil and Gas Leasing, Resource Evaluation, and Regulatory Programs which accomplish: (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 sales; (3) classification of OCS lands for resource potential for oil, gas, and strategic and critical 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. Additionally, funding is provided for examination of possible strategic and critical mineral leasing and for resource evaluation activities on the OCS and in the Exclusive Economic Zone (EEZ). MMS's activities related to strategic and critical minerals are coordinated with and draw directly upon work carried out by the U.S. Geological Survey and the Bureau of Mines.

The decrease of $1.2 million in the Leasing and Environmental Program reflects a share of the redirection of funds to the OCS Regulatory Program. These amounts were identified for reduction in FY 1985 under Section 2901 of the Deficit Reduction Act of 1984. Environmental Studies were reduced by $913,000 to meet the requirement for reduction of consulting services. Also included in this reduction were amounts for printing and reproduction, travel, and audiovisual type services. By continuing the FY 1985 funding level in 1986, MMS proposes to provide increased funds for additional and safer helicopter service to transport inspectors to more distant platform locations.

A decrease of $4.9 million in FY 1986 is proposed for the Resource Evaluation Program. In addition to continuing savings proposed under the Deficit Reduction Act of 1984, this amount reflects the termination of reimbursements for the processing of geologic and geophysical (G&G) data. This proposal would decrease the FY 1986 G&G funding level to $2.0 million, the annual base amount required to: Provide reimbursement for reproduction costs for data acquired under permit; make payment of certain specific reprocessing costs for the data used as a basis for making bid acceptance decisions that will help to assure receipt of fair market value from OCS oil and gas lease sales; and, acquire certain data not available under permit such as data gathered in disputed ownership areas and areas falling under Section 8(g) of OCSLAA. Appropriation language to relieve the Department of the requirement for paying processing costs is proposed.

An increase of $1.4 million is proposed for the Regulation of Operations program element to contract for additional helicopter service, which is required to safely deploy MMS regulatory personnel in the burgeoning area of oil and gas development in more distant areas in the Gulf of Mexico.

Royalty Management: (-$1,262,000, +1 FTE)

The Royalty Management Program provides accounting, auditing, and compliance activities for royalties, rentals, and bonuses owed the Federal Government, States, and Indian lessors from minerals produced on Federal, Indian, and Outer Continental Shelf Lands. The program is built around automated revenue accounting systems and auditing to better assure that all revenues owed are properly collected and disbursed.

Program increases in Royalty Management, totalling $3.95 million, are proposed to: Adequately support increased workload related to the maintenance of a reference data base (+$575,000, +7 FTE); support additional workload associated with litigation and penalty assessment (+$325,000, +4 FTE); increase funding for delegated and cooperative audits (+$398,000); and to offset increased operation and maintenance costs (+$3,050,000). These increases are offset by: Proposed decreases to phase-out the Royalty-In-Kind Program (-$320,000, -10 FTE); a delayed need for new information related to product value determinations (-$200,000); elimination of nonrecurring costs associated with establishment of a new office in FY 1985 (-$90,000); and a delay in decisions on how to proceed with improving the hardware and software for the automated accounting system pending an ongoing reappraisal (-$5,000,000). Appropriation language is proposed to phase-out the Royalty-In-Kind Program.

General Administration: (-$108,000)

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. Continuing savings realized in 1985 from compliance with the Deficit Reduction Act of 1984 permits a decrease of $.108 million to be proposed in this activity.

Management Reductions: (-$1,664,000, -41 FTE)

In FY 1986, the Administration is proposing reductions in headquarters administrative and other overhead functions to reduce the costs of management and support activities throughout the Executive Branch.

Appropriation Language Sheet

[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; [$166,818,000 of which not less than $39,890,000 shall be available for royalty management activities including general administration: Provided, That of the funds appropriated for the Minerals Management Service, $50,000 shall be available for administrative, travel, communications, per diem, and other necessary expenses incurred by a nonprofit inter-industry organization in conducting meetings and workshops related to Outer Continental Shelf activities off Alaska.] $154,241,000, of which $2,000,000 shall remain available until expended: Provided, that notwithstanding any other provision of law, $125,200,000 shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury: Provided further, That notwithstanding any other provision of law, when in 1986 and thereafter any permittee provides data and information to the Secretary pursuant to section 1352(a)(1)(C)(iii) of title 43, United States Code, the Secretary shall pay only the reasonable cost of reproducing such data and information: Provided further, That notwithstanding any other provision of law, in 1986 and thereafter, the Secretary shall enter into no new agreements to accept payment of royalties "in kind" unless the Secretary determines that such agreements are necessary due to a national emergency. (30 U.S.C. 181 et seq., 1701 et seq.; 43 U.S.C. 1331 et seq., 1801-1802; Department of the Interior and Related Agencies Appropriation Act, 1985, as included in Public Law 98-473.)

Justification of Proposed Language Changes

Minerals and Royalty Management

1. Deletion: "Leasing" from the title of the appropriation.

   The word "Leasing" is restrictive and not fully descriptive of the missions of the Service. The Minerals Management Service is responsible not only for leasing, but also for resource evaluation, environmental studies and assessments, prelease geological and geophysical permitting, and regulation of operations on offshore leases, including technology assessments.

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 $39,890,000 shall be available for royalty management activities including general administration."

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

4. Deletion: "Provided, That of the funds appropriated for the Minerals Management Service, $50,000 shall be available for administrative, travel, communications, per diem, and other necessary expenses incurred by a nonprofit inter-industry organization in conducting meetings and workshops related to Outer Continental Shelf activities off Alaska."

   The Fiscal Year 1985 language provides funding for a nonprofit inter-industry organization to conduct meetings and workshops related to Outer Continental Shelf activities off Alaska. By Fiscal Year 1986, the input gathered from these meetings and workshops will have been incorporated into the 5-Year OCS Oil and Gas Leasing Program; therefore, the funding requirement for this endeavor will no longer be necessary.

5. Addition: "of which $2,000,000 shall remain available until expended:"

   Funding for the collection of geologic and geophysical (G&G) data, due to changing obligation levels would be better served by no year appropriation authority. At the beginning of each fiscal year, G&G data acquisition needs are determined and prioritized. However, the availability of data is primarily a function of the exploration needs and plans of industry and of the need for data for tract evaluation for specific tracts bid on in OCS sales. Additionally, the "field season" for data collection in some regions does not commence until late in the fiscal year. Consequently, MMS is frequently unable to inspect, select, and acquire data until very late in the year. The above proposal will allow MMS to better manage its resources and accommodate fluctuations, such as the amount of G&G data available for acquisition.

6. Addition: "Provided, That notwithstanding any other provision of law, $125,200,000 shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury."

   Beginning in FY 1986, the Administration proposes that the relevant onshore mineral leasing costs of the MMS, the Bureau of Land Management, and the Forest Service be deducted from Federal onshore mineral leasing receipts before such receipts are distributed between the Treasury and the States. Historically, the States have shared in gross receipts from the onshore minerals program without taking into account the Federal costs of obtaining and distributing these receipts. States receive at least fifty (50) percent of the receipts from onshore mineral leasing, but this percentage is now proposed to be based on net receipts after deducting the cost of program management. This formula represents an equitable distribution of the receipts remaining after paying the Federal costs necessary in obtaining those receipts.

7. Addition: "Provided further, That notwithstanding any other provision of law, when in 1986 and thereafter, any permittee provides data and information to the Secretary pursuant to Section 1352(a)(1)(C)(iii) of Title 43, United States Code, the Secretary shall pay only the reasonable cost of reproducing such data and information."

   Historically, reimbursements were budgeted in the Outer Continental Shelf Lands (OCS) activity for selectively acquired geologic and geophysical (G&G) data. These funds were provided as reimbursments to permittees for data reproduction and certain processing costs which must currently be payed pursuant to specific language in the OCS Lands Act Amendments of 1978, 43 U.S.C. 1801, P.L. 95-372. In FY 1986 and thereafter, G&G data is proposed to be acquired as a condition of the permit (including permits issued prior to FY 1986) with the Government paying only for: The reasonable cost of reproducing such data; the acquisition of G&G data not available under permit to support litigation, Section 8(g) and boundary disputes; and special reprocessing costs when required.

8. Addition: "Provided further, That notwithstanding any other provision of law, in 1986 and thereafter, the Secretary shall enter into no new agreements to accept payment of royalties "in kind" unless the Secretary determines that such agreements are necessary due to a national emergency."

   In the past, through its Royalty-In-Kind Program (under the authority of the Outer Continental Shelf Lands Act Amendments of 1978 and the Mineral Leasing Act), the Department negotiated and managed contracts by which royalty oil was taken in kind and then sold to small refiners. Starting in FY 1986 and thereafter, the Administration proposes to no longer enter into agreements to accept payment of royalties "in kind" unless the Secretary determines a need exists which constitutes a national emergency.

Appropriation Language Citations

Minerals and Royalty Management

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

30 U.S.C. 181 et seq.

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

30 U.S.C. 1701 et seq.

30 U.S.C. 1701 et seq. provides for comprehensive fiscal and production accounting and auditing systems to 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.

43 U.S.C. 1331 et seq.

43 U.S.C. 1331 et seq. 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.

43 U.S.C. 1801

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

43 U.S.C. 4321-4347

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

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

30 U.S.C. 189

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

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

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

3. and for matching grants or cooperative agreements.

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

This provision was included in the appropriation language in the 1984 and 1985 fiscal year budgets.

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

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

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

5. $166,818,000 of which not less than $38,890,000 shall be available for royalty management activities including general administration: Provided: That of the funds appropriated for the Minerals Management Service, $50,000 shall be available for administrative, travel, communications, per diem, and other necessary expenses incurred by a nonprofit inter-industry organization in conducting meetings and workshops related to Outer Continental Shelf activities off Alaska.

P.L. 98-473

This provision was inserted into the Fiscal Year 1985 appropriation language by Congress to restrict the use of appropriated funds and to assure participation by this group in the lease sale planning.

6. $154,241,000 of which $2,000,000 shall remain available until expended.

No specific authority

This provision is proposed to require that geologic and geophysical data acquired under permit be furnished to the Government as a condition of the permit with the Government paying only for the reasonable cost of reproducing such data. The $2,000,000 will be used to pay for costs of reproducing geologic and geophysical data, acquisition of any additional data and special reprocessing costs when required to support litigation, Section 8(g), boundary disputes, and other needs.

7. Provided, That notwithstanding any other provision of law, $125,200,000 shall be deducted from Federal onshore mineral receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury.

No specific authority

This provision is proposed by the Administration to assure the States share the actual net return to the Government after taking into account the Federal costs of realizing and distributing the receipts.

8. Provided further, That notwithstanding any other provision of law, when in 1986 and thereafter any permittee provides data and information to the Secretary pursuant to section 1352(a)(1)(C)(iii) of title 43, United States Code, the Secretary shall pay only the reasonable cost of reproducing such data and information.

No specific authority

The Federal Government is currently required to pay a share of the costs of reproducing and processing geologic and geophysical (G&G) data. The current proposal is to require industry to provide all prelease data without charge as a condition of permit except the costs of reproduction. The acquisition of any additional required data will also have to be paid by the Federal Government.

9. Provided further, That notwithstanding any other provision of law, in 1986 and thereafter, the Secretary shall enter into no new agreements to accept payment of royalties "in kind" unless the Secretary determines that such agreements are necessary due to a national emergency.

43 U.S.C. 1335-1336, 1353

43 U.S.C. 1335-136, 1353 provides that all royalties or net profit shares, or both, be paid in oil or gas on demand by the Secretary of the Interior. The Secretary may sell all royalty oil and gas accruing or reserved to the United States whenever in his judgment it is not desirable to retain commodities.

MINERALS MANAGEMENT SERVICE

Activity/Subactivity Change Crosswalk - FY 1985 Enacted to Date

(In thousands of dollars)

Format of FY 1985 Congressional Budget Submission: Appropriation/Activity/Subactivity	Amount 1985 Enacted to Date	Format of FY 1986 Congressional Budget Submission: Appropriation/Activity/Subactivity	Amount 1985 Enacted to Date
Leasing and Royalty Management:		Leasing and Royalty Management:	
A. Outer Continental Shelf Lands		A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	$43,583	(1) Leasing & Environmental Program	$43,583
(2) Resource Evaluation Program	26,139	(2) Resource Evaluation Program	26,139
(3) Regulatory Program	30,519	(3) Regulatory Program	30,519
Total, Outer Continental Shelf Lands	100,241	Total, Outer Continental Shelf Lands	100,241
B. Royalty Management		B. Royalty Management	
(1) Mineral Revenue Collections	12,294	(1) Mineral Revenue Collections	12,294
(2) Mineral Revenue Compliance	10,050	(2) Mineral Revenue Compliance	10,050
(3) Systems Development & Operation	16,748	(3) Systems Development & Operation	16,748
Total, Royalty Management	39,092	Total, Royalty Management	39,092
C. General Administration		C. General Administration	
(1) Executive Direction	3,258	(1) Executive Direction	3,293
(2) Administrative Operations	9,694	(2) Administrative Operations	10,045
(3) General Support Services	10,275	(3) General Support Services	9,889
Total, General Administration	23,227	Total, General Administration	23,227
Combined Total	162,560	Combined Total	162,560

MINERALS MANAGEMENT SERVICE

Activity/Subactivity Change Crosswalk - FY 1986 Request

(In thousands of dollars)

Format of FY 1985 Congressional Budget Submission: Appropriation/Activity/Subactivity	Amount 1986 Estimate	Format of FY 1986 Congressional Budget Submission: Appropriation/Activity/Subactivity	Amount 1986 Estimate
Leasing and Royalty Management:		Leasing and Royalty Management:	
A. Outer Continental Shelf Lands		A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program......	$42,158	(1) Leasing & Environmental Program......	$42,158
(2) Resource Evaluation Program..........	20,757	(2) Resource Evaluation Program..........	20,757
(3) Regulatory Program...................	31,495	(3) Regulatory Program...................	31,495
Total, Outer Continental Shelf Lands.........................	94,410	Total, Outer Continental Shelf Lands.........................	94,410
B. Royalty Management		B. Royalty Management	
(1) Mineral Revenue Collections..........	12,722	(1) Mineral Revenue Collections..........	12,722
(2) Mineral Revenue Compliance...........	10,288	(2) Mineral Revenue Compliance...........	10,288
(3) Systems Development & Operation......	14,546	(3) Systems Development & Operation......	14,546
Total, Royalty Management............	37,556	Total, Royalty Management............	37,556
C. General Administration		C. General Administration	
(1) Executive Direction..................	3,216	(1) Executive Direction..................	3,251
(2) Administrative Operations............	8,827	(2) Administrative Operations............	9,178
(3) General Support Services.............	10,232	(3) General Support Services.............	9,846
Total, General Administration........	22,275	Total, General Administration........	22,275
Combined Total.................	154,241	Combined Total.................	154,241

Justification for Change to Activity/Subactivity Structure

Minerals and Royalty Management

General Administration: The change in funding levels among the three subactivities primarily reflects the reallocation of resources from reimbursable to direct support. These changes result from the realignment of resources as MMS implemented a financial management system and terminated an agreement with U.S. Geological Survey which had previously provided these services.

Summary of Requirements

Appropriation: Minerals and Royalty Management

(Dollar amounts in thousands)

Summary of Base Adjustments	FTE	Amount	FTE	Amount
Appropriation, 1985			2055	163482
Transfer:				
To the U.S. Geological Survey of a Corpus Christi, Texas, office primarily concerned with determining basin-wide petroleum geology			-15	-922
Appropriation Currently Available, 1985			2040	162560
Base Adjustments:				
Total Adjustment for 1985 Pay Increase			—	+2555
Other increases and/or decreases:				
Proposed 1986 Pay Cut	—	-2677		
Improved Position Management Initiative	—	-364		
FY 1986 10% Reduction In Headquarters Functions	-41	-1664		
Net, other increases and/or decreases			-41	-4705
1986 Base Budget			1999	160410

(Dollar amounts in thousands)

Comparison by Activity/Subactivity	FY 1984 Actual		FY 1985 Enacted to Date		FY 1986 Base		FY 1986 Estimate		Inc. (+) Dec. (-) from 1985		Inc. (+) Dec. (-) from 1986 Base	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
OCS Lands												
Leasing & Environ-mental Program	344	44,088	352	43,583	349	43,355	349	42,158	-3	-1,425	0	-1,197
Resource Evaluation Program	321	32,138	342	26,139	332	25,664	332	20,757	-10	-5,382	0	-4,907
Regulatory Program	462	32,262	481	30,519	475	30,190	475	31,495	-6	+976	0	+1,305
Subtotal	1,127	108,488	1,175	100,241	1,156	99,209	1,156	94,410	-19	-5,831	0	-4,799
Royalty Management												
Mineral Revenue Collections	277	11,988	303	12,294	301	12,142	302	12,722	-1	+428	+1	+580
Mineral Revenue Compliance	186	8,021	198	10,050	197	10,180	197	10,288	-1	+238	0	+108
Systems Development and Operations	69	15,462	61	16,748	61	16,496	61	14,546	0	-2,202	0	-1,950
Subtotal	532	35,471	562	39,092	559	38,818	560	37,556	-2	-1,536	+1	-1,262
General Administration												
Executive Direction	80	3,375	73	3,293	70	3,266	70	3,251	-3	-42	0	-15
Admin. Operations	237	10,006	230	10,045	214	9,228	214	9,178	-16	-867	0	-50
Gen. Support Services	0	7,285	0	9,889	0	9,889	0	9,846	- 0	-43	0	-43
Subtotal	317	20,666	303	23,227	284	22,383	284	22,275	-19	-952	0	-108
Total Requirements	1,976	164,625	2,040	162,560	1,999	160,410	2,000	154,241	-40	-8,319	+1	-6,169

Justification of Adjustments to Base

Minerals and Royalty Management

(Dollar amounts in thousands)

		FTE	Amount
Total adjustment for 1985 pay increases....................		--	+$2,555
Anticipated 1985 pay increase supplemental.......	0		
Amount of 1985 pay increase to be absorbed.......	+1,829		
Total cost in 1985 of pay increase...............	1,829		
Adjustment for full-year cost in 1986 of 1985 pay increase.....................................	+726		
Total adjustment for 1985 pay increase...........	2,555		

The total $1,829 cost of the pay raise in 1985 will be absorbed. An additional $726 would be required in 1986 to cover the full-year cost of the 1985 pay raise.

Funding of the pay cost absorption in FY 1985 is made possible by:

(1) A combination of reductions in support activities implemented by limiting authorized use and expenditure levels;

(2) Delay in filling positions to attempt savings in permanent salaries;

(3) Limit or eliminate temporary and summer employment;

(4) Limiting overtime and holiday work and payments;

(5) Limiting equipment replacement and supply expenditures, and redirecting resources to pay.

Other increases and/or decreases:

	FTE	Amount
Proposed 1986 pay cut.............................	--	-$2,677

This reduction reflects the reduced pay costs resulting from the five percent pay cut proposed for January 1986.

	FTE	Amount
Improved position management initiative............	--	-$364
In FY 1986, improved position management will continue as a Government-wide management initiative. Savings of approximately $364,000 are proposed in this appropriation.		
FY 1986 10 percent reduction in headquarters and administrative functions 1/	-41	-$1,664
This adjustment reflects the MMS portion of an Administration initiative to reduce headquarters and administrative functions across Government.		

1/ Please refer to page MMS-122 for additional details.

Activity Summary

Summary of Funding by Subactivity

Activity: Outer Continental Shelf (OCS) Lands

(Dollar amounts in thousands)

Subactivity	FY 1984 Actual	FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc.(+) Dec.(-) from Base
Leasing & Environmental Program	44,088	43,583	43,355	42,158	-1,197
Resource Evaluation Program	32,138	26,139	25,664	20,757	-4,907
Regulatory Program	32,262	30,519	30,190	31,495	+1,305
Total	108,488	100,241	99,209	94,410	-4,799

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 sale and award of energy and mineral leases and regulation of exploration, development, and production on Federally-leased OCS lands. The budget for the program is described in three subactivities entitled: Leasing 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 strategic and critical mineral resources; and (2) the OCS Lands Act, the OCS Lands Act Amendments of 1978 (OCSLAA), the National Environmental Protection Act (NEPA), the Coastal Zone Management Act (CZMA), and other relevant statutes. In FY 1986, MMS's efforts will continue to emphasize carrying out the current 5-year OCS Oil and Gas Leasing Schedule (see Table 1 and Figures 1 and 2 for the FY 1985 through FY 1987 leasing schedule and related and geographic distribution of the planning areas for the proposed sales) and the effective supervision of industry operations on all leases on the OCS.

The primary focus of the OCS program is the study, offering and issuance of offshore oil and gas leases and the supervision, monitoring, and regulation of the exploration and development of oil and gas resources.

TABLE 1

TENTATIVE 5-YEAR OCS OIL & GAS LEASING SCHEDULE

U.S. Department of the Interior
Minerals Management Service

FY 1985		FY 1986		FY 1987	
Sale Number	Area	Sale Number	Area	Sale Number	Area
80	S. California	92	N. Aleutian Basin	95	S. California
88 1/	Gulf of Alaska/Cook Inlet	94	E. Gulf of Mexico	97	Diapir Field
89	St. George Basin	111	Mid-Atlantic	101	St. George Basin
90 1/	S. Atlantic	100	Norton Basin	108	S. Atlantic
98	C. Gulf of Mexico	104	C. Gulf of Mexico	109	Barrow Arch
		107	Navarin Basin	110	C. Gulf of Mexico
102	W. Gulf of Mexico	105	W. Gulf of Mexico	-- 2/	W. Gulf of Mexico

1/These sales are expected to be placed "on hold" and are not included in the workload projections discussed in the following sections.

2/This sale is not on a current leasing schedule, but it is counted as a workload item because it would appear on a new schedule if the same frequency of sales is assumed.

OUTER CONTINENTAL SHELF PLANNING AREAS

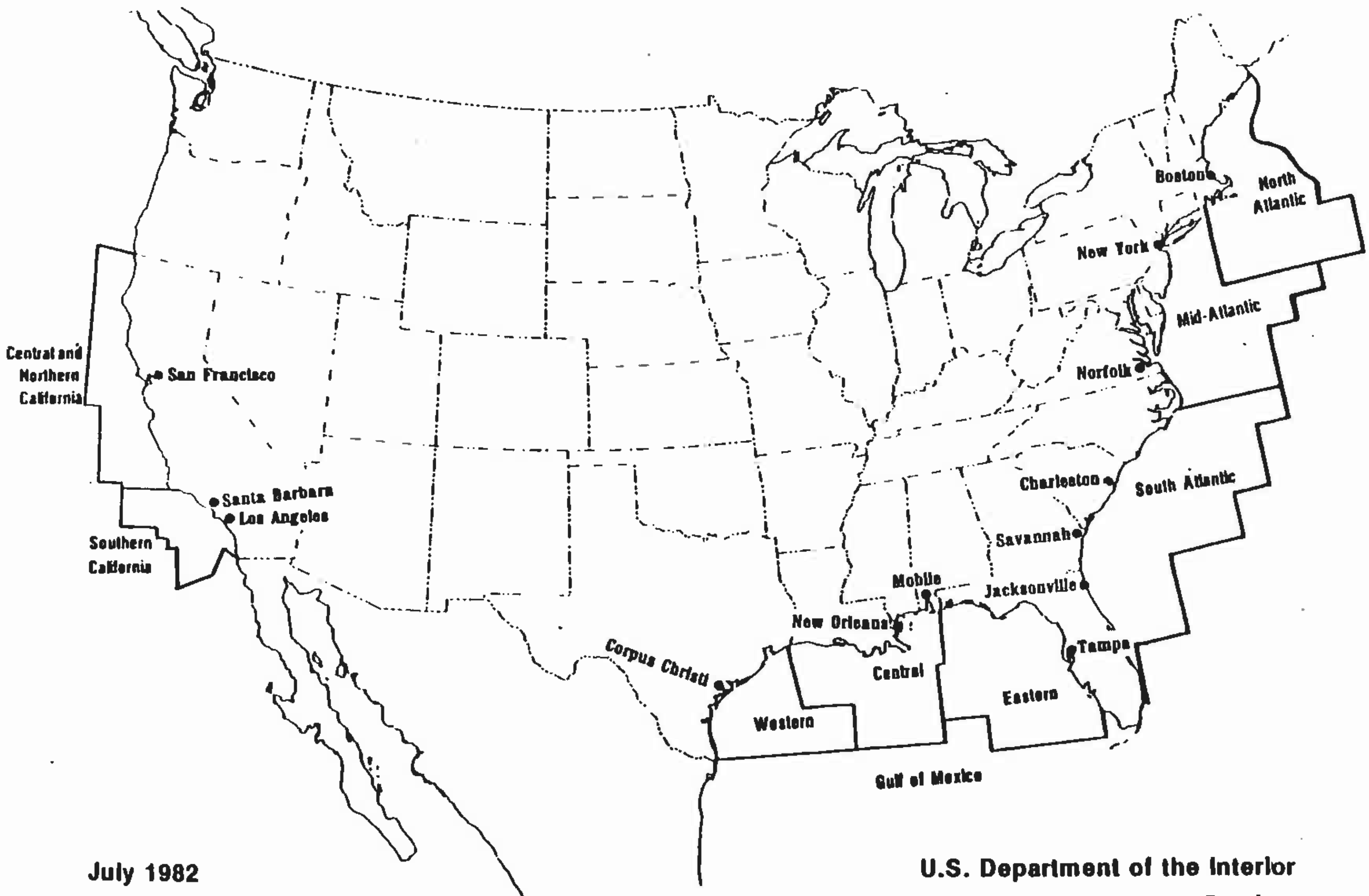

FIGURE 1

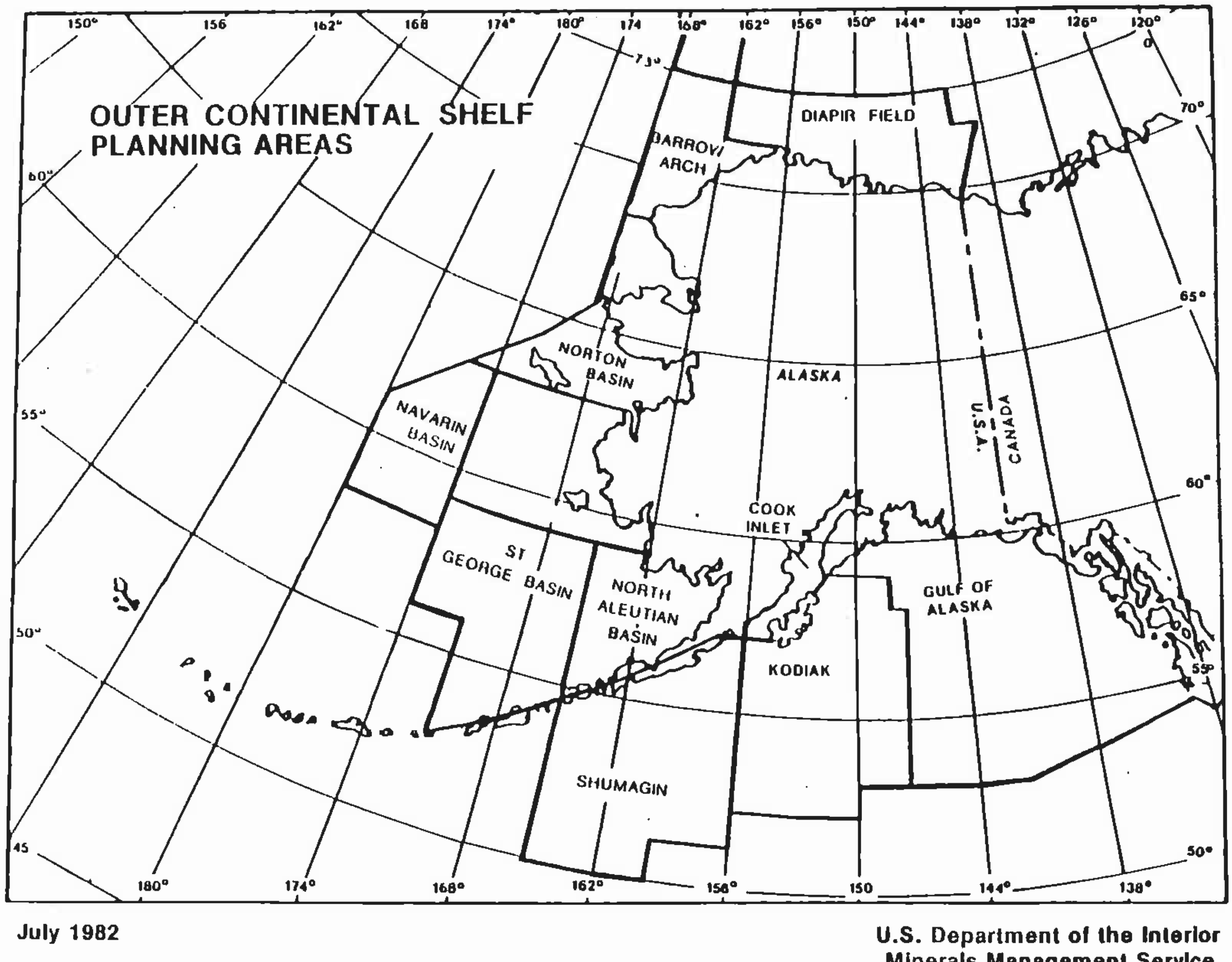
OUTER CONTINENTAL SHELF
PLANNING AREAS
DIAPIR FIELD
BARROW ARCH
NORTON BASIN
ALASKA
NAVARIN BASIN
U.S.A.
CANADA
COOK INLET
ST GEORGE BASIN
NORTH ALEUTIAN BASIN
GULF OF ALASKA
KODIAK
SHUMAGIN
July 1982
U.S. Department of the Interior
Minerals Management Service

FIGURE 2

Justification of Program and Performance

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

Program Elements		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Leasing and Environmental Assessment	($)	16,584	16,356	16,072	-512	-284
	(FTE)	(352)	(349)	(349)	(-3)	(---)
Environmental Studies	($)	26,999	26,999	26,086	-913	-913
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements	($)	43,583	43,355	42,158	-1,425	-1,197
	(FTE)	(352)	(349)	(349)	(-3)	(---)

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 5-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.

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

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

Specific 1986 Objectives

- o Complete all major prelease planning milestones on approximately 21 oil and gas lease sales in progress during the fiscal year.

- o Conduct 7 oil and gas lease sales.

- o Continue to improve knowledge base for possible OCS oil and gas and strategic and critical mineral leasing through environmental and other studies.

- o Complete the next 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 and Nominations 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 sale 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. Active coordination of the oil and gas leasing program with other Federal agencies, including consultation with affected State and local governments and the public sector occurring throughout the leasing process, is a major task of this program. Additionally, the activities required to develop OCS strategic and critical minerals leasing procedures and expand the information base for potential future minerals development in the Exclusive Economic Zone (EEZ) will continue, and the viability of strategic and critical minerals lease sales will continue to be studied and evaluated.

Leasing

Oil and Gas Program: The OCS Oil and Gas 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. OCS oil and gas production currently provides approximately 11 percent of oil and 25 percent of gas, respectively, of domestic production.

Federal budget benefits which result from the OCS Leasing Program are the bonuses and rents paid for leases and royalties from subsequent production. Approximately $3.5 billion was received in FY 1984 and approximately $2.4 billion is estimated to be collected in FY 1986 from rents and bonuses. Royalty receipts from producing OCS leases are estimated to be $3.3 billion in FY 1986.

Under the OCS Lands Act, the Secretary of the Interior must develop a 5-year OCS oil and gas leasing program that indicates as precisely as possible the approval. Table 1 represents an update of the schedule for sales in FY 1985 through most of FY 1987.

The schedule is a planning document. The specific size, timing, and location of lease sales are determined through the prelease process, the major steps of which are shown on Figure 3.

Preliminary work has begun on developing a new 5-year schedule to dovetail with the current one (Table 1) which ends in June 1987. In addition, a number of changes have been announced concerning the timing of sales and the presale process over the last year. It is anticipated that the development of a new program will take about 2 years. In FY 1986, comments on the draft EIS for the new program, which is planned to be prepared in FY 1985, will be received and analyzed, the final EIS will be issued, the proposed final program decision memorandum will be written, a decision will be made on the proposed final program, and, after congressional notification, a new program will be approved by the Secretary.

To support the 5-Year OCS Oil and Gas Leasing Schedule (Table 1), the Minerals Management Service must complete a number of major steps in the leasing process, which are shown in Figure 3 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.

<u>The Call for Information and Nominations</u>: Response to this <u>Federal Register</u> 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 sale. It solicits nominations by industry on specific portions of the planning area which they believe have potential for discovery of oil and gas and priority ranking of those areas. It also invites comments by States, local governments, and other parties regarding areas or topics of concern that should be considered in defining the sale proposal and in further steps in the leasing process. The detailed information from industry and other respondents provides an opportunity for early balancing of hydrocarbon potential with significant environmental concerns. Also solicited in the Call is information on potential coastal zone management (CZM) conflicts associated with future exploration and development and production proposals. These concerns are addressed in the NEPA process for the individual sales. The Call typically opens all or most of an entire planning area for consideration and highlights the area having hydrocarbon potential as determined directly from work carried out by the Resource Evaluation staff. A Notice of Intent to prepare an Environmental Impact Statement (EIS) is published in the <u>Federal Register</u> as a companion to the Call and includes information regarding the initiation of the NEPA process including, when available, the date and location of the public meetings for EIS scoping. In FY 1986, approximately seven Calls will be prepared and published for nine sales; the exact number will depend on the new 5-year schedule.

<u>Area Identification</u>: Following the Call for Information and Nominations, the area that is believed to have potential for commercial production of oil and gas size, timing, and location of leasing activity for the 5-year period following

is identified from information collected through the Call for Information and from resource estimates and economic analyses developed by the Resource Evaluation program staff. This Area of Hydrocarbon 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 State conflicts with other uses exist for any area, attempts are made at early resolution. If such areas do not meet essential tests of potential energy value and pose significant multiple-use conflicts, they are removed from further consideration. Early consultation with States and other affected parties may yield possible mitigating measures that can be analyzed in the NEPA document and considered in the decision process for the specific sale. In FY 1986, approximately six Area Identifications for eight sales are anticipated.

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 and Nominations 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-sale 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 Sale. 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 later satisfy for use in later postlease activities or subsequent sale 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 Sale (discussed below) approximately 5 months after the Public Hearings.

The Lease Sale 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

FIGURE 3
CHRONOLOGY OF THE OCS LEASING PROCESS

Call for Information and Nominations

Area Identification

Draft EIS

Public Hearing

Final EIS

Section 8(g), Secretarial Issue Document

Proposed Notice of Sale

Final Notice of Sale

SALE

Issuance of Leases

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 response to the Call for Information and Nominations and on the DEIS. Consideration and analysis of State views is facilitated by consultation with State representatives. Second, based on the Secretary's decision, a proposed Notice of Sale is prepared, which contains all of the terms and conditions, including bidding systems and stipulations, proposed for the lease sale. 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, further coordination with State Coastal Zone Management Programs is also carried out in an effort to reach mutual agreement on reasonable measures to ensure that exploration activities will be consistent with the programs.

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 Sale, detailed maps are produced of each block in the sale 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.

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 Sale.

State/Federal boundary disputes can also cause extensive mapping and associated data collection efforts. The Alaska Federal/State Boundary Project is an interagency, cooperative project which will provide technical data to assist in establishing the Federal-State boundary around the State of Alaska. The boundary will delineate the offshore lands administered by the Federal Government from the submerged lands administered by the State.

In addition to receipt of State comments on the proposed Notice of Sale, extensive negotiations may be carried out with State officials regarding terms and conditions of the lease sale, 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 sale. This decision is reflected in the Final Notice of Sale, which is published in the Federal Register at least 30 days prior to the lease sale. In addition, the Secretary responds to Section 19 comments and explains his rationale for either accepting or rejecting them.

Lease Sale and Issuance of Leases: The lease sale 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 sale, no decisions are made concerning which high bids will be accepted. Evaluation of high bids leads to decisions to accept or reject high bids and to offer leases to successful (acceptable) bidders; this occurs within 90 days of the sale except under special circumstances. Although personnel in the Leasing and Environmental Program subactivity develop the decision material, personnel in the Resource Evaluation Program subactivity perform the bid-adequacy evaluation. Leases are offered to successful bidders who have 11 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 staff. 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.

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 Committee; (2) Regional Technical Working Group Committees; and (3) a Scientific Committee. The Policy Committee meets two or three times each year, includes representatives of the Governors of all coastal States, various Federal agencies, and the private and public sector, and provides policy advice to the Secretary on various aspects of the OCS Program.

Six Regional Technical Working Group Committees, which operate at the field level and meet as needed during the year, provide advice to the Director 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 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 Director 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 (DOD), the National Aeronautics and Space Administration (NASA), the Coast Guard, and the National Oceanic and Atmospheric Administration regarding potential multiple-use conflicts within a proposed sale area. The Department of the Interior has a formal Memorandum of Agreement with DOD providing for consultation and resolution of joint use conflicts prior to leasing. Similar approaches are used with NASA and the Coast Guard, although no formal agreements exist.

Strategic and Critical Minerals Program, Including EEZ. Exploratory studies for possible future sales for critical and strategic minerals are conducted. Decisions on what, if any, commodities to offer will be based on work carried out under Cooperative Agreements with States, the results of participation in workshops and conferences on related topics, and indications of industry interest. The planning stage will begin with a Federal Register Notice of Intent to prepare an EIS, which will solicit comments to help design the proposal. A Draft EIS, hearings, and Final EIS would follow. Next, a Federal Register Notice of Preliminary Terms and Conditions would solicit comments on possible lease terms and conditions, such as sale configuration, bidding system, etc. After receiving comments, decision material would be prepared, decisions made, and a Notice of Sale would be published in the Federal Register. Comments from affected States and others would be solicited through the Notice of Intent, draft EIS publication and hearing, and the Notice of Preliminary Terms and Conditions.

The planning, evaluation, and development of leasing procedures and the identification of potential and viable lease areas for strategic and critical commodities will be accomplished by joint Federal/State working groups. These working groups will include interested Federal agencies and affected States. Two such projects are currently underway one for possible polymetallic sulfides in the Gorda Ridge area (jointly with Oregon and California), and one for cobalt crusts on mid-Pacific seamounts (jointly with Hawaii).

Environmental Assessment

Oil and Gas Program. All OCS NEPA-related work, both prelease and postlease, is accomplished within the Leasing and Environmental Program.

Prelease NEPA Process. As previously noted, this process may be started as early as one year before the Call for Information and Nominations with the development of general descriptive material. Following the Call for Information and Nominations, the scope of the issues and concerns to be addressed in the EIS are determined. This is accomplished by requesting written comments and holding formal scoping meetings.

Contacts with the public and various State and local governments, are reviewed 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 sale proposal, in identifying alternatives, and in focusing the EIS on the major issues of concern. When this is completed, the major work on preparation of the EIS can begin.

One of the most useful and critical inputs to the preleasing environmental assessment process is the oil spill trajectory 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 sale; 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 trajectory analysis report is prepared for each lease sale. 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 Sale.

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 offshore 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 sale 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-sale 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 analyzes and responds to all of the comments provided during the public review, revises the draft EIS as appropriate, and releases a Final EIS about 5 months after the Public Hearings. In FY 1985, approximately six draft EIS's will be published while six will be in preparation; six final EIS's will be published and three will be in preparation. In FY 1986, approximately eight draft and six final EIS's will be published; approximately six draft EIS's and three final EIS's will be in preparation. Additionally, in FY 1985 and FY 1986, numerous technical papers are planned for publication. These papers support the lease sale EIS's, and can be incorporated by reference into the EIS, thus avoiding lengthy technical and descriptive material, while maintaining the usefulness of the EIS as a decisionmaking document.

Included under prelease environmental activities are reviews and analyses performed for 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 a possible 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 oil and gas development and production plan in any area other than the producing areas of the Central and Western Gulf of Mexico and the Santa Barbara channel offshore California. In FY 1986, one developmental EIS is tentatively planned to be completed and one is planned to be started for Alaska. One EIS is likely to be prepared for California to be funded by non-Federal sources, although specifications for and review of this document 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 summary of the number of major activities in the Leasing and Environmental Program planned to be accomplished in FY 1986; (2) a comparison for FY 1984 and FY 1985; and (3) estimates of the average FY 1986 unit costs directly associated with accomplishing these planned activities.

Sale Activity - Leasing and Environmental Program

Major Activities	Actual FY 1984	Estimated FY 1985	Planned FY 1986	Est. Avg. Unit Cost ($)
Call for Information and Nominations	5	5	7	$ 26,000
Area Identification Decision Memo	5	6	6	54,000
Secretarial Issue Document	5	6	6	43,800
Review of 5-Year Program	1	1	1	550,000
Decision Memo - Proposed Notice	7	6	6	16,810
Section 19 State Consultations	28	20	14	13,300
Proposed Notice of Sale	7	6	6	40,200
Decision Memo-Final Notice	8	5	5	8,300
Final Notice of Sale	8	5	5	34,400
Lease Sale	6	4	7	241,200
Categorical Exclusion Reviews for Regulatory Actions	1,351	1,810	2,035	214
EA - Regulatory Actions	34	48	60	4,330
Categorial Exclusion Reviews - Res. Eval. Actions	495	610	746	266
EA for Res. Eval. Actions	34	48	26	6,242
EIS for Reg. Actions	1	2	3	150,000
Endangered Species Consult.	12	12	12	7,200
Public Hearing	7	4	8	11,000
Environmental Reports Reviewed	1,609	2,066	2,304	380
Technical Papers	9	23	19	8,332
Oil Spill Trajectory Analysis Runs	6	6	7	32,014
Oil Spill Trajectory Analysis Reports	2	2	2	18,450
Draft Lease-Sale EIS	6	6	8	331,000
Final Lease-Sale EIS	6	5	6	94,000
Environmental Assessment	1	2	4	4,330
Regional/National Study Plans	6	5	6	59,800

Decrease from FY 1986 Base

(Dollars amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	16,356	16,072	-284
(FTE)	(349)	(349)	(--)

This decrease results from a proposal to continue into FY 1986 similar cost savings identified in FY 1985 as required under the Deficit Reduction Act of 1984. Travel will be planned so that several efforts or activities will be consolidated into each trip, where possible. Travel to professional meetings will be limited to only those persons who will be participating in that meeting (i.e., giving a talk, sitting on a panel, etc.). Travel for training will also be limited.

The reduction in printing costs will be effected through the use of less expensive paper and less elaborate covers for printed products such as Environmental Impact Statements. Gratuitous copies will also be limited.

These savings will be used to partly offset additional FY 1986 funding requirements for the OCS Regulatory Program.

Distribution of Change by Object Class

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

	Amount ($000)
Travel and Transportation of Persons..............	$ -104
Printing and Reproduction.........................	-180
Total...	$ -284

Environmental Studies

Objectives

Conduct a studies program:

- That provides information necessary for prediction, assessment, and management of potential effects of oil and gas activities on the OCS and adjacent coastal areas.
- Designed to support the 5-year OCS Oil and Gas Leasing Schedule by providing data to support regional and national information needs.
- Providing data to help 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 sale-specific and programmatic Environmental Impact Statements (EIS's), Secretarial Issue Documents (SID's), and other decision documents. In 1980, the Environmental Studies Program began to invest a substantial proportion of its funds in issues related to postlease management decisions. 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.

Monitoring for biological and chemical effects of exploration 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 Act Amendments of 1978 and in lease-sale 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 1986, regional offices will develop a draft and then a final Regional Study Plan for studies to be completed in FY 1988. 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 decision-makers. 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 leasing or management 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.

Sufficient areawide reconnaissance studies have been carried out over the last 11 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 sale areas. A number of studies in the Alaska OCS are carried out for MMS by the National Oceanic and Atmospheric Administration's (NOAA) OCS Environmental Assessment Program (OCSEAP). Funding for this activity in FY 1986 is estimated to be approximately $7.0 million.

Deep-water reconnaissance begun in FY 1983-1984 in the Atlantic and Gulf of Mexico planning areas will be nearly complete in FY 1985. Study topics and associated funding proposed for FY 1986 are displayed in Table 2.

Decrease from FY 1986 Base

(Dollars amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	26,999	26,086	-913
(FTE)	(--)	(--)	(--)

This decrease results from a proposal to continue into FY 1986 similar cost savings identified in FY 1985 as required under the Deficit Reduction Act of 1984. This decrease will reduce study effort in the Atlantic OCS Region due to a planned decrease in leasing activities. The specific effects are:

- delete a study of distribution of right whales in the South Atlantic,
- reduce scope of study and extend terms of deep water studies in the Atlantic.

These savings will be used to partly offset additional FY 1986 funding requirements for the Regulatory Program.

Distribution of Change by Object Class

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

	Amount ($000)
Other Contractual Services....................	- $913

Table 2
FY 1986 Environmental Studies Program

OCS Region/ [1]/ Lease Sale No.	Estimated Investment ($)	Endangered Species	Pollutant Transport	Hazards	Marine Ecology	Monitoring	Fates and Effects	Socioeconomics	Meteorology	Other	Remarks
North Atlantic: 42, 96 Mid Atlantic: 111 South Atlantic: 90, 108	$2,700,000		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.
Eastern Gulf of Mexico: 79, 94 Central Gulf of Mexico: 81, 98 104, 110 Western Gulf of Mexico: 84, 102, 105	$3,370,000	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, and evaluation of the effect of OCS operations on coastal wetlands.
Central/Northern California: 35, 48, 68, 91 Southern Calif: 80, 95	$5,620,000	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	$12,160,000	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		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	$2,236,000						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.

[1]/Studies included generally will also be applicable to sales in the next 5-year program extending from mid-1986 to 1991.

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(Dollar amounts in thousands)

Program Elements		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Geologic and Geophysical Data Acquisition, Evaluations and Analyses	$	20,435	20,014	15,132	-5,303	-4,882
	(FTE)	(257)	(248)	(248)	(-9)	(--)
Resource Economic and Engineering Evaluations and Analyses	$	5,704	5,650	5,625	-79	-25
	(FTE)	(85)	(84)	(84)	(-1)	(--)
Total Requirements	$	26,139	25,664	20,757	-5,382	-4,907
	(FTE)	(342)	(332)	(332)	(-10)	(--)

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.

Resource Evaluation

Objectives

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

- Provide scientific data and information on the offshore to assure an adequate data base is available to the Secretary in support of leasing decisions.

- Provide resource estimates, exploration and development scenarios, and economic parameters and statistical data on lease sale areas.

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

- o Provide policies and mechanisms for leasing, development, and production of domestic sources of offshore strategic and critical mineral resources, including those in the Exclusive Economic Zone (EEZ).

Base Program

The Resource Evaluation Program subactivity consists of two program elements: (1) Geologic and Geophysical Data Acquisition, Evaluations, and Analyses; and (2) Resource Economic and Engineering Evaluations and Analyses. These two elements are closely interrelated and directly support both the Offshore Leasing and the Regulatory Program subactivities.

The Geologic and Geophysical Data Acquisition, Evaluations, and Analyses Program 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 strategic and critical mineral resources. In the early stages of the leasing process, the program focuses on providing data, information, and analyses required for decisions that are made relative to 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 sale process, the emphasis shifts again to the planning area for future sales. Prospect-specific maps and analyses are updated from new information, when appropriate, for future lease sales. The areawide analyses and mapping also identify promising areas that are used in reviewing and developing leasing schedules for oil, gas, and strategic and critical minerals.

The Resource Economic and Engineering Evaluations and Analyses Program element provides a related set of technical and analytical inputs throughout the leasing process. This Program utilizes input from the Geologic and Geophysical Data Acquisition, Evaluations, and Analyses Program and, with the use of economic and engineering data and analyses, develops resource estimates and economic resource 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 a sale. Within this element, economic and engineering 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 sales, and also provide necessary input for overall program decisions.

A schedule of the major outputs of both subactivities related to the 5-year OCS Oil and Gas Leasing Schedule is given in Table 3. 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 1986, this means that outputs are planned to be prepared for potential sales occurring beyond the timeframe of the 5-year leasing schedule. Accordingly, for purposes of budget development, a hypothetical sale schedule was developed based on the same assumptions contained in the current schedule. Outputs and products related to this planning schedule are shown in Table 4.

To fulfill requirements of Section 8(g) of the OCS Lands Act Amendments, 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 and Nominations.

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

- o Information concerning the geophysical, geological, and ecological data characteristics of the area or region;

- o An estimate of the oil and gas resources in the areas proposed for lease; 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 lease, estimates of oil and gas reserves and ecological data characteristics. Additionally, at the time of Area Identification, the Resource Evaluation Program staff is responsible for making a determination of whether or not a common structure exists on each tract in the "Buffer Zone" and provides this information to the Governor(s) of affected State(s).

Table 3
Schedule of Major Products of the
Resource Evaluation Program Subactivity Planned for FY 1986
That are Directly Related to Lease Sales
in the 5-Year OCS Oil and Gas Leasing Schedule

OCS Lease Offering No.	Proposed Date	Geologic & Geophysical Data Acquisitions	Geology Report	Area of Hydrocarbon Potential	Exploration and Development Report	Area Identification	Bidding System Design	Cost & Economic Assumptions	Fair Market Value Determinations
102	Aug. 85	*	*	*	*	*	*	*	Oct. 85
89	Sept.85	*	*	*	*	*	*	*	Oct. 85
111	Oct. 85	*	*	*	*	*	*	Oct. 85	Nov. 85
94	Nov. 85	*	*	*	*	*	*	Nov. 85	Dec. 85
92	Dec. 85	*	*	*	*	*	*	Dec. 85	Jan. 86
100	Mar. 86	*	*	*	*	*	*	Mar. 86	Apr. 86
104	Apr. 86	*	*	*	*	*	Nov. 85	Apr. 86	June 86
105	July 86	*	*	*	*	*	Feb 86	July 86	Sept.86
107	Sept.86	*	*	*	*	*	Apr. 85		
97	Dec. 86	*	*	*	*	*	July 86		
108	Jan. 87	P	*	*	*	*	Aug. 86		
101	Apr. 87	P	*	*	*	*			
110	Apr. 87	P	*	*	*	*			
95	May 87	P	*	*	*	*			
109	May 87	P	*	*	*	*			
W. GOM	Aug. 87	P	*	*	Mar. 86	Jan. 86			
1/96	Nov. 87	P	*	Nov. 85	June 86	Apr. 86			
91	Nov. 87	P	*	Nov. 85	June 86	Apr. 86			
86	Dec. 87	P	*	*	Apr. 86	Feb. 86			

*: Completed in prior fiscal years.
P: In progress during FY 1986
1/ This sale may be placed "on hold" but it is included in the workload projections discussed in the following sections.

Table 4
Schedule of Major Products of the
Resource Evaluation Program Subactivity Planned for FY 1986
Related to Planning Schedule

Planning Area	Planned Date of Offering	Geologic & Geophysical Data Acquisitions	Geology Reports	Area of Hydrocarbon Potential	Exploration and Development Report	Area Identification
Alaska	Feb. 88	P	*	Nov. 85	June 86	Apr. 86
C. Gulf of Mex.	Mar. 88	P	*	Mar. 86	P	Aug. 86
Alaska	July 88	P	Oct. 85	Apr. 86		Sept 86
W. Gulf of Mex.	Aug. 88	P	Feb. 86	Aug. 86		
Mid Atlantic	Oct. 88		Apr. 86	P		
Alaska	Nov. 88		Mar. 86	Sept 86		
E. Gulf of Mex.	Nov. 88		May 86			
Alaska	Jan. 89		May 86			
C. Gulf of Mex.	Feb. 89		Aug. 86			
Alaska	Mar. 89		July 86			

*: Completed in prior fiscal years.
P: In progress during FY 1986.

Geologic and Geophysical Data Acquisition, Evaluations, and Analyses

The Geologic and Geophysical Data Acquisition, Evaluations, and Analyses Program element provides technical data, information, and analyses on the geology and mineral resource potential, particularly oil and gas, on the OCS. Major outputs of this Program 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 sale. 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 strategic and critical 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. A condition of the exploration permits issued to industry allows the Minerals Management Service (MMS) to selectively acquire G&G data to directly support the analyses required throughout the leasing process. These data include logs and other data from wells drilled on leases and from deep stratigraphic tests and significant amounts of Common Depth Point (CDP) seismic data. Since 1968, over 900,000 line miles of CDP data have been acquired in OCS areas. These data are analyzed and interpreted in order to map a proposed lease sale and determine areas having potential for the occurrence of 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 sale.

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 sale, but are supplemented, as required, with new data for later sales in the same planning area. As is indicated in Tables 3 and 4, products requiring G&G data will be completed or in progress for more than 29 planned OCS oil and gas lease sales. Substantial amounts of CDP data (estimated at 78,300 line miles) are planned to be acquired in FY 1986 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 reprocessing 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 1984-1986 and associated FY 1986 estimated costs is given below.

Major Products	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Inc. (+) or Dec. (-)
G&G permits processed and approved	538	580	600	+20
G&G data acquisition actions	95	135	140	+5
Line miles of CDP data acquired	97,760	55,516	78,300	+22,784

Estimated FY 1986 Costs:

- To process and approve 600 G&G permits and accomplish 140 G&G data acquisition actions totals $950,000.
- Reproduction and processing or reprocessing of selected or required G&G data: $2,000,000.

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

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

Release of the Geology Report generally precedes the Call for Information and Nominations by approximately 8 months.

The data, information, and analyses, and data in the Geology 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 Geology Report is prepared for a planning area, it is updated with new or additional data, as appropriate, to prepare geology reports for succeeding sales in the same planning area.

Products:

a. Geology 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 data and information 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 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 Geology 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 1986, general regional 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 Table 4, eight (8) Geology Reports are planned to be completed in FY 1986.

b. Determinations of Area of Hydrocarbon Potential

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

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

Area Identification occurs approximately 3 months after the Call for Information and Nominations is issued. In response to the Call, industry, the public, and other interested parties submit information to the MMS on what areas within the planning area should or should not be included in the proposed sale.

The information and knowledge of the hydrocarbon 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 sale. This area is the focus of the analysis in the NEPA documents.

A comparison of the major products of regional G&G maps and analyses for the period FY 1984-1986 and associated FY 1986 estimated costs is given below.

Major Products:	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Geology Reports	9	9	8
Determination of Area of Hydrocarbon Potential	6	7	7
Area Identification Recommendations	6	7	7

Estimated FY 1986 costs directly associated with preparing 8 Geology Reports, making 7 Determinations of Area of Hydrocarbon Potential, and making 7 Area Identification Recommendations totals $2,920,000.

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-sale evaluation process for assessing bid adequacy.

A comparison of the major products of the Tract- and Prospect-Specific Maps and Analyses for the period FY 1984-1986 and associated FY 1986 estimated costs is presented below.

Major Products For:	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Completed Sales	7	5	7
Sales in Progress	19	19	20

Estimated FY 1986 costs directly associated with the production of tract- and prospect-specific maps and analyses for 7 sales completed and 20 sales in progress totals $4,850,000.

For FY 1986, the following seven oil and gas lease sales will be completed: 111 (Mid-Atlantic); 92 (North Aleutian Basin); 94 (E. Gulf of Mexico); 100 (Norton Basin); 107 (Navarin Basin); 104 (Central Gulf of Mexico); and 105 (W. Gulf of Mexico). Products for 19 sales proposed beyond FY 1986 will also be prepared. Generally, work devoted to mapping and analysis of tracts commences 2 years prior to a proposed lease sale, with the exception of sales in the Gulf of Mexico, where mapping and analysis begins 1 year prior to the sale.

In an effort to broaden the base of data and information on the offshore, the MMS entered into a cooperative agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin, in September 1983. The BEG acts as a central contact between the MMS and the geological surveys of coastal States and monitors multidiscipline, scientific activities conducted by the surveys for the MMS. The two general areas that the cooperative effort addresses are: (1) Strategic/critical minerals, and (2) geologic studies relating to hydrocarbon resources. The main focus is on OCS oil and gas resources.

In FY 1984-1985, funding for the MMS/University of Texas agreement totaled approximately $605,000 per year with approximately 21 coastal States participating in the program.

Strategic and Critical Minerals/EEZ

Although the main focus of the Resource Evaluation Program will be on OCS oil and gas resources, a small effort will also be directed to studies of strategic and critical mineral resources, such as Arctic sand and gravel and Pacific Ocean cobalt crusts to determine whether future lease sales of these resources are appropriate. The process to be followed for these sales will parallel that of oil and gas.

In FY 1984, the Minerals Management Service established cooperative arrangements with the States of Oregon, California, and Hawaii for the joint analysis of resource potential and environmental consequences of potential OCS solid mineral leasing and the development of the NEPA requirements for offshore mineral development. Joint Federal/State Working Groups have been established to consider the economic and engineering aspects of strategic and critical minerals leasing offshore Oregon, California, and Hawaii. Offshore areas within the jurisdiction of the United States are identified and investigated for the development potential of minerals other than oil, gas, and sulfur. Various mineral commodities (e.g., cobalt-rich manganese crusts, polymetallic sulfides, placers, construction materials, and phosphate) are being examined to determine their commercial viability. Additionally, MMS provides technical support to the State Department for minerals including oil, gas, and strategic/critical resources for areas beyond national jurisdiction including the Arctic and Antarctic.

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
$	20,014	15,132	-4,882
(FTE)	(248)	(248)	(--)

In FY 1986 the Minerals Management Service (MMS) proposes to decrease most of the funding for reimbursement to permittees of costs related to processing geologic and geophysical (G&G) data. MMS will continue to pay for the reasonable cost of reproducing such data and the acquisition and processing or reprocessing costs of certain additional data required to meet Government needs. Total funding in FY 1986 for reimbursement to permittees for reproduction of seismic data and other G&G data will be $2 million.

Historically, reimbursements were budgeted in the Resource Evaluation Program subactivity for selectively acquired G&G data. These funds were provided pursuant to the specific requirements of Section 26 of the OCS Lands Act Amendments of 1978 as reimbursements to permittees for reproduction and processing or reprocessing costs. In FY 1986 MMS proposes to include provisions in the Minerals and Royalty Management appropriation language to eliminate this payment.

Beginning in FY 1986 and thereafter, the Government proposes to require that G&G data acquired (including permits issued prior to FY 1986) under permit be furnished to the Government as a condition of the permit with the Government paying only for: The reasonable cost of reproducing such data; the acquisition of G&G data not available under permit to support litigation, Section 8(g) and boundary disputes; and special processing or reprocessing costs when required to meet Government needs. This would treat permittees the same as leasees with regards to reimbursement for acquired data.

The proposed decrease in funding is contingent upon the FY 1986 Appropriations Act for the Department of Interior and Related Agencies superseding the statutory requirements for reimbursing permittees for the processing of G&G data under Section 26 of the OCS Lands Act Amendments of 1978.

Other decreases in this program amount to $83,000 which result from continuing into FY 1986 those actions taken in FY 1985 by the Minerals Management Service as required by the Deficit Reduction Act of 1984. These funds will be used to offset an increase in FY 1986 in the Offshore Regulatory program.

Distribution of Change by Object Class

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

	Amount ($000)
Travel and Transportation of Persons	$ -83
Other Contractual Services	-4,799
Total	$ -4,882

Resource Economic and Engineering Evaluations and Analyses

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

This program combines much of the data and analyses derived under the Geologic and Geophysical Data Acquisition, Evaluations, and Analyses Program 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. These steps proceed from the Geology Report through the acceptance/rejection of high bids. The analyses also provide input to the annual review of the 5-year schedule, as required by the OCSLAA, and any subsequent revisions to the schedule. Additionally, this program 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: Economic and engineering analyses, supplemented by geologic and geophysical analyses, are carried out to develop estimates of technologically and economically recoverable resources for planning areas, lease sales and alternatives, Secretarial Issue Documents (SID's) and the Oil and Gas Information Program. These activities include the economic and engineering analyses needed for resource assessment. Products can be divided into those related to planning areas and those related to lease sale areas. Those initially developed for planning areas are updated, as appropriate, with new or additional data for succeeding sales in the same planning area.

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

Lease sale area resource estimates are developed for use in:

a. Exploration and Development (E&D) Reports, NEPA documents, and other decision documents.

b. 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 1984-1986 for use in reports, reviews, etc., and associated FY 1986 estimated costs is given below.

Resource Estimates for:	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Section 606 Reports	1	--	1
Review of 5-Year Leasing Schedule	1	1	1
NEPA and Decision Documents	14	14	13

Estimated FY 1986 costs directly associated with development of 15 planning area Resource Estimates totals $955,000.

2. Economic and Engineering Evaluations for Lease Sales: Economic and engineering parameters, on a lease-sale and tract-specific basis, are analyzed, developed, and designed for the purpose of determining bid adequacy and assessing impacts on the objectives of the 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 sale.

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

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

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

e. Economic Value Estimates. This product includes cost/benefit analyses and economic and social value estimates for SID's, the formulation of the 5-year leasing schedule, each lease sale, revenue projections for budget purposes, and other estimates associated with statutory or policy changes.

The schedule of products planned for FY 1986 is shown on Tables 3 and 4.

A comparison of the major products of Economic and Engineering Evaluations for the period FY 1984-1986 and associated FY 1986 estimated costs is given below.

Major Products	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Exploration and Development (E&D) Reports	8	10	5
Cost Estimates and Price Assumptions	8	6	7
Analysis for Design of Specific Bidding System	7	9	5
Analysis for Fair Market Value Determinations	7	5	8
Economic Value Estimates	16	18	18

Estimated FY 1986 costs directly associated with producing 5 E&D Reports, 7 Cost Estimates and Price Assumptions, 5 Analyses for Design of Specific Bidding Systems, 8 Analyses for Fair Market Determinations, (Sales 102, 89, 111, 92, 94, 100, 104, 105, and 107) and 18 Economic Value Estimates total $1,670,000.

3. Economic and Engineering 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 economic and engineering studies that are used throughout the lease-sale process and for overall OCS program and policy issues. Activities in this support function are generic in nature and 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 lease-sale fair market value determinations, and to provide a historical data base for economic studies, other analyses, and reports such as the Annual Report to Congress on alternative bidding systems.

   c. Economic Studies and Congressional 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 these reports 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, regulatory changes, lease terms, rental policies, and tract size.

   d. Generic, Program-Wide Studies--Various generic studies applicable to the entire leasing process are performed. Study issues include the effects of areawide versus tract selection sales, the costs and benefits associated with the OCS Program, various changes, bid adequacy procedures, and effects of various policies on Government receipts.

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

   f. Engineering studies--Consistent and pertinent programwide technological procedures are designed, developed, and implemented, and technology for adverse and severe conditions is assessed. This product is also oriented to strategic and critical minerals technology and combined economic and engineering feasibility studies.

A comparison of the major products of Economic and Engineering Methodologies and Studies for the period FY 1984-1986 and associated FY 1986 estimated costs is given below.

Major Products	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Economic Studies	20	25	25
Engineering Studies	2	5	6

Estimated FY 1986 costs directly associated with development and maintenance of models and ADP data bases and carrying out 25 Economic Studies and 6 Engineering Studies totals $1,925,000.

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
$	5,650	5,625	-25
(FTE)	(84)	(84)	(--)

The decrease in FY 1986 results from continuing those actions taken by the Minerals Management Service in FY 1985 as required by the Deficit Reduction Act of 1984. These funds will be used to offset the FY 1986 increase in Minerals Management Service's Offshore Regulatory Program.

Distribution of Change by Object Class

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

	Amount ($000)
Travel and Transportation of Persons	$ -25

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(Dollar amounts in thousands)

Program Elements		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Regulation of Operations	($)	25,412	25,123	26,428	+1,016	+1,305
	(FTE)	(417)	(412)	(412)	(-5)	(--)
Reserve Inventory	($)	2,775	2,742	2,742	-33	--
	(FTE)	(52)	(51)	(51)	(-1)	(--)
Technology Assessment and Research	($)	1,166	1,163	1,163	-3	--
	(FTE)	(5)	(5)	(5)	(--)	(--)
Oil and Gas Information	($)	1,166	1,162	1,162	-4	--
	(FTE)	(7)	(7)	(7)	(--)	(--)
Total Requirements	($)	30,519	30,190	31,495	+976	+1,305
	(FTE)	(481)	(475)	(475)	(-6)	(--)

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.

33 U.S.C. 1101-1108
P.L. 89-454

The Coastal Zone Management Act of 1972, Section 307(C.3) established consistency provisions for certification that proposed activities affecting land or water uses in the coastal zone of an affected State complies with that State's management program.

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 available 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 OCS oil and gas and other mineral activities to affected State and local governments.

The Regulatory Program consists of several component elements: 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, and production operations, including the transportation of production to shore and pipeline design and maintenance.

- o Identifying 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 Amendments of 1978, Sections 24b, and c, civil penalties of up to $10,000 per violation may be assessed and a court can levy penalties of up to $100,000 and imprisonment for up to 10 years in instances of knowing and willful violations.

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

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

- o 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 bottom founded platforms, especially those located 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 evaluating opportunities for enhanced recovery.

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

Base Program

Regulation of the 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 exploration plans, development and production plans, development operations, and coordination documents; and through 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 mandated responsibilities require: Coordination of approvals of OCS exploration plans and development and production plans with the affected States; conducting scheduled inspections for each facility annually (with 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.

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

Oil and gas reserves are increasing in the Gulf of Mexico. Significant discoveries in deep water areas of the Gulf of Mexico are expected to continue to contribute to these reserves. 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. One such discovery is at Seal Island, 12 miles northwest from Prudhoe Bay. It is an offset confirmation well drilled from a State lease and is expected to produce commercially.

To accomplish the regulatory program in accordance with statuatory requirements, and to assure acceptable leasehold operations, the Minerals Management Service performs the following tasks. These tasks are generally performed 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 (in the western Gulf of Mexico development operations coordination documents are used in lieu of development and production plans). The Minerals Management Service's Supervisor for Offshore Field Operations (S-OFO) in each region must determine the adequacy of these statements, along with the plans, and transmit copies of 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 operations are in accordance with the approved plan and appropriate results are being obtained.

Particular emphasis is placed on the postsale evaluation 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 analyses 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 reviewing technologies used by the industry and conducting applied research where deemed necessary to provide technology support to MMS operations personnel. The program concentrates on 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 and through review of current technology improvements by the Operations Technology Assessment Committees at the regional and headquarters levels. Risk analysis is currently being evaluated as a part of the Technology Assessment and Research Program element. This will determine if risk analysis can be used in the OCS regulatory process and to determine the limitations of its applicability.

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 each 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 (APD) is ongoing and anticipated to increase. This workload is predicated on and postdates the processing of exploration/development and 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 an exploration plan or development and 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 different 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 mature producing areas. This activity will continue and quite likely increase as the current and newly discovered reservoirs are produced through the various stages of 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 MMS 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 of the inspection of a number of small individual items that in the aggregate state the overall condition and compliance record of the particular operation being examined. The inspection program has provided significant results in assuring both safe operations on the OCS as well as assuring that environmental concerns are protected.

In late FY 1984, the MMS approved the Offshore Inspection Program Handbook. The Handbook requires that documented procedures be developed for all aspects of the inspection program. In addition, the Handbook requires the establishment of a formal "Internal Review" process so that all elements of the MMS offshore inspection program are reviewed at least annually. With the establishment of the formal documented program and the Internal Review followup, the MMS inspection program will be implemented in a more consistent and effective manner on a national basis. Full implementation of this program is scheduled for mid-FY 1986.

Oilspill Containment and Cleanup Activities. The Minerals Management Service is a member of an Interagency Committee (including the Canadian Government) which funds the evaluation of oilspill containment and cleanup equipment. Testing is conducted both offshore and at the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) facility under open ocean and broken ice conditions. Information is used to quantify the effectiveness of manufactured equipment and is provided to MMS Managers to evaluate oilspill contingency plans which are required of industry.

Selected program outputs and estimated average FY 1986 unit costs are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Est. Cost Per Unit ($)
Inspections	13,053	14,633	15,142	749
Exploration/Development and Production Plans Processed	1,381	1,680	1,686	792
Applications for Permit To Drill Processed	1,233	1,302	1,430	816
Platform Installation Applications Processed	181	205	210	1,300
Pipeline Applications Processed	1,676	1,868	1,869	159
Production Rate Control (MER,MPR,MAR).	16,080	15,181	15,182	45
NGPA Category Determinations	706	749	750	460
Commingling Agreements	101	133	166	1,100
Unitizations and Other Agreements Processed	456	520	523	864
Review Development Activities/ Lease Drainage	182	210	255	998
Accident Investigations	68	74	77	5,389
Applications for Workover, Recompletion, and Abandonments	9,873	9,916	10,903	245
Suspensions of Production	208	232	277	906
Enhanced Recovery Operation Analyses.	6	11	11	7,125
Gas Flaring Approvals	409	463	463	290
Verification of New Platforms........	152	158	170	1,251
Examinations and Verifications of Shut-In Wells	3,058	3,030	3,040	75
Civil Penalty Proceedings	-0-	4	6	11,479
Well Control School Certification Activities	65	80	90	1,862
Water Survival Training Actions	11	20	20	3,600
Inspector Training Program Activities.	45	64	65	3,885

Increase from FY 1986 Base

(Dollars amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	25,123	26,428	+1,305
(FTE)	(412)	(412)	(--)

A total increase of $1.4 million is proposed for the Regulatory Program in FY 1986 to contract for additional helicopter services. However, no net increase to the MMS budget will be required since funds identified in the base will support this action. This proposal will increase the number of helicopters currently utilized in the Gulf of Mexico from 13 to 15, and from 2 to 3 the number of helicopters currently utilized in the Pacific Region. The cost increase, to accomplish the above, will be from $5.9 (amount available in FY 1985) to $7.3 million.

The additional twin turbine type aircraft are necessitated by the inspection workload increase due to the expansion of offshore oil and gas exploration and production operations both in number of facilities and the location of operations being conducted further from shore in deeper waters. This expansion of offshore operations is a consequence of substantial lease acquisitions and subsequent exploration activity resulting from recent OCS offerings which commenced during 1983. The majority of exploration and production activity resulting from these sales has occurred in the Gulf of Mexico.

Leasing activity in the Gulf of Mexico in FY 1983 and 1984 has resulted in the petroleum industry acquiring leases further from the coast line in their search for oil and gas. One indication of the success of sales in the Gulf of Mexico Region is the announcement of discoveries from new leases in the central Gulf of Mexico, together with the submission of related development and production plans. These activities, and the anticipation of more discoveries, will further increase the Regulatory Program workload.

In addition, inspections related to workover operations will be increased due to enforcement of new regulatory requirements in this area (estimated to become effective FY 1986), this will add to existing MMS workload and transportation requirements. As the current producing fields mature, increasing workover operations will be performed to maintain or increase production rates.

It is anticipated that an increase in production verification inspections will be required to resolve differences between MMS computer generated production records and the affected oil company records. It is difficult to predict the time and volume of work that will be required; however, it is certain that the resolution of differences could result in increased revenues.

The number of facilities to be inspected, and the scope of the inspections to be conducted are increasing, thus a greater number of fully-trained technicians to perform the additional mandated inspections is needed to support the increased workload. The Service must increase the number of available helicopters for the performance of these inspections. The requested increase will provide for additional long-range helicopters to serve the inspection force in monitoring the offshore facilities. In addition, these long-range helicopters will upgrade the safety margin for long over-water flights that are out of sight of land and remote from existing emergency rescue operations.

The Minerals Management Service expects to extend into 1986 the same categories of savings realized in 1985 under Section 2901 of the Deficit Reduction Act of 1984. Savings extended into 1986 are redirected within the OCS Program to provide the increase needed for aviation support of inspection activities. Amounts were identified for consulting services ($913,000), audiovisual/printing/reproduction support ($180,000), and travel ($339,000). These amounts were identified in each OCS program element; of the total amount for travel, $127,000 was identified in the OCS Regulation of Operations Program element. Therefore, the net increase to the Regulation of Operations Program is $1.3 million.

Distribution of Change by Object Class

The object class detail for the proposed $1.4 million increase is as follows:

	Amount ($000)
Travel	$ -127
Other Services	$+1,432
TOTAL	$+1,305

Reserve Inventory

Objectives:

- o Develop and maintain an accurate and timely data file of oil and gas resources.
- 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.

Base Program

The Reserve Inventory Program was initiated in FY 1977 to develop and maintain accurate, up-to-date 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. Data are 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 1986 unit costs are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Est. Cost Per Unit($)
Field Reserve Estimates.........	105	82	75	16,960

Technology Assessment and Research (TA&R)

Objectives:

- o To conduct independent review of OCS technologies to identify technology gaps and to assure the use of the Best Available and Safest Technologies (OCSLAA Section 21(b)-BAST). The program provides industry and Minerals Management Service personnel a continuing exchange of information on operational technologies.
- o To provide a single point technical source within the Minerals Management Service for other Federal agencies which have special proficiencies in the various offshore technologies.
- o To recognize and evaluate the various levels of operational risk involved in the development of OCS minerals.
- 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 becoming increasingly 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 new OCS areas, such as deeper waters of the lower 48 States and the 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 Act Amendments of 1978 (OCSLAA), Section 21 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 industry, other agencies, and with other countries such as Canada, the United Kingdom, and Norway, that have similiar operations, programs, and concerns.

Examples of activities and accomplishments include:

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

2. Collaboration with Canadian and Norwegian Governments on the development of subsea collection technology for oil emanating from blowing wells. 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 original "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.

6. Oilspill containment and clean-up technologies are being investigated in collaboration with North Sea and Canadian Government agencies. These projects supplement the evaluation of equipment described in the base program.

7. An international workshop has been held on the application of risk assessment for offshore operations.

Selected program outputs and estimated average FY 1986 unit costs are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Estimated Cost Per Unit ($)
Technological Investigations	25	11	14	69,500
Technological Assessments	10	2	3	46,000
Technology Seminars Conducted	1	2	3	8,000
Technical Reports Published	1	2	4	7,000

Oil and Gas Information

Objectives:

- 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.

- 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 required 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 are revised. The regional Indexes are updated annually.

Summary Reports and Indexes provide data designed to assist State and local governments in planning for the potential onshore impacts of possible oil and gas exploration, development, and production. These data are not as detailed as the Environmental Impact Statement (EIS) or Environmental Assessment (EA) documents which precede these publications, but 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 1986 unit costs are:

	FY 1984 Estimate	FY 1985 Estimate	FY 1986 Estimate	Est. Cost Per Unit ($)	
Annual Update of Indexes-------------	4	4	4	45,900	133,600
Revised Summary Reports--------------	4	6	6	94,600	567,600
Memorandum of Summary Reports----------------------------	4	7	7	38,300	268,100
					1,019,300

The output schedule above assumes that proposed lease offerings are the major 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.

The primary thrust of the Office of Information Service is to respond to the multitude of information needs of the public, States, local government, industry, other Federal agencies and the Congress.

Program staff also produce the Annual Report to Congress on OCS Oil and Gas Leasing and Production which is required by Section 15(1) and 22(g) of the OCS Lands Act Amendments of 1978.

Activity Summary

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, scope, and complexity of the program continue to increase as more is learned of industry practices, such as lease fractionalization and intricate marketing agreements, which make it difficult to identify the royalty owed and paid by lease.

Figure 4 is a flowchart of the major functions of the Royalty Management Program. 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 function is responsible for the development, operation, and maintenance of the complex automated systems (see Systems Development and Operation Subactivity).

The Federal Oil and Gas Royalty Management Act of 1982 emphasized the importance of accurate and timely accounting of onshore oil and gas revenues. The impact of implementing the Act continues to place additional responsibilities on the Royalty Management Program. For example, the enforcement of the Act's penalty provisions in Section 109 has added workload in the Collections area but is key to achieving and maintaining the accounting systems integrity levels. The Act requires that mineral leasing revenues due to States be disbursed monthly and provides that interest be paid to the States when the disbursements are not made within the timeframe established in the Act. It also required that revenues due Indian accounts be disbursed by the end of the month in which collected and that interest be paid when they are not disbursed on time. These interest payment requirements have resulted in a proposed new Activity (Interest on Late Payments) in the appropriation entitled "Payments to States from receipts under Mineral Leasing Act."

Summary of Funding by Subactivity

(Dollars in thousands)

Subactivity	FY 1984 Actual	FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	11,988	12,294	12,142	12,722	+580
Mineral Revenue Compliance	8,021	10,050	10,180	10,288	+108
Systems Development and Operations	15,462	16,748	16,496	14,546	-1,950
Total	35,471	39,092	38,818	37,556	-1,262

ROYALTY MANAGEMENT PROGRAM

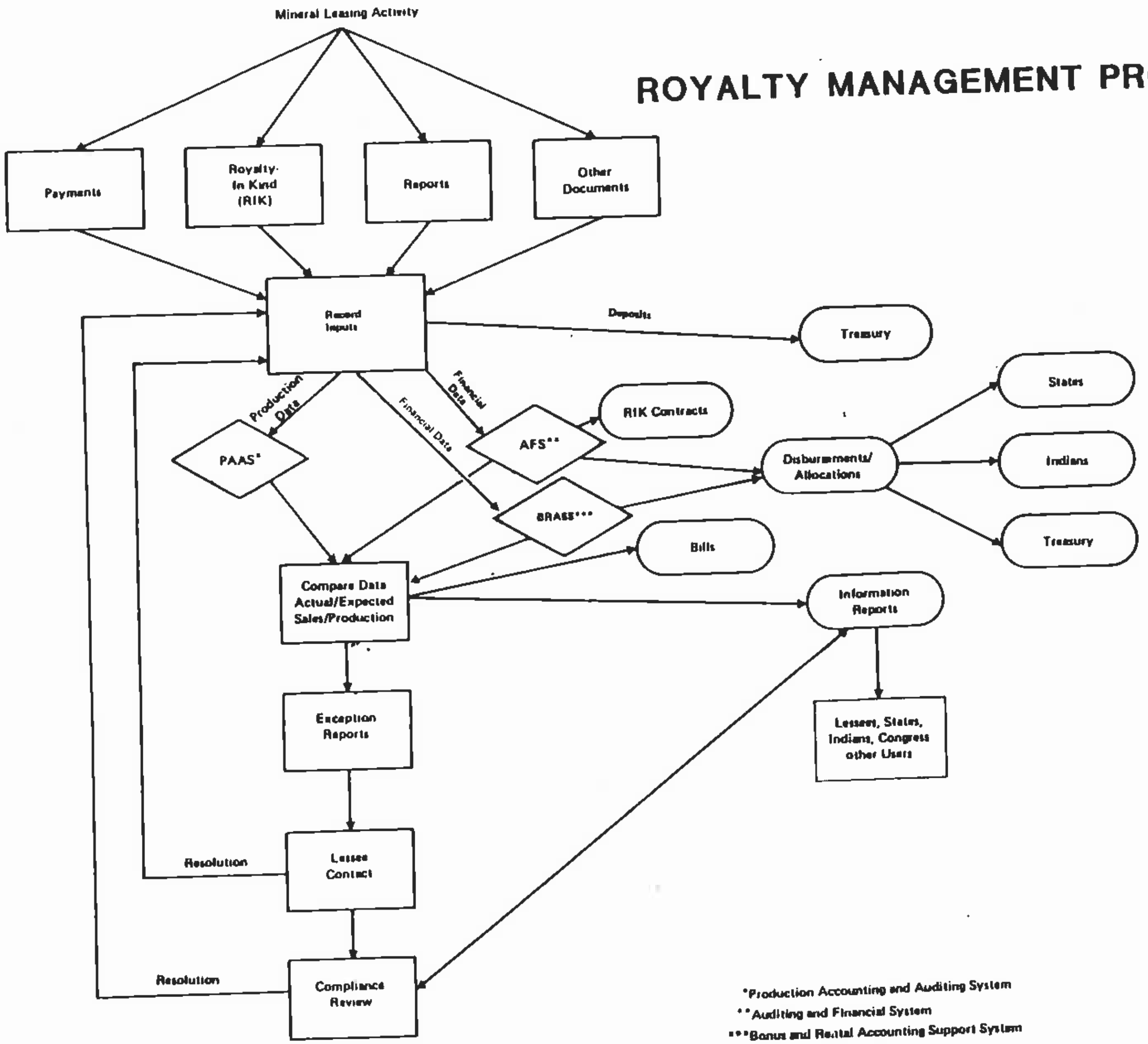

FIGURE 4

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(Dollar amounts in thousands)

Subactivity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Mineral Revenue	($)	12,294	12,142	12,722	+428	+580
Collections	(FTE)	(303)	(301)	(302)	(-1)	(+1)
Total	($)	12,294	12,142	12,722	+428	+580
Requirements	(FTE)	(303)	(301)	(302)	(-1)	(+1)

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.

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. 1001, *et seq.*
P.L. 91-581

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.

30 U.S.C. 181, *et seq.*
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. 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.

Mineral Revenue Collections

Objective

- Efficiently carryout the provisions of the Royalty Management Act of 1982, in particular, the timely collection of revenues due, the detection of incorrect payments, and the enforcement of the penalty provisions (section 109) for non-complying royalty payors and reporters.

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.

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 1986, it is estimated that the Royalty Management Program will collect and account for approximately $6.9 billion in mineral leasing revenues. In addition to these revenues from mineral leasing activities occurring in 1986, $2.5 billion ($1.6 billion principal; $0.9 billion interest) will be credited to the receipts account as a result of the release of OCS bonuses, rents, and royalties previously collected, but held in escrow. Undercollection of even 1 percent of current royalties due would result in a loss of approximately $42 million to the Federal Government, States, and Indian Tribes. The Royalty Management Program has been developed to minimize potential undercollections and expects to recover $45 to $50 million in underpayments in FY 1986.

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, product, and selling arrangement in order to reconcile all accounts through identification of 100 percent of the payors and products on each lease. Changes which affect the paying responsibilities on a lease (such as new wells coming into production, reassignments, unitizations/communitizations, etc.) are quite common in the oil and gas industry. Accordingly, they cause 35-40 percent of the number of payor data elements in the AFS data base to change each year.

- 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. By statute and regulation, royalty rates vary widely 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 comingling, 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, is structured so that meaningful production volume/sales volume comparisons can be made on a regular basis despite fluctuations in production, measurement, processing, and storage.

- Federal Regulations

  Complex and sometimes conflicting Federal laws require difficult additional calculations to determine proper amounts of royalties owed. An example is the Crude Oil Windfall Profit Tax Act of 1980. Calculation and payment of this tax has significant impact on the workload of the Royalty Management Program.

- 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 systems were developed and implemented. They are the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS). The 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 replaced the Royalty Accounting System (RAS) which had been in use for 30 years. It is designed to fulfill eight principal objectives:

- Process royalties reported by the payors promptly and efficiently. Each payor has a separate account for their paying responsibility on each lease.

- Distribute mineral revenues to State, Indian, and General Treasury accounts on a monthly basis in accordance with the Royalty Management Act.

- Calculate, distribute, and disburse interest and penalty payments to States and Indians in those instances where it is required by the Royalty Management Act.

- 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.

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

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

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

- 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.

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. At the same time, it greatly multiplied the number of accounts and accounting line items with which Royalty Management personnel are required to work. The new system uses a modified Internal Revenue Service approach in that it accepts incoming rent and royalty payments subject to verification. The AFS has a complex set of edit routines to check for report accuracy. It also was designed to compare incoming data with expected data and generate exceptions when they do not match. This function is not currently operational.

Royalty Management 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 35-40 percent change rate to the data elements in the AFS reference data base in any given year, resulting in a significant, continuing workload in this area. Experience has also shown that the turnover rate among industry royalty accounting personnel is very high and the Royalty Management staff must be prepared to deal with a continuing industry training workload for AFS reporting. The royalty program intends to provide ongoing guidance and assistance, since accurate reporting is crucial to the success of the system.

During FY 1986, it is anticipated that the number of errors needing to be corrected will decrease due to improved payor understanding of reporting requirements. AFS exceptions processed will increase in FY 1986. This will be possible as more exceptions can be worked when personnel are shifted from error correction to exception processing. During FY 1986, the Royalty Collections effort for AFS will continue the FY 1985 level of verbal and written guidance contacts (90,000) with industry.

A 6 percent growth in the number of checks deposited is projected as new leases go into production. Payor information forms processed is expected to decrease slightly in FY 1986 because the mergers occurring among large payors should stabilize.

Selected program outputs relative to the AFS are:

	FY 1984 Actual	FY 1985 Estimate[1]/	FY 1986 Estimate	Inc.(+) or Dec.(-)
Accounting Line Items of Data	1,800,000	2,100,000	2,100,000	--
AFS Exceptions Processed	25	3,400	3,700	+300
AFS Reporting Error Corrections Completed	335,000	275,000	210,000	-65,000
Number of Verbal and Written Guidance Contacts with Industry	90,000	90,000	90,000	--
Checks Deposited	48,000	51,000	54,000	+3,000
Payor Information Forms Processed (New and Revised)	40,000	25,000	20,000	-5,000

Production Accounting and Auditing System (PAAS)

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

- Compare production volumes against sales data and identify exceptions which may indicate unpaid royalties.

- Trace mineral production from point of origin to point of sale.

- 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 Offshore Regional Offices and the Bureau of Land Managment (BLM) field offices to access production data from each lease.

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[1]/Program outputs for FY 1985 estimates have been revised from the FY 1985 Budget Justification based on operational experience.

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

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

The PAAS is being installed in phases. A pilot program with 23 firms began operation in January, 1984. The OCS producers, which represent 72 percent of all oil and gas royalties, are to begin to report by February 15, 1985.

As this budget document was going to press, the Department was progressing through a reappraisal of PAAS to assure cost-effectiveness. The workload assumptions below are based on continuation of the pilot companies and addition of offshore and coal operations which would represent approximately 83 percent of royalty production, but only about 10 percent of the data workload of the total lease universe. This workload can be handled by current computer capability, but the onshore workload cannot.

Selected program outputs relative to the PAAS are:

Leases Monitored Operators Reporting	FY 1984 Actual	FY 1985 Estimate[1]/	FY 1986 Estimate	Increase(+) or Decrease(-)
Leases Monitored	908	3,300	3,350	+50
Operators Reporting	23	161	165	+4
Industry Conversion Assistance Visits	40	175	---	-175
Technical Assistance Visits to Operators	10	75	100	+25

Bonus and Rental Accounting Support System (BRASS)

Beginning in FY 1984, MMS has been responsible for the collection of bonuses from onshore lease sales and rentals from over 110,000 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) was designed and installed and began operation in April, 1984.

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.

1/Program outputs for FY 1985 estimates have been revised from the FY 1985 Budget Justification based on projections of current operational experience under the pilot program.

- Provide rental accounting data to BLM State offices which manage the leases.
- Support monthly distribution and disbursement requirements as specified in the Royalty Management Act of 1982.
- Provide lease data to AFS when leases go into production.

In FY 1986, it is estimated that over 107,000 courtesy notices will be issued, approximately 21,000 BRASS errors corrected, and 100,000 checks deposited. Other program outputs are as follows:

Selective program outputs relative to the BRASS are:

	FY 1984 Actual	FY 1985 Estimate[1]	FY 1986 Estimate	Inc.(+) or Dec.(-)
Accounting Line Items of Data	150,000	300,000	300,000	--
Checks Deposited	44,000	100,000	100,000	--
Receipt and Accounting Advice (Lease Maintenance Actions)	35,000	60,000	60,000	--
BRASS Payment Identification	10,000	18,000	12,000	-6,000

Electronic Fund Transfer

Minerals Mangement Service, 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 provides better internal controls for Accounting staff in handling cash and reduces 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 and other methods implemented to accelerate deposits to the Treasury in FY 1985 is $6.0 million.

Increase from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	12,142	12,722	+580
(FTE)	(301)	(302)	(+1)

[1]/Program outputs for FY 1985 estimates have been revised from the FY 1985 Budget Justification based on operational experience.

Reference Data Base Maintenance (+$575,000, +7 FTE)

The reference data base is established when certain basic information submitted by payors and reporters is entered into the systems. Anytime this information changes, revised forms (Payor Information Forms (PIF's), Well Information Forms (WIF's) etc.) are required to be submitted. When monthly report data is submitted, various automated routines perform edits on the incoming data by selecting and comparing specific data elements against the reference data base. If the monthly report data does not agree with the reference data (e.g., the monthly report indicates a different selling arrangement than the selling arrangement shown in the reference lease master) that accounting line item is transferred into a suspense file where it stays until the discrepancy is corrected. The integrity of the Royalty Management accounting systems and, therefore, the ability to distribute funds to Federal, State, and tribal accounts, is highly dependent on the integrity of the reference data base and the ability of Royalty Management Program personnel to keep that base purified and up-to-date.

Maintenance of the reference data base is critically important in supporting the current systems. When staffing levels were assigned for this function, it was estimated that the turnover of data elements in the AFS reference data base alone would be 30 percent per year. In practice, it is 35 to 40 percent per year. FY 1985 funding and FTE for this function total $2.1 million and 58 FTE. The proposed increase of $575,000 and 7 FTE is needed to handle the greater workload experienced.

Penalty Provision Implementation and Litigation Support (+$325,000, +4 FTE)

Implementing the penalty provisions of FOGRMA will require staff in the Lakewood Accounting Center to identify those payors subject to possible penalties for failure to comply with the regulations. Also required is the development of a case file to document the findings which led to the issuance of a penalty notice. This increased caseload requires accounting staff to prepare time-consuming special accountings and produce numerous records. The assessment unit, located in Washington, D.C., will then review the case and assess the penalty, if so determined.

Litigation workload associated with administrative and judicial cases continues to increase. As of January 1985, there are 223 cases requiring action. However, as a result of issuing the implementing regulations for the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), and the issuance of product value guidelines, it is estimated that this caseload would double by FY 1986, as these regulations and guidelines are tested through the judicial and administrative processes by interested parties. The FY 1985 budget includes $81,000 and 1.1 FTE for this function. An increase of $325,000 and 4 FTE is requested for the additional workload associated with penalty assessment and litigation support.

Royalty-In-Kind Program (-$320,000, -10 FTE)

The Royalty-In-Kind (RIK) Program was instituted to provide a long-term secure supply of crude oil at a reasonable price to small, independent refiners. The taking of royalties-in-kind is a secretarial option based on a determination that a need for such action exists. Present economic conditions reflect a market in which the scarcity of crude oil for small, independent refiners is no longer critical as it was years ago. In addition, the number of independent refiners participating in this program has declined greatly in the last few years. However, the program takes Government resources needed for other purposes and has generated time consuming litigation. Currently, 27 cases are pending in the Interior appeals processes or in court. It is for these reasons that phase-out of this program is proposed. The need for a phased approach is essential for an efficient close-out of the RIK contracts, some of which continue into FY 1987. It is also necessary to audit and reconcile contracts in order that letters of credit and bonds can be released. Finally, the phased close-out of this program is required for continued support needed in numerous RIK litigation cases.

Distribution of Change by Object Class

The object class detail for the proposed $580,000 increase is as follows:

	Amount ($000)
Personnel Compensation	$ +38
Personnel Benefits	+5
Travel and Transportation Persons	+43
Transportation of Things	+10
Communications, Utilities, and Other Rents	+48
Printing and Reproduction	+10
Other Services	+392
Supplies and Materials	+9
Equipment	+25
TOTAL	$ +580

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

(Dollar amounts in thousands)

Subactivity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Mineral Revenue Compliance	($)	10,050	10,180	10,288	+238	+108
	(FTE)	(198)	(197)	(197)	(-1)	(--)
Total Requirements	($)	10,050	10,180	10,288	+238	+108
	(FTE)	(198)	(197)	(197)	(-1)	(--)

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.

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.

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P.L. 91-581

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.

30 U.S.C. 181, *et seq.*
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. 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.

Mineral Revenue Compliance

Objectives

- Providing accurate and effective product value guidance to royalty payors which will assure that value used for royalty calculation purposes on all products removed from Federal and Indian lands are proper.

- Detect inaccurate royalty and other revenue payments not detected by other means in order to assure correct payment of all revenues due to the Government from minerals production on Federal, Indian, and OCS lands.

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 determination of product values for 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. Compliance program audits of company records provide for continuing assurance that the public interest is protected through accurate collecting of 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 Valuation and Standards function was created to provide a consistent mechanism for establishing the proper value for royalty calculation purposes of commodities extracted from Federal and Indian leases. This staff is preparing both specific product value regulatory guidelines for leased commodities (e.g., oil, gas, coal) and transportation and processing deductions. Individual product value determinations, royalty reduction requests and specific deductions determinations are an ongoing workload. During FY 1986, the staff is estimated to provide approximately 250 royalty valuation determinations and consultations and process an estimated 650 transportation deductions. It is anticipated that approximately 65 processing deductions will be addressed. The reduction from the FY 1985 level is based on the assumption that regulations will be streamlined to permit standardized deductions. This decrease does not reflect a diminished workload, because RMP personnel will have to review on a continuing basis data provided by gas plant owners to maintain appropriate standard costs for these deductions. Product value regulations and guidelines maintained decreases from an FY 1985 level of 16 to 12 in FY 1986 due to a consolidation of secured guidelines and regulations. Review and approval or disapproval of an estimated 21 royalty rate reduction determinations will be conducted. Additionally, effort in FY 1986 will be dedicated to maintaining product value regulations and guidelines and providing technical support for 35 appeals on royalty valuation decisions. Technical support for appeal of royalty valuation decisions is expected to increase as new regulations are tested through the appeals process and in litigation.

Selected program outputs for the Valuation and Standards function are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Royalty rate reduction determinations	7	12	21	+9
Royalty valuation determinations and consultations	173	225	250	+25
Processing deductions processed	108	110	65	-45
Transportation deductions processed	580	600	650	+50
Maintain product value regulations and guidelines	16	16	12	-4
Technical support for appeal on royalty valuation decisions	22	25	35	+10

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.

Since the inception of a professional audit program in October 1981 through November 30, 1984, almost $105 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. Part of this recovery effort has been in cooperation with seven States under cooperative audit agreements. These joint reviews have resulted in recovery of approximately $29.8 million, as of November 30, 1984, of which $11.8 million has been returned to the States.

The Royalty Compliance audit strategy covers the following primary areas:

- o Company/lease/subject matter audits
- o Residencies
- o Cooperative and delegation of authority audits
- o Special reviews
- o Lookback audits
- o Litigation support
- o Indian lease audits (including joint venture audits)

Company/Lease/Subject Matter Audits

In a company audit, the staff reviews and tests the accuracy and validity of royalty volumes and values reported and paid by specific payor companies. In lease audits, all aspects of royalty determinations on individual leases or several leases in unitized areas are addressed. This category includes audits associated with Outer Continental Shelf refund processing which must be completed within 60 days for requests under $50,000, and within 120 days for requests of $50,000 and over. Subject matter audits cover multiple leases addressing a narrow, but high-risk, aspect of the royalty determination process; e.g., transportation and gas processing allowances, gathering allowances, first production royalty payments, plant product pricing, and oil royalties paid after royalty-in-kind contract suspension/termination. In FY 1986, an estimated 14 company audits and 24 lease/unit audits will be conducted. Exception resolution will result in an additional four company and eight lease/unit audits during FY 1986. These exceptions will be identified by the AFS and PAAS.

Residencies

In response to a recommendation by the Office of Inspector General (OIG), the Royalty Compliance Division is expending significant resources in a residency audit program. By FY 1986, the program will have a full-time permanent audit staff at the accounting centers of 15 of the largest royalty payors, which account for the payment of approximately 75 to 80 percent of Federal and Indian royalties.

The teams are responsible for:

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

- o Resolving exceptions identified by the Auditing and Financial System, (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS).
- o Resolving royalty payment problems identified by field operations' inspection program (for both the MMS Offshore and the BLM Onshore inspection programs), OIG, or other sources.
- o Coordinating all requests for information related to audit work at the company, particularly requests from States and Tribes involved in cooperative and/or delegated audit activities.
- o Conducting financial reviews of royalty rate reduction requests and making recommendations regarding acceptance or rejection.
- o Performing continuous audit of the company's records covering functional areas such as valuation, allocation, production, gas plants, and accuracy of reporting.
- o Identifying and resolving special problems unique to individual leases.

The residency audit approach is cost-effective, considering the large dollars involved. In addition, as previously stated, 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 or delegated 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.

State and Indian Cooperative Audits and State Delegations of Authorities

The State and Indian Cooperative Audit Program was begun in FY 1982 to assist State and Indian Tribes in carrying out certain of MMS's Royalty Management functions. During FY 1984, seven States and two Indian Tribes participated in the MMS Royalty Management cooperative audit effort.

Under the above agreements, RMP auditors participated with State and Indian auditors in performing the audit work. As a result of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), the Secretary can enter into cooperative audit agreements with interested States and Indian Tribes whereby the participating parties will receive matching Federal funds. In addition, the Secretary can delegate authority for audit responsibilities to the States. The States can, under delegated audit authority, receive 100 percent funding for their audit efforts.

Cooperative and/or delegated audits will be performed under guidelines and standards established by the Minerals Management Service. Although, under FOGRMA agreements and delegations, Royalty Management auditors will no longer be performing cooperative or delegated audit work, resources will have to remain dedicated to these audit efforts for the following reasons:

- o 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. Similar training is provided to MMS auditors.

- o 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, issuing and following up on demand letters and payment notices--and other related activities.

During FY 1986, RMP auditors are expected to be providing oversight for or to be coordinating 10 to 13 cooperative and/or delegated audit efforts. Funding included for this function in the FY 1986 base is $1.5 million.

Special Reviews. In addition to the continuing compliance review and evaluation program, the royalty staff conducts 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 are also 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, joint participation agreements, compensatory royalty assessments, or unresolved AFS and PAAS exceptions.

Lookback Audits

Since the establishment of the audit function, a primary emphasis of the compliance effort was devoted to assuring proper payment of royalties for a 6-year historical period. This effort has been built around the "lookback audits" 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 50 of the 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. The field work for the Inspector General lookback audits of the first 25 largest payors were completed during calendar year 1984, and areas identified for further investigation were incorporated into the FY 1985 Royalty Management audit workplan.

While the actual additional dollar amount recovered as a result of these audit activities may not be great, the main benefit is the identification of further audit trails to be pursued by the Royalty Compliance Division (RCD). The RCD workload at lookback payor companies has increased substantially as the lookback audits are completed by the OIG and its contractors. This effort will continue as the OIG and MMS conduct lookback audits of the second 25 largest payors. In addition, the OIG plans to perform sample lookback audits on a yearly basis in the future.

Litigation Support

Litigation support is an increasing workload factor which continues to grow due to the testing in court of MMS positions expressed in demand letters, implementing regulations for FOGRMA, and product valuation guidelines. Litigation support entails various staff-hour intensive efforts, such as responding to requests for documents, preparing responses to interrogatories, gathering statistical royalty data, preparing position papers in defense of the Government's position in appeals and legal actions, and preparing for and undergoing deposition. It is estimated that litigation support will be necessary for 186 cases during FY 1986.

Indian Audits

While Indian royalties represent less than 2 percent of the royalties collected, the workload associated with Indian royalty management is complex and resource intensive. This is particularly true in the area of audits.

The Royalty Compliance Division is presently devoting 18 staff years to Indian audit activities reacting to priorities established by the Assistant Secretary for Indian Affairs. The following specific items make up the Indian audit workload.

- Tribal audits of royalties paid on tribal lands.
- Individual allottee audits to determine that allottees have received their proper allotment of royalties.
- Joint venture audits to determine that the payout from joint tribal/industry arrangements is proper.

The Indian Self Determination Act of 1982, as well as the Royalty Management Act, have increased MMS's audit workload. Additionally, the number of allottee interests who share in royalties continues to increase each year.

Selected program outputs for the Compliance function are:

	FY 1984 Actual	FY 1985 Estimate	Fy 1986 Estimate	Increase (+) or Decrease (-)
Residency Audits	8	15	15	--
Company Audits	10	12	14	+2
Lease/Unit Audits	20	20	24	+4
Exception Resolution Resulting in:				
- Company Audits	--	2	4	+2
- Lease/Unit Audits	--	4	8	+4
Litigation Support (Caseload)	146	176	186	+10
Cooperative Audits				
- Section 202 of FOGRMA	--	2	4	+2
- Unfunded Cooperative	8	2	2	--
- Funded Cooperative	1	--	--	--
Delegated Audits	--	8	9	+1

Increase from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	10,180	10,288	+108
(FTE)	(197)	(197)	(---)

Delegated Authority and Cooperative Audit Efforts with States (+$398,000)

The Department of the Interior has received petitions from eight States for delegation of audit authority under Section 205 of the Federal Oil and Gas Royalty Management Act of 1982. The proposed increase is needed to fund additional delegated audit effort. This increase to the FY 1986 base of $1.5 million will provide a total of $1.9 million earmarked for States' and Indian Tribes' use and dedicated to increasing audit recoveries to the Western States and Indian Tribes. The increase is partially offset by extending into FY 1986 reductions totalling $108,000 identified in the General Administration budget activity under Section 2901 of the Deficit Reduction Act of 1984. These savings are proposed to be redirected to the the Mineral Revenue Compliance subactivity. The remaining $290,000 is offset by the following reductions in this subactivity.

Product Value Information (-$200,000)

The FY 1985 budget provided $200,000 for an abstract service to obtain product value information from numerous sources. This information would support economic and regulatory analysis required for product value determinations resulting from AFS product valuation exception processing. This amount is not needed in FY 1986 because the AFS product valuation exception processing module will not be functional until FY 1987. Thus, a decrease of $200,000 in this subactivity can be redirected to the increase required for delegated authority and cooperative audits.

Additional Suboffice (-$90,000)

In FY 1985, the Royalty Compliance Division opened a suboffice in Los Angeles, California, to provide more effective audit capability. A decrease of $90,000 in FY 1986 is possible because the one-time costs associated with establishing this office will not be repeated in FY 1986.

Distribution of Change by Object Class

The object class detail for the net proposed $108,000 increase is as follows:

	Amount ($000)
Transportation of Things	$ -31
Communications, Utilities, and Other Rents	-17
Other Services	+198
Equipment	-42
TOTAL	$ +108

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(Dollar amounts in thousands)

Subactivity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Systems Development and Operation	($) (FTE)	16,748 (61)	16,496 (61)	14,546 (61)	-2,202 (---)	-1,950 (---)
Total Requirements	($) (FTE)	16,748 (61)	16,496 (61)	14,546 (61)	-2,202 (---)	-1,950 (---)

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.
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. 1001, *et seq.* P.L. 91-581	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.
30 U.S.C. 181, *et seq.* 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. 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.

Systems Development and Operation

Objectives

- o Operate and maintain computer operations.
- o Continue a controlled program of systems enhancements to maintain the present computer configuration at maximized efficiency and processing capability.

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, installing and maintaining necessary hardware.

Planning, designing, and installing new software systems.

Royalty Management has three major operating systems, 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, installation and maintenance of these systems is provided for in this subactivity.

After the AFS began operation in FY 1983, it became evident that the mini-computer configuration initially purchased to handle both the AFS and PAAS would be inadequate. Thus, a Request for Proposal was issued to procure a new computer hardware configuration that would be able to meet the capacity requirements of AFS, PAAS, and BRASS and process information quickly enough to meet the disbursement and information sharing requirements of the Royalty Management Act.

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

As the major systems evolve from the developmental stage to a production mode, some of the resources dedicated to initial development will be redirected to continuing modification and enhancement efforts. System enhancements will continue to occur on the existing mini-computer configuration in order to maintain and ensure its operability and maximized processing capability. A combination of in-house and contractual resources have been incorporated into the Royalty Management Program to provide the capability to modify the systems as required in response to changing demands.

Examples of such enhancements are:

- o Modifying program functionality to make on-line inquiry easier and more responsive to the user;
- o Reformating of online and hard copy report formats based on user experience;

- Recoding programs to add new features needed by users; and

- 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 the further escalation of operational costs by improving hardware, software and user 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 additional functions and payors/reporters are placed in operation, the operations and maintenance function takes on increasing importance. The operations and maintenance function is performed by contract. Services encompass the following functions:

- Computer operations - The computer center is operated 24 hours a day, 7-days a week. This includes responsibility for systems monitoring, system software maintenance, hardware maintenance, and peripheral maintenance and security.

- Data entry - Data entry and data certification services for all three systems.

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

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

The Royalty Management Program systems are complex to maintain and operate, especially considering the amount of data stored, manipulated, and processed and the number of integrated programs which are used in production during each monthly processing cycle.

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 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 mini-computer and interconnecting equipment was acquired and installed to meet critical capacity needs. However, it had become apparent by early FY 1983 that the current computer hardware configuration would not be able to meet the projected capacity needs once all three systems became fully operational. A Request for Proposal was issued to acquire a new hardware configuration to meet longer term needs for program workload. A decision on whether to move to a new hardware configuration has been deferred pending a review by the Department's Information Resources Council and a decision by the Secretary. If a decision is made to continue with this procurement action, the Systems Division will have overall responsibility for overseeing the installation of and conversion to the new system while operating and maintaining the current system.

Selected workload factors for Systems Development and Operation are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase(+) or Decrease(-)
Computer Programs Operated and Maintained	859	859	859	--
Data Base Maintained (Mega Bytes)	2,960	3,840	3,840	--
Lines of Program Code Maintained	1,370,000	1,370,000	1,370,000	--

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	16,496	14,546	-1,950
(FTE)	(61)	(61)	(---)

New Computer Hardware Configuration (-$5,000,000)

During FY 1983, the Systems Development staff issued a Request for Proposal to acquire new hardware and convert the existing software to operate on the new hardware. Initial proposals were received in February of 1984.

However, a decision on whether to move to a new hardware configuration and associated software conversion has now been deferred pending a reappraisal of system requirements. As a result, a decrease of $5,000,000 is being proposed, which represents funding amounts appropriated for FY 1985 in this subactivity for hardware leasing and software conversion costs.

Operation and Maintenance (+$3,050,000)

Operation and maintenance of the automated Royalty Management accounting systems is performed primarily by contract personnel.

The FY 1985 budget includes $6,450,000 for these operation and maintenance contractual costs. Of this total, approximately 19 percent is for data entry, 55 percent for facility operations, and 26 percent for software maintenance. This amount is insufficient whether a decision is made to go with the new hardware configuration or the Royalty Management Program continues to operate in its present computer environment.

If a decision is made not to move to a new hardware then funds will be critical for the additional operation and maintenance needed on the present mini-computer configuration. The aging nature of the existing equipment and applications software will require additional maintenance and operational control over the daily production cycle. The following functions would need to be performed which are critical to the program mission.

- Installing new system software releases provided by the mini-computer vendor to improve system efficiency. Approximately 45 percent of the increase requested would be applied to this facility operations activity.

- Undertaking an aggressive program of applications software enhancement to meet user requirements and reduce processing time. Approximately 35 percent of the increase requested would be applied to this software maintenance function.

- Upgrading maintenance of the "aging" applications software. Approximately 20 percent of the requested increase would be applied to this software maintenance function.

These are minimum requirements to maintain the present mini-computer configuration in a mode that will allow performance of the program mission at minimum performance levels. Funds for these activities do not exist in the base and are, therefore, requested as an increase to this subactivity.

Distribution of Change by Object Class

The object class detail for the proposed $1.95 million decrease is as follows:

	FTE	Amount ($000)
Communications, Utilities, and Other Rents	--	-$2,400
Other Services		+450
Total		-$1,950

Activity Summary

Summary of funding by Subactivity

(Dollars in thousands)

Subactivity	FY 1984 Actual	FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc.(+) Dec.(-) from Base
Executive Direction	3,375	3,293	3,266	3,251	-15
Administrative Operations	10,006	10,045	9,228	9,178	-50
General Support Services	7,285	9,889	9,889	9,846	-43
Total	20,666	23,227	22,383	22,275	-108

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 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 will continue to provide centralized policy and procedural staff that assures resources are utilized effectively, that the 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; 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 Field 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, commercial communications, and support services provided by the Geological Survey. The Geological Survey will provide services for the library, certain data processing and computer time, and general administrative functions under a negotiated reimbursable agreement. Such services will continue to be provided as long as the Bureaus are colocated.

Justification of Program and Performance

Activity: General Administration
Subactivity: Executive Direction

(Dollar amounts in thousands)

Subactivity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Executive Direction	($) (FTE)	3,293 (73)	3,266 (70)	3,251 (70)	-42 (-3)	-15 (---)
Total Requirements	($) (FTE)	3,293 (73)	3,266 (70)	3,251 (70)	-42 (-3)	-15 (---)

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

Executive Direction

Objectives

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

Base Program

The Executive Direction activity is comprised of the Director and immediate 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 to and management of the organization. As the Chief Executive Officer, the Director reports to the Assistant Secretary for Land and Minerals Management and provides general policy and management direction to the organization.

The Office of Congressional and Legislative Affairs serves as the primary point of contact between the Minerals Management Service and the Congress and provides information and assistance in response to inquiries by Members of Congress or congressional staff and committee personnel. Specifically, the Office evaluates or coordinates the evaluation of legislative proposals affecting MMS responsibilities, maintains continuing 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 authorizing committee hearings and 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 or refers such inquiries to other officials. Close liaison with the Secretary's Office of Public Affairs and counterpart offices within the Department and other agencies is maintained. Guidance is provided on Freedom of Information Act activities and procedures.

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; preparing recommended decisions in 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 provides analysis, policy guidance, and recommendatons regarding budget and program formulation and justification; assures proper fund and staff allocation and budget execution in accordance with the law, congressional, departmental, and bureau program directives, goals, and objectives; and develops, prepares, and maintains budget data and 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 explanation 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.

Internal Review. The Internal Review Division conducts evaluations of MMS programs 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.

In addition to its program evaluation and audit liaison responsibilities, the Internal Review Division also conducts special studies and analyses of Minerals Management Service programs and policies. It provides an analytical consultation and review capability within the agency to assure proper policy analysis and development of programs.

Other responsibilities include providing (1) On-site internal reviews 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-70.

Appeals. The Appeals Division is responsible for the administration of the appeals process within the MMS through direct staff support of the appellate responsibilities of the Director (and the Deputy Assistant Secretary for 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 preparing 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 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 (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.

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	3,266	3,251	-15
(FTE)	70	70	--

Savings realized in 1985 through implementation of Section 2901 of the Deficit Reduction Act of 1984 are continued in 1986. These amounts are available by consolidating planned mission travel and by reducing trips related to training. These savings will be redirected to partly offset a proposed increase in the Mineral Revenue Compliance subactivity of the Royalty Management Program.

Distribution of Change by Object Class

The object class detail for the proposed $15,000 decrease is as follows:

	FTE	Amount ($000)
Travel	--	-15

Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(Dollar amounts in thousands)

Program Elements		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
Administrative Direction and Coordination	($)	187	181	180	-7	(-1)
	(FTE)	(4)	(4)	(4)	(--)	(--)
Financial Management	($)	1,099	1,042	1,036	-63	(-6)
	(FTE)	(24)	(24)	(24)	(--)	(--)
Personnel Management	($)	1,440	1,266	1,257	-183	(-9)
	(FTE)	(37)	(33)	(33)	(-4)	(--)
Procurement and General Services	($)	2,048	1,854	1,845	-203	(-9)
	(FTE)	(54)	(50)	(50)	(-4)	(--)
Information Resources Management	($)	1,950	1,773	1,765	-185	(-8)
	(FTE)	(38)	(34)	(34)	(-4)	(--)
Field Administrative Services	($)	3,321	3,112	3,095	-226	(-17)
	(FTE)	(73)	(69)	(69)	(-4)	(--)
Total Requirements	($)	10,045	9,228	9,178	-867	(-50)
	(FTE)	(230)	(214)	(214)	(-16)	(--)

31 U.S.C. 65 P.L. 84-863	Budget and Accounting Procedures Act of 1950
31 U.S.C. 3901-3906 P.L. 97-177,452	Prompt Payment Act of 1982
31 U.S.C. 3512(c) P.L. 97-255	Federal Managers' Financial Integrity Act of 1982
5 U.S.C. 552 P.L. 89-487, 93-502	Freedom of Information Act of 1966 (amended in 1974)
29 U.S.C. 651 P.L. 91-596	Occupational Safety and Health Act of 1970
40 U.S.C. 471 P.L. 81-152	Federal Property and Administrative Services Act of 1949

41 U.S.C. 35-45 P.L. 74-846	Walsh Healy Public Contracts Act of 1936
41 U.S.C. 351-357 P.L. 89-286	Service Contract Act of 1965
41 U.S.C. 601-613 P.L. 95-563	Contract Disputes Act of 1978
44 U.S.C. 35 P.L. 96-511	Paperwork Reduction Act of 1980
44 U.S.C. 2101 P.L. 81-754	Federal Records Act of 1950
40 U.S.C. 486(c)	Federal Acquisition Regulation of 1984
5 U.S.C. 552(a) P.L. 93-579	Privacy Act of 1974
31 U.S.C. 3501 P.L. 97-452	Accounting and Collection
31 U.S.C. 3711,3716-19 P.L. 97-452	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 *et seq.*	Delegation of Personnel Management Authority
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).

Administrative Operations

Objective

- Provide continuing administrative direction and coordination to support the technical and mineral revenue collection programs of the Minerals Management Service (MMS).

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's).

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

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; voucher and claims examination and processing; payroll processing; and technical guidance on fiscal activities performed throughout the MMS.

Priorities for FY 1986 will focus on incorporating user requirements in the financial management system installed in FY 1985. MMS will expand input of commitment data entry to field locations to provide management with complete obligation data. Concurrently, emphasis will be placed on the dissemination of financial data via remote terminals and printers and expanded core reporting for program and management staffs. Additionally, development will proceed on an integrated property management system, procurement management information system, and modification of the automated travel subsystem to provide additional information to meet management's needs and the requirements of the Federal Managers' Financial Integrity Act of 1982. A new effort will be initiated to distribute all labor costs concurrent with the payroll to accurately reflect project costs in monthly financial statements on a current basis. This will eliminate undistributed labor costs in the system. Work to upgrade the financial system installed in FY 1985 will begin in FY 1986.

Major selected program outputs for the Financial Management Division are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Inc. (+) or Dec, (-)
Employee Payroll Processed 1/	2,150	2,150	2,100	-50
Recording Committments & Obligations	--2/	14,500	21,500	+7,000
Auditing & Paying Invoices	--2/	19,400	19,000	-400
Auditing & Paying Travel Vouchers	6,700 2/	7,000	6,800	-200
Miscellaneous Financial Documents Processed	--2/	2,100	2,100	--
Cash Management Reports Processed	--2/	16	16	--
Debt Management Reports Processed	--2/	16	16	--
Financial Policies and Procedures Developed	25	40	30	-10

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Inc. (+) or Dec. (-)
Internal Reports Prepared	2/	40	40	--
External Reports Prepared	2/	60	60	--

Personnel Management is carried out by the Personnel Division. This organization develops and implements Bureauwide 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 required.

Several personnel management projects and programs will receive continued emphasis as the MMS matures. Two personnel management reviews are scheduled for FY 1986. 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 1986. The development of supervisors, managers, and executives will receive priority attention. Policies, guidance, and programs will be reviewed and modified, as necessary, to meet the needs and objectives of the MMS and the Office of Personnel Management guidelines.

Portions of the Minerals Management Service Manual (MMSM) have not been completed because there have been continual changes to the Federal Personnel Regulations. Chapters will be developed and implemented to provide policy and guidance for use throughout the organization in FY 1986.

Training courses in technical and administrative areas 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

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1/Approximate number of checks per pay period.
2/Performed by Geological Survey on a reimbursable basis.

effort will be devoted to training personnel specialists in systems operations and developing supervisory and managerial skills in the use of these systems.

Selected program outputs for Personnel Management are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Positions Reviewed	510	500	450	-50
Vacancy Announcements Processed	154	150	120	-30
Classification Audits Conducted and Positions Reviewed	320	300	300	--
Personnel Actions Processed	2,220	2,000	1,600	-400
PAY/PERS Processing	2,709	2,500	2,200	-300
Employment and Financial Interest and Public Disclosure Statements Processed	1,750	1,900	1,900	--
Personnel Management Evaluations Conducted	4	2	2	--
Personnel Policies/ Procedures Issued	51	60	55	-5
Training Requests Processed	846	1,000	850	-150
Executive/Managerial Training Processed	109	100	100	--
Training Courses Developed/Presented	8	10	12	+2
MMS Performance Appraisal/Merit Pay Reviews Conducted	1,000	1,000	700	-300
Employee Relations Cases Processed/Guidance Given	650	755	755	--

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Labor Relations Cases Processed/Guidance Given	125	155	180	+25
Worker Compensation Cases, Incentive Awards, Beneficial Suggestions, and Retirements Processed	399	400	405	+5

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

The Division is responsible for six distinct programs which are:

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

2. Facilities Management. The facilities program manages or oversees the management of 511,456 square feet of assigned space in 41 buildings in 27 cities. Other responsibilities include processing space requests, conducting space utilization surveys, processing reimbursable work authorizations, and conducting annual space inventories. At headquarters, the program is also responsible for office moves and telephone design and ordering.

3. Property Management. The property program maintains accountability records for over 8,000 line items of personal property valued at $25 million. Specific responsibilities include conducting an annual inventory of property assigned to over 1,700 employees, managing a nationwide data system, processing property transfer requests, and issuing property policy guidance Bureauwide.

4. Security. The security program involves personnel security, physical security, and document security Bureauwide. Specific duties include requesting backup investigations and National Agency Check with inquiries and credit, adjudication of completed reports of investigations, granting security clearances and ADP clearances, and conducting security investigations and physical security reviews.

5. Safety. The safety program ensures that employees are provided safe and healthful working conditions. Specific duties include conducting safety reviews of MMS facilities, providing guidance to collateral duty safety officers Bureauwide, developing a water survival safety program, providing employees with safety training, overseeing the disposal of toxic materials, and investigating accidents and incidents.

6. Office Services. The office services program supports headquarters activities. The program provides mail delivery services to five buildings in the Washington metropolitan area, airline tickets, messenger services, mail shipments, etc.

Selected program outputs for Procurement and General Services are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Award Contracts	90	100	100	--
Award Small Purchases	1,228	1,400	1,400	--
Adminster Contracts	279	400	450	+50
Conduct Procurement Management Reviews	4	2	2	--
Conduct Space Utilization Studies Layouts	3	3	3	--
Design Space Layouts	204	349	419	+70
Process Telephone Orders	574	865	1,038	+173
Update Property Management Records	7,582	7,800	7,800	--
Conduct Property Management Reviews of ASC's 1/	1	3	3	--
Issue Individual Inventories of Controlled Property	1,507	1,600	1,600	--
Review Property Survey Board Actions	132	70	70	--
Review and Adjudicate Completed Reports of Investigation	88	65	60	-5

1/ASC's - Field Administrative Service Centers.

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Grant ADP Security Clearances	203	50	40	-10
Conduct Security Investigations	5	6	5	-1
Conduct Safety Inspections	10	12	10	-2
Investigate Accident Reports	37	50	50	--

Information Resources Management is carried out by the Information Resources Management (IRM) Division which is responsible for the direction and review of the MMS's IRM programs. The IRM programs are automated data processing (ADP), office automation, transmission of data, data administration, computer literacy, micrographics, records and paperwork, directives, graphics, printing, management analysis, Information Collection Budget, Federal Register documents processing, Privacy Act compliance, and Freedom of Information Act actvities. The IRM Division is also responsible for providing technical support in the information technologies.

During FY 1986, long range plans for the use of information technologies will be integrated with similar plans in the Department of the Interior. Data standards will be developed which will improve the sharing of data between Offshore Minerals Management, Royalty Management, and other Bureaus. Administrative systems will be simplified and integrated.

Management reviews, system studies, analyses, and special projects will be conducted. The IRM Division will develop and provide advice on MMS organization plans; review and comment on directives which affect managememt 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 reviewed to ensure compliance 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 1986. IRM inventories will be maintained. Standards for records filing, retention, and disposition will be monitored. Many records will be converted to microform. ADP security will receive major emphasis. The level of computer literacy will rise. The system life cycle management program will be expanded. Administrative ADP systems will be maintained and improved.

Selected program outputs for Information Resources Management are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Management Reviews	4	7	6	-1
Planning Documents	1	2	2	--
ADP Acquisition Review	234	200	200	--

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Departmental IRM Projects	7	10	11	+1
Administrative Systems Supported	9	12	13	+1
Inventories Developed	4	4	--	-4
Word Processing Acquisition Reviews	34	65	65	--
Printing Acquisition Reviews	632	750	750	--
Inventories Updated or Maintained	9	7	7	--
Policies Processed	126	150	120	-30
Documents Processed	224	230	240	+10
Records Management Training Sessions Conducted	--	7	3	-4

Field Administrative Services. Direct adminstrative support is provided to managers through Field Administrative Service Centers (ASC's), located in proximity to program offices in the field. These ASC's provide services to all field activities of the MMS, except for the Atlantic OCS Region, which receives support directly from the Office of Administration Headquarters.

The Office of the Assistant Director for Administration and the Field Administrative Service Centers are structured to assist managers in matters related to personnel, safety, security, space and property management, procurement and contracting, Information Resources Management activities, and financial management.

Selected program outputs for the Field Administrative Service Centers are:

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Small Purchases Processed	2,880	3,420	3,420	--
Contracts Awarded (including amendments and modifications)	130	160	160	--
Contracts Administered	160	181	195	+14
Property Actions	2,714	3,300	3,400	+100
Space Utilization Studies/ Layouts (work stations)	22	117	110	-7

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate	Increase (+) or Decrease (-)
Work Authorizations/ Building Repairs	141	662	270	-392
Process Telephone Orders	1,998	2,500	2,700	+200
Safety Inspection/Accident Reports	40	87	88	+1
Security Clearances	721	873	880	+7
Positions Reviewed	782	1,000	1,100	+100
Vacancy Announcements Processed	372	350	350	--
Training Courses Developed	49	39	40	+1
Training Requests Processed and Reviewed	3,957	4,200	4,200	--
Personnel Actions Processed	8,255	8,500	8,500	--
Employee & Labor Relations & Incentive Awards Cases Processed/Guidance Given	2,038	2,110	2,110	--
PMIS Data Base Transactions 1/	3,055	5,400	6,050	+650
BPA Calls Processed 2/	4,879	5,730	5,730	--
Imprest Fund Actions	1,924	2,250	2,250	--
PAY/PERS Input	47,865	50,950	50,950	--

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
($)	9,228	9,178	-50
(FTE)	(214)	(214)	--

The reduction of $50,000 in FY 1986 results from the continuation of savings realized in FY 1985 by implementing Section 2901 of the Deficit Reduction Act of 1984. Administrative Operations travel will be reduced relating to training and by consolidating planned field trips. These savings will be redirected to partly offset a proposed increase in the Mineral Revenue Compliance subactivity of the Royalty Management Program.

1/ PMIS - Procurement Management Information System
2/ BPA - Blanket Purchase Agreement

Distribution of change by object class

The object class detail for the proposed $50,000 decrease is as follows:

	FTE	Amount ($000)
Travel	--	-$50
Total		-$50

Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(Dollar amounts in thousands)

Subactivity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc. (+) Dec. (-) from 1985	Inc. (+) Dec. (-) from Base
General Support Services	($) (FTE)	9,889 (--)	9,889 (--)	9,846 (--)	-43 (--)	-43 (--)
Total Requirements	($) (FTE)	9,889 (--)	9,889 (--)	9,846 (--)	-43 (--)	-43 (--)

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).

General Support Services

Objectives

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

- o Provide appropriate services to support the operating programs.

Base Program

The General Support Services subactivity includes funding for fixed costs and support services for all of the MMS. 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 $6.54 million in FY 1986, is the payment to General Services Administration (GSA) for all Federal building space rental and associated expenses 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 estimated FTS cost of $0.66 million is based on FY 1984 actual charges and FY 1985 estimates. Commercial communication expenses of $0.521 million include local and long distance communication services and switchboard/directory listing. Postage expense of $0.495 million is based on 1984 actual costs and estimated charges for FY 1985. A summary of the above and other expenses for General Support Services is shown below:

(Dollar amounts in thousands)

Estimated FY 1986 Expenses	Cost
Standard Level User Charge (SLUC)	6,539
Commercial Communications 1/	521
Federal Telecommunications System	660
Postage	495
Department of Interior Working Capital Fund Charges	411
Employees Compensation Fund	75
Total 2/	$8,701

The Geological Survey will continue in FY 1986 to provide the following services under a reimbursable agreement since it is more cost effective because the Bureaus are colocated:

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

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

3. General administrative services for headquarters including office support, transportation, delivery and storage of supplies and equipment, health unit, shipping and receiving, and mail.

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 ($1.145 million) represents other miscellaneous costs such as unemployment compensation and services provided under reimbursable agreements with the Geological Survey and the Bureau of Reclamation.

Decrease from FY 1986 Base

	FY 1986 Base	FY 1986 Estimate	Difference
($)	9,889	9,846	-43
(FTE)	--	--	--

General Support Services will save $43,000 in FY 1986 by continuing to operate two administrative support vehicles planned for replacement. Additionally, funds in the base which had been planned to acquire a van will not be needed since an operational vehicle has been acquired through property transfer. Minerals Management Service will continue to lease one passenger motor vehicle during 1986 to continue savings initially identified in FY 1985. These savings will be redirected to partly offset a proposed increase in the Mineral Revenue Compliance subactivity of the Royalty Management Program.

Distribution of change by object class

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

	Amount ($000)
Equipment	-$43

Summary of Requirements by Object Class

(Dollar amounts in thousands)

Appropriation: Minerals and Royalty Management	1986 Base FTE	1986 Base Amount	1986 Estimate FTE	1986 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
Object Class						
11. Personnel compensation:						
11.1 Permanent positions - FTE-P.......	1750	54981	1751	54700	+1	-281
11.3 Positions other than permanent....	203	3239	203	3239	—	—
11.5 Other personnel compensation......	46	1847	46	1847	—	—
Total personnel compensation....	1999	60067	2000	59786	+1	-281
Other Objects						
12.1 Personnel benefits................		9241		9202		-39
13.0 Benefits for former personnel.....		512		512		—
21.0 Travel and transportation of personnel......................		3843		3631		-212
22.0 Transportation of things..........		653		653		—
23.1 Standard Level User Charges.......		6539		6539		—
23.2 Other rent, comm., and utilities..		4861		2461		-2400
24.0 Printing and reproduction.........		1494		1314		-180
25.0 Other services....................		66792		63735		-3057
26.0 Supplies and materials............		2163		2163		—
31.0 Equipment.........................		4229		4229		—
41.0 Grants, subsidies and contributions....................		—		—		—
42.0 Insurance claims and indemnities..		16		16		—
Total requirements.............		160410		154241		-6169

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
MINERALS AND ROYALTY MANAGEMENT
Program and Financing (in thousands of dollars)

14-1917-0-1-302	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Program by activities:			
Direct program:			
00.0101 Outer Continental Shelf Lands...	108336	100241	94410
00.0201 Royalty Management..............	35462	39092	37448
00.0301 General Administration..........	20447	23227	22383
00.9101 Total direct program.........	164245	162560	154241
01.0101 Reimbursable program............	94	1130	1130
10.0001 Total obligations.............	164339	163690	155371
Financing:			
Offsetting collections from:			
11.0001 Federal funds...................	-72	-1100	-1100
14.0001 Non-Federal sources.............	-22	-30	-30
25.0001 Unobligated Balance lapsing.....	380	—	—
39.0001 Budget authority(appropriation).	164625	162560	154241
Budget authority:			
40.0001 Appropriation...................	164625	166818	154241
40.0002 Reduction pursuant to PL 98-473.	—	-3336	—
41.0001 Transfered to other accounts....	—	-922	—
43.0001 Appropriation (adjusted)........	164625	162560	154241
Relation of obligations to outlays:			
71.0001 Obligations incurred, net.......	164245	162560	154241
72.4001 Obligated balance, start of year.........................	63027	69297	47570
74.4001 Obligated balance, end of year.........................	-69297	-47570	-42624
77.0000 Adjustments to expired accounts........................	-683	—	—
90.0001 Outlays.........................	157292	184287	159187

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Minerals and Royalty Management
Object Classification (in thousands of dollars)

14-1917-0-1-302	FY 1984 Actuals	FY 1985 Estimate	FY 1986 Estimate
Direct Obligations:			
Personnel compensation			
111.101 Full-time permanent................	54,387	56,706	54,700
111.301 Other than full-time permanent.....	3,285	3,244	3,239
111.501 Other personnel compensation.......	1,782	1,850	1,847
111.901 Total personnel compensation....	59,454	61,800	59,786
112.101 Personnel benefits: civilian.......	9,299	9,560	9,202
113.001 Benefits for former personnel......	232	512	512
121.001 Travel and transportation of persons........................	3,325	3,902	3,631
122.001 Transportation of things...........	586	653	653
123.101 Standard level user charges........	5,173	6,539	6,539
123.201 Communications,utilities and other rent.........................	3,305	4,861	2,461
124.001 Printing & reproduction............	1,768	1,494	1,314
125.001 Other services.....................	73,735	66,792	63,735
126.001 Supplies and materials.............	2,204	2,202	2,163
131.001 Equipment..........................	5,148	4,229	4,229
141.001 Grants, subsidies, and contributions......................	—	—	—
142.001 Insurance claims and indemities.........................	16	16	16
199.001 Subtotal, direct obligations.......	164,245	162,560	154,241
Reimbursable obligations:			
211.101 Personnel compensation:Full-time permanent..........................	6	41	41
211.501 Other personnel compensation.......	16	0	0
211.901 Total personnel compensation....	22	41	41
212.101 Personnel benefits: Civilian.......	1	1	1
224.001 Printing & reproduction............	71	88	88
225.001 Other services.....................	—	1,000	1,000
299.001 Subtotal,Reimbursable obligations..	94	1,130	1,130
999.901 Total Obligations................	164,339	163,690	155,371

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

14-5-1917-0-1-302	FY 1984 ACTUAL	FY 1985 ESTIMATE	FY 1986 ESTIMATE
Direct:			
Total number of full-time permanent positions........................	1856	1886	1843
Total compensable workyears:			
Full-time equivalent employment..	1976	2040	2000
Full-time equivalent of overtime and holiday hours................	39	46	46
Average ES salary..................	$65,085	$66,754	$64,251
Average GS grade...................	10.12	10.16	10.11
Average GS salary..................	$29,511	$29,710	$29,319
Average salary of ungraded positions........................	$9,252	$9,495	$9,020

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

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
ES-6	1	2	2
ES-5	3	2	2
ES-4	4	4	4
ES-3	5	4	4
ES-2	4	5	5
ES-1	---	---	---
Subtotal	17	17	17
GS/GM-15	66	69	66
GS/GM-14	152	158	155
GS/GM-13	332	338	322
GS-12	401	410	399
GS-11	174	180	170
GS-10	42	42	42
GS-9	122	122	122
GS-8	28	28	28
GS-7	140	140	140
GS-6	120	120	120
GS-5	157	157	157
GS-4	87	87	87
GS-3	16	16	16

GS-2	0	0	0
GS-1	0	0	0
Subtotal	1,837	1,867	1,824
Ungraded	2	2	2
Total permanent positions	1,886	1,886	1,843
Unfilled positions, end of year	30	0	0
Total permanent employment, end of year	1,856	1,886	1,843

Narrative Explanation of Reduction for Administrative and Overhead Activities

Minerals Management Service will reduce both funds ($1,664,000) and FTE (41) in FY 1986 to support the Administration's continuing efforts toward efficient and effective Federal program operations. The Bureau expects to consolidate functions and will study the potential for eliminating certain offices in the Offshore Program. These efforts are intended to decrease the amount of program resources needed for headquarters and program support type functions. A total of $705,060 and 19 FTE are reduced in the Offshore Program for this initiative. In Royalty Management, consolidation of records management functions and further efforts toward use of microforms for document control will effect limited administrative savings. In addition, the Royalty Management Program will continue to evaluate the requirements for administrative support in records documentation and maintenance to permit savings in this area. A total of $126,440 and 3 FTE are reduced in Royalty Management for this initiative. Minerals Management Service staffs in the Executive Direction subactivity will be reduced in 1986 by 3 FTE and $71,010. The Administrative Operations staff and budget decreases are -$761,500 and -16 FTE. Activities planned to achieve these savings include: Further delegations of authority to field Administrative Service Centers; reducing requirements for and costs of mainframe computer support with greater reliance on microcomputers for data base maintenance; consolidation of telecommunications facilities and circuits; development of standards for ADP support systems and equipment; supporting centralized payroll functions within the Department; and implementing many of the improvements suggested by a Department study of administrative activities.

(Dollars in thousands)

Appropriation/Activity	FY 1985 Budget Authority (000's)	FTE	Administrative and Overhead Reduction (000's)	FTE	Improved Position Management Initiative (000's)	FTE
Minerals and Royalty Management						
Outer Continental Shelf Lands	100,241	1,175	-705	-19	-222	--
Royalty Management	39,092	562	-126	-3	-96	--
General Administration	23,227	303	-833	-19	-46	--
TOTAL	162,560	2,040	-1,664	-41	-364	--

Proposed Rescission of Budget Authority under Section 2901 of the Deficit Reduction Act of 1984

Appropriation: Minerals and Royalty Management

(Dollar amounts in thousands)

FY 1985 Enacted to Date 1/	FY 1985 Adjusted	Inc.(+) Dec.(-)
$ 162,560	$ 160,796	$ -1,764
(2,040)	(2,040)	(---)

This rescission is proposed to effect savings in management categories specified by the Congress pursuant to Section 2901 of the Deficit Reduction Act of 1984. In FY 1985, the proposed rescission in the Minerals and Royalty Management account will reduce available resources by $1,764,000. These reductions will be accomplished by decreasing activities in the following categories:

Category	Amount
Motor Vehicles................................	$ 43,000
Travel and transportation of personnel and things for personnel...........	550,000
Publishing, printing, reproduction and audiovisual activities..................	258,000
Consulting services...........................	913,000
Total Reduction...............................	$1,764,000

The reductions in these categories are detailed below:

A. Travel

Savings are expected in FY 1985, as MMS opens a new OCS sub-district office in Corpus Christi, Texas, thus reducing travel from more distant points. Savings will also be realized as MMS closes an office in the Atlantic OCS Region. Travel related to training will be curtailed and the Service will consider the implementation of management limitations to further reduce program travel costs, including consolidation of trips and personnel travelling; limited attendance of personnel at meetings, conferences, and seminars; and limited travel for training.

Since a significant portion of MMS's travel budget supports Royalty Management audit activities, savings can be effected by scaling down travel in this area. To fully implement the intent of the proposed

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1/Excludes amounts transferred to U.S. Geological Survey at the beginning of FY 1985.

rescission, MMS will tightly manage all travel requests and restrict all but the most essential travel.

B. Printing

The MMS budget for printing and publication will be reduced by tightly controlling expenditures for all printed materials. Printing, publication, and audiovisual type activities will be limited to only those activities required by statute and/or essential to continuing program operations. Less expensive materials will be used wherever possible and distribution of copies will be curtailed.

C. Consulting Services

As a result of the proposed rescission, MMS will reduce funding in the Leasing and Environmental Program. Specifically, this reduction will result in a decrease in the number of environmental studies for Atlantic offshore areas where leasing activity will be less than projected when the current 5-year schedule was approved. Since MMS typically does not incur expenses for consultants, except as required for litigation support, funds to implement this reduction are not available in areas other than the Environmental Studies Program. It is anticipated that studies in the Atlantic OCS region will be deferred to a future year.

D. Savings of $43,000 in the motor vehicles category will be accomplished by continuing to operate two passenger motor vehicles which had been planned for replacement at $11,000 each; additionally, a van which was planned to be purchased had been acquired through property transfer for a savings of $12,000; and, one passenger motor vehicle which was to be purchased has been converted to lease status, thereby saving $9,000 in FY 1985.

	FY 1985 Enacted $(000)	FY 1985 Enacted FTE	Mtr Vcls Inc(+)/ Dec(-) Fr FY 85 $(000)	Travel Inc(+)/ Dec(-) Fr FY 85 $(000)	Prnting Inc(+)/ Dec(-) Fr FY 85 $(000)	Consltng Inc(+)/ Dec(-) Fr FY 85 $(000)	Total Inc(+)/ Dec(-) Fr FY 85 $(000)	Revised FY 1985 Enacted $(000)	Revised FY 1985 Enacted FTE
OCS LANDS									
Leas&Env Pgm	43583	352	0	-104	-180	-913	-1197	42386	352
Res Eval Pgm	26139	342	0	-108	0	0	-108	26031	342
Regulatory Pgm	30519	481	0	-127	0	0	-127	30392	461
Subtotal	100241	1175	0	-339	-180	-913	-1432	98809	1175
ROYALTY MANAGEMENT									
Collections	12294	303	0	-78	-78	0	-156	12138	303
Compliance	10050	198	0	-52	0	0	-52	9998	198
Systems	16748	61	0	-16	0	0	-16	16732	61
Subtotal	39092	562	0	-146	-78	0	-224	38868	562
GEN. ADMINISTRATION									
Exec Direction	3293	73	0	-15	0	0	-15	3278	73
Admin Operations	10045	230	0	-50	0	0	-50	9995	230
Gen Spt Services	9889	0	-43	0	0	0	-43	9846	0
Subtotal	23227	303	-43	-65	0	0	-108	23119	303
TOTAL	162560	2040	-43	-550	-258	-913	-1764	160796	2040

Rescission Proposal
MINERALS MANAGEMENT SERVICE
MINERALS AND ROYALTY MANAGEMENT
Program and Financing (in thousands of dollars)

14-1917-5-1-302	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Program by activities:			
10.0001 Total obligations..............	—	-1764	—
Financing:			
40.0101 Budget authority (appropriation rescission proposal)...........	—	-1764	—
Relation of Obligations to outlays:			
71.0001 Obligations incurred, net......	—	-1764	—
72.4001 Obligated balance, start of year..........................	—	—	-441
74.4001 Obligated balance, end of year..........................	—	441	44
90.0001 Outlays........................	—	-1323	-397

Rescission Proposal
Minerals Management Service
Minerals and Royalty Management
Object Classification (in thousands of dollars)

14-1917-5-1-302	FY 1984 Actuals	FY 1985 Estimate	FY 1986 Estimate
Direct Obligations:			
121.001 Travel and transportation of persons........................	—	-593	—
124.001 Printing & reproduction............	—	-258	—
125.001 Other services.....................	—	-913	—
999.901 Total obligations..................	—	-1764	—

Appropriation Summary Statement

Appropriation: Payments to States from Receipts under Mineral Leasing Act

In accordance with 30 U.S.C. 181 et seq. (the Mineral Lands 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 public 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). 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; and for interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714.

Appropriation Language Sheet

Payments to States From Receipts Under Mineral Leasing Act

Notwithstanding any other provision of law, in Fiscal Year 1986, monies received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, and the Geothermal Steam Act of 1970, not payable to a State or to the Reclamation Fund shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d), prior to credit of such funds to miscellaneous receipts of the Treasury.

Justification of Proposed Language Change

Payments to States from Receipts under Mineral Leasing Act

1. Addition: "Notwithstanding any other provision of law, in fiscal year 1986 monies received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, and the Geothermal Steam Act of 1970, which are not payable to a State or to the Reclamation Fund, shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d), prior to the crediting of such funds to miscellaneous receipts of the Treasury."

   This language has been developed to provide funds for payment of interest due the States and Indian accounts whenever mineral leasing revenue payments are not made by the Government within the timeframes established by the Federal Oil and Gas Royalty Management Act of 1982. Under the proposed language, these interest amounts will be deducted from onshore Federal mineral leasing receipts prior to transfer of the Federal share to miscellaneous receipts of the Federal Treasury. Funding for the interest payments will come from the source generating the revenue -- mineral leasing receipts, rather than from direct appropriations or from the General Fund.

Summary of Requirements

Appropriation: Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

Summary of Base Adjustments

	FTE	Amount	FTE	Amount
Appropriation, 1985			—	510455
Adjustments to base	—	800		
1986 Base Budget			—	511255

Comparison by Activities	FY 1984 Actual		FY 1985 Enacted to Date		FY 1986 Base		FY 1986 Estimate		Inc.(+)/Dec.(-) from 1985		Inc.(+)/Dec.(-) from 1986 Base	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Payments to States	0	735943	0	510455	0	510455	0	478283	0	-32172	0	-32172
Interest on Late Payments	0	0	0	0	0	800	0	800	0	800	0	0
Total Requirements	0	735943	0	510455	0	511255	0	479083	0	-31372	0	-32172

Justification of Adjustments to Base

Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

	FTE	Amount
Other increases and/or decreases:		
FY 1986 effect of the pending FY 1985 supplemental....	---	+800

The Federal Oil and Gas Royalty Management Act of 1982 requires the Government to make payments of interest to States and Indian accounts when Federal onshore mineral leasing revenues due them are not disbursed within the timeframes prescribed by the Act. Since MMS had no source of available funds from which to pay this interest, a pending FY 1985 supplemental was proposed to provide the required funding. This increase reflects the effect in FY 1986 of the pending FY 1985 supplemental request.

Justification of Program and Performance

Activity: Payments to States from Receipts Under Mineral Leasing Act

(Dollar amounts in thousands)

Activity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc.(+)/ Dec.(-) from 1985	Inc.(+)/ Dec.(-) from Base
Payments to States	$	$510,455	$510,455	$478,283	-32,172	-32,172
	(FTE)	(---)	(---)	(---)	(---)	(---)

30 U.S.C. 191, *et seq.* P.L. 66-146	The Mineral Lands Leasing Act of 1920, as amended, provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities 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. 91-581	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.
30 U.S.C. 181, *et seq.* 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.

Payments to States

Objectives

- Provide payments 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 required 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 and are computed separately. Alaska receives 90 percent of total revenues including those generated on lands governed by the Alaska National Interest Lands Conservation Act (ANILCA), except on lands leases in the National Petroleum Reserve in Alaska for which Alaska receives 50 percent of the revenues.

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 producing, collecting, and distributing Federal onshore mineral leasing revenues borne by the MMS Royalty Management Program, the Bureau of Land Management, and the Forest Service are deducted so as to share equally with the States the actual net returns from mineral leasing programs. 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. Alaska's estimated receipts are then deducted prior to determination of amounts available for the distribution to the Lower 48 States because of Alaska's unique revenue sharing arrangements. The designated amount to be distributed to Alaska and ANILCA is added to the Lower 48 total to arrive at total distribution amounts to all 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, 1986 (the current fiscal year), will be distributed in October, 1986 (the following fiscal year). Thus, 91 percent of current fiscal year collections and 9 percent of prior year collections are calculated to derive the current year distribution amount. The estimated distribution of this amount is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State.

Cost Sharing

Beginning in FY 1986, the relevant onshore mineral leasing costs of the MMS, the Bureau of Land Management, and the Forest Service are proposed to be deducted from Federal onshore mineral leasing receipts before such receipts are distributed between the Treasury and the States. Historically, the States have shared the gross receipts of the Onshore Minerals Programs without taking into account the Federal costs of obtaining and distributing those receipts. The Onshore Minerals Programs have been funded entirely by the Federal Treasury, while the States have shared only in distribution of revenues. States receive at least fifty (50) percent of the receipts from onshore mineral leasing, but this percentage would now be based on net receipts after deducting the cost of program management. This formula represents an equal distribution of these costs to the direct beneficiaries of the program rather than to the general public as had previously been the case.

Approximately 74 percent of the MMS' Royalty Management Program workload is dedicated to Federal onshore lease activities, primarily based on the ratio of onshore to offshore producing leases. Another 17 percent of this workload (also based on total producing leases) is related to Indian lands. The cost recovery formula only deducts 74 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. The offsets related to MMS' collection and disbursement costs total $33.2 million. Also, the relevant costs of BLM's fluid and solid energy mineral, and nonenergy minerals leasing programs are deducted ($65.9 million), along with a pro rata share of BLM administrative costs, ($11.9 million), for a total offset in BLM of $77.8 million. In addition, cost sharing includes the relevant onshore mineral leasing costs of the Forest Service's Minerals Area Management Program ($14.1 million). This brings the total cost sharing proposal to $125.2 million in FY 1986.

As can be seen on Table 5, the net effect on this account of the $125.2 million FY 1986 cost sharing will be $53.5 million. Minerals Management Service will review annually the formula for allocating royalty management costs to assure equity among all States that share in these revenues.

Decrease from FY 1986 Base

(Dollar amounts in thousands)

	FY 1986 Base	FY 1986 Estimate	Difference
$	510,455	478,283	-32,172
(FTE)	(---)	(---)	(---)

In FY 1986 onshore mineral leasing receipts are projected to increase over FY 1985, due primarily to increased royalties from coal leases and rental revenues from oil and gas leases. However, as displayed in tables 4 and 5, as a result of the proposal to deduct the costs of program management and administration from receipts ($125.2 million), payments to States in FY 1986 are reduced by $53.5 million. The net change from the FY 1986 base is therefore, a decrease of $32.2 million.

Table 4

Method of Estimating the FY 1986 Mineral Revenue Distribution to States

(Dollars in millions)

	Receipts	Payments to States
Estimated Onshore Mineral Leasing Receipts for FY 1986-------	$1,136	
Deduct:		
Cost of Collecting and distributing Federal onshore revenues--	125	
Amounts collected for other distribution (6% of receipts less cost recovery). ------------------------------------	61	
SUBTOTAL --	$ 950	
Deduct:		
Designated revenues of $15 million for Alaska; $3 million for ANILCA; and $16 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)	34	
SUBTOTAL--	$ 916	
91% (11/12) of $916 million is distributed in FY 1986;-------	834	
plus 9% of FY 1985 collections of $1,005. -----------------	90	
TOTAL Lower 48 States' net receipts to be collected in FY 1986 before distribution between Federal and States' share --	924	
Less--Federal Government's share (50%). -------------	462	
Distribute to Lower 48:--		$ 462
Distribute to Alaska:		
91% of Alaska and ANILCA FY 1986 monies of $18 million;	16	
plus 9% of FY 1985 collections of $17 million.	2	
TOTAL Alaska and ANILCA net receipts to be collected------- States' share	18	
Less--Federal Government's share (10%). -------------	2	
Distribute to Alaska:--		$ 16
Interest on Late Payments--		1
TOTAL DISTRIBUTION AMOUNTS TO ALL STATES ----------------------------------		$479

Table 5

MINERAL REVENUE PAYMENTS TO THE STATES
(Dollar amounts in thousands)

	FY 1984 Outlays	FY 1985 Estimated Payments	FY 1986 Gross Payments	Cost Recovery	FY 1986 Est. Net Payments
Alabama	359	248	258	26	232
Alaska	18,115	14,433	15,804	1,591	14,213
Arizona	3,889	2,687	2,796	281	2,514
Arkansas	995	688	715	72	643
California	57,610	39,809	41,414	4,170	37,244
Colorado	68,309	47,202	49,105	4,944	44,161
Florida	402	278	289	29	260
Idaho	5,379	3,717	3,867	389	3,477
Kansas	1,094	756	786	79	707
Louisiana	1,115	770	802	81	721
Michigan	216	149	155	16	140
Mississippi	558	386	401	40	361
Montana	31,538	21,793	22,672	2,283	20,389
Nebraska	388	268	279	28	251
Nevada	13,530	9,349	9,726	979	8,747
New Mexico	186,845	129,111	134,317	13,523	120,794
North Dakota	14,725	10,175	10,585	1,066	9,520
Oklahoma	2,593	1,792	1,864	188	1,676
Oregon	3,583	2,476	2,576	259	2,316
South Dakota	1,382	955	993	100	893
Utah	46,145	31,886	33,172	3,340	29,832
Washington	1,032	713	742	75	667
Wyoming	276,114	190,796	198,490	19,985	178,506
Minnesota	1	1	1	0	1
Texas	10	7	7	1	6
Tennessee	13	9	9	1	8
Ohio	3	2	2	0	2
Subtotal	735,943	510,455	531,829	53,546	478,283
Interest on late payments					800
Total					479,083

Justification of Program and Performance

Activity: Interest on Late Payments

(Dollar amounts in thousands)

Activity		FY 1985 Enacted To Date	FY 1986 Base	FY 1986 Estimate	Inc.(+) Dec.(-) from FY 1985	Inc.(+) Dec.(-) from Base
Interest on Late Payments	$	--	800	800	+800	--
	(FTE)	(--)	(--)	(--)	(--)	(--)

30 U.S.C. 191 *et seq.* P.L. 66-146 — The Mineral Lands Leasing Act of 1920, as amended, provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities on Federal lands within their boundaries.

30 U.S.C. 1714, 1721(b),1721(d) P.L. 97-451 — The Federal Oil and Gas Royalty Management Act of 1982 provides for timely payments of royalty funds from oil and gas production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed as required by 30 U.S.C. 191 and 1714.

Interest on Late Payments

Objectives:

- Provide interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714.

Base Program:

The Federal Government shares revenues from Federal mineral leasing activites within a State's boundaries with that State. Indian lessors receive all the revenue from mineral leasing activities on their land. The Minerals Management Service collects, processes, accounts for, audits, and distributes all bonuses, rents, royalties, penalties and interest due the Federal Government, States and various Indian accounts from such mineral leasing activities. Funding for this service is provided by three subactivities within the Royalty Management budget activity of the Minerals and Royalty Management appropriation -- Mineral Revenue Collections, Mineral Revenue Compliance, Systems Development and Operation. These three subactivities have an annual, definite budget authority. A permanent, indefinite appropriation (Payments to States from

Receipts under Mineral Leasing Act) exists to provide payment of the States' share of revenues. It is being proposed that payments of interest to States and Indian accounts when such revenues are not disbursed within the timeframes prescribed by the Federal Oil and Gas Royalty Management Act of 1982, also be paid out of this permanent appropriation.

Interest on Late Payments to States. The Federal Oil and Gas Royalty Management Act of 1982 changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. The Act provided that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 would be owed for any payment not made by the last day of the month following the month in which the revenues have been received. It is estimated that $640,000 will be due States for interest payments in FY 1986.

Interest on Late Payments to Indian Accounts. The Federal Oil and Gas Royalty Management Act of 1982 provided that deposits of any royalty funds from oil or gas production on Indian lands will be made to appropriate Indian accounts at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. It further provided that any payment not made by the required date would incur an interest charge computed at the rate applicable under Section 6621 of the Internal Revenue Code of 1954. It is estimated that $160,000 will be due Indian accounts for interest payments in FY 1986.

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

14-5003-0-2-852	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Program by activities:			
1. Payments to States	735,891	510,455	478,283
2. Interest on Late Payments ..	—	—	800
10.00 Total obligations (object class 41.0).............	735,891	510,455	479,083
Financing:			
39.00 Budget authority..................	735,891	510,455	479,083
Budget authority:			
Current:			
40.00 Budget authority (appropriation) (annual, indefinite, special funds)...........................	—	—	800
Permanent:			
60.00 Budget authority (appropriation) (permanent, indefinite, special funds)...........................	735,891	510,455	478,283
Relation of obligations to outlays:			
71.00 Obligations incurred, net.........	735,891	510,455	479,083
72.40 Obligated balance, start of year.........................	52	—	—
74.40 Obligated balance, end of year.........................	—	—	—
90.00 Outlays..........................	735,943	510,455	479,083

DEPARTMENT OF THE INTERIOR

MINERALS MANAGEMENT SERVICE

Payments to States From Receipts Under Mineral Leasing Act

(Supplemental now requested under existing legislation)

Notwithstanding any other provision of law, in Fiscal Year 1985, monies received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, and the Geothermal Steam Act of 1970, not payable to a State or to the Reclamation Fund shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d), prior to credit of such funds to miscellaneous receipts of the Treasury.

EXPLANATION OF REQUEST

The Federal Oil and Gas Royalty Management Act of 1982 requires the Government to make payments of interest to States and Indian accounts when Federal onshore mineral leasing revenues due them are not disbursed within the timeframes prescribed by the Act. These payments from receipts under the Mineral Leasing Act cannot be disbursed until a proper determination is made of the source of all incoming royalties. Although the primary causes of delays in disbursement (payor input errors and processing errors) can be minimized, absolute eradication of errors is unlikely. Based on experience during FY 1984, it is estimated that $640,000 will be needed to pay interest to States and $160,000 will be needed to pay interest to Indian accounts on FY 1985 late disbursements. The MMS currently has no source of available funds from which to pay this interest. Therefore, this supplemental is proposed to provide for annual, indefinite authority since absolute amounts cannot be accurately estimated in advance.

Minerals Management Service
FY 1985 Supplemental Request
Interest on Late Payments

SUMMARY OF REQUIREMENTS

Appropriation: Payments to States from Receipts under Mineral Leasing Act

($000)

Comparison by Activities:	1984 Actual	1985 Pending	1985 Supple.	1986 Estimate
Payments to States	735,943	510,455	--	478,283
Interest on Late Payments	--	--	800	800
Total Payments to States ...	735,943	510,455	800	479,083

Justification of Program and Performance

Activity: Interest on Late Payments

(Dollar amounts in thousands)

Activity		1985 Presently Available	1985 Proposed Supplemental	1985 Revised Estimate
Interest on Late Payments	$	--	800	800
	(FTE)	(--)	(--)	(--)

30 U.S.C. 191, *et seq.* P.L. 66-146 — The Mineral Lands Leasing Act of 1920, as amended, provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities on Federal lands within their boundaries.

30 U.S.C. 1714, 1721(b),1721(d) — The Federal Oil and Gas Royalty Management Act of 1982 provides for timely payments of royalty funds from oil and gas production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed as required by 30 U.S.C. 191 and 1714.

Interest on Late Payments

Objectives:

- o Provide interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714.

Base Program:

The Federal Government shares revenues from Federal mineral leasing activities within a State's boundaries with that State. Indian lessors receive all the revenue from mineral leasing activities on their land. The Minerals Management Service collects, processes, accounts for, audits, and distributes all bonuses, rents, royalties, penalties and interest due the Federal Government, States and various Indian accounts from such mineral leasing activities. Funding for this service is provided by three subactivities within the Royalty Management budget activity of the Leasing and Royalty Management appropriation--Mineral Revenue Collections, Mineral Revenue Compliance, and Systems Development and Operation. These three subactivities exist under annual, definite budget authority. A permanent, indefinite appropriation consisting of only one budget activity (Payments to States from Receipts under Mineral Leasing Act) exists to provide payment of the States' share of revenues. The activity proposed by this supplemental will be included in the Payments to States from Receipts under Mineral Leasing Act appropriation and will have annual, indefinite authority to provide payments of interest to States and Indian accounts when mineral leasing revenues due them are not disbursed within the timeframes prescribed by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA).

Need for Supplemental

The FOGRMA of 1982 changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. Section 111 of the Act provides that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 is owed for any payment not made by the last business day of the month in which receipts were warranted by the United States Treasury.

Receipts cannot be disbursed to the States until a proper determination can be made of the source of all incoming royalties. In many instances, incoming royalty checks have been received without payor reports identifying the lease number or rates, royalty amounts do not agree with the payor's report, or reports are received without payments. If funds cannot be specifically identified to particular leases they go into a suspense account. These discrepancies need resolution before the information can be incorporated into the monthly receipt distribution and payment disbursement to the various State and Federal receipt accounts. Accordingly, MMS personnel must review and correct these errors in payor reporting before funds will be distributed/disbursed. Minerals Management Service has initiated and will continue its efforts to improve payor reporting. For example, RMP distributes a model payor report each month to limit repetitive errors from occurring and has increased its own followup efforts with payors.

At the time of submission of the FY 1985 Congressional Budget, a funding estimate for these interest payments was not included in the request because:

- o Decisions were required as to what types of undisbursed funds would be interest bearing. The Department has interpreted the intent of the law to be that all monies received but not disbursed to the States in the timeframe required by the Act, regardless of the reason, would bear interest when finally disbursed.

- o The Act did not become effective until FY 1984. Without any prior experience on disbursements with the newly implemented Auditing and Financial System (AFS), an accurate estimate of the amount of late payments was difficult to make. Now, based on experience during FY 1984, it is estimated that $640,000 will be needed to pay interest to the States on FY 1985 late disbursements.

The FOGRMA also provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to appropriate Indian accounts at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Once again, any deposit not made by the required date will include an interest charge computed at the rate applicable under Section 6621 of the Internal Revenue Code of 1954. It is estimated that $160,000 will be due Indian accounts for interest payments on FY 1985 late disbursements.

The MMS currently has no source of available funds from which to pay this interest. To provide a source of funding, the Department explored the possibility of establishing an interest bearing suspense account, the interest from which would be used to pay interest to the States. However, legal authority to establish such an account does not currently exist. An amendment to the Mineral Lands Leasing Act of 1920 or FOGRMA would be required. Even then, under FOGRMA the interest rate on late payments to States and Indian accounts would be higher than the rate normally paid by Treasury on funds in interest bearing suspense accounts. Depending on the average balance of funds in the suspense account, this "interest gap" might have to be compensated for by transferring funds into the interest bearing account from the general fund or some other account. Because of these complications, establishment of an interest bearing suspense account is not considered to be the preferred alternative.

The establishment of a separate budget activity in this account with annual, indefinite authority is being requested for the following reasons:

- While an estimate of the amount required for interest payments has been made, the actual amount cannot be accurately predicted in advance and is only partially within the control of Royalty Management personnel. Indefinite authority is most appropriate in this situation. Further, the amount of these payments will fluctuate with the amount and timeliness of mineral leasing revenue disbursements. Indefinite authority will avoid surplus or deficit funding situations in the operational subactivities funded by a definite appropriation. This, in turn, will minimize the unpredictability and potentially damaging impact of interest payment fluctuations on other MMS operations.

- Payments of interest on late payments to the States and Indian accounts is mandatory under 30 U.S.C. 1721(b) and (d).

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

14-5003-1-2-852	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Program by activities:			
10.00 Interest on Late Payments (total obligations, object class 41.0)..	—	800	—
Financing:			
40.00 Budget authority (appropriation) (annual, indefinite, special funds)...........................	—	800	—
Relation of obligations to outlays:			
71.00 Obligations incurred, net.........	—	800	—
72.40 Obligated balance, start of year.........................	—	—	67
74.40 Obligated balance, end of year.............................	—	-67	—
90.00 Outlays..........................	—	733	67