

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUDGET JUSTIFICATIONS, F.Y. 1995**



**MINERALS MANAGEMENT SERVICE**

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(415)

**MINERALS MANAGEMENT SERVICE  
BUDGET JUSTIFICATION FY 1995**

**TABLE OF CONTENTS**

GENERAL STATEMENT . . . . .	1
Appropriation Language Sheet . . . . .	7
Justification of Proposed Language Changes . . . . .	9
Crosswalk - FY 1995 Budget . . . . .	11
Organization Chart . . . . .	21
Advisory and Assistance Services . . . . .	22
Activity: Outer Continental Shelf Lands . . . . .	23
Leasing and Environmental Program . . . . .	25
Environmental Studies . . . . .	26
Justification of Program Change	
Environmental Studies Increase . . . . .	37
Environmental Assessment . . . . .	38
Justification of Program Change	
Offshore Downsizing . . . . .	61
Resource Evaluation Program . . . . .	63
Justification of Program Change	
Offshore Downsizing . . . . .	84
Regulatory Program . . . . .	86
Regulation of Operations . . . . .	87
Justification of Program Change	
Offshore Downsizing . . . . .	99
Technology Assessment and Research . . . . .	101
Justification of Program Change	
Offshore Downsizing . . . . .	105
Oil and Gas Information . . . . .	106
Justification of Program Change	
Offshore Downsizing . . . . .	107
Information Management Program . . . . .	108
Justification of Program Change	
Offshore Downsizing . . . . .	114
Activity: Royalty Management . . . . .	115
Operations . . . . .	122
Justification of Program Changes	
Hardrock Royalty Collection . . . . .	142
Decrease to Accommodate Changing	
Program Needs . . . . .	143
Compliance . . . . .	144
Justification of Program Changes	
Contract Settlements . . . . .	162
Hardrock Royalty Collection . . . . .	162
Other Revenue Enhancements . . . . .	163
Decrease to Accommodate Changing	
Program Needs . . . . .	164

Audit .....	165
Justification of Program Changes	
Contract Settlements .....	171
Other Revenues Enhancements (Random Company Audits) .....	172
Transfer to Office of Solicitor .....	172
Decrease to Accommodate Changing Program Needs .....	172
Interest of Late Disbursements .....	173
Refunds on Behalf of Allottees .....	174
<b>Activity: General Administration .....</b>	<b>175</b>
Executive Direction .....	177
Justification of Program Changes	
Decrease to Accommodate Changing Program Needs .....	178
Policy and Management Improvement .....	180
Justification of Program Change	
Contract Settlement .....	183
Justification of Program Change	
Offshore Downsizing .....	186
Administrative Operations .....	188
Justification of Program Changes	
Offshore Downsizing .....	194
Contract Settlement .....	199
Offshore Downsizing .....	199
Decrease to Accommodate Changing Program Need .....	200
General Support Services .....	201
<b>Exhibits: ROMM</b>	
Program and Financing .....	203
Summary of Requirements by Object Class .....	204
Object Classification .....	205
Personnel Summary .....	206
Employee Count by Grade .....	207

<b>Appropriation: Oil Spill Research</b> .....	209
<b>Justification of Program Change</b>	
<b>Oil Spill Research</b> .....	214
<b>Exhibits: Oil Spill Research</b>	
<b>Program and Financing</b> .....	217
<b>Personnel Summary</b> .....	218
<b>Object Classification</b> .....	219
<b>Permanent Appropriations</b> .....	221
<b>Summary 1993</b> .....	223
<b>Summary 1994</b> .....	224
<b>Summary 1995</b> .....	225
<b>Receipts</b> .....	227
<b>Contract Settlements and Other Revenue Enhancements:</b> .....	227
<b>Hardrock Royalties</b> .....	227
<b>FY 1994 Estimates vs. FY 1995 Estimates</b> .....	238
<b>Summary Description - Federal OCS Leases</b> .....	245
<b>Explanation of Authorizing Statutes</b> .....	247
<b>Table of Abbreviations and Acronyms</b> .....	253



## GENERAL STATEMENT

The Minerals Management Service (MMS) has two major responsibilities: timely and accurate collection, distribution, accounting for and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands; and management of energy and mineral resources on the Nation's Outer Continental Shelf. These responsibilities are carried out under the provisions of the Federal Oil and Gas Royalty Management Act, the Mineral Leasing Act, the Indian Mineral Leasing Act, the Outer Continental Shelf (OCS) Lands Act, the Oil Pollution Act of 1990, and other related statutes. The various authorizing statutes are listed in the appropriate subactivity section and described in greater detail in the Statutes section.

For the reader's convenience, a listing of abbreviations is provided at the end of this justification document.

**Comparison of FY 1995 Request with FY 1994 Enacted**  
(Dollars in thousands)

<i>Appropriations:</i>		FY 1994 Enacted to Date	FY 1995 Request	Change from 1994
<i>Current</i>				
Royalty and Offshore Minerals Management	\$ FTE	193,197 1,928	194,793 1,852	1,596 -76
Oil Spill Research	\$ FTE	5,331 10	6,452 26	1,121 +16
<i>Subtotal, Current</i>	\$ FTE	198,528 1,938	201,245 1,878	2,717 -60
<i>Permanent</i>				
Mineral Leasing & Associated Payments	\$	530,596	514,628	-15,968
Payments to States from Acquired Forest Lands	\$	2,143	2,151	+8
Payments to States from Flood Control Act Lands	\$	2,854	2,834	-20
<i>Subtotal, Permanent</i>	\$	535,593	519,613	-15,980
<b>TOTAL, MMS</b>	\$ FTE	734,121 1,938	720,858 1,878	-13,263 -60

## MISSION STATEMENTS

**Royalty and Offshore Minerals Management:**

The MMS' primary responsibilities are to manage the mineral resources located on the Nation's OCS, collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute royalties.

- Moreover, in working to meet its responsibilities, the *Offshore Minerals Management Program* administers the OCS competitive leasing program and oversees the safe and environmentally

sound exploration and production of our nation's offshore natural gas, oil and other mineral resources.

- The *Royalty Management Program* meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due, according to law, to Indian tribes and allottees, States, and U.S. Treasury.

**Oil Spill Research:**

- To perform research related to the mitigation and prevention of oil spills; civil penalty collection; the determination of the financial responsibility of OCS facilities; and, for State coastal waters, the responsibility for inspections, oil spill and prevention plan review, and ensuring financial integrity of operators, as authorized by the Oil Pollution Act of 1990.
- The MMS strives to fulfill its responsibilities through the general principles of: 1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties; and 2) carrying out its programs with an emphasis on working to enhance the quality of life for all Americans by lending MMS assistance and expertise for economic development and environmental protection. The MMS will adhere to these principles in the expansion of its responsibilities into State coastal waters called for in the OPA 1990.

**Mineral Leasing and Associated Payments,  
Payments to States from Acquired Forest Lands,  
Payments to States from Flood Control Act Lands:**

- To provide States with a statutory share of bonuses, rents, royalties and interest collected by the Federal Government for minerals produced from onshore Federal lands.

The programs and missions of the MMS are conducted by the major components shown in the organizational chart on page 21.

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**HIGHLIGHTS OF FY 1995 REQUEST****Current Appropriations****Uncontrollable Changes**

A net decrease of \$ 2.443 million and -81 FTE from the FY 1994 enacted level will enable MMS to meet the Administration's goal of reducing Federal positions and streamlining Government operations, as well as increased pay and other fixed costs while maintaining a high level of program integrity and performance. Uncontrollable changes are discussed in detail in the Justification of Uncontrollable Cost Changes (page 18).

**Human Resources Management Streamlining**

In 1995, the Department proposes to reorganize its human resource management functions in line with the recommendations of the National Performance Review (NPR) for human resource management (HRM), which stress more delegation to managers, less application of "cookbook" rules for every personnel action, and more flexible classification, pay, and staffing systems. The proposed new organization will be based on the concepts of consultation and assistance to management, and will provide a standard personnel servicing ratio of one personnel person to each 100 employees.

Currently, there are 1,574 personnel positions in some 75 separate servicing personnel offices and 267 EEO positions in at least 83 locations throughout the bureaus and offices of the Department. To replace the current alignment, one alternative would be to establish six regional HRM centers, and one personnel processing center. Any such center would be funded through the Departmental Working Capital Fund; the personnel processing center would be operated by the Bureau of Reclamation's Administrative Service Center and funded through the Bureau's Working Capital Fund. The HRM centers would offer personnel/EEO consulting services and assistance to DOI managers, and general personnel/EEO services to DOI employees. No final decisions have been made on the final organizational structures, as views are still being sought from managers and personnel staff. When implemented, the streamlining could save over 800 FTE, and an estimated \$30 million per year compared to the present arrangements.

**Administration's Crosscutting Management Initiatives**

MMS, through its Royalty Management Program, is participating in several specific National Performance Review (NPR) related activities. RMP has been chosen to be a NPR laboratory team, as well as a performance measurement pilot under the Government Performance and Results Act. The RMP section of this justification provides further details on these activities.

**Congressional Directives**

The RMP program is required to submit an annual plan of its audit program activities. The status of this plan is discussed in the RMP section of this justification.

## PROGRAMMATIC CHANGES

(Dollars in thousands)

The following table synthesizes the programmatic changes in the FY 1995 request from the FY 1994 enacted level. Any remaining difference is due to uncontrollable cost changes. Further detail on programmatic changes are provided in the individual program narratives.

	1994 Enacted to Date	1995 Request	Description <i>Any remaining difference between 1994 &amp; 1995 levels is due to uncontrollable cost changes.</i>
<i>Royalty &amp; Offshore Minerals Mgt.</i>			
OCS Leasing & Environmental	26,903	29,216	+\$3.3M for ESP and -\$680K and -13 FTE in Leasing. The ESP increase will allow for full funding of ESP's existing Coastal Marine Institutes and University Initiatives, complete existing studies and allow for the start of several critical new studies. The decreases in Leasing will be focused in the Alaska Region and Headquarters to reflect current and future activity levels.
OCS Resource Evaluation Program	19,407	16,815	-\$2.274M and -22 FTE to be focused in the Alaska Region and Headquarters to reflect current and future activity levels. This decrease includes a \$300,000 decrease in G&G data acquisition, a \$300,000 decrease in cooperative study efforts with coastal states, and a \$200,000 decrease in the Marine Hard Minerals program.
OCS Regulatory Program	34,523	33,105	-\$1.026M and -11 FTE. Includes a decrease of \$717,000 and 11 FTE in Regulation of Operations, a \$300,000 decrease in the Technology Assessment and Research Program, a \$9,000 decrease in the Oil and Gas Information Program, to reflect current and future activity levels.
OCS Information Mgt. Program	12,249	11,650	-\$416K and -8 FTE decrease to be focused in the Alaska Region and Headquarters to reflect current and future activity levels. TIMS cost recovery efforts will increase to a proposed \$7.4M level.
Total, OCS Lands	93,082	90,786	

	1994 Enacted to Date	1995 Request	Description <i>Any remaining difference between 1994 &amp; 1995 levels is due to uncontrollable cost changes.</i>
RMP Revenue Operations	30,968	32,219	+\$1.68M and 20 FTE for start-up of hardrock royalty collection efforts. -\$195K to accommodate changing program needs.
RMP Revenue Compliance	12,108	13,004	+\$320K and 5 FTE for start-up of hardrock royalty collection efforts. +\$736K and 8 FTE to provide product value and other technical determinations and enforcement actions needed to support the audit of contract settlements. +\$397K and 6 FTE for increased revenue enhancement activities (exception processing). -\$118K to accommodate changing program needs.
RMP Revenue Audit	22,705	24,696	+2.160 million and 15 FTE to fully support the audit of contract settlements which are estimated to generate \$252 million from FY 1994 to 1999. +\$346K and 5 FTE for increased revenue enhancement activities (increase current audit program). -\$100 K and -1 FTE to be transferred to the Office of the Solicitor to support audit program. -\$200K to accommodate changing program needs.
RMP Late Disb. Interest	—	—	Impossible to estimate. Less than \$100k/yr in 1993. Will re-program during year.
Refunds on Behalf of Allottees	15	15	
<b>Total, RMP</b>	<b>65,796</b>	<b>69,934</b>	
G. Adm-Executive Direction	3,553	3,424	-\$30K to accommodate changing program needs.
G. Adm-Policy and Mgt. Improvement	3,683	3,926	+450K and 5 FTE to provide for increased appeals workload associated with the audit of contract settlements. -\$100K and -1 FTE associated with OCS downsizing. -\$32K to accommodate changing program needs.
G. Adm-Admin. Operations	11,767	11,269	-\$132K and -4 FTE associated with OCS downsizing and +\$100K and 1 FTE to provide additional support to RMP in its contract settlement efforts. -\$146K to accommodate changing program needs.
G. Adm-General Support Services	15,316	15,454	No program changes.
<b>Total, Gen. Admin</b>	<b>34,319</b>	<b>34,073</b>	
<b>ROMM, total</b>	<b>193,197</b>	<b>194,793</b>	

	1994 Enacted to Date	1995 Request	Description <i>Any remaining difference between 1994 &amp; 1995 levels is due to uncontrollable cost changes.</i>
<i>Oil Spill Research</i>	5,331	6,452	+ \$1.180 million and 16 FTE to extend MMS inspection responsibility to State waters, provide review of oil spill and prevention plans of operators in State waters, and ensure financial responsibility of all operators, and collect civil penalties. -\$18K to accommodate changing program needs.
<b>Total MMS Current</b>	<b>198,528</b>	<b>201,245</b>	

**Permanent Appropriations**

**Summary of Change**  
(Dollars in thousands)

The following table synthesizes the changes in the FY 1995 request from FY 1994 enacted levels.

	1994 Enacted	1995 Request	Description
Mineral Leasing & Associated Payments	530,596	514,628	Decrease due to the payout of +41.5M from a large coal valuation case in 1994 and the decline in oil royalties which offsets increases in gas and coal royalties. Includes share of contract settlement audits.
Payments to States from Acquired Forest Lands	2,143	2,151	Increase based on this account receiving more of its revenues from gas royalties which are increasing.
Payments to States from Flood Control Act Lands	2,854	2,834	Decrease due to estimated decline in oil royalties.
<b>Total, Permanents</b>	<b>535,593</b>	<b>519,613</b>	

## Appropriation Language Sheet

**LEASING AND ROYALTY MANAGEMENT AND OFFSHORE MINERALS**

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [\$193,197,000] of which not less than \$65,796,000 shall be available for royalty management activities] and an amount not to exceed [\$5,000,000] for the Technical Information Management System of the OCS Lands Activity, to be credited to this appropriation and to remain available until expended, from additions to [current present receipts and from additional fee collections relating to OCS administrative activities performed by the Minerals Management Service over and above what the Minerals Management Service currently collects to offset its costs for these activities]; Provided, That \$1,500,000 for computer acquisitions shall remain available until September 30, [1995] 1996; Provided further, That funds appropriated under this Act shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d); Provided further, That not to exceed \$3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities; Provided further, That, notwithstanding any other provision of law, \$15,000 under this head shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service occurred or the claimed refund due; Provided further, [That the sixth proviso under the heading "Leasing and Royalty Management" for the Minerals Management Service in Public Law 102-381 (106 Stat. 1385-1386) is amended by striking the words "this account" after the words "shall be credited to" and inserting in lieu thereof "the leasing and royalty management account of the Minerals Management Service"]/

receipts resulting from increases to rates in effect on August 5, 1993, from rate increases to fee collections for OCS administrative activities performed by the Minerals Management Service over and above the rates in effect on September 30, 1993, and from additional fees for OCS administrative activities established after September 30, 1993;

The Secretary shall take appropriate action to collect unpaid and underpaid royalties and late payment interest owed by the Federal and Indian mineral lessees and other royalty payors on amounts received in settlement or other resolution of disputes under, and for partial or complete termination of, sales agreements for minerals from Federal and Indian leases: Provided

further. That beginning in fiscal year 1995 and thereafter, the sixth proviso under the heading "Leasing and Royalty Management" for the Minerals Management Service in Public Law 101-512 (104 Stat. 1926) is amended to read as follows: Provided further, The moneys so credited as a result of forfeiture of a bond or other security shall be returned to the permittee, lessee, or right-of-way holder to the extent that they are in excess of the amount expended in performing the work necessitated by the action or inaction that led to their receipt or, if the bond or security was forfeited for failure to pay a civil penalty, in excess of the civil penalty imposed: Provided further, The moneys so credited as the result of payment of a civil penalty shall be deposited to miscellaneous receipts of the Treasury to the extent that they are in excess of the amount expended in performing the work necessitated by the action or inaction that lead to the imposition of the penalty: Provided further, That where the account title "Leasing and Royalty Management" appears in any public law, the words "Leasing and Royalty Management" beginning in fiscal year 1995 and thereafter shall be construed to mean "Royalty and Offshore Minerals Management".

#### OIL SPILL RESEARCH

For necessary expenses to carry out the purposes of title I, section 1016, [and] title IV, sections 4202 and 4302, title VII and title VIII, section 8201 of the Oil Pollution Act of 1990, [\$5,331,000] \$6,452,000 which shall be derived from the Oil Spill Liability Trust Fund, to be available until expended.



## Justification of Proposed Language Changes

## ROYALTY AND OFFSHORE MINERALS MANAGEMENT

1. **Deletion:** "of which not less than \$65,796,000 shall be available for royalty management activities"

The language proposed for deletion restricts the Minerals Management Service from committing fiscal resources to critical areas of need. The deletion is proposed to enhance MMS's ability to manage its resources in an effective and efficient manner. Current reprogramming requirements provide appropriate levels of notification to the Congressional Committees while permitting reasonable management latitude for sound program operations.

2. **Addition:** "receipts resulting from increases to rates in effect on August 5, 1993, from rate increases to fee collections for OCS administrative activities performed by the Minerals Management Service over and above the rates in effect on September 30, 1993, and from additional fees for OCS administrative activities established after September 30, 1993:"

This is a clarification of present language. As written, the term "current" would require OCS to raise receipts and fee rates annually in order to provide any increased offsetting collections for TIMS. This was not the intent. Rather, the intent was to provide a benchmark from which to measure any increases. For all fee increases or new fees the benchmark is September 30, 1993. However, for rate increases, the benchmark of August 5, 1993 was chosen because the Final Notice of Sale for OCS Lease Sale 143 was published in the Federal Register on August 6, 1993. OCS Lease Sale 143, with a rental rate of \$5/acre annually is the first rate increase proposed by OCS.

3. **Addition:** "The Secretary shall take appropriate action to collect unpaid and underpaid royalties and late payment interest owed by the Federal and Indian mineral lessees and other royalty payors on amounts received in settlement or other resolution of disputes under, and for partial or complete termination of, sales agreements for minerals from Federal and Indian leases:"

The Secretary, through MMS, will pursue all necessary actions to ensure all royalties due on contract settlements are collected.

4. **Addition:** "Provided further, That beginning in fiscal year 1995 and thereafter, the sixth proviso under the heading "Leasing and Royalty Management" for the Minerals Management Service in Public Law 101-512 (104 Stat. 1926) is amended to read as follows: Provided further, The moneys so credited as a result of forfeiture of a bond or other security shall be returned to the permittee, lessee, or right-of-way holder to the extent that they are in excess of the amount expended in performing the work necessitated by the action or inaction that led to their receipt or, if the bond or security was forfeited for failure to pay a civil penalty, in excess of the civil penalty imposed: Provided further, The moneys so credited as the result of payment of a civil penalty shall be deposited to miscellaneous receipts of the Treasury to the extent that they are in excess of the amount expended in performing the work necessitated by the action or inaction that led to the imposition of the penalty:"

Clarifies that any civil penalties, above what are needed to improve, protect, or rehabilitate an OCS lease site, are not to be returned to the permittee, lessee, or ROW holder but are to be deposited to the miscellaneous receipts of the Treasury. Current language directs all "unused" monies (both bonds and penalties) to be returned to permittee or lease holder. A penalty, imposed for wrongdoing, should not be returned but, like all penalties, be deposited in the Treasury.

5. **Addition:** "Provided further, That where the account title "Leasing and Royalty Management" appears in any public law, the words "Leasing and Royalty Management" beginning in fiscal year 1995 and thereafter shall be construed to mean "Royalty and Offshore Minerals Management".

The proposed title will emphasize the MMS' commitment to proper and timely collection of rents, royalties, and bonuses, due the Federal Government, States, and Indian Tribes.

#### OIL SPILL RESEARCH

1. **Clarification:** "For necessary expenses to carry out the purposes of title I, section 1016, [and] title IV, sections 4202 and 4303, title VII and title VIII, section 8201".

The insertions provide the sections of OPA-90 for which MMS is requesting additional funding. The additional MMS responsibilities under OPA-90 include: review of oil spill response and prevention plans and performing OPA-related inspections in State coastal waters (title IV, section 4202), managing the civil penalty program (title IV, section 4303; title VIII, section 8201), and ensuring financial responsibility (title I, section 1016) to clean up oil spills in State coastal waters. These increased duties are an expansion of MMS' existing responsibilities in Federal OCS waters.

**Royalty and Offshore Minerals Management**  
**Activity/Subactivity Change Crosswalk - FY 1995 Budget**  
*(Dollars in thousands)*

Format of FY 1994 Congressional Budget		FY 1994 Enacted to Date	Format of FY 1995 Congressional Budget		FY 1994 Enacted to Date
<b>Outer Continental Shelf Lands</b>			<b>Outer Continental Shelf Lands</b>		
1.	Leasing & Environmental Program FTE: 218	28,564	1.	Leasing & Environmental Program FTE: 227	28,903
2.	Resource Evaluation Program FTE: 244	19,569	2.	Resource Evaluation Program FTE: 238	19,407
3.	Regulatory Program FTE: 367	34,523	3.	Regulatory Program FTE: 368	34,523
4.	Information Management Program FTE: 109	12,249	4.	Information Management Program FTE: 109	12,249
Total, OCS		92,905	Total, OCS		93,082
<b>Royalty Management Program</b>			<b>Royalty Management Program</b>		
1.	Mineral Revenue Operations FTE: 263	30,968	1.	Mineral Revenue Operations FTE: 263	30,968
2.	Mineral Revenue Compliance FTE: 154	12,108	2.	Mineral Revenue Compliance FTE: 154	12,108
3.	Mineral Revenue Audit FTE: 268	22,705	3.	Mineral Revenue Audit FTE: 268	22,705
4.	Indian Allottee Refunds	15	4.	Late Disbursement Interest	
			5.	Allottee Refunds	15
Total, RMP		65,796	Total, RMP		65,796
<b>General Administration</b>			<b>General Administration</b>		
1.	Executive Direction FTE: 45	3,633	1.	Executive Direction FTE: 44	3,533
2.	Policy & Management Improvement FTE: 45	3,683	2.	Policy & Management Improvement FTE: 46	3,683
3.	Administrative Operations FTE: 215	11,934	3.	Administrative Operations FTE: 211	11,767
	General Support Services	15,246	4.	General Support Services	15,316
Total, Gen Adm.		34,496	Total, Gen Adm.		34,319
<b>TOTAL, ROMM</b>		193,197	<b>TOTAL, ROMM</b>		193,197

**Royalty and Offshore Minerals Management**  
**Activity/Subactivity Change Crosswalk - FY 1995 Budget**  
*(Dollars in thousands)*

Format of FY 1994 Congressional Budget		FY 1995 Pres. Budget	Format of FY 1995 Congressional Budget		FY 1995 Pres. Budget
<b>Outer Continental Shelf Lands</b>			<b>Outer Continental Shelf</b>		
1.	Leasing & Environmental Program FTE: 202	28,877	1.	Leasing & Environmental Program FTE: 211	29,216
2.	Resource Evaluation Program FTE: 219	16,977	2.	Resource Evaluation Program FTE: 213	16,815
3.	Regulatory Program FTE: 349	33,105	3.	Regulatory Program FTE: 350	33,105
4.	Information Management Program FTE: 99	11,650	4.	Information Management Program FTE: 99	11,650
Total, OCS		90,609	Total, OCS		90,786
<b>Royalty Management Program</b>			<b>Royalty Management Program</b>		
1.	Mineral Revenue Operations FTE: 278	32,219	1.	Mineral Revenue Operations FTE: 278	32,219
2.	Mineral Revenue Compliance FTE: 168	13,004	2.	Mineral Revenue Compliance FTE: 168	13,004
3.	Mineral Revenue Audit FTE: 287	24,696	3.	Mineral Revenue Audit FTE: 287	24,696
4.	Indian Allottee Refunds	15	4.	Indian Allottee Refunds	15
5.	Late Disbursements	—	5.	Late Disbursement Interest	—
Total, RMP		69,934	Total, RMP		69,934
<b>General Administration</b>			<b>General Administration</b>		
1.	Executive Direction FTE: 38	3,504	1.	Executive Direction FTE: 37	3,424
2.	Policy & Management Improvement FTE: 48	3,926	2.	Policy & Management Improvement FTE: 49	3,926
3.	Administrative Operations FTE: 164	11,436	3.	Administrative Operations FTE: 160	11,269
4.	General Support Services	15,384	4.	General Support Services	15,454
Total, Gen Adm.		34,250	Total, Gen Adm.		34,073
<b>TOTAL, ROMM</b>		<b>194,793</b>	<b>TOTAL, ROMM</b>		<b>194,793</b>

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 Justification of Crosswalk Changes

- The FY 1993 Appropriation incorporated a continuation of the downsizing of the Offshore Minerals Management program. The reduction occurred in funding and staffing for the Leasing and Environmental Assessment program, whereas the proposed reduction was to occur in the Leasing and Environmental Assessment, Resource Evaluation, Executive Direction and Administrative Operations programs. This change will make permanent a reprogramming that was approved in the third quarter of FY 1993. The adjustments are:

Leasing and Environmental Resources	+ \$339; + 10 FTE
Resource Evaluation	- \$162; - 6 FTE
Executive Direction	- \$ 80; - 1 FTE
Administrative Operations	- \$ 97; - 3 FTE

- In FY 1993, the Administrative Operations Program transferred one FTE to the Offshore Minerals Management program to provide staff for enhancing the Regulation of Operations training effort.
- An FY 1994 increase for the Federal Payroll and Personnel System (FPPS) was credited to Administrative Operations (Personnel Division). This increase is being used to support the computer, telecommunications systems, and the Bureau of Reclamation operations, all of which disburse from the General Support Services subactivity. The crosswalk will move these funds (\$70,000) to the General Support Services subactivity.
- In FY 1993, the Policy and Management Improvement program received one FTE from the Offshore Minerals Management program to assist in processing policy analyzes of Offshore issues.

**Summary of Requirements**  
**Appropriation: Royalty and Offshore Minerals Management**  
*(Dollars in thousands)*

<i>Uncontrollable Cost Changes</i>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>
FY 1994 Enacted to Date	—	—	1,928	193,197
<i>Changes:</i>				
Worker's Compensation Payments (General Support Services)		-6		
Unemployment Compensation (General Support Services)		-6		
Rental Payments (General Support Services)		705		
SES Retirement Costs (OCS & Gen. Administration)		-386		
CSRS/FERS Retirement Costs (all activities)		-365		
Working Capital Fund (General Support Services)		45		
COTR Training (General Administration)		5		
One-less Paid Day (all activities)		-382		
Cost in 1995 of the January, 1995 payraise (all activities)		1,343		
FTE Usage Reduction - Executive Order 12839 (all activities) and EEO/Personnel Streamlining (General Administration)	-81	-1,302		
Administrative Streamlining - Executive Order 12837		-2,094		
<b>Total Adjustments</b>	<b>-81</b>	<b>-2,443</b>		
<b>FY 1995 BASE BUDGET, ROMM</b>			<b>-81</b>	<b>190,754</b>

Summary of Requirements - (Dollars in thousands)  
 Royalty and Offshore Minerals Management (continued)

Comparison by Activity/Subactivity	FY 1993 Actual		FY 1994 Enacted to Date		Uncontrollable Changes		Programmatic Changes		FY 1995 Request		Change from 1994	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>OCS Lands Programs</b>												
Leasing & Environmental	243	35,562	227	26,903	-3	-307	-13	+2,620	211	29,216	-16	+2,313
Resource Evaluation	252	19,529	238	19,407	-3	-318	-22	-2,274	213	16,815	-25	-2,592
Regulatory	381	33,028	368	34,523	-7	-392	-11	-1,026	350	33,105	-18	-1,418
Information Management	115	8,279	109	12,249	-2	-184	-8	-416	99	11,650	-10	-599
Subtotal	991	96,398	942	93,082	-15	-1,200	-54	-1,096	873	90,786	-69	-2,296
<b>Royalty Management</b>												
Operations	277	32,250	263	30,968	-5	-234	20	+1,485	278	32,219	+15	+1,251
Compliance	164	12,256	154	12,108	-5	-439	19	+1,335	168	13,004	+14	+896
Audit	256	20,367	268	22,705		-215	19	+2,206	287	24,696	+19	+1,991
Late Disbursement Interest		96										
Indian Allottee Refunds		10		15						15		
Subtotal	697	64,979	685	65,796	-10	-888	58	5,026	733	69,934	+48	+4,138
<b>General Administration</b>												
Executive Direction	45	3,531	44	3,553	-7	-99		-30	37	3,424	-7	-129
Policy & Management Improvement	48	3,744	46	3,683	-1	-74	+4	+317	49	3,926	+3	+243
Administrative Operations	230	11,609	211	11,767	-48	-320	-3	-178	160	11,269	-51	-498
General Support Services		15,078		15,316		+138				15,454		+138
Subtotal	323	33,962	301	34,319	-56	-355	+1	+109	246	34,073	-55	-246
<b>Total, ROMM Requirements</b>	<b>2,011</b>	<b>195,339</b>	<b>1,928</b>	<b>193,197</b>	<b>-81</b>	<b>-2,443</b>	<b>+5</b>	<b>+4,039</b>	<b>1,852</b>	<b>194,793</b>	<b>-76</b>	<b>+1,596</b>

488

Summary of Requirements  
(Dollars in thousands)

Appropriation: Oil Spill Research

Uncontrollable Cost Changes (\$ in 000s)	FTE	Amount	FTE	Amount
FY 1994 Enacted to Date			10	5,331
<b>Changes</b>				
Cost in 1995 of the January 1995 payraise		+18		
FERS Retirement Cost Adjustment		-5		
Administrative Streamlining - Executive Order 12837		-54		
Total Adjustments:			—	-41
FY 1995 Base Budget			10	5,290

Comparison by Activity/Subactivity	FY 1993 Actual		FY 1994		Uncontrollable Changes		Programmatic Changes		FY 1995 Request		Change from 1994	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Oil Spill Research	10	5,331	10	5,331	—	-41	16	+1,162	26	6,452	+16	+1,121
Total OSR Requirements	10	5,331	10	5,331	—	-41	16	+1,162	26	6,452	+16	+1,121

494



Summary of Requirements  
(Dollars in thousands)

Appropriation: All Permanent Special Funds (Payments to States)

Summary of Base Requirements	FTE	Amount	FTE	Amount
FY 1994 Enacted to Date			—	535,593
Base Adjustments	—	—	—	—
<b>FY 1995 Base Budget</b>			—	535,593

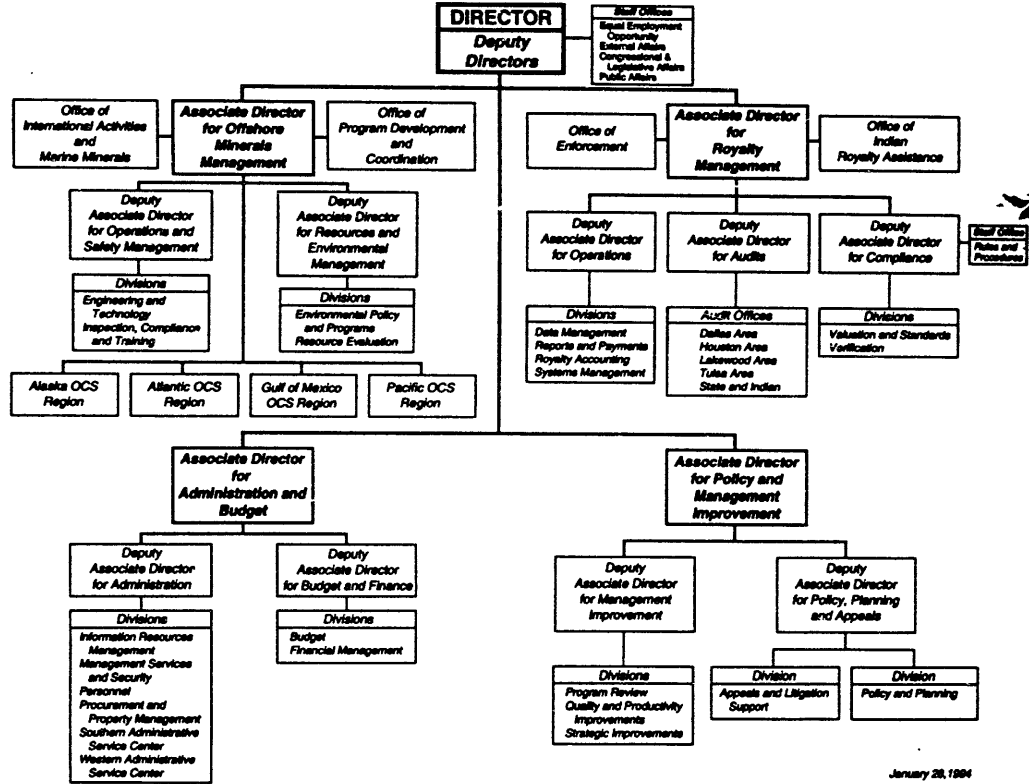
Comparison by Activity/Subactivity	FY 1993 Actual		FY 1994 Enacted to Date		Uncontrollable Changes		Programmatic Changes		FY 1995 Request		Change from 1994	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<i>Permanents:</i>												
Mineral Leasing and Associated Payments	—	462,531	—	530,596	—	—	—	-15,968	—	514,628	—	-15,968
National Forest Fund, Payments to States	—	2,359	—	2,143	—	—	—	+8	—	2,151	—	+8
Receipts from lands acquired for Flood Control, navigation and allied purposes	—	1,230	—	2,854	—	—	—	-20	—	2,834	—	-20
<b>Total Requirements</b>	—	466,120	—	535,593	—	—	—	-15,980	—	519,613	—	-15,980

**ALL APPROPRIATIONS**  
*Justification of Uncontrollable Cost Changes*  
*(Dollars in thousands)*

<i>Increases/Decreases</i>	<i>1994 Estimate</i>	<i>1995 Change</i>
<b>Workers Compensation Payments (General Support Services)</b>	361	-6
The adjustment is for changes in the costs of compensating injured employees and dependents of employees who suffered accidental deaths while on duty. Costs for 1995 are for the 12-months ending June 1993 and are paid to the Department of Labor, Federal Employees Compensation Fund, pursuant to 5. U.S.C. §147 (b) as amended by Public Law 94-273.		
<b>Unemployment Compensation (General Support Services)</b>	60	-6
The adjustment is for changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.		
<b>Rental Payments (General Support Services)</b>	11,958	+705
The adjustment is for changes in the costs payable to GSA resulting from changes in rates for office and non-office space. This change includes the Office of Management and Budget/General Services Administration initiative to control 1995 space cost increases.		
<b>Federal Separation and Retirement Payments (OCS and Administrative Operations)</b>	386	-386
The adjustment is to remove a one-time change in the 1994 appropriations for paying an expected one-year peak in the amount of payments to separating and retiring employees. An unusually high cost was forecast for 1994 due to the effect of various laws and personnel policies.		
<b>CSRS/FERS Retirement Costs (all appropriations, all activities)</b>		-370
The adjustment is for changes in estimated retirement costs paid by the Bureau. It results from changes in the relative proportion of FERS employees in the work force and from changes in the percentage of employee salaries paid to retirement funds. It reflects the lower FERS agency charges set for 1995.		
<b>Working Capital Fund (General Support Services)</b>	442	+45

<p>The change is for increase costs for the customary administrative services provided on a Department-wide basis. The 1994 enacted amounts have been adjusted to reflect a change in the method of paying for library and computer services in the Washington, D.C. area. This adjustment was built into the 1995 request through a re-allocation of baseline budget authority from the Office of the Secretary. Costs related to the human resources streamlining plan are not included in this amount. However, for budget assumption purposes only, it has been calculated that the Departmental Working Capital Fund would be paid for costs related to Human Resources Management Streamlining from funds transferred internally within MMS (\$890,000). The budget also assumes MMS would pay the Bureau of Reclamation's Administrative Service Center \$242,000 for personnel streamlining costs. These increased costs would be offset by reductions in MMS direct program costs for maintaining an internal MMS function. The adjustment is provided for employee counseling services to those employees who may be affected by consolidating personnel and EEO functions or by the continued Offshore downsizing and to continue to encourage the conversion of vehicle fleets to more environmentally friendly fuels such as compressed natural gas.</p>								
COTR Training (Administrative Operations)	20	+5						
This change continues to support a FY 1992 initiative to provide training for Contractor Officer's Technical Representatives								
One-less Paid Day in Fiscal Year 1995 (all appropriations, all activities)		-382						
The adjustment reflects the fact that FY 1995 has one less paid day than FY 1994.								
Cost in FY 1995 of the January, 1995 payraise (all appropriations, all activities)		1,361						
This adjustment is for an additional amount of \$1,361,000 needed in 1995 to fund a nationwide pay increase of 1.6% effective in January 1995.								
Cost in FY 1995 of the January, 1994 Locality Pay Raises -- Absorbed		[-3,476]						
The amount displayed in brackets represents the additional costs of funding the entire January 1994 locality pay increase for GS-series employees and the associated pay rate changes made in other pay series. Three quarters of this amount has been absorbed in the 1994 program, and one-quarter will be absorbed in the 1995 program.								
FTE Usage Reduction - Executive Order 12839 (all activities) and EEO/Personnel Streamlining		-1,302 -81 FTE						
<p>The adjustment is for the cost savings associated with the Bureau's share of the Administration's goal of reducing Federal positions by 100,000 by the end of Fiscal Year 1995 and by 252,000 by the end of 1999. Specifically, Federal employee reductions are expected in the following areas:</p> <table border="0"> <tr> <td>1. Executive Order</td> <td>-30</td> <td>- \$1,194,000</td> </tr> <tr> <td>2. Human Resources Streamlining</td> <td>-51</td> <td>- \$ 108,000</td> </tr> </table>			1. Executive Order	-30	- \$1,194,000	2. Human Resources Streamlining	-51	- \$ 108,000
1. Executive Order	-30	- \$1,194,000						
2. Human Resources Streamlining	-51	- \$ 108,000						

Administrative Streamlining - Executive Order 12837 (all activities)		-2,148
The adjustment is for the cost savings associated with a reduction in administrative expenses reflecting the Bureau's participation in the Administration's program to increase the administrative productivity of the Federal government.		
<b>TOTAL UNCONTROLLABLE COST CHANGES</b>		<b>-2,484 -81 FTE</b>



**DEPARTMENT OF THE INTERIOR**  
**Minerals Management Service**  
**Advisory and Assistance Services**  
*(Dollars in thousands)*

**Account Title and Symbol**

Royalty and Offshore Minerals Management  
 14-1917-0-1-302

I. Contracted Services		FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Individual Experts & Consultants	B.A.	211.0	300.0	300.0
	Oblig.	211.0	300.0	300.0
	Outlays	227.9	273.2	292.8
Subtotal	B.A.	211.0	300.0	300.0
	Oblig.	211.0	300.0	300.0
	Outlays	227.9	273.2	292.8
II. Personnel Appointments	B.A.	---	---	---
	Oblig.	---	---	---
	Outlays	---	---	---
III. Advisory Committees	B.A.	---	---	---
	Oblig.	---	---	---
	Outlays	---	---	---
<b>TOTAL</b>	B.A.	211.0	300.0	300.0
	Oblig.	211.0	300.0	300.0
	Outlays	227.9	273.2	292.8

## Activity: Outer Continental Shelf Lands

Analysis by Subactivity  
(Dollars in thousands)

	1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Changes from 1994
Leasing and Environmental	26,903	-307	2,620	29,216	2,313
Resource Evaluation	19,407	-318	-2,274	16,815	-2,592
Regulatory	34,523	-392	-1,026	33,105	-1,418
Information Management	12,249	-183	-416	11,650	-599
Total	93,082	-1,200	-1,096	90,786	-2,296

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

## Authorizing Statutes

43 U.S.C. 1331, et seq.	The Outer Continental Shelf Lands Act of 1953, as amended
43 U.S.C. 4321, 4331-4335, 4341-4347	The National Environmental Policy Act of 1969
16 U.S.C. 1451, et seq.	The Coastal Zone Management Act of 1972
16 U.S.C. 1531-1543	The Endangered Species Act of 1973
42 U.S.C. 7401, et seq.	The Clean Air Act
16 U.S.C. 470-470w6	The National Historic Preservation Act
30 U.S.C. 21(a)	The Mining and Minerals Policy Act of 1970
30 U.S.C. 1601, et seq.	and the Materials and Minerals Policy, Research and Development Act of 1970
33 U.S.C. 2701, et seq.	The Oil Pollution Act of 1990
43 U.S.C. 1301	The Marine Protection, Research, and Sanctuaries Act of 1972
16 U.S.C. 1361-1362, 1371-1384, 1401-1407	The Marine Mammal Protection Act of 1972
33 U.S.C. 1251-1375	The Federal Water Pollution Control Act

For further details on these statutes, refer to appendix at end of justifications.

**OUTER CONTINENTAL SHELF LANDS  
MISSION**

The funds provided for the Outer Continental Shelf Lands activity enable the MMS to carry out its many and varied responsibilities, as required by the OCS Lands Act (OCSLA) and other authorizing legislation, including the:

- Development and implementation of the OCS Natural Gas and Oil Program including program preparation and annual review and conduct of OCS lease-related activities;
- Classification and evaluation of energy and non-energy resources to ensure that the American people receive full market value for the leases and rights MMS conveys;
- Conduct environmental studies and assessments, and;
- Regulation of exploration, development, and production to ensure human safety and environmentally responsible activities.

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

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



## Leasing and Environmental Program

**Justification of Program and Performance  
Analysis by Subactivity  
(Dollars in thousands)**

		1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Changes From 1994
Environmental Studies	\$ FTE	11,645 ---	--- ---	3,300 ---	14,945 ---	3,300 ---
Leasing and Environmental Assessment	\$ FTE	15,258 227	-307 -3	-680 -13	14,271 211	-987 -16
<b>Total</b>	<b>\$ FTE</b>	<b>26,903 227</b>	<b>-307 -3</b>	<b>2,620 -13</b>	<b>29,216 211</b>	<b>2,313 -16</b>

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

**ENVIRONMENTAL STUDIES PROGRAM**

The Environmental Studies Program (ESP) provides MMS with the environmental information necessary for the bureau to carry out its offshore gas and oil mandate as specified in the OCSLA, as amended in 1978. The main objectives of the ESP are to:

- Provide scientific and technical information to support decisions on the offshore gas, oil, and hard minerals program which may affect environmental, social, and economic conditions.
- Monitor post-lease mineral resource development to determine the extent and duration of environmental effects and potential mitigation measures that can be used to minimize impacts.
- Collect and make available to the public, affected states, and MMS managers, new information needed to analyze, discuss, and guide future decisions on exploration, development, and production and lease sales proposed for the 5-year Comprehensive Program.
- Increase access to and usefulness of environmental studies information to the public, affected coastal States, other Federal agencies, and MMS managers.

## ENVIRONMENTAL STUDIES OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Coastal Marine Institutes</b>		
<p><b>Gulf of Mexico Region:</b> The Coastal Marine Institute was developed as part of an initiative to cultivate new State-Federal research partnerships on environmental and socioeconomic issues of mutual concern. In 1992 a CMI was established at Louisiana State University and FY 1993 marked the first full year of operation. Thirteen projects were initiated in FY 1993 with a 1-to-1 match of Federal funds with state funds. With the completion of FY 1993, \$4 million of Federal funds have been matched to produce an \$8 million research program on topics of mutual interest to MMS and the State of Louisiana.</p>	<p>The Louisiana CMI has a cost implication for FY 1994 of up to \$2 million. With the 1-to-1 match, this will establish a \$4 million research agenda designed to meet the common needs of MMS and the State of Louisiana.</p>	<p>The Louisiana CMI has a cost implication for FY 1995 of up to \$2 million. With the 1-to-1 match, this will establish a \$4 million research agenda designed to meet the common needs of MMS and the State of Louisiana.</p>
<p><b>Alaska Region:</b> In FY 1993 a CMI was established with the University of Alaska at Fairbanks and the State of Alaska. This CMI also requires 1-to-1 matching of Federal funds by the recipient. Start-up activities were undertaken to establish a Technical Steering Committee and establish plans to solicit research proposals from the university.</p>	<p>Several projects will be initiated through the Alaska CMI this year with a cost implication for FY 1994 of \$1 million. With the 1-to-1 match, this will establish a \$2 million research agenda designed to meet the common needs of MMS and the State of Alaska.</p>	<p>The Alaska CMI has a cost implication for FY 1995 of up to \$1 million. With the 1-to-1 match, this will establish a \$2 million research agenda designed to meet the common needs of MMS and the State of Alaska.</p>

444

FY 1993	FY 1994	FY 1995
Pacific Region: N/A	A CMI with the State of California is planned for FY 1994 with a cost implication of up to \$500,000. With the 1-to-1 match, this will establish a \$1 million research agenda designed to meet the common needs of MMS and the State of California. Studies are expected to focus on areas with existing operations, especially those areas experiencing increased production rates.	The Pacific Region CMI has a cost implication for FY 1995 of up to \$500,000. With the 1-to-1 match, this will establish a \$1 million research agenda designed to meet the common needs of MMS and the State of California. Studies are expected to focus on areas with existing operations, especially those areas experiencing increased production rates.
University Research Initiatives (UI)		
Gulf of Mexico Region: The University Research Initiative (UI) continued in FY 1993 in the GOM Region with Louisiana Universities Marine Consortium (LUMCON). FY 1993 was the fifth and final year of the initiative. The UI was originally developed to enhance cooperative research partnerships with academic institutions. The FY 1993 cost of the UI was \$250,000. No matching funds are required from the LUMCON.	N/A	N/A

FY 1993	FY 1994	FY 1995
<p>Pacific Region: The University Research Initiative (UI) continued in FY 1993 in the Pacific Region with the University of California, Santa Barbara (UCSB). FY 1993 was to be the fifth and final year of the initiative. The UI was originally developed to enhance cooperative research partnerships with academic institutions. The FY 1993 cost of the UI was \$500,000. No matching funds are required from the UCSB although the university contributes about \$65,000 of in-kind costs.</p>	<p>Although the original UI State negotiated agreement with UCSB was to conclude in FY 1993, the high quality research and positive academic-federal working relationship was such that a second 5-year cooperative agreement was approved. Converting the UI to a partial CMI with matching funds has also been approved. The UCSB UI is expected to cost \$ 500,000 during FY 1994. This project's goals include addressing preservation of important national resources, education, and public interest on environmental issues. More than 23 research faculty from 6 of the 9 campuses of the University of California have participated in Research for MMS. More than 80 graduate, undergraduate and post-doctoral students have been trained or continued their research under the initiative. Forty one (41) scientific papers have been published or are in press.</p>	<p>The UCSB UI may be continued in FY 1995. MMS is also contemplating merging the UI into the CMI planned for FY 1994.</p>

FY 1993	FY 1994	FY 1995
<b>Socioeconomics</b>		
<p><b>Atlantic Region:</b> Data collection and analysis in support of the Manteo prospect offshore North Carolina was completed. This study along with several others were identified by the Environmental Science Review Panel (ESRP) that was established under the Oil Pollution Act to review the available information used for decisionmaking in the region around North Carolina. The current study was conducted by East Carolina University under a Cooperative Agreement.</p>	<p>The final report for the North Carolina socioeconomics study was received, completing the study. No new studies for socioeconomics are planned for FY 1994.</p>	<p>No new studies for socioeconomics are planned for FY 1995. However, when exploration and other post-lease activities occur at the Manteo site, then MMS intends to conduct a suite of studies developed in response to the ESRP report findings if funding allows.</p>
<p><b>Gulf of Mexico Region:</b> MMS initiated two high priority studies in FY 1993 from among those identified in the FY 1992 workshop. The two studies are research efforts which will: 1) identify and define the socioeconomic issues for the western GOM area (\$100,000), and 2) analyze impacts due to the decline of the OCS gas and oil industry in the Gulf (\$250,000).</p>	<p>MMS plans to initiate a four year Gulf-wide demographic baseline analysis in FY 1994. Initially planned for FY 1993, this study will cost approximately \$500,000.</p>	<p>Support for the demographic baseline analysis is planned to continue. Estimated cost of between \$200,000 and \$300,000. There are currently no plans to initiate new studies.</p>

FY 1993	FY 1994	FY 1995
<p><b>Pacific Region:</b> Three socioeconomic impact analysis studies were awarded for the Pacific Region in FY 1993 (including two studies deferred from FY 1992). The studies will evaluate impacts on community perceptions and on commercial fisheries, and analyze options for developing active leases to increase production and royalty revenues. The combined cost of these studies was approximately \$500,000 in FY 1993.</p> <p>The <i>California Offshore Oil and Gas Energy Resources</i> (COOGER) study began with three \$30,000 cooperative agreements to Ventura, Santa Barbara, and San Luis Obispo Counties. This study was requested by the three counties and the State of California before future offshore development proposals could be considered from active Pacific Region leases. A Technical Management Team was formed consisting of MMS, State and local agencies, and industry representatives to prepare a work statement. COOGER addresses onshore constraints related to active undeveloped offshore oil and gas leases in the Tri-County area.</p>	<p>The studies initiated in FY 1993 are estimated to have outyear funding needs in FY 1994 of approximately \$280,000.</p> <p>A request for proposals to complete the COOGER study is anticipated early in calendar year 1994. A two-year completion date is expected. A total of \$90,000 will be awarded as part of the second year of Cooperative Agreements with the three counties participating in the COOGER study. Each county will receive \$ 30,000.</p>	<p>A comparative analysis of community level impacts from energy development is being considered to start in FY 1995. Estimated cost \$500,000.</p>
<p><b>Alaska Region:</b> One new socioeconomic study was begun in the Alaska region for FY 1993. This is an analysis of the 1990 census data and will have utility for all Regions. Monies spent in FY 1993 (\$5,400) purchased CD-ROM data for all of the Alaska coast.</p>	<p>The analysis of the census data purchased in FY 1993 is expected to begin this year. The estimated funding required for this study is \$105,000.</p>	<p>FY 1995 study needs will be influenced by a report that MMS will be receiving in FY 1994 from the National Research Council regarding Alaska environmental information. Estimated cost of these and ongoing activities is \$500,000 to \$600,000.</p>

FY 1993	FY 1994	FY 1995
<b>National: N/A</b>	A workshop, initially scheduled for May 1993, for developing a national socioeconomic research agenda is now planned for May 1994. The cost of the workshop is estimated to be \$150,000.	Studies developed as a result of the FY 1994 workshop will be considered for funding in future years.
<b>Protected Species</b>		
<b>Gulf of Mexico Region:</b> Studies on the movement and distribution of marine mammals and sea turtles in the GOM continued in FY 1993. In addition, an Interagency Agreement with National Marine Fisheries Service continued to support additional research on marine mammal distribution and abundance. The total funding for protected species research in the GOM for FY 1993 was \$647,000.	The continuing marine mammals studies are expected to be completed this year under the National Biological Survey (NBS).	A new protected species study is planned to start in FY 1995 under the NBS.
<b>Pacific Region:</b> No protected species studies were conducted in FY 1993.	Because of increased public awareness and demand, a Regional in-house study was initiated for surveying coastal and shore birds in the Tri-County area. Pilot studies are underway to define sampling regimes with better methods of collecting and analyzing data with a full multi-year program proposal in production.	If the FY 1994 pilot studies are successful and funds are available, expansion of the coastal and shore birds survey in the Tri-County area will be considered.
<b>Alaska Region:</b> A marine mammal tissue archival project continued with an expenditure in FY 1993 of \$60,000.	The marine mammal tissue archival project will continue in FY 1994 through the NBS. Estimated cost is \$60,000.	The marine mammal tissue archival project is expected to continue in FY 1995 through the NBS. Estimated cost is \$60,000.

FY 1993	FY 1994	FY 1995
<b>Physical Oceanography</b>		
<p><b>Atlantic Region:</b> The cost of physical oceanography studies in the Atlantic Region in FY 1993 was \$963,000. This funding supported continuing studies off the mid-Atlantic coast, in support of information needed to assess the potential effects of continuing exploration on the Manteo Prospect. No new studies were initiated.</p>	<p>There are no new physical oceanography studies planned for FY 1994. The continuing studies with funding implications for FY 1994 are estimated to cost \$385,000.</p>	<p>There are no new physical oceanography studies planned for FY 1995. The continuing studies with funding implications for FY 1995 are estimated to cost \$84,000.</p>
<p><b>Gulf of Mexico Region:</b> During FY 1993, the cost of physical oceanography studies in the GOM was \$1,294,509. This included ongoing studies on Texas-Louisiana shelf, eddy, and impinging shelf circulation and on Mississippi River plume dynamics.</p>	<p>In addition to the continuing studies, support for data buoys and a planning workshop for eastern GOM physical oceanography research is being planned. The estimated cost of continuing and new physical oceanography studies in the GOM for FY 1994 is approximately \$1.5 million.</p>	<p>The cost of continuing studies for physical oceanography in the GOM for FY 1995 is estimated to be \$2 million. A new study may be planned based upon the physical oceanography workshop to be held in FY 1994. Estimated cost of the new study is approximately \$1.5 million.</p>
<p><b>Pacific Region:</b> Based upon the results of a workshop held in FY 1990, MMS initiated a larger circulation dynamics study for the Southern California Bight Region. The FY 1993 cost of this study was \$500,000.</p>	<p>Continuing studies are estimated to cost approximately \$ 2.5 million. An additional \$100,000 will be needed to start a study to model the Southern California Bight circulation.</p>	<p>No new physical oceanography studies are planned for FY 1995. Continuing studies are estimated to cost approximately \$ 2.5 million.</p>
<p><b>Alaska Region:</b> Approximately \$500,000 was spent to study physical processes in the Gulf of Alaska and the Arctic Continental Shelf.</p>	<p>For FY 1994, \$400,000 is planned for updating circulation and oil-spill-trajectory information. An additional, \$1,000,000 is planned for studying the Chukchi and Beaufort Seas circulation.</p>	<p>No new physical oceanography studies are planned for FY 1995. Continuing studies are estimated to cost approximately \$ 1.4 million.</p>



FY 1993	FY 1994	FY 1995
<p><b>National:</b> An ocean drifters study for oil spill risk assessment required \$991,000 in FY 1993. Additional studies supported the development of oil following drifters and an experiment studying the near surface circulation and mixed layer flow.</p>	<p>To continue developing oil following drifters is expected to require about \$300,000 in FY 1994. Another \$50,000 is needed to support in-house ocean circulation modeling.</p>	<p>Support for continuing studies will require approximately \$300,000.</p>
<b>Fisheries</b>		
<p><b>Gulf of Mexico Region:</b> \$516,000 was used to fund the second year of the platform associated fisheries resources study. This study is designed to provide important information on the fish species and assemblages attracted to and resident around offshore gas and oil structures. No new studies were initiated for FY 1993.</p>	<p>No fisheries specific studies are planned for FY 1994.</p>	<p>No fisheries specific studies are planned for FY 1995.</p>
<p><b>Alaska Region:</b> A series of fisheries studies in Alaska were completed in FY 1993.</p>	<p>Fisheries studies in 1994 consist of collection of commercial fisheries harvest data for \$10,000.</p>	<p>No fisheries specific studies are planned for FY 1995. Some fisheries work may be conducted through the CMI effort.</p>
<b>Ecology/Biology</b>		
<p><b>Atlantic Region:</b> A benthic surveillance study was completed during FY 1993 by Virginia Institute of Marine Sciences. This effort was fully funded in FY 1992.</p>	<p>No ecology/biology studies are expected to be conducted during FY 1994.</p>	<p>If Mobil conducts exploration drilling at the Manteo site in FY 1995, then MMS plans to fund a study to observe and quantify benthic recovery in the vicinity of the Manteo drill site. The estimated FY 1995 cost of this study is \$500,000.</p>

FY 1993	FY 1994	FY 1995
<p>Gulf of Mexico Region: Support for the ongoing ecology monitoring study initiated in FY 1992 was \$191,000.</p>	<p>Continuation of the Gulf of Mexico Offshore Monitoring Experiment (GOOMEX) was transferred to the NBS along with the funds needed to complete the study. Another study (with funding) transferred to the NBS is the North-East Gulf Marine Ecosystem Study. This study examines the ecosystem off the Florida Panhandle where active leases exist.</p>	<p>The GOOMEX study is scheduled to be completed this year through the NBS. Phase II of this study may commence this year depending on the results of Phase I.</p>
<p>Pacific Region: Approximately \$1.7 million was spent in FY 1993 to support two studies: 1) \$1.4 million for continuation of the effects monitoring study, and 2) \$300,000 for a study of deepwater reef communities in the Southern California Bight area.</p>	<p>Long term monitoring assessment of OCS benthic communities will continue through the NBS.</p> <p>The need for progressive research and findings of possible irreversible natural resource damage due to catastrophic disturbances (such as oil spills), was the basis for forming an in-house study team, the MMS Intertidal Team (MINT). MINT collects data at sites established from the <i>Study of the Rocky Intertidal Communities of Central and Northern California</i>. This multi-year study determines recovery rates of intertidal communities where a catastrophe has occurred. The team monitors the disturbed communities until recovery is considered complete. Additionally, the team participates with UCSB to complete a shoreline inventory of Santa Barbara County and plans cooperative efforts in the future with other agencies. MINT operating costs for FY 1994 are estimated to be \$30,000 in addition to salary and benefits.</p>	<p>Long term monitoring assessment of OCS benthic communities will continue through the NBS. Additional studies to support ongoing operations are likely to be identified. Estimated cost is between \$2-\$3 million.</p> <p>MINT operating costs for FY 1995 are estimated to be \$30,000 in addition to salary and benefits.</p>

FY 1993	FY 1994	FY 1995
<b>Alaska Region:</b> No ecology/biology studies were conducted during FY 1993.	Several ecology/biology studies are being considered under the Alaska CMI (described above).	Several ecology/biology studies are being considered under the Alaska CMI (described above).
<b>National:</b> Approximately \$12,000 was spent on archiving and curating biological specimens collected through the Environmental Studies Program.	Archiving and curating of biological specimens collected through the Environmental Studies Program will continue through the NBS.	Archiving and curating of biological specimens collected through the Environmental Studies Program will continue through the NBS.
<b>Air Quality</b>		
<b>Gulf of Mexico Region:</b> Continuation of the Northwest GOM air quality study required funding of \$2 million. A new study was begun to measure atmospheric sulfur dioxide at Breton National Wildlife Refuge for \$60,000.	No new funding will be required in FY 1994 for ongoing studies.	Completion of the Northwest GOM air quality study will require funding of \$2 million.
<b>Information Management</b>		
<b>MMS:</b> In FY 1993 MMS spent approximately \$60,000 for management of environmental information including database development and update activities. The major project under this category is development of a computerized, online Environmental Studies Program Information System (ESPIS) for easy and rapid storage and retrieval of MMS environmental reports for MMS users and other constituencies such as States and other Federal agencies	MMS expects to spend approximately \$1.15 million for ESPIS development in 1994 and an additional \$80,000 for technical summaries.	MMS expects to spend approximately \$1.15 million for ESPIS development in 1995 and an additional \$40,000 for technical summaries.

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**PROGRAM DESCRIPTION**

The Environmental Studies Program (ESP) was established by the OCSLA to ensure that environmental, social, and economic information for evaluating the potential effects of the Nation's OCS Natural Gas and Oil Program was available to the public, States, other government agencies, and MMS decisionmakers. The ESP provides a means to collect and organize the large amount of environmental, social, and economic information needed to guide the numerous decisions on the Nation's offshore mineral resources. The information gained by the ESP is used by affected States, other Federal Agencies, the public, and MMS decisionmakers to evaluate the potential risks of offshore energy and hard mineral development.

Since 1973, the ESP has funded over \$550 million of research. More than 1,200 studies have contributed significantly to expanding the knowledge on marine environment and species in the Nation's coastal oceans. These studies in the physical, socioeconomic, and biological sciences have helped to develop an informed dialogue on the potential risks of offshore mineral development and mitigation factors to minimize the effects on the environment.

In FY 1993, the National Research Council completed an MMS-requested review of the ESP. The NRC pointed out many accomplishments of the program, but also offered recommendations to keep the program scientifically credible. MMS has been reorienting the ESP to meet the NRC recommendations.

Over the past few years, MMS has increased its use of cooperative agreements with State institutions and other Federal agencies. The NRC has encouraged MMS to continue its efforts for both of these types of agreements. One goal of these agreements is to have more research done by State researchers in those States most likely to be affected by activity. This will enhance the credibility of the research results with those parties most directly concerned with OCS development proposals. A second goal is to leverage funds with the States and other Agencies so that more research can be done than if MMS funded all the work itself. The ESP Program Overview table summarizes ESP activity. Following are highlights of ongoing cooperative efforts.

*Initiatives with Universities.* In FY 1988, MMS established a University Research Initiative (UI) program with the University of California-Santa Barbara and the Louisiana Universities Marine Consortium (LUMCON). These programs were purposely established in areas with ongoing OCS activity so that they could study actual effects, such as drilling discharges and socioeconomic impacts. MMS funded each university system \$500,000 each year, while the university contributed faculty and facilities costs.

In FY 1992, MMS inaugurated its Coastal Marine Institute (CMI) program with the State of Louisiana and the Louisiana State University (LSU). Subsequent to this, a CMI was established with the State of Alaska and the University of Alaska, Fairbanks in FY 1993. MMS now is working with the State of California to develop a CMI at the University of California, Santa Barbara, to study items of common interest. The CMI program is similar to the UI, but a major difference is the matching funds from the participating State. In FY 1992 and FY 1993 MMS and Louisiana both contributed \$2 million each year for research of mutual interest. This is planned to be continued at the same funding level for at least the next three years. Similarly, with the Alaska CMI both the State and MMS will each contribute up to \$1 million per year. The California CMI will initially be funded for FY 1994 by the State and MMS each contributing up to \$500,000. MMS has planned funding for subsequent years up to \$500,000 with matching funds from California.

*Cooperation with State Universities.* MMS has numerous studies ongoing with State research institutions. Not only do the State and MMS get the benefit of the research, but many university students participate. Major physical oceanography research is being conducted in the Gulf of Mexico by Texas A&M University (\$10.8 million over 5 years) and Louisiana State University (\$3.1 million over 5 years). Scripps Institute of

Oceanography is conducting physical oceanographic research in the Santa Barbara Channel area off California (\$8.2 million in two overlapping 5 year periods). Marine habitat research off North Carolina has been conducted, by the Virginia Institute of Marine Sciences. The University of Alaska is developing information defining the distribution and abundance of Arctic fisheries, and is working on other data management projects. University of Southwest Louisiana, the University of New Orleans, and the State of Alaska are conducting various socioeconomic studies. The studies in this section do not include joint funding.

**Cooperation with Other Federal Agencies.** MMS has actively sought out partners in OCS research with other federal agencies, both for their expertise and for joint funding of projects. Work has continued on a Department of Energy study of effluent discharges in the Gulf of Mexico (MMS contributed \$200,000 to become part of a \$4 million effort). MMS has several ongoing efforts with the National Marine Fisheries Service (NMFS), the Navy, and the U.S. Fish and Wildlife Service (FWS) on various marine mammals, turtles, fish, seabirds, and polar bear studies. In the Gulf of Mexico, MMS has worked with the Environmental Protection Agency on air quality studies and with the Navy on physical oceanographic modeling. MMS supports meteorological data buoys off the Pacific and Gulf of Mexico coasts through NOAA's National Data Buoy Center. The MMS supports both the Smithsonian Institution and the NMFS in archiving biological specimens. The most recent endeavor involves the new National Biological Survey (NBS). MMS has transferred \$4.5 million from its FY 1994 base funding to cover an equivalent amount of contractual work for OCS studies. Biological studies in support of MMS activities will in most instances be conducted through the NBS.

**Justification of Program Change**  
**Environmental Studies Program**  
*(Dollars in thousands)*

	1994 Enacted	1995 Request	Change*
\$	11,645	14,945	+3,300
FTE	—	—	—

\* Includes only programmatic changes, so numbers may not add.

Increasing the budget by \$3.3 million will restore the program to its FY 1993 level. The increase will enable MMS to fully fund the existing cost-sharing coastal marine institutes (CMI) with the States of Louisiana, Alaska, and California; complete ongoing studies without incurring termination costs; and allow for several important new studies. Specifically, this increase will allow the collection of information important to both MMS and affected States, including that related to: OCS social effects, physical oceanography, and long-term cumulative effects through continuing studies by the Louisiana State University CMI; similar OCS social effects through studies by the University of Alaska CMI; the physical oceanography of the gas prone area of the Northeastern Gulf of Mexico; and the effectiveness of OCS mitigation measures in Southern California. The CMI studies, in particular, help to strengthen the partnership with the States in developing consensus on the most important research issues and matters of science associated with the OCS program. The above studies are needed to maintain the increased production rates in Southern California, allow continued development and production in the Gulf of Mexico, and maintain the accompanying royalties to the U.S. Treasury.

**LEASING & ENVIRONMENT ASSESSMENT**  
**ENVIRONMENTAL ASSESSMENT**

Offshore Environmental Assessment activities support the Comprehensive OCS Leasing Program, the Regulatory Program, Resource Evaluation Program, Geologic & Geophysical Permits, and Leasing activities. The main objectives of Environmental Assessment are:

- To manage the Environmental Studies Program.
- To evaluate the potential environmental effects of proposed and permitted OCS activities.
- To support MMS and other agencies on environmental rulemakings affecting OCS activities.

## ENVIRONMENTAL ASSESSMENT OVERVIEW

FY 1993	FY 1994	FY 1995
<p>Draft EIS's: Three draft EIS's were in preparation in FY 1993 for proposed lease sales in the Gulf of Mexico and Alaska Regions.</p>	<p>Six draft EIS's will be in preparation in FY 1994 for proposed lease sales in the Gulf of Mexico and Alaska Regions. Work will begin on the draft EIS for the next 5-Year Comprehensive Program. In FY 1994 MMS will probably begin work on a draft Development and Production Plan EIS in the northeastern Gulf of Mexico.</p>	<p>Five draft EIS's will be in preparation in FY 1995 for proposed lease sales in the Gulf of Mexico and Alaska Regions. Work will continue on the draft EIS for the next 5-Year Comprehensive Program.</p>
<p>Final EIS's: One final EIS was prepared in FY 1993 for 2 proposed lease sales in the Gulf of Mexico.</p>	<p>Three final EIS's will be in preparation for proposed lease sales in the Gulf of Mexico and Alaska Regions.</p>	<p>Five final EIS's will be in preparation for proposed lease sales in the Gulf of Mexico and Alaska Regions. The Development and Production Plan EIS in the northeastern Gulf of Mexico will be completed.</p>
<p>Oil Spill Modeling and Analysis Prepared oil spill risk analyses for Gulf of Mexico Lease Sales 152 and 155. Also prepared the ocean circulation modeling for the Gulf of Alaska Sale 158.</p>	<p>Oil spill risk analyses will be performed to support Gulf of Mexico OCS Lease Sales 157 and 161 and Alaska OCS Lease Sales 158 and 144, and the Development and Production Plan EIS in the northeastern Gulf of Mexico.</p>	<p>Oil spill risk analyses will be performed to support Gulf of Mexico OCS Lease Sale 166 and Alaska OCS Lease Sales 153 and 159.</p>

FY 1993	FY 1994	FY 1995
<p><b>Interagency Coordination:</b> Continued cooperating agency agreement with EPA in the Gulf of Mexico Region for Lease Sales 147/150 and in the Alaska Region for Lease Sale 149.</p> <p>As required under the National Marine Sanctuaries Program Amendments Act of 1992, MMS began carrying out formal consultations with the Department of Commerce on activities affecting designated national marine sanctuaries.</p>	<p>Continue cooperating agency agreement with EPA in the Gulf of Mexico Region for Lease Sales 152 and 155, and in the Alaska Region for Lease Sales 149, 158, and 144.</p> <p>Continue endangered species consultations with Fish and Wildlife Service and National Marine Fisheries Service. Continue consultations with the Department of Commerce on activities potentially affecting designated national marine sanctuaries.</p>	<p>Continue cooperating agency agreement with EPA in the Gulf of Mexico Region for Lease Sales 157, 161, and 166, and in Alaska Region for Lease Sales 149, 158, and 144.</p> <p>Continue endangered species consultations with Fish and Wildlife Service and National Marine Fisheries Service. Continue consultations with the Department of Commerce on activities potentially affecting designated national marine sanctuaries.</p>
<p><b>Federal-State Coordination:</b> Continued same level of coordination with all States with the exception of Alaska. An increased level of coordination with State agencies and local governments in Alaska occurred to address proposed lease sales in Cook Inlet/Shelikof Strait, the Gulf of Alaska, and in the Beaufort and Chukchi Seas.</p>	<p>Continue same level of coordination with California and North Carolina state and local agencies. Increase level of coordination with Gulf Coast States and local agencies, especially regarding activity in the northeastern Gulf of Mexico. Increase level of coordination with State and local agencies in Alaska to address proposed lease sales in Cook Inlet, the Gulf of Alaska, and in the Beaufort and Chukchi Seas.</p>	<p>Continue same level of coordination with California and North Carolina state and local agencies. Continue increased coordination with State and local agencies in Alaska and Gulf of Mexico.</p>
<p><b>Public Consultation:</b> MMS held many scoping meetings, public hearings, information transfer meetings, workshops, and other public forums to receive public input for the preparation of lease sale EIS's or for the collection and dissemination of environmental information.</p>	<p>Continue current level in Pacific OCS Region in FY 1994. An increased level of effort will be required in FY 1994 for public consultation to address environmental issues of concern in the Gulf of Mexico and Alaska OCS Regions.</p>	<p>Continue same level in Pacific OCS Region in FY 1995. An increased level of effort will be required in FY 1995 for public consultation to address environmental issues of concern in the Gulf of Mexico and Alaska OCS Regions.</p>



FY 1993	FY 1994	FY 1995
<p>Environmental Assessments (EA)/Categorical Exclusion Reviews (CERs): Prepared EA's and CER's to assess whether environmental effects could occur from industry activity in the Gulf of Mexico, Pacific, and Alaska Regions.</p>	<p>EA's and CER's are expected to increase in FY 1994 due to the increase in platform removals in the Gulf of Mexico because of aging offshore structures.</p>	<p>EA's and CER's are expected to increase in FY 1995 due to the increase in platform removals in the Gulf of Mexico because of aging offshore structures.</p>
<p>Support for Regulations, Rulemaking, Environmental Legislation, and Major Decisions: Worked with other agencies in planning to regulate OCS activity connected with environmental laws, such as air and water quality, endangered species, and historic sites. Also provided NEPA reviews and technical support for MMS rulemakings governing hydrogen sulfide operations, oil spill response plans for offshore facilities, non-energy minerals mining, and archeological surveys. Continuing NEPA review for industry activities.</p> <p>Worked with EPA, NOAA, FWS, and USCG on various rulemaking and legislative proposals concerning air/water quality, coastal zone management, marine sanctuaries, endangered/threatened species, and oil pollution control/recovery.</p>	<p>Continuing environmental law compliance including NEPA for MMS regulations and issuance of industry permits. Continuing support required for revisions to MMS's air quality regulations for the Gulf of Mexico. Support will be needed for MMS's rulemakings governing oil spill response in State waters, prospecting for hard minerals, shutdown valves and cranes on platforms, and other requirements. Staff will continue working with other Federal agencies on their ongoing environmental rulemaking and major decision making activities that impact MMS missions.</p> <p>Initiate coordination with NOAA as the new sites for Marine Sanctuary status are identified.</p>	<p>Regulation support is expected to be at a similar pace as in FY 1993 and FY 1994. Staff will continue working with other Federal agencies and their ongoing environmental rulemaking and major decisionmaking activities that impact MMS missions.</p> <p>Continued coordination with NOAA as the new sites for Marine Sanctuary status are identified.</p>

## PROGRAM DESCRIPTION

## 1. Management of the Environmental Studies Program (ESP). \$2,312,000

- ESP management includes:
- Evaluating information needs.
- Designing and contracting for environmental studies.
- Overview of all ongoing studies contracts and reports.
- Making information available after studies are completed.
- Coordinating with State and other Federal agencies and academic institutions.
- General administrative support and coordination for the OCS Advisory Board's Scientific Committee.

Ongoing Workloads  
Workyears

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Evaluating Information Needs	8	7	7
Designing and Contracting for Environmental Studies	6.5	6.5	6
Management of Studies Contracts and Reports	13.5	13.5	13.5
Making ESP Information Available (ESP Reports)	7.5	7	7
Coordination with State, other Federal Agencies, and Academic Institutions	7	7.5	7.5
General ESP Administrative Support	11	11	11
Total	53.5	52.5	52

*Evaluating Information Needs.* Evaluation of the ESP information needs continues to be a top management priority. There continues to be a significant amount of time needed to identify information needs, evaluate and prioritize proposed studies, and develop credible and effective strategic plans. This effort is necessary because of: (1) the number of cost-benefit analyses and extended discussions on information priorities for MMS and (2) organizations outside of MMS, such as the National Academy of Science, the States, environmental groups, and Congress are identifying an increasing number of information needs to be considered by the ESP.

*Designing and Contracting for Environmental Studies.* This category includes all work needed by MMS staff scientists to conceptualize, design, and prepare statements-of-work for research contracts and to evaluate the

resulting proposals from Academia, contractors, and Federal and State agencies. With the decrease in the number of contracts, there has been an accompanying decrease in workload to design and contract studies.

**Management of Studies Contracts and Reports.** This category includes all work needed to monitor study progress, evaluate study effectiveness, and review study products. This includes providing oversight of ongoing environmental studies to assure that contract requirements are being met, proposed research is being effective in collecting the identified information, and the information being collected is of high quality and available in a timely manner.

Although the number of ESP studies under contract has decreased, the complexity of ongoing studies has minimized any decrease in workload.

**Making ESP Information Available.** Once environmental studies are completed, it is important that the information be made available to the States, Federal Agencies, research community, and decisionmakers. This work-load element entails cataloging information, developing synopses, developing an Environmental Studies Program Information System, responding to requests from interested parties, planning and conducting Information Transfer Meetings, and preparing briefing materials on studies for Bureau and Departmental managers.

Reports from the National Research Council and the OCS Policy and Scientific Committees have stressed the growing importance of making ESP information available in a timely and effective manner. Thus, additional effort has been expended since FY 1992 to develop an ESP Information System. The information system will make reports generated by the studies program available on-line to States, other Federal Agencies, and the public. This will help assure that the studies information is disseminated to interested parties in a quick and efficient manner. Much of the information collected by MMS is extremely valuable to other Federal and State agencies and timely distribution of the information is beneficial to these decisionmakers.

**Coordinating With State, Other Federal Agencies and Academic Institutions.** This task includes all coordinating efforts with other organizations that have mutual interests in environmental research in the marine, near-coastal, and coastal areas. Typically, these efforts are aimed at developing cooperative research efforts in areas of mutual scientific interest.

Although MMS has a long history of cooperative research programs with other scientific and academic programs, an increased effort has been needed in recent years to assure that the information needed by the States, Congress, and senior management to make informed decisions on the offshore natural gas and oil program is available. This has required additional workload on the part of MMS staff as well as development of new programs to identify and cultivate research initiatives with cooperative partners. However, the increased workload has produced an increased dividend. In 1995, it is estimated that MMS cooperative research efforts will generate approximately \$3-4 million in-kind support and matching funds for research of interest to MMS.

**General ESP Administrative Support.** This category includes coordination of the MMS Advisory Board's Scientific Committee; administration of the ESP; management of Environmental Studies staff; response to inquiries by Bureau and Departmental management, OMB, Congress, and the States; and budget and operating plan preparation.

In recent years, the work required to fulfill these responsibilities has increased greatly. There is an increasing competition between research initiatives needed for improving the information available to MMS for decisionmaking. This competition has required ESP staff and managers to increase the time needed for reaching management decisions about ESP research. In addition, there has been a significant increase in inquiries

(National Academy of Sciences, joint Federal/State working groups, discovery procedures connected with legal proceedings, etc.) on the ESP that has required additional time for response by ESP managers.

**2. Evaluation of Potential Environmental Effects of OCS Activities (both proposed industry activity and MMS lease sales). \$4,659,000**

This includes preparation and analysis for all MMS environmental impact statements and environmental assessments for:

- MMS Lease Sales;
- Industry Geologic and Geophysical Permits;
- Industry Exploration and Development and Production Plans;
- Industry platform removals;
- The review of oil spill contingency plans in State waters;
- oil spill analyses;
- Coordinating with other agencies and the public on proposed OCS activities;
- Monitoring industry activities (such as geological and geophysical exploration activities, exploration and development/production plans, pipelines, and rights-of-way) for compliance with MMS's and other environmental regulations;
- Developing improved assessment tools through the Technical Information Management System (TIMS) program.

Before a decision can be made on whether industry or MMS activity should proceed, the environmental effects of the proposed activity must be assessed and plans to mitigate these effects developed. MMS environmental staff reviews proposed plans and prepares the necessary National Environmental Policy Act documentation to assess the effects for the decisionmakers' consideration and participates actively in developing mitigation to limit any effects. This is for direct support of the Regulatory and Resource Evaluation Programs (approval of plans and permits).

Workloads associated with these reviews and assessments of industry activity primarily include environmental assessments and categorical exclusion reviews. MMS prepares EIS's to support OCS lease sales. MMS will also prepare an EIS if industry proposes development outside of the Western or Central Gulf of Mexico. Oil spill analyses are done for both lease sales and for various post lease activities such as exploration and development plans. Consultation with other Agencies and the public occur for all these activities.

**Ongoing Workloads**  
Number/FTE

	1993 Actual	1994 Estimate	1995 Estimate
Environmental Assessments	236/11.5	245/12.0	256/13.5
Categorical Exclusion Reviews	941/11.0	948/11.5	963/11.5
Draft EIS's	3/10	6/19	5/19
Final EIS's	1/15	3/13	5/11
Oil Spill Analysis	2/7	3/8	3/8
Inter-Agency Coordination	100/5	110/6	110/6
Federal-State Coordination	40/4	80/5	80/5
Public Consultation	40/3	80/4	80/4
Planning and Review	/12.5	/12.5	/10.5
TIMS Implementation	/4	/4	/4

**Environmental Assessments.** In FY 1993, 236 environmental assessments were prepared to assess industry activity in the Gulf of Mexico, Pacific and Alaska regions. The need for environmental assessments in FY 1994 and FY 1995 is expected to change only slightly. Also, an increase in the removal of aging offshore gas/oil platforms in the Gulf of Mexico is expected. EA's will be prepared and mitigation developed when platforms are removed with explosives that have the potential to harm marine turtles or marine mammals.

**Categorical Exclusion Reviews.** MMS prepares CER's to review industry activity that historically had little potential for significant environmental effects. This includes most exploration and development plans in the Gulf of Mexico and most G&G permit reviews. Such reviews streamline the MMS workload while still assessing whether environmental effects could occur. (If significant effects are even a possibility, an EA will be prepared in accordance with NEPA.) CER's are expected to increase in FY 1994 and FY 1995 for routine platform removals in the Gulf of Mexico, again due to the number of aging platforms.

**Draft EIS's.** In FY 1993, MMS had 3 draft EIS's in preparation for proposed lease sales in the Gulf of Mexico and Alaska Regions. MMS headquarters provided ongoing guidance, coordination, and technical review for these EIS's. Also included in this workload measure (and that for final EIS's) is coordination with the Department's Office of Environmental Policy and Compliance and the Solicitor's Office on reviewing and approving these NEPA documents. There is an increase in the workload for draft EIS preparation in FY 1994 and FY 1995 because more draft EIS's are planned to meet the Comprehensive Program lease sale schedule. Six draft EIS's will be in preparation in FY 1994 and 5 in FY 1995 for proposed lease sales in the Gulf of Mexico and Alaska Regions. Work will be initiated on the draft EIS for the next 5-Year Program in FY 1994 and this activity will continue into FY 1995. Also in FY 1994 MMS will probably begin preparation of a draft Development/Production Plan EIS for activity in the northeastern Gulf of Mexico. This will involve extensive coordination with Florida, Alabama, and other Federal agencies.

**Final EIS's.** In FY 1993, MMS prepared one final EIS for two lease sales in the Gulf of Mexico Region. Three final EIS's will be in preparation in FY 1994 and five in FY 1995 for proposed lease sales in the Gulf of

Mexico and Alaska Regions. The final Development/Production Plan EIS for the northeastern Gulf of Mexico will probably be completed in FY 1995.

**Oil Spill Analyses.** In FY 1993, MMS prepared oil spill risk analyses (OSRA), for Gulf of Mexico Lease Sales 152 and 155. MMS also prepared the ocean circulation modeling for the Gulf of Alaska sale 158 using inhouse staff. Previously, such work was contracted out at a cost of over \$1 million. The work followed the recommendations of the NRC reviews and will include a special review by an expert in ocean circulation (MMS's Modeling Review Board funded through the ESP). In FY 1994, oil spill risk analyses will be performed to support Gulf of Mexico OCS Lease Sales 157/161 and Alaska OCS Lease Sales 158 and 144. In FY 1995, oil spill risk analysis will be conducted to support Gulf of Mexico OCS Lease Sale 161 and Alaska OCS Lease Sales 153 and 159. An OSRA will begin in FY 1994 for the GOM DPP EIS. MMS does not plan to support the developing of more than one circulation model each year.

**Interagency Coordination.** In FY 1993, MMS held approximately 100 meetings with other federal agencies to coordinate work where activities and jurisdiction overlapped. An increased level of effort is anticipated for FY 1994 and FY 1995. In FY 1993 MMS and the Environmental Protection Agency (EPA) entered into an agreement whereby the two agencies cooperate in the preparation of EIS's for lease sales and water quality permits in the Gulf of Mexico. A similar agreement provides for the EPA to be a cooperating agency in the preparation of lease sale EIS's in the Alaska Region. Under the Clean Water Act, the EPA is now required to prepare a NEPA analysis (and usually an EIS) for OCS water quality permits. An increase in MMS workload for this effort is estimated for FY 1994 and FY 1995 due to increased coordination for lease sales in the Gulf of Mexico and Alaska Regions.

Pursuant to Section 7 of the Endangered Species Act, MMS conducts formal and informal consultations with the National Marine Fisheries Service and the U.S. Fish and Wildlife Service on leasing and regulatory actions deemed to affect an endangered or threatened species and/or its critical habitats. In FY 1993, 5 formal and numerous informal consultations were conducted for both leasing decisions and post lease regulatory actions in the Gulf of Mexico and Alaska Regions. Sales currently proposed will require slightly increased formal and informal leasing decision consultations. For FY 1994 and FY 1995, there will be an increase in the number of platform removals and related consultations in the Gulf of Mexico.

Beginning in FY 1993, as required under the National Marine Sanctuaries Program Amendments Act of 1992, MMS also carried out formal consultations with the Department of Commerce on activities affecting designated national marine sanctuaries. This could include any activity near the Flower Gardens NMS in the Gulf of Mexico, the Channel Islands NMS off California, and the U.S.S. Monitor NMS off North Carolina. Required consultations will add to the overall increases in this workload.

**Federal-State Coordination.** To understand issues of concern to the States, in FY 1993, MMS held approximately 40 meetings with state and local agencies in Alaska, California, North Carolina and several Gulf Coast states. Reports by the OCS Policy Committee and the National Research Council recommend that MMS consult more with the States, local governments, and the public. Thus an increased level of effort is anticipated for FY 1994 and FY 1995. An increased level of coordination with state agencies and local governments in Alaska is anticipated to address environmental issues concerning proposed lease sales in Cook Inlet/Shelikof Strait, the Gulf of Alaska, and the Beaufort and Chukchi Seas. Increased coordination in Florida and Alabama is expected for Development and Production Plan (DPP) EIS planning. Extensive consultation will continue in California, especially with the counties bordering the Santa Barbara Channel and Santa Maria basin. In FY 1993, MMS held approximately 40 scoping meetings, public hearings, information transfer meetings, workshops, or other public forums to receive public input for the preparation of lease sale EIS's, postlease assessments, and the collection and dissemination of environmental information. A greater level of effort will be required in FY 1994 and FY 1995 for public consultation purposes to address environmental issues.

**Planning And Review.** FY 1994 and FY 1995 annual reviews of the 1992-97 Comprehensive Program will be conducted in accordance with the OCSLA. Approximately 2 work-years will be required for each annual review. Development and implementation of procedures and guidance for carrying out the major decisions in the Area Evaluation and Decision Process occurred in FY 1993 and will continue in FY 1994. In FY 1992, as required by OCSLA Section 20(e), MMS began preparation of the second Cumulative Effects Report on OCS activities. This report will be completed and submitted to Congress in FY 1994. Also in FY 1994, environmental compliance reviews were conducted on industry activities in the Pacific region with several hundred special conditions applied to the operators monitored. Monitoring of bowhead whales was carried out in the Beaufort and Chukchi Seas. These review and monitoring activities are expected to continue in FY 1994 and FY 1995.

**TIMS Implementation.** In FY 1992, two inter-office teams were established to begin integration of biological and physical environmental data into the Technical Information Management System (TIMS). Another team was established to integrate the Environmental Studies Program Information System (ESPIS) into TIMS. In FY 1993, approximately 4 work-years were required for these three TIMS components. The workload will continue for these efforts in FY 1994 and FY 1995 in order to develop extensive environmental data sets in TIMS and to begin initial applications of the environmental components as part of the Gulf of Mexico pilot project. Special efforts will be made coordinating available information with NOAA, EPA, NBS, various State agencies, and others.

**3. Support of MMS and other Agencies on Environmental Rulemakings Affecting OCS Activities.**  
\$694,000

This includes:

- Support to MMS's Regulatory Program in developing regulations and supporting NEPA evaluations.
- Review of environmental laws and regulations prepared by other Federal Agencies.

The following are some of the major workloads associated with this element:

**Ongoing Workloads**  
*FTE*

	1993 Actual	1994 Estimate	1995 Estimate
Support for MMS Regulations	6	6	6
Review of Federal Environmental Legislation, Rulemaking, and Major Decisions	8	8	8

**Support for MMS Regulations.** The Environmental Assessment Program provides policy direction for OCS activities connected with environmental laws, such as air and water quality, endangered species, and historic sites. This entails reviews of MMS rulemaking and regulatory activities for compliance with the National Environmental Policy Act, and the delivery of technical assistance and environmental oversight for MMS

program activities required under the Nation's environmental laws such as the Endangered Species Act, the National Historic Preservation Act, the Clean Air Act, and the Clean Water Act. In FY 1993, the program assisted in the development of an MMS rules handbook and implementation manual for the OCS Civil/Criminal Penalties Program. In addition, NEPA reviews and technical support were provided for MMS rulemaking governing hydrogen sulfide operations, oil spill response plans for offshore facilities, non-energy minerals mining and archaeological surveys. MMS also prepared instructional materials for international training, examination of the naturally occurring radioactive materials (NORM) issue, air emission studies in GOM, co-sponsored CZ-93 International Conference and initiated an Air Quality Task Force to examine MMS air quality regulations.

In FYs 1994 and 1995, demand for technical support from ongoing MMS regulatory programs will be similar to FY 1993. A slight increase in this workload will occur in responding to issues concerning NORM on the OCS and MMS's involvement in the London Convention amendments regarding discharge of low-level radioactive materials into the ocean or seabed. Work will begin on revisions to MMS's air quality regulations for the Gulf of Mexico in line with the Clean Air Act Amendments. Support for environmental review and analyses will be needed for MMS rulemaking governing oil spill response in State waters, prospecting for hard minerals, shutdown valves and cranes on platforms and other requirements.

#### *Review of Federal Environmental Legislation, Rulemaking, and Major Decisions.*

The Environmental Assessment Program staff review and prepare technical comments and information in response to congressional legislative activities, significant proposed Federal rulemaking and decisions that affect and impact MMS programs and missions. Such reviews are needed to help other agencies in developing workable rules and programs for relevant OCS activities. In FY 1993, MMS worked with EPA, NOAA (NOS and NMFS), FWS, and USCG on various rulemaking and legislative proposals concerning air/water quality, coastal zone management, marine sanctuaries, endangered/threatened species, and oil pollution control/recovery. Specific examples include extensive work and coordination activities with: (1) EPA on its new source performance standard rules for ocean discharges and air quality rulemaking for offshore California and the rest of the OCS; (2) NOAA/NOS on several coastal zone management consistency appeals by the oil/gas industry; and (3) NOAA/NMFS and DOI/FWS on rules for incidental take of endangered/threatened species. As a part of the above activities, a substantial number of background/briefing papers designed to develop DOI policies were prepared for MMS and Departmental management on topics including air/water quality, coastal zone management consistency appeals, endangered & threatened species, and national marine sanctuaries. To facilitate preparation of these papers, considerable staff time was expended in coordinating and consulting with various MMS headquarters and regional offices, other Federal agencies, the industry and other relevant government and private entities. This also entails assembling background information, preparing issue papers, briefing DOI management, and coordination or consultation with MMS offices, other Federal agencies, State/local governments and environmental or industry groups. These activities will continue at a similar pace in FY 1994 and FY 1995.

In FY 1994, the Environmental Program staff are continuing to work with other Federal agencies on their ongoing environmental rulemaking and major decisionmaking activities that impact MMS missions. These ongoing rulemaking and decisionmaking activities include EPA's air quality rules and NPDES permits (general and specific areas), NOAA/NOS's coastal zone management rulemaking and consistency appeals, and NOAA/NMFS's and DOI/FWS's rulemaking for endangered and threatened species. The program staff will also be involved in reviews and other relevant activities for the expected reauthorization of the Endangered Species Act and the Marine Mammals Protection Act. As additional environmental legislation may be enacted in FY 1994, the demand for MMS staff involvement and support will increase correspondingly. In FY 1995, the level of activities will be similar to FY 1994.



**LEASING & ENVIRONMENTAL ASSESSMENT  
LEASING**

**OBJECTIVES**

- Develop and review 5-Year OCS Gas and Oil Programs
- Implement Area Evaluation and Decision Process for the current 5-Year Program (1992-1997)
- Develop/Undertake Policy Analyses/Initiatives related to the next 5-Year Program
- Conduct Alternative Dispute Resolution (ADR) to resolve conflicts and build consensus

The following discussion on the leasing activities is organized by 1) program planning and pre-lease (5-YEAR PLAN, AEDP, POSTSALE) and 2) post-lease workloads.

## LEASING OVERVIEW

FY 1993	FY 1994	FY 1995
<p>The OCS Lands Act, as amended, requires the Secretary to review an approved 5-year natural gas and oil program at least once each year. The 1993 Annual Review for the 1992-1997 5-year program has been completed by the MMS and forwarded to the Secretary for approval. The MMS recommends no changes to the program.</p> <p>Preliminary planning for the 1997-2002 5-year program commenced in FY 1993. This planning addressed timing scenarios, policy guidance on scope and objectives, special studies required, and possible use of risk analysis techniques.</p>	<p>Conducting preliminary planning steps in FY 1994. Section 18 steps will begin in July 1994 at the latest with the issuance of a <u>Federal Register</u> notice requesting comments on areas for leasing consideration for the 1997-2002 5-year program. After receiving comments, analysis and preparation of a new draft proposed program will begin late in FY 1994.</p>	<p>Draft and issue the draft proposed program and the proposed program for the 1997-2002 5-year program.</p>
<p>Developed, coordinated, and implemented the Area Evaluation and Decision Process (AEDP) for areas of leasing consideration in the current 5-year program.</p> <p>Implemented the AEDP for sales scheduled to occur in FY 1993, 1994, and 1995.</p>	<p>Implement the AEDP for sales scheduled to occur in FY 1994, 1995, and 1996.</p>	<p>Implement the AEDP for sales scheduled to occur in FY 1995, 1996, and 1997.</p> <p>Re-evaluate the AEDP for the 1997-2002 5-year program.</p>
<p>Assessed coastal impact assistance in light of impact on coastal States and localities and budget offset requirements.</p>	<p>Continue staff work on coastal impact assistance conflicts and options.</p>	<p>Analyze specific impact assistance options.</p>

FY 1993	FY 1994	FY 1995
<p>In October 1992, an additional 13 lawsuits (similar to Conoco's against the U.S. for breach of contract and the taking of its interests) were filed by various companies in regard to leases off Florida, North Carolina, and Alaska. DOI closely worked with Justice (DOJ) to provide substantial documentation regarding the lawsuits.</p>	<p>Continue to provide staff support related to buyback legislation assuming lawsuit is not settled.</p> <p>Intense discovery continues to be conducted by both parties and is scheduled to end mid-February 1994. Discovery has consisted of written interrogatories, requests for production of documents, and depositions of individuals.</p>	<p>Continue to provide staff support related to buyback legislation assuming lawsuit is not settled.</p>

## PROGRAM DESCRIPTION

## 4. Five-Year Plan. \$380,000

The 5-Year Program has been tailored to fit the different characteristics of the Nation's coastal regions and to respond to the views expressed by States, local governments, and the public. In 1994 and 1995, work will proceed on preliminary planning and analysis for development of the next 5-Year Program.

Key-Steps Five-Year Program Development Process

	1993 Actual	1994 Estimate	1995 Estimate
Solicit [Comments Section 18 (c)(1)] from public via FR notice		X	
Comment Period		X	
Analysis & Preparation of the Draft Proposed Program			
Issue Draft Proposed Program [Section 18(c)(2)]			X
Comment Period			X
Analysis & Preparation of the Proposed Program			X
Issue Proposed Program [Section 18(c)(3) and (d)(2)] and Final EIS			X
Comment Period			
Analysis & Preparation of the Proposed Final Program			
Issue Proposed Final Program [Section 18(d)(2)] and Final EIS			
Notification of President/Congress			
Approve Program			

*Not all steps will happen during 1993-1995*

Preliminary planning (prior to section 18 steps), which began in early FY 1993, will continue throughout FY 1994. (See Leasing Overview chart for FY 1993, FY 1994, and FY 1995).

Working groups consisting of key staff and managers in the Offshore program addressed issues for analysis, workload planning, milestone schedules, and any changes in program requirements in early FY 1994. Assuming a Federal Register notice requesting comments on areas for leasing consideration for a new Program (1997-2002) will be issued in mid-1994, successive program steps, as required by section 18 of the Outer Continental Shelf Lands Act, would then follow. The draft proposed program and proposed program for 1997-2002 would be issued in FY 1995.

Additional responsibilities of staff include policy analysis in the form of developing issue papers, responding to congressional inquiries, and preparing testimony on major program issues such as: maximizing development of domestic natural gas, alternative leasing policies, OCS moratoria, National Energy Strategy implications, lease buybacks, impact assistance, and OCS legislative subcommittee-related issues. For 5-year OCS program-related policy issues, one of the key responsibilities of the leasing staff is development and evaluation of issues (like above) that relate to offshore-wide policies.

**5. The Area Evaluation and Decision Process. \$1,545,000**

The Lease Sale Process includes extensive consultation with States, coastal communities and other concerned parties to develop leasing proposals through the recently approved Area Evaluation and Decision Process (AEDP). During Fiscal 1995, major AEDP activities shall continue to include:

- Implementation of the AEDP for the current 5-Year Program (1992-1997).
- Development, coordination and implementation of policy guidance for AEDP.

In the next few years, a great majority of the leasing workload will be determined by the timing of the proposed lease sales as follows:

**Proposed Lease Sales Schedule**

Sale #, Area	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997
142 - Central Gulf of Mexico	X				
143 - Western Gulf of Mexico	X				
147 - Central Gulf of Mexico		X			
150 - Western Gulf of Mexico		X			
149 - Cook Inlet,			X		
152 - Central Gulf of Mexico			X		
155 - Western Gulf of Mexico			X		
158 - Gulf of Alaska/Yakutat			X		
*151 - East. Gulf of Mexico, No 25°				X	
144 - Beaufort Sea				X	
157 - Central Gulf of Mexico				X	
148 - Chukchi Sea				X	
161 - Western Gulf of Mexico				X	
*164 - Mid/South Atlantic					X
153 - St. George Basin					X
166 - Central Gulf of Mexico					X
159 - Hope Basin				X	

\* FY 1994 Department of Interior Appropriations (H.R. 5503) prohibits prelease activities for these Sales.

Note: The amount and timing of the receipts from these sales is discussed later in the Receipts section.

The following chart illustrates the workload associated with these elements:

**Area Evaluation and Decision Process  
Base Workloads  
Number**

AEDP Lease Sale Process	FY 1993 Actual	FY 1994 Estimate	FY 1995 Base Estimate
Information Base Review	GOM 1; AK 1	GOM 1	GOM 1
Call-Information/Nominations & Notice of Intent to Prepare an EIS*	GOM 1	GOM 1; AK 1	GOM 1
Proposed Action & Alternatives Memorandum	GOM 1	GOM 1; AK 4	GOM 1
Area Identification	GOM 1	GOM 1; AK 4	GOM 1
Proposed Notice	GOM 2	GOM 2; AK 1	GOM 2; AK 3
Section 19 Letters	GOM 4	GOM 6; AK 1	GOM 6; AK 1
Consistency Determination	GOM 4	GOM 4	GOM 4; AK 2
Balancing Letters	GOM 6	GOM 6	GOM 6
Final Notice of Sale	GOM 2	GOM 2	GOM 2
Lease Sale	GOM 2	GOM 2	GOM 2

\* Environmental Impact Statement

Following is a brief description of the Area Evaluation and Decision Process (AEDP):

**Information Base Review (IBR).** The AEDP begins with an early MMS assessment of the information to be used in developing decisions on leasing. Prior to FY 1992, a Request for Interest and Comments (RFIC) was used in Sales considered as "Frontier Sales". Starting in FY 1993, the RFIC is no longer a required independent step. Its use, now discretionary as part of the IBR, includes publication in the Federal Register with a 30-day comment period.

**Call for Information and Nominations and Notice of Intent (Call/NOI) to Prepare an Environmental Impact Statement (EIS).** The Call/NOI is the next step. It is prepared if, as a result of the IBR, a decision is made to proceed with the leasing process. The Call/NOI invites interested bidders to nominate areas for leasing within a large planning area. It also asks all interested parties to submit written comments on any issues of concern.

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The Call/NOI is published in the Federal Register with a 45-day comment period. The EIS is also discussed under Environmental Support.

**Proposed Action and Alternatives Memorandum (PAAM) and Area Identification.** A PAAM is prepared for the decision on the Area Identification. The PAAM is a new milestone developed as part of the AEDP. It replaces the former Secretarial Issue Document. If a decision is made to proceed with the proposed action, an Area Identification (AI) is made and announced through a Press Release, along with an announcement regarding the scope of the draft EIS. The EIS is required by the National Environmental Policy Act of 1969.

**Proposed Notice of Sale.** In preparing the draft EIS, MMS considers all the information gathered at both the IBR and the Call/NOI steps. The MMS files the draft EIS with the Environmental Protection Agency (EPA). MMS tells the public that the draft EIS is available for review through a Notice of Availability (NOA) published in the Federal Register. Through a separate NOA, the MMS tells the public that the proposed Notice of Sale is also available for review. The proposed Notice includes information to the public on the size, timing, and terms and conditions of the leases.

**Section 19 Letters.** Under requirements of Section 19 of the OCSLA, Governors of the affected States are sent copies of the proposed Notice for their review and recommendations regarding the size, timing, and/or location of a proposed lease sale. This step is known as the Section 19 Letters step.

**Public Hearings.** Public Hearings are held during the 90-day comment period following publication of the NOA of the draft EIS and the proposed Notice, allowing interested parties to discuss issues of concern. In addition to the Public Hearings, MMS may schedule other meetings or workshops.

**Final EIS and Consistency Determination (CD).** After receipt and analysis of comments on the draft EIS and the proposed Notice, (and consideration of reviews required by other environmental laws such as the Endangered Species Act) MMS decides whether to start preparation of a final EIS and a CD. The CD is required by the Coastal Zone Act Reauthorization Amendments of 1990. The CD's are sent to the appropriate State agencies to agree/disagree within 45-60 days of their receipt as to whether the proposed sale is consistent with the State's Coastal Zone Management Plan.

**Balancing Letters.** When the Secretary decides on the terms and conditions of the lease sale, taking into consideration comments of affected States, the Governors are informed in writing whether their recommendations were accepted or rejected.

**Final Notice of Sale.** A minimum of thirty days before a Sale is held, a final Notice of Sale is published in the Federal Register. The Notice includes the date, time, and location of the bid opening, the blocks offered, and the terms and conditions of the sale.

**Sale.** Sales of Federal offshore leases are conducted under competitive sealed bidding procedures. Bids submitted for a specific lease sale are opened and read in public. MMS adjudicates each apparent high bid to ensure that it complies with the submitting company's legal authorizations which are on file, and for compliance with various regulations and legal notices. Upon verification, the highest valid bid for each block is evaluated to determine if it meets or exceeds bid adequacy criteria.

A bid specific data base is developed which details each bid submitted, companies participating individually and as joint ventures, percentages of interest by company by bid, bids by lease term and royalty rate, etc. Several post-sale data reports are generated and communicated on sale day to both the Department of Justice and the Federal Trade Commission for anti-trust review purposes. Clearance from both agencies is required before leases can be issued.

Bid adequacy is determined in two phases. Phase one has a three-day time limit. Bids not meeting phase one criteria are technically and economically reviewed in detail during phase two which, by regulation, must be completed within 90 days of sale.

#### Conflict Management

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

Conflict Management will be a priority consideration in the implementation of the AEDP for all sales in the current program. In addition, in developing the 1997-2002 5-Year Program, MMS intends to initiate conflict resolution efforts with affected constituencies in potential OCS areas of leasing consideration. In addition, MMS will attempt to resolve the status of existing leases off North Carolina and Florida before addressing the issue of leasing consideration for these areas in future OCS programs.

#### **6. Post-Lease Adjudication Process. \$942,000**

Once leases are issued, records relating to assignment of record title interest, operating rights, mortgages, and production status must be maintained. Lease record maintenance continues for the life of the lease. Leases issued during the late 1940s and early 1950s are still in a producing status. As of January 1994, the Gulf of Mexico (GOM) Region had 5,202 active leases to maintain. As the major oil companies slow their domestic operations and/or shift operations overseas, an increasing number of federal oil and gas leases are being assigned to smaller independent stateside operators. This industry transition has resulted in an ever-increasing adjudicative workload.

During the process of assignment review, it may be determined that a supplemental bond is an MMS prerequisite to assignment approval. Such a requirement is necessary in those cases where a lease has existing oil and gas facilities, and none of the post-assignment record title holders has been deemed supplemental bond exempt by MMS. This supplemental bond process typically includes the following steps. An initial determination must be made regarding supplemental bond eligibility for the particular assignment. Coordination between Field Operations (FO) and Leasing and Environmental Assessment (LE) is instituted for the purpose of determining the exact supplemental bond requirement, if any. Official notification of the requirement is made to the operator. Discussions between the operator/lessee representative and MMS regarding the supplemental bond requirement are conducted. MMS review of requested changes in the requirement by the operator/lessee representative are considered by LE, FO and Production and Development. Final MMS notification of the requirement is provided to the operator. In the event of supplemental bond compliance, LE coordinates with the Federal Reserve Bank, and upon sufficient proof of compliance, the assignment is eligible for approval from a supplemental bond standpoint. In the case of final absence of supplemental bond compliance, the assignment is returned to the submitter unapproved. The entire process may take 4 weeks to a year, depending on compliance complications. As of December 1993, there were 42 supplemental bonds on file with MMS with a value of \$56 million. In addition, there are pending MMS requests for 25 supplemental bonds with a value of \$34 million.



**Ongoing Workloads**  
*Number*

	1993 Actual	1994 Estimate	1995 Estimate
Active Leases	5,887	5,985	5,943
Assignments	2,553	2,225	2,450
New Companies Qualifying	105	87	94
Qualification Updates	945	795	795
Lease/Pipeline Relinquishments	572	490	452
Lease/Pipeline Terminations/Expirations	485	508	550
Surety Bonds	215	419	479
Supplemental Bonds	9	15	20
Lease Mortgage	3,356	5,206	5,000
Customer Calls for Information	10,963	10,550	11,000
Customer Visits	2,502	2,356	2,500

**Active Lease.** Any lease that is within the primary term it was issued for or a lease that has drilling or production activity. Many of the leases issued 5 years ago are nearing the end of their primary term.

**Assignment.** Transfer of specified interest or title of an active lease from one owner to another. There was a decrease in the number of assignments between FY 1992 and FY 1993. Although FY 1993 and FY 1994 show decreasing activity, this may not continue as MMS is seeing more companies involved in each lease as partners.

**New Company Qualifying.** The necessary documentation to substantiate a company is in compliance with 30 CFR 256.35 and authorized to hold leases.

**Qualifications Update.** Changes to the initial company information submitted at time of qualification, such as individual signing authority, changes of company name, merger of one company into another with the surviving company as holder of all lease interest.

**Lease Relinquishment.** A statement filed by an active leaseholder giving up all rights, title, and interest in the lease.

**Lease Termination/Expiration.** A lease that fails to meet or maintain required activity is terminated by the MMS. An active lease within its primary term which has never had any activity expires at the end of the primary term.

**Surety Bonds.** 30 CFR 256.58(a) requires lessees to furnish lease specific \$50,000 surety bonds conditioned on compliance with all the terms and conditions of the lease. Lessees have the option to furnish, in lieu of separate lease bonds, a \$300,000 corporate surety bond conditioned on compliance with all terms and conditions of all oil and gas and sulphur leases held by the company. Holders of any pipeline rights-of-way are required to furnish a separate \$300,000 corporate surety. Some small companies opt to meet this requirement by pledging U.S. Treasury Notes as security.

**Supplemental/Additional Bonds.** 30 CFR 256.61(a) allows the Regional Director the authority to impose additional bonding. Lessees have the option of furnishing \$1 and \$3 million surety bonds conditioned upon compliance with all the terms and conditions of leases held by the lessee on the OCS for the area in which the lease is situated. 30 CFR 256.61(d) authorized the MMS to require additional security for liabilities associated with a specific lease. Large companies are transferring these leases (with major production facilities) to small firms with limited financial assets. These facilities representing millions of dollars of abandonment and cleanup costs has resulted in MMS requiring additional security to ensure the lease is properly closed out even in the event the company files bankruptcy. Some small companies opt to meet this requirement by pledging U.S. Treasury Notes as security.

**Lease Mortgage.** Financial documents indicating the placement of or release from loans secured by the borrower's interest in the lease. The increase in the filing of lease mortgages may be due to several reasons:

- filing with MMS is becoming more of an accepted practice with industry even though it is not required;
- parish filing fees are extremely high in some parishes, and industry may be saving significant dollars by filing with MMS only; and
- industry is finding the MMS filings a handy coordinated reference source, eliminating the need to visit several parishes when doing title searches.

**Customer Calls.** Phone calls received in the office requesting information or assistance. There is an expected increase in customer calls during FY 1993 and FY 1994 for several reasons: a newly-installed assignment tracking computer system allows quicker handling of customer questions; and high turnover of industry people has resulted in a loss of knowledgeable/experienced industry representatives.

**Customer Visit.** Industry representative walking into the office for information or assistance. Customer may require information in several different functional areas such as: the official record title lineage of a lease; company qualification information as to who in a company is authorized specific authorities; who owns/operates specific leases; what operating rights have been assigned to whom, etc. A decrease in the number of visitors is expected in FY 1994 when the proposed computer dial-in capability comes on line. This will enable a person to dial in and view various fields of information, thus eliminating the need for a visit.

#### **7. Program Management and Support. \$603,000**

Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Resource and Environmental Management, Regional Directors, and the Office of Management Support. Nationwide editorial, document distribution, and budgetary support are provided within the Office of Management Support. Support staff within each Region provide Regional cartographic, editorial, budgetary, and other program support.

## 8. Other Activities. \$836,000

## Leasing Area Maps and Diagrams

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Protraction Diagrams	15	50	15
Official Block Diagrams	617	2100	770
Special Block Diagrams	0	550	150
Data Base Development	3 FTE	4 FTE	4 FTE
A-16 Coordination	1 FTE	1 FTE	1 FTE

The Outer Continental Shelf (OCS) must be timely and accurately defined to assure that only Federal lands are offered for lease by the Federal Government. The definition of this coordinate infrastructure, commonly referred to as the Offshore Cadastre, has been updated to reflect the Agency's efforts to implement the North American Datum of 1983 (NAD 83). The conversion to NAD 83 is mandated for all Federal agencies. The official MMS NAD 83 Implementation Plan was approved by the Director, MMS, on April 23, 1991, and was published in the Federal Register on May 1, 1991. The MMS NAD 83 Project Plan was developed and implemented on May 3, 1993. In addition, official offshore coordinate data have been requested and are being developed, for areas not currently offered for lease, in order to comply with new regulatory and statutory requirements such as the Oil Pollution Act of 1990 and requests from the Department of State to develop the fullest extent of U.S. jurisdiction in the Mid-Atlantic. These new requirements will require less than 1 FTE (1,500 hours) in FY 1995.

The NAD 83 effort will require the MMS to redefine approximately 500 existing Official Protraction Diagrams (OPD's) and Leasing Maps (LM's) and 15,500 existing Supplemental Official OCS Block Diagrams (SOBD's) on the new datum. The mapping effort associated with the implementation of NAD 83 will require approximately 20 FTE over a 19-year period. An estimated 1 FTE will be expended in FY 1995 along with \$20,000, pending availability of funds, to fund the Memorandum of Understanding (MOU) with the USGS. The human effort associated with redefining the existing SOBD's has been incorporated into the estimate contained in the following paragraph. The NAD 83 process will ultimately eliminate all existing NAD 27 cadastre output products, i.e. maps and diagrams, and redefine them on the metric Universal Transverse Mercator (UTM) system. In addition, a number of new official output products will be required in order to define existing NAD 27 leases on the NAD 83 datum and to depict ambulatory leasing boundaries, the limit of Exclusive Economic Zone (EEZ), and international maritime boundaries. These new requirements and complete SOBD coverage of all relevant areas may generate as many as 200,000 diagrams.

The implementation of NAD 83 is being facilitated by the development of an offshore digital coordinate database. This effort has been incorporated into the developmental requirements of the Technical Information Management System (TIMS) Project and is commonly referred to as the Block and Boundary component. Block and Boundary will ultimately define, by geographic coordinates, the extent of the entire OCS. The initial development and population of Block and Boundary with all historic and current offshore coordinate and area information will require a significant commitment of approximately 21,000 hours of human effort, 2 FTE occurring in FY 1995. In addition, this process will incorporate and comply with the National Oceanic and

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Atmospheric Administration's June 14, 1989, Federal Register Notice (54 FR 25318) to implement the new datum, NAD 83, and Executive Order 12770 of July 25, 1991, Metric Usage in Federal Government Programs, and with the Office of Management and Budget (OMB) Circular A-16 process for the coordination, development, and dissemination of surveying, mapping, and related spatial data activities.

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

The MMS continues to take an active role in the Office of Management and Budget (OMB) Circular A-16 process for the coordination, development, and dissemination of surveying, mapping, and related spatial data activities. The MMS has appointed appropriate key personnel to the Federal Geographic Data Committee (FGDC) and the Interior Geographic Data Committee (IGDC) and to various related subcommittees and working groups. This commitment of human resources will require approximately 1/2 FTE annually. In addition, the MMS is in the fourth year of a ten year Memorandum of Understanding (MOU) with the United States Geological Survey (USGS) for services to supply NAD 83 shorelines and grids for OPD development associated with sale requirements as defined within the current Comprehensive Program 1992-1997. The MMS also maintains a five (5) year Memorandum of Understanding with the NOAA's National Ocean Service to provide services, including personnel, tidal information, and analysis associated with the development of offshore boundaries.

#### OCS Advisory Board Coordination

The OCS Advisory Board was established in 1975 to provide advice to the Secretary and other officers of the DOI in performing discretionary functions of the OCS Lands Act (OCSLA). The OCSLA requires that Interior consult with affected States and other interested parties on all aspects of leasing, exploration, development, and protection of the resources of the OCS. This requirement is partially fulfilled through the activities of the OCS Advisory Board which is comprised of:

- a policy committee;
- a Gulf of Mexico Offshore Advisory Committee (GOMOAC); and
- a scientific committee.

The members are appointed by the Secretary and provide advice to officials within the Department of the Interior. The membership is balanced as required by the Federal Advisory Committee Act (FACA) to ensure that all interested constituencies, including the coastal States, are adequately represented. The Advisory Board committees convene several times a year and have distinct purposes as explained in their charters. The Advisory Board committees frequently appoint subcommittees for in-depth issue analyses, and findings are reported back to the standing committees.

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

**Base Workloads**  
*Number*

	1993 Actual	1994 Estimate	1995 Estimate	Change from 1994
Policy Committee Meetings	1	2	2	0
Regional Technical Working Group (RTWG) Meetings	1	0	0	0
Gulf of Mexico Offshore Advisory Committee (GOMOAC) Meetings	0	2	2	0
Scientific Committee Meetings	2	3	3	0
Subcommittee Meetings	4	3	5	2

The Policy Committee advises the Secretary on the national policy implications of managing the OCS resources. The six Regional Technical Working Groups (RTWG's) were terminated in FY 1994 in an effort to streamline the advisory committee program. The GOMOAC is a new committee established in FY 1994 designed to advise the Regional Director, Gulf of Mexico (GOM) Region, on all aspects of OCS development and replaces the GOM RTWG. The Scientific Committee advises MMS on the feasibility, appropriateness, and scientific value of the Environmental Studies Program. It reviews the relevance of data being produced by the program and recommends changes in its scope, direction, and emphasis.

*Justification of Program Change*  
**Leasing and Environmental Assessment**  
*(Dollars in thousands)*

	1994 Enacted	1995 Request	Change*
\$	15,258	14,271	-680
FTE	227	211	-13

\* Includes only programmatic changes, so numbers may not add

The Outer Continental Shelf (OCS) Lands Program began downsizing in FY 1992 to be consistent with the smaller, more focused 5-Year Comprehensive Program for FY 1992-FY 1997. During fiscal years 1992 and 1993, the Program reduced FTE significantly in selected geographic areas (Atlantic, Pacific, and Alaska Regions) and program areas (Leasing and Resource Evaluation). These areas had fewer planned activities in the 5-Year Comprehensive Program. However, MMS requested increased FTE in the Gulf of Mexico Region and the inspection program to meet workload requirements. These changes resulted in a net loss of over 90 FTE to OCS Lands Program.

In its FY 1994 budget request, the MMS proposed staffing reductions in the OCS Program in response to Executive Order 12839, "Reduction of 100,000 Federal Positions". Subsequent program reprioritization, National Performance Review, and Presidential Memorandum, "Streamlining the Bureaucracy" guidance have

resulted in expected reductions for FY 1994 and 1995 of over 110 FTE in the OCS Lands Program. To implement these reductions, the MMS is:

- closing its Atlantic Regional Office,
- eliminating all leasing and pre-leasing environmental activities in the Pacific Regional Office, and
- significantly reducing the Alaska Regional Office and OCS Headquarters activities.

Reductions resulting from streamlining initiatives in support of the National Performance Review objectives will occur throughout the Offshore organization.

In the Leasing and Environmental Assessment Program element, a decrease of \$680,000 and 13 FTE is proposed for FY 1995. These 13 FTE reductions will be focused in the Alaska Region and in Headquarters elements. Reductions in Alaska will be commensurate with current and projected future activity levels. Reductions in Headquarters will eliminate certain review and oversight functions.

## Resource Evaluation Program

Justification of Program and Performance  
 Analysis by Subactivity  
 (Dollars in thousands)

		1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Changes from 1994
Resource Evaluation Program	\$ FTE	19,407 238	-318 -3	-2,274 -22	16,815 213	-2,592 -25

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

The main objectives of the Resource Evaluation program are:

- To obtain and analyze geological and geophysical (G&G) data and information, produce areawide resource potential maps, and produce tract-specific and prospect-specific analyses for environmental and economic evaluations.
- Undertake resource and reserves studies to determine: (1) whether geologic conditions for energy or non-energy minerals exist, (2) where potential concentrations of resources and reserves are located, (3) the size of the accumulations and the likely amount of resources those accumulations may contain, and (4) the economic value of the resources and reserves.
- To advise Department and Bureau management on matters related to the OCS leasing programs and issues from a petroleum geology and resource economic perspective.
- Collect economic data/conduct studies necessary to support the development of a comprehensive leasing program and issues related to the present program, and ensure that the public obtains fair market value from individual lease sales.
- Publish/make available to the public and academic and private industry information pertinent to the mineral potential of the OCS.

## RESOURCE EVALUATION PROGRAM OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Regulation of Data Collection</b>		
<p>Revisions of 30 CFR 251 were drafted to incorporate changes in notification procedures for data collection classified as scientific research. Concurrently, the prospecting regulations for hard minerals set forth at 30 CFR 280 were being revised to be consistent with the modified 30 CFR 251 provisions.</p>	<p>The proposed revisions to 30 CFR 251 and 30 CFR 280 forwarded for Departmental review.</p>	<p>Proposed revisions to 30 CFR 251 and 30 CFR 280 scheduled to be published in <i>Federal Register</i> for comment.</p>
<b>G&amp;G Data Acquisition and Analysis</b>		
<p>Approximately \$1.5 million in geophysical data was acquired in support of RE program activities. Of this amount 74 percent was in GOM and 24 percent was in Alaska.</p> <p>Workstations and software installed in GOM and initial purchases of 3-D data and digital 2-D data completed.</p>	<p>Data acquisitions continue to be focused in GOM and Alaska consisting primarily of 3-D and digital 2-D data. GOM will initiate major effort requiring 1-3 years to integrate historic geophysical and geological data interpretation (maps) into ADP data base (TIMS). Minor amounts of data conversion to be initiated.</p>	<p>Data acquisitions continue to be focused in GOM, which continues integration of historic geophysical and geological data interpretations into TIMS database.</p>
<b>Resource Assessment</b>		
<p>Geologic studies of all Regions undertaken to identify/redefine potential natural gas and oil plays (prospective areas). Cooperative workshops with USGS and industry initiated. Prospective portions of sale areas refined for sale alternative proposals in GOM and Alaska.</p>	<p>Studies of prospective natural gas and oil plays finalized and geologic parameters necessary for resource estimation function developed. "Peer review" workshop scheduled for industry, USGS, academia, and State reviewers. (This work is basis for 1997-2002 OCS leasing considerations.)</p>	<p>FY 1994 work continues with final assessments delayed until after FY 1995</p>



FY 1993	FY 1994	FY 1995
<b>Resource Estimation</b>		
<p>Resource estimation methodology revisions initiated based upon National Academy of Sciences recommendations. Computer models being developed in-house based upon Canadian Geological Survey modeling techniques. Resource estimates developed for FY 1994 and FY 1995 GOM and Alaska sale decisions, and numerous policy and regulatory decisions. Biennial report to Congress on OCS undiscovered natural gas and oil resources and known reserves completed.</p>	<p>Internal revisions to estimation methodologies and computer models completed. Regional personnel trained in theory and use of model. Field testing undertaken in all Regions. Resource estimates developed for FY 1995 and FY 1996 GOM and Alaska sale decisions and other policy and regulatory decisions.</p>	<p>Revised preliminary estimates of undiscovered natural gas and oil resources developed for some OCS areas in conjunction with MMS/USGS National Assessment project, which updates 1987 national estimates. Final estimates delayed until after FY 1995 due to staffing reductions. These estimates will serve as basis for MMS/Departmental/ Congressional OCS natural gas and oil related decisions for balance of decade. Estimates of some area-specific resources will be prepared in support of regional/national issues.</p>
<b>Resource Economic Studies</b>		
<p>Conducted special studies addressing: lease buybacks in environmentally sensitive areas; royalty rate reduction requests; alternative leasing strategies; and legislative and policy proposals.</p> <p>In May 1992, Conoco Inc. filed suit against the U.S. for breach of contract and/or the taking of its interests in regard to 149 leases in North Alaskan Basin, Eastern GOM, and off North Carolina. In October 1992, an additional 13 lawsuits (joined to Conoco's) were filed by various companies in regard to leases in the same areas. DOI worked closely with Justice (DOJ) to provide substantial documentation regarding the lawsuit. Information, especially estimates of resources and their value, have been requested periodically as the lawsuit continues.</p>	<p>Conducted special studies on lease buybacks, royalty rate reductions, incentives for production of marginal fields, especially deep water, lease abandonments and reassignments, platform removal, fair market value procedures and modeling, new lease terms and conditions, regulatory changes in bidding systems, receipt and production projections, and initial studies for 1997-2002 Comprehensive Program.</p> <p>With staff support, DOJ is actively defending the lawsuit and filed various motions, discovery documents/requests and responses to interrogatories and participated in the taking of depositions.</p>	<p>Special studies will be scaled back reflecting reduced FTE in HQ. Focus of remaining studies on leasing and production incentives. Studies for 5-year Comprehensive Program will be initiated.</p> <p>Continue to provide staff support especially geologic, engineering, and economic expertise begun in FY 1992 related to buyback legislation and the lawsuit assuming the latter is not settled.</p>

FY 1993	FY 1994	FY 1995
<b>Tract Evaluation</b>		
<p>Conducted tract evaluations on 358 tracts receiving bids in two GOM sales. Over 60 percent of the high bids were analyzed in Phase 2 of the bid adequacy procedures. More than \$126 million in high bids were accepted and \$6 million in high bids were rejected as being below fair market value.</p>	<p>Tract evaluations will be conducted on the tracts receiving bids in the two GOM sales scheduled this year. In addition, a review of RE's tract evaluation procedures will be performed to see if any improvements can be identified to better ensure receipt of fair market value.</p>	<p>Tract evaluations will be conducted on the tracts receiving bids in the two GOM sales and the Cook Inlet and Gulf of Alaska sales scheduled this year.</p>
<b>Reserves Estimation</b>		
<p>A study of 79 unproven GOM fields was completed and estimates of potential oil and natural gas reserves determined. The annual GOM reserves publication provided estimates for the largest 100 fields. Pacific Region RE initiated a joint Federal-State-Industry cooperative effort to maximize necessary efficiencies from offshore fields. Detailed reviews of 13 proven fields completed and reserves updated. Pacific Region annual reserves report provided detailed geologic and production data for 13 proven fields in support of reserves estimates.</p>	<p>GOM reserves staff focused upon studies and assimilation of information and data necessary to support series of geologic atlases of GOM fields being jointly sponsored with DOE and GRI. Annual Reserves Report to expand field specific estimates to 300 top fields. Studies of unproven fields continues in support of policy initiatives and regulatory decisions. Pacific RE work focused upon expansion of Federal-State-Industry cooperative effort and support of regulatory decisions. Alaska RE initiating limited study of unproven fields on OCS.</p>	<p>GOM will continue to support geologic atlas project. First atlas scheduled for publication in FY 1995. Annual reserves report to further expand number of field specific estimates. Pacific Region continues Federal-State-Industry cooperative effort.</p>
<b>Offshore Northern Gulf of Mexico Oil and Gas Atlas Series</b>		
<p>Texas Bureau of Economic Geology (BEG) initiates data collection procedures with GOM Region through use of GOM databases.</p>	<p>Texas BEG and GOM/RE staff identify and correlate prospects, plays, reservoir types in GOM.</p>	<p>Publication of first volume of GOM atlas series (Miocene and Older).</p>
<b>MMS State Cooperative Agreement</b>		
<p>Renewed State Cooperative Agreement with 21 coastal State Geological Surveys.</p>	<p>Proceedings from Third Continental Margins Symposium expected to be published.</p>	<p>Funding for these cooperative agreements discontinued.</p>

FY 1993	FY 1994	FY 1995
<b>International Conference on Arctic Margins (ICAM)</b>		
Organized and sponsored ICAM - 12 Nations represented by academia, Government Agencies, and private industry.	Preparing proceedings from ICAM.	Funding for ICAM discontinued.
<b>Miscellaneous Publications and Reports</b>		
Gulf of Mexico, Pacific, and National reserves publications, geologic reports/wall reports published all areas special geologic/engineering/resource assessment/RE program function statistical reports.	Continuation of annual reserves reports/geologic reports/special geologic/engineering/resource assessment/RE program and statistical reports.	Continue work on joint MMS/USGS National Assessment. Limited regional publications for reserves and special topics.

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**PROGRAM DESCRIPTION**

The Resource Evaluation (RE) Program identifies areas of the OCS that offer the highest potential for natural gas and oil development and production. Once identified, these areas may be incorporated into the MMS 5-Year Natural Gas and Oil Comprehensive Program. This Program specifies the size, timing, and location of proposed leasing activities.

The MMS's RE Program provides essential information for decisions affecting management of OCS resources. The primary responsibilities of the RE Program are to investigate the geologic and economic potential of the OCS, design the terms and conditions of the leases, inventory offshore hydrocarbon reserves, and ensure the receipt of fair market value for leases awarded. MMS uses a multi-step planning and decision process as the basis for offering areas for competitive bidding for leases for natural gas and oil exploration, development, and production. Natural gas and oil produced on the OCS make a significant contribution to meeting U.S. energy supply needs.

*Industry Trends.* In recent years, the oil and natural gas industry practices of collecting and analyzing geological and geophysical data and information have changed dramatically with the advent and use of computer-assisted data interpretation and analysis systems. Such systems use powerful computer workstations, sophisticated software, and massive databases in an integrated and interactive manner to determine possible locations of natural gas and oil accumulations and estimate the size of potential fields. A significant factor in the process is the incorporation of 3-dimension (3-D) seismic data. This allows scientists to evaluate geologic features that were virtually undetectable using the standard 2-dimension (2-D) data. Several recent major discoveries in the Gulf of Mexico (GOM) have resulted from applying these techniques. The use of 3-D seismic data in the imaging of sediments below salt domes, lenses, and wedges has resulted in major "subsalt" discoveries in the GOM.

The other major advance provided by these tools is the ability to integrate extensive amounts of geological and geophysical data and information into a single interpretation. This is often critical in defining the subtle prospects that are today's exploration targets in mature areas.

*TIMS Related Activities.* The MMS had been unable to incorporate 3-D seismic data until a pilot program was initiated in the GOM Region in FY 1992 as an integral component of the Technical Information Management System (TIMS) project. As a result, 12 workstations were installed in the GOM Region during FY 1994 for approximately 100 geologists, geophysicists, and engineers to share. The workstations are an important tool in performing resource evaluation functions - including critical tract valuation/bid adequacy determinations as well as field delineation (reserves) analyses. In FY 1994, the geoscientists are being trained on the workstations to increase analytical capabilities.

The MMS has begun the acquisition of 3-D seismic data (as well as other digital information) currently being collected by geophysical contractors throughout the GOM Region (as well as other active areas of natural gas and oil exploration and development areas throughout the United States and the world). Concurrently, MMS will convert or selectively repurchase our existing 1,400,000+ miles of paper 2-D seismic information and 100,000+ paper well logs, in the Gulf of Mexico alone, into a form usable by these computer-based workstations.

During FY 1994 a major effort will be initiated to integrate historical interpretations into the TIMS database. This will include the integration of data from approximately 1,000 fields and 20,000 reservoirs, prospect evaluations from previous lease sales, regional maps, seismic navigation data, and other studies and investigations. While this effort is underway, the necessary task to populate the G&G database with the huge inventory of well logs, directional surveys, and velocity surveys will be undertaken. (See section entitled G&G Data Acquisition and Analyses for specific information.)

During the interim, MMS continues to acquire paper copies of 2-D data, well logs, and related information to perform the majority of work functions in the GOM Region.

The nine major subelements of the RE program and their description follow. Within some of the subelements, major accomplishments have been included

**1. Regulation of Data Collection, \$443,000**

**Ongoing Workloads**  
*Number*

	1993 Actual	1994 Estimate	1995 Estimate
G&G Permits Processed and Approved	136	150	150

The objective of this component of the RE Program involves the development and implementation of the regulations, rules, and procedures which must be followed by any party which collects prelease G&G data and information on the OCS for purposes related to mineral exploration, development, or production. The general purpose of these regulations is to ensure that prelease exploration and scientific research operations in Federal waters do not interfere with each other, with lease operations, or with other uses of the area. Adherence to these regulations will ensure that exploration and research activities will be conducted in an environmentally safe manner.

These regulations govern the permitting, data collection, and release of information. They prescribe when a permit or a notice is required, operating procedures for conducting activities, and requirements and conditions for release of data and information as well as reimbursement to permittees for reproduction costs of the data and information for MMS. A maintenance in the level of permitting activity is indicated due to resurveying efforts by industry in collecting 3-D seismic data over the entire GOM, as well as preparation for possible leasing activities.

**2. G&G Data Acquisition and Analysis, \$2,630,000**

**Ongoing Workloads**  
*Number*

	1993 Actual	1994 Estimate	1995 Estimate
G&G Data Acquisition	44	26	22
<b>Seismic Data Acquisition</b>			
2-D (line miles)	25,722	25,000	19,950
3-D (blocks)	1,563	1,420	1,200
Other Data Acquisition, i.e., digitized well logs, navigational data sets, directional surveys, geology and paleo studies, velocity surveys, etc.	1,431	2,056	1,635
Data Conversion of 2-D paper line miles	111,189	60,000	48,000

**G&G Data Acquisition.** The primary source of the G&G data and information used by the RE Program is the oil and gas industry which conducts exploration, development, and production activities on OCS lands. While the MMS does not perform any direct data collection activities, permits issued to industry for collecting G&G data include a stipulation that allows MMS to inspect the data and selectively acquire portions for only the cost of reproduction. However, if industry has collected data in areas not under MMS jurisdiction, e.g., State waters or adjacent foreign waters, MMS must pay the significantly higher "market price" for obtaining such data.

The data and information are used by RE geologists, geophysicists, and engineers to perform a variety of analyses including: (1) regional geologic studies to determine major areas of hydrocarbon potential on the OCS, (2) detailed evaluation of individual OCS tracts to determine the potential fair market value of the tract for bid evaluation purposes, and (3) reserve estimates of the known discoveries of oil and gas as well as the development of resource estimates of possible occurrences of undiscovered gas and oil.

**Seismic Data Acquisition.** In FY 1993, 74 percent of all funding was for seismic data acquired in the GOM. Minor amounts of funding were for data acquired in Alaska (24 percent) and the Pacific (2 percent). FY 1993 and FY 1994 were the beginning of a multi-year transitional period for MMS in the G&G Data Acquisition and Analyses Component. In FY 1993, 3-D seismic data was first acquired and incorporated into the GOM database. The relative proportion of 3-D acquisitions to 2-D acquisitions will continue to grow in FY 1994 and later years as full-scale implementation in the GOM Region proceeds.

**Data Conversion.** Concurrently, MMS must initiate a bureau-wide data conversion process to convert its entire existing database into a form usable by the new computer-assisted workstations - a project which will take several years at current funding levels. In some instances, MMS can reacquire some of these data in the newer, digital formats at rates below data conversion prices. However, some data simply do not exist in this format and must be converted.

**Other Data Acquisitions.** Other data acquisitions, such as navigational data sets, directional surveys, velocity surveys, and similar information, must also be converted. Similarly, although MMS is now requiring that new data generated through lease operations, such as well logs, be submitted in digital formats, the existing well log database must also be converted.

### 3. Resource Assessment. \$3,336,000

#### Ongoing Workloads Number

	1993 Actual	1994 Estimate	1995 Estimate
Play Identification	100	200	25
Geologic Play Analysis	100	250	25
Resource Model Simulations	100	400	200
Well Studies	10	35	25
Data Analyses	250	500	200
Area of Hydrocarbon Potential	4	4	4

The objective of this component of the RE program is to identify areas of the OCS that offer the highest potential for natural gas and oil and non-energy development and production. These analyses help to focus necessary studies to identify both environmental and operational constraints as well as assist in the consideration of eventual leasing decisions.

The relative success of this component requires access to and use of a broad array of G&G data, information, and studies. Long lead times are often required to identify and determine whether geologic conditions exist for accumulations of non-energy or energy minerals, whether a basin may be oil or gas prone, and determining the presence of reservoir rocks, source rocks, and similar conditions associated with natural gas and oil accumulations. The results of these studies are subject to change and updated as new data and information are generated and acquired. In the early stages, this component will focus on entire planning areas, but as more data and information are acquired, the focus shifts to sale- and prospect-specific areas to be offered for lease, or which are related to a specific issue, i.e., moratoria, marine sanctuaries, lease buybacks, etc.

In FY 1994 and FY 1995, resource assessment activities will be focused primarily on those tasks necessary to complete the joint MMS-USGS National Assessment. This follows the development of a new methodology to assess the technically recoverable undiscovered hydrocarbon resources on the OCS. Workload indicators for FY 1995 show a decrease due to a refocusing of resources.

*Play Identification.* Identifies new plays based upon evolving geologic and/or exploration theories and analyses of geological, geophysical, engineering, and economic data. The initial thrust of this work took place in FY 1993 and FY 1994.

*Geologic Play Analysis.* This incorporated throughout the National Assessment exercise as the basis for geologic modeling. This approach involves the study and examination of prospects with geologically similar sources, reservoirs, and trapping mechanisms.

*Resource Model Simulations.* These take place as geologic parameters from the play identification and analysis work are generated and testing of the new methodology is performed and analyzed. This workload commenced in FY 1993 and peaked in FY 1994. FY 1995 workload indicators reflect a decreased due to a refocusing of resources.

Additional activities occurring under this component are day- to-day studies necessary to provide technical input to the Department of the Interior's 5-Year Natural Gas and Oil Comprehensive Program as well as work to support technical decisions pertaining to individual lease sales.

*Well Studies.* These provide analysis of new exploratory wells, particularly those completed in sparsely drilled areas, which are used to help determine and refine the oil and gas potential of OCS areas.

*Data Analysis.* This reflect ongoing studies that help identify new prospects and exploratory plays or trends.

*Area of Hydrocarbon Potential.* Maps for specific planning areas are developed and revised based upon the work carried out under the resource assessment component. The numbers identified for FY 1994 and FY 1995 are based on the current 1992-1997 5-Year Natural Gas and Oil Comprehensive Program.

## 4. Resource Estimation. \$1,242,000

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
<b>Technically Recoverable Estimates</b>			
Total OCS	1	1	0
Planning Area	26	26	7
Sale Area	4	4	4
Geologic Play	100	250	150
<b>Economically Recoverable Estimates</b>			
Total OCS	1	1	0
Planning Area	26	26	7
Sale Area	4	4	4
Geologic Plays	0	250	150
<b>Special Estimation Studies</b>			
Major	10	10	2
Minor	50	50	0

This component of the RE program focuses upon developing estimates of the possible amounts of natural gas and oil believed to exist under Federal waters. Resource estimates can address vast areas, such as the Atlantic or offshore Alaska, but must also be formulated for smaller areas, such as a particular lease sale or deferral option. The estimation process not only requires that estimates be developed for "technically recoverable" natural gas and oil quantities which may exist but are yet to be discovered, but also RE offices must produce estimates of the portion of these quantities which may be economically viable for exploration, development, and production under varying economic scenarios. Similarly, estimates of undiscovered resources on tracts currently leased are estimated separately from those unleased lands. All of these must be periodically revised as economic scenarios and lease inventory changes in each planning area. The estimates are developed using complex computer models and methodologies which utilize specific geologic information, mathematical and statistical analyses, risk and probability theories, and a myriad of specific assumptions pertaining to economic scenarios, petroleum engineering data, and a variety of additional technical assumptions.

Estimates must also be developed to support analyses of potential impacts of policy options, legislative proposals, or industry activities affecting OCS natural gas and oil activities - both future and current.

Commencing in FY 1992 and continuing well into FY 1994, MMS is performing in-house revisions to its methodology and models used to develop estimates of undiscovered natural gas and oil resources. These revisions incorporate improvements recommended by the National Academy of Sciences, the American Petroleum Institute, the Association of American State Geologists, and the Energy Information Administration following the release of earlier national estimates of undiscovered natural gas and oil resources by MMS and



USGS in 1988. The new methodologies originally were planned to produce revised national estimates of natural gas and oil undiscovered resources in FY 1995. The revised numbers will then form the basis for program formulation and technical analyses associated with future leasing options. However, completion of the revised estimates will be delayed beyond FY 1995.

**Technically Recoverable Estimates.** These are developed after in-depth studies and analyses of the basic geologic framework of an area and the factors which relate to the possible presence of natural gas or oil in the area being studied. Once determined, these estimates are subject to infrequent changes. This "category" of estimates however must be determined prior to employment of various models using a myriad of economic and risking assumptions to produce estimates of economically recoverable resources. These estimates generally are the category of estimates used for special estimation studies necessary to analyze policy options, legislative proposals, or industry activities affecting OCS minerals. Such studies include support of economic and environmental analyses of future leasing proposals, (Comprehensive 5-Year Program) deepwater industry incentives for future leasing, revenue-sharing with coastal communities, as well as supporting policy initiatives by other Federal agencies - most notably the Department of Energy.

Estimates developed and reported for geologic plays reflect a range of uncertainty associated with the amount and quality of technical data and information used by computer models to develop specific estimates. These may then be statistically aggregated as sale area, planning area, regional, or national OCS estimates to support the analyses and decisions requiring such combinations. A total OCS estimate for FY 1995 will be unavailable due to a reduction of play analysis, caused by a refocusing of resources.

#### Lease Sale Support

During FY 1994, estimates will be developed for FY 1995 and FY 1996 in the GOM Region and the Alaska Region - including the impact of deleting portions of areas being considered for leasing. The estimates will be used to analyze the potential environmental impacts of the proposed sales and alternatives, and economic analyses necessary to identify decision options for departmental officials related to each specific sale. The FY 1995 activities will support similar analyses and decisions for specific sales being considered in FY 1996 and FY 1997. Estimates must also be developed for special studies of other miscellaneous OCS issues and decisions, e.g., legislative proposals, OCS marine sanctuary designations, marine boundary disputes, and other similar special studies.

#### 5. Resource Economic Studies. \$1,065,000

##### Ongoing Workloads Number

	1993 Actual	1994 Estimate	1995 Estimate
Sale related (H&D reports, NEPA and other decision documents, bidding system design, cost estimates and price forecasts)	4	4	4
Special Studies	20	25	10
Royalty Reduction Requests Completed	3	9	3

This component of the RE program addresses specific economic issues and information associated with the OCS program as a whole and its relationship to private industry, governmental entities (e.g., States, Congress, the Department of Energy, and the Department (both inter- and intra- bureau)), and the general public. Economic and statistical analyses are performed which incorporate RE program data and information into the overall MMS and departmental leasing policies and program decisions. This function requires sophisticated statistical and analytical modeling capabilities and access to a diverse array of data sources on: mineral, natural gas and oil prices; industry investment patterns; exploration, development, production, and transportation costs; supply and demand factors; financial market conditions; tax laws; and a myriad of other related topics.

*Sale Related Studies.* These are used to design the terms and conditions for individual lease sales including rental amounts, length of primary term, and bidding systems (royalty rates and minimum bid levels). Other analyses provide information for Exploration and Development (E&D) reports and decision documents as well as the economic guidelines (prices and costs) for bid adequacy determinations. Broader sale-related studies are conducted to estimate future revenues and other economic benefits arising from OCS leasing decisions or policy initiatives. A major effort is underway to revise simulation models (including the bonus estimating model (IMODEL)) to analyze the potential effect of any new leasing systems being developed and to identify criteria needed to evaluate bids received on tracts using the alternative systems. In FY 1994, IMODEL will be tested and used to develop sale designs that allow consideration of alternative lease terms and conditions.

In FY 1993, the sale-related studies supported two GOM lease sales as well as bonus revenue estimates. In FY 1994 and FY 1995, analyses will support one Alaska and four GOM lease sales and bonus revenue estimates.

*Special Studies.* These are gaining importance as the OCS leasing program matures. The economic analysis expertise of RE is often called upon to analyze regulatory and legislative proposals affecting OCS leasing, exploration, development, and production activities. Ad hoc studies address specific policies and compilations of data needed to analyze overall OCS program activities.

In FY 1993, RE conducted special studies addressing proposed legislation on issues like the Alaskan Land bill and royalty relief and tax credits for development of deepwater prospects (10); buybacks of leases in environmentally sensitive areas (6); and alternative leasing strategies. Analyses of alternative leasing strategies, relationship of pre-exploration probabilities to actual production, rates of return from OCS development by tract type, incentives to make marginal prospects in the GOM attractive to develop, and barriers to the export of Alaskan North Slope crude oil are expected to contribute to an increased workload in FY 1995. The last two efforts are in conjunction with the Department of Energy's "Domestic Natural Gas and Oil Initiative." These studies will document the effects of previous policies and identify alternatives to enable the OCS program to function better in the future.

Regulations are being considered to allow the use of fixed or sliding-scale royalty rates lower than 1/8 or the use of royalty holidays in bidding for OCS leases. The proposed regulations should enable MMS to make marginal tracts available for leasing with more attractive terms while still ensuring the receipt of fair market value. The FY 1994 efforts will include updating cost data in support of MMS tract evaluation responsibilities. For FY 1995, the workload should continue to expand from agenda items and initiatives that emerged in the previous fiscal year. However, resource constraints will limit the number of special studies to topics of stimulating leasing of new tracts, encouraging production from active tracts, and analytical support for the Comprehensive Program.

*Royalty Reduction Requests.* The aim of these request is to raise the level of natural gas and oil investment, production, and employment on the OCS. They have increasingly commanded more and more staff resources. Three requests were completed in FY 1993; requests for FY 1994 should triple. In FY 1994, policy options will be developed to reduce or suspend royalties on existing offshore leases to provide the appropriate financial incentives for marginal prospects, with efforts focused on deepwater, high-cost, enhanced recovery, and end-of-life needs. However, the number of applications that can be actually processed are limited.

## 6. Tract Evaluation. \$1,730,000

Ongoing Workload  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Total Tracts Evaluated	358	300	350
Phase 2 Bid Adequacy Determinations	228	200	300
Appeals of Bid Rejections	7	7	7

The tract evaluation component estimates economic values for rights to mineral resources on individual OCS tracts. The MMS uses the values to determine if the high bids received for leases on tracts represent "fair market value" as mandated by the OCS Lands Act.

The RE personnel engaged in tract evaluation use mathematical and statistical models to integrate geophysical, geological, petroleum and mining engineering, and economic data to derive tract values. The process takes into account changes in leasing policies and procedures, lease terms and conditions, tax codes, bidding systems, and other external factors. A major effort, begun in FY 1993 and continuing in FY 1994, is underway to improve the tract evaluation model (MONTCAR) to ensure receipt of fair market value.

The first part of this effort involves enhancing the model's ability to accurately depict the geologic and engineering complexities associated with delineating and developing geologic accumulations. This is in progress. The second part involves obtaining more timely and accurate cost input data. This part is currently unfunded.

FY 1993 was a year of increased bidding activity in the GOM. More than 200 tracts were subjected to a full scale (MONTCAR) evaluation. Twenty-one tracts were rejected, and on seven of these tracts the high bidders submitted appeals of their rejected offers. About the same number of tracts are expected to receive bids in the two GOM leases sales to be held in FY 1994. In FY 1995, a sale in Cook Inlet is scheduled in addition to the two GOM sales, so bidding activity and tract evaluation efforts are expected to increase.

In FY 1994, a management control review of RE's bid adequacy procedures (of which tract evaluation is but one part) is being conducted to see if any improvements can be identified to obtain better returns for the Nation from the leasing of OCS resources. If improvements are identified, they will be incorporated into the bid adequacy/tract evaluation procedures in FY 1995, if resources permit.

## 7. Reserves Estimation. \$2,484,000

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Field Reserve Studies	15	15	15
Preliminary Geologic Studies			
- Proven	25	25	25
- Unproven	25	25	20
Engineering Reviews	240	150	150
Special Studies	15	15	10

The RE program develops independent estimates of original amounts of natural gas and oil in discovered fields by conducting field reserve studies on the OCS and periodically revises the estimates of remaining natural gas and oil to reflect new discoveries or development information and annual production. These estimates are required by specific law to be reported to Congress on a biennial basis. Detailed geological, geophysical, and engineering information necessary to estimate these amounts of natural gas and oil is also used in performing nearly all other RE program functions in areas with known fields - including tract evaluation, resource estimation, resource assessment, future production projections, and numerous specific field performance studies. The interim geologic information and engineering reviews supporting the reserves estimation function produces vital information for other OCS program activities as well as Royalty Management Program functions. Cooperative efforts with the Energy Information Administration (EIA) of the Department of Energy allows EIA to use MMS estimates to verify reporting standards and procedures by natural gas and oil companies and as critical input to their macroeconomic modeling efforts.

In the GOM Region, geologic maps and reserves estimates have been completed for 580 of 843 proven fields. The workload for FY 1994 and FY 1995 is focused on those activities necessary to develop information and data on those existing fields which will be published in a geologic atlas of GOM fields being funded by the MMS, the Department of Energy, and the Gas Research Institute. Preliminary geologic studies of proven and unproven fields continue at a consistent level reflecting the discovery of new fields in deepwater portions of the Central and Western GOM as well as several recent sizable natural gas discoveries in shallow water areas of the GOM along the Central-Eastern GOM boundary. The work associated with this effort is vital to the evaluation of exploration and production incentives being considered by Congress and the Department as well as to evaluate the feasibility of concepts proposed by the Department of Energy's Natural Gas and Oil initiative.

Geologic maps and reserves estimates have been completed for all 13 proven fields offshore Southern California. An additional 25 unproven fields have yet to be completely evaluated through geologic mapping, engineering and economic analyses. During FY 1993, MMS and the California Division of Oil and Gas initiated cooperative studies of offshore proven fields and continue to expand such cooperative efforts in FY 1994 and FY 1995. A unique Federal-State-Industry effort was also launched in FY 1993 and continues in FY 1994 and FY 1995. This effort is aimed at maximizing recoveries of oil and natural gas from both State and Federal fields through long-range drilling and cooperative development operations. Both of these latter activities require detailed reservoir analyses and geologic mapping efforts carried out through the reserves estimation activities.

**Special studies.** These are in-depth studies of specific fields or areas where development or future production variances may impact or be impacted by Government or industry policy or investment decisions. In FY 1993, for example, MMS completed a 1-year study undertaken for the Department of Transportation on the economic feasibility of a multi-million dollar methanol marine plant facility being supported by future OCS production. Also in FY 1993, MMS participated in the National Petroleum Council study, requested by the Department of Energy, which analyzed future natural gas supplies and provided crucial information regarding OCS reserves as well as undiscovered resource potential. Finally, in FY 1993, the impact of proposed legislatively mandated royalty reductions upon ultimate production from OCS fields required in-depth analyses of existing fields and publication of production projections for the Federal OCS which were presented at the continental margins symposium in Austin, Texas. During FY 1994, the production model will be revised and updated and used to analyze various scenarios for alternative leasing policies, royalty relief, and budget projections. This work may be discontinued in FY 1995 due to a refocusing of resources.

**8. Technical Information Distribution. \$1,065,000**

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Reserve Reports	3	3	2
Annual Production Forecasts	3	3	0
Gas Deliverability Study	1	1	1
Geologic Studies	6	5	3
Technical Symposia	3	7	1
Special Projects	12	14	4
Published OCS Reports	2	10	5

After many years of maintaining that information derived from independent analyses of Geologic & Geophysical (G & G) proprietary data could not be released, the RE program is now attempting to make much of this information available to the natural gas and oil industry, investment community, academia, and the general public. Certain restrictions may apply with regard to proprietary terms that range from 2 years for most well logs to 25 years for seismic information. However, the RE program recognizes that public access to the derivative information is a key element in formulating a future comprehensive OCS resource management program.

Certain studies' outputs will show a decrease over the next few years. Reserve reports will focus on annual reserves reports for the GOM and Pacific Regions. The Field and Reservoir Reserve Estimates (FRRE) Reports, as well as a National Reserve Report Handbook that gives a perspective on national trends of production, additions to the offshore reserves base, and drilling activity. Annual Production Forecasts are in-house studies that are tied to information in the Reserves Handbook by attempting to forecast trends and drilling activity. These forecasts will no longer be available starting in FY 1995. The Gas Deliverability Studies, also an in-house study, attempts to estimate maximum gas production in the GOM without economic restraints.

The various Geologic studies show a decrease from the six completed in Alaska and the GOM for FY 1993. The MMS, along with the Department of Energy and the Gas Research Institute, continued the agreement with the Texas Bureau of Economic Geology (BEG) to develop an offshore northern Gulf of Mexico Atlas Series. This multi-year project will compile regional trends of natural gas and oil reservoirs.

*Special projects.* These are presentations of MMS work outside of the Bureau and consist of oral presentations and publications in professional journals. Technical symposia, virtually eliminated in FY 1995, are sponsored by MMS - either separately or jointly with other organizations - to present the results of RE studies and activities affecting OCS resources and reserves. The increase addressed in FY 1994 and FY 1995 is due to an increase in oral presentations.

In taking steps to address the need to make information available, the RE program has traditionally prepared Published OCS Reports on the geology of OCS planning areas, certain offshore wells, G&G data acquisition, the deep stratigraphic test (COST) wells, and production projections for the OCS. Publication of these reports are based upon time, availability of personnel, and the leasing schedule. Each year, as mandated by the OCS Lands Act, RE prepares the annual report to Congress evaluating bidding results and competition on the previous year's sales.

**9. Program Management and Support. \$2,216,000**

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Resource and Environmental Management, Regional Directors, and the Office of Management Support. Nationwide editorial, document distribution, and budgetary support are provided by the Office of Management Support. Support staffs within each Region provide Regional cartographic, editorial, budgetary, and other program support.

**Other Activities: International Activities and Marine Minerals Summary. \$1,204,000**

The objectives of the International Activities and Marine Minerals program are:

- To comply with the provisions of the Outer Continental Shelf Lands Act (OCSLA) to evaluate and achieve the potential of the Outer Continental Shelf (OCS) as a domestic supply source for marine minerals.

In so doing, the Marine Minerals Program will assure that activities are compatible with other uses of the sea, are environmentally sound and acceptable, and that coastal States, industry, and other Federal agencies are effectively involved. Cooperative arrangements are typically initiated by State interest in one or more aspects of the Marine Minerals Program.

- To implement responsibilities as agency liaison for international activities.

Functions fall into three main areas: providing technical advice to the Department of State (DOS), exchanging appropriate scientific information with other offshore Nations which benefits domestic activities, and providing cost reimbursable technical assistance to other nations in support of U.S. foreign policy.

Authority for international activities is derived from DOI Secretarial Order 3071 which conferred to the MMS at its creation functions of the former USGS Conservation Division, from the OCSLA, from the Foreign Assistance Act, the National Environmental Policy Act, and other sources.

## INTERNATIONAL ACTIVITIES AND MARINE MINERALS OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Marine Minerals Cooperative Arrangements</b>		
<p>During FY 1993, 12 cooperative arrangements with 18 States were actively evaluating the potential use of marine minerals from the OCS. The primary focus of eight of the arrangements was the use of sand for coastal restoration and wetland protection purposes.</p> <p>A funded study to survey scientific research worldwide on potential environmental impacts of marine mineral recovery was published. Two new marine mineral environmental and technical studies were initiated.</p>	<p>In FY 1994, work of the 12 cooperative arrangements will continue. It is expected that two additional cooperative efforts (with Florida and New York) will materialize. New interest has been expressed by California.</p> <p>Three environmental studies relating to marine mineral development will continue in FY 1994. A potential fourth study will be reviewed and commenced if acceptable.</p> <p>Pending legislation adding flexibility to the leasing process will increase activities if passed.</p>	<p>One or two ongoing projects should progress to a release stage (Louisiana and possibly Virginia). Others will continue to assess resource potential and gather and analyze environmental data vital to decisionmaking. With the proposed decrease, no new cooperative agreement will be signed, and at least two ongoing projects will become unfunded.</p> <p>Several environmental studies designed specifically for the Marine Minerals Program and for broad applications are scheduled for completion in FY 1995. Findings may require modification of work in progress.</p>
<p>MMS continued to assist the DOS on questions involving treaties, protocols, U.S. positions and related matters.</p> <p>Cooperative research and information exchange occurred with 10 countries, 5 under terms of formal agreements. Four MOUs are under development with three of those countries.</p> <p>MMS completed development of an international training program dealing with management of mineral resources and revenues. Training was completed in Hungary and begun in Russia.</p>	<p>Technical support of the Department of State will continue, with emphasis on the international process of amending the London Convention '72.</p> <p>Cooperative research and information exchange will continue with counterpart agencies in about 12 countries. Up to four of the MOUs in the process of development or clearance will become effective.</p> <p>The AID-funded training in Russia will occur throughout the year, in several Russian cities.</p>	<p>Technical support of the DOS will continue, with potential involvement in international discussions on the applicability of the "Montreal Guidelines" (on land-based sources of marine pollution) to offshore oil and gas operations.</p> <p>Cooperative research and information exchange will continue with counterpart agencies in 10 to 12 countries.</p> <p>The AID-funded training in Russia is likely to continue. Other requests for cost-reimbursable training are possible.</p>

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**Marine Minerals Program**

Marine Minerals Program workloads indicate progress made in establishing cooperative Federal/State agreements. These arrangements evaluate the potential use of Federal OCS mineral deposits and consider steps being taken to make selected resources available for public or private use. Most cooperative work reflected in the workloads table centers on the use of sand for coastal restoration and wetlands enhancement.

**Ongoing Workloads**  
*Number*

	1993 Actual	1994 Estimate	1995 Estimate
Active CoOp Arrangements	12	14	12
G&G Permits Processed	1	1	2
Seismic Data Acquired (line miles)	1,000	1,000	1,000
Mineral Samples Acquired	150	125	125
Project reports	13	12	12
Public Hearings	0	1	1
DEIS	0	0	0
EIS	0	0	0

**Active Cooperative Agreements.** In FY 1993, there were 8 projects primarily involved in coastal restoration for Atlantic and Gulf Coast States, the most advanced being the Ship Shoal project off Louisiana. Ship Shoal refers to a large sand body on the OCS which has been evaluated and found suitable as a source of sand to replenish beaches on severely eroded Isles Dernieres. These barrier islands serve to protect important adjacent wetlands also subject to erosion. Other cooperative efforts included the participation of six New England States in the preparation of construction aggregate supply and demand studies (the demand study was completed in 1992); the evaluation of shell resources offshore Mississippi; the evaluation of phosphorite and heavy mineral deposits offshore Georgia; and cobalt crust and environmental investigations in connection with the Hawaii/DOI Joint Planning Arrangement. The Georgia working group is also involved in identifying existing environmental studies pertinent to the extraction of phosphorite or heavy minerals from the continental shelf offshore Georgia. [See Federal/State Cooperative Arrangements Table for a State-by-State listing.]

Several Federal agencies provide technical advice, equipment, or other assistance in connection with Federal/State cooperative arrangements and serve as members of the task forces or working groups. The U.S. Geological Survey (USGS), Bureau of Mines (BOM), and the U.S. Army Corps of Engineers (COE) are frequently involved.

In FY 1994, two new cooperative arrangements are anticipated. The States of Florida and New York have both expressed interest in establishing projects to identify and evaluate Federal sand for coastal restoration needs.

With the proposed decrease, in FY 1995, no new initiatives or expansion of existing partnership arrangements will be possible, and two ongoing agreements will likely be unfunded. Remaining projects continue to provide information on sand, gravel, shell and possibly heavy mineral deposits. If the New England demand and supply studies indicate the offshore area as a needed aggregate supply source, this effort could not progress into a resource characterization and environmental studies phase due to budget restrictions.

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**Geological & Geophysical (G&G) Permits Processed.** The prospecting (G&G) permit involves detrital gold deposits in the OCS area offshore Nome, Alaska. The same general area is likely to be the target of permitting in FY 1995 and an exploration permit for construction aggregate in the northeast is anticipated.

**Seismic Data Acquisition/Analysis.** During FY 1993 seismic data were acquired offshore Alabama, Delaware, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, Texas and Virginia.

In FY 1994, seismic data will be acquired and/or analyzed off the States of Alabama, Delaware, Hawaii, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, South Carolina, Texas and Virginia. Work will continue at reduced levels in most of these States in FY 1995.

Most seismic work being done is in conjunction with analysis of coastal restoration needs.

**Mineral Samples Acquired.** During FY 1993 mineral sampling was conducted offshore Alabama, Alaska, Delaware, Louisiana, Maryland, Mississippi, North Carolina and Texas.

As with the seismic work, these activities are part of Federal/State cooperative agreements most of which are aimed at investigating coastal restoration using OCS sand.

In FY 1994, sampling projects and/or analyses will be undertaken offshore Alabama, Delaware, Hawaii, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, South Carolina, Texas and Virginia. In FY 1995, sampling projects of reduced scope are anticipated in connection with all State projects except the New England area, Florida and New York.

**Project Reports.** During FY 1993, a project report titled "Construction Aggregates Demand in the New England States" was produced through an arrangement with the New England Governors' Conference. In addition to a companion study on New England aggregate supply scheduled for completion in FY 1994, eight other reports covering geologic, environmental, or engineering aspects of coastal restoration projects, construction aggregate studies and two other environmental reports will be undertaken. For FY 1995, project reports are expected to decrease to 12 with most involving coastal restoration work. A synthesis report for the aggregates studies and an environmental report in connection with a Hawaii cobalt-manganese crust study will also be completed.

**Public Hearings.** In FY 1994 and 1995, it is expected that the Isles Dernieres/Ship Shoal project and at least one other coastal restoration project will have matured to the point of initiating a pre-lease scoping process, including a public hearing, to further examine issues regarding use of OCS sand resources for beach restoration and wetlands protection.

**DEIS and EIS.** At this point another public hearing is anticipated as part of an EIS scoping process. This will be a workload in future years

**Federal/State Cooperative Arrangements**  
Dollars

Involved State	Project Description	Other Gov. Agency Involved	1993 Actual Cost		1994 Estimated Cost		Extended in 1995
			MMS	Other	MMS	Other	
ME, VT, NH, MA, CT, RI	Aggregate Study	BOM	\$9,000	0	0	0	NO
NY	Restoration		0	0	\$100,000	\$40,000	NO
NJ	Restoration	COE	\$96,000	\$91,000	\$95,000	\$90,000	YES
MD	Restoration	COE	\$69,200	\$14,300	0	0	YES
DE, LA			\$28,100	\$10,000	0	0	YES
VA	Restoration	COE	\$104,500	\$37,250	0	0	YES
NC	Restoration	COE	\$75,070	\$49,176	\$75,000	\$49,200	YES
SC	Restoration	COE	0	0	\$83,357	\$27,300	YES
GA	Phosphorite	BOM, GS	0	0	0	0	TBD
AL	Restoration	COE	\$60,000	\$60,000	\$60,000	\$60,000	YES
MS	Restoration	COE	\$39,970	0	0	0	TBD
LA	Restoration	COE, GS	\$55,000	0	\$26,750	0	YES
TX	Restoration	COE	0	0	\$75,000	\$21,370	TBD
HI	Crusts	BOM, GS	0	0	0	0	YES
FL	Restoration	TBD	0	0	\$100,000	\$100,000	NO
AK*	Environ. Monitoring	BOM	0	\$60,000	0	0	TBD
Total			\$536,840	\$321,726	\$615,107	\$387,870	

\*Work supported by MMS but not under the auspices of a cooperative arrangement

### International Activities

International activity workloads indicate the number of joint undertakings that have been identified or consummated. These joint efforts may be in the form of MOU's, joint research, or information sharing. Technical assistance pertains to delivery of cost reimbursable training under the International Training Program.

#### Ongoing Workloads Number

	1993 Actual	1994 Estimate	1995 Estimate
State Department Assistance	12	10-20	10-20
Active CoOp Arrangements	10	10-11	10-11
Technical Assistance	2	2	2-4

*Assistance to the Department of State.* MMS continued to assist the DOS on the protocols on environmental protection to the Antarctic Treaty, and with issues concerning Arctic environmental protection strategy. MMS also participated in working groups supporting U.S. delegates to the London Dumping Convention, assisted on follow-up to the U.N. Conference on the Environment and Development, and provided technical advice on a number of other projects.

In FY 1993, the MMS provided technical support to the Department of State in about 12 subject areas, with the major effort involving preparation of U.S. negotiating positions on subjects of concern to the MMS. Early in the year, the new administration examined all U.S. policies toward international environmental issues. The MMS contributed in the areas of "Oceans," "Arctic," and "Biodiversity." Later, there was considerable involvement as the international process began for amending the London Convention '72 (formerly, the "London Dumping Convention"). The MMS has begun a pilot project for the Department of State to delineate one segment of the U.S. continental shelf, using the definitions and procedures called for in the 1982 Convention on the Law of the Sea.

In FY 1994, the MMS expects to continue to provide technical support, probably in the range of 10 to 20 subject areas. High on the list is continued preparation for meetings of U.S. delegates to the sessions convened to amend the London Convention '72.

In FY 1995, the support is likely to continue at about the level of FY 1993. It is possible that the "Montreal Guidelines" (for land based sources of marine pollution) will become the vehicle that environmentalists will strive to apply to the normal operations occurring on oil and gas platforms.

*Active Cooperative Arrangements.* In FY 1993, cooperative research and/or information exchange occurred with Australia, Canada, China, Indonesia, Japan, Norway, Russia, Thailand, the United Kingdom, and Venezuela. The highlight was the participation in the August 1993 Newfoundland Offshore Burn Experiment to determine the use of fire as a potential oil spill response measure. An exchange of letters with the Norwegian Petroleum Directorate ensures the continuation of information on Norway's North Sea operations.

MOUs are in the lengthy process of development and clearance for the formalization of cooperation with two agencies in Russia and one each in Venezuela and Indonesia. In FY 1994, cooperation will continue with the countries noted above and may extend to agencies in Malaysia, China, and Egypt. In FY 1995, cooperation is likely to continue at about the level of FY 1994.

**Technical Assistance.** In FY 1993, the International Training Program was completed, rehearsed, revised, and the six-module tome begun to be translated into Russian. An Agency for International Development (AID) funded project was completed that involved training of the newly created Hungarian Mining Office. The purpose of the training was to teach technical experts how to develop their nation's mineral resources through the private sector and in an environmentally sound manner.

In FY 1994, the MMS is engaged in a project funded by the Department of State to help Russian organizations establish a risk analysis process for leasing and developing the continental shelf of the Russian Far East. Also in FY 1994, the MMS is involved in the early stages of an AID-funded project to help establish an institutional framework in Russia for attracting investment by the private sector in oil and gas development. In FY 1995, the AID-funded project will likely continue as additional agencies in several cities request training. MMS's AID-funded technical assistance to Russia directly supports U.S./Russian initiatives which formed the basis for the Gore-Chernomyrdin talks of December 1993. These initiatives address Russian energy development and environmental concerns within a free-market economic structure. MMS technical assistance initiatives contribute to the Administration's policy of engaging in efforts to help stabilize the economy of the former Soviet Union and encourage environmentally sound oil and gas resource management practices worldwide.

Request, for technical assistance, from one or more agencies in other countries are possible but impossible to predict at this time.

**Justification of Program Change**  
Resource Evaluation Program  
(Dollars in thousands)

	1994 Enacted	1995 Request	Change*
\$	19,407	16,815	-2,274
FTE	238	213	-22

\*Includes only programmatic changes, so numbers may not add.

The Outer Continental Shelf (OCS) Lands Program began downsizing in FY 1992 to be consistent with the smaller, more focused 5-Year Comprehensive Program for FY 1992-FY 1997. During fiscal years 1992 and 1993, the Program reduced FTE significantly in selected geographic areas (Atlantic, Pacific, and Alaska Regions) and program areas (Leasing and Resource Evaluation). These areas had fewer planned activities in the 5-Year Comprehensive Program. However, MMS requested increased FTE in the Gulf of Mexico Region and the inspection program to meet workload requirements. These changes resulted in a net loss of over 90 FTE to the OCS Lands Program.

In its FY 1994 budget request, the MMS proposed staffing reductions in the OCS Program in response to Executive Order 12839, "Reduction of 100,000 Federal Positions". Subsequent program reprioritization, National Performance Review, and Presidential Memorandum, "Streamlining the Bureaucracy" guidance have resulted in expected reductions for FY 1994 and 1995 of over 110 FTE in the OCS Lands Program. To implement these reductions, the MMS is:

- closing its Atlantic Regional Office,
- eliminating all leasing and pre-leasing environmental activities in the Pacific Regional Office, and
- significantly reducing the Alaska Regional Office and OCS Headquarters activities.

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Reductions resulting from streamlining initiatives in support of the National Performance Review objectives will occur throughout the Offshore organization.

In the Resource Evaluation subactivity, a decrease of \$1,474,000 and 22 FTE is proposed for FY 1995. These 22 FTE reductions will be focused in the Alaska Region and in Headquarters elements. Reductions in Alaska will be commensurate with current and projected future activity levels necessary to support planned sales activities and to oversee the safe and environmentally sound exploration of existing leases offshore Alaska. Reductions in Headquarters will eliminate, or reassign to regional offices, review and oversight functions. Additionally, special studies performed currently by the Headquarters staff on Resource Evaluation program issues in support of overall policy and procedural development and coordination will be performed, within available resource levels, in regional offices.

Additional reductions totalling \$800,000 are being proposed for Geological and Geophysical (G&G) data acquisition and cooperative study efforts with coastal states in the marine hard minerals programs. A decrease of \$300,000 is proposed from the \$1.5 million currently available to purchase G&G data and information used by geologists and geophysicists to determine hydrocarbon potential in areas where OCS activity has decreased. Elimination of the current cooperative study effort with the geological surveys of various coastal States will save another \$300,000. A final decrease in this subactivity of \$200,000 will be implemented by cutting funding available for the marine hard minerals program to \$1,204,000. This will be achieved by allowing funding to lapse for two Federal/State cooperative agreements in FY 1995. The Marine Minerals program, with increasing State interest in its sand initiative to combat coastal erosion, received level funding during this period. Legislation introduced in late 1993, would afford

States access to OCS sand for beach restoration and similar projects through negotiated agreements, could significantly increase activity in this program if passed.

## Regulatory Program

**Justification of Program and Performance  
Analysis by Subactivity  
(Dollars in thousands)**

		1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Changes from 1994
Regulation of Operations	\$	32,756	-382	-717	31,657	-1,099
	FTE	355	-7	-11	337	-18
Technology Assessment & Research	\$	887	—	-300	587	-300
	FTE	—	—	—	—	—
Oil and Gas Information	\$	880	-10	-9	861	-19
	FTE	13	—	—	13	—
Total	\$	34,523	-392	-1,026	33,105	-1,418
	FTE	368	-7	-11	350	-18

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

The regulatory program is comprised of three program elements: 1) Regulation of Operations, 2) Technology Assessment and Research, and 3) Oil and Gas Information. In combination, these three program elements have the following objectives:

- To ensure safe and environmentally sound development of OCS energy and non-energy resources through careful regulation of exploration, development, pipeline transportation, and production or extraction operations.
- To provide a continuing and comprehensive technology base within the MMS to ensure that safe and pollution-free OCS operations can proceed in a timely manner and that up-to-date technology is incorporated into the regulatory process.
- To assist State and local officials and the general public in planning for near-shore impacts resulting from offshore oil and gas activities such as exploration, development, production, and transportation.

## REGULATION OF OPERATIONS OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Developed Regulations</b>		
Final rule for data protection from public disclosure. Proposed rules in several areas.	Proposed and final rules on archaeological surveys. Proposed rules on G&G exploration.	Final rules on G&G exploration.
<b>SEMP-Safety Environmental Management Program</b>		
Worked with the industry in developing American petroleum Institute (API) Recommended Practice RP 75, Recommended Practices for Development of a Safety and Environmental Management Program for OCS Operations and Facilities, and RP 14J, Recommended Practice for Design and Hazards Analysis for Offshore Production Facilities. Conducted workshops with API and Offshore Operators Committee (OOC) to assist industry in developing a voluntary compliance approach.	Continue working with API and OOC in developing voluntary industry adoption of Safety and Environmental Management Program (SEMP), and developing monitoring mechanisms to gauge extent of efforts. Develop jointly with DOE pilot projects to support industry adoption. Incorporate SEMF concept into MMS policies such as the Safety Award For Excellence (SAFE) awards, the use of sampling inspections, and others.	Continue working with API and OOC in further development of voluntary industry adoption of SEMF, and implementing a monitoring mechanism to gauge extent of the effort. Jointly with DOE further develop pilot projects to support industry adoption of SEMF. Further incorporation of SEMF concepts in MMS policies.
<b>Deepwater Production Requirements</b>		
Determine need for new regulations.	Develop proposed regulations.	Develop Final regulations.
<b>Royalty Rate Reduction</b>		
Complete development of proposed rules to facilitate process where it would be advantageous to Government by extending life of a field.	Develop final rule and send to OMB for reviews.	If final rule published, process applications.
<b>Increased Bonding Requirements</b>		
Final rule promulgation and implementation.	Continued processing and verification.	Final rule (administration supplement) promulgated. Continued processing and verification.

Shutdown Valves on Platforms		
Continued development of rules to amend requirements on shutdown valves to make more comprehensive and stringent.	Issue proposed rule.	Final rule promulgation and implementation.
Oil Spill Response in State Waters		
Interim final rule promulgation and substantial coordination with State agencies.	Continue monitoring and approval of plans. Issue proposed rule.	Issue final rule.
Inspector Training Program		
Cooperative agreement with the University of New Orleans completed. First training module in interactive multimedia format completed.	Complete conversion of Technicians to Inspectors. Continue development of interactive training modules through the University of New Orleans or a non-profit organization. Deliver training to Districts as available.	Continue to develop and deliver training to the Inspectors.
Sampling Inspection Program		
The MMS implemented the use of inspection of production platforms by sampling approach in 3 of the Gulf of Mexico (GOM) districts. The MMS expanded implementation to an inspection team in each of the Districts in the GOM.	The use of sampling is suspended in the District offices awaiting transfer of system files from the Perkin-Elmer based system to the TIMS corporate database. Sampling is implemented under the TIMS database by one inspection team in each district in the Gulf of Mexico. The rationale for sampling, and probabilities associated with the use of sampling are developed and documented.	Formal risk assessment regarding inspection program is conducted and applied to inspection program, in particular, sampling. Modifications are made to procedures to address restructuring of priorities. Sampling is adopted by all inspection teams in each district in the Gulf of Mexico.
Civil Penalties Program		
Director approved MMS Manual Chapter and Guidebook for the Program. Implementation through training of Inspectors and Regional Supervisors.	Process civil penalty cases and assess penalties as warranted. Conduct an Alternative Management Control Review (AMCR) of the program for fraud, waste and abuse, and to verify implementation of the program as intended.	Process civil penalty cases and assess penalties as warranted. Implement recommendations following AMCR.

\* For further discussion of operations refer to the Oil Spill Research activity section.



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**PROGRAM DESCRIPTION**

The Minerals Management Service's Operations and Safety Management (OSM) organization and the three regional offices comprise Operations and are responsible for the regulation of operations on the OCS. Together, they regulate oil-and-gas exploration, development, and production activities on the OCS by:

- developing and implementing regulations and standards;
- reviewing and approving plans for exploration, development, production, and oil-spill response;
- reviewing and approving permits;
- inspecting offshore facilities for compliance and, if necessary, assessing enforcement actions, including civil or criminal sanctions;
- assessing safety and oil-spill response drills;
- ensuring that industry personnel are properly trained;
- investigating accidents and spills; and
- developing and assessing technology for safety and pollution prevention and response.

MMS works with affected States during the review and approval of lessee-submitted exploration, and development and production plans for energy and non-energy minerals.

**Industry Trends**

The complexion of the offshore industry operating today on the Outer Continental Shelf (OCS) is different from that of the mid-1980's. The number of operators producing oil and gas on the OCS has increased from 64 in 1985 to 136 in 1993, more than a two-fold increase in eight years. The majority of these newcomers to the OCS are small independent operators who, in some cases, do not have the experience or financial resources of the major operators or large independents who have been working on the OCS for the past forty years. Because of their smaller resources, some operators may have trouble meeting their end-of-lease financial obligations and safety and pollution response requirements. The MMS is developing a new program that would increase bonding requirements for OCS operators and provide avenues for supplemental security to help protect the government from an operator's default.

Low crude oil and gas prices over the past six years have resulted in declining profit margins for the major oil companies. This has resulted in downsizing of corporate structures and streamlining of operations. Consequently, many of the majors are assigning (selling) producing OCS properties to smaller operators who believe they can operate the property more profitably. With the low oil and gas prices and decreased access to prospective OCS frontier areas, the majors have been migrating to overseas markets where foreign countries are actively enticing oil companies with generous leasing and producing conditions. The increased number of small operators poses new safety concerns and regulatory burdens.

There has been a sharp increase in exploration and development activities in 1993 as a result of increased gas prices, and increased activity by independents. The workloads for MMS will be increasing if the 1993 increase in activities is sustained. Regardless of the future estimates of the activities level in the GOM, the workloads for MMS are increasingly due primarily to the following factors:

- The number of platforms on the OCS being removed exceeded the number of platforms being installed.
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- Pipeline mileage increases every year and now stands above 22,000 miles.
- Not only do these facilities and transmission lines require regularly scheduled inspections but many are entering a mature stage of their life cycle and may require recertification of their structural integrity.

Adding to this situation are the new responsibilities that the Oil Pollution Act of 1990 gives MMS for oil spill response planning and prevention in State waters (the former program covered only Federal waters). The MMS is working cooperatively with States to ensure there is no duplication in these efforts for offshore operators.

The major remaining opportunities for discovery and development of large oil deposits in the Gulf of Mexico are in deep water (greater than 200 meters). These areas are challenging both financially and technologically. The MMS is assessing the need for new or revised regulations and policies to provide for the challenges of deepwater development and production. The MMS is actively pursuing new technology through its Technology Assessment and Research program for two reasons: 1) to ensure safe and pollution free operations, and 2) to ensure that OCS operators use the best available and safest technology. This group is making very important strides in oil spill response research and offshore air quality, the latter a major concern offshore California.

The OCS is a blend of vast unexplored areas with enormous potential and highly-concentrated producing areas entering a stage of maturity. There are many challenges facing the Regulation of Operations Program. These range from developing deepwater and Arctic prospects to the end-of-lease obligations of potentially under-financed operators. The common thread that weaves through all these activities is the absolute priority for human safety and environmental protection.

### Regional Trends

#### *Alaska*

Regulatory Program activities in the Alaska OCS Region include work on three OCS lease sales with considerable input and assistance from Field Operations personnel, including numerous trips and meetings in rural Alaskan communities to discuss the MMS regulatory program and citizen concerns; implementation of Oil Pollution Act of 1990 (OPA) authority for oil spill contingency plans and prevention of oil spills in State waters, including Cook Inlet oil and gas operations and cooperative work with the State of Alaska, U.S. Coast Guard, Environmental Protection Agency, and the Research and Special Programs Administration to minimize duplication of effort; active participation in development of new OPA rules for financial responsibility and for prevention of offshore oil spills and hazardous materials; meetings and coordination with Canadian counterparts on arctic drilling, oil spill cleanup, and related research; and increasing coordination with Russian counterparts.

#### *Gulf of Mexico*

##### *Deepwater Development - Moving into Deepwater*

At a regional level MMS is putting increased emphasis on deepwater development issues. MMS is working with industry on evaluating emerging technologies for use in deep water. The MMS has established a Deepwater Production Task Group which is evaluating the need for change in MMS's current operating regulations based on the environmental differences of the deepwater arena. In that regard, MMS regional personnel are also working closely with the Deep Star Research Project which brings together 16 oil and gas companies, over 40 vendors of services and equipment, and the MMS to evaluate innovative systems, to identify technological needs, and to promote the evolution to conceptual, cooperative, staged, deepwater development strategies. Such strategies will provide for the economic development of the large numbers of deepwater fields that individually do not have sufficient reserves to justify development by current methods.

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*Offshore Inspection Program with Emphasis on Small Operators*

Significant resources will continue to be expended in the conduct of the offshore inspection program with particular emphasis on small operators to ensure operations are conducted in a safe and environmentally sound manner. Many small operators are under-funded and/or understaffed, thus necessitating a higher level of inspection efforts and monitoring of operations to ensure compliance with applicable safety and environmental regulations and requirements. In conducting the inspection program, inspection sampling will be utilized to the maximum extent possible in the interest of efficient and effective utilization of inspection personnel and resources. As an associated initiative, the financial requirements of small operators will continue to be reviewed to ensure adequate coverage of abandonment and site clearance costs through surety bonds or other means.

**Supplemental Bonding.** Increased attention has been devoted by MMS to the need for requiring supplemental bonds from offshore operators to protect the U.S. Government from incurring costs involved with oil and gas facilities abandonment and site clearance on the OCS. Although a general bond is required for activities on the OCS, a supplemental bond is required when a lessee's liability, related to facility abandonment and site clearance, may exceed the sum of the company's relevant lease-specific or areawide general bond on file with MMS.

The MMS developed and utilizes a minimum general bonding and supplemental bonding to insure the coverage of cost incurred in removing these facilities. This involves several calculations such as the number of platforms, water depths and number of wells.

The MMS determines the amount of the supplemental bond at the time of submission of assignment of record title interest, Plan of Exploration (POE), or Development Operations and Coordination Document (DOCD). As part of the evaluation to determine the amount of supplemental bond that should be posted, MMS conducts a reserves and economic evaluation of leases involving lease assignments requiring supplemental bonding.

The process of evaluating these leases by the engineers and geologists in the unit involves extensive man-hours that will eventually escalate due to increasing numbers of independents and small operators in the Gulf of Mexico OCS Region, annual reviews for current lease assignments, and appeals that may result from the requirement of supplemental bonding. It is estimated that in Fiscal Year 1994, MMS will conduct reserves and economic evaluation on at least 50 additional lease assignments for supplemental bonding. More than 100 supplemental bonds (treasury securities or surety bonds by a third party) were either in effect or under consideration in FY 1993. In FY 1994, about 50-75 supplemental bonds will probably be required.

*Voluntary Implementation of SEMP Plans*

MMS is aggressively soliciting the interest and support of oil industry management in voluntarily developing and adopting Safety and Environmental Management Program (SEMP) Plans covering all aspects of their activities in the interest of advancing operational safety and protection of the environment. Emphasis on obtaining voluntary implementation of SEMP Programs by all operators will continue during FY 1995 in cooperation with such organizations as the Offshore Operators Committee and American Petroleum Institute and through MMS sponsored public meetings, seminars, letters and notices designed to educate and appeal to industry management.

*Pacific*

In FY 1995, the Pacific OCS Region (POCSR) will continue its emphasis on consulting and cooperating with our external customers which include numerous Federal, State, and local agencies as well as interested individuals and special interest groups. In addition to our routine coordination concerning operator proposals and ongoing OCS activities, the POCSR will coordinate its work on several important special initiatives, some of which are described below.

Pursuant to our responsibilities under OPA '90, the Pacific OCS Region is developing a Memorandum of Agreement (MOA) with California's Office of Spill Prevention and Response (OSPR) to reduce duplication of effort and to ensure that a strong coordinated program of oil spill prevention and response remains in place to protect important coastal and ocean resources. The Pacific OCS Region will also continue its active participation in the United States Coast Guard's (USCG's) Area Planning process as well as its coordination of our spill prevention and response program with other key agencies including the California Coastal Commission (CCC), California State Lands Commission (SLC), and local affected governments.

Two other areas of significant cooperative effort for FY 1995 will involve offshore facility abandonment and seismic requalification of offshore oil and gas structures. The Pacific OCS Region and SLC have established joint working groups in these areas with the goal of developing consistent policies and regulations between our two agencies. The Pacific OCS Region and SLC will also be conducting a study of the Carpenteria field where oil and gas resources occur on both sides of the jurisdictional boundary between State and Federal waters.

Our joint work will continue with San Luis Obispo County, Santa Barbara County, Ventura County, the CCC, the SLC, the California Resource Agency, and the industry in conducting a planning study (COOGER Study) that will examine possible development scenarios for existing undeveloped leases in the Santa Barbara Channel and Santa Maria Basin and the related onshore infrastructure. Two-thirds of the study's funding is being provided by industry and one-third by MMS.

In FY 1995, it will also be important for the Pacific OCS Region to continue working closely with the EPA and local air quality agencies particularly regarding the operational, technological, and safety aspects of OCS facilities to ensure that these facilities continue to operate safely while minimizing impacts to local air quality.

The Regulation of Operations program is divided into four subelements:

- Exploration and Production Review and Approval
- Inspection and Certification
- Operations Supervision
- Program Management and Support

The Exploration and Production Review and Approval subelement is further divided into three categories: Plans and Agreements, Permits, and Production Controls.

## 1. Exploration and Production Review and Approval. \$4,979,800

**Plans and Agreements  
Ongoing Workloads  
Number**

	1993 Actual	1994 Estimate	1995 Estimate
Exploration, Development, and Production Plans	516	470	449
Oil Spill Contingency Plans	317	390	339
Unitization Agreements, Operating Agreements, and Enhanced Oil Recovery	713	703	716

**Exploration, Development, and Production Plans.** The MMS requires OCS operators to obtain approval for their exploration plans (EP) prior to commencing exploration activities. The MMS requires approval for each Development and Production Plan or Development Operations Coordination Document (DOCD) prior to the drilling of development wells or the installing of fixed production platforms, pipelines, or production equipment. The MMS encourages cooperative development to ensure coordinated development and production by independent operators on separately owned tracts. The MMS ensures that plans are designed to prevent the harmful effects of unrestrained competitive production.

The FY 1993 Exploration, Development, and Production Plans by Region: Gulf of Mexico 498, Pacific 16, Alaska 2, Atlantic 0.

**Oil Spill Contingency Plans.** As a result of the Oil Pollution Act (OPA), MMS has gained responsibility under the Federal Water Pollution Control Act for oil spill prevention and response for offshore facilities except deepwater ports. This includes oil and gas development and production operations and pipelines in both State and Federal offshore areas. The MMS is implementing this new responsibility in conjunction with authority under the OCSLA and State authority under State statutes. The MMS regulations ensure that all areas have a level of protection mandated by the OPA. Required oil spill contingency plans are reviewed for compliance with the Act. The FY 1993 Oil Spill Contingency Plans by OCS Region: Gulf of Mexico 128, Pacific 26, Alaska 10, Atlantic 0. The increase in oil spill contingency plans for FY 1993 and FY 1994 is due to OPA expansion of MMS responsibility for State waters.

**Agreements:**

**Unitization Agreements and Operating Agreements.** Unitization and operating agreements provide for exploration, development, and production of minerals from individual OCS leases as single consolidated entities. These agreements modify the terms of the committed lease contracts and consolidate them to form units. The MMS monitors unit activity by reviewing unit plans of exploration or unit plans of development and production, to ensure proper and timely exploration or development.

**Enhanced Oil Recovery.** Operator applications for MMS approval of secondary and tertiary enhanced oil recovery projects must be accompanied by supporting geologic and engineering data showing that the projects

are in the interest of conservation of the natural resources on the OCS. MMS uses submitted production data in reservoir analyses, statistical reports, and in the monitoring of individual injection projects to ensure maximum recovery of hydrocarbons. The 1993 Unitization Agreements, Operating Agreements, and Enhanced Oil Recovery by OCS Region: Gulf of Mexico 695, Pacific 0, Atlantic 0.

**Permits  
Ongoing Workloads  
Number**

	1993 Actual	1994 Estimate	1995 Estimate
Application for Permit to Drill	628	638	641
Application for Well Workovers, Recompletion, and Abandonment	11,127	11,962	12,387
<b>Platforms</b>			
Applications - New Platforms	169	182	181
Applications - Modify Existing Platforms	128	165	180
Removal and Site Clearance	174	204	224
Pipeline Applications	203	203	203

**Applications for Permit to Drill, Workover, Recomplete, and Abandon Wells.** Before wells may be drilled, worked over, recompleted, or abandoned, operators must make application giving full information regarding the proposal and obtain MMS approval prior to beginning the operation. The increase in the number of applications for permits to drill, well workovers, recompletions, and abandonments between FY 1992 and FY 1993 reflects a significant increase in the number of drilling rigs now operating in the Gulf of Mexico. The FY 1993 Applications for Permit to Drill by Region: Gulf of Mexico 608, Pacific 17, Alaska 3, Atlantic 0. The FY 1993 Applications for Well Workover, Recompletion, and Abandonment by Region: Gulf of Mexico 11,000, Pacific 124, Alaska 3, Atlantic 0.

**Platform Installation, Modification, Removal, and Site Clearance.** Operators submit to the MMS, for approval, applications for the installation of new platforms and applications for significant modifications to previously approved applications. Regulations require all new platforms or other structures to be designed, fabricated, installed, and inspected in accordance with these requirements. MMS designed these requirements to prevent the endangerment of life, health, or damage to the environment and to ensure the structural integrity of platforms when subjected to hurricanes, earthquakes, ice, other natural hazards, and boat collisions.

MMS reviews each platform application or significant modification to an approved application to ensure that it is appropriate for the expected environmental and operating conditions and to determine the steps to be taken to protect against corrosion.

Selected platforms which operate in difficult physical environments, or which have designs not previously proven for use in such environments, are subject to the requirements of the MMS Platform Verification Program. The Platform Verification Program requires both a more detailed review by the MMS and the review and approval of a third party verification agent who provides an independent engineering assessment of the design, fabrication, transportation, and installation of the platform.

When platforms are of no further utility, operators submit plans for proper abandonment of wells, removal of platforms, and site clearance. MMS reviews plans for integrity and regulatory compliance before approval.

**Pipeline Applications.** Regulations require that an operator or right-of-way grant holder submit to MMS, for its review and approval, applications for the design, plan of installation, and modification and repair of all pipelines authorized under any lease or pipeline right-of-way.

**Production Controls  
Ongoing Workloads  
Number**

	1993 Actual	1994 Estimate	1995 Estimate
Production Verification	33,120	32,200	33,800
<b>Commingling</b>			
Agreements and Measurements Approval	308	351	376
<b>Production Rate Control</b>			
MER/MPR	3,098	3,225	3,350
Sensitive Reservoir Studies	284	283	283
Quarterly and Semiannual Well Test	21,603	17,300	17,600
Gas Flaring Approvals	375	420	400
<b>Other Processes</b>			
Suspensions of Operations/Production	460	460	453
Field Development Studies	106	121	125
Air Quality Evaluations	5	4*	5*

\*Delegation of AQ Authority in Pacific to EPA

**Production Verification.** This nationwide production verification program protects the public interest regarding OCS minerals development. The MMS conducts annual inspections on all onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with OCS regulations. The MMS personnel perform onsite production verification and inspections to check discrepancies noted in the records. The MMS witnesses meter provings to assess the meter's accuracy. The proving report is used to verify the run ticket net volume. The run ticket net volume is compared to the monthly production report submitted by the operator. Production verification (workload element) figures include all of these verifications. The MMS has developed an automated system which detects under-reported crude oil production. The MMS has also conducted a pilot gas production verification project in the Gulf of Mexico Region which indicated the need for a complete gas verification program.

**Commingling Agreements and Measurement Approvals.** Operators submit applications for MMS approval to move production from multiple leases to a central facility for purposes of processing, measuring, and storing of

this production. In the process, production is commingled (mixed) with production from different wells, leases, and fields, and with production of other operators.

MMS reviews commingling agreements to ensure that such agreements do not result in a reduction in the royalty due to the Federal Government. The FY 1993 Commingling Agreements and Measurement Approvals by Region: Gulf of Mexico 304, Pacific 4, Alaska 0, Atlantic 0.

**Production Rate Control.** MMS sets well and reservoir production rates to provide for conservation of resources and prevention of waste. MMS personnel review requests for reservoir maximum efficient rates (MER's) and well maximum producible rates (MPR's), and supporting information and approve operations in accordance with established policies developed to prevent waste and ensure conservation of oil and gas.

In the past, operators submitted quarterly oil well and semi-annual gas well test results. In FY 1994, the MMS regulations call only for semi-annual well testing, of either oil or gas wells, resulting in the decrease from 1993 to 1994. MMS uses this information for many reasons which include production capabilities of wells, reservoirs, and leases; reserves estimation; development plans; and royalty obligations.

**Gas Flaring Approvals.** The MMS reviews requests for flaring or venting to ensure that unnecessary flaring does not occur. The MMS approves flaring or venting only when requested operations are in accordance with MMS policy established to prevent unnecessary loss of natural resources and to minimize environmental effects of flaring.

#### Other Processes

**Suspensions of Operations.** The MMS directs suspensions of operations when necessary for safety or environmental reasons or grants them in the national interest as specified in regulations.

**Field Development Studies.** Drainage across a State/Federal boundary can affect Federal royalty payments from leased land to unleased land or from one lease to a lease with a different royalty rate. The MMS monitors development and production activities to ensure that Federal royalty payments are not reduced as a result of drainage.

**Air Quality Evaluations.** The Clean Air Act Amendments (CAAA) of 1990 transferred air quality regulatory jurisdiction on the OCS, except for the Gulf of Mexico off Texas, Louisiana, Mississippi, and Alabama, from the DOI to the U.S. Environmental Protection Agency (EPA).

The EPA promulgated the OCS air quality regulations on September 4, 1992. New sources are subject to the OCS air quality regulations as of December 5, 1991 (the date of publication of the proposed rules), and existing sources must comply by September 4, 1994 (2 years after promulgation of the final rules).

Under the new OCS regulations, facilities within 25 miles of a State seaward boundary are subject to the regulatory requirements in the adjacent onshore area, including State and local requirements for emission controls, emission limitations, offsets, permitting, monitoring, testing and reporting.

Existing facilities off California will be submitting their plans for installing pollution control equipment in order to meet the September 4, 1994, compliance deadline. The MMS will review any exemption requests and participate in consultations with the U.S. Coast Guard and the onshore regulatory agency. The MMS will be responsible for preparing any NEPA analysis for platform retrofit projects.

The MMS plans to examine ways to strengthen the existing DOI air quality regulations that are in effect on the OCS off Texas, Louisiana, Mississippi, and Alabama. This may be accomplished by including a permitting process, regular reporting, monitoring, and inspection requirements, authority to levy fines for violators, and



establishment of clearly-defined procedures for ordering a shut-down of a facility if permitted standards are exceeded. Many of these provisions will be patterned after EPA and State regulatory procedures.

**2. Inspection and Certification. \$19,738,000**

**Ongoing Workloads  
Number**

	1993 Actual	1994 Estimate	1995 Estimate
<b>Inspection</b>			
Inspection for Energy Minerals Operations	11,808	12,315	12,515
Unannounced Oil Spill Drills	35	39	37
<b>Reviews and Audits</b>			
Oil Spill Response Exercise Evaluate	187	206	205
Selected Facilities Reviews	0	2	2
Accident Investigations	31	53	53
Civil and Criminal Penalties Cases (Initiated, Ongoing, and/or Completed)	13	25	35
<b>Certification</b>			
MMS Certification of School	37	25	25

**Inspection**

**Inspection for Energy Minerals Operation.** The inspection of OCS operations is a major work effort of the regulatory program. The MMS inspects drilling and production facilities on the OCS using both scheduled and unannounced inspections. The MMS conducts scheduled inspections annually on all facilities and unannounced inspections on a portion of the facilities each year.

Due to the increasing number of operators and the static fiscal and personnel levels, MMS is investigating alternative means of inspection, such as scientific random sampling.

**Unannounced Oil Spill Drills.** MMS conducts unannounced oil spill drills to test the ability of operators to respond effectively under a variety of real world conditions.

**Reviews and Audits**

**Oil Spill Response Exercises Evaluated.** MMS evaluates oil spill response exercises to ensure: adequately trained operators, properly executed procedures, and equipment that is in working order and properly deployed.

**Selected Facilities Review.** A selected facilities review (SFR) is an intensified inspection effort directed at facilities in a specific geographic area. Special inspection teams comprising two to four inspectors from two or more regions inspect a designated number of various types of facilities in a short (usually three days) period

using preselected Potential Incidents of Non-Compliance (PINC'S). The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the MMS inspection program and the level of lessee compliance with OCS regulations. Depending on the size and complexity of the facility, as many as 10-30 facilities may be inspected. In FY 1995, two SFRs are planned for the Gulf of Mexico Region.

**Accident Investigations.** The MMS is notified of every accident occurring on the OCS. MMS conducts accident investigations to: identify and rectify specific safety or environmental problems; analyze and assess the effectiveness of current equipment, procedures, and operations; identify the need for new or modified regulations; and provide information needed to support other aspects of the Regulation of Operations Program. This increase in accident investigation activity is part of a move to place more emphasis on overall safety of the operation.

**Civil and Criminal Penalties** The OCS Civil/Criminal Penalties Program is now active in all three OCS regions, with the assessment and collection of penalties in the Pacific Region, coordination with the U.S. Coast Guard on civil penalties assessed under Coast Guard Regulations in the Alaska Region, and the review and assessment of proposed civil penalties in the Gulf of Mexico Region. Training for potential OCS Civil Penalty Reviewing Officers has been conducted and will continue as implementation of the program proceeds.

In 1993, one criminal case was forwarded to the Department of Justice. This case is currently under investigation. Twelve civil penalty cases were sent to two MMS Reviewing Officers. Four proposed civil penalties have been assessed. Two cases under appeal in 1992 are awaiting final action within the MMS Appeals Division.

Additional civil penalty responsibility was given to MMS by the Oil Pollution Act of 1990 (OPA-90) and Executive Order 12777. The approach to implement civil penalties for failure to comply with oil spill financial responsibility is being evaluated and will be a part of the OPA-90 rulemaking.

#### Certification

**MMS Certification of Schools.** MMS requires certification and accreditation programs to ensure that OCS personnel are properly trained and that certain safety and pollution prevention equipment required by regulation is in accordance with the American Society of Mechanical Engineers (ASME) or American Petroleum Institute (API) Quality Assurance Programs. These programs have provided positive results in the pursuit of safe operations on the OCS as well as ensuring that the environment is protected. MMS had originally estimated that there would be a significant increase in the number of the school programs submitted under Subpart O-Training of Title 30 CFR from FY 1992 to FY 1993 and FY 1994. It is now believed that a number of current schools will not expand their programs to include all specialties under the new regulations. The certification of school estimates for FY 1995 will be the same as those in FY 1994.

### 3. Operations Supervision. \$4,506,000

#### Ongoing Workloads Number

	1993 Actual	1994 Estimate	1995 Estimate
Regulations			
Regulations Promulgated	5	10	10

## Regulations

**Regulations Promulgated.** The MMS continually reviews the adequacy of current regulations and standards relative to operating experience and new technology and information gained from analysis of accident reports. Internal directives and operating procedures establish consistency in MMS operations. Notices to operators and lessees add specific regulatory explanation and guidance. Safety Alert Notices result from a detailed analysis of particular accidents and provide recommendations to prevent recurrence of accidents and provide information necessary to facilitate safe operations and protection of the environment.

Although MMS coordinates with many Federal agencies, the more prominent agencies include the Environmental Protection Agency (EPA) which regulates discharges and air emissions from offshore facilities; the Department of Transportation (DOT), Office of Pipeline Safety (OPS) with whom MMS is currently negotiating an MOU to coordinate inspection and enforcement activities; and the U.S.

Coast Guard with whom MMS coordinates to promote safety, conservation, environmental protection, and consistent regulations.

The MMS also coordinates with coastal States on proposed regulations, and review and comment on exploration, development, and production plans under provisions of the Coastal Zone Management Act. Implementation of the OPA requires extensive coordination with coastal States on oil spill contingency planning, oil spill response, and certification of financial responsibility.

Due to a moratorium on new rules in the first half of the year, MMS did not publish many regulations in FY 1993. Currently, several rules are in final or proposed status and are being readied for publication.

### 4. Program Management and Support. \$2,434,000

The objective of this subelement is to provide policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire program.

Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Operations and Safety management, Regional Directors, and the Office of Management Support. Nationwide editorial, document distribution, and budgetary support are provided by the Office of Management Support. Support staff within each Region provide Regional cartographic, editorial, budgetary, and other program support. The National Performance Review (NPR) is mandating changes in the government culture which will require extensive strategic planning, streamlining, reengineering of work processes, training, retraining of staff and restructuring of management authorities in implementation of new technology and information handling processes. Achieving all these goals will require intensive front-end resource investment by management.

### Justification of Program Change Regulation of Operations (Dollars in thousands)

	1994 Enacted	1995 Request	Change*
\$	32,756	31,657	-717
FTE	355	337	-11

\* Includes only programmatic changes, so numbers may not add.

The Outer Continental Shelf (OCS) Lands Program began downsizing in FY 1992 to be consistent with the smaller, more focused 5-Year Comprehensive Program for FY 1992-FY 1997. During fiscal years 1992 and 1993, the Program reduced FTE significantly in selected geographic areas (Atlantic, Pacific, and Alaska Regions) and program areas (Leasing and Resource Evaluation). These areas had fewer planned activities in the 5-Year Comprehensive Program. However, MMS requested increased FTE in the Gulf of Mexico Region and the inspection program to meet workload requirements. These changes resulted in a net loss of over 90 FTE to the OCS Lands Program.

In its FY 1994 budget request, the MMS proposed staffing reductions in the OCS Program in response to Executive Order 12839, "Reduction of 100,000 Federal Positions". Subsequent program reprioritization, National Performance Review, and Presidential Memorandum, "Streamlining the Bureaucracy" guidance have resulted in expected reductions for FY 1994 and 1995 of over 110 FTE in the OCS Lands Program. To implement these reductions, the MMS is:

- closing its Atlantic Regional Office,
- eliminating all leasing and pre-leasing environmental activities in the Pacific Regional Office, and
- significantly reducing the Alaska Regional Office and OCS Headquarters activities.

Reductions resulting from streamlining initiatives in support of the National Performance Review objectives will occur throughout the Offshore organization.

In the Regulation of Operations program element, a decrease of \$717,000 and 11 FTE is proposed for FY 1995. These FTE reductions will be focused in the Alaska Region and in Headquarters elements. Reductions in Alaska will be commensurate with current and projected future activity levels to oversee the safe and environmentally sound exploration of existing leases offshore Alaska. Reductions in Headquarters will eliminate, or reassign to regional offices, certain review and oversight functions.

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**REGULATORY PROGRAM  
TECHNOLOGY ASSESSMENT AND RESEARCH**

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

The TA&R program has two objectives:

- To provide a continuing and comprehensive technology base within the Minerals Management Service to ensure that OCS operations can proceed in a safe, pollution-free, timely manner, thus complying with OCSLA Section 21 (b) which requires the use of the Best Available and Safest Technologies (BAST) and to ensure that the use of up-to-date technologies are incorporated into the regulatory process.
- To provide leadership to industry, through research participation and dialogue at the engineering level, to investigate and apply BAST on the OCS.

## TECHNOLOGY ASSESSMENT AND RESEARCH PROGRAM OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Well Control</b>		
Investigated high pressure operations and simulated well blowout fires.	Investigate safety of automated systems and shallow gas handling procedures.	Investigate the interaction between well control and the consequent physical processes which occur in the sea bed.
<b>Engine Exhaust Emissions Control</b>		
Completed experimental research on nitrous oxide reduction in simulated turbine exhaust.	Conduct demonstrative project on gas turbine emission control & transfer technology for application offshore. Hold international workshop.	Transfer laboratory investigation to an actual gas turbine engine installation. Seek industry/local government participation.
<b>Arctic Technology</b>		
Investigated sea ice structural properties and scaling loads on platforms.	Investigate ice floe fractures against offshore platforms.	Investigate ice flow fracturing mechanisms and scaled pipeline protection from ice loads.
<b>Shallow and Deep-water Platforms</b>		
Held international workshop on requalification/assess repair technologies.	Investigate high strength steel fatigue; management of human error.	Investigate verification of compliant structures and subsea systems. Investigate human error management.
<b>Pipelines</b>		
Conducted leak detection studies and Arctic pipelines technologies.	Hold workshop on requalification of existing OCS platforms.	Conduct leak detection modeling.
<b>Technology Transfer</b>		
Held workshop on seismic design of offshore structures.	Analyze data to provide guidelines for requalification.	Technology Assessment and Research Program Seminar. Workshop on Underwater Welding of Marine Structures.
<b>Seismic</b>		
Obtained casfloor earthquake response data.	Analyze data to provide guidelines for requalification.	Complete seabed instrumentation net and continue data analysis and facility response predictions.

The TA&R program operates through contracts to universities, private firms, and government laboratories to assess the safety-related (regulatory) technologies and to perform necessary applied research. The program is cooperative with industry and with North Sea and Canadian governments. This cooperative approach is becoming increasingly prevalent, mostly as a result of the commonality of interest, decreasing funds, and severe lessons learned from accidents, such as the North Sea Piper Alpha explosion, which resulted in great loss of life, and from damage to offshore facilities in the Gulf of Mexico as a result of Hurricane Andrew.

Descriptions of the five major subelements of the TA&R program follow:

**1. Deep Ocean Operations — \$240,000**

Safe development of hydrocarbons becomes increasingly demanding and expensive with increased water depth. These operations are complex and densely configured on deep water platforms where space is at a premium. Facility systems need to be designed, arranged, operated, and inspected to minimize the probabilities of element failures. These failures can cause a cascade of sequential failures, resulting in catastrophes. MMS is conducting operational and reliability analysis studies in OCS operations and has held related international workshops. Deep ocean well control needs to be improved to provide engineers an improved understanding of seabed physical processes which occur while drilling and to provide drillers more timely and accurate bottom-hole information and improved means for controlling potential blowouts. MMS has sponsored at LSU investigations of deep ocean well control procedures and diverter design and operation, and will be focusing its resources on the interactive process of well control and seabed response to minimize seabed fracture from "bow-ins" which could result in cratering and even platform loss.

**2. Old and Innovative Structures and Pipelines — \$137,000**

A growing concern, particularly in the Gulf of Mexico, is the age of platforms and pipelines, as well as the occasional damage that can occur to these structures from supply vessels, anchors, and corrosion. Improved inspection and monitoring systems need to be devised. Additionally, TA&R is developing a methodology for assessing acceptable loads and residual service lives. Innovative technologies used by industry for designing deep ocean compliant structures need to be verified to ensure safety. Only a few of these platforms have been built throughout the world and the compliant structure concept is continuing to evolve extensively to meet technical and economic need.

**3. Offshore Earthquakes — \$60,000**

Though earthquake consideration is the critical factor in the design of facilities off southern California, the magnitude of the forces and the responses of structures to them remain unquantified. An offshore seismic monitoring program, in conjunction with industry, is in place to obtain data as tremors travel through seabed sediments and through the water column, impacting pipelines, platform foundations, deck facilities, etc. Seismic equipment has been placed on platform Beta and on the seafloor near platform Irene. MMS plans to place a third seismic device in the Santa Barbara Channel on the seafloor to complete its monitoring grid. TA&R will continue to gather and interpret the data to determine design and requalification factors for platforms in earthquake-prone areas.

**4. Nitrogen Oxide (NOx) Pollution on the OCS — \$100,000**

To meet the requirements of the new air quality standards, it will be necessary to reduce NOx emissions by about 75% from gas turbines and vessels operating on the OCS. By means of developing a combination of exhaust gas treatment and engine combustion controls for OCS application, these goals probably can be met within the next few years. The TA&R program research has been a major factor in developing the technology for diesel and is now pursuing a combined MMS/industry development/demonstration project for gas turbine

engines. The MMS approach makes use of a patented technique, Raprenox, which treats engine exhausts with a non toxic agent. Laboratory research appears to be nearing completion and the project is planning to operate a gas turbine engine in hopes of attracting industry support.

#### 5. Arctic Technology -- \$50,000

As the oil industry continues its offshore exploration in the Arctic, the MMS has been participating as opportunities arise for gaining important safety-related information pertaining to the harsh operational environment. In particular the physical properties forces and failure mechanisms of moving ice on structures and pipelines are being studied and modeled in the laboratory and in the field.

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Technology Projects	22	16	12
Major Technology Transfer Seminars/Workshops	2	2	2
Major Program Reports	0	0	1

*Technology Projects.* See the table below for a synopsis of current projects.

*Technology Transfer/Seminars/Workshops.* Within MMS, a system of work groups or committees located in headquarters and field offices, exists where operational problems and technological solutions are considered. Research emanating from the TA&R program is presented in reports and seminars. In addition, MMS conducts workshops on pertinent areas of technology. The TA&R program also sponsors a biennial seminar for the public on its research program. International workshops have been conducted on such topics as pipeline safety, requalification of old or damaged platforms, the use of composite materials offshore, and operational risk.

#### Major Program Reports

The TA&R program prepares a biennial report summarizing information about ongoing projects. In addition, all reports from research projects are maintained for in-house use and distribution to the public as appropriate. Workshop proceedings are an additional major source of technology transfer.

Examples of contracts and cooperative agreements the TA&R program has with various organizations follow.



**Technology Assessment and Research Program**  
*Examples of Contracts and Cooperative Agreements*

Project	Contractor/Organization	Estimated Cost	Extend in 1995
Well Control Procedures	Louisiana State University	\$200,000	YES
Residual Strength of Damaged Structures	Joint Industry Project (JIP) with Lehigh University	\$50,000	NO
Seafloor Earthquake Measurement System (SEMS)	Interagency Agreement with DOE-Sandia	\$30,000	YES
SEMS Data Analysis	Interagency Agreement with USGS	\$30,000	YES
Sea Ice Scaling	MIT	\$40,000	YES
Structural Properties of Sea Ice	JIP with Dartmouth	\$10,000	YES
NO <sub>x</sub> Control Development	Technor Inc.	\$100,000	YES
Workshop on Underwater Welding	Colorado School of Mines	\$80,000	NO

**Justification of Program Change**  
**Technology Assessment and Research**  
*(Dollars in thousands)*

	1994 Enacted	1995 Request	Change*
\$	887	587	-300
FTE	—	—	—

\* Includes only programmatic changes, so numbers may not add.

A decrease of \$300,000 is proposed for the Technology Assessment and Research program element. This decrease is made possible by reducing the level of effort of ongoing research in that program in FY 1995.

### OIL AND GAS INFORMATION

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

The Oil and Gas Information program has two main objectives:

- To assist State and local officials and the general public in planning for potential nearshore impacts of OCS mineral exploration, development, and production activities and to assist them in working with the MMS by providing summaries of scientific, technical, and policy data.
- To compile, organize, print, and disseminate this information to facilitate efforts by other Federal agencies, State and local governments, and the public to manage OCS activities.

#### Ongoing Workloads Number

	1993 Actual	1994 Estimate	1995 Estimate
<b>Statistical Reports</b>			
Federal Offshore Statistics	1	1	1
Offshore Stats	4	4	4
Leasing/Production Annual Report to Congress	1	1	1
Regional Summary Reports	1	1	2
OCS Regional Map Plates	1	1	1

**Statistical Reports.** The Oil and Gas Information Program provides the public, industry, and other government agencies with official statistical information on the MMS oil and gas program. The annual Federal Offshore Statistics is in its fourteenth year of production. This document provides statistics on leasing, exploration, production and revenue from 1954 to 1993. Information has been divided into sections based on the aforementioned headings. The 1993 edition will begin in February 1994.

**The Offshore Stats** is a quarterly statistical package for individuals, organizations, and other interested parties needing data on a more regular basis and contains much information not available in the annual Federal Offshore Statistics. In addition, this report compares quarterly data and shows the trends that are developing.

**Leasing and Production Annual Report to Congress.** This report is mandated by Section 15 of the OCSLA. This document summarizes receipts and expenditures on a fiscal year basis and, in compliance with Section 22 (g) of the Act, includes information on Federal offshore safety violations as reported by the U.S. Coast Guard. The document also summarizes recent lease sale activities, consultative activities, regulations and rules written, inspection information, and litigation affecting Federal offshore leasing.

**Regional Summary Reports.** The Secretary of the Interior is mandated by the OCSLA to provide a summary of oil and gas information to State and local officials to assist them in planning for possible onshore impacts resulting from offshore activities. This responsibility has been delegated to the MMS and is met through a

variety of informational packages, including the Regional Summary Reports. These reports detail specific plans, both approved and proposed, regarding offshore activities, especially in frontier or undeveloped areas. These reports are to be updated as significant events occur. The information needs of the State and local planning communities now require a more constant flow of operations data rather than longer term and more slowly developing leasing and proposed plans information. Therefore, much of their information needs are met by the Offshore Status quarterly report mentioned above.

**Regional Map Plates.** In conjunction with other information packages, MMS provides oversized map plates detailing active leases, offshore and coastal facilities (platforms, processing facilities), pipeline routes, marine terminals, location of oil spill response equipment, and other useful planning information on a regional basis to State and local planners and members of the industry.

*Justification of Program Change  
Oil & Gas Information  
(Dollars in thousands)*

	1994 Enacted	1995 Request	Change*
\$	880	861	-9
FTE	13	13	--

\* Includes only programmatic changes, so numbers may not add.

The Outer Continental Shelf (OCS) Lands Program began downsizing in FY 1992 to be consistent with the smaller, more focused 5-Year Comprehensive Program for FY 1992-FY 1997. During fiscal years 1992 and 1993, the Program reduced FTE significantly in selected geographic areas (Atlantic, Pacific, and Alaska Regions) and program areas (Leasing and Resource Evaluation). These areas had fewer planned activities in the 5-Year Comprehensive Program. However, MMS requested increased FTE in the Gulf of Mexico Region and the inspection program to meet workload requirements. These changes resulted in a net loss of over 90 FTE to the OCS Lands Program.

In its FY 1994 budget request, the MMS proposed staffing reductions in the OCS Program in response to Executive Order 12839, "Reduction of 100,000 Federal Positions". Subsequent program reprioritization, National Performance Review, and Presidential Memorandum, "Streamlining the Bureaucracy" guidance have resulted in expected reductions for FY 1994 and 1995 of over 110 FTE in the OCS Lands Program. To implement these reductions, the MMS is:

- closing its Atlantic Regional Office,
- eliminating all leasing and pre-leasing environmental activities in the Pacific Regional Office, and
- significantly reducing the Alaska Regional Office and OCS Headquarters activities.

Proposed reductions of \$9,000 will result from streamlining initiatives and of the National Performance Review objectives.

**Information Management Program****Justification of Program and Performance Activity  
Analysis by Subactivity  
(Dollars in thousands)**

		1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Requests	Changes from 1994
Information Management Program	\$ FTE	12,249 109	-183 -2	-416 -8	11,650 99	-599 -10

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

The main objectives of the Information Management Program are to:

- Provide direction and oversight for the Offshore Minerals Management ADP program.
- Oversee the development of OCS ADP policies and standards.
- Maintain computer facilities.
- Provide operational support for all computerized systems.
- Design, develop and maintain applications software and hardware.

## INFORMATION MANAGEMENT PROGRAM OVERVIEW

FY 1993	FY 1994	FY 1995
<p>Provided initial TMS database structure (block, company, well references) for TMS use.</p> <p>Installed server hardware/software in the Gulf of Mexico Region; equipment for Denver was installed. TMS Block and Boundary replaced the Offshore Block, boundary and MAP/OPD information system (ORZME).</p> <p>TMS pilot continued. Limited initial operations support (platform, rigs, and pipelines), leasing support (pre-sale) and expansion of GIT support. Additional hardware and software for the Gulf of Mexico was purchased.</p> <p>Additional workstations. Installed releases 2 and 3 of TMS in OCMR and the Mapping and Survey staff in Denver.</p> <p>Obtained Delegation of Procurement Authority (DPA) for Relational Data Base Management System (RDBMS) software.</p> <p>Held five test demonstrations for GIT software, made selection and initiated user training/familiarization.</p>	<p>Install TMS Release 4 in the Gulf of Mexico Region. This Release will be a major implementation of TMS, moving a large portion of the data and applications from the existing CCC computers to TMS.</p> <p>Expand the TMS platform to support a larger user community of PCs and workstations.</p> <p>Install mapping workstations as part of Release 4.</p> <p>Implement applications software development contract.</p> <p>Continue user testing and enhancements to Release 3 applications software.</p> <p>Expand the GIT database and begin parallel applications of GIT in tract evaluation.</p> <p>Install and maintain wide area network for all regions.</p> <p>Purchase and install GIT software.</p> <p>Train GIT users.</p>	<p>Install Release 5 and 6 in the Gulf, Pacific and Alaska Regions.</p> <p>Install hardware and software in the Alaska and Pacific Regions.</p> <p>Shut down the Concurrent Computers and load all data on the TMS platform.</p> <p>Continue applications software development contract.</p> <p>Expand mapping workstations and database.</p> <p>Expand GIT to the Alaska and Pacific Regions.</p>
<p>Defined mapping program relationships and initiated design by contract.</p> <p>Reduced mission dependency on leasing Concurrent Computer Corp. minicomputers.</p> <p>Installed expanded local area network in OCMR and connected district offices to OCMR.</p>	<p>Expand mapping capability.</p> <p>Evaluate TMS pilot.</p> <p>Develop plans for Alaska and Pacific Regions.</p>	<p>Install TMS hardware and software at HQ.</p>

527

## PROGRAM DESCRIPTION

The Information Management Program (IMP) subactivity primarily funds salary-related costs and maintenance for the ADP units in the Office of Management Support and regional offices. However, the missions/functions of this program are an integral part of the other OCS Lands subactivities, i.e. the Leasing and Environmental, the Resource Evaluation and Regulatory programs; and funding for many of Offshore's databases and systems and their maintenance are included in the appropriations of these subactivities.

The IMP provides a central source for the gathering, categorizing, coding, computation, storage and retrieval of the large volume of data used in the scientific, engineering and land management activities of the Offshore program. This is currently being accomplished through the use of over a dozen major automated data processing systems and more than 350 minor systems and databases. Over 1,200 microcomputers and workstations and 4 Concurrent Computer Corporation minicomputers are employed in the completion of the tasks necessary to carry out this function. The program also provides centralized management of ADP acquisition, contracts, and security. Some examples of the type of data processed through Offshore's ADP programs and its use are depicted in the following table.

Activity	Types of Data	Use of Data
Leasing & Environmental	Block/Boundary Lease Management Environmental Oil Spill Air Quality Studies	Preparation of Leasing Maps Official Protraction Diagrams Split Block Diagrams List of Qualified Bidders Air Quality Models Oil Spill Trajectory/Analyses Environmental Assessments & Reports
Resource Evaluation	Geologic Geophysical Seismic Well Logs Exploration Development Production Cost Oil and Gas Prices Employment Levels	Estimate Oil and Gas Reserves Determine Minimum Acceptable Bids Resource Estimates Fair Market Value Determination Regional Mapping Geologic and Reserves Reports National Assessment Forecast OCS Revenues (Bonus, Royalty & Tax Receipts) Oil and Gas Production Forecasts for OCS Royalty Reduction Decisions Lease Timing and Sizing Historical Leasing Analysis
Regulation of Operations	Inspection Industry Structures/Platforms	Retrieve Applications for Permit to Drill Monitor Bonding Statistics Pipeline Monitoring Compliance Surveillance

The major information management systems/databases used and funded throughout the MMS programs include: (Those systems marked with an asterisk \* are other critical systems scheduled to be modernized and replaced by TIMS.)

\* Outer Continental Shelf Information System (OCSIS) - designed to integrate an array of smaller systems, eliminate duplication of data, make data more accessible and provide a complete array of data and tools to the

users. Its two major components are Lease Management (monitor lease activities from issuance to termination of a lease) and Operations (supports field studies and subsurface work as it relates to wells, reserves, utilization, and mapping; identifies commingling systems information, royalty determination points, and supports liquid verification.)

- **Offshore Inspection System (OIS)** - stores all inspection information gathered during MMS inspections of OCS drilling, production, and pipeline operations, and production verification; generates operational reports and management reports.

- **Automated Cartographic System (ACS)** - an interactive, user-friendly, menu-driven system which allows the creation of pre-defined or customized maps. Maps can be viewed immediately on the user's graphic terminal or be generated overnight for hard copy.

**Offshore Lease Data System** - a centralized relational database of lease-related data that is used in the economic analysis of historical lease bid data and subsequent production data.

**Archaeological and Shipwreck Information System (ASIS)** - a menu-driven application that controls two databases: 1) the archaeological database; containing information on cultural site records, and 2) the shipwreck database; which contains information on all known Offshore wrecks.

- **Geological and Geophysical (G&G) Interpretive Database System (GING)** - Under development. It will combine several different types of G&G data into a single database when fully operational; data includes seismic, gravity, marine and aero-magnetic, geochemical, and well inventory information.

**Monte Carlo Range of Values (MONTCAR)** - a computer simulation model that performs geologic, engineering, and economic analysis of oil and gas prospects on a tract-by-tract basis; used to evaluate OCS tracts that receive bids during a lease sale which pass to Phase II consideration; estimates a fair market value for the tracts.

**Offshore and Coastal Dispersion Model (OCD)** - models pollutant release from over-water sources; developed to replace two earlier regulatory air pollution models used by MMS.

**Oil Spill Risk Analysis (OSRA)** - used to aid in estimating the environmental hazards of developing oil resources in the OCS lease areas; analyzes the probability of spill occurrence, as well as the likely path of trajectories of spill in relation to the locations of industrial, commercial, recreational and biological resources which may be vulnerable.

**Plume Airshed Reactive Interacting System (PARIS)** - a gridded photochemical model used for single or multiple day simulations for ozone.

**Probabilistic Resource Estimates Offshore (PRESTO)** - a computer simulation model which projects oil and gas resource potential on a structure basis; calculates a range of resource quantities that are projected to exist; has the ability to estimate for structures not yet identified or which are too small to be captured by the geophysical mapping process.

- **Postsale Analysis System (PSAS)** - supports the area-wide concept of lease sales; modified to support large sale offerings and also provide for postsale bid acceptance/rejection procedures.

At present these automated data and systems reside principally on Concurrent Computer Corporation (CCC) minicomputers (formerly Perkin-Elmers) in operation in the Regional offices. These minicomputers are obsolete in all aspects of modern information systems technology; not only hardware, but also database management systems software, programming languages, and telecommunications. In addition to obsolete hardware,

peripherals, and operational software, the vast majority of applications systems are well past their normal systems life cycle.

In response to this situation and in an effort to make more efficient use of our significant investment in microcomputers, Local Area Networks, and related equipment and software, Offshore has developed, and is implementing in stages called "releases", the Technical Information Management System (TIMS). In addition to replacing/modernizing hardware and systems software, the TIMS is building a comprehensive database to process a number of unmet needs.

Ongoing Workloads  
Number

	1993 Actual	1994 Estimate	1995 Estimate
Thousands of lines of code (Developed or Maintained)	1300	1500	1700
Security Reviews Conducted (COOP)	0	2	1
TIMS Releases	2	1	2
*Local Area Networks	11	9	6
UNIX Workstations/Servers	37	40	50
Microcomputers Installed and Maintained	1,200	1,250	1,250
ADP Contracts Administered	6	8	8
TIMS Programs	300	350	420
TIMS Tables	330	380	450
ADP Acquisition Documents Approved/Managed	10	6	6
Data Elements Approved/Maintained	2,300	2,800	3,000

\* Decrease in Local Area Networks is due to consolidation, not a decrease in usage.

#### Technical Information Management System (TIMS)

The purpose of the TIMS is to provide the Offshore Program with the necessary automated tools to carry out its mission of leasing on the Outer Continental Shelf (OCS) in an environmentally sound manner and insuring proper monetary return to the U.S. Government for leased resources. Simply put, the TIMS will place the Offshore Program on par with the U.S. oil and gas industry, as to availability of timely, current, technically correct information. Program involvement in the cooperative standardization and maintenance of data elements is essential to this goal. Present manual and automated systems do not provide this capability.

This evolving element within the IMP program has been designed to maximize the efficiency of the IMP ADP systems, software, equipment and usage and will, when completed, replace the antiquated Concurrent minicomputers and the resident database management software in Offshore. The system is designed to acquire and develop a linked automated information system which will enable the Offshore programs to fulfill their mission responsibilities, efficiently using up-to-date technology to assist in an improved management decision-making process.

In implementing the TIMS, the MMS is conducting the necessary analysis, systems development, and acquisition activities leading to the modernization of all mission-critical information systems used in support of the IMP and other MMS activities. When the TIMS has been completed, MMS will be able to better fulfill its extensive regulatory responsibility governing the safety, proper design, and technical operation and inspection of



the producing oil and gas structures on the Outer Continental Shelf. The TIMS is being designated to further facilitate receipt of millions of dollars in revenues to the Federal Government from the leasing and production of energy resources by conducting sophisticated geological, geophysical, engineering, social and economic reviews.

In addition to replacing/modernizing computer hardware and systems software, the TIMS program is building a more comprehensive database consisting of TIMS programs and TIMS tables to address presently unmet needs in environmental data, environmental analysis, resource and tract evaluation, operational trend analysis, oil spill risk, safety inspection data capture and review, management of oil pipelines, and hazards review for drilling. When fully implemented, the TIMS will consist of technical tools, standards, interfaces, and shared data that will be used within the Offshore program to enhance organizational cost efficiency and management effectiveness by extending its computing power in new directions.

The TIMS was started in FY 1992 as a Pilot Project in the Gulf of Mexico Region (GOMR). The Pilot Project is being constructed in a modular fashion by the development and deployment of a series of application software implementations called TIMS Releases. This approach allows for high priority parts of the total Pilot Project to be implemented and evaluated in a shorter time-frame instead of a "grand design" approach, which would only allow all parts to be available at the same date in the distant future. The Pilot is scheduled to be evaluated in June, 1994 when the plan calls for the expansion of TIMS to other Regions.

The early development and deployments of the TIMS releases into production in the Gulf of Mexico Region has been extremely successful and beneficial to the Offshore program. As a result of the implementation of those releases a large percentage of the information and systems that were running on the Concurrent Computer Corporation (formerly Perkin-Elmer) are now running on the TIMS platform. In order to keep both platforms up-to-date some of the key information are backloaded to the other platform for reference. Specific benefits that were derived from these early Releases include: establish the basis for a TIMS fully integrated "corporate" database structure to support the entire Offshore program, including key information such as; Block, Company, Well, Lease, Platform, Pipelines, and Seismic; provide reference data for Resource Evaluations' Geological Interpretive Tools (GIT) Project; seismic lines, permits, shot points, velocity surveys, requisition tracking and seismic section map inventory; provide online access to a large complement of data as mentioned above; support for Offshore Operations, including platforms, rigs, pipelines, and wells; support for Leasing, including block information with descriptive information for each feature in each stage in the Area Evaluation and Decision Process for Sales in the 5-year Program.

In Fiscal Years 1991 and 1992 MMS purchased 37 UNIX workstations and servers that will assist MMS in the sophisticated analyses required in the pilot program. Additional workstations are being planned for in FY 94 and FY 95.

The Pilot Project was originally supported in the FY 1993 MMS budget. Funding for TIMS was provided through approved reprogramming of funding from other OCS programs.

In fiscal year 1993, the TIMS efforts funded various components of the first three releases of the program. These releases were completed in conjunction with creating an immense seismic mapping initiative call the Geological Interpretive Tools (GIT), which is also a vital part of the TIMS. GIT is an initiative to bring 2 and 3 dimensional geological evaluation tools to bear on the resource evaluation processes within Offshore Minerals Management (OMM). There are five different software packages that comprise the GIT, which were evaluated in FY 1993 and purchased the beginning of FY 1994. They are: interactive, interpretive mapping; well log analysis; seismic interpretation; reservoir analysis; and Geographic Information System (GIS). GIS is a generic set of workstation graphic and analytical tools used to interactively display, correlate and output layers of geographical and environmental data. The other packages are fairly self-explanatory.

In FY 1994 the TIMS was supported with appropriated funds of \$5 million. This funding was supplemented by an increase in rent of \$2/acre on each lease sale tract is to be used for TIMS development. This cost recovery

initiative was implemented at the end of FY 1993. The September 1993 Western Gulf of Mexico Sale 143 yielded approximately \$1.5 million and the Central Gulf Sale 150 in March 1994 is expected to provide an additional \$2 million to the TIMS. FY 1994 will bring about the completion of Release 4, which will expand GIT base mapping capabilities, as well as add well and production data to the database.

With the \$5 million base in FY 1995 and the addition of the cost recovery monies, the TIMS will be able to continue its growth as planned. The FY 1995 request includes an increase of \$2.4 million to cost recovery authority, bringing the total from cost recovery up to \$7.4 million. The requested monies will be used to cover the costs associated with the continuance, development, and/or expansion of TIMS Releases. Two more releases are expected to be installed during FY 1995. The TIMS platform will also be expanded beyond the pilot area in the Gulf of Mexico region to other regions--Alaska and Pacific. It is also expected that in FY 1995 the concurrent minicomputer will be completely shut down and have all data integrated into the TIMS database.

**Justification of Program Change**  
**Information Management Program**  
*(Dollars in thousands)*

	1994 Enacted	1995 Request	Change*
\$	12,249	11,650	-416
FTE	109	99	-8

\* Includes only programmatic changes, so numbers may not add.

The Outer Continental Shelf (OCS) Lands Program began downsizing in FY 1992 to be consistent with the smaller, more focused 5-Year Comprehensive Program for FY 1992-FY 1997. During fiscal years 1992 and 1993, the Program reduced FTE significantly in selected geographic areas (Atlantic, Pacific, and Alaska Regions) and program areas (Leasing and Resource Evaluation). These areas had fewer planned activities in the 5-Year Comprehensive Program. However, MMS requested increased FTE in the Gulf of Mexico Region and the inspection program to meet workload requirements. These changes resulted in a net loss of over 90 FTE to the OCS Lands Program.

In its FY 1994 budget request, the MMS proposed staffing reductions in the OCS Program in response to Executive Order 12839, "Reduction of 100,000 Federal Positions". Subsequent program reprioritization, National Performance Review, and Presidential Memorandum, "Streamlining the Bureaucracy" guidance have resulted in expected reductions for FY 1994 and 1995 of over 110 FTE in the OCS Lands Program. To implement these reductions, the MMS is:

- closing its Atlantic Regional Office,
- eliminating all leasing and pre-leasing environmental activities in the Pacific Regional Office, and
- significantly reducing the Alaska Regional Office and OCS Headquarters activities.

Reductions resulting from streamlining initiatives in support of the National Performance Review objectives will occur throughout the Offshore organization.

In the Information Management Program subactivity, a decrease of \$416,000 and 8 FTE is proposed for FY 1995. These 8 FTE reductions will be focused in the Alaska Region and in Headquarters elements. Reductions in Alaska will be commensurate with current and projected future activity levels. Reductions in Headquarters will eliminate, or reassign to regional offices, certain review and oversight functions.

## Activity: Royalty Management

Analysis by Subactivity  
(Dollars in thousands)

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
Operations	30,968	-234	+1,485	32,219	+1,251
Compliance	12,108	-439	+1,335	13,004	+896
Audit	22,705	-215	+2,206	24,696	+1,991
Late Disb. Interest	--	--	--	--	--
Allottee Refunds	15	--	--	15	0
Total	65,796	-888	+5,026	69,934	+4,138

Uncontrollable changes include: additional payraise costs, other cost charges, and the effects of Executive Order 12839 on FTE wage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS - 14 & 18.

## AUTHORIZING STATUTES

25 U.S.C. 397, <i>et seq.</i>	Indian Mineral Leasing Act of 1891
25 U.S.C. 396, <i>et seq.</i>	Indian Mineral Leasing Act of 1909
25 U.S.C. 396-396 (g), <i>et seq.</i>	Indian Mineral Leasing Act of 1936
30 U.S.C. 181, <i>et seq.</i>	Mineral Leasing Act of 1920
43 U.S.C. 1331, <i>et seq.</i>	Outer Continental Shelf Act of 1953
30 U.S.C. 1001, <i>et seq.</i>	Geothermal Steam Act of 1970
30 U.S.C. 181, <i>et seq.</i>	Combined Hydrocarbon Leasing Act of 1981
25 U.S.C. 2101, <i>et seq.</i>	Indian Mineral Development Act of 1982
30 U.S.C. 1701, <i>et seq.</i>	Federal Oil and Gas Royalty Management Act of 1982
P.L. 103-66	Omnibus Budget Reconciliation Act of 1993

For further details on the these statutes, refer to appendix at end of justification.

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## ROYALTY MANAGEMENT PROGRAM MISSION

- The Royalty Management Program (RMP) is responsible for the determination, collection, accounting for, verification of, and distribution of royalty and other revenue from Federal onshore and Outer Continental Shelf (OCS) Lands mineral leases and producing Indian leases.
- The program is a major collector of revenue for the Federal Government, Indian Tribes and allottees, and those States which share in revenues from Federal onshore and certain offshore mineral leases.
- All royalty accounting operations are located in Lakewood, Colorado, to provide efficiency and economies of scale in the financial and data collection process and to ensure consistent guidance to lessees and operators. Functions are clearly separated to provide essential counterchecks for proper internal control. Auditors are located geographically close to major workload areas to provide a more efficient audit capability. A systems function is responsible for the development, operation, and maintenance of the complex automated systems.

For a listing of abbreviations, refer to the section at the end of the Justifications.

### Department-wide Crosscutting Management Issues

#### 1) National Performance Review

The MMS' RMP has ongoing studies and initiatives to continually expand and improve the collection of royalties and related revenues owing from the oil, gas, and other minerals industries. The National Performance Review (NPR) aided RMP in elevating these various efforts for administration consideration and support. Specifically, RMP had a major initiative underway, the Compliance Action Plan (CAP), when the NPR call was made for identifying Departmental services which were improving efficiency and effectiveness of operations. Many of the CAP efforts have been proposed for codification under H.R. 3400. This proposal includes language for assessing penalties for significant underreporting of royalties (similar to the IRS) and to enhance computer systems to maximize audit resources. Additionally, once penalties and assessments are implemented and industry improves its compliance, the RMP staff previously performing upfront compliance activities can be transferred to revenue-generating functions which are estimated to generate \$28 million over 5 years.

In support of Vice President Gore's NPR, RMP formed a Reinvention Laboratory Team (Team) to look for ways to reinvent many aspects of a complex royalty collection process. The RMP was particularly unique in its approach to the NPR because RMP was the only bureau in the Department that involved external constituents in the process of these laboratories. The royalty collection team consisted of a team leader from the Valuation and Standards Division, three other RMP employees, and one representative each from the State of Wyoming, the Navajo Tribe, the Independent Petroleum Association of Mountain States, and the Department of Treasury.

By including representatives from RMP's major customer groups, the Team was able to look at perspectives that would otherwise not have been recognized. In order to accommodate the requirements of the Federal Advisory Committee Act, a Royalty Management Advisory Committee (RMAC) was chartered which provided a forum for outside participation on the Team. The RMAC reviewed the Team's report and provided additional insight into the process.

## Comparison of RMP's CAP and NPR Activities - 1/10/94

Compliance Action Plan (CAP)	Vice-President's Report (HR 3400)	Reinvention Lab
o Establish and strictly enforce rules that support compliance goals	o Language authorizing penalties for substantial underreporting	
o Use statistical sampling methods to extent feasible to ensure: - <i>broad distribution of compliance activities</i> - <i>all royalty payors are reviewed</i> - <i>correct lease payments</i>	o Redirect personnel whose functions are reduced by upfront compliance measures (such as penalties and assessments) to compliance tasks with potential for additional revenue gains	
o Prompt use of appeals and litigation to clarify/test compliance rules & policy		o Use multiconstituent Royalty Policy Teams
o Expanded system-based compliance review for all aspects of the royalty equation		
o Comprehensive field audit that will utilize more selective targeting of companies/issues		
o Increased data exchange and coordination among Departmental offices	o Liability inconsistencies should be resolved - <i>BLM, MMS, BIA reviewing</i>	
o Pilot Program to determine: - <i>the level of precision and data required to identify and resolve royalty anomalies w/automated systems</i> - <i>the extent to which non-field vs. field resources resolve discrepancies</i> - <i>the number &amp; frequency of leases reviewed and resources required</i>	o Develop/implement additional compliance programs to analyze/verify transactions across lease populations	o Streamline reporting process - <i>RMAC reviewed and concurred with multiconstituent study group's recommendations on allowance forms</i>

Compliance Action Plan (CAP)	Vice-President's Report (HR 3400)	Reinvention Lab
		<ul style="list-style-type: none"> <li>o One stop shopping for royalty customers</li> <li>- review changing RMP organization to be more results/mission oriented, flatten hierarchy</li> </ul>
		<ul style="list-style-type: none"> <li>o Simplify product valuation procedures</li> <li>- evaluate use of published process for valuation purposes</li> <li>- Indian lease valuation study group set up per RMAC recommendation</li> </ul>
		<ul style="list-style-type: none"> <li>o Increase use of electronic reporting and paying</li> </ul>

NOTE: Throughout the document, any workloads related to NPR efforts have been identified either as (NPR-CAP), (NPR-Gore), or (NPR-Reinvent). Most CAP activities, because they are related to regulatory improvements, are not discussed in this budget document. In the General Administration section, the Policy & Management Improvement program includes a discussion on the status of the CAP.

## 2) Government Performance and Results Act of 1993 (GPRA) Pilot

In addition to the above NPR activities, RMP is involved in GPRA. On August 3, 1993, Congress enacted P.L. 103-62, the GPRA. This legislation, compatible with Vice President Gore's re-inventing the government project, is designed to change the way government does business. It is intended to focus on program results and outcomes rather than just in, vs as the measures of performance and effectiveness in serving the public. To help the Federal government make the transition from the existing evaluation system to the new, the GPRA authorizes three sets of pilot projects over the next several years. The pilot projects are: Annual Performance Plans, Managerial Flexibility, and Performance Budgeting.

The Royalty Management Program (RMP) is one of two Departmental bureaus' programs nominated to participate in the Annual Performance Plan pilot. Beginning in FY 1994, RMP will prepare annual performance goal plans, and subsequently prepare reports of actual performance compared to its goal of continuous improvement. In May 1997, OMB will submit a report to Congress assessing the benefits, costs, and usefulness of the plans and reports, and any difficulties experienced during the pilot phase.

The RMP is tracking the following performance indicators under the pilot:

Measure	Targets
On time royalty and production report lines - Percentage of lines received by the due dates.	Future: Continuous improvement Actual: FY 93: 98.0 percent received timely. FY 92: 97.2 percent received timely.
Reporting accuracy - Percentage of report and royalty lines submitted correctly by industry (clearing critical RMP computer edits during initial processing).	Future: Continuous improvement Actual: FY 93: 96.2 percent of lines cleared fatal edits. FY 92: 95.3 percent of lines cleared fatal edits.
On time disbursements - Percentage of dollars disbursed on time to States.	Future: Continuous improvement Actual: FY 93: 98.0 percent timely disbursements. FY 94: 97.5 percent timely disbursements.
Late disbursement interest - Accrued interest expense for late disbursements to States	Future: Continuous decrease Actual: FY 93: \$ 95,700 FY 92: \$153,600
Late payment interest - interest billed to companies for late payment of mineral revenues due.	Future: Long term continuous decrease Actual: FY 93 \$71,075,000 FY 92: \$63,716,000

NOTE: Late disbursement interest and late payment interest billed can be influenced by things external to RMP, such as the economy and international and domestic oil and gas prices.

To achieve the goals, RMP is using total quality management principles as its guiding management philosophy. The fundamental concepts that are helping RMP accomplish its strategy are customer focus, employee involvement, and continuous improvement. The RMP will continuously evaluate and measure its performance to seek long-term improvement. The current strategies to achieve the targets are:

- Improve incentives for timely and accurate reporting by expanding RMP's recognition of quality reporters and diligent enforcement of reporting requirements.
- Simplify reporting and payment.
- Improve incentives for more accurate payment of royalty obligations.
- Enhance and improve systems to collect and process reports and payments efficiently.
- Improve the quality of reference data and the reference data process.

To support the first strategy, MMS included in its NPR report to Congress a proposal to authorize the collection of penalties for underreporting of royalties.

The RMP's performance report will be submitted to the appropriations committee. The March reporting date coincides with the Chief Financial Officer's Act reporting requirement so that a single report will be issued.

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### 3) Annual Reports required by Congress

"The Committee has had a longstanding concern with respect to the MMS royalty audit program and the adequacy of funding and staffing for that program.... The Committee expects the MMS to continue to develop an annual audit plan, and to report quarterly on actual audit activity, including completed audits by category compared with the audit plan, the status of staffing and hiring for the audit program, and any key areas of concern. The FY 1994 plan should also address specifically contract buyout and buydown (contract settlement) audits."

As in the past, RMP will submit the annual plan and first quarterly report together sometime in late February/early March since first quarter data are not available until the end of January. Much time has been needed to develop this year's annual audit plan is due to:

- The newness and enormity of the contract settlements audit workload,
- Analysis of additional funding and FTE for the Contract Settlement Initiative, and
- The careful coordination efforts between RMP and the State and Tribal Royalty Audit Committee to maximize ongoing audit and new contract settlement efforts while ensuring resources are utilized efficiently.



## Contracted Services

- Of vital importance to the effective functioning of RMP are the efforts of nearly 350 contracted employees plus other contracted services worth over \$23 million. Because contracted services are essential to completion of RMP's mission and because many of these contracts perform work within more than one subactivity, the following table consolidates all contracted functions into one presentation for ease of review.

Contract	Subactivity/Division	FY 1995 Funding	Staff	Function
Source 1	Operations Data Management; Reports & Payments; Royalty Accounting; Systems Mgt. Compliance Verification	\$6.8 million	178	Performs accounting support services for RMP.
AMSOC	Operations Systems Mgt.	O&M - \$6.4 million Development - \$1.4 million	172	Performs all operations and maintenance functions for the RMP mainframe computer as well as software development functions. Although in Operations, AMSOC's work benefits all RMP.
202/205	Audit	\$6.49 million		Perform Delegated and Cooperative Audits.
Maintenance & Miscellaneous Contracts	Operations Compliance Audit	\$2.0 million		Includes GPO printing costs; maintenance of laser scanning equipment, office equipment and photocopy machines; mainframe hardware and software maintenance; and disaster recovery contract.

- The AMSOC contract is a 7-year contract and the Source One contract is a 5-year contract. Tasks for each of these contracts are negotiated annually. Historically, these contractors have added a 5 percent inflation factor for salary increases and other associated costs to their annual proposals. In FY 1994, because the mainframe upgrade warranty expires, maintenance costs will increase. Typically, the 202/205 agreements and the maintenance and miscellaneous contracts also include these types of adjustments for normal salary increases and other associated costs.

## Mineral Revenue Operations

Justification of Program and Performance  
 Subactivity Funding Summary  
 (Dollars in thousands)

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1995 Request	Change from 1994
\$	30,968	-234	+1,485	32,219	+1,251
FTE	263	-5	+20	278	+15

Uncontrollable changes include: additions' payraise cost, other cost changes, and the effect of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS - 14 & 18.

## OBJECTIVES

- To efficiently carry out the provisions of legislation providing for collection and distribution of mineral revenues. In particular, FOGRMA requires the:
  - Timely collection of revenues due;
  - Detection of incorrect payments; and
  - Enforcement of the penalty and assessment provisions for noncomplying royalty payors and reporters.
- To provide computer and automated system support necessary for the Royalty Management Program (RMP) to perform its mission. Specifically:
  - Develop, implement, and manage large scale automated systems;
  - Establish automated information sharing mechanisms with States, Tribes, and industry;
  - Respond to information requests through customized reports; and,
  - Provide system planning and contract management services.

## OPERATIONS SUBACTIVITY OVERVIEW

FY 1993	FY 1994	FY 1995
Data Management Division (DMD)		
<p>Designed a strategic plan with specific quantified targets. An important element of this plan was the development of customer service initiatives (NPR-Reinvest). In cooperation with our customers, a redesigned solid mineral Payor Information Form (PIF) was submitted to OMB for approval. By eliminating unnecessary information the redesigned form is easier for payors to complete and for MMS to process. The Solids Mineral Staff completed and distributed an updated Reporter Handbook and began royalty-to-production comparisons (AFS/PAAS comparisons) for solid minerals. In cooperation with BLM, reports between agencies were reduced, saving \$10,000. Most of the database updates necessary due to stripper rate regulations are now complete.</p>	<p>The new Interagency Data Verification System (IDVS) will be available. The new IDVS offers opportunities for easier data access and incorporates fund code verification routines. A pilot program to reduce paper flow between the MMS and BLM will also begin. Successful completion of this project will provide expansion possibilities using Electronic Data Interchange (EDI). The DMD will acquire additional responsibilities for rejected royalty lines corrections. Laser imaging technology is under study to reduce handling, storage, and processing costs. DMD will enhance its outreach to BIA, Tribes, and offices in areas such as conversion of Indian lease solid mineral operators and payors to PAAS and AFS, training for BIA and Indians in solid mineral accounting, and provision of solid minerals production data not maintained on the BIS.</p>	<p>A customer consultation plan is scheduled to be in place (NPR-Reinvest). The goal of this plan is a systematic approach for customers to communicate their needs to DMD. Initiatives for EDI will be in the planning stages (NPR-Reinvest). Likely candidates for EDI are exchanges between DMD and the CCS and BLM. A new Solids Minerals Payor Handbook will be issued. Solid Minerals conversions to the mainframe and VAX computers for Indian customers will continue to be an important workload.</p>

Reports & Payments Division (RPD)		
<p>Encouraged use of electronic transfer via tape and floppy diskette reporting to replace the hardcopy MMS-2014/3160 (NPR-Reinvent). Held industry training seminars to update payors and operators on royalty and production reporting requirements for mineral resources produced, removed, and sold from Federal and Indian lands. Provided training to targeted companies with high error rates. Improved current training programs to address needs of large, medium, and small companies. Targeted customers in geographical areas not conducive to high population training approaches.</p>	<p>Continue to encourage companies to use existing methods to simplify reporting and improve accuracy. Continue to expand existing reporting methods including EDI (NPR-Reinvent). Explore alternatives for obtaining more accurate and timely reference data from OCS and BLM. Implement an improved data transfer from OCS to RMP. Further champion a concerted error correction and workload analysis effort to help companies reduce error rates. Extend holding industry training seminars and providing training targeted to companies with high error rates. Examine electives other than training to understand external customers' needs and expectations. Part of the GPRA measurement pilot discussed in the front of the RMP section. Measures being tracked are the timeliness and accuracy of royalty and production reporting.</p>	<p>Continue to encourage companies to use existing methods to simplify reporting and improve accuracy (NPR-Reinvent). Continue to extend EDI. Further advance a concerted error correction and workload analysis effort to help companies reduce their error rates. Continue to explore alternatives for obtaining more accurate and timely reference data from OCS and BLM. Continue holding training seminars and providing training targeted to companies with high error rates. Continue examining options other than training to understand external customers needs and expectations. Continue participation in GPRA pilot.</p>

Royalty Accounting Division (RAD)		
<p>Prepared all RMP invoices for royalty and production collection activities (including new invoice types). Distributed all revenues (including revenues from acquired leases previously disbursed by the Forest Service and the Corps of Engineers) received by RMP to the proper recipient. About \$4 billion was disbursed. Provided documentation, Explanation of Payments (EOPs), to each revenue recipient to explain the source of revenue and its distribution. Prepared all statements required by the CFO Act. Administered the Net Receipts Sharing Program.</p>	<p>Continue to prepare all RMP invoices (bills) for royalty and production collection activities (including any new invoices for such items as contract settlements). Continue to distribute all revenues received by RMP to the proper recipient. Continue to provide documentation to each revenue recipient to explain the source of revenue and its distribution. However, instead of several EOPs, a new consolidated EOP will be provided to recipients that are cheaper for MMS to produce and easier for recipients to use. Continue to prepare all statements required by the Chief Financial Officers (CFO) Act and to administer the Net Receipts Sharing Program which was made permanent by the Budget Reconciliation (OBRA-93). Part of the GPRA measurement pilot discussed in the front of the RMP section. Measures being tracked are the percent of disbursements made "on time", meaning within the statutory required timeframes and the amount of late disbursement interest paid to states.</p>	<p>Continue to prepare all RMP invoices for royalty and production collection activities. Continue to distribute all revenues received by RMP to the proper recipient. Continue to provide documentation to each revenue recipient to explain the source of revenue and its distribution. Continue to prepare all statements required by the CFO Act and to administer the Net Receipts Sharing Program. Continue participation in GPRA pilot.</p>

Systems Management Division (SMD)		
<p>Continued refinement and enhancement of Business Information System (BIS) capabilities including new and improved reports and integration of the audit support system (NPR-Gore). Reduction of data entry and paper reporting volume through personal computer-based reporting systems, and expansion of tape reporting capability. Increased capability for customers to generate desired system data through expanded ad hoc reporting capability and improved personal computer applications. Improved user understanding of system functions and features through an aggressive education and training program for all customers.</p>	<p>Introduction of a new data base processing method to further improve data access and ability for all users to extract and manipulate system data consistent with their needs. Development of Windows-based graphical user interfaces to improve user productivity and simplify system use. Exploration of opportunities to advance electronic data interchange concepts with industry and other agencies (NPR-Reinvest). Continued enhancements of BIS capabilities and operational efficiency. Continue training and outreach efforts for all RMP customers. Expand and improve personal computer applications.</p>	<p>Move applications and data from the mainframe to a distributed client/server architecture supported by the wide area network. This effort will empower RMP clients with a series of consistently built, shared, and reusable software modules and off-the-shelf windows applications, invoked by the individual's personal computer. Implement EDI with Federal agencies, state governments, and industry. EDI will reduce paper report volume, reduce errors, expedite error correction, provide a more current data base, and promote a closer working relationship between RMP and its constituents. Expand the ability to electronically interchange message and files with private industry via the X.400 mail gateway (NPR-Reinvest). The ability to communicate electronically with industry will significantly improve the efficiency of information exchange.</p>

## 1994 and 1995 ONGOING WORKLOADS

In FY 1994 and 1995, RMP expects to collect and account for over \$4 billion in mineral leasing revenues through its accounting systems. In addition, the RMP operates a centralized reporting system, PAAS, to process production reports from Federal and Indian leases. The MMS automated systems have stabilized and are performing the major functions for which they were designed.

The following narrative describes the major functions and program element workloads of the Operations subactivity.

## DATA MANAGEMENT DIVISION

The Data Management Division is responsible for accurately establishing and managing all automated reference data files attributable to Federal and Indian mineral lease accounts, payor accounts, and agreements, as accounted for by the Royalty Management Program.

- The Division serves as the reference data focal point for the Bureau of Land Management, Bureau of Indian Affairs, other surface management agencies, offshore MMS components, payors, lessees, and all components of RMP.
- The Division collects, translates, and processes necessary data to produce a comprehensive reference data base file that supports the distribution of royalties, bonuses, and rentals.
- The Common Reference Database (CRD), which combined data from three different systems (BRASS, AFS, and PAAS) contains approximately 127,300 leases, 70,000 revenue sources, 321,600 selling arrangements, 13,400 lease agreements, and 21,100 payor codes. In FY 1993, managing this data base called for 25,000 changes contained in Payor Information Forms and 24,850 lease and agreement actions.
- The solids minerals staff managed about 1,250 leases in FY 1993. These leases required 450 data base changes to maintain accuracy.

These responsibilities are assigned based on geographic location, production status, lease owner, and products relative to a lease or agreement.

Ongoing Workloads  
Number

OIL, GAS, & GEOTHERMAL	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Payor Information Forms Processed	25,000	25,000	25,000
Rejected Royalty Lines Cleared	13,500	41,000	41,000
Lease/Agreement Maintenance	24,850	21,000	20,000

There are three broad categories of work in the Data Management Division (DMD): payor information, rejected royalty lines, and lease and agreement maintenance. The payor information and lease and agreement workloads comprise the largest portion of the CRD.

*Payor Information Form Processing.* The Payor Information Form (PIF) represents a fundamental component of the data base. Since payments on the lease may be made by an entity not legally associated with the lease

obligations, information must be gathered to identify who is going to pay lease obligations. The PIF serves this purpose and is entered by 22 contractor support staff. Efficiency improvements from FY 1993 to FY 1994 have resulted in a decrease in contractor support from 30 FTE to 22 PTE.

In FY 1994 RMP expects PIF processing to remain relatively stable, although MMS has asked Payors to submit new PIFs if they are reporting on Percentage-of-Proceeds (POP) contracts. The activity that will be generated from this request is not currently known. In addition to new PIF submittals, the MMS is in the process of developing a new reporting and paying assignment form to be submitted along with the PIF. The purpose of this form is to address legal exposures surrounding a payor who does not have a working interest in the lease. At this point we do not believe this requirement will impact workloads until FY 1995.

**Rejected Royalty Lines.** Royalty lines (payment information) may be submitted incorrectly by payors. When a royalty line is submitted, it is compared to the data base through a series of edits. If a problem is detected that jeopardizes proper distribution, the line "rejects." Rejected lines will not update the financial system for distribution to recipients and must be corrected. The DMD resolved approximately 13,500 rejected royalty lines in FY 1993. In FY 1994 and 1995 we will resolve approximately 41,000. The increase in lines is based on a change in responsibility. In FY 1993 the DMD was responsible for correcting lines associated with "lease errors". In FY 1994 and beyond the DMD will also be responsible for lines rejected due to "PIF errors".

**Lease and Agreement Maintenance.** The primary components of RMP's data base are leases, agreements, and payor information. Each of these primary components contain many "fields" of information. The lease and agreement workload represents additions, change, and deletions of data in the various fields. Late in FY 1992 the BLM issued regulations reducing royalty rates for a 5-year period on low-producing properties called stripper properties. During FY 1993 most of the properties eligible were updated with the reduced royalty rate. The reduction in FY 1994 and 1995 workload reflects this conclusion.

**Ongoing Workloads**  
Number

SOLID MINERALS PROCESSING	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Royalty/Production Comparisons	530	1,400	1,400
Payor Information Forms Processed	180	180	180
Rejected Royalty Lines Cleared	2,850	2,850	2,850
Lease/Agreement Updates	900	950	950

The Solid Minerals Staff now consolidates virtually all aspects of solid minerals: reference data, royalty accounting, production accounting, and payor account reconciliation. The consolidation of these functions is intended to offer enhanced expertise and economy of motion in recognition of the unique character of each solids lease.

The workload factors contained in the table are predicted to be constant with one exception. In FY 1993 the DMD experienced an FTE shortage which impacted the extent to which we could accomplish our royalty to production reports comparisons (AFS/PAAS comparisons). In FY 1994, this problem will be resolved by filling an existing vacancy and reports compared will increase.

DMD is also enhancing its outreach program with Indians in FY 1994. DMD will:

- Convert all Indian solid mineral operators/payors to both PAAS and AFS. This process includes the following actions:



- Send initial letter (handbooks and forms)
  - Initialize reference data
  - Train reporters on monthly forms (SMOR/2014)
  - Follow-up to ensure proper reporting
- Provide various types of accounting support to deal with complex solid minerals issues for the BIA, Tribes, and allottees. All actions are coordinated through the OIRA office.
  - Perform solid minerals outreach and training to BIA, Tribes, and allottees. Includes preparing training material, participating in OIRA sponsored training sessions and completing any follow-up actions for customer needs.
  - Provide solid minerals production not maintained on the Business Information System to BIA, Tribes, and allottees.
  - Maintain all oil, gas and solid minerals reference data used on the PASS, AFS, and CRD.

Ongoing Workloads  
Number

PAYOR/OPERATOR TRAINING	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Training sessions	13	15	15

RMP makes training available to all payors. These sessions have resulted in improved compliance with paying and reporting requirements. Improved reporting helps ensure timely and accurate revenue collections.

During FY 1993, 11 training sessions were held to update payors concerning reporting requirements for oil, gas, and geothermal resources. Two sessions were held for Solid Mineral reporters. A need for industry participation in these activities and DMD's focus on customer service, is expected to increase with RMP's emphasis on targeting companies for training.

In FY 1994, RMP is continuing a concerted error correction and workload analysis effort to encourage and help companies reduce their error rates. As in the past, RMP training seminars will be held and this effort will be supplemented with training targeted to individual companies that have high error rates. Efforts will be directed at improved incentives for timely and accurate reporting by expanding RMP's recognition of quality reporters. Although companies continue to experience high turnover rates, resulting in an increased need for training, the planned incentive efforts, coupled with proposed assessments, should encourage companies to ensure their reporting is accurate.

### REPORTS AND PAYMENTS DIVISION

The Reports and Payments Division (RPD) functions include:

- Processing all incoming reports and payments related to oil, gas, and geothermal royalty and production on Federal and Indian leases;
- Performing error correction of all royalty and production reports submitted;
- Providing technical reporting and payment assistance to payors, operators, and lessees of record; and

- Coordinating production and royalty-related matters with industry, State governments, Indian Tribes, other Federal Agencies, and other RMP offices.

**Ongoing Workloads**  
*Number*

DOCUMENT CONTROL	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Royalty Documents Processed (2014, 4014, checks, courtesy notices, etc.)	149,965	150,000	150,000
Production Documents Processed	275,381	280,000	280,000
Valuation Documents Processed	7,262	7,500	7,500

The RPD is the initial receiving and processing point for all RMP source documents received from payors, operators, other Government Agencies, and other external sources. Within RPD, the primary Document Control functions include:

- Timely processing of all source documents received;
- Performing the initial APS and PAAS document processing which includes receipt, review, analysis, and batching of royalty and production reports, royalty and rental payments, and all other billed and non-billed payments;
- Processing transportation and processing allowance forms and other forms related to RMP application systems;
- Pre-screening documents to identify and resolve obvious reporting payment problems;
- Preparing accounting transmittal worksheets for data entry by contractor staff; and
- Processing appeals, bonds, letters of credit, and all other in-coming correspondence for the Deputy Associate Director for Operations.

In FY 1993, the activity processed 149,965 royalty documents, 275,381 production documents, and 7,262 valuation documents. Document processing volumes are not anticipated to significantly change from present levels and are envisioned to be managed without an increase in current Federal staffing. However, these workloads could diminish contractor document processing support during FY 1994 and 1995 if simplified reporting alternatives under review such as electronic transfer of information, tape, and floppy diskette are adopted by payor companies (NPR-Reinvent).

**Ongoing Workloads**  
*Number*

ROYALTY REPORTING & PAYMENTS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Total Royalty Payment Report Lines Processed	2,879,486	2,900,000	2,900,000
Total Royalty Payment Report Lines Rejected	104,022	104,000	104,000

The RPD is one of the primary contacts with payors, lessees, and purchasers for royalty and production reports and for the submittal of rental and royalty payments processed under the Auditing and Financial System (AFS). Within RPD, Royalty Reporting and Payments' primary functions include:

- Ensuring that payor submitted Form MMS-2014 royalty reports are processed through the AFS;
- Correcting reporting errors;
- Reconciling and performing follow-up on problems with payors related to the application of cash to receivables;
- Processing and mailing courtesy notices and model/floppy diskettes MMS-2014 to all payors;
- Resolving initial report data problems which might interfere with entry of reports or payments into AFS;
- Processing on-shore refund requests; and
- Providing outreach training for oil, gas, and geothermal industry payors.

In FY 1993, this activity processed 2,879,486 royalty payment report lines of data submitted by some 1,816 payors with an error rate of approximately 3.5 percent as compared to almost 5 percent in FY 1992. This reduction developed as a result of RPD's concerted efforts to improve the timeliness and accuracy of the reporting and payment process. During FY 1994 and FY 1995, the total royalty payment reported lines are expected to remain at about the same levels because payors are reporting less adjustment royalty payment report lines and the domestic petroleum markets are anticipated to remain relatively stable.

Payor reports contained 104,022 rejected royalty payment lines in FY 1993: representing an error rate of approximately 3.5. The rejected lines were payor reporting mistakes such as incorrect or missing payment codes and/or invalid data for selling arrangements, leases, transaction codes or product codes.

Approximately 8 contractor staff provide operation and maintenance support for the automated system and assist RPD with report error correction and file maintenance. The number of lines processed and the number of rejected lines are not expected to significantly change from present levels through FY 1994 and 1995 because of improved reporting processes and the static domestic petroleum market, and the industry downsizing.

In FY 1993, a phased approach was initiated to transfer royalty payment report error correction workload being performed by contractor personnel back to RPD. Based on a workload analysis effort, this workload could be performed in a more cost effective manner by government staff rather than by contractor staff. During FY 1993, 6.5 contractor staff were devoted to this error correction activity. However, in FY 1994, a portion of this workload will be assimilated back to RPD with a corresponding contractor staff decrease down to 4.5 personnel. During FY 1995, the remaining workload will be fully absorbed by only 3 Federal FTE with a net savings in salary and overhead charges associated with 6.5 contractor staff.

During FY 1994 and FY 1995, a concerted error correction and workload analysis effort will continue to encourage companies to take advantage of existing methods to simplify reporting and improve reporting accuracy. Strategies will be developed to encourage and help companies reduce the rejected payor error rate. As in the past, industry training seminars will be held but this effort will be supplemented with training targeted to individual companies that have high error rates. A positive incentive award program for payors will be established to include routine recognition of improved timeliness or accuracy through RMP letters of recognition for quality reporting on a more routine basis.

Ongoing Workloads  
Number

PRODUCTION REPORTING	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Total Consolidated Reports - Lines Processed	4,157,234	4,200,000	4,200,000
Total Consolidated Reports - Lines Rejected	187,077	200,000	200,000

The RPD is also the primary contact with operators and high-level industry representatives who report to the Production Accounting and Auditing System (PAAS). The RPD collects, maintains, and distributes sales and production data related to oil and gas removed from Federal and Indian leases. Within RPD, the primary Production Reporting primary functions are to:

- Establish and maintain well and operator reference data;
- Collect and process monthly production reports;
- Generate late, missing and erroneous reporting assessments and process the related field reports under appeal;
- Distribute production information to various internal and external users;
- Manage the production data base;
- Monitor contractor compliance with work requirements;
- Provide comprehensive reporting instructions to operators; and
- Provide outreach training for oil and gas industry operators, and other Federal agencies.

In FY 1993, this activity processed 4,157,234 consolidated production activity reported lines of data submitted by some 3,000 operators with an operator error rate of less than 4 percent. Operator reports contained 187,077 rejected lines in FY 1993; this represents an error rate of less than 4 percent. The rejected lines were operator reporting mistakes such as invalid lease and agreement numbers; invalid operator and well combination; beginning inventory does not match previously reported ending inventory; American Petroleum Institute (API) well number not found on PAAS data base; invalid API gravity or British Thermal Unit (Btu) content; invalid well status; and well totals do not match disposition totals.

Approximately 54 contractor staff provide operation and maintenance support for the automated system and perform document error correction, reference data maintenance, and files maintenance. These workloads should decrease continually from present levels through FY 1994 and FY 1995 as system and process improvements are implemented (NPR-Reinvent). This is another area where under the proposed NPR legislation, staff could be "freed up" to perform revenue-generating functions. Alternatives will be explored for obtaining more accurate and timely reference data from BLM and OCS. Also, RPD has scheduled implementation of an improved well data information transfer from OCS to RMP.

#### Payor Training

RMP makes training available to all payors. These sessions have resulted in improved compliance with paying and reporting requirements. Improved reporting helps ensure timely and accurate revenue collections. During FY 1993, 508 participants representing 274 payor companies attended the payor training sessions to update

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payors concerning royalty reporting requirements and royalty payment requirements for oil, gas, and geothermal resources. Also in FY 1993, 341 participants representing 175 companies attended the operator training sessions to update operators concerning production reporting requirements. Industry participation in these activities are expected to increase with RMP's emphasis on targeting companies for training.

In FY 1994, a concerted error correction and workload analysis effort will continue to encourage and help companies reduce the error rate. As in the past, training seminars will be held and this effort will be supplemented with training targeted to individual companies that have high error rates. A positive incentive award program for operators will be established to include routine recognition of improved timeliness or accuracy through RMP letters of recognition for quality reporting on a more routine basis.

In FY 1995, additional outreach efforts will focus on converting paper reports to automated media, including tape and EDI. Payors who report on paper will be encouraged to convert to floppy disk and EDI reporting, thereby reducing data entry costs and increasing accuracy of data submitted. An EDI pilot involving two large payors will begin in the second or third quarter of FY 1994 (NPR-Reinvent).

#### ROYALTY ACCOUNTING DIVISION

The Royalty Accounting Division (RAD) objectives are to:

- Distribute mineral revenues to State, Indian, and General Treasury accounts on a monthly basis in accordance with FOGRMA;
- Calculate, collect, distribute, and disburse interest payments to States and Indians;
- Bill, collect, and disburse assessments to the Treasury;
- Identify delinquent receivables and generate follow-up letters to collect unpaid balances from payors, lessees, and lessee sureties;
- Account for all mineral revenue due, collected, and disbursed in a system of accounts which enhances MMS' ability to control and report on RMP;
- Provide royalty accounting information to those parties, including States and Indian Tribes, which have a need for such information; and
- Produce bills for all receivables identified by the system.

**Ongoing Workloads**  
*Number*

BILLING	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
RIK Contracts	6	5	10
Number of invoices	14,637	15,500	17,000
Number of Matches	21,350	21,500	21,500

Billing consists of the Royalty-in-Kind (RIK) program, the billing program, and a portion of the cash application program.

- Through its RIK program, RMP conducts sales to provide oil to small refiners. These sales are necessary when small refiners are unable to obtain oil at a reasonable price in the open market. The RIK program 1) establishes the need for sales, holds sales, establishes surety amounts, monitors surety compliance, and maintains official contract files, 2) reconciles active contracts on a continuing basis and completes a final reconciliation for terminated contracts or for contracts scheduled to terminate within the fiscal year, and 3) prepares monthly bills, administrative fees, and audit exceptions. Approximately \$68 million is billed annually. Participants in the RIK program also pay a fee which is deposited directly into the Treasury. This fee covers the annual direct administrative costs of the program of approximately \$525,000.

Currently there are 5 RIK contracts. New sales are planned for FY 1994 and 1995 which will increase the number of contracts. The first of the new contracts will start on November 1, 1994.

- The billing program 1) prepares invoices for all RMP which includes exception processing automated invoices and the manual invoices resulting from audit exceptions, PAAS exceptions, and Fisherman's Contingency Fund, 2) processes all credits issued against previously issued bills as necessary, and 3) processes refunds issued as a result of invalidated bills on producing leases. In FY 1993, 14,637 invoices were prepared. It is estimated that 15,500 invoices will be prepared in FY 1994 and 17,000 invoices will be prepared in FY 1995. The number of invoices increases as additional billing modules are activated. In addition, the increase in RIK contracts and the potential for contract settlement bills will increase workload for both RMP and contractor staff.

RMP has raised its billing threshold on Federal leases to better match its cost of bill preparation. This action is consistent with recommendations of the Department's Inspector General. For Indian leases, RMP proposes to leave the billing threshold at current levels but to change from the payor code level to the fund code level. In the AFS system, fund codes govern the distribution of royalties to the proper recipient. RMP believes this change is consistent with its trust responsibilities.

- The cash applications program matches payments to reports, bills, and lease accounts. During FY 1993, 21,350 payments were manually matched and applied. We estimate that manual payment applications will remain relatively stable at around 21,500 for FY 1994 and FY 1995.

Ten contractor staff from Source One Management, Inc. work in the RIK program and the billing programs. These staff provide the following services: data entry, certified mailing, and tracking of certified mailing. The Source One contract increased \$22,000 from FY 1993 to FY 1994. A similar increase should be anticipated for FY 1995 given the probability of an increase in billing activity.

Ongoing Workloads  
Number

COLLECTION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of refunds	1,925	1,700	1,500
Number of credits	562	646	742
Number of Follow-ups	5,339	7,600	8,500
Number of Sureties	887	900	950

Collection consists of a portion of the cash applications program and the debt collection program.

The cash applications program includes:

- **Refunding Overpayments on Non-Producing Leases** - The number of refunds decrease from 1993 to 1995 due to the elimination of an old backlog. Resources were reallocated from other sections to reduce the backlog.
- **Resolving Credits Issued on Paid Bills** - When credits are issued on paid bills (due to a modification by the billing office or an appeal decision), those credits can be applied in any manner the payor requests. During FY 1993, 562 credits on paid bills were reapplied, refunded, or written-off. The increase in workload between FY 1994 and 1995 is due to an increase in bill types due to new modules finished under BSPI.

The debt collection program includes:

- **Follow-ups on Delinquent Invoices** - Actions include issuing delinquent payment notices, making telephone contacts, issuing demands to the lessee of records, requesting leasing agencies to collect sureties, issuing notices of noncompliance, and writing off uncollectible debt (due to appeals being upheld, bankruptcies, etc.). The number of follow-ups increases from FY 1994 to 1995 due to new bill types and could increase beyond these projected levels depending on a final determination on payor liabilities. If lessees are determined to be the only responsible party, all collection steps would need to be redone to collect from the lessee rather than the payor. This would require extensive manual effort and systems changes.
- **Maintain Sureties on Appealed Issues** - In accordance with 30 CFR sect. 243.2, payment of demanded amounts are suspended when a payor posts a surety (letter of credit, bond, etc.). Sureties must be reviewed to assure they meet acceptable criteria of amount, format, and financial institution. They must also be updated annually so that sufficient funds are available to cover any appealed amount plus interest. In FY 1993, 887 sureties valued at \$581 million were maintained. We estimate 900 sureties valued at \$600 million and 950 sureties valued at \$650 million will be maintained in FYs 1994 and FY 1995 respectively. The increase is due to the expected increase in the number of bills.

**Ongoing Workloads**  
*Number*

DISTRIBUTION OF ROYALTIES	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of States	39	39	39
Number of Agencies	5	5	5
Number of Tribes	26	26	26
Number of Allottees	29,000	29,000	29,000

Distribution of royalties consists of both Federal and Indian distribution and disbursement programs.

**Federal Distribution and Disbursement** - This program includes the following work to assure the proper payment of approximately \$4 billion annually in Federal lease revenues to the proper recipients:

- Administration of the revenue distribution formulas required by about 20 different legislative acts.
- Disbursement of over \$300 million in royalty, rent, and bonus monies monthly. In FY 1993, the RAD assumed a new duty to disburse monies to States previously disbursed by the Forest Service and Army Corps of Engineers. This involves monthly disbursements to 12 additional States (bringing the total number of States handled by RAD to 39) and the elimination of disbursements to the Corps of Engineers (the Forest Service still receives disbursements of grassland revenues thus bringing the number of federal agencies handled by RAD down to 5). In FY 1993, the disbursements assumed from the Forest Service and the Corps were made manually; in FY 1994, these disbursements will be incorporated into the normal automated disbursement process.
- Payment of late disbursement interest to States when their mineral payments are not made by due date. Only about 2 percent of disbursements are made late. The RAD calculates and pays interest to the affected States. In FY 1994, programs have been established to attempt to continually increase the on-time disbursement to States and consequently decrease the amount of late disbursement interest paid to States.
- Monthly verification of automated EOP Reports and preparation of manual EOP reports for 39 States and 5 other Federal Agencies. Efforts are underway to provide one EOP to States and agencies versus the multiple EOP's previously provided. This should be accomplished in FY 1994 with the automation of several manual procedures (manual EOP's will still be required in some cases). An information manual is also planned for FY 1994 to provide all EOP recipients with an explanation of the EOP process. The information manual plus site visits to larger revenue recipient States should provide better service to MMS' customers.
- Administration of the Net Receipt Sharing Program to recover a portion of the operating costs of the federal leasing program from the States.

**Indian Distribution and Disbursement** - This program includes the following work to ensure the proper payment of Indian lease revenues to the proper recipients:

- Receive, account for, and disburse Indian mineral revenues to the BIA. This function accounts for approximately \$167 million from about 5,400 producing Indian leases. Of this amount, \$80 million was deposited to Treasury accounts managed by BIA for subsequent payment to 26 Tribes and 29,000



individual Indian owners, \$90 million was paid directly to individual Indian owners and Tribes and \$7 million was accounted for by the Indian non-standard lease function.

- Telefax information to the BIA, on the amount deposited each day to enable the BIA to invest the revenues into appropriate interest-bearing accounts. Later, a Voucher and Schedule of Withdrawals and Credits (SF 1081) is provided to allow the revenues to be made available to individual tribes and allottees. Through streamlining processes, the average turnaround time for SF 1081's decreased in FY 1993 from 8 to 6 days.
- Electronically, provide the BIA with an Indian Financial Distribution Report twice a month which details each royalty/bill line distributed to BIA. MMS uses this information to create an EOP reports for Indian Tribes and BIA uses it to prepare EOP reports to individual allottees (NPR-Reinvent).
- Assisting Tribes in administering the Indian Self-Determination Act (Public Law 93-638) which allows Indian Tribes to enter into contracts with the Secretary of the Interior to plan, conduct, and administer programs, or portions of programs, performed by the Department. The Cherokee and Chickasaw Tribes have initiated requests to perform certain BIA functions. To date, these functions have not included the disbursement of funds to individual accounts but when these functions are taken over by the Tribes, it will have an impact on MMS. If this type of contract is entered into, training and outreach sessions will have to be held.
- Account for the non-standard leases issued under the Indian Mineral Development Act of 1982 which gave Indian Tribes the authority to generate unique lease agreements directly with oil and gas companies. These lease agreements contain terms or conditions that cannot be accounted for by the standard AFS processes. These agreements can be joint venture agreements, net profit share agreements, and royalty agreements with unusual terms or conditions such as variable or conditional royalty rates, bonus, or penalty payment terms, alternative payment methods or reporting frequencies, etc.

In FY 1993, \$7.3 million was accounted for from 69 producing Indian leases for 7 Tribes. This accounting function includes reviewing lease agreements and providing comments to the BIA; setting up leases in an off-line system with all the unique codes required by the lease agreement (i.e. drilling costs, completion costs, workover costs, operating costs, taxes paid, gross revenue, net revenue, allowances, loss accounts, etc.); data entry Form MMS-2014's and payment documentation (royalty and rental) into the off-line system; running edits; and preparing disbursement reports (Explanation of Payments) for each Tribe.

It is anticipated that the 80 additional non-standard leases issued by Tribes in FY 1993 will be producing in FY 1994 and as many as 100 additional leases will be issued in FY 1994. It is also anticipated that billing functions for late payment will be initiated for the non-standard leases.

Ongoing Workloads  
Number

GENERAL LEDGER AND FUNDS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of Checks Received	73,268	73,000	72,750
Number of Wire Transfers	7,007	7,100	7,200
Number of Refunds	1,254	1,100	1,000

General Ledger and Funds staff perform work to ensure the:

- Timely and accurate reporting to the U.S. Treasury of all collection and disbursement activity,
- Appropriate internal controls for the AFS are in place,
- prompt deposit of all daily receipts,
- Timely disbursement of monies as requested, and
- Monitoring of more than \$1 billion in investments.

These workloads include the following functions:

- Reviewing all checks received by RMP for proper endorsement, valid payee, and MICR encoding and returning checks to remitters as necessary. In FY 1993, RMP processed 73,268 checks. For FY 1994 and FY 1995, RMP estimates that 73,000 and 72,750 checks will be processed respectively. A new initiative to implement the Automated Clearing House rental payments will decrease the number of checks and increase electronic fund transfers. Eventually, all payments may be made by electronic funds transfer using either the ACH or the current Federal Reserve System FEDWIRE electronic payment method. The ACH process is less expensive than FEDWIRE and thus payers would benefit through costs savings and MMS would benefit as this process is more secure and faster than check payments.
- Assuring the daily deposits of all the checks delivered by courier to the Denver Branch of the Federal Reserve and reconciling all confirmed deposit tickets to the actual deposit ticket details.
- Accessing the Treasury's CASH-LINK system to obtain wire transfer details, verifying the entry, and preparing the Voucher and Schedule of Payment (SF-1166) for monthly State wire payment disbursements. In FY 1993, RMP processed 7,007 wires and estimates 7,100 and 7,200 wires in FY 1994 and FY 1995.
- Processing user requests for refund payments to industry. This involves reviewing and validating refund requests, AFS input, and SF-1166 preparation. In FY 1993, RMP processed 1,254 refunds. The RMP estimates that 1,100 refunds will be processed in FY 1994 and 1,000 refunds will be processed in FY 1995. The decrease is due to correcting the BRASS accounts recently converted to AFS and streamlining procedures to consolidate refunds. Electronic funds certification equipment was procured in FY 1993 which 1) improved the integrity of all payment certification processes, 2) reduced the amount of paper and time required to process refunds at both MMS and Treasury, 3) improved the speed at which the payment voucher certification, transmission, and verification occur, and 4) increased security with a system of integrated checks and balances in both the process and the people who use the process.

## General Ledger staff also:

- Process all information from three Indian tribal lockbox banks and update the AFS payment data with valid payments (approximately 1,500 payments are processed each year);
- Attend OCS lease sales to collect, endorse, and expedite the deposit of 1/5 bonus amounts and manage the investment of these amounts until notified by the regional OCS Office of Lease Acceptance. Prepare SF-1166 to return the 1/5 bonus and interest to companies for rejected OCS sale leases. Using CASH-LINK, access the payment of the 4/5 bonus and 1st year rental payment and provide electronic notification to the regional OCS office of the receipts.
- Manage and coordinate with Alaska State officials the reinvestment of the more than \$1 billion in disputed OCS lease amounts;
- Monitor and analyze the 1) daily AFS journal entries to the subsidiary ledgers and balance sheet, 2) AFS system assurance report in order to maintain a valid and reconcilable AFS financial data base, and 3) all collection and disbursement activity to ensure adequate internal controls exist and are followed;
- Prepare various reports required by the Department of the Interior and the Department of the Treasury; and
- Prepare all required schedules for the yearly financial statements as required by the Chief Financial Officers Act of 1990.

**SYSTEMS MANAGEMENT DIVISION**

The Systems Management Division (SMD) provides computer and related high-technology support to the Royal Management Program. This includes systems planning, installation of new systems, and operation and maintenance of existing systems. The SMD also develops contracts and monitors the performance of RMP contractors.

Ongoing Workloads  
Number

SYSTEMS OPERATION & MAINTENANCE	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Lines of Program Code Maintained (000)	3,074	3,004	2,560
Data Base Size Maintained (Megabytes)	34,228	35,461	38,505
Information Workstations Supported	1,200	1,400	1,500
Input Lines Processed (000)	7,438	7,515	7,589
Data Transactions Keyed (000)	6,300	6,300	6,025
STATSS Users Supported	1,250	1,300	1,400
Contracts Managed (\$000)	17,100	17,000	17,000

*Systems Operation and Maintenance* is a major activity conducted by 58 SMD systems staff working in conjunction with a single contractor firm employing approximately 172 employees. Operations and maintenance includes tasks ranging from data entry to final report distribution and all processes in between.

**Maintaining Computer Application Software.** This function is another substantial effort involving over 2.3 million lines of program code, 1,000 computer programs, and 1,800 unique data files. In FY 1993, the BIS absorbed STATSS. The decrease in FY 1994 is due to a cleanup of unused code and the decrease in FY 1995 is due to the deletion of PAAS software from the VAX.

**Data Base Maintenance.** The RMP maintains on-line data bases that contain current and historic royalty, production, and lease information. The size of these data bases are given in millions of characters or megabytes. The increase in size in FY 1994 and FY 1995 is attributed to a potential growth factor for common software and for the Common Reference Database, the Business Information System, AFS, and PAAS.

**The Value of Microcomputers as Information Workstations.** The RMP is converting from dedicated mainframe terminals to microcomputer workstations. This conversion will provide a single point of employee connectivity to an array of available information resources, including data on the RMP mainframe. An information workstation is a microcomputer running applications that are tightly coupled through RMP's wide-area network to information resources (mainframes, file servers, minicomputers, data bases, etc.) throughout the organization. Besides RMP and contract personnel, the number of information workstations include workstations connected to the RMP wide-area network, but located outside RMP. These workstations are used by RMP constituents such as States, Indians, BIA, and industry.

**Processing Input Lines.** Input lines processed are derived from all PAAS, AFS, and Common Reference Data Base (CRD) documents processed. The RMP expects the workload for processing input lines to increase only modestly from FY 1993 through FY 1995. Automated functions that remain in the mini-computer environment are inquiries and processing solid minerals data.

**Data Transactions Keyed.** This workload counts documents keyed by contracted data entry services.

**STATSS Users Supported.** The RMP supports several groups who have access to RMP data through automated processes. These groups include users from 15 states, 10 Indian tribes, Bureau of Land Management offices, Bureau of Indian Affairs offices, and MMS personnel. Since FY 1986, RMP has provided the States and Indian Tribes with 60 microcomputers and peripheral equipment.

**Contract Dollars Managed.** In FY 1993, the SMD managed over 60 contracts and maintenance agreements totaling \$17.1 million. These contracts and agreements ranged from an over \$8 million annual ADP operations and maintenance contract to a small monitor repair contract. American Management Systems Operation Corporation (AMSOC), located in Lakewood, Colorado, is the O & M contractor for the Royalty Management Program. In FY 1993, RMP obligated \$8.3 million for the contract, and in FY 1994 the contract will cost \$7.8 million. The following table gives an overview of some of the other contract activity required to maintain the ADP operation. Some of the contracts have increased in cost in FY 1994 with the completion of the mainframe hardware upgrade and the expiration of the purchase warranty.

Contracts/Maintenance Agreements	Company Name	Location	Amt. Obligated in FY 1993	Amt. Estimated in FY 1994	Amt. Estimated in FY 1995
Operations & Maintenance, Development	AMSOC	Lakewood, CO	8,381,355	7,811,000	7,811,000
Disaster Recovery	COMDISCO, Inc.	Cypress, CA	60,600	75,060	75,000

IBM Equipment Maintenance	Storage Technology, Vion Corp.	Silver Spring, MD Washington, DC	151,574	260,700	275,000
IBM Software Maintenance	IBM	Denver, CO	257,748	222,778	235,000
Computer Output Microfiche	National Bus. Systems	Denver, CO	118,896	164,116	0
Laser Printer Maintenance	Xerox Corporation	Denver, CO	104,448	130,000	150,000
Software Maintenance	Computer Associates	Reston, VA	148,068	172,624	175,000
Other Contracts/Agreements	Numerous		7,877,311	8,163,722	8,279,000
TOTAL			17,100,000	17,000,000	17,000,000

### Systems Development

Short and long range ADP planning is central to continued mission accomplishment. Systems development will include:

- analysis, development, and implementation of user identified improvements for programs that assist functions such as audit (NPR-Gore), compliance, and allowance tracking;
- development and implementation of selected Post Improvement Review (PIR) recommendations;
- identification and implementation of software development projects to improve overall RMP processes, i.e., reduction of hard copy reports through increased use of online capability, and an increase of electronic reporting by all reporters (NPR-Reisvent); and
- examination and implementation of new technologies to improve overall RMP processes such as CD ROM for data storage, data warehouse technology, and document imaging.

### Strategic Planning

With the Business Systems Plan completed, RMP has initiated implementation of its Enterprise-wide computing plan. The focus of this plan is a strategic policy of moving RMP's applications and data from the mainframe to a distributed client/server architecture supported by its wide area telecommunications network. This "rightsizing" effort is aimed at empowering RMP's clients with a series of consistently built, shared, and reusable software modules, and off-the-shelf Windows applications, invoked by the individual's personal desktop computer. The RMP strategy treats the individual as the focal point of these software and data services, supporting the individual's dual role as both data producer and consumer. Because of this emphasis on human-center enterprise computing, RMP's strategy is different from the more traditional architectural frameworks, which consider individuals and their desktop computers as endpoints of mainframe based legacy systems. This enterprise-wide computing strategy enables RMP to construct systems that:

- make enterprise systems appear to the user as a seamless and predictable extension of the "desktop";
- provide seamless access to information shared across both mainframe based legacy systems and WAN based server databases;

- provide a networked business environment that enhances workgroup collaboration and productivity;
- provides new application design guidelines for creating systems that are easy to use, consistent, adaptable, extensible, scalable, distributable, shareable, reusable, reliable, and secure; and
- remain cost-effective while systems evolve. RMP's architecture is designed for a dynamic environment, allowing maximum configurability based on the changing economics of computers, databases, and networks.

### Electronic Data Interchange

The RMP is continuing work on EDI with Federal agencies, State governments, and industry. EDI will reduce paper report volumes, reduce errors, expedite error correction, provide a more current data base, and promote closer working relationships between RMP and its constituents. The RMP has taken a lead role in working with organizations such as the American National Standards Institute and the American Petroleum Industry Data Exchange in the development of national standards for royalty and production regulatory data exchange. Working directly with government and industry representatives, agreement was reached on standards for data exchange. A pilot EDI project with Chevron and AMOCO is underway. The data formats, software, and telecommunications will be tested during the pilot after which widespread application of EDI is planned. The RMP's ongoing efforts in the EDI area have been incorporated into its NPR plans.

Parallel with the EDI effort, the RMP will be expanding its ability to electronically interchange messages and files with private industry via its X.400 mail gateway. Currently over 200 industry clients can exchange mail via the X.400 gateway to AT&T Mail. During FY 1994 the majority of RMP's industry clients will be added. The ability to seamlessly communicate electronically with industry will significantly improve the efficiency of information interchange.

### *Justification of Program Changes (Dollars in thousands)*

#### **Hardrock Royalty Collection**

	FY 1994 Enacted	FY 1995 Request	Change
\$	—	1,680	+1,680
FTE	—	20	+20

#### **Impacted Workloads are Distributed Throughout**

An increase of \$1,680,000 and 20 FTE is proposed for the initial start up costs of the hardrock royalty collection program. This estimate is based on our current analysis of the pending House bill (HR 322) proposing to amend the General Mining Law of 1872 with the assumption that royalties will be due on 1,300 producing mines (300 high producing mines with 75 claims each and 1,000 low producing mines with 5 claims each).

The requested increase will fund additional staff to 1) gather the data needed to create a data base which will be used to account for production and royalty payments, 2) enhance systems configuration, 3) participate in the development and presentation of payor training. The proposed increase is slightly less than prior estimates due to systems efficiencies.

Under the House proposal, hard mineral royalties will not be due until one year after enactment. Thus royalty collection is anticipated to begin in late FY 1996. This will allow RMP time to develop the minimum capabilities required for the initial creation of a claims data base and software development which will give RMP the ability to accept and distribute payments. Royalty estimates are provided in the Receipts section.

**Decrease to Accommodate Changing Program Needs**

	<b>FY 1994 Enacted</b>	<b>FY 1995 Request</b>	<b>Change</b>
\$	---	---	-195
FTE	---	---	---

**Impacted Workloads are Distributed Throughout**

A decrease throughout the subactivity will be implemented to absorb changing program needs. Reductions will occur in training efforts required under the CFO Act, deferral of small equipment maintenance, and supplies.

## Mineral Revenue Compliance

Justification of Program and Performance  
 Subactivity Funding Summary  
*(Dollars in thousands)*

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1995 Request	Change from 1994
\$	12,108	-439	+1,335	13,004	+ 896
<i>FTE</i>	<i>154</i>	<i>-5</i>	<i>+19</i>	<i>168</i>	<i>+14</i>

Uncontrollable changes include: additional payraise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS - 14 & 18

## OBJECTIVES

- To provide timely, clear, and definitive product value guidance to royalty payors which will better ensure that royalties paid on all products removed from Federal and Indian lands are in accord with law and regulation.
- To ensure, by examination and review and by providing appropriate incentives, that those who report and pay to MMS are in compliance with statutes, lease terms, regulations, and, for Indian leases, the Secretary's trust responsibility governing royalty payments.



## COMPLIANCE SUBACTIVITY OVERVIEW

FY 1993	FY 1994	FY 1995
<b>Office of Indian Royalty Assistance (OIRA)</b>		
<p>Informally established another field office to serve northern Indians from part of the Lakewood-based office. Represented Indian interests in RMP program policy and procedural development activities.</p>	<p>The role of lead facilitator for Indian matters will integrate OIRA with other RMP divisions and offices. Inquiry resolution will focus more on individual Indian mineral owners. A stronger outreach program will seek out Indian interests and issues to better keep RMP management informed of RMP's trustee expectations.</p>	<p>Will continue to be involved as lead facilitator for Indian matters with RMP. Will increase inquiry resolution work through increased expertise. Will increase outreach to be better informed about Indian interests, especially under-represented individual Indian mineral owners. Will increase evaluation of RMP's Indian trust responsibilities.</p>
<b>Office of Enforcement (OE)</b>		
<p>Continued to use NONCs and civil penalties under FOGCMA to encourage voluntary compliance with obligations. Delegated issuance of routine notices to operating Divisions. Continued to pursue settlements of issues where benefits of settlement outweighed benefits of litigation. Expanded the use of comprehensive global settlements. State and Indian representatives were involved in negotiations that affected their revenues.</p> <p>Monitored all on-going cases involving Federal/Indian royalties, rents, and penalties and prepared briefing documents and technical information. Took lead in responding to industry appeals of RMP's policy on the royalty liability of contract settlement payments.</p>	<p>Improve procedures for discovering instances of noncompliance and issuing notices and civil penalties pursuant to the Compliance Action Plan and the NPR-Reinvention Lab. Develop enforcement mechanisms, including obtaining authority for civil penalties, under statutes other than FOGCMA. Involve more companies with contentious issues in alternative dispute resolution program. Continue to monitor cases and assist Office of the Solicitor and DOJ. Begin program to settle cases involving contract settlements.</p>	<p>Increase investigative and enforcement activities. Coordinate appeals process for royalty management appeals. Ensure timely involvement of all affected persons in each appeal. Increase use of various ADR mechanisms and increase ADR to resolve more royalty disputes. Provide consistency in settlement documents and disbursement process for settlements. Continue bankruptcy work. Increase focus on preparing MMS cases for litigation by writing briefing documents and preparing technical information. Begin program for enforcing penalties for underpayments under section 111 (b) of FOGCMA.</p>

Valuation and Standards Division (VSD)		
<p>Performed majority pricing for Anadarko and Southern Ute Indian leases. Performed product value determinations.</p> <p>Provided technical determinations (advice and assistance). Processed requests for transportation, processing, and washing allowance approvals and/or exceptions.</p> <p>Prepared technical field reports for MMS' Office of Appeals. Provided regulatory training.</p> <p>Performed coal regulatory compliance and monitoring. Developed or maintained valuation and allowances regulations.</p>	<p>Continue work activities and level of effort described for FY 1993 with following exceptions: expand majority pricing to all Indian leases; provide valuation support as needed for contract settlement audits; process increased appeals work level resulting from majority pricing, valuation monitoring activities on Indian lands; and contract settlements activities. Complete payor handbook chapters for Geothermal. Address workload requirement in the event the 1872 mining law is amended. Publish regulations on record retention requirements for Net Profit Share Leases; Extraordinary Gas Processing Allowances; Federal Gas Valuation; and Indian Gas Valuation. Allowance approvals will fall back to FY 1993 level.</p>	<p>Continue work activities and level of effort described for FY 1994 with the exception that contract settlement activities will increase significantly in FY 1995. Initiate the development and implementation of product valuation regulations for hardrock minerals if needed. Provide payor training on Geothermal Payor handbook chapter. Continue to expand majority pricing for all Indian leases. Formulate regulations resulting from Federal and Indian Gas Valuation Study Groups.</p>
Division of Verification (DOV)		
<p>FY 1993 collections in late payment interest attributable to AFS exception processing totaled \$24.6 million bringing total collections to \$124 million since inception (3/85).</p> <p>FY 1993 collections from sales/production comparisons (AFS/PAAS) were nearly \$23 million bringing total collections to about \$100 million since inception (5/85). System design began to fully automate the initial AFS/PAAS comparison process. The automated process will identify 100% of the exceptions. Assumed responsibility for administration of royalty rate reduction program (stripper wells).</p>	<p>Continue to monitor and evaluate procedures and outputs to determine if resources are efficiently allocated, and applicable tolerances are effective. Identify and evaluate areas where operations can be streamlined. Eliminate backlog of 1,200 lease financial terms prebills. Implement the allowance exception processing module.</p> <p>Increase production accountability efforts by developing procedures to perform a measurement point - production document check for OCS gas as part of OCS Gas Verification System (GVS) efforts. Increased the minimum billing threshold for Federal leases.</p>	<p>Ongoing evaluation to determine more efficient ways of performing DOV functions. Increase production accountability efforts by implementing the GVS procedures and the automated AFS/PAAS comparison process. Develop automated field/area allowance comparisons.</p>

## 1994 and 1995 ONGOING WORKLOADS

The following describes the various Compliance Subactivity programs and their workloads.

**OFFICE OF INDIAN ROYALTY ASSISTANCE**

The OIRA is RMP's focal group for Indian issues. It is the lead facilitator within RMP for knowing, understanding, and presenting Indian issues, positions, and concerns in MMS's management of their mineral revenues. The OIRA mission also includes inquiry resolution for individual Indian mineral owners and Tribes that do not have established representation with MMS. OIRA is also responsible for outreach programs involving the Indian community.

**DEMOGRAPHIC PROFILE OF POPULATIONS  
& ROYALTY PAYMENTS SERVED BY OIRA - FY 1993**

Producing Leases	Oil and Gas	Solid Minerals
Allottee	2,719	34
Tribal	1,319	29
Non-allottee owner	24	2
<b>Customers</b>		
Individual Indian Mineral Owner	20,000	
Tribes	26	
<b>Direct &amp; Lockbox payments to :</b>		
Individual Indian Mineral Owners	\$19,582,644	
Tribes	\$59,806,494	

Through its structure, RMP provides expedited on-site problem resolution and other services. These include:

- responding to questions from individual Indian mineral owners and Tribes about royalty payment problems;
- conducting lease reviews (review and reconciliation of MMS payment and production records and reports);
- identification and resolution of problem referrals;
- conducting outreach and educational workshops; and
- working with Tribes to assist them in development of Tribal managed minerals programs.

**Ongoing Workloads  
Number**

LEASE REVIEWS/PROBLEM RESOLUTION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
OIRA Lease Reviews and Referrals	396	500	500

Reviewing the lease royalty information on behalf of the Indian mineral royalty owners continues to be one of the primary activities of the OIRA. Most of the reviews are initiated as a result of customer concerns or problems regarding production reporting and royalty payments. However, OIRA will identify leases for review through pro-active monitoring and issue oversight. The BLM and BIA offices, and in some cases industry, Tribes, or States, may refer an issue to OIRA for review. In resolving this caseload, the OIRA will perform lease reviews of the production and royalty data and may supplement this effort with referrals to RMP audit and valuation staff or to the responsible BIA or BLM office. The OIRA will also seek litigation resolution and conduct follow-up actions related to the Kaulley v. Lujan case and the Shii Shi Keyah v. Hodel case. The numbers of expected reviews are less than previous estimates because of improved workload experience. The FY 1994 and FY 1995 estimates are higher than FY 1993 because of increased efficiency through improved skills and experience.

**Ongoing Workloads**  
*Number*

CUSTOMER CONTACTS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Office Visits	1,263	1,500	1,500
Inquiries Received	822	900	1,200

The OIRA reorganization responds to congressional and Indian concerns about previous difficulty accessing information and obtaining responses to problems. MMS, BIA, and BLM initiated a pilot project in FY 1992 in the Farmington Office to create a single office with staff from each of the Bureaus. This improvement promotes one-stop service for those Indian mineral owners experiencing problems or needing assistance. One-stop service enhances the Farmington office's ability to discuss issues with more individual Indian mineral owners, which may result in desk audits on their particular lease accounts. Additionally, results of this pilot could be considered for implementation in the Oklahoma City office.

At the present time, RMP has 1-800 telephone service for the Lakewood, Farmington, and Oklahoma City offices to encourage Indian customers to contact RMP with their concerns and lease-related problems.

The RMP also receives written inquiries from the Indian community and various BIA offices to resolve many types of Indian lease issues. OIRA expects the number of written inquiries to increase as the Indian community gains experience and understanding of what services are offered. This would also reflect the effectiveness of OIRA outreach and training/education initiatives discussed below.

**Ongoing Workloads**  
*Number*

OUTREACH	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Outreach Meetings:			
Allottee Visits	44	150	150
Tribal Visits	16	18	18

Court orders in both Oklahoma and New Mexico place responsibility on OIRA for conducting meetings with individual Indian mineral owners and providing royalty information. The RMP has re-emphasized the importance of improved communications with the Indian mineral owners through the OIRA restructuring and the field office concept. In FY 1993, the RMP continued on-site visits, principally through OIRA, with Indian

Tribes, allottee organizations, individual Indian mineral owners, and BIA and BLM offices. These outreach meetings addressed such issues as explanations of payment, royalty payment, payor and operator reporting procedures on Indian leases, auditing, product valuation, MMS policy, and MMS/BIA/BLM coordination. These meetings are either pre-scheduled at certain times of the month with designated individual Indian mineral owner organizations or occur as a result of a request by an allottee group to discuss individual royalty issues. This activity is expected to continue as more Indian owners become aware of the services and our interest in ensuring their understanding and knowledge of the royalty program.

**Ongoing Workloads**  
*Number*

TRAINING AND EDUCATION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Regional Customer Forums	12	11	11
OIRA In-Reach (RMP) Sessions	0	12	12
Educational Institution Visits	0	8	8
Industry Presentations	as needed	as needed	as needed

OIRA will provide service to the Indian community through its training and education initiatives as follows:

- Regional Customer Forums - The RMP, in conjunction with BIA and BLM, periodically conducts seminars at various locations for individual Indian mineral owners and Tribes for the purpose of discussing BIA, BLM, and RMP responsibilities.
- OIRA In-Reach (RMP) Sessions - OIRA provides in-house training sessions to RMP Divisions to inform them of the various services that OIRA provides the Indian community and to discuss RMP processes that address individual Indian mineral owners' concerns.
- Education Institution Visits - Periodically, OIRA visits educational institutions to discuss energy issues and RMP's role in handling issues affecting the Indian community.
- Industry Presentations - OIRA provides, on an as-needed basis, informational sessions to members of the oil and gas industry to inform them of the various services that OIRA is providing to the Tribes and individual Indian mineral owners and to discuss compliance with rules, regulations, and Indian lease terms.

Beginning in FY 1994, computer system support for Indian Tribes and individual Indian mineral owners will be provided by RMP's Systems Management Division.

#### OFFICE OF ENFORCEMENT

The Office of Enforcement (OE) conducts activities aimed at achieving compliance with the requirements of statutes, leases, and regulations. These activities include issuing Notices of NonCompliance (NONCs) and assessing civil penalties when warranted. The OE maintains RMP's manual that outlines the procedures and processes for assessments and penalties.

The OE coordinates the settlement of disputes between MMS and companies over royalty issues. These disputes often arise subsequent to an MMS audit of a company or MMS's detection of potential underpayment via automated processes.

The OE provides litigation support concerning major litigation. The OE also oversees the RMP bankruptcy program, which involves monitoring companies filing for bankruptcy and coordinating the calculation and submission of the Government's claim with the court.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Noncompliance and Penalty Notices Issued	11	30	36
Active Settlements	76	84	92
Settlements Concluded	40	48	56
Active Bankruptcies	20	26	32
Bankruptcies Overseen	340/ 6 new	346/ 6 new	352/ 6 new
Litigation Assistance Cases	6	10	16

**Notices of Noncompliance (NONC)**

The NONCs are issued when sufficient evidence exists that a lessee has not complied with an order, lease term, regulation, or statute. NONC's are authorized, for oil and gas leases only, by section 109 of FOGPMA. The OE looks to other RMP compliance Divisions for referrals of instances of noncompliance and, in the course of conducting independent investigations, issues notices resulting from its own efforts. The issuance of NONCs involving routine violations was delegated to the RMP Divisions, although OE maintains a coordination role. Notices that qualify as routine include:

- failure to pay the amount due;
- failure to post a surety instrument pending appeals of amount due;
- failure to perform (an order to provide data on production volume differences); or
- failure to report (an order to provide an amended Form MMS-2014 or MMS-3160).

**Non-Wilful Violations.** A NONC for non-wilful violations is issued to a person RMP believes has failed or refused to comply with a requirement governing the determination and collection of royalties based on criteria established by the Associate Director/RMP. The person is allowed a 20-day period after the NONC is received to correct the violation without incurring penalties.

**Wilful Violations.** When RMP has sufficient evidence to demonstrate that a person has wilfully disregarded its obligations under the statutes, leases, and regulations, a NONC may be issued that provides for the immediate assessment of civil penalties without the ability of the person to avoid them by correcting the violation. These cases are not frequently encountered.

**Civil penalties.** If a NONC is issued for wilful acts or a violation is not corrected during the 20 day cure period, a penalty is issued. Civil penalties for non-wilful violations can be as high as \$500/day for the first 40 days the violation remains uncorrected after the person is served the NONC, and as high as \$5,000/day thereafter. Civil penalties for wilful violations can be as high as \$10,000/day. However, a civil penalty cannot be collected before the person is afforded a hearing on the record. These hearings are before an administrative law judge from the Department's Office of Hearings and Appeals. The MMS is to be represented at those

hearings by the Department's Office of the Solicitor. Support for the hearings is provided by OE and other RMP Divisions.

#### Settlement of Payor Appeals

Settlement discussions for global settlements, single issue settlements, and bankruptcy settlements are normally conducted at the request of the company that has appealed a bill or order, or on referral from the bankruptcy court. The MMS, a State, or an Indian Tribe may also initiate settlement negotiations. The OE facilitates all settlement discussions. Such discussions are conducted by a team made up of representatives of RMP Divisions, OE, other MMS and/or Solicitor officials and, if State or Tribal monies are involved, a representative of affected States or Tribes. The number of settlement discussions is related to the number of issues being discussed and the information available to the negotiators, especially for cases that involve periods more than five years old.

In FY 1992, 25 settlements were concluded. In FY 1993, 39 settlements were concluded resulting in royalty payments of approximately \$93 million. In FY 1994 and continuing through FY 1995, RMP expects a noticeable increase in settlements due in large part to the issue of the royalty liability of contract settlements received by producers from gas purchasers.

#### Litigation Support of Bankruptcies

The OE provides litigation support to the Office of the Solicitor and to the Department of Justice in major litigation implicating MMS. Part of the litigation concerns bankruptcy actions. The OE, through the bankruptcy team, monitors the activity in those cases and coordinates with the Solicitor and the Department of Justice attorney in protecting and defending MMS claims entered into bankruptcy cases. Proofs of claim are filed with the bankruptcy courts, objections to the claims are refuted, reorganization plans are reviewed, and witnesses and information are prepared to assist the Solicitor and Department of Justice in litigating the cases. A master bankruptcy list showing the bankrupt companies which have filed for protection and the status of the case is prepared on a quarterly basis.

### VALUATION AND STANDARDS DIVISION

The Valuation and Standards Division (VSD) is responsible for:

- Preparing regulations and guidelines to be used in valuing, for royalty purposes, minerals produced from onshore and offshore Federal leases and from Indian leases;
- Interpretation and enforcement of valuation regulations and guidelines;
- Providing regulatory training to industry and other RMP entities on new and revised product valuation regulations and guidelines;
- Approving certain transportation and processing/washing allowances which are deducted from royalties owed by payors; and
- Providing technical support (advice and assistance) to government agencies and industry on valuation, appeal, and allowance issues.

The VSD performs certain valuation and allowance monitoring activities to ensure that royalties on minerals produced from Federal, Indian, and OCS lands are calculated and reported in accordance with existing laws and regulations. Provided below is a workload summary of each major activity performed by VSD, including FY 1993 accomplishments and FY 1994 and FY 1995 projected workloads.

Ongoing Workloads  
Number

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Product Value Determinations	58	60	60

In general, royalty is based on the value of the commodity produced, the volume of production sold or otherwise disposed of, and the royalty rate applicable to the lease. However, several factors add to the complexity in determining the value of the commodity sold, such as vertically integrated companies selling to themselves, Federal Government price controls, and long-term sales contracts. Current product value regulations deal with these complexities and permit industry to request formal valuation determinations from MMS. The RMP uses product-specific information provided by the lessee or operator and applies applicable laws and regulations, legal precedent, and/or Agency policy, to prepare a decision document detailing the proper method to be followed in determining royalty value. A product valuation determination letter is a final decision, requiring lessee compliance. It is anticipated that FY 1994 and FY 1995 workload outputs will remain at the FY 1993 level.

The area of gas valuation is an NPR-Reinvention Laboratory effort. In fulfilling the requirements of Recommendation No. 2 of the NPR, two Royalty Policy Teams were established. The first team is the Federal Gas Valuation Study Group which is chartered to improve current regulatory requirements for valuing gas produced from unitization and communitization agreements, and the benchmark valuation system for non-arm's length contracts, no sales situations, or where a lessee does not sell a portion of its allocated production. The other team was formed to review Indian gas valuation. This team will focus primarily on the major portion analysis and dual accounting issues.

Ongoing Workloads  
Number

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Technical Determinations	257	280	290

The VSD provides valuation, allowance, and other technical advice and assistance to persons, companies, agencies, and other interested parties. The work includes interpretation and application of both prior and current valuation and allowance regulations and guidelines, legal precedent, and interpretation of lease terms and/or agreements between lessee and lessor.

The work also involves valuation, allowance, and other technical advice and assistance for companies that produce and consume production -- for example, technical determinations associated with electric utilities who produce and consume coal from Federal leases have increased considerably over the past several years. Also included in this category are requests for technical advice and assistance from RMP and BLM staff, other government agencies, and the minerals industry. Examples of advice and assistance include:

- Requests from RMP auditors or auditors working under 202/205 authority for valuation assistance,
- Requests from BLM for determinations of unit values for advance coal royalty determinations,
- Requests from RMP auditors for lease term interpretation for minimum royalty requirements for sodium and potassium leases,
- Requests from industry and RMP auditors for interpretations of the regulations controlling offshore net profit share leases,
- Requests for assistance from the Bureau of Mines for modeling cash flows under alternative royalty schemes, and



- Requests from BLM, BIA, and Indian Tribes for input into the formulation of unique, nonstandard Federal and Indian lease terms for product valuation.

It is anticipated that FY 1994 and FY 1995 workload outputs will increase slightly as a result of the contract settlement advice and assistance and the publication of oil and gas product valuation payor handbook chapters.

Ongoing Workloads  
Number

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Processing/Washing Allowance Approvals	48	50	50
Transportation Allowance Approvals	242	150	150

**Processing and Washing Allowances.** By regulation, lessees are allowed to deduct "processing" costs associated with the extraction of liquid products; e.g. propane, butane, isobutane, etc., from a natural gas stream and "washing" costs associated with the removal of sulfur, ash, or other impurities from coal. In FY 1993, VSD processed 48 processing/washing allowance requests received from industry under:

- Pre-1988 gas and pre-1989 coal valuation regulations; and
- Current non-coal solid mineral regulations and lease terms.

Also included are requests for certain exceptions such as:

- permission to exceed the two-thirds processing allowance ceiling,
- permission to exceed the fifty percent transportation allowance ceiling, or
- permission to compute actual costs under the revised allowance regulations.

Approvals are also made annually for noncoal solid mineral processing allowances which are required under lease terms or due to administrative decisions. It is anticipated that the FY 1994 and FY 1995 workloads will be similar to the FY 1993 workload.

**Transportation Allowances.** In FY 1993, VSD processed 242 transportation allowance requests received from industry under:

- Pre-1988 oil, gas, and pre-1989 coal valuation regulations;
- Existing non-coal solid mineral regulations and lease terms; and
- Requests for exceptions such as permission to exceed the 50 percent transportation allowance ceiling or the two-thirds processing allowance ceiling and exceptions to compute actual costs as set forth under the revised allowance regulations.

About 100 of those requests received in FY 1993 were one-time requests involving FERC-94 transportation allowances. Accordingly, the transportation allowance approval outputs are expected to drop off by about 100 outputs in FY 1994.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Appeals of Valuation and Allowance Determinations	64	90	90

The VSD prepares technical field reports for the MMS Division of Appeals in support of appealed valuation and allowance decisions. A field report represents the Agency's response to each argument cited by the lessee in its statement of reasons in support of the appeal. The field report includes background information (e.g., dates of relevant events, applicable laws and regulatory requirements, legal precedent, and Department and MMS policy and practices) and an analysis with recommendations to assist the Division of Appeals in resolving the appeal. In FY 1993, VSD prepared 64 technical field reports. In FY 1994 and FY 1995, VSD anticipates that its appeals workload will increase due to a growing number of majority price determinations resulting from expanding majority pricing to all Indian leases. The VSD also anticipates a small increase in the number of solid mineral appeals in FY 1994 and FY 1995.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Valuation and Allowance Regulatory Training	42	50	40

In FY 1993, VSD pursued a proactive payor outreach effort. This training provides industry and other affected parties with clear and uniform training on MMS product valuation and allowance regulatory requirements. This training improves industry's accuracy and timeliness of royalty payments and reporting. In addition to participating in 12 AFS payor outreach seminars, VSD also provided 28 training sessions to over 875 attendees. Trainees included industry, other agencies, foreign governments, and internal and external audit personnel. These sessions were held nationwide and, in two instances, in Hungary. The training included:

- oil, gas, and coal valuation and reporting,
- geothermal and trona valuation, and
- oil, gas, and coal allowance procedures.

Payor training is expected to increase in FY 1994 as a result of a series of specialized 1-day valuation payor training sessions related to the recent publication of Volume III (Royalty Valuation Procedures, Transportation Allowances and Processing Allowances) of the Oil and Gas Payor Handbook.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Majority Pricing	40	300	300

In valuing gas produced from Indian lands, value must be determined with consideration given to the highest price paid for a major portion of like-quality production in the field or area. Various laws, court decisions, and oversight reviews reiterate the requirement for major portion consideration and the Secretary's trust

responsibility to Indians for its enforcement. To comply with this mandate, VSD completed the development and testing of an automated microcomputer application for majority price value verification. In FY 1992, majority prices were calculated for Anadarko (Oklahoma) Area leases, as required by the Kauley Settlement Agreement, and 175 issue letters were sent to Anadarko Area lessees. In FY 1993, 125 cases were closed resulting in additional royalty collections of \$425,000.

In FY 1993, majority price value verification was expanded to include the Southern Ute Indian Tribe. The VSD sent out 46 issue letters resulting in collections of additional royalties of \$18,354 from Southern Ute Indian Tribal leases. In FY 1995, Majority pricing will be expanded to include the Shii Shi Koyah allotted leases, Jicarilla Apache Tribe, and the Navajo Nation. Additionally, majority prices for Anadarko leases, as required by the Kauley Settlement, will be calculated for subsequent years.

Because of this increased level of effort, funding for two additional FTE was authorized by Congress in FY 1994.

**Ongoing Workloads**  
Number

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Regulatory Compliance and Monitoring	13	15	15

The revised oil and gas valuation regulations, effective March 1, 1988, specify that all royalty values reported by lessees are subject to monitoring and review. The performance of automated allowance and valuation monitoring is a proactive approach to the enforcement of MMS regulations. It is intended to detect values that may not be proper under the requirements of the regulations. Additional revenues will be generated in those cases where understated values are found. In turn, royalty recipients will have the benefit of monies rightfully due them at a date much earlier than if these exceptions are not detected until the leases are audited.

In FY 1993, VSD issued 27 letters for potential oil under valuation on Anadarko Area Indian allotted leases using an automated prototype system developed in a microcomputer environment. The results of this initial effort are being evaluated and in FY 1994 RMP will decide if its prototype system is cost effective and whether it should be expanded to perform oil valuation monitoring for all Indian leases.

Solid mineral compliance monitoring activities to date have been limited largely to manual reviews of coal allowances claimed on Form MMS-2014 and to processing and transportation allowances claimed for Gilsonite and OCS French-produced sulfur. Valuation compliance monitoring for coal has been applied on a case-by-case basis where non-arm's-length selling arrangements or complex royalty calculation requirements exist or where unusual circumstances (contract buy-downs or buy-outs) warrant detailed review of a lessee's royalty payments. In FY 1993 and FY 1994, RMP will continue to perform coal product valuation and allowance monitoring using an in-house microcomputer and off-the-shelf software. The RMP has determined that this approach is the most efficient and cost effective means of monitoring coal values and allowances under the revised regulations.

**New Project.** At present, VSD is conducting a study to determine if allowance information submitted by the payors for non-arm's length transactions complies with MMS regulations (30 CFR 206). In FY 1995 and FY 1996, the workload to monitor these transactions will increase by an estimated .75 FTE. In FY 1995 and FY 1996, VSD will also continue to perform a variety of oversight and monitoring duties involving offshore net profit share leases, .25 FTE. We expect the workload to increase by 1 FTE in FY 1994 and FY 1995. To accommodate this increase we hope that minor new efficiencies will free up staff to perform this additional workload.

Ongoing Workloads  
Number

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Develop and Maintain Product Valuation Regulations and Guidelines	15	15	15

The development and amendment of product valuation and allowance regulations and guidelines, payor handbook chapters, and "Dear Payor" letters are crucial to accomplishing VSD's mission. Clear, uniform, and timely regulations and guidelines:

- Improve lessee compliance;
- Result in receipt of proper royalty due at the earliest possible time;
- Reduce reliance on audit staff for identifying instances of underpayment; and
- Improve the likelihood that lessees are determining value and calculating allowances in accordance with regulatory requirements.

Product valuation issues currently being considered by means of rulemaking include:

- A proposed rulemaking concerning record retention requirements for Net Profit Share Leases.
- In FY 1994, in response to requests from RMP constituents, MMS will publish a final notice on the proposed rule regarding approval of extraordinary gas processing allowances.
- A proposed rulemaking concerning valuation benchmarks that apply to gas not sold under an arm's length contract, published for comment on December 12, 1991, and
- An advanced notice of proposed rulemaking, published on June 1, 1992, regarding the valuation of gas produced from Federally approved unitization and communitization agreements. This rulemaking will address difficulties arising from the requirement imposed by the 1988 rules.

In FY 1994, in fulfilling the requirements of Recommendation No. 2 of the NPR benchmarks, two Royalty Policy Teams were established. The first team is the Federal Gas Valuation Study Group which is chartered to address the two proposed rules addressed above. The other team was formed to review Indian gas valuation. This team will focus primarily on the major portions analysis and dual accounting issues. The recommendations of both of these teams will serve as a *frat/swork* for two new proposed rulemakings.

A final coal product valuation and allowance payor handbook was published December 15, 1992. Final oil and gas product valuation and allowance guidelines were incorporated as 8 separate chapters in the MMS PAYOR Handbook in 1993.

#### DIVISION OF VERIFICATION

The Division conducts verification and exception processing activities such as:

- detecting late payment, underreporting, and improper recoupment of royalties,
- monitoring compliance with the requirements of Section 10 of the OCS Lands Act,
- ensuring that all volumes reported for royalty purposes are accurate, and
- conducting automated valuation and allowance monitoring.

The Division establishes and maintains manual and automated processes for carrying out these responsibilities and initiates regulatory enforcement actions.

On December 30, 1992, the MMS published a final rule titled Offsetting Incorrectly Reported Production Between Different Federal or Indian Leases which became effective February 1, 1993. The rule specifies certain narrow circumstances in which, if a payor can show evidence that a reporting error caused royalties to be attributed to the wrong lease and the error is corrected, no interest will be charged for the delay in crediting the payment to the underpaid lease. If the very specific circumstances are met, MMS will cancel late-payment interest bills resulting from an overpayment/underpayment condition between two leases if the company can demonstrate a reporting error that does not result in loss of time value of money to the lessor, and which has no consequence to the ultimate recipient of the revenues.

The Division also participates in various payor and operator outreach programs. These outreach programs are provided as a service to industry to educate and update them on current and changing RPM policies and procedures. The programs provide a benefit to RMP by clearing up questionable issues, resulting in better reporting and compliance. The Division participates in sessions on payor training, operator training, and allowances. During FY 1993, training efforts included conducting sessions for 274 royalty paying companies and 175 production reporting companies. These sessions are planned to continue in FY 1994 and FY 1995.

Ongoing Workload  
Number

FINANCIAL COMPLIANCE - PREBILL VERIFICATION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Late Payment/Insufficient Estimates			
- Prebills Verified	5,396	3,600	3,600
Lease Financial Terms			
- Prebills Verified	2,409	4,800	3,600

This activity includes those functions which have been classified as Auditing and Financial System (AFS) exception processing. The AFS generates exceptions each month in the form of a prebill. A prebill is a preliminary billing document showing all the exceptions generated by the system for a payor. A manual review of each exception on a prebill is necessary to determine if a true discrepancy exists and if the royalty payor is in fact responsible for the problem. When necessary, orders are issued to collect interest for late payments or insufficient estimated payments and to collect additional royalties and rentals caused by nonpayment or by improper payments or recoupments.

- **Interest Assessments** - The number of assessments for FY 1994 and beyond are expected to be less than the FY 1993 actual, as the billing threshold for minimum billing was increased in January 1994. The minimum billing threshold for Federal bills is increased from \$25 to \$100. This is based on a study that showed it was not cost beneficial to issue bills on Federal leases that are less than \$100.
- **Lease Financial Terms Exception Processing** - Lease financial terms exception processing, which began in May 1992 as a BSPI initiative, identifies leases that have either not been paid or are underpaid for rentals, advance rentals, deferred bonuses, advance royalty, and minimum royalty. The software programs for this activity are very thorough, and the first time they were run against the lease data base, significant data base cleanup and reconciliation actions were required. This time-consuming function creates interaction with industry and RMP's Data Management Division to ascertain the correct parties to bill, thereby delaying the determination of who should be billed. As a result, there is a backlog of 1,200 prebills for a total of 4,800 prebills to be verified in FY 1994. Federal staff will eliminate the backlog by September 1994.

Based on bills issued, it is projected that about 4,200 telephone calls and 300 written inquiries will be received, requiring research, followup, and 1,000 credit calculations in order to respond to payor inquiries on the bills issued for interest assessments and lease financial terms exception processing.

**Ongoing Workload**  
Number

FINANCIAL COMPLIANCE - MONITORING ACTIVITIES	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Indian Recoupment Monitoring			
- Exceptions Verified	2,659	2,600	2,600
Adjustment Monitoring			
- Exceptions Verified	21,658	21,500	21,500
Royalty Rate Monitoring			
- Exceptions Verified	10,914	9,820	8,840
Severance Tax Monitoring			
- Assessments	169	170	170

In FY 1992, contractor workload in support of exception processing increased due to the implementation of new exception processing software modules developed through BSPI and the Initiative for Indian Tribes and Allottees (IITA). As exception processing efforts increased in FY 1993, the number of bills issued and appeals received increased. Because of the awareness of the modules, BMP will evaluate them for potential streamlining and volume of exceptions produced. These new modules include:

- **Indian Recoupment Monitoring** - Recoupments taken to recover overpayments on Indian leases are limited to 100 percent of the current month's revenues for Tribal leases, and 50 percent of current month's revenues for allotted leases. The system reviews all Indian negative lines, compares them with the appropriate limit, and generates exceptions for lines which exceed the recoupment limits. Payors are requested to explain exceptions and are billed when recoupments taken are inappropriate. It appears that the volume of exceptions have leveled out.
- **Adjustment Monitoring** - Adjustments to previously reported lines generally require a 2-line entry. The first line reverses the incorrect data as it was most recently reported; the second line reports the corrected data. The system compares the reversing lines with the most recently reported lines and marks the original if an exact match is found to prevent additional adjustments, or prints possible matches to an exception report for further research. Payors are requested to explain the exceptions. When no original line is found, a billable exception is created. This workload has stabilized and should remain constant.
- **Royalty Rate Monitoring** - The system module calculates the implied royalty rate by dividing the royalty value by the sales value and then compares the product to lease master files. Payors are requested to explain exceptions and are billed when royalty rates are inappropriate. This workload is expected to decrease as payors begin to report correctly.
- **Severance Tax Monitoring** - Tax credits are claimed by payors by filing negative lines to the AFS. Tax credits taken by payors are appropriate in only certain instances, however. When such credits are detected, the payors are requested to explain exceptions and are billed when severance tax deductions are inappropriate. The workload in this area is stable and is expected to remain so.

- **6-Year Statute of Limitation Monitoring** - This module identifies instances when payors make adjustments to sales months that are over six years old. There is currently no effort being expended to monitor the 6-year adjustment exceptions because there is no regulatory determination clarifying the statute of limitation mandate.

## Ongoing Workload

Number

FINANCIAL COMPLIANCE - OCS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
OCS Refund Requests Processed	2,831	2,850	2,850
OCS Recoupment Monitoring			
- Exceptions Verified	8,550	17,100	17,100

Section 10 of the OCS Lands Act requires that before recouping overpaid amounts from an offshore lease, a payor must request and obtain approval from the MMS. In addition, any such recoupments can be granted only if requested within two years of making the overpayment. The OCS refund processing function processes all payor requests for refunds from offshore leases.

The OCS recoupment monitoring function manually compares recoupment takes to the refund authorizations. When it is determined that a recoupment is taken without prior approval, the payor is requested to explain exceptions and is billed when recoupments are inappropriate. The workload is expected to increase as the exceptions for 1989 through 1993 have not been worked. When this function began in 1992, because of the statute of limitations implications, the first year worked was 1986. The years 1986 through 1988 have now been completed. It is anticipated that by the end of FY 1995 the exceptions through 1991 will have been completed.

## Ongoing Workload

Number

PRODUCTION VERIFICATION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Exception Resolution	refer to Justification of Program Change at the back of this subactivity discussion		
Stripper Well Rate Reduction			
- Properties Verified	2,400	600	600
- Exceptions	1,389	400	400
Production Verification Support			
- Liquid & Gas Verification Support	550	600	600
- Referrals from BLM/RMP	5	20	20

The objectives of the Production Verification function and the automated systems which support it are to:

- identify potential royalty underpayments by comparing sales volumes reported by royalty payors to sales volumes reported by operators (AFS/PAAS comparison);
- account for and reconcile production data and disposition volumes for leases and agreements;
- track mineral production from point of origin to point of sale;

- identify inconsistencies in production data to target leases and operators for audit and on-site inspection; and
- provide lease-by-lease information to the States and Indian Tribes on the additional volumes and royalties recovered as a result of the comparison process.

**Stripper Well Rate Reduction.** Bureau of Land Management (BLM) regulations reducing the royalty rate on stripper oil well properties became effective September 1992 and are causing a significant spike in workload for FY 1993. A stripper well property is defined as a lease or a portion thereof, a communitization agreement, or a participating area of a unit agreement operated by the same operator, that produces an average of less than 15 barrels of oil per well per day. It is estimated that RMP will need to research and validate production volume on 600 properties in FYs 1994 and 1995 to confirm well status. Experience in dealing with the verification process indicates that approximately 50 percent of the properties reviewed result in an exception. It is therefore expected that records from as many as 400 of the properties will need further research through contact with the operator or through requesting additional data from BLM.

**Production Verification Support.** The Liquid Verification System (LVS) and the Gas Verification System (GVS) track production volumes from the point of production to the point of sale and compare these volumes to the volumes reported to RMP. The increase in production verification efforts from FY 1993 is based on the planned implementation of the Gas Verification System. Although these are OCS systems, RMP is increasing its efforts to verify the production information reported to PAAS.

**Referrals from BLM/RMP.** The workloads in FY 1994 and FY 1995 are based on the anticipated BLM/RMP referrals to be researched. There currently are no staff permanently dedicated to this function. The research efforts, when required, are utilized from the other exception resolution functions.

Ongoing Workload  
Number

VALUATION, ALLOWANCE AND OTHER COMPLIANCE	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
AATS Error Correction	24,043	15,000	15,000
AATS Prebill Verification	610	1,000	1,000
AATS Exception Processing			unable to estimate at this time

**Allowance Monitoring.** The 1988 regulations specify that all transportation and processing allowances claimed by Federal and Indian payors are subject to monitoring and review. To provide for this requirement the RMP developed and implemented the Automated Allowance Tracking System (AATS). This system will be supplemented by an allowance exception processing module that will be implemented in FY 1994. The performance of automated allowance tracking and monitoring is intended to detect allowances that may not be proper under the requirements of the regulations. Additional revenues will be generated in those situations where unauthorized allowances are found.

**Allowance Error Correction.** RMP performs error correction on transportation and processing allowance forms that contain errors submitted by the payors. Since the number of allowance forms submitted from year to year has not been impacted by either policy or programmatic changes, the volume of form errors remains at 15,000 from year to year.

**Prebill Verification.** RMP performs prebill verification on allowance payback and interest bills prior to sending the bills to the payors. Since billing was first initiated in FY 1992, and no new policy or programmatic changes



are expected to impact the volume of prebills, RMP anticipates that prebill verification will remain at 1,000 per year.

**Allowance Exception Processing.** The allowance exception processing module, *since* completed in FY 1994, will enhance AATS monitoring capabilities. The module will compare allowances reported on Form MMS-2014 with allowances reported on transportation and processing allowance forms. Discrepancies will be monitored and reviewed and, if necessary, payors will be notified if they are not in compliance with the regulations. Also, in situations where a payor reports a transportation allowance in excess of the regulatory 50 percent limitation without authorization or reports a processing allowance in excess of the regulatory limitation of two-thirds without authorization, an exception will be generated. RMP personnel will investigate the exception to determine if the *lease* is actually out of compliance with the existing allowance regulations.

**Field/Area Allowance Comparison.** RMP will develop an automated field/area allowance comparison system in FY 1995. When operational, this system will provide RMP with the ability to compare allowances reported by a payor with other allowances being reported by other payors within the same field or area. Specifically, allowances reported on Form MMS-2014 will be checked to determine if a payor is reporting exceptionally high allowances when compared with other allowances in the same field or area. Allowance values outside a normal range will be considered exceptions and subject to review.

Because of the new exception processing and allowance comparison initiatives, significant increases in the workload are expected; however, it is not possible at this time to estimate with any degree of accuracy what the workload will be.

**Ongoing Workload**  
*Number*

APPEALS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Financial Compliance	292	300	300
Production Compliance	22	50	50
Valuation, Allowance and other compliance (AATS only, does not include new initiatives)	4	150	150

The appeals function is an administrative review of MMS decisions whereby an appellant files an appeal with the officer who issued a final order to pay or perform an action. When DOV receives an appeal of an action it has taken, DOV staff log it into a tracking system and the appeal is assigned to DOV staff for processing. After researching and analyzing the appellant's statement of reasons, DOV staff prepare a field report stating the appellant's position, MMS's position, and the conclusions and recommendations. The document is then forwarded to the Appeals Litigation Support Division (ASLD) within Policy & Management Improvement for review and issuance of an MMS decision; or, if the appellant's position can be fully or partially resolved, a full or partial credit is completed, and the appeal is resolved by DOV or withdrawn without ASLD involvement.

**Justification of Program Changes**  
(Dollars in thousands).

**Contract Settlements**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	736	+736
FTE	--	8	+8

**Impacted Workloads are Distributed Throughout**

The MMS is vigorously pursuing the completion of contract settlements audits. Efforts were significantly enhanced in FY 1994 with the additional funds provided to the Audit program by Congress. However, to support this effort, \$460,000 and 5 FTE for product valuation and regulatory work is essential for the accurate and timely collection of revenue due from contract settlements. Also, \$276,000 and 3 FTE are needed for conducting settlements and enforcement actions necessary to the collection of the additional revenues discovered on audit of contract settlements. The requested increase will:

- Provide timely valuation assistance needed to assess complex and/or controversial settlements agreement,
- Provide for timely product value regulatory interpretations,
- Assist in the investigation and evaluation of contract settlement documentation,
- Assist in policy and procedural interpretations,
- Assist in conducting settlement negotiations, and
- Assist in conducting enforcement actions necessary for the collection of additional revenues discovered on audit of contract settlements.

**Hardrock Royalty Collection**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	320	+320
FTE	---	5	+5

**Impacted Workloads are Distributed Throughout**

This estimate is based on our current analysis of the pending House bill (HR 322) proposing to amend the General Mining Law of 1872 with the assumption that royalties will be due on 1,300 producing mines (300 high producing mines with 75 claims each and 1,000 low producing mines with 5 claims each).

The requested increase will fund additional staff to develop and implement regulations and guidelines associated with the valuation of hardrock minerals for royalty purposes. Requests for technical determinations, allowance exception approvals, product valuations, and appeals responses will all increase. Staff will also be needed to develop and participate in the presentation of Payor training.

Under the House proposal, hard mineral royalties will not be due until one year after enactment. Thus royalty collection is anticipated to begin in late FY 1996. This will allow RMP time to develop the minimum capabilities required for the initial creation of a claims data base and software development which will give RMP the ability to accept and distribute payments. Royalty estimates are provided in the Receipts section.

#### Other Revenue Enhancements

	FY 1994 Enacted	FY 1995 Request	Change
\$	---	397	+397
FTE	---	6	+6

#### Impacted Workloads

PRODUCTION VERIFICATION	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Exception Resolution			
- AFS/PAAS Comparison	22,435	20,000	24,000
Exceptions Researched			

The RMP receives, processes, edits, and corrects production reports from lease operators prior to performing the AFS/PAAS comparisons. Comparisons of AFS and PAAS data are made on a monthly basis and exceptions representing differences between sales and production data are examined and reconciled. The RMP then contacts payors and operators to ensure reports are corrected and any additional royalties are paid.

It should be noted that in FY 1993, RMP researched 22,435 exceptions while 104,800 exceptions were actually identified. Because RMP staff is limited and it would not be cost-effective to research all exceptions, those with the greatest potential for revenue generation are researched. Using this approach, the benefit-cost ratio for FY 1993 was about 17:1.

In FY 1993, preliminary analysis to totally automate the initial phase of the AFS/PAAS comparison began. The system will include automated generation of letters to operators when exceptions are identified. The project is planned to be completed and operational in FY 1995.

An increase of \$396,000 and 6 FTE for a programmatic change is proposed for FY 1995. The additional staff are required to perform follow-up processing and resolution for the increased exceptions created by the automated review process.

As more staff are devoted to this function they would then, naturally, examine the exceptions which would have a lower potential for revenue generation. Therefore, the additional revenues generated by the requested staff were based on a conservative historic rate of return of 10:1 rather than the FY 1993 level of 17:1. The additional revenues will be distributed to States, Tribes, and the General Fund.

**Decrease to Accommodate Changing Program Needs**

	<b>FY 1994 Enacted</b>	<b>FY 1995 Request</b>	<b>Change</b>
<b>\$</b>	--	--	-118
<b>FTE</b>	--	--	--

**Impacted Workloads are Distributed Throughout**

A decrease throughout the subactivity will be implemented to absorb changing program needs. Reductions will occur in travel, minor efficiencies in contracted services, and purchases in equipment.

## Mineral Revenue Audit

**Justification of Program and Performance**  
**Subactivity Funding Summary**  
*(Dollars in thousands).*

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1995 Request	Change from 1994
\$	22,705	-215	+2,206	24,696	+1,991
FTE	268	—	+19	287	+19

Uncontrollable changes include: additional payroll cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS - 14 & 18.

**OBJECTIVE**

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

## AUDIT SUBACTIVITY OVERVIEW

	FY 1993	FY 1994	FY 1995
Residency Company Audits	Began audits at 11 residency companies for the period 10/01/89 through 09/30/92.	Continue ongoing audits at the 11 residency companies for the period 10/01/89 through 09/30/92.	Complete residency audits for the period 10/01/89 through 09/30/92 by September 1995.
Major Payor Company Audits	Thirteen major payor company audits were initiated and thirteen were completed.	Twenty major payor company audits will be initiated.	Twenty major payor company audits will be initiated.
Contract Settlement Audits		Congress appropriated \$1.0 million to begin initiative. Initiate 248 contract settlement audits.	Initiate 364 contract settlement audits. Additional resources requested - See Justification of Program Change at end of section.
State and Indian Audit Program	RMP redirected \$0.3 million and an additional \$1.0 million was appropriated by Congress. Total funding for FY 93 was \$5.1 million. Initiated 116 audits and completed 82 audits.	RMP transferred and redirected \$0.6 million and Congress appropriated an additional \$1.0 million to bring the base funding to \$6.5 million. Continue audits-in-process and initiate new ones.	Continue audits-in-process and initiate new ones.
Other Payor Company Audits	Continued work on the beginning inventory of 47 audits-in-process. Began 42 random payor audits and completed 23.	Continue work on 66 audits-in-process. Initiate 20 new audits.	Complete audits-in-process. Initiate no new audits.
Other Audits	Continued work on the beginning inventory of 58 audits-in-process. Began 55 new audits and completed 37.	Continued work on audits-in-process. Initiate 32 Indian lease audits and 20 others.	Continue audits-in-process. Initiate 52 new audits.

The RMP has completed some of the upgrades to the Royalty Audit Tracking System software. Other upgrades in FY 1994 and 1995 will include a sub-system to automate the audit targeting selection process. In addition, three systems have been completed and brought online in the BIS. They are: Lease royalty download system, the Corporate reporter database, and the Lease Reference database. These subsystems are in support of HR 3400 (NPR-Gore). Audit is continuing development of other subsystems including a Lease History subsystem. These are to be completed by Fiscal Year 1995.

**1994 and 1995 ONGOING WORKLOADS**

The Audit Program is responsible for:

- the development, direction, and conduct of a comprehensive compliance audit program for royalty management activities, and
- providing technical assistance to payors.

These responsibilities include recommending audit and related program policy as well as managing policy implementation. They are carried out through four Area Audit Offices (Dallas and Houston, TX; Tulsa, OK; and Lakewood, CO) and a State and Indian Program Audit Office (Lakewood, CO).

The function of the Audit Program is to conduct audits by utilizing Federal resources and resources from States and Tribes participating in the cooperative and delegated audit program. This audit function is based on the Audit Strategy and is guided by the annual update/formulation of the 5-Year Audit Work Plan. The current FY 1994 Audit Work Plan integrates analysis of royalty data for the FY 1989 - FY 1993 period, audit resources available, and areas and issues requiring audit. The FY 1995 plan will cover FY 1990 - FY 1994. Due to the impact of additional funding and FTE for the Contract Settlement Initiative in FY 1994, and also due to the enormous workload of this initiative, the Audit Program is currently updating the FY 1994 Work Plan to ensure resources are utilized efficiently.

Following completion of the Contemporaneous Audit Initiative in September 1992, the audit strategy was enhanced to include additional areas and issues requiring audit. These areas and issues were identified through past audits completed by the Royalty Compliance Division, by States and Tribes participating in the cooperative audit program, by the RMP Compliance Action Plan, by the Inspector General and by the General Accounting Office. Contract Settlements audits have been included in the FY 1994 Audit Workplan.

The audit function is grouped into three main workload categories:

1. Major Payor Company Audit (this category includes residency company audits)
2. Other Payor Company Audit (this category includes random payor company audits)
3. Contract Settlement Audits
4. Other Audit (this category includes random lease audits)
5. State and Indian Audit Agreements

Other audit related activities such as referrals, OIG support, litigation/appeals/FOIA, and various special projects are activities that are a result of audit. Because these related activities are subordinate to the above workload categories they are not detailed in this document.

**Ongoing Workloads**  
*Number*

Major Payor Company Audits	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Residency Audits	Began audits for the FY 1990 -1992 period at all 11 residences.	Continue with the audit of the 1990-1992 period.	Complete the FY 1990-1992 audits by September 1995.
Major Payor Audits	Began 13 new audits and completed 13.	Initiate 20 new audits.	Initiate 20 new audits.

The 5-Year Audit Work Plan will provide audit coverage of over 80 percent of royalties paid. While major payor company audits provide coverage for the largest share of royalties, RMP seeks to achieve diversified audit coverage and meet the needs of differing customers. This is now being accomplished through new and enhanced work areas added in FY 1993 and FY 1994 as discussed in the following section.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Other Payor Company Audits	47 audits carried over from 1992. Initiated 42 new audits and completed 23.  -	Continue work on 66 audits-in-process. Initiate 20 new audits.	Continue work on audits-in-process. Initiate no new audits. States/Tribes will initiate new audits as resources complete prior workload.

Companies designated as "other payors" are companies whose total royalty payments do not total enough to qualify for major payor status. In addition to the 20 new audits to be started in FY 1994, States and Tribes will also add new audits. Typically States and Tribes will select those companies who pay higher royalties to that State or Tribe. States and Tribes will continue to conduct these types of audits.



**Contract Settlements Audits**

This audit area is of utmost importance due to the potential limitation of the 6-year billing status, the potential revenue involved (see details in Receipts section), and the continuing attention by many oversight and constituent groups.

**Ongoing Workloads**  
*Number*

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Contract Settlements		Begin Initiative. Start 248 contract settlement audits.	Start 364 contract settlement audits.

In FY 1994 RMP's audit program received additional appropriations of \$2.0 million and 25 FTE. Of the \$2.0 million, the State and Indian Audit Program received \$1.0 million. The remaining \$1.0 million and 25 FTE will be used to begin funding the 5-Year Contract Settlement Initiative.

Audit initiatives to establish the contract settlements universe i.e., letters to major gas purchasers and the June 18, 1993 Order, have identified an additional 883 settlements totalling over \$2.2 billion. Of these settlements, 544 totalling almost \$1.2 billion will reach their 6-year maturity in FYs 1994 and 1995. Over 2,530 contract settlements have been assigned to audit offices. These settlements amount to a recently revised figure of almost \$14 billion with almost 60 percent of them amounting to \$8 billion reaching maturity in FYs 1994 and 1995 which equates to \$50 million and \$82 million in additional royalties in FY 1994 and FY 1995 respectively. Total additional royalties are currently estimated at \$252 million.

**Ongoing Workloads**  
*Number*

OTHER AUDITS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Other Lease, Unit, Gas Plant, and Referral Audits	Continued work on the 58 audits-in-process. Initiated 55 and completed 37 audits.	Continue work on 76 audits-in-process. Initiate 32 Indian lease audits and 20 other audits.	Continue audits-in-process. Initiate 52 new audits.

Other Audits are non-company based audits. They provide enhanced royalty coverage, increased utilization of resources, and streamlining audit procedures. The advantages and efficiencies of combining multiple companies into a single comprehensive issue based audit are also realized. These other audits include:

- offshore transportation systems,
- onshore and offshore gas processing plants,
- audits of major properties (units and leases),
- possible major production fields and specialized coverage for Indian reservations, and,
- referrals from RMP systems exceptions, non-scheduled company audits, refund requests, administrative issues, and special projects.

**State and Indian Audit Agreements**

States and Indians participating in FOORMA Sections 202/205 audit program conduct audit activities in accordance with the RMP Audit Procedures Manual and other audit regulations and policy. They have responsibility for all phases of audit excluding issuance of enforcement documents.

**Ongoing Workloads**  
*Number*

STATE AND INDIAN AUDIT AGREEMENTS	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Section 205 Delegated Audits	10	10	10
Section 202 Cooperative Audits	4	6	7
Unfunded Oil & Gas Audit Agreements	3	2	1

**Participants in the Program** - California, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, Utah, and Wyoming have 100 percent funded delegated audit agreements under the provisions of section 205 of FOORMA.

The Navajo, Northern Ute, Ute Mountain Ute, Shoshone/Arapaho, Blackfoot and the Southern Ute Tribes have 100 percent funded cooperative audit agreements under the provisions of section 202 of FOORMA.

The Fort Peck Indian Tribes, and the Jicarilla Apache Tribe, have memorandums of understanding (unfunded agreements) to train and develop Indian auditors. The RMP anticipates that these Tribes could be ready for funded agreements in FY 1994 or FY 1995.

The Ute Distribution Corporation (UDC) has submitted an application for a section 202 cooperative agreement. We are awaiting a decision from the Solicitor's Office on whether UDC, not being an Indian Tribe, qualifies for a section 202 cooperative agreement.

**Improving the Program** - The RMP has initiated a number of activities to improve the effectiveness and efficiency of the State and Tribal program. A goal of redirecting RMP resources to more productive audit and service activities will be cooperatively assessed at least quarterly by RMP and the State and Tribal Royalty Audit Committee officer group. All parties have approved some initial steps that are designed to delegate more responsibility and accountability to STRAC participants, requiring far less oversight by MMS's audit organization.

**Funding for State and Tribal Audit** - Following summarizes the RMP annual base funding to States and Indian Tribes under sections 202 and 205:

- In FY 1993, RMP instituted a 1-year reprogramming of \$200,000 from the CPU upgrade monies (no longer required for the mainframe) and redirected another \$100,000 from within the audit subactivity. As a result, total 202/205 funding for FY 1993 was \$5.1 million, made up of \$4.8 million in base funds and \$300,000 in reprogrammed and redirected funds.
- In its FY 1994 budget transmission, RMP permanently transferred \$590,000 in CPU upgrade monies no longer required and many other numerous cost savings within the Operations subactivity to the Audit subactivity. Additionally, RMP transferred another \$100,000 from within the audit subactivity to the 202/205 program. Congress appropriated an additional \$1.0

million for the audit of contract settlements and other ongoing audits. As a result, funding for FY 1994 was \$6.5 million.

- In FY 1995, the level for this program is proposed at the FY 1994 level of \$6.5 million.

*Justification of Program Changes  
(Dollars in thousands)*

**Contract Settlements**

	FY 1994 Enacted	FY 1995 Request	Change
\$	2,000	4,160	+2,160
FTE	25	40	+15

**Impacted Workloads are Discussed Above**

The RMP requests an increase of \$2,160,000 and 15 FTE to continue the 5-year Contract Settlement Audit Initiative to evaluate, audit, and collect revenue from contract settlements. During the past several years, many lessees and payors have entered into agreements with their purchasers settling various issues pertaining to the sale of minerals produced on Federal and Indian leases which have arisen under existing contracts. These settlements typically include lump-sum payments by purchasers relieving them of certain contract obligations. The MMS recently reaffirmed its policy that lessees and other payors are required to pay royalties on contract settlements to the extent payments are attributable to minerals produced from Federal and Indian leases.

The RMP intends to utilize this budget and FTE increase to proceed with a balanced dual audit approach for the 1990's which will ensure adequate contemporaneous audit coverage, while aggressively pursuing and collecting royalties and related late payment interest on contract settlement proceeds.

Workload balancing will also be required since a large portion of the settlements mature in the first 3 years of the 5-year initiative. Pending issuance of final guidance to auditors for evaluating contract settlements, RMP has already executed some 100 tolling agreements with payors to avoid possible statute of limitations problems. Additional tolling agreements will be utilized to spread maturing contract settlements more evenly over the 5-year period.

In combination, the Federal, State, and Tribal auditors are expected to complete the Contract Settlement Audit Initiative by the end of FY 1998. Initial identification efforts by RMP expanded the universe of contract settlements previously identified by the OIG from 600 to 1,700. Since then, preliminary audit work at a few companies has detected other previously unknown and ongoing contract settlement activity. The settlements universe has expanded as data has been collected and currently totals 2,530 contract settlements.

Further details on the annual estimate of additional revenues from this initiative and the recipients is provided in the Receipts section.

**Other Revenue Enhancements (Random Company Audits)**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	346	+346
FTE	--	5	+5

**Impacted Workloads are Distributed Throughout**

This request will allow the Audit Program to reintroduce Random Company Audits to the FY 1995 Audit schedule. These audits had been deferred due to the heavy resources required by the contract settlement initiative. Additional staff to conduct audits in this area will encourage compliance of those payor companies who may have little concern for proper reporting and paying due to the perceived unlikelihood of detection.

**Transfer to Office of Solicitor**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	--	-100
FTE	--	--	-1

The proposed transfer to the Solicitor's Office will enhance the Audit Program through accelerating precedent setting issues. The contract settlement initiative is expected to identify new areas which will be appealed. Gas plant audits is another area which may generate increased workloads for the Solicitors Office. With this proposed transfer, decisions on several difficult issues can be accelerated. This would allow the Audit Program to reevaluate similar-issue audits and update the Audit Strategy.

**Decreases to Accommodate Changing Program Needs**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	--	-200
FTE	--	--	--

**Impacted Workloads are Distributed Throughout**

A decrease throughout the subactivity will be implemented to absorb changing program needs. Reductions will occur in travel, and purchases in equipment and supplies.

## Interest on Late Disbursements

Justification of Program and Performance  
 Subactivity Funding Summary  
 (Dollars in thousands)

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1995 Request	Change from 1994
\$	---	---	---	---	---
FTE	---	---	---	---	---

The FOGRMA changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. For States, payments must be made by the last business day of the month in which receipts are warranted by the United States Treasury. In addition, FOGRMA provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to the "appropriate Indian account" at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Sections III (b) and (d) of the Act provide that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 is owed if the payment schedules listed above are not met.

However, receipts cannot be disbursed to State accounts until a proper determination can be made of the source of all incoming royalties. For example, a payor error which prevents a royalty accounting line from processing through the system may occur which will result in an MMS interest liability. Thus, in this instance, MMS has the cash available, but cannot determine to whom the cash belongs until the error is corrected.

In contrast to money due the States, Indian lease revenues are deposited in the Treasury the same day they are received and transferred to the Bureau of Indian Affairs (BIA) as soon as practicable (normally within 2 working days). Therefore, no interest is accrued on Indian lease revenues.

MMS has undertaken several initiatives to reduce errors and keep interest owed on late disbursements to a minimum. These efforts have resulted in late disbursement interest payments being reduced from \$1.16 million in FY 1985 to \$96,000 in FY 1993. Given the difficulty in determining the exact amount, during FY 1994 and FY 1995, RMP proposes to reprogram funds on an as-needed basis.

## Refunds on Behalf of Allottees

Justification of Program and Performance  
 Subactivity Funding Summary  
 (Dollars in thousands)

	FY 1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	FY 1995 Request	Change from 1994
\$	15	---	---	15	---
<i>FTE</i>	---	---	---	---	---

MMS proposes to continue to pay refunds to companies on behalf of Indian allottees when recoupment of company overpayments from future royalties is not feasible. In these cases, allottees are unable to refund overpayments to the companies because production is too low to generate sufficient royalties or there is no production (in cases where the payment was made to an incorrect lease).

The need for these refunds arises from past policy that required a payor who appealed a bill to pay the bill, pending the outcome of the appeal. Additionally, the policy required MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible so they could subsequently disburse the revenues to the individual Indian royalty owners. In cases where the payor's appeal was upheld and the allottee was not able to repay the company, recoupment was made against future royalty payments. To mitigate these situations, the BIA changed its policy in FY 1987 and the MMS implemented new procedures. These new procedures allow the companies to post bonds for the disputed amounts and to have MMS suspend the payment. Only after the appeal is settled would MMS distribute BIA's portion. However, the need occasionally arises for settlements and refunds on pre-1987 bills.

- In FY 1993, RMP paid the \$9,298 balance of the settlement to Giant E & P Company. The remainder of the \$9,915 appropriated in FY 1993 (\$617) was used to partially fund additional settlements.
- In FY 1994 and FY 1995, RMP is requesting \$15,000 to cover those instances when overpayments are made and no other means of recovery is possible. In the past, every dollar appropriated has been used on refunds (some refunds spreading over several years due to the size of the refund). Although, at this time, there are no refunds in progress, it is anticipated that circumstances will develop which will require the expenditure of these funds.

## Activity: General Administration

Analysis by Subactivity  
(Dollars in thousands)

	1994 Enacted to date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
Executive Direction	3,553	-99	-30	3,424	-129
Policy & Management Improvement	3,683	-74	317	3,926	+243
Administrative Operations	11,767	-320	-178	11,269	-498
General Support Services	15,316	+138	0	15,454	+138
Total	34,319	-355	+109	34,073	-246

Uncontrollable Changes include: additional pay rates cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

For details on authorizing status refer to appendix at end of the Justification.

## GENERAL ADMINISTRATION

## MISSION

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

**Executive Direction.** The Executive Direction subactivity provides budget authority for the Office of the Director and immediate staff, the Office of Congressional and Legislative Affairs, the Office of Public Affairs, the Office of External Affairs, the Office of Equal Employment Opportunity, the Office of the Deputy Associate Director for Budget and Finance, and the Budget Division. These functions provide for overall program leadership and direction, budget formulation and execution, and management coordination of all the responsibilities of MMS.

**Policy and Management Improvement.** The Policy and Management Improvement (PMI) subactivity facilitates policy review and development; adjudicates appeals; coordinates internal and external reviews and audits of MMS programs; and supports the Bureau's strategic planning, management improvement and reinvention efforts.

**Administrative Operations.** The Minerals Management Service provides administrative support to its mission programs under the Administrative Operations subactivity. Organizationally, this support is provided by the Associate Director for Administration and Budget, as follows:

- All financial management activities, conducted under the direction of a Deputy Associate Director for Budget and Finance; and
- A broad range of administrative services, provided under the direction of a Deputy Associate Director for Administration. These services include records, space, and facilities management; the safety and health program; personnel, document, and physical security; management analysis functions; human resources management; procurement, property, office services, and printing activities; and information resources management.

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



## Executive Direction

**Justification of Program and Performance  
Subactivity Funding Summary  
(Dollars in thousands)**

	1994 Enacted to date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
\$	3,553	-99	-30	3,424	-129
FTE	44	-7	-0	37	-7

Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

## OBJECTIVE

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

## PROGRAM DESCRIPTION

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

The Office of the Director, which includes the Director, the Deputy Director and their immediate staff, is responsible for providing general policy guidance and management of the organization.

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

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

The Office of External Affairs serves as the primary point of contact and bridge-builder between MMS and external constituencies including the natural gas and oil industry, the environmental community, state and local governments, the Native American community, and educational and scientific institutions. The office ensures a single message is disseminated from the Bureau. The office facilitates dialogue, and establishes ongoing, two-way communication with constituencies to ensure informed participation from all stakeholders in the decision

making process.

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 11476, departmental directives, and other related statutes and orders. Specifically, these duties include the discrimination complaint system, counseling, and development and implementation of equal employment opportunity and affirmative action plans.

The EEO program is responsible for special initiative programs which are underway to involve more women, minorities and people with disabilities in the program areas and throughout all levels of management. In cooperation with MMS's Personnel Office emphasis will be placed on training managers and supervisors in employee development and human resources planning. In addition, efforts will be made to increase the participation of women, minorities and people with disabilities in the Cooperative Education Program, upward mobility program, and the management development programs of the MMS.

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

The Office of the Deputy Associate Director for Budget and Finance (DAD/B&F) is responsible for the planning and effective utilization of budgetary and financial system resources in support of the varied operating and support programs. The DAD/B&F serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

- The Budget Division provides analysis, budget guidance, and recommendations regarding budget and program formulation and justification; assures proper funding and staffing allocation and budget execution in accordance with the law, congressional, departmental, and bureau program directives, goals, and objectives; develops, prepares, and maintains budget data; and provides analysis of financial and other resource use reports. The Division is also responsible for assisting in the presentation and explanation of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress.
- The Financial Management Division (FMD) is responsible for the administrative accounting operations of the Bureau. The FMD operates the administrative accounting system, audits and schedules bills for payments, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies. The Financial Management Division is funded under the Administrative Operations subactivity.

*Justification of Program Changes  
(Dollars in thousands)*

Decrease to Accommodate Changing Program Needs

	FY 1994 Enacted	FY 1995 Request	Change
\$(000)	---	---	-30
FTB	---	---	---

**Impacted Workloads are Distributed Throughout**

A decrease throughout the subactivity will be implemented to absorb changing program needs. Reductions will occur in deferral of small equipment maintenance, and supplies.

**Policy and Management Improvement****Justification of Program and Performance****Analysis by Subactivity***(Dollars in thousands)*

	1994 Enacted to date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
\$	3,683	-74	+317	3,926	+243
FTE	46	-1	+4	49	+3

Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

**MISSION**

- The Policy and Management Improvement Program is responsible for:
  - economic and programmatic policy analyses;
  - policy review;
  - integration of MMS policy within Departmental policies and priorities;
  - adjudication of Administrative Appeals and litigation support;
  - alternative dispute resolution;
  - management control systems operations;
  - quality improvement processes;
  - 2 and 5 year strategic planning reviews;
  - major strategic improvement & reinvention initiatives; and
  - transition from executive level policy decisions to functional implementation for strategic improvements.
- The Policy and Management Improvement Program conducts reviews to monitor the implementation of recommendations derived from internal reviews; GAO, IG, and congressional studies; and serves as the central point of contact and coordination for comments and actions resulting from their reports.
- The Policy and Management Improvement Program provides a review and assessment capability within MMS to ensure the proper application of sound procedures for the Royalty Management and Offshore programs; and for providing coordinated program, policy positions, and policy review for the Director.

**OBJECTIVES**

The objectives of the Policy and Management Improvement Program are to:

- promptly identify emerging issues and provide a focal point for policy development, review, and application, thereby ensuring comprehensiveness and consistency within the Bureau;
- enable the Bureau to improve its effectiveness and efficiency through strategic planning, quality improvement, internal evaluations, and response to external suggestions;
- provide timely and appropriate resolutions of Administrative Appeals and disputes; and

- ensure that the MMS safeguards its assets and accomplishes its objectives through analysis of management control reviews and special studies.

#### 1994 AND 1995 ONGOING WORKLOADS

In FY 1995, PMI expects to be addressing some of the major program issues in MMS, offering suggestions to the Director for resolving the issues and suggesting ways to improve the overall effectiveness and efficiency of the Bureau. In addition, PMI will serve as the Bureau's principal point of contact for Departmental initiatives such as the National Performance Review effort which has as its major objective the reinvention and re-engineering of long standing government programs and processes. PMI has a major role in initiatives started during the 1994 fiscal year involving requirements of the Government Performance and Results Act of 1993, setting consumer service standards, improving communications, and streamlining the royalty compliance and collection process. The following describes the major organizational functions within PMI and their workloads by program element.

#### Policy, Planning and Appeals (PPA)

The office of PPA is responsible for the review and analysis of a broad range of royalty and offshore matters at MMS. Staff provide policy analysis and apply expertise to special studies in support of proposed and existing activities. More specifically, PPA assists the Royalty Management and the Offshore Minerals Management Programs in developing, implementing, and then evaluating program initiatives, including the development and review of regulations. The group is responsible for ensuring that programmatic plans and policies are consistent with and integrated into the overall Bureau mission and responsibilities, as well as the Department and Administration policy framework. It assists in the review and adjudication of administrative appeals decisions, the majority of which result from the royalty program activities. Technical expertise and coordination in support of MMS settlement activities of royalty appeals and litigation with oil companies is provided.

PPA manages the MMS regulatory program and serves as liaison to the Department's Office of Regulatory Affairs. In this capacity the PPA plays a major role in the Bureau's efforts to implement the requirements of the Administrative Dispute Resolution Act (ADR Act) PL 101-552, and the Negotiated Rulemaking Act (Neg-Reg Act) PL 101-648.

In addition, PPA advises the Office of Congressional and Legislative Affairs and the Royalty Management and Offshore Minerals Management Programs in development and evaluation of legislative proposals. The group is responsible for assisting the Budget Division in the review and analysis of proposed programmatic initiatives. It serves as the focal point for the Bureau for other Federal agencies, the private sector, and other groups on general energy and economic issues.

Any party adversely affected by a final order or decision issued by an officer of the Minerals Management Service (MMS) has a right under 30 CFR Part 290 (1992) to appeal to the MMS Director; or, if Indian land is involved, the appeal is filed with the Deputy Commissioner of Indian Affairs. The decisions on those appeals

are prepared by the PPA Appeals and Litigation Support staff. About 99% of the appeals filed are challenges to orders issued by MMS's Royalty Management Program.

**Ongoing Workload  
Number**

	1993 Actual	1994 Estimates	1995 Estimates
Special Studies	14	15	15
Technical Assistance	15	20	20
Policy Reviews	85	105	105
Policy Coordination	12	15	15
Appeals Resolved	546	600	675

**Special Studies.** The special studies component involves major analytical efforts, usually long-term in nature, to examine technical issues relevant to the program, analyze policy implications, and provide recommendations to the Director. These efforts may encompass both program specific subjects and developments elsewhere that may have an impact on the programs. For example, staff are currently studying alternative approaches to natural gas product valuation and deepwater incentives.

**Technical Assistance.** PPA staff provide technical assistance to the programs by participation on Bureau task forces or by directly supplementing staff of the office responsible for specific projects. Currently, PPA staff are serving on four task forces:

- Review of Alternative Leasing Policies;
- Examination of the applicability of current regulations as operators move into deeper waters in the OCS; and
- Review of the MMS administrative appeals process.
- Gas Valuation Study Group

Staff are also participating as technical experts in some of this year's Management Control Reviews, settlement teams for disputes with oil companies, and teams drafting regulations.

**Policy Reviews.** PPA reviews legislation, regulations, and other documents for their policy content. The group provides analysis of proposals from outside MMS that affect Bureau programs and reviews internally generated regulations and documents to ensure adherence to Bureau, Departmental, and Administration policy. In addition to reviewing specific documents, such as legislation, Congressional correspondence, and agreements, this component includes the preparation of issue summaries or briefings for senior management. The table entries reflect the number of occasions the PPA provides substantive input.

**Policy Coordination.** PPA coordinates the efforts of different parts of MMS in developing Bureau policy on specific issues. PPA plays both a substantive role in these efforts and coordinates input from the program offices in performing this task. Over the latter part of FY 1992 and in FY 1993, PPA (and its predecessors) has coordinated the development of policy options and analyses on such items as:

- DOE's Domestic Natural Gas and Oil Initiative;
- interest calculations on royalty underpayments;

- settlement procedures;
- transportation allowances;
- valuation of gas on federal and Indian lands;
- royalty rate reduction guidelines;
- clarifying royalty obligations on committed and uncommitted leases;
- implementation of the Administration's regulatory reform efforts; and
- development of an MMS legislative, regulatory, and administrative initiatives package.

**Appeals Resolved.** There were more appeals closed in calendar year 1993 (546) than in any previous year. The resolution of cases generally results in the collection of additional revenues for the States, Tribes, individual Indian allottees and the Federal government.

*Justification of Program Change  
(Dollars in thousands)*

**Contract Settlement**

	1994 Enacted to Date	1995 Request	Change
\$	---	450	+450
FTE	---	5	+5

As a result of recent administration decisions regarding the disposition of long term contract settlement issues, the MMS is requesting additional auditors for the Royalty Management program (see section on Royalty Management). The addition of these audit positions will increase the Appeals staff workload. Historical data indicates a direct relationship between audit activity levels and appeals workload, particularly when dealing with new and complex issues. The increase in staffing for the Appeals and Litigation Support staff will accomplish two things. By increasing the ability to deal with the royalty related appeals issues, the government will reduce the amount of revenues tied-up in litigation, thereby enhancing real time cash flow. Secondly, the increase in staffing will permit the agency to improve its level of service to appellants by providing faster service.

**Management Improvement (MI)**

The office of MI is responsible for a variety of agency-wide review, analysis, and planning functions and accomplishes those through three operating divisions.

MI is responsible for preparing the MMS Director's Management Control Plan (MCP) and managing the Management Control Program; leading or participating in individual management control reviews; performing audit liaison, tracking, formal response, and follow-up functions for all external audits; performing program analyses; leading or performing special studies of critical or high profile issues; developing or assisting in the development of new programs, systems, or regulations; managing a conflict resolution and alternative dispute resolution program; and assisting in the resolution of internal and external conflicts.

MI is responsible for coordinating the bureau-wide quality improvement initiative by supporting the MMS

Quality Council's planning and leadership efforts; coordinating quality training; providing internal consulting services; and coordinating bureau-wide quality improvement initiatives. In FY's 1994 and 1995, the staff will begin to focus on techniques and methodologies that accomplish performance measurements. The staff will also provide technical assistance in the form of training and consulting engagements for those MMS offices that are pursuing quality management and quality improvement initiatives. The staff serve as the clearing house for coordinating quality improvement information, resources, and expertise throughout MMS and in cooperative Departmental and government initiatives.

MI will plan an active role in MMS' conflict resolution program where a spectrum of techniques are being used to resolve disputes without litigation or administrative adjudication and to try to prevent conflicts from occurring by collaborative decisionmaking.

MI is responsible for coordinating the Bureau's strategic planning process and for providing a transition from executive level policy decisions to functional implementation. In addition to assisting in the development of 2 and 5 year strategic plans for MMS programs, MI staff analyze and research the merits of proposed operational modifications necessary to implement new or revised Program objectives and policies. Program offices have a primary responsibility to continue operations on current requirements; the MI assists those offices in making a transition to new or increased responsibilities through analysis of the impacts of proposed changes, research of potential automated techniques and investigation of workload efficiencies. Office staff will provide liaison and leadership in the performance of tasks associated with Government Performance Results Act requirements. In addition, assist in the development and implementation of MMS's portion of the Department's plan.

**Ongoing Workload**  
*Number*

	1993 Actual	1994 Estimates	1995 Estimates
Prepare and Manage Management Control Plan	1	1	1
Participate in Management Control Reviews	36	33	31
Audit Liaison	54	54	56
Program Analysis	44	44	44
Conflict Resolution	2	2	2
Compliance Action Plan Steps Completed	32	22	11
Strategic Plans Developed	2	2	2
Tactical Plan Steps Completed	17	37	46

**Prepare and Manage Management Control Plan.** In coordination with the programs and the Management Control Council, MI annually prepares the Director's new 5 year MCP. Each year, as the Management Control reviews are completed, MI manages the scheduling, performing and reporting of the reviews and the results and subsequently tracks the implementation of the review recommendations.

**Participate in Management Control Reviews.** MI, in cooperation with the Programs, will lead, assist, or monitor, each team in performing each management control review. Participation will include ensuring that each review is planned, conducted, documented, and reported in accordance with MMS and Departmental



procedures and in compliance with the Federal Manager's Financial Integrity Act. MI also monitors systems controls, including the fiscal integrity of royalty, offshore, and management accounting systems, as well as the environmental and fiscal integrity of the offshore leasing and inspection systems.

**Audit Liaison and Tracking.** During FY 1995, MI will process approximately 12 new Inspector General (OIG) or General Accounting Office audits. It will also continue follow-up work with 44 other ongoing or previously completed audits. This includes tracking the MMS implementation of audit findings and recommendations, determining the effectiveness of the corrective actions, and recommending appropriate actions as required. Tracking also includes the resolution, with the Department and the OIG, of recommendations that were not accepted by program management and MMS.

MI staff are currently working with the Office of the Inspector General and the Department, to create a prototype electronic audit database that will allow access by all authorized users. The prototype will permit the elimination of redundant databases while expediting the flow and improving the accuracy of audit information.

**Program Analyses.** MI staff conduct, lead, or assist in a variety of program analyses of many of the controversial, complex issues facing MMS. In previous years, MI staff led the *Mineral Royalty Transfer Study* and led the effort to develop and prepare the *Report of the Task Force on Royalty Compliance* and participated in developing the *Action Plan for Royalty Compliance*. MI staff also develop or assist in developing new programs or regulations, especially when program responsibility is fragmented or unclear. For example, MI staff developed an automated document search and retrieval system for MMS Director's appeals decisions. This system now permits more thorough research with significant reductions in time and effort than was previously available and is readily available to all MMS employees. MI staff also worked with the Royalty program and the Solicitor's office to clarify and document credit adjustment rules and procedures.

**Conflict Resolution.** Many times disputes require the assistance of a third party to assist the interested parties in moving toward and achieving a resolution. On several occasions, MI staff have assisted in resolving disputes ranging from internal conflicts with MMS employees and groups of employees to formal disputes with outside organizations. For example, MI's participation in the negotiation of a settlement to a lawsuit by a large group of Indian allottees resulted in vastly improved services in the areas of product valuation, audit, and problem resolution. The settlement included the opening of two new MMS offices in locations populated by large numbers of allottees. MI is currently participating in the negotiation of a settlement agreement with another group of allottees. MI is also working with the MMS operating groups to establish a Bureau alternative dispute and conflict resolution program. Future work in ADR within PMI will include providing training and education on ADR for MMS employees, keeping an active roster of available third-party neutrals, measuring and communicating the success of ADR efforts in MMS, and liaison with the Department and outside groups on ADR requirements and activities.

**Compliance Action Plan Steps Completed.** MI has overall management responsibility for the Compliance Action Plan (CAP), which is a three year effort to implement the recommendations of the joint ASLM/MMS Task Force on Royalty Compliance.

The Task Force recommended a range of improvements targeted at encouraging voluntary compliance by companies through clarification of policies and requirements and more aggressive enforcement. The Task Force also sought to integrate audit with other compliance activities and expand automated systems use in the royalty verification process. The plan is being aggressively implemented. The remaining steps will be completed in FY 95 and clean up and follow-up work will also continue on the outstanding long-term steps to ensure desired results are achieved.

MI has facilitated the completion or affected the completion of those steps through a variety of methods including establishing and leading *ad hoc* work groups, carrying out specific tasks identified in the plan, arranging for discussion sessions and negotiations to coordinate plan implementation, and establishing a management process to guide the plan through its completion.

Major Action Plan efforts include:

- Improving the appeals and policy decision-making process;
- Broadening the scope of assessments and penalties to increase compliance;
- Integrating system identified discrepancies with audit efforts;
- Investigating the use of scientific statistical sampling in audits, identifying and developing appropriate regulatory revisions to increase company compliance;
- Assisting in development of compliance and verification system improvements; and
- Continuing with a small Pilot Program to expand the research and resolution of discrepancies associated with a sample of leases to include volume, royalty rate, and value.

**Strategic Plans Developed.** The office of MI develops and administers a program of 2 year planning reviews of 5-year strategic plans for MMS functions and closely coordinates these with other ongoing strategic planning processes such as the MMS Strategic Plan on Information Management prepared by the Office of Administration. Through this process, 5-year strategic plans are evaluated at the end of the second year of implementation to refine steps planned for subsequent years and to extend the improvement process through additional steps for an extra two years. In addition, MI assists MMS Headquarters and programs with the development of annual performance plans and the submission of performance reports.

MI also develops and facilitates major improvement initiatives for the Bureau, to provide the Director with options for decision making on key issues and prepares detailed implementation plans, coordinating with other MMS entities. It implements and manages pilot operations to effect transitioning of major MMS initiatives from current to future issues, monitoring resulting resource utilization issues, legislative revisions, as well as functional and organizational realignments.

In FY 1995 MI will continue to assist MMS Headquarters and program offices in their implementation of the requirements of the Government Performance and Results Act of 1993 (GPRA). In particular, MI will assist RMP in the performance planning and measurement phases of its GPRA pilot project, assist Headquarters in developing the bureau-wide strategic plan, assist the Offshore Minerals Management Program and the offices of Administration and Budget in finalizing their strategic and performance plans, and perform the 2-year review of PMI's and RMP's FY 1993 strategic plans.

**Tactical Plan Steps Completed.** In FY 1995, MI will assist all MMS programs in developing and implementing tactical and performance plans in support of their strategic plans as well as implementing the short term actions necessary to meet the goals and objectives of PMI's own strategic plan. These workload estimates are based on the Bureau's experience in implementing the Compliance Action Plan.

*Justification of Program Change  
(Dollars in thousands)***Offshore Downsizing**

	FY 1994 Enacted	FY 1995 Request	Change
\$	--	-100	-100
FTE	--	-1	-1

The more focused leasing program being implemented in the 1992-1997 Comprehensive Natural Gas and Oil Leasing Program has enabled the Offshore Program to capture programmatic efficiencies thereby requiring fewer staffing resources. The more focused program also will enable PMI to reduce resources dedicated to resolving OCS issues and providing the Director with policy analysis.

## Administrative Operations

Justification of Program and Performance  
Subactivity Funding Summary  
(Dollars in thousands)

		1994 Enacted to date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
Administrative Direction & Coordination	\$ FTE	449 5	-44 —	-3 —	402 5	-47 —
Financial Management	\$ FTE	1,065 22	-13 -1	-15 —	1,037 21	-28 —
Management Services & Security	\$ FTE	1,228 25	-12 -1	-18 —	1,198 24	-30 —
Personnel Management	\$ FTE	1,261 26	-61 -23	-19 —	1,181 3	-80 -23
Procurement & Property management	\$ FTE	2,201 32	-7 —	-72 -1	2,122 31	-79 -1
Information Resource Management	\$ FTE	1,645 24	-13 —	-17 —	1,615 24	-30 —
Field Administrative Services	\$ FTE	3,918 77	-170 -23	-34 -2	3,714 52	-204 -27
Total	\$ FTE	11,767 211	-320 -48	-178 -3	11,269 160	-498 -51

Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 14 & 18.

## OBJECTIVE

- To provide continuing administrative direction and coordination to support the Outer Continental Shelf Lands and Royalty Management programs of the MMS.

## 1994 AND 1995 ONGOING WORKLOADS

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

The following is a description of the major functions/program elements' workload.

**Administrative Direction and Coordination**

This function provides for oversight of all administrative activities of the MMS, including all of the functions. Liaison is maintained with Departmental offices in order to effect a coordinated and unified administrative program consistent with the mission and goals of the Department. The two Deputy Associate Directors provide direct financial management guidance and administrative support to managers.

This oversight ensures compliance with laws relating to administrative activities; provides for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and develops appropriate organizational guidance to ensure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. It also provides the structure for managing the Bureau's financial resources consistent with the Chief Financial Officers Act of 1990.

**Financial Management****MISSION**

- The Financial Management Division (FMD) is responsible for the administrative accounting operations of the Bureau.
- The FMD operates the administrative accounting system, audits and schedules bills for payment, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies.
- The FMD has the lead responsibility under the Chief Financial Officers Act of 1990 to prepare a combined Annual Financial Report for the Bureau. In addition, the FMD serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

**Ongoing Workload**

	1993 Actual	1994 Estimates	1995 Estimates
Accounts Payable Processing	49,600	49,000	48,000
Financial Report Processing	507	507	507
Financial Policy & Procedures Development	6	6	6
Review Policy Documents	120	120	120

**Accounts Payable Processing.** The estimated workload for FY 1995 in the accounts payable function includes the recording of 15,000 obligations, the auditing and paying of 21,000 invoices, the auditing and paying of 8,500 travel vouchers, and the processing of 3,500 miscellaneous financial documents. This projection is consistent with planned Offshore downsizing.

**Financial Reports Processing.** Financial reports are produced monthly, quarterly and annually for distribution internally to MMS managers and to external agencies as required by regulation or law. A new requirement under the CFO Act is for an annual combined financial report to be submitted to the Office of Management and Budget each March 31st following the close of the fiscal year.

**Financial Policy and Procedures Development.** Develop and issue policies and procedures on such matters as temporary duty and permanent change of station travel, use of the American Express government card, closing instructions at fiscal year end, and accounting for prior year funding.

**Review Policy Documents.** Review and implement regulations and procedures issued by agencies having regulatory oversight of government financial activities including the Department of the Treasury, Office of Management and Budget, General Accounting Office, General Services Administration, and the Federal Accounting Standards Advisory Board.

### Management Services & Security

#### MISSION

- The Management Services and Security Division (MSSD), reporting to the Deputy Associate Director for Administration, is responsible for all management analysis activities, support services, and security operations of the Bureau and is responsible for budget planning and formulation and allocation of personnel and funding for the Office of Administration and the Associate Director for Administration and Budget.
- Management analysis functions include management studies and reviews, organizational design and review, delegations of authority, and related activities, and special projects such as improvement initiatives.
- Support services functions include facilities (31 buildings in 18 cities) and space management, mail, courier, and records management activities (such as directives, Information Collection, Freedom of Information Act and Privacy Act), and health and safety program management.
- The security program encompasses all activities relating to personnel security, physical security, and document security Bureau-wide.

#### Ongoing Workload Number

	1993 Actual	1994 Estimates	1995 Estimates
Conduct Management Reviews, Studies, Projects	19	20	20
Analyze Organization Proposals	20	15	15
Conduct Space Utilization Studies	2	2	2
Space Acquisition			
Type A (Up to 25 employees)	2	2	0
Type B (26-100 employees)	0	0	1
Type C (100 or more employees)	0	0	0
Office Relocations			
Type A (Up to 25 employees)	28	35	25
Type B (26-100 employees)	0	5	0
Type C (100 or more employees)	0	0	0
Conduct Records Management Activities	3	3	3

	1993 Actual	1994 Estimates	1995 Estimates
Initiate Review, Adjudicate Security Investigations	525	450	450

**Management Reviews, Studies, Projects and Organization Proposals.** Management analysis activities will be performed at an enhanced level in such areas as management reviews, projects, and studies, and organizational studies. While the level of organizational activity was extremely high in FY 1992 and FY 1993 effecting a major Bureau-wide reorganization, continued need for significant organizational analysis was required in FY 1994 and is anticipated in FY 1995 to accomplish FTE reductions, streamline and flatten organizations, and achieve higher employee to supervisor ratios. Further, related activities such as updating delegations of authority, will be increased.

**Space Utilization Studies and Space Layouts and Reconfigurations.** In FY 1995, as a result of staff reductions in the Outer Continental Shelf Lands program, the Division will continue to conduct space utilization studies and layouts. These studies should result in more efficient utilization of space and, in the case of downsized Offshore entities, may result in a reduced need for space.

**Office Relocations.** Planning and implementing in-house moves will be at a continued high level due to implementation of Executive Order streamlining activities, and continued downsizing of the Offshore program.

**Records Management Activities.** Records management activities will remain constant. However, the effort and support will be more proactive in streamlining existing services. More attention will be devoted to meeting customers' needs.

**Other Management Services and Security Functions.** Security investigations will continue to be reviewed, initiated, and adjudicated and are expected to remain at the FY 1994 estimate for the next several years, due to low employee turnover and significant changes in investigative requirements.

#### Personnel Management

This justification supports the Departmental proposal to consolidate the BEO and Personnel functions to effectuate certain streamlining efficiencies. The following information is provided to indicate the responsibilities and workloads which MMS currently provides under the existing structure.

#### MISSION

- The Personnel Division is responsible for developing and implementing bureau-wide policies, procedures, guidelines, and standards related to general personnel management; recruitment and employment; position management and classification; compensation; training and career development; personnel program evaluation; labor/management relations; employee relations and services; performance management; incentive awards; the Federal Equal Opportunity Recruitment Program (FEORP); public policy programs; and conflict of interest and ethics.
- The Personnel Division provides assistance and guidance on personnel matters to all levels of management in developing and administering personnel programs as well as personnel program direction to field personnel offices located in Lakewood, Colorado, and Jefferson, Louisiana.
- Liaison is required with the Office of Personnel Management, the Department of the Interior, the Office of Inspector General, the Office of Hearings and Appeals, the Merit Systems Protection Board, and the Federal Labor Relations Authority on personnel management and related issues.

Ongoing Workload  
Number

	1993 Actual	1994 Estimates	1995 Estimates
Performance Appraisal/Merit Reviews Conducted	1,100	1,100	1,100
Training Request Processed & Reviewed	1,039	1,000	1,000
Employee Relation Cases Processed, Guidance Given	1,000	1,100	1,350
Employment & Financial Statements Processed	2,150	2,050	2,050
PAY/PERS-FPPS Processing	4,530	4,200	4,000

*Employee Relations Cases Processed/Guidance Given.* The high level of employee relations cases will continue as a result of the downsizing and anticipated actions effected because of reduced FTE and budget within the MMS. During downsizing and organizational realignments, more employees request information on their rights, on retirement issues, etc.

Procurement and Property Management

## MISSION

- The Procurement and Property Management Division is responsible for entering into and administering contracts, small purchases, grants, cooperative agreements, and interagency agreements essential for fulfilling the mission of the MMS.
- Other responsibilities include managing the Business and Economic Development Program; conducting acquisition management and internal control reviews of procurement activities; managing the Contracting Officers Technical Representative training program for all regions; and issuing policy guidance to a variety of target groups.
- The property program maintains accountability records of all controlled property in the possession and control of custodial property officers and contractors within the MMS as well as managing the Bureau Vehicle Fleet; managing a printing and publications activity; managing the Bureau museum property; and issuing policy guidance on property, vehicles, supplies, museum property; and printing, duplicating, and copying.
- This office is also responsible for the implementation of the Arts and Artifacts program MMS-wide by establishing MMS regulations and procedures for assessing Bureau collections, providing guidance to field locations and conducting property management reviews emphasizing artwork and artifacts. This includes MMS' continued support of a central staff capability with the National Park Service (NPS), that provides Department-wide policies and procedures for use by and in support of all the bureaus.



Ongoing Workload  
Number

	1993 Actual	1994 Estimates	1995 Estimates
Contracts Awarded-Administered	310	476	450
Small Purchases	1,971	2,200	2,000
Accountable Property Inventoried	3,829	4,003	4,100
Printing & Supply Management	5,297	5,523	5,831

Prompted by the impact of Hurricane Andrew on Gulf of Mexico OCS facilities, the Procurement and Property Management Division awarded and is administering a number of study contracts assessing the damage to, reliability of, and requalification requirements for, Gulf of Mexico oil and gas facilities. Contracts totalling over \$1 million dollars were awarded to provide support services for MMS. Contract administration continues for the \$5 million contract for management and operation of OHMSETT requiring daily communication with the program office, contractor, and other Government agencies in an effort to evaluate and/or develop efficient oil spill cleanup technologies. In Fiscal Year 1993, \$19.6 million was awarded in support of the Environmental Studies Program. Of this amount approximately \$17 million was incremental funding for multiyear contracts. MMS is in the process of awarding a multiple year \$18 million contract for microcomputers, of which \$15 million will be available for MMS and \$3 million for other bureaus within the Department. Technology refreshment and replacing provisions will insure the contract stays current with the evolving industry.

MMS has consistently awarded over 30 percent of the discretionary procurement dollars to small and disadvantaged businesses. For the past 3 years MMS exceeded all of its Business and Economic Development Program (BEDP) goals and received the Department's unit award for excellence and the MMS nominees for the Department's Minority Entrepreneur of the Year FY 1991 and 1992 won the award.

MMS was the first Bureau in the Department to implement a property management program using bar code technology. We have upgraded the bar code hardware to include a new bar code printer which uses the latest technology. We have also implemented new bar code scanners which are smaller and more efficient, giving better scanning range. MMS has placed several new compressed natural gas vehicles in their fleet. MMS continues to provide technical support and system maintenance for the property and vehicle management systems for OSM. MMS continues to update the museum property system for arts and artifacts.

- Contracts Awarded-Administered. The estimated increases in FY 1994 include modifications and close out modifications to previously awarded contracts, cooperative agreements, and inter/intra-agency agreements. The increase in number of actions for FY 1995 reflect new awards due to the increase in environmental studies funding.
- The Department awarded a contract to Price Waterhouse to develop the mandated Interior Department Electronic Acquisition System (IDEAS). IDEAS will require software enhancements and maintenance to include a module for the Property Management System and a bridge to our financial system. Maintenance will be performed by the Contractor.

*Justification of Program Change.  
(Dollars in thousands)*

## Offshore Downscaling

	FY 1994 Enacted	FY 1995 Request	Change
\$	---	-50	-50
FTE	---	-1	-1

## Impacted Workloads are Distributed Throughout

The efficiencies captured by the Offshore Program due to implementation of the 1992-1997 Comprehensive Natural Gas and Oil Leasing program lessen the level of administrative support required. This reduction will provide a more appropriate level of administrative support for the OCS program.

Information Resources Management

## MISSION

- The Information Resources Management (IRM) Division has responsibility for providing coordination and direction for bureau-wide IRM activities in subject matter areas such as data administration, computer security, Federal Information Processing (FIP) resource acquisition management, voice and data telecommunications, FTS2000 services, Local/Wide Area Networks (LAN/WAN), IRM policy and procedures development, and reviewing policy documents from the Department and/or other Bureaus.
- The IRM Division will provide administrative and technical support to the MMS IRM Review Council in the planning and oversight of information systems. The IRM Division will participate in implementing and executing the Departmental IRM Strategic Plan for FYs 1994-1998 to increase productivity, improve the management and delivery of information, and increase customer effectiveness in the use of new and sophisticated technology.
- The IRM Division will perform the annual update to the MMS Strategic Plan for Information Management, providing the Department consolidated budgetary and planning information on the Bureau IRM activities and future initiatives. The Division will participate in bureau-wide efforts identified in the Strategic Plan such as cyclical reviews of current systems; telecommunications activities; common data element standardization, electronic data interchange, and standards between program areas; ADP hardware, microcomputer, and electronic mail policy; and analysis of IRM roles and responsibilities.
- The IRM Division is responsible for developing and maintaining the Bureau administrative information systems and providing support for the Office of Administration computer installation and LANs maintained at three geographic sites. Ongoing application maintenance efforts and redesign or re-engineering of administrative systems will provide improved responsiveness and flexibility within the Office of Administration and the Bureau as a whole.

Ongoing Workload  
Number

	1993 Actual	1994 Estimates	1995 Estimates
Bureau-wide Planning & Coordination Activities	19	22	26
Telecommunication Activities	3,470	3,900	4,302
Develop/Enhance/Maintain Administrative ADP Systems	20	21	23
MMS LAN/WAN Issues and/or Problems	3,526	4,150	4,650
FIP Resources Acquisition Activities	803	652	531

**Bureau-wide Planning and Coordination Activities.** The MMS Strategic Plan for information management provides a statement of the goals, strategies, and objectives as approved by the MMS top level IRM Review Council. The Plan establishes long term goals and provides for overall guidance for information resources management to achieve cost effective use of information technology to support Bureau programs for the next 5 years. Other bureau-wide planning activities include the development of the bureau-wide ADP Security Plan (1), participation in Departmental IRM projects and work groups (19), and performing management control and security reviews (6).

**Telecommunications Activities.** A pilot to analyze the feasibility of video conferencing in the MMS and the benefits/costs associated with this technology was completed in FY 1993. This project established an MMS video conference facility in Lakewood, CO, and is being used as an alternative method of holding meetings with the accompanying benefits of increasing productivity and reducing travel in the Bureau. Other telecommunications activities include the support of the bureau-wide CC:Mail for electronic mail between all MMS locations for approximately 2,000 users; perform studies of Bureau and/or Departmental telecommunications projects; and, process telephone orders in the Washington Metropolitan area and provide telephone coordination of FTS2000 services.

**Develop/Enhance/Maintain Administrative ADP Systems.** In FY 1993, MMS was the first Department of Interior Bureau to implement the Federal Personnel/Payroll System (FPPS). As the first DOI Bureau to convert to FPPS, MMS assists other Bureaus in their FPPS conversion efforts. The IRM Division continues to maintain the existing suite of administrative information systems while actively planning for a new generation of LAN-based applications. Many of the systems to be replaced are now technically obsolescent and are not capable of delivering the level of responsiveness and accessibility that is now expected by the user community. Development, maintenance, and redesign efforts associated with the administrative systems will continue and result in improved support to users. Another high priority item is the support of the Bureau's use of Departmental administrative systems.

**MMS Data Network (MMSNET).** In FY 1992, the IRM Division installed fiber optic cable in the Atrium Building, Herndon, VA, to improve the performance and speed of the Atrium Building LAN and to create a "campus" LAN. High speed network routers at the Atrium and Main Interior Buildings were installed in FY 1992 resulting in greater efficiency and improved throughput. As more users join the LAN environment, the need for connectivity of computer resources at MMS and Departmental locations has become a top priority which has led to the establishment of an MMS WAN. With increased reliance on MMSNET, its operation, administration, and user assistance become more resource intensive.

**FIP Resource Acquisition Activities.** In FY 1993, the Guidelines for FIP Resource Acquisition was finalized and distributed bureau-wide. Implementation of the policies and procedures contained in this publication will require extensive user assistance and training bureau-wide. FIP resource acquisition requirements are broken down into three categories: (1) requirements less than \$25,000 (480), (2) requirements greater than \$25,000 and only requiring MMS approvals (45), and, (3) requirements requiring Departmental and/or GSA approval (6). The acquisitions assigned to the above 3 categories vary in technical complexity and effort. Therefore, FIP acquisitions requiring higher approval authorities are more labor intensive because of the assistance needed to provide the customer the specific request.

#### Field Administrative Services

This Justification supports the Departmental proposal to consolidate the EEO and Personnel functions to effectuate certain streamlining efficiencies. The following information is provided to indicate the responsibilities and workloads which MMS currently provides under the existing structure. (The consolidation will impact both Southern and Western Service Centers.)

#### MISSION

- Direct administrative support is provided to program managers through two Field Administrative Service Centers (ASC's). These offices provide services to all field activities of the MMS, except for those offices in the Washington, D.C., area which receive support directly from the Office of Administration in Herndon, Virginia.
- The Office of the Deputy Associate Director for Administration and the ASC's are structured to assist managers in matters related to personnel, space and property management, procurement and contracting, safety and security, information resources management and support services activities.
- The Southern Administrative Service Center (SASC), located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico OCS Region (GOMR), the Offshore Systems Center (OSC) and a resident Royalty Management Office. In addition, full support is provided to five outlying District/Subdistrict GOMR Offices.
- The Western Administrative Service Center, located in Denver, Colorado, supports the Royalty Management Program and its field entities, the Office of Policy and Management Improvement, the Offshore Program's Mapping and Survey Staff and, the Alaska and Pacific OCS Regions.

## Southern Administrative Service Center

Ongoing Workload  
Number

	1993 Actual	1994 Estimates	1995 Estimates
Staffing/Classification Actions	3,500	3,800	4,200
Employee Relations & Training	5,800	7,500	9,000
Space Acquisition			
Type A (Up to 25 employees)	1	2	1
Type B (26-100 employees)	0	2	0
Type C (100 or more employees)	0	1	0
Office Relocations			
Type A (Up to 25 employees)	14	2	3
Type B (26-100 employees)	24	6	0
Type C (100 or more employees)	4	1	0
Accountable Property Inventoried	3,604	3,859	4,000
Contracts Awarded/Administered	7	7	10
Small Purchases	2,385	2,400	2,425

Major thrusts of FY 1993 involving the downsizing and realignment of the Offshore Program, continued implementation of the automated Federal Payroll/Personnel System (FPPS), and space activities will continue to impact the Southern Administrative Service Center in FY 1994. In addition, changes due to implementation of the National Performance Review (NPR) will likely have a major impact upon this office in FY 1994 and 1995. Major actions anticipated include:

**Staffing/Classification Actions.** Personnel will continue the implementation of FPPS. Downsizing efforts are in process and staff time will continue to be required to reassign MMS employees from other Offshore offices and determine any personnel impacts related to downsizing. Currently, reorganizations of some serviced offices are being considered. Implementation of the General Schedule Supervisory Guide is under way and the completion of the review of each supervisory position is expected by the end of FY 1994.

Of significant impact will be an emphasis in special recruitment activities to further BEO and minority goals and to attract and retain qualified employees through extensive outreach efforts. Emphasis is continuing on cooperative efforts with Historically Black Colleges and Universities (HBCUs). This office continues to play a major role in a multi-agency/University cooperative effort under the auspices of the local Federal Executive Board. A major conference was held in January 1994 to share information on human, physical, and fiscal resources among HBCU and Federal agencies.

**Employee Relations and Training.** Employee development, training, and cross training will increase particularly as NPR initiatives in this area are implemented. Employee "retraining" has been identified as a major thrust of utilizing personnel on board in view of the changes occurring as a result of the NPR. An increase in employee relations activities has already been experienced and is expected to increase due to further downsizing and anticipated actions caused by reduced budgets and FTE levels within the MMS. Additional emphasis is being experienced in the area of management/union cooperation. All of these activities are expected to continue and increase in number during FY 1994 and 1995. Implementation of the alternate dispute

resolution will result in an additional workload for the personnel specialists.

**Space Acquisitions.** Construction of newly acquired additional space in the New Orleans office and modification of the existing space will begin in approximately mid-FY 1994. This will be a major effort requiring relocation of the majority of MMS employees in the current space. These efforts will likely continue until the end of 1994. The new lease will be an 8-year firm term. A large coordination effort of this task will continue to require a dedicated staff member until it is completed.

The current security system is obsolete and a replacement for the entire New Orleans facility will be analyzed and plans developed for replacement of the system. This will be a major effort as it is closely tied to the space activities as described above.

In addition, there will also be a multi-year effort to accomplish the renewal of office space for the Lake Jackson District Office requiring utilization studies, layouts, and a possible office relocation occurring in FY 1995.

**Accountable Property Inventoried.** The accountable property inventoried is anticipated to remain at a high level for several years based on projected ADP equipment needs as the TIMS project is implemented and with the continued increase in personnel in the GOM OCS office.

#### Western Administrative Service Center

#### Ongoing Workload Number

	1993 Actual	1994 Estimates	1995 Estimates
Staffing/Classification Actions	6,409	4,532	4,750
Employee Relations & Training	7,717	9,225	9,500
Space Acquisition			
Type A (Up to 25 employees)	3	2	2
Type B (26-100 employees)	1	3	1
Type C (100 or more employees)	1	1	1
Office Relocations			
Type A (Up to 25 employees)	25	10	5
Type B (26-100 employees)	3	3	1
Type C (100 or more employees)	0	2	1
Accountable Property Inventoried	9,815	9,844	9,875
Contracts Awarded/Administered	126	140	154
Small Purchases	3,206	3,715	4,235

**Staffing and Classification Actions.** In addition to the continuing processing of actions resulting from approved organization changes in RMP, PMI, and POCS, we will have significant additional activity from resulting substructure changes which will continue into FY 1995. Other impacts will include the continuing and additional downsizing activities in the OCS programs during FY 1995; the initiative to reduce supervisory ratios requiring classification reviews, position management activities and staffing assistance; the reducing of levels of GS(GM)-14's and 15's; and additional recruitment and placement support required due to the increased auditor positions anticipated as a result of the contract settlements workload in the audit function.

**Employee Relations and Training.** There will be a need for increased training for employees due to increased automation and better analysis of training needs as greater focus and attention is given to employee development and training. As a result of anticipated continuing RMP reorganizations and the Offshore downsizing, there will be additional performance and conduct cases; grievances; appeals; and BEO complaints resulting in an increased employee relations workload. Another impact will be the increased staff time required to represent the agency in third party cases since the Solicitor's Office will no longer handle the cases if the employee is not represented by an attorney. Also, if legislation is passed allowing the buy-out provision for early retirement, there will be a significant impact on resources. In addition, the union organizing activities currently underway will require considerable continuing resources.

**Space Acquisitions and Office Relocations.** The specific space activities include: finalization of space reduction for Camarillo, California; acquisition of space and relocation of offices in Anchorage, Alaska; Santa Maria, California; Oklahoma City, Oklahoma; Dallas and Houston, Texas; and acquisition of temporary and permanent office space for the new Albuquerque Indian Audit Office including developing layouts and special space requirements and coordinating design of voice/data communication systems.

**Contracts Awarded/Administered.** RMP's continuing efforts to improve their operations rely heavily upon acquiring additional contractor support and the acquisition of additional ADP resources. The RMP is implementing a migration from a Legacy system to a LAN/WAN based system to facilitate access to databases by a large, diversified group of users. Significant procurement resources will be required to support RMP in these areas. This will also increase the administration of the major Accounting Support Services contract for RMP. Support of the 202/205 cooperative agreement program will continue with the addition of the Arapahoe, Shoshone, and Blackfeet Tribes to the program and additional funds being made available to the existing States and Tribes. Other activities include continuation of the Buy Indian authority with ongoing efforts to identify Indian vendors capable of furnishing supplies and services to the RMP, along with implementation of the Department of the Interior's automated acquisition system (IDEAS).

*Justification of Program Changes.  
(Dollars in thousands)*

**Contract Settlement**

	FY 1994 Enacted	FY 1995 Request	Change
\$	—	+100	+100
FTE	—	+1	+1

Support for the Royalty Management and Policy and Management Improvement's initiative for Contract Settlement will require staffing, procurement and finance systems support. The proposed increase will enable the Field Operations functions to devote sufficient staff time and support to facilitate the recruiting, hiring, security checking, training, and processing travel and payment records.

**Offshore Downsizing**

	FY 1994 Enacted	FY 1995 Request	Change
\$(000)	—	-82	-82
FTE	—	-3	-3

**Impacted Workloads are Distributed Throughout**

The efficiencies captured by the Offshore Program due to implementation of the 1992-1997 Comprehensive Natural Gas and Oil Leasing program lessen the level administrative support required. This reduction will provide a more appropriate level of administrative support for the OCS program.

**Decrease to Accommodate Changing Program Needs**

	FY 1994 Enacted	FY 1995 Request	Change
\$(000)	--	--	-146
<i>FTE</i>	--	--	--

**Impacted Workloads are Distributed Throughout**

A decrease throughout the subactivity will be implemented to absorb changing program needs. Reductions will deferral of small equipment maintenance, and supplies.



## General Support Services

**Justification of Program and Performance  
Subactivity Funding Summary  
(Dollars in thousands)**

	1994 Enacted to date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
\$	15,316	+138	0	15,454	+138

Uncontrollable Changes include: Executive Order 12837 on administrative expenses and other cost changes. Further discussion of these changes may be found on pages MMS 14 & 18.

**OBJECTIVES**

- Provide adequate and safe work space and facilities that will contribute to the productivity and efficiency of the employees of the MMS in achieving goals and objectives.
- Provide appropriate services to support the operating programs.

**PROGRAM DESCRIPTION**

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at \$12.1 million in FY 1995 is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of \$0.7 million is based on data developed by the Department and actual FY 1991 costs. Commercial communication expenses of \$0.5 million are based on FY 1993 actuals and include operations and maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

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

*(Dollars in thousands)*

Rent	12,063
Unemployment Compensation	54
Mail Service	413
Commercial Communications	514
Department of the Interior Working Capital fund, Printing & Miscellaneous Charges	586
Federal Telecommunication System	709
Reimbursable Services	363
Employees' Compensation Fund	355
Miscellaneous Cost	397
Total	15,454

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

14-1917-0-302	FY 1993 Actual	FY 1994 Enacted	FY 1995 Estimate
<b>Program by activities:</b>			
<b>DIRECT PROGRAM:</b>			
00.0101 Outer Continental Shelf Lands.....	97,054	93,082	90,768
00.0201 Royalty Management.....	64,955	65,796	69,934
00.0301 General Administration.....	<u>33,635</u>	<u>34,319</u>	<u>34,073</u>
00.9101 Total direct program.....	195,644	193,197	194,793
01.0101 Reimbursable program.....	<u>3,452</u>	<u>7,666</u>	<u>10,031</u>
10.0001 Total obligations.....	199,096	200,863	204,824
<b>FINANCING:</b>			
21.4001 Unobligated Balance Available, Start of Year.....	-2,683	-1,960	-1,960
24.4001 Unobligated Balance Available, End of Year.....	1,960	1,960	1,960
25.0001 Unobligated balance expiring.....	<u>418</u>	<u>---</u>	<u>---</u>
39.0001 Budget Authority.....	<u>198,791</u>	<u>200,863</u>	<u>204,824</u>
<b>BUDGET AUTHORITY:</b>			
<b>Current:</b>			
40.0001 Appropriation.....	195,339	193,197	194,793
<b>Permanent:</b>			
68.0001 Spending authority from offsetting collections.....	<u>3,452</u>	<u>7,666</u>	<u>10,031</u>
<b>Relation of obligations to outlays:</b>			
71.0001 Total obligations.....	199,096	200,863	204,824
72.4001 Obligated balance, start of year.....	83,282	69,218	68,011
74.4001 Obligated balance, end of year.....	-69,218	-68,011	-73,893
77.0001 Adjustment in Expired Accounts.....	-3,908	---	---
87.0001 Outlays (gross).....	209,252	202,070	198,942
<b>Adjustments to budget authority and outlays</b>			
<b>Deductions for offsetting collections:</b>			
88.0001 Federal funds.....	-2,898	-2,666	-2,631
88.4001 Non-Federal sources.....	-554	-5,000	-7,400
88.9001 Total, offsetting collections.....	-3,452	-7,666	-10,031
89.0001 Budget authority (net).....	195,339	193,197	194,793
90.0001 Outlays (net).....	205,800	194,404	188,911

## Summary of Requirements by Object Class

Appropriation: Royalty and Offshore Minerals Management (Dollars in thousands)

Object Class	FY 1995 Base		FY 1995 Estimate		Difference	
	FTE	Amount	FTE	Amount	FTE	Amount
11. Personnel Compensation:						
11.1 Full-time permanent	1,798	82,339	1,808	82,924	10	585
11.3 Other than full-time permanent	45	998	40	1,029	-5	31
11.5 Other personnel compensation	4	1,200	4	1,200	0	0
11.8 Special personal services payments	0	39	0	39	0	0
11.9 Total Personnel Compensation	1,847	84,576	1,852	85,192	5	616
12.1 Personnel benefits: civilian		20,085		20,229		144
13.0 Benefits for former personnel		54		54		0
21.0 Travel and transportation of persons		3,556		3,967		411
22.0 Transportation of things		279		277		-2
23.1 Standard level user charges		10,446		10,446		0
23.2 Rental payments to others		133		133		0
23.3 Communications, utilities and miscellaneous charges		2,835		2,858		23
24.0 Printing & reproduction		667		677		10
25.1 Other services		300		300		0
25.2 Other services		59,665		62,280		2,615
26.0 Supplies and materials		2,803		2,812		9
31.0 Equipment		5,340		5,553		213
41.0 Grants, subsidies and contributions		0		0		0
42.0 Insurance claims and indemnities		0		0		0
44.0 Refunds		15		15		0
Total Requirements		190,754		194,793		4,039

DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE  
ROYALTY AND OFFSHORE MINERALS MANAGEMENT  
Object Classification  
(Dollars in thousands)

14-1917-0-1-302	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
<b>Direct Obligations:</b>			
<b>Personnel compensation</b>			
111.10 Full-time permanent.....	87,121	83,000	82,924
111.30 Other than full-time permanent.....	1,388	1,000	1,029
111.50 Other personnel compensation.....	1,863	1,200	1,200
111.80 Special personal services payments.	44	41	39
<b>111.90 Total personnel compensation....</b>	<b>90,416</b>	<b>85,241</b>	<b>85,192</b>
112.10 Civilian personnel benefits.....	19,004	20,518	20,229
113.00 Benefits for former personnel.....	87	60	54
121.00 Travel and transportation of persons	3,476	3,750	3,967
122.00 Transportation of things.....	312	285	277
123.10 Rental payments to GSA.....	10,888	10,341	10,446
123.20 Rental payments to others.....	86	133	133
123.30 Communications, utilities and miscellaneous charges.....	2,800	2,900	2,858
124.00 Printing and Reproduction.....	718	700	677
125.10 Other services.....	211	300	300
125.20 Other services.....	59,471	60,429	62,280
126.00 Supplies and materials.....	3,025	3,025	2,812
131.00 Equipment.....	5,044	5,500	5,553
141.00 Grants, subsidies, and contributions	96	---	---
142.00 Insurance claims and indemnities....	---	---	---
144.00 Refunds.....	10	15	15
<b>199.00 SUBTOTAL, direct obligations.....</b>	<b>195,644</b>	<b>193,197</b>	<b>194,793</b>
<b>Reimbursable Obligations:</b>			
211.10 Full-time permanent.....	424	68	38
212.10 Civilian personnel benefits.....	99	12	7
221.00 Travel of Persons.....	67	84	84
222.00 Transportation of Things.....	1	---	---
223.30 Coms, Utilities & Mac Chrgs.....	1	1	1
224.00 Printing & Reproduction.....	1	1	1
225.20 Other services.....	2,854	7,500	9,900
226.00 Supplies & Materials.....	2	---	---
231.00 Equipment.....	3	---	---
<b>299.00 SUBTOTAL, reimbursable obligations..</b>	<b>3,452</b>	<b>7,666</b>	<b>10,031</b>
<b>999.90 TOTAL OBLIGATIONS.....</b>	<b>199,096</b>	<b>200,863</b>	<b>204,824</b>

DEPARTMENT OF INTERIOR  
MINERALS MANAGEMENT SERVICE  
ROYALTY AND OFFSHORE MINERALS MANAGEMENT  
Personnel Summary

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
<b>Direct Funds:</b>			
Full-time equivalent employment	1,977	1,927	1,852
Full-time equivalent of overtime and holiday hours	6	6	6
<b>Reimbursable Funds:</b>			
Full-time equivalent employment	8	1	---
Full-time equivalent of overtime and holiday hours	---	---	---

DEPARTMENT OF INTERIOR  
MINERALS MANAGEMENT SERVICE  
ROYALTY AND OFFSHORE MINERALS MANAGEMENT  
Employee Count by Grade

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
ES-6.....	1	1	1
ES-5.....	6	5	5
ES-4.....	5	4	4
ES-3.....	2	3	3
ES-2.....	3	2	2
ES-1.....	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal	18	16	16
GS/GM-15.....	74	72	69
GS/GM-14.....	186	176	164
GS/GM-13.....	426	416	409
GS-12.....	520	520	505
GS-11.....	162	162	158
GS-10.....	56	56	49
GS-9.....	87	86	78
GS-8.....	51	51	48
GS-7.....	119	119	104
GS-6.....	131	129	119
GS-5.....	116	114	114
GS-4.....	44	42	42
GS-3.....	3	3	3
GS-2.....	2	2	2
GS-1.....	0	0	0
Subtotal	<u>1,977</u>	<u>1,948</u>	<u>1,864</u>
Ungraded.....	1	1	1
Total employment (actual/projected), end of fiscal year.....	1,996	1,965	1,881

## Activity: Oil Spill Research

**Justification of Program and Performance  
Subjectivity Summary  
(Dollars in thousands)**

		1994 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1995 Budget Request	Change from 1994
Oil Spill Research	\$ FTE	5,331 10	41 —	1,162 16	6,452 26	1,121 16

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS - 16 & 18.

**Authorizing Statutes**

33 U.S.C. 2701, et seq	The Oil Pollution Act of 1990 authorizes the use of the Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research and other requirements of the Act.
43 U.S.C. 1331, et seq Section 21(b)	The Outer Continental Shelf Lands Act
Executive Order 12777	E.O. 12777, signed October 18, 1991

*For further details on these statutes, refer to appendix at end of justifications.*



**Oil Spill Research**

Budget resources will be derived from the existing Department of Transportation's Oil Spill Liability Trust Fund (OSLTF) into an account which was established in FY 1993. Resources from this trust fund will be used to finance the oil spill research and financial responsibility activities assigned to the Minerals Management Service.

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

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

The MMS and its predecessor organization, the Conservation Division of the USGS, have sponsored oil spill research since the late 1970's. Prior to the Prince William Sound oil spill in Alaska, the MMS Environmental Studies Program funded extensive research to characterize the toxic and sublethal effects of spilled oil on marine organisms and their habitats. Additional research was carried out to characterize how spilled oil spreads and weathers so that predictions could be developed regarding potential impacts. For the last 15 years, the Technology Assessment and Research (TA&R) Program has conducted a comprehensive research program to enhance capabilities to respond to an open ocean oil spill. These efforts focused on improving: remote detection of spilled oil; chemical treating agents including dispersants; capabilities to burn oil in-situ; shoreline cleanup strategies; understanding of the principal characteristics of oil as it weathers after spilling; and updating the performance data base for new and improved booms and skimmers by reopening the OHMSETT oil spill test tank facility. This part of the TA&R program consisted of joint ventures with the Canadian government and several U.S. Federal agencies (National Institute of Standards and Technology (NIST), United States Coast Guard (USCG), United States Navy (USN), Environmental Protection Agency (EPA), etc.). Starting in FY 1993, funding for the Environmental Studies oil spill fates and effects projects and for all TA&R oil spill research projects was provided by the Trust Fund for Oil Spill Research.

## OIL SPILL RESEARCH OVERVIEW

FY 1993	FY 1994	FY 1995
<b>OHMSETT Testing Facility</b>		
Tested oil spill response booms, skimmers, and other technologies.	Continue testing oil spill response equipment and strategies.	Continue testing oil spill response equipment and strategies.
<b>Dispersants</b>		
Evaluated stability and toxicity of dispersants after one year of storage. Evaluated effectiveness with OCS oil.	Continue to develop analytical measurement techniques for chemical spill-treating agents. Evaluate effectiveness of newly developed dispersants for heavy oils. Conduct large-scale tests of emulsions at the OHMSETT facility.	Continue development of dispersants for use on heavy oils. Perform effectiveness and toxicity testing on new chemical spill treating agents.
<b>In Situ Burn</b>		
The Newfoundland Offshore Burn Experiment (NOBE) was conducted in August 1993, offshore St. John's Newfoundland proved that burning is viable with minimal air and water quality impacts.	Complete analysis of sampling and other data from the NOBE experiment. Conduct in-situ burn workshop to prioritize additional research. Continue develop smoke plume trajectory model.	Complete development of smoke plume trajectory model. Conduct research on burning of emulsions at the OHMSETT facility.
<b>Laser Sensor</b>		
Initiate development of prototype for mapping presence of oil. Prototype tested successfully over a series of test oils.	Continue development and testing of prototype to incorporate capabilities to scan and image the slick area.	Construct scanning fluorometer to provide image of oil slick amongst ice, in water, and on shorelines without false-targeting.
<b>Environmental Fates &amp; Effects</b>		
Continue oil-following drifter development and risk assessment model verification studies; initiate study of near-surface circulation and mixed-layer experiments.	Continue development and applications for oil-following drifters; continue near-surface circulation and mixed-layer experiments; complete risk assessment model verification study.	Continue development and applications for oil-following drifters; continue near-surface circulation and mixed layer experiments.

FY 1993	FY 1994	FY 1995
Oil Spill Financial Responsibility		
<p>MMS issued an NTL notifying lessees and operators of the transfer of responsibility of the certification program from U.S. Coast Guard to the MMS. The program is being administered under the existing regulations at 33 CFR 135 at a certification level of \$35 million. MMS issued an ANPR requesting comments and information on the effects of implementation of the financial responsibility program under OPA 90 at a level of \$150 million.</p>	<p>MMS begins conducting public meetings regarding the ANPR as an outreach effort to develop an economic analysis of the effect of such rulemaking and to construct a proposed rule. Information is being shared with Congress as it is received. A determination of the rulemaking and proposed rule will be forwarded to OMB. MMS continues implementation of the program at the \$35 million level for all facilities on the OCS.</p>	<p>Meetings with OMB and Congressional staff will be held regarding the proposed rule and its effects. A final rule will be developed. MMS will continue to implement at the \$35 million level for OCS until the the end of FY 1995.</p>

The following table gives a summary of the workload indicators in the Oil Spill Research subactivity. A brief narrative for these indicators follows the table.

	1993 Actual	1994 Estimate	1995 Estimate
Environmental Fates & Effects Projects	3	3	2
Technology Projects	9	8	8
Major Technology Transfer Seminars/Workshops	—	1	1
Major Program Reports	—	1	1
Oil Spill Financial Responsibility			
New Certificates of Financial Responsibility	15	20	40
Amendment to Existing Certificates of Financial Responsibility	19	115	230

**Environmental Fates and Effects Projects.** The MMS and its predecessor organization, the Offshore Environmental Studies Program of the BLM, have conducted studies of the fates and effects of oil in the marine environment since the 1970's through the Environmental Studies Program. In Fiscal Year 1994, MMS continued efforts to develop and test satellite-tracked drifters designed to behave like oil slicks on the ocean surface. These drifters will be a valuable tool in both applied and modeling situations. The NOAA Hazardous Materials Group is cooperating in the project by deploying MMS drifters in actual spills. The Risk Assessment Modeling Verification Study is ongoing, and like the previous study, is intended to improve oil spill trajectory analysis and modeling for use in spill contingency planning. MMS, in collaboration with the Office of Naval Research, continues to carry out experiments to develop a better understanding of very near surface ocean physics so that oil spill motions may be better quantified and simulated. These efforts will continue in FY 1995.

**Technology Projects.** The MMS is the predominant U.S. Government agency sponsoring offshore oil spill response research. Most projects are cooperative agreements with the Canadian government. In Fiscal Year 1993, MMS was a partner with Canada in developing new remote sensing technologies. A prototype airborne fluorosensor was flight tested successfully over a series of test oils. When operational, the scanning fluorometer will provide an image of the oil slick amongst ice, in water, and on shorelines without false-targeting. A second laser system to determine the thickness of an oil slick has been successfully tested in the laboratory, and in 1994 the prototype unit is to be flight tested. In 1995 an airborne operational unit will be constructed.

Studies on the behavior and fate of oils have resulted in an improved understanding of the evaporation and weathering of oil. An expanded version of the oil properties catalog was published, including data on a number of U.S. oils.

Work continues on development of analytical measurement techniques for chemical spill treating agents. In 1994, the effectiveness of newly developed dispersants for heavy oils will be evaluated.

The Interagency Coordinating Committee on Oil Pollution Research, created by OPA 90, has designated MMS as the lead agency for research on in-situ burning of spilled oil. The Newfoundland Offshore Burn Experiment (NOBE) was conducted in August 1993, off St. John's Newfoundland, and proved that burning is feasible with

minimal air and water quality impacts. In 1994 MMS will conduct an in-situ burn workshop to prioritize further research. In 1995, MMS plans to conduct research on improving burning capabilities for emulsions and extremely weathered oils.

MMS opened OHMSETT, the National Oil Spill Response Test Center, located in Leonardo, New Jersey, in August 1992. Seven tests were conducted on oil spill response equipment through the end of FY 1993, with the U.S. Coast Guard being the most active participant. MMS has scheduled eight major evaluations for FY 1994. MMS is anticipating burn tests on emulsions and weathered oils to be accomplished at OHMSETT.

**Major Technology Transfer Seminar/Workshops.** The research results will continue to be disseminated at numerous major conferences and workshops domestically and internationally. MMS will continue to participate in these conferences and conduct regional seminars in its regions which have been attended by a wide range of participants in the past. A periodic seminar for the public, next planned for FY 95, will present results from all MMS technological research.

**Major Program Reports.** MMS will continue to publish its research program findings on an annual basis in its annual report. Additionally, researchers make about 50 annual submissions to major public and trade periodicals. The MMS biennial report Technology Assessment and Research Program for Offshore Minerals Operations, due for updating in FY 95 contains summaries of oil spill research projects.

**Financial Responsibility Certifications (New and Amended).** OPA-90 requires lessees/operators in Federal waters and in navigable waters of States and U.S. possessions and territories to establish and maintain proof of financial capability to clean up oil spills from their offshore facilities (i.e., platforms and pipelines) and to pay for associated damages. The MMS is responsible for issuing certificates of financial responsibility for offshore facilities. Until MMS promulgates new regulations implementing OPA-90, certificates of financial responsibility will be issued subject to the existing authority of the OCS Lands Act. The U.S. Coast Guard transferred this responsibility to MMS on October 1, 1992. The program did not become fully functional until the end of the second quarter of FY 1993. During 1993 MMS issued a Notice To Lessees (NTL) notifying them and the operators about the transfer of responsibility of the certification program from U.S. Coast Guard to the MMS. Also, during 1993 MMS issued an Advanced Notice of Proposed Rulemaking (ANPR) requesting comments and information about OPA 90 financial responsibility at a level of \$150 million. Fiscal year 1995 reflects the workload for a full year implementing the program on the OCS facilities only and at the \$35 million level.

*Justification of Program Change  
(Dollars in thousands)*

Oil Spill Research

	1994 Enacted	1995 Request	Change*
\$	5,331	6,452	1,162
FTE	10	26	16

\* Includes only programmatic changes, so numbers may not add.

The Oil Pollution Act of 1990 (OPA-90) expands MMS responsibility and authority for oil spill prevention and response for both platforms and pipelines in Federal and State coastal waters and for ensuring that operators of "offshore facilities" are financially able to cover the cost of an oil spill clean-up. Under OPA-90, the MMS will inherit responsibility for at least an additional 1,220 platforms (an increase of 32 percent) and an additional 20,000 miles of pipeline (an increase of 100 percent). In addition to the size of the increase, many of the

facilities in State waters are significantly older and, in many cases, have not been subjected to the same level of inspection and regulation as facilities on the Federal OCS.

An increase of \$1,180,000 and 16 FTE is proposed for FY 1995. This increase will allow MMS to extend its inspection responsibilities to State waters; ensure financial responsibility of all offshore operators to clean up oil spills; provide for review of oil spill prevention plans of operators in State waters; provide for accident investigations; and allow assessment and collection of civil penalties.

This request is offset by a decrease of \$18,000 in travel and training costs to accommodate changing program needs.

DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE  
OIL SPILL RESEARCH

Program and Financing  
(Dollars in thousands)

	FY 1993 Actual	FY 1994 Enacted	FY 1995 Estimate
<b>14-8370-0-302</b>			
<b>Program by activities:</b>			
<b>    DIRECT PROGRAM:</b>			
00.0101 Oil Spill Research.....	5,164	5,331	6,452
00.9101 Total direct program..	5,164	5,331	6,452
<b>Reimbursable Program:</b>			
01.0101 Reimbursable program.....	1,071	1,500	1,500
10.0001 Total obligations.....	6,235	6,831	7,952
<b>FINANCING:</b>			
21.4001 Unobligated Balance Available, Start of Year.....	---	-167	-167
24.4001 Unobligated Balance Available, End of Year.....	167	167	167
39.0001 Budget Authority.....	6,402	6,831	7,952
<b>BUDGET AUTHORITY:</b>			
<b>    Current:</b>			
40.0001 Appropriation.....	5,331	5,331	6,452
<b>    Permanent:</b>			
68.0001 Spending authority from offsetting collections.....	1,071	1,500	1,500
<b>Relation of obligations to outlays:</b>			
71.0001 Total obligations.....	6,235	6,831	7,952
72.4001 Obligated balance, start of year.....	---	1,203	2,247
74.4001 Obligated balance, end of year.....	-1,203	-2,247	-2,704
87.0001 Outlays (gross).....	5,032	5,787	7,495
<b>Adjustments to budget authority and outlays</b>			
<b>    Deductions for offsetting collections:</b>			
88.0001 Federal funds.....	-780	-1,000	-1,000
88.4001 Non-Federal sources.....	-291	-500	-500
88.9001 Total, offsetting collections.....	-1,071	-1,500	-1,500
89.0001 Budget authority (net).....	5,331	5,331	6,452
90.0001 Outlays (net).....	3,961	4,287	5,995

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DEPARTMENT OF INTERIOR  
MINERALS MANAGEMENT SERVICE  
OIL SPILL RESEARCH  
Personnel Summary

	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
<b>Direct Funds:</b>			
Full-time equivalent employment	10	10	26
Full-time equivalent of overtime and holiday hours	---	---	---



DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE  
OIL SPILL RESEARCH  
Object Classification  
(Dollars in thousands)

14-8370-0-1-302	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
<b>Direct Obligations:</b>			
Personnel compensation			
111.10 Full-time permanent.....	584	600	1,327
111.90 Total personnel compensation....	584	600	1,327
112.10 Civilian personnel benefits.....	83	95	282
121.00 Travel and transportation of persons	56	56	80
122.00 Transportation of things.....	---	1	1
123.30 Communications, utilities and miscellaneous charges.....	1	4	7
124.00 Printing and Reproduction.....	1	5	3
125.10 Other services.....	---	---	---
125.20 Other services.....	4,404	4,555	4,664
126.00 Supplies and materials.....	10	11	17
131.00 Equipment.....	13	4	71
199.00 SUBTOTAL, direct obligations.....	5,164	5,331	6,452
<b>Reimbursable Obligations:</b>			
225.20 Other services.....	1,071	1,500	1,500
299.00 SUBTOTAL, reimbursable obligations..	1,071	1,500	1,500
999.90 TOTAL OBLIGATIONS.....	6,235	6,831	7,952

## Permanent Appropriations

This section addresses permanent appropriations which are administered by the MMS. These appropriations provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on Federal lands. Revenues for these payments are derived from payor late payment interest, bonuses, rentals, and royalties collected from Federal onshore mineral leases. MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

MMS disburses all the monthly mineral leasing payments to States. All States' monthly payments include late disbursement interest. The Bureau of Land Management (BLM) disburses those payments which are made semi-annual or annually. The largest in this category (about \$25 thousand/year) is the payment made by BLM to Alaska for its share of National Petroleum Reserve-Alaska (NPRa) receipts.

Included under this heading are the following permanent appropriations:

(Dollars in thousands)

Appropriation	States' Share	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate	Change from 1994 Estimate
Mineral Leasing and Associated Payments (MLAP)	50%	462,531	530,596	514,628	-15,968
National Forest Fund, Payments to States (Forest Fund)	25%	2,359	2,143	2,151	+8
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes (Flood Control)	75%	1,230	2,854	2,834	-20
<b>TOTAL</b>		<b>466,120</b>	<b>535,593</b>	<b>519,613</b>	<b>-15,980</b>

Note: For an explanation of how mineral leasing collections are distributed among the various State and Federal accounts, please refer to the following section titled Receipts. This section also includes details on the assumptions used to develop the gross mineral receipt estimates such as additional amounts due to the audit of contract settlements, and production and price forecasts.

## Distribution Statutes

For MLAP, the Mineral Leasing Act (MLA), 30 U.S.C. 181 *et seq.*, provides that all States be paid 50 percent of the revenues resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent).

Forest Fund payments to a State are determined by the total revenues collected from mineral leasing and production within its boundaries except for the Forest Fund payments. Law requires a States' payment be based on national forest acreage and where a national forest is situated in several States, an individual State's payment is proportionate to its area within that particular national forest.

Flood Control payments to States are shared according to the Flood Control Act of 1936 (33 U.S.C. 701 *et seq.*) which provides that 75 percent of revenue collected be shared with the State in which it was collected to be expended as the State legislature may prescribe for the benefit of the public schools and roads in the county from which the revenue was collected or for defraying any of the expenses of county government including public obligations of levee and drainage districts for flood control and drainage improvements.

**Calculation of States' Payments**

The total amount for each of the three appropriations is calculated as follows:

- For each land category - public domain, Forest Fund, Flood Control and National Grasslands administered and distributed by the Forest Service, a three-year average for each source type (oil and gas rents, coal royalties, other minerals royalties, etc.) is developed.
- Within each land category, each source type's three-year average is applied to the three-year average for all source types to determine the percent that each source type within each land category contributes to total collections.
- This percent is applied to the gross revenue estimate for each source type to determine, for each land category, its share of the gross revenue estimated for that source. This ensures that the source type revenue estimates are distributed to the correct land category and therefore to the proper accounts.
- For each land category, the appropriate distribution formula are applied to each source type and summed into the various account totals. For example, Public domain lands: the MLAP Account 5003 (States' share) calculates and sums 50% from all source types; the General Fund Account 1811 (Federal share of rent and bonuses) calculates and sums 10% of all rents and bonuses, and the General Fund Account 2039 (Federal share of royalties) calculates and sums 10% of all royalties.

The estimate of the gross payment to a State for any future fiscal year is based on the percent of mineral receipts disbursed to that State to the total mineral receipts disbursed to all States in the prior year. However, when an unusually large one-time adjustment is made for a State in the prior year, the actual for the year before that is substituted and the total amount adjusted accordingly.

After a gross payment is estimated, the States' net receipts sharing (NRS) deductions are applied to arrive at the final fiscal year estimate. NRS refers to the recovery of approximately 50 percent of the Departments' of the Interior (Bureau of Land Management and MMS) and Agriculture (U.S. Forest Service) mineral leasing administrative program costs before statutory distribution of mineral revenues to States and Treasury. In the past, NRS was enacted through appropriations acts.

The Omnibus Reconciliation Act of 1993 (OBRA) amended the Mineral Leasing Act and other applicable statutes to permanently provide for NRS. The OBRA adjusted the methodology for calculating a State's NRS deduction.

In the past, program costs were allocated to each State based on the monies disbursed to the State during the current fiscal year as compared to total disbursements (this is called the "Revenue-based method").

The OBRA changed the revenue-based approach by 1) recovering the prior year's enacted budget authority in the current year, and 2) prorating costs to States based on the previous year's disbursements. Additionally, OBRA added a ceiling to this calculation which provided that a State's NRS deduction cannot exceed the Secretary of the Interior's estimated cost to administer each State's onshore mineral leases (this is called the "Cost-based method").

In FY 1994, \$52.9 million of program costs are to be recovered through NRS with the Federal share totaling \$26.4 million and the States' shares totaling \$26.5 million. The NRS deductions determined by the revenue-based method were used for all States except Illinois, Nevada, New Mexico, and Wyoming which were computed under the cost-based method.

Permanents

Payments to States Summary Fiscal Year 1993 Appropriations Summary			
State	Gross Disbursement	Net Receipt Sharing *	Net Disbursement
Alabama	874,741	-66,516	808,225
Alaska	7,548,592	-575,537	6,973,055
Arizona	103,729	-6,700	97,029
Arkansas	1,664,485	-127,807	1,536,679
California	23,891,715	-1,815,435	22,076,280
Colorado	38,862,421	-2,953,327	35,909,094
Florida	110,692	-8,411	102,281
Georgia	110	-8	101
Idaho	2,417,700	-183,394	2,234,306
Illinois	205,895	-15,155	190,740
Indiana	107	-8	99
Kansas	1,433,992	-109,122	1,324,869
Kentucky	92,964	-6,138	86,826
Louisiana	844,412	-63,859	780,553
Michigan	757,589	-59,115	698,473
Minnesota	1,448	324	1,773
Mississippi	796,742	-59,469	737,273
Missouri	512,698	-38,989	473,709
Montana	24,214,486	-1,841,550	22,372,936
Nebraska	14	-14	0
Nevada	8,999,959	-684,456	8,315,503
New Mexico	146,182,449	-11,106,910	135,075,540
North Carolina	1,136	-84	1,053
North Dakota	3,599,137	-273,855	3,325,281
Ohio	375,110	-25,200	349,910
Oklahoma	2,959,999	-204,319	2,755,680
Oregon	88,858	-6,686	82,173
Pennsylvania	21,226	-1,467	19,759
South Carolina	425	-31	395
South Dakota	515,879	-32,705	483,175
Tennessee	1,013	-77	936
Texas	377,469	-28,300	349,169
Utah	33,755,459	-2,566,097	31,189,362
Virginia	163,084	-12,117	150,967
Washington	492,116	-34,035	458,081
West Virginia	246,511	-20,047	226,464
Wisconsin	1,720	-168	1,552
Wyoming	202,310,062	-15,378,579	186,931,483
<b>Total:</b>	<b>504,426,144</b>	<b>-38,305,361</b>	<b>466,120,783</b>

\* Deductions based on method prescribed in FY 1993 Appropriations Act.

## Permanents

Payments to States Summary			
Fiscal Year 1994 Appropriations Summary			
State	Gross Disbursement	Net Receipt Sharing *	Net Disbursement
Alabama	902,861	-62,196	840,665
Alaska	7,791,254	-534,160	7,257,094
Arizona	107,063	-6,265	100,798
Arkansas	1,717,993	-111,866	1,606,127
California	24,659,752	-1,733,026	22,926,726
Colorado	40,111,717	-2,764,031	37,347,686
Florida	114,250	-7,875	106,375
Georgia	113	-8	105
Idaho	2,495,421	-171,484	2,323,937
Illinois	212,514	-13,837	198,677
Indiana	110	-7	103
Kansas	1,480,090	-102,034	1,378,056
Kentucky	95,952	-6,217	89,735
Louisiana	871,557	-59,750	811,807
Michigan	781,943	-56,229	725,714
Minnesota	1,495	0	1,495
Mississippi	822,355	-56,792	765,563
Missouri	529,180	-36,457	492,723
Montana	24,992,900	-1,755,655	23,237,245
Nebraska	1,581	-1,581	0
Nevada	9,289,277	-554,114	8,735,163
New Mexico	150,881,720	-7,688,803	143,192,917
North Carolina	1,173	-79	1,094
North Dakota	3,714,837	-255,094	3,459,743
Ohio	387,169	-23,565	363,604
Oklahoma	3,055,153	-215,994	2,839,159
Oregon	91,715	-5,900	85,815
Pennsylvania	21,909	-1,460	20,449
South Carolina	439	-29	410
South Dakota	532,463	-35,431	497,032
Tennessee	1,046	-72	974
Texas	389,603	-26,508	363,095
Utah	34,840,583	-2,398,329	32,442,254
Virginia	168,326	-11,205	157,121
Washington	507,936	-19,716	488,220
West Virginia	254,436	-19,653	234,783
Wisconsin	1,775	-117	1,658
Wyoming 1/	250,313,646	-7,814,762	242,498,884
<b>Total, MMS</b>	<b>562,143,303</b>	<b>-26,550,301</b>	<b>535,593,002</b>

\* Per OBRA-93, deductions based on prior year (FY 1993) enacted budget.

1/ Includes \$41.5 million for anticipated resolution of large coal valuation case

Permanents

Payments to States Summary Fiscal Year 1995 Appropriations Summary			
State	Gross Disbursement	Net Receipt Sharing *	Net Disbursement
Alabama	947,116	-62,196	884,920
Alaska	8,173,153	-534,160	7,638,993
Arizona	112,311	-6,265	106,046
Arkansas	1,802,203	-111,866	1,690,337
California	25,868,485	-1,733,026	24,135,459
Colorado	42,077,850	-2,764,031	39,313,819
Florida	119,850	-7,875	111,975
Georgia	119	-8	111
Idaho	2,617,737	-171,484	2,446,253
Illinois	222,930	-13,837	209,093
Indiana	115	-7	108
Kansas	1,552,638	-102,034	1,450,604
Kentucky	100,655	-6,217	94,438
Louisiana	914,278	-59,750	854,528
Michigan	820,271	-56,229	764,042
Minnesota	1,568	0	1,568
Mississippi	862,663	-56,792	805,871
Missouri	555,118	-38,457	516,661
Montana	26,217,962	-1,755,655	24,462,307
Nebraska	1,581	-1,581	0
Nevada	9,744,604	-554,114	9,190,490
New Mexico	158,277,403	-7,688,803	150,588,600
North Carolina	1,230	-79	1,151
North Dakota	3,896,925	-255,094	3,641,831
Ohio	406,146	-23,565	382,581
Oklahoma	3,204,906	-215,994	2,988,912
Oregon	96,210	-5,900	90,310
Pennsylvania	22,983	-1,460	21,523
South Carolina	461	-29	432
South Dakota	558,563	-35,431	523,132
Tennessee	1,097	-72	1,025
Texas	406,700	-26,508	380,192
Utah	36,548,344	-2,398,329	34,150,015
Virginia	176,577	-11,205	165,372
Washington	532,833	-19,716	513,117
West Virginia	266,907	-19,653	247,254
Wisconsin	1,862	-117	1,745
Wyoming	219,048,945	-7,614,762	211,234,183
<b>Total, MMS</b>	<b>546,163,301</b>	<b>-26,550,301</b>	<b>519,613,000</b>

\* Estimate based on FY 1993 data. Per OBRA-93, deductions will be revised to reflect prior (FY 1994) revenue distributions and enacted budget authority.

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**Receipts**

The Minerals Management Service is responsible for the collection of all mineral leasing receipts collected from Indians, and Federal onshore and offshore (Outer Continental Shelf) lands. Mineral leasing receipts are derived from rents, bonuses, minimum royalties, royalties, and payor late payment interest. The disposition of these collections between the General Fund of the U.S. Treasury, other Federal funds, and the States and counties is determined by statute which in most part is based on land category (various types of public domain and acquired lands) and source type (oil and gas rents, coal royalties, etc.).

MMS is responsible for the disposition of all OCS collections and about 97 percent of all Federal onshore collections into receipt accounts. The remaining 3 percent of collections are from acquired national grasslands administered by the Department of Agriculture (USDA). As these collections are shared between the General Fund and counties (versus States), the policy has been to transfer them to the USDA for disposition. All monies collected on Indian lands are transferred to the Bureau of Indian Affairs for distribution to Tribal and Indian Allottee accounts.

Legislation also determines how receipts are classified for budgetary purposes. Mineral leasing receipts are classified as offsetting receipts because they arise from business-type transactions with the public versus governmental receipts which arise from the Government's power to tax or fine. Offsetting receipts are further defined as: 1) Proprietary receipts which offset budget authority and outlays (most onshore receipts fall into this category), or 2) Undistributed proprietary receipts which are offsetting against total Federal budget authority and outlays as a bottom-line adjustment (currently, all OCS receipts fall into this category).

The receipt estimates supporting the FY 1995 budget submission include the following new receipts from:

**Contract Settlements and Other Revenue Enhancements:**

- Included in the 1994-1999 estimates are the anticipated collections from the audit of contract settlements. Proposed appropriations language directs the Secretary of the Interior, through MMS, to pursue the audits of contract settlements. This new workload is estimated to provide in FY 1995 a total of \$82 million in revenues shareable with States, Tribes and the Treasury.
- The FY 1995 budget proposes a modest increase of \$743,000 for other revenue-enhancements (RMP's current exception processing and audit activities) which is estimated to generate \$5.5 million to be shared with States, Tribes and the Treasury.
- The FY 1995 receipt estimates also include additional revenues based on H.R. 3400, The Government Reform and Savings Act of 1993 (GRSA). The proposal which would allow RMP to streamline certain functions and thus redirect staff to other revenue-generating activities will result in an additional \$28 million through 1999 (\$2 million in FY 1995).

**Hardrock Royalties**

- Included in the outyear estimates (FY 1996-1999) are royalties from hardrock mining. The Federal Government currently does not charge royalties on gold, silver, copper, zinc, or other hardrock minerals removed from Federal Public Domain land.
- For purposes of estimating receipts, the FY 1995 budget assumes an 8 percent royalty charged on the "net smelter" return (which is gross value minus smelting costs) as proposed in H.R. 322, the Mineral Exploration and Development Act of 1993. The Department has calculated a \$1.8 billion annual value of minerals extracted from Public Domain lands which equates to a \$1.66 billion "net smelter return".

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- For companies which would pay both the claim fee and a royalty, the claim fees are credited against the royalty due.

**This Receipts section includes:**

- An explanation as to the distribution of onshore and offshore royalty revenues into receipt accounts.
- The estimated receipts by source type and by account (for both current and Presidential policy for FY 1994 - FY 1999), and a discussion of the changes between the FY 1994 and FY 1995 estimates (Tables 1-3).
- The detailed backup information (Tables 5-8) from which the gross estimates are developed (estimated price, production, etc.). Table 9 provides payments made to coastal states under section 6(g) of the OCSLAA (payments to onshore states are provided in the Payments section). Also included is a summary description of current royalty, rent, and bonus rates.



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**Distribution of Receipt Accounts**

The following flowcharts describe the flow of onshore (Diagram 1) and OCS (Diagram 2) mineral leasing collections into receipt accounts. First, as checks or electronic transfer payments are received from payors, they are deposited into a holding or suspense account until the accounting system has identified the payments by the:

Source type (oil and gas rents, coal royalties, other minerals bonuses, etc.);

Land category (acquired Forest, public domain, OCS, etc.); and

Location (to determine recipient States' or counties' shares if applicable).

If reports are filed correctly by payors, this process usually takes about one month.

**Onshore Accounts.** After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type. Detailed State information is necessary to disburse States' shares to States' treasuries. The acquired lands collections shared with counties are electronically transferred to the USDA for disposition into receipt accounts.

The collections from public domain lands leased under Mineral Leasing Act (MLA) authority are shared 50% with the States (Account 5073), 40% with the Reclamation Fund (Account 5000.24) which funds western water projects, and 10% with the General Fund. The General Fund share is deposited into two accounts depending on whether the collections are from rents and bonuses (Account 1811) or from royalties (Account 2039). Because by law, Alaska receives no funds from the Reclamation Fund, Alaska receives a 90% share of mineral leasing receipts.

MMS transfers to the Bureau of Land Management, for distribution, the monies collected from public domain lands not leased under MLA authority, such as the National Petroleum Reserve-Alaska (NPRA) lands from which Alaska and the General Fund receive 50 percent shares. Since there is no production from the NPRA, all the General Fund share is deposited into Account 1811 (rents and bonuses). MMS transfers Alaska's share (account 5045) to Bureau of Land Management for semi-annual disbursement.

The Energy Policy Act of 1992 requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the Mineral Leasing Act for Acquired Lands. Therefore, MMS is now reporting additional accounts: Accounts 5008.1 and 5243.1 are the Federal and States' shares (25 and 75 percent respectively) of receipts collected from National Forest lands, and Account 5248.1 is the States' 75 percent share of receipts collected from Lands Acquired for Flood Control, Navigation and Allied Purposes. The Government's 25 percent share of these collections will be deposited to the General Fund (either Account 1811 or 2039). In the past, MMS transferred these collections to USDA and the Corps of Engineers for annual disbursement to States and Treasury.

As required by the Omnibus Budget Reconciliation Act of 1993, the amount deducted from onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury (net receipts sharing) is credited to the miscellaneous receipts of the Treasury. For tracking purposes, this amount is deposited into the General Fund Account 2039. The previous section, Permanents, provides details on net receipts sharing.

**OCS Accounts.** OCS receipts are deposited into accounts depending on source: rents, bonuses, or royalties. Also, interest earned on collections held in escrow are deposited to a separate account. Amounts held in escrow accounts are not included in receipt totals.

In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to 1/5

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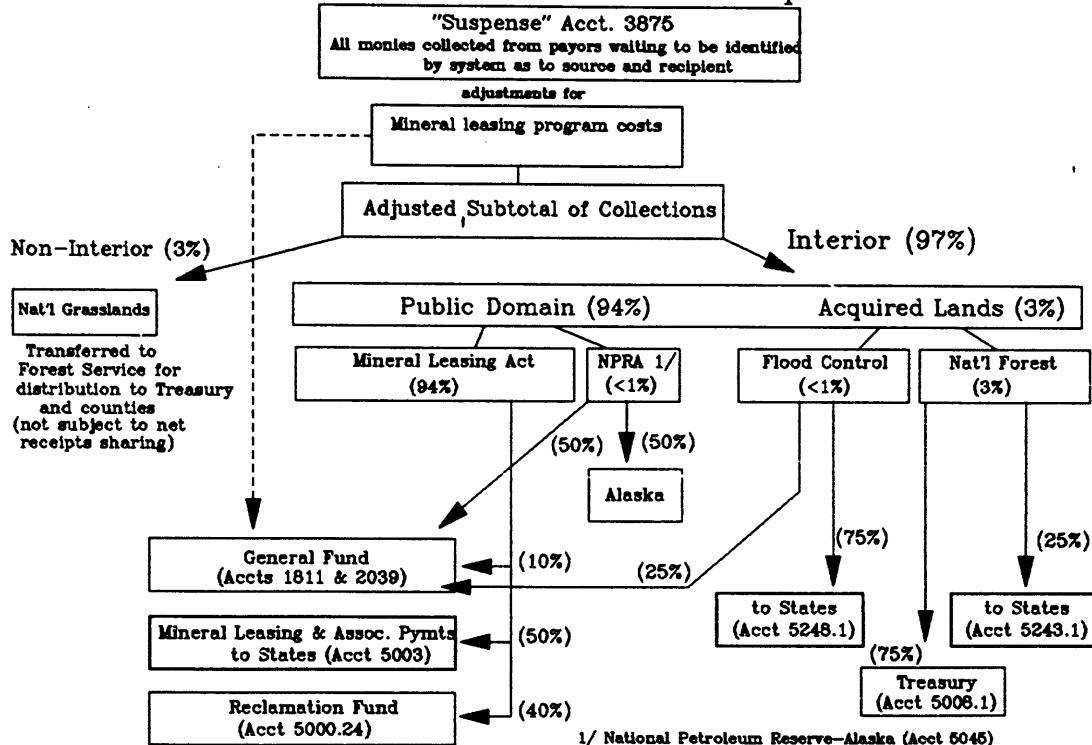
of the entire proposed bid. This money is deposited into escrow (account 6705), accruing interest, until MMS has determined the proposed bonus is at least equal to the fair market value of that tract. If rejected, the 1/5 upfront deposit, plus interest, is returned to the bidder. If the bid is accepted, the 1/5 bonus, the remaining 4/5 bonus, and the first year's rent are deposited into the receipt account for OCS rents and bonuses (Account 1820). Accrued interest is deposited into Account 1493. Future OCS rents, due on the anniversary date of lease issuance, are also deposited into Account 1820. OCS royalties, due from payors at the end of the month following the month of production, are deposited into the OCS royalty account (Account 2020).

The payments made to coastal states for their 27 percent share of OCS collections within the 8(g) zone, the area approximately 3 miles seaward from the State/Federal boundary, flow through Escrow Account 6707. The last table provides information as to actual and estimated payments for these states.

Deposits are also made into Escrow Account 6704 pending the resolution of a dispute between Alaska and the Federal Government as to the location of the State/Federal boundary in the Beaufort Sea. Sale bonuses collected between 1979 and 1991, as well as rental payments, total over \$446 million. The legal issues are currently being analyzed by a Special Master appointed by the United States Supreme Court. Based on the current schedule of completion of the Special Master's recommendation and subsequent legal processes, a Supreme Court decision could be reached in FY 1995 although the Special Masters' report has been delayed several times. After resolution, an estimated \$855 million will be deposited into a Treasury interest account (Account 1493) and the \$445 million in principal will be deposited into the Treasury account for rents and bonuses (Account 1820).

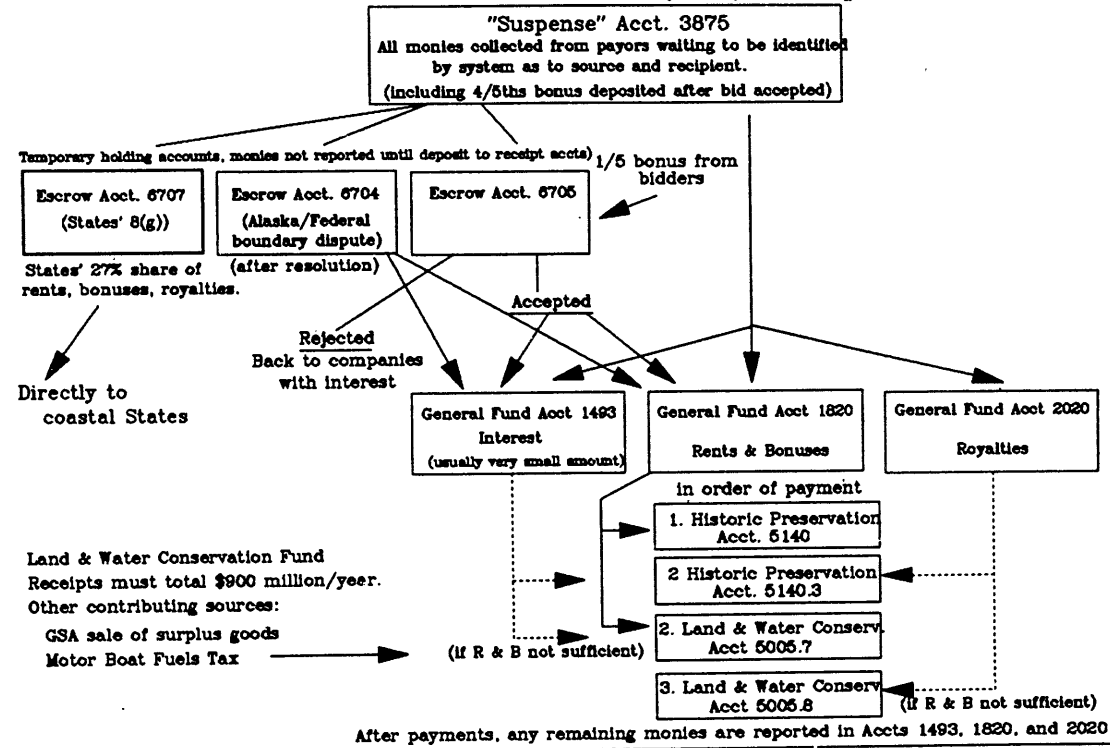
Most of the OCS receipts accumulated throughout the year in General Fund accounts is transferred at the end of the fiscal year to the National Park Service administered Historic Preservation Fund (HPF) (Account 5140 and 5140.3) and the Land and Water Conservation Fund (LWCF) (accounts 5000.7 and 5000.8). OCS receipts are the sole funding source of the HPF (\$150 million) and the major funding source (about 85 percent) of the mandated \$900 million required for the LWCF. The other two sources for the LWCF are \$1 million from motor boat fuel taxes and receipts from the sale of surplus government property and materials. Because the HPF was enacted first, the HPF and then the LWCF must be funded from OCS receipts. Accounting procedures require payments be made first from rents and bonuses and then any further needed payments should be made from royalties. As OCS bonuses and rents decline, more and more HPF and LWCF payments will be derived from OCS royalties. The HPF and LWCF are subject to appropriation and the amount of States' grants is determined by various criteria which are not related to the amount of OCS receipts collected offshore their coastlines.

## Distribution of Onshore Receipts



645

# Distribution of Offshore (OCS) Receipt Accounts



646

Table 1  
President's Policy  
(dollars in thousands)

Receipts by Source	1994	1995	1996	1997	1998	1999
<b>Rents and Bonuses</b>						
Oil and Gas	47,439	46,559	45,175	44,069	44,819	47,768
Coal	50,676	57,631	60,612	65,580	34,778	27,822
Geothermal	1,200	1,200	1,200	1,200	1,200	1,200
Oil Shale	3	3	3	3	3	3
All Other	<u>919</u>	<u>919</u>	<u>919</u>	<u>919</u>	<u>919</u>	<u>919</u>
Subtotal, R & B	100,236	106,312	107,909	111,771	81,719	77,711
<b>Royalties</b>						
Oil and Gas	658,108	680,719	718,959	754,327	783,994	804,358
Coal	324,478	257,148	271,429	284,550	298,206	312,577
Geothermal	15,100	22,800	18,900	18,900	18,900	18,900
Oil Shale	0	0	0	0	0	0
All Other	28,753	27,758	26,763	25,768	23,778	23,778
Hardrock	<u>0</u>	<u>0</u>	<u>15,706</u>	<u>112,323</u>	<u>110,338</u>	<u>108,453</u>
Subtotal, Royalties	1,026,438	988,426	1,051,757	1,195,868	1,235,217	1,268,066
<b>Total, onshore</b>	<b>1,126,674</b>	<b>1,094,737</b>	<b>1,159,666</b>	<b>1,307,639</b>	<b>1,316,936</b>	<b>1,345,777</b>
Royalty-in-Kind fees	400	400	400	400	400	400
<b>OCS Receipts</b>						
Rents and Bonuses	199,000	143,000	165,000	164,000	168,000	170,000
Royalties	2,508,600	2,459,900	2,542,700	2,591,300	2,637,300	2,677,900
Escrow Payout	0	445,304	0	0	0	0
Escrow Interest	<u>0</u>	<u>855,153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, OCS	2,707,600	3,903,357	2,707,700	2,755,300	2,805,300	2,847,900
<b>TOTAL RECEIPTS</b>	<b>3,834,674</b>	<b>4,998,494</b>	<b>3,867,766</b>	<b>4,063,339</b>	<b>4,122,636</b>	<b>4,194,077</b>

Table 2  
President's Policy  
(dollars in thousands)

Receipts by Account	1994	1995	1996	1997	1998	1999
<b>Onshore</b>						
1811.00 Rents and Bonuses	9,359	9,907	10,090	10,485	7,611	7,225
2039.00 MLR Royalties	97,794	94,029	98,753	103,480	107,462	110,902
NRS - States shares	26,552	26,552	26,552	26,552	26,552	26,552
NRS - Fed. shares	26,383	26,383	26,383	26,383	26,383	26,383
Total, 2039	150,730	148,965	151,688	156,416	160,397	163,837
5111.01 Hardrock	0	0	15,706	112,323	110,338	108,453
5000.24 Reclamation Fund	424,540	411,800	431,461	451,948	456,449	468,628
5003.02 Payments to States	530,596	514,628	539,016	564,570	570,158	585,292
5045.00 NPR-Alaska	23	0	0	0	0	0
5243.10 Forest Fund-States'	2,143	2,151	2,209	2,252	2,282	2,359
5008.10 Forest Fund-Gov't's	6,430	6,453	6,626	6,755	6,847	7,076
5248.10 Flood Control-States'	2,854	2,834	2,871	2,891	2,953	2,908
Total, onshore	1,126,674	1,094,737	1,159,666	1,307,639	1,316,936	1,345,777
2419.1 Royalty-in-kind fees	400	400	400	400	400	400
<b>OCS</b>						
1820.00 Rents and Bonuses	0	0	0	0	0	0
2020.00 Royalties	1,695,383	2,001,205	1,660,701	1,708,301	1,758,301	1,800,901
5005.70 LWCF (R & B)	49,000	438,304	15,000	14,000	18,000	20,000
5005.80 LWCF(royalties)	813,217	458,695	881,999	882,999	878,999	876,999
5140.00 Hist. Pres.(R & B)	150,000	150,000	150,000	150,000	150,000	150,000
5140.02 Hist. Pres.(Roy)	0	0	0	0	0	0
1493.00 OCS Escrow Interest	0	855,153	0	0	0	0
Total, OCS	2,707,600	3,903,357	2,707,700	2,755,300	2,805,300	2,847,900
<b>TOTAL RECEIPTS</b>	<b>2,707,600</b>	<b>3,903,357</b>	<b>2,707,700</b>	<b>2,755,300</b>	<b>2,805,300</b>	<b>2,847,900</b>

Table 3  
Current Policy  
(dollars in thousands)

Receipts by Account	1994	1995	1996	1997	1998	1999
<b>Onshore</b>						
1811.00 Rents and Bonuses	9,359	9,907	10,090	10,485	7,611	7,225
2039.00 MLR Royalties	97,794	92,889	98,233	102,960	106,982	110,742
NRS - States shares	26,552	26,552	26,552	26,552	26,552	26,552
NRS - Fed shares	26,383	26,383	26,383	26,383	26,383	26,383
Total, 2039	150,730	145,825	151,168	155,896	159,917	163,677
5111.01 Hardrock royalties	0	0	0	0	0	0
5000.24 Reclamation Fund	424,540	407,240	429,381	449,868	454,529	467,988
5003.02 Min. Leasing Pymts	530,596	508,928	536,416	561,970	567,758	584,492
5045.00 NPR-Alaska	23	0	0	0	0	0
5243.10 Forest Fund-States'	2,143	2,151	2,209	2,252	2,282	2,359
5008.10 Forest Fund-Govt's	6,430	6,453	6,626	6,755	6,847	7,076
5248.10 Flood Control-States'	<u>2,854</u>	<u>2,834</u>	<u>2,871</u>	<u>2,891</u>	<u>2,853</u>	<u>2,908</u>
Total, onshore	1,126,674	1,083,337	1,138,760	1,190,116	1,201,798	1,235,724
2419.1 Royalty-in-kind fees	400	400	400	400	400	400
<b>OCS</b>						
1820.00 Rents and Bonuses	0	0	0	0	0	0
2020.00 Royalties	1,695,383	1,933,105	1,630,001	1,677,601	1,730,101	1,790,901
5005.70 LWCF (R & B)	49,000	438,304	15,000	14,000	18,000	20,000
5005.80 LWCF (royalties)	813,217	458,695	881,999	882,999	878,999	876,999
5140.00 Hist. Pres. (R & B)	150,000	150,000	150,000	150,000	150,000	150,000
5140.02 Hist. Pres. (Royalties)	0	0	0	0	0	0
1493.00 OCS Escrow Interest	0	<u>855,153</u>	0	0	0	0
Total, OCS	2,707,600	3,835,257	2,677,000	2,724,600	2,777,100	2,837,900
<b>TOTAL RECEIPTS</b>	<b>3,834,674</b>	<b>4,918,994</b>	<b>3,816,160</b>	<b>3,915,116</b>	<b>3,979,297</b>	<b>4,074,024</b>

**Table 4**  
**Contract Settlements (Smts), Other Revenue Enhancements (ORE), & Nat'l Performance Review (NPR) Receipts**  
 (dollars in millions)

Recipient	FY 1994			FY 1995			FY 1996			FY 1997			FY 1998			FY 1999		
	Smts	ORE	NPR	Smts	ORE	NPR	Smts	ORE	NPR	Smts	ORE	NPR	Smts	ORE	NPR	Smts	ORE	NPR
To Treasury from:																		
Offshore	41.5	0.0	0.0	68.1	3.9	1.4	30.7	3.9	3.5	30.7	3.9	4.9	28.2	3.9	4.9	10.0	3.9	4.9
Onshore 1/	3.5	0.0	0.0	5.7	0.7	0.3	2.6	0.7	0.7	2.6	0.7	0.9	2.4	0.7	0.9	0.8	0.7	0.9
subtotal	45.0	0.0	0.0	73.8	4.6	1.7	33.3	4.6	4.2	33.3	4.6	5.8	30.6	4.6	5.8	10.8	4.6	5.8
States:	4.0	0.0	0.0	6.6	0.8	0.3	3.0	0.8	0.7	3.0	0.8	1.0	2.7	0.8	1.0	1.0	0.8	1.0
Onshore	3.5	0.0	0.0	5.7	0.7	0.3	2.6	0.7	0.7	2.6	0.7	0.9	2.4	0.7	0.9	0.8	0.7	0.9
Coastal	0.5	0.0	0.0	0.8	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.1	0.3	0.0	0.1	0.1	0.0	0.1
Indian	1.0	0.0	0.0	1.6	0.1	0.0	0.7	0.1	0.1	0.7	0.1	0.2	0.7	0.1	0.2	0.2	0.1	0.2
<b>Total receipts</b>	<b>50.0</b>	<b>0.0</b>	<b>0.0</b>	<b>82.0</b>	<b>5.5</b>	<b>2.0</b>	<b>37.0</b>	<b>5.5</b>	<b>5.0</b>	<b>37.0</b>	<b>5.5</b>	<b>7.0</b>	<b>34.0</b>	<b>5.5</b>	<b>7.0</b>	<b>12.0</b>	<b>5.5</b>	<b>7.0</b>
Scoreable = Offset to FY 1995 budget				73.8			33.3			33.3			30.6			10.8		

The FY 1995 budget proposes full funding for a new workload, the audit of contract settlements.

The budget includes receipts based on the proposed Government Review and Savings Act of 1993 which would allow the Department to streamline certain royalty functions allowing staff to be redirected to revenue-generating activities.

The FY 1995 budget proposes a modest increase of \$743,000 and 11 FTE to enhance current exception processing and ongoing audits, thus increasing receipts.

1/ Includes Treasury miscellaneous receipts and Reclamation Fund accounts.

	Total
Settlements	262
ORE	28
NPR legis.	28
total	308



**Table 4a**  
**Derivation of Contract Settlement Estimate**

<b>Total Settlements identified by RMP using Federal Energy Regulation Commission records and other available data (summer 1993)</b>	<b>\$ 11 billion</b>
<b>From historical records, the amount of national production from Federal/Indian lands</b>	<b>30 percent</b>
<b>Value of Production from Federal/Indian lands</b>	<b>\$ 3.3 billion</b>
<b>Royalty Collections based on average 1/6 royalty rate</b>	<b>\$ 550 million</b>
<b>Less: certain payments which are not contract settlement related, such as FERC 94 and "Take or Pay"</b>	<b>-\$ 326 million</b>
<b>Net Gross Royalty</b>	<b>\$ 224 million</b>
<b>Plus interest</b>	<b>\$ 112 million</b>
<b>Gross Royalty and Interest</b>	<b>\$ 336 million</b>
<b>less adjustment for litigation risk which may delay collection (25 percent)</b>	<b>- \$84 million</b>
<b>Projected additional revenue</b>	<b>\$ 252 million</b>

The allocation of the total \$252 million between fiscal years is based on the current universe of settlements reaching 6-year maturity in 1994 through 1998, estimates of audit staff work-years per settlement, and the anticipated leveling impact of tolling agreements with industry on audit workload. Tolling agreements will allow MMS to delay audits as needed to level audit workload, as long as these audits are initiated by the date specified in the tolling agreements.

Although the majority of the settlements (roughly 75%) reach maturity in FYs 1994 and 1995; about 50% of the revenues are estimated to be collected in 1994 and 1995. This is due to the impact of tolling agreements which allow MMS to level its audit workload, thereby "spreading out" revenue collection over a longer period of time.

**Onshore Mineral Receipts**  
**FY 1994 Estimates vs. FY 1995 Estimates**  
*(Dollars in thousands)*

	1994	1995	Change	Explanation
<b>DOI Proprietary Onshore Mineral Receipts</b>				
<b>Rents &amp; Bonuses</b>				
Oil & Gas	47,439	46,559	-880	Continued relinquishment of leases. Level bonus activity
Coal	50,676	57,631	+6,955	Continued leasing in Powder River Basin. Level rent
Geothermal	1,200	1,200	—	Anticipated level interest in leasing and rentals
Oil Shale	3	3	—	Expect constant rental level
All other	919	919	—	Anticipated level interest in leasing and rentals
<i>F &amp; B</i>	100,237	106,312	+6,075	
<b>Royalties</b>		See attached sheet for details on contract settlements, other revenue-enhancements and NPR-related receipts		
Oil & Gas	658,108	680,719	+22,611	Net increase based on 1) +\$22.6 million in gas royalties based on increases in price (3.5%) and production (2.8%), 2) +\$4.4 million from contract settlements, 3) +\$2.0 million from other revenue-enhancements and NPR savings; and 4) a \$6.4 million decrease in oil royalties based on an increase in price (2.4%) which does not offset a decrease in production (4.2%)
Coal	324,478	257,148	-67,330	Decrease based on the anticipated settlement of coal valuation case in FY 1994 (\$80.6 million in principal and interest <i>a</i> ) which offsets +\$13.3 million increase due to higher production (+2.7%) and price (+2.5%) from previous year.
Geothermal	15,100	22,800	+7,700	Reflects repayment of unauthorized recoupments taken in earlier years based on improper interpretation of revised geothermal regulations.
Oil Shale	0	0	0	No royalties are expected.
All other	28,753	27,758	-995	Decline in copper, lead, potash, and zinc leaseable reserves offsets modest growth in phosphate, and sand & gravel.
<i>Royalties</i>	1,026,439	968,425	-58,014	
<b>TOTAL</b>	<b>1,126,676</b>	<b>1,094,737</b>	<b>-31,939</b>	

1/ Total value of case estimated at \$89.3 million in principal and interest. Receipts do not include the Federal share of interest (\$2.4 million) because it is not classified as a DOI offsetting receipt. Receipts also do not include the amount estimated to be transferred to the Department of Agriculture for disbursement (\$6.3 million). This estimate is based on the historic average percent of coal revenues collected on National Acquired Grasslands versus Public Domain.

**Outer Continental Shelf Mineral Receipts  
FY 1994 vs. FY 1995 Estimates  
(Dollars in thousands)**

	1994	1995	Change	Explanation
<b>DOI Undistributed Proprietary OCS Mineral Receipts</b>				
Rents	58,000	56,000	-2,000	Due to anticipated relinquishment
Bonuses	118,000	72,000	-46,000	Central and Western Gulf sale estimates are larger in FY 1995 based on increasing prices. Two additional small sales included. However, the FY 1994 estimate includes 100% of Western Gulf sale held in September, 1993. Western Gulf sales are usually held in August allowing an estimated 48% of receipts to be collected in the year the sale was held. See following sale schedule and by sale estimates.
Suspense & Right-of-Way	23,000	15,000	-8,000	Pipeline ROW rents to remain level. Suspense amount less because end of year falls on weekend.
<i>subtotal, R &amp; B</i>	199,000	143,000	-56,000	
<b>Royalties - See attached sheet for details on contract settlements, other revenue-enhancements and NPR-related receipts</b>				
Oil royalties	746,400	747,600	+1,200	Increase based on 2.3% price increase which offsets a 2% decline in production
Gas royalties	1,384,200	1,406,300	+22,100	Increase based on 3.5% price increase which offsets a 2% decline in production
Other (audits, suspense, etc.)	378,000	306,000	-72,000	Decrease due to different suspense estimates <sup>1/</sup> which does not offset the increase in contract settlement audits and other revenue enhancements.
<i>subtotal, royalties</i>	2,508,600	2,459,900	-48,700	
Escrow (principal & interest)		1,300,457	+1,300,457	Anticipated resolution of Alaska/Federal boundary dispute
<b>TOTAL</b>	<b>2,707,600</b>	<b>3,963,357</b>	<b>+1,195,757</b>	

1/ New accounting procedures require the monies in the Suspense account (monies yet to be identified by RMP systems as to recipient) to be cleared proportionally into the 3 largest accounts instead of just the OCS royalty account as was previously done. If the end of the month falls on a weekend, which it does in FY 1995, companies have until the following Monday to submit payments. Thus, in FY 1995, there will be less "Suspense" monies to be cleared out into the royalty Treasury account.

Table 5 Onshore Gross Royalties (Dollars in millions)							
	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Oil (mil. barrels)	121.6	116.2	111.3	106.0	101.7	98.0	94.5
Actual/OMB Price	16.16	15.83	16.21	17.20	18.26	19.38	20.57
Royalty rate	<u>12.40%</u>	<u>12.40%</u>	<u>12.40%</u>	<u>12.40%</u>	<u>12.40%</u>	<u>12.40%</u>	<u>12.40%</u>
Oil royalty	\$243.7	\$226.1	\$223.7	\$226.1	\$230.3	\$235.5	\$241.0
Oil minimum royalty	\$5.0	\$3.7	\$3.7	\$3.7	\$3.7	\$3.7	\$3.7
suspense acctg.	\$7.2	\$5.7	\$3.6	\$5.1	\$5.0	\$4.9	\$4.8
<b>Subtotal, oil</b>	<b>\$255.9</b>	<b>\$237.5</b>	<b>\$231.1</b>	<b>\$234.9</b>	<b>\$239.0</b>	<b>\$244.1</b>	<b>\$249.6</b>
Gas (mil mcf)	1,539	1,583	1,627	1,683	1,710	1,718	1,713
Actual/OMB Price	1.80	2.00	2.07	2.17	2.28	2.38	2.47
Royalty rate	<u>12.10%</u>	<u>12.10%</u>	<u>12.10%</u>	<u>12.10%</u>	<u>12.10%</u>	<u>12.10%</u>	<u>12.10%</u>
Gas royalty	\$335.3	\$383.1	\$407.5	\$441.9	\$471.8	\$494.7	\$512.0
CO2 (mil mcf)	242.6	230.0	230.0	235.0	235.0	240.0	240.0
Estimated Price	0.78	0.80	0.80	0.85	0.85	0.90	0.90
Royalty rate	<u>6.30%</u>	<u>6.30%</u>	<u>6.30%</u>	<u>6.30%</u>	<u>6.30%</u>	<u>6.30%</u>	<u>6.30%</u>
CO2 royalty	\$11.9	\$11.6	\$11.6	\$12.6	\$12.6	\$13.6	\$13.6
Gas Plant	\$19.2	\$21.2	\$22.5	\$24.8	\$26.7	\$28.4	\$29.8
Gas minimum royalty	\$6.9	\$5.1	\$5.1	\$5.1	\$5.1	\$5.1	\$5.1
suspense acctg.	\$10.8	\$10.3	\$7.2	\$10.8	\$11.0	\$11.0	\$11.0
<b>Subtotal, gas</b>	<b>\$384.2</b>	<b>\$431.3</b>	<b>\$453.9</b>	<b>\$495.2</b>	<b>\$527.1</b>	<b>\$552.9</b>	<b>\$571.5</b>
<b>Total, oil &amp; gas</b>	<b>\$640.0</b>	<b>\$668.7</b>	<b>\$684.9</b>	<b>\$730.1</b>	<b>\$766.1</b>	<b>\$796.9</b>	<b>\$821.1</b>
Coal, mil tons	246.0	251.7	257.5	263.4	269.5	275.7	282.1
Price	\$10.16	\$10.42	\$10.68	\$10.95	\$11.23	\$11.52	\$11.81
Royalty rate	10.31%	10.31%	10.31%	10.31%	10.31%	10.31%	10.31%
Litigation: princ interest		\$65.5					
suspense acctg	\$7.5	\$6.6	\$4.5	\$6.6	\$6.6	\$6.7	\$6.8
Coal	\$265.2	\$366.2	\$288.1	\$304.1	\$318.6	\$334.1	\$350.2
Geotherm 1	\$14.9	\$15.1	\$22.8	\$18.9	\$18.9	\$18.9	\$18.9
All other minerals	\$29.9	\$28.9	\$27.9	\$26.9	\$25.9	\$23.9	\$23.9
Audit recoveries	\$21.1	\$22.1	\$23.0	\$24.2	\$25.3	\$26.3	\$27.2
Contract Settlements	\$0.0	\$7.0	\$11.4	\$5.2	\$5.2	\$4.8	\$1.6
NPR efficiencies	\$0.0	\$0.0	\$0.6	\$1.4	\$1.8	\$1.8	\$1.8
Revenue Enhancements	\$0.0	\$0.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
<b>Hardrock:</b>							
gross royalties				\$25.0	\$133.0	\$133.0	\$133.0
less fee credits				\$9.3	\$20.7	\$22.7	\$24.5
<b>Net royalties</b>				<b>\$15.7</b>	<b>\$112.3</b>	<b>\$110.3</b>	<b>\$108.5</b>
<b>TOTAL</b>	<b>\$971.2</b>	<b>\$1,108.1</b>	<b>\$1,060.2</b>	<b>\$1,112.2</b>	<b>\$1,163.3</b>	<b>\$1,208.2</b>	<b>\$1,246.1</b>

Table 6 Onshore Rents and Bonuses (Dollars in thousands)						
	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
<b>Oil and Gas</b>						
<b>Rents:</b>						
NPRA	50	0	0	0	0	0
Lower 48	38,796	35,913	32,336	28,742	27,182	28,125
ANILCA	197	97	48	0	0	0
<b>Bonuses:</b>						
NPRA	0	0	0	0	0	0
Lower 48	24,200	24,200	24,200	24,200	24,200	24,200
ANILCA	0	0	0	0	0	0
<b>Total, O &amp; G</b>	<b>63,243</b>	<b>60,210</b>	<b>56,584</b>	<b>52,942</b>	<b>51,382</b>	<b>52,325</b>
<b>Coal</b>						
Rents	1,000	1,000	1,000	1,000	1,000	1,000
Bonuses	50,000	57,000	60,000	65,000	34,000	27,000
<b>Total, Coal</b>	<b>51,000</b>	<b>58,000</b>	<b>61,000</b>	<b>66,000</b>	<b>35,000</b>	<b>28,000</b>
<b>Oil Shale</b>						
Rents	3	3	3	3	3	3
Bonuses	0	0	0	0	0	0
<b>Total, oil shale</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Geothermal</b>						
Rents	1,080	1,080	1,080	1,080	1,080	1,080
Bonuses	120	120	120	120	120	120
<b>Total, geothermal</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>
<b>Other Minerals</b>						
<b>Rents &amp; bonuses</b>	<b>953</b>	<b>953</b>	<b>953</b>	<b>953</b>	<b>953</b>	<b>953</b>
<b>TOTAL, R &amp; B</b>	<b>116,399</b>	<b>120,366</b>	<b>119,740</b>	<b>121,098</b>	<b>88,538</b>	<b>82,481</b>

Table 7 Outer Continental Shelf Royalties (dollars in millions, except price)							
	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Oil (million barrels)							
Total Production	336.0	344.4	337.3	329.0	321.6	317.6	312.2
Royalty Rate	0.135	0.135	0.135	0.135	0.135	0.135	0.135
OMB Price	<u>16.54</u>	<u>15.85</u>	<u>16.21</u>	<u>17.20</u>	<u>18.26</u>	<u>19.38</u>	<u>20.57</u>
Royalty	\$750.3	\$736.9	\$738.1	\$763.9	\$792.8	\$830.9	\$867.0
Gas (Billion cu ft)							
Total Production	4,530	4,213	4,143	3,931	3,803	3,733	3,664
Royalty Rate	0.155	0.155	0.155	0.155	0.155	0.155	0.155
OMB Price	<u>1.92</u>	<u>2.00</u>	<u>2.07</u>	<u>2.17</u>	<u>2.28</u>	<u>2.38</u>	<u>2.47</u>
Royalty	\$1,348.1	\$1,306.0	-\$1,329.3	\$1,322.2	\$1,344.0	\$1,377.1	\$1,402.8
O & G royalty	\$2,098	\$2,043	\$2,067	\$2,086	\$2,137	\$2,208	\$2,270
Minimum royalty:							
Oil	\$9.3	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5	\$9.5
Gas	<u>\$12.7</u>	<u>\$10.5</u>	<u>\$10.5</u>	<u>\$10.5</u>	<u>\$10.5</u>	<u>\$10.5</u>	<u>\$10.5</u>
total min roy	\$22.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0
Gas plant prod	\$72.7	\$67.6	\$66.5	\$63.1	\$61.0	\$59.9	\$58.8
reg audits	\$113.8	\$80.0	\$80.0	\$80.0	\$80.0	\$80.0	\$80.0
suspense	\$377.7	\$331.6	\$225.2	\$331.6	\$331.6	\$331.6	\$331.6
states' share	-\$77.0	-\$75.1	-\$72.6	-\$76.2	-\$77.6	-\$99.2	-\$101.0
Contr. Settlements		\$41.5	\$68.1	\$30.7	\$30.7	\$28.2	\$10.0
Rev. Enhancemts			\$3.9	\$3.9	\$3.9	\$3.9	\$3.9
NPR			\$1.4	\$3.5	\$4.9	\$4.9	\$4.9
<b>Total</b>	<b>\$2,607.6</b>	<b>\$2,508.6</b>	<b>\$2,459.9</b>	<b>\$2,542.7</b>	<b>\$2,591.3</b>	<b>\$2,637.3</b>	<b>\$2,677.9</b>

Table II OCS Rents and Bonuses (Dollars in millions)								
Sale No.	Fiscal Year	Area	High Bids	% in FY	Total \$ (g)	\$ (g) to States	Receipt Estimate	
141		Western Gulf of Mexico 1/	32	59%	1	0	25	
142	mid 93	Central Gulf of Mexico	67	100%	3	1	66	
143	late 93	Western Gulf of Mexico	64	0%	0	0	0	
					4	1	91	
							Rents 60	
							Suspense, ROW, etc. 26	
<b>Total, FY 1993 Actual Receipts</b>							<b>176</b>	
143		Western Gulf of Mexico 1/	64	100%	3	1	63	
147	mid 94	Central Gulf of Mexico	48	100%	2	1	47	
150	late 94	Western Gulf of Mexico	17	48%	0	0	0	
					6	2	119	
							Rents 58	
							Suspense, ROW, etc. 23	
<b>Total, FY 1994 Receipt Estimates</b>							<b>199</b>	
150		Western Gulf of Mexico 1/	17	52%	0	0	9	
149	early 95	Cook Inlet	1.5	100%	0	0	1.5	
152	mid 95	Central Gulf of Mexico	53	100%	3	1	52	
158	late 95	Gulf of Alaska-Yakutat 2/	1	100%	0	0	1	
155	late 95	Western Gulf of Mexico	18	48%	0	0	0	
					3	1	72	
							Rents 56	
							Suspense, ROW, etc. 15	
<b>Total, FY 1995 Receipt Estimates</b>							<b>143</b>	
155		Western Gulf of Mexico 1/	18	52%	0	0	9	
151	early 96	Eastern Gulf of Mexico-No	Proposed for moratoria, delayed until 1998					
144	early 96	Beaufort Sea	5	100%	0	0	5	
157	mid 96	Central Gulf of Mexico	61	100%	3	1	60	
148	late 96	Chukchi 2/	5	100%	0	0	5	
161	late 96	Western Gulf of Mexico	20	48%	0	0	0	
					4	1	89	
							Rents 54	
							Suspense, ROW, etc. 23	
<b>Total, FY 1996 Receipt Estimates</b>							<b>165</b>	
161		Western Gulf of Mexico 1/	20	52%	1	0	10	
164	early 97	M & S Atlantic	Proposed for moratoria, delayed until 1999					
153	early 97	St George	1	100%	0	0	1	
166	mid 97	Central Gulf of Mexico	68	100%	3	1	67	
159	late 97	Hope Basin	1	100%	0	0	1	
---	late 97	W. Gulf of Mexico	21	48%	1	0	10	
					4	1	89	
							Rents 52	
							Suspense, ROW, etc. 23	
<b>Total, FY 1997 Receipt Estimates</b>							<b>164</b>	

Receipts

OCS Rents and Bonuses (Dollars in millions)							
Sale No.	Fiscal Year	Area	High Bids	% in FY	Total 8(g)	8(g) to States	Receipt Estimate
---	late 97	W. Gulf of Mexico	21	52%	1	0	11
---	mid 98	C. Gulf of Mexico	73	100%	4	1	72
---	late 98	W. Gulf of Mexico	23	48%	1	0	11
					5	1	94
						Rents	52
						Suspense, ROW, etc.	23
			3/		<b>Total, FY 1998 Receipt Estimates</b>		<b>168</b>
---		Western Gulf of Mexico 1/	23	52%	1	0	13
---		C. Gulf of Mexico	73	100%	4	1	72
---		W. Gulf of Mexico	23	48%	1	0	11
					5	1	96
						Rents	52
						Suspense, ROW, etc.	23
			3/		<b>Total, FY 1999 Receipt Estimates</b>		<b>170</b>
1/ As the WGOM sales are late in the fiscal year, not all receipts are collected in that fiscal year. Some receipts are collected and deposited in the following fiscal year.							
2/ Since receipts estimate submission, these sales have been delayed 1 year.							
3/ The current Five Year Plan does not extend beyond mid CY 1997. FY 1998 and 1999 sales are projected.							



<b>Table 9</b>				
<b>ACTUAL AND ESTIMATED PAYMENTS TO COASTAL STATES</b>				
<b>under section OCSLA 8(g)</b>				
<b>(in Actual Dollars)</b>				
<b>FY 1993 Actual Payments</b>				
	<b>Royalties</b>		<b>Mandated</b>	
	<b>Annual rents</b>	<b>Sale Bonuses</b>	<b>Payment</b>	<b>Total</b>
Alabama	7,062,248	114,090	490,000	7,666,338
Alaska	170,625	0	9,380,000	9,550,625
California	4,164,813	0	20,230,000	24,394,813
Florida	19,243	0	0	19,243
Louisiana	7,605,801	965,504	5,880,000	14,451,305
Mississippi	88,026	0	140,000	228,026
Texas	11,776,461	0	9,380,000	21,156,461
<b>Total</b>	<b>30,887,217</b>	<b>1,079,594</b>	<b>45,500,000</b>	<b>77,466,811</b>
<b>FY 1994 Estimated Payments</b>				
	<b>Royalties</b>		<b>Mandated</b>	
	<b>Annual Rents</b>	<b>Sale Bonuses</b>	<b>Payment</b>	<b>Total</b>
Alabama	6,767,931	105,679	490,000	7,363,609
Alaska	163,514	no sales	9,380,000	9,543,514
California	3,991,245	no sales	20,230,000	24,221,245
Florida	18,441	no sales	0	18,441
Louisiana	7,288,831	894,321	5,880,000	14,063,153
Mississippi	84,358	0	140,000	228,358
Texas	11,285,680	785,160	9,380,000	21,450,840
<b>Total</b>	<b>29,600,000</b>	<b>1,785,160</b>	<b>45,500,000</b>	<b>76,885,160</b>
<b>FY 1995 Estimated Payments</b>				
	<b>Royalties</b>		<b>Mandated</b>	
	<b>Annual Rents</b>	<b>Sale Bonuses</b>	<b>Payment</b>	<b>Total</b>
Alabama	6,196,315	105,679	490,000	6,791,993
Alaska	149,704	/1	9,380,000	9,529,704
California	3,654,147	no sales	20,230,000	23,884,147
Florida	16,884	no sales	0	16,884
Louisiana	6,673,220	894,321	5,880,000	13,447,542
Mississippi	77,233	0	140,000	217,233
Texas	10,332,498	235,980	9,380,000	19,948,478
<b>Total</b>	<b>27,100,000</b>	<b>1,235,980</b>	<b>45,500,000</b>	<b>73,835,980</b>

1/ Two sales (Beaufort & Chukchi) are scheduled; however no tracts within 8(g) zone are expected to be leased.

## Summary Description - Federal Onshore Leases

Royalty Rate	Rents	Lease Duration	Bonus
<b>Oil &amp; Gas</b>			
<b>Competitive:</b> Leases issued under MLA (Prior to 12/23/87), royalty assessed on amount of production and ranges from 12.5% to 33%.	Under MLA, for leases 1-5 years, rate is \$2/acre/yr. Secretarial Order on 12/92 reduced to \$1/acre/yr through 2/98.	5 years; continued if capable of commercial production. 10 years: for leases after enacted after the Nat'l Energy Policy Act of 1992. After commercial production, the lessor pays minimum royalty.	Under MLA, bonuses are based on fair market value.
<b>Competitive:</b> Leases issued under LRA are set at 12.5%.	Under LRA, rent is \$1.50/acre/yr for years 1-5 and \$2.00/acre/yr for years 6-10.	see above	Under LRA, bonus is not less than \$2.00/acre.
<b>Non-Competitive:</b> Based on 12.5% of production.	Under MLA, rent is \$1/acre/yr for years 1-10. SOG leases are \$3/acre/yr and KGB \$2/acre/yr but are subject to above rental reduction.	10 years; continued if capable of commercial production (then lessor pays minimum royalty)	All leases are now offered only by competitive means
<b>NPRA:</b> Set by regulation at 16.66%. However, no production anticipated.	\$3/acre/yr	10 years or less	
<b>Coal</b>			
<b>Post-PCLAA (1976):</b> 12.5% of value. Secretary may set lower rate for underground mines. Currently 8%.	Rental rate is \$3/acre/yr.	Indefinite period with 20-year readjustments.	Bid amount must be equal to or greater than fair market value. At least 1/2 the amount for lease in a year must be offered through deferred bonus bidding.
<b>Pre-PCLAA:</b> \$.15/ton underground and \$.175/ton surface mines	Rental rate is \$1/acre/yr	see above	see above
<b>Geothermal</b>			
Generally set for individual leases. By statute it may not be less than 10% nor more than 15% of the value of steam & not less than 5% of the value of demineralized water.	Competitive: \$2/acre/yr or \$5/acre/yr for yrs 1-5 if choose not to file report showing significant expenditures to develop. Non-Competitive: \$1/acre/yr for yrs 1-5 and \$4/acre/yr for subsequent years.	10 years; continued if capable of producing commercial quantities.	Competitive: if within a Known Geothermal Resource Area, lease is by sealed bid Non-Competitive: if outside KGRA, lease is by over-the-counter basis.
<b>Other Minerals</b>			
Royalty is paid based on lease terms and varies by commodity.	Based on statute and regulation, rent varies by commodity and ranges \$0.25 - 1/acre/yr	Varies by commodity. 20 years subject to readjustment every 10-20 years	Competitive (vs non-competitive) leases are awarded to highest qualified bid exceeding fair market value.

MLA - Mineral Leasing Act; LRA - Leasing Reform Act; NPRA - National Petroleum Reserve-Alaska  
PCLAA - Federal Coal Leasing Amendments Act of 1976

## Summary Description - Federal OCS Leases

Royalty Rate	Rents	Lease Duration	Rents
<p>is set for each sale case in its Final Notice of Sale. It may be:</p> <ol style="list-style-type: none"> <li>Based on water depth—Leases issued after 1/93 on a sale by sale basis: 12.5% for Gulf water depths &gt; 200m or 16.66% for water depths &lt; 200m. Leases before 1/93: 12.5% for water depths &gt; 400m or 16.66% for water depths &lt; 400m. The 12.5% is also used for Alaska &amp; certain parts of California</li> <li>Sliding-scale (12.5-65%) based on average of all production</li> <li>Step-scale which increases by steps as production increases</li> <li>Flat rate of 33.33% +</li> <li>Net profit share which require royalty only after certain expenditures are recovered</li> </ol>	<p>Pre-1993: \$3/acre/year with a low \$10/acre/yr for drainage sales. Post-1993: on a sale-by-sale basis, the Secretary may change \$5/acre with \$2/acre transferred to OCS ADP project (TMSB). Most past minimum royalty at above rate after lease deemed capable of commercial production.</p>	<p>5 years (not to exceed 10 yrs). Continued if capable of commercial production.</p>	<p>Based on fair market value. Minimum bid of \$25 to \$150/acre subject to sale by sale review.</p>

For both offshore and OCS leases, once a lease has been drilled and a commercial discovery been made, a minimum royalty is paid until production actually begins. The minimum royalty rate is the same as the rental rate.

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 Explanation of Authorizing Statutes
*Outer Continental Shelf Lands:*

- 43 U.S.C. 1331, *et seq.*      The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.
- 43 U.S.C. 4321, 4331-4335, 4341-4347      The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal actions having a significant effect on the environment.
- 16 U.S.C. 1451, *et seq.*      The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.
- 16 U.S.C. 1531-1543      The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.
- 42 U.S.C. 7401, *et seq.*      The Clean Air Act, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require pollutant emission permits administered by the EPA or the States.
- 16 U.S.C. 470-470w6      The National Historic Preservation Act established procedures to ensure protection of significant archaeological resources.
- 30 U.S.C. 21(a)  
30 U.S.C. 1601  
*et seq.*      The Mining and Minerals Policy Act of 1970 and the Materials and Minerals Policy, Research and Development Act of 1970 set forth the continuing policy of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
- 33 U.S.C. 2701, *et seq.*      The Oil Pollution Act of 1990 established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
- 43 U.S.C. 1301      The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. MMS provides information and comments regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
- 16 U.S.C. 1361-1362,  
1371-1384, 1401-1407      The Marine Mammal Protection Act of 1972 provided for the protection and welfare of marine mammals.
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**Royalty Management Program:**

- 25 U.S.C. 397, *et seq.*      The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on lands bought and paid for by Indians.
- 25 U.S.C. 396, *et seq.*      The Indian Mineral Leasing Act of 1909 authorizes oil and gas leases on Indian allotted lands.
- 25 U.S.C. 396-396(g), *et seq.*      The Indian Mineral Leasing Act of 1938 authorizes oil and gas leases on Indian Tribal lands and provides uniformity with respect to leasing of Tribal lands for mining purposes.
- 30 U.S.C. 181, *et seq.*      The Mineral Leasing Act of 1920 (MLA) provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulphur, and sodium and the payment of bonuses, rents, and royalties on such leases.
- 43 U.S.C. 1331, *et seq.*      The Outer Continental Shelf Lands Act of 1953 provides for granting of leases to develop offshore energy and minerals; provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
- 30 U.S.C. 1001, *et seq.*      The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
- 30 U.S.C. 181, *et seq.*      The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
- 25 U.S.C. 2101, *et seq.*      The Indian Mineral Development Act of 1982 provides that any Indian Tribe may enter into lease agreements for mineral resources within their boundaries with the approval of the Secretary. Allotted land owners may join Tribal mineral agreements.
- 30 U.S.C. 1701, *et seq.*      The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.
- 106 Stat. 1374              The FY 1993 Department of Interior and Related Agencies Appropriations Bill requires the deduction of \$68.2 million from mineral receipts before their distribution to States and Treasury to recover a portion of the government's mineral leasing program costs.

**General Administration:**

- 31 U.S.C. 65              Budget and Accounting Procedures Act of 1950
- 31 U.S.C. 3901-3906      Prompt Payment Act of 1982
- 31 U.S.C. 3512(c)        Federal Managers' Financial Integrity Act of 1982

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5 U.S.C. 552	<u>Freedom of Information Act of 1966, as amended</u>
31 U.S.C 7501-7507	<u>Single Audit Act of 1984</u>
41 U.S.C. 35-45	<u>Walsh Healy Public Contracts Act of 1936</u>
41 U.S.C. 351-357	<u>Service Contract Act of 1965</u>
41 U.S.C. 601-613	<u>Contract Disputes Act of 1978</u>
44 U.S.C. 35	<u>Paperwork Reduction Act of 1980</u>
44 U.S.C. 2101	<u>Federal Records Act of 1950</u>
40 U.S.C. 486(c)	<u>Federal Acquisition Regulation of 1984</u>
31 U.S.C. 3501	<u>Privacy Act of 1974</u>
31 U.S.C. 3501	Accounting and Collection
31 U.S.C. 3711,3716-19	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 <u>et seq.</u>	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	<u>Anti-Deficiency Act of 1905, as amended</u>
41 U.S.C. 252	<u>Competition in Contracting Act of 1984</u>
18 U.S.C. 1001	<u>False Claims Act of 1982</u>
18 U.S.C. 287	<u>False Statements Act of 1962</u>
41 U.S.C. 501-509	<u>Federal Grant and Cooperative Agreement Act of 1977</u>
41 U.S.C. 253	<u>Federal Property and Administrative Services Act of 1949</u>
41 U.S.C. 401	<u>Office of Federal Procurement Policy Act of 1974, as amended</u>
15 U.S.C. 631	<u>Small Business Act of 1953, as amended</u>
15 U.S.C. 637	<u>Small Business Act Amendments of 1978</u>
10 U.S.C. 137	<u>Small Business and Federal Competition Enhancement Act of 1984</u>
15 U.S.C. 638	<u>Small Business Innovation Research Program of 1983</u>
10 U.S.C. 2306(f)	<u>Truth in Negotiations Act of 1962 Authorization</u>

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- Secretarial Order No. 3071      The order established the Minerals Management Service in January 1982, under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).
- Oil Spill Research:
- 33 U.S.C. 2701, *et seq.*      Title VII of the Oil Pollution Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.
- 33 U.S.C. 2701, *et seq.*      Title I, section 1016, of the Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company, with respect to an offshore facility, has established, and maintains, evidence of financial responsibility in the amount of at least \$150,000,000 to meet potential pollution liability.
- 43 U.S.C. 1331, *et seq.*      Section 21 (b) of the Outer Continental Lands Act, as amended, requires the use of the best available and safest technologies (BAST) and assurance that the use of up-to-date technology is incorporated into the regulatory process.
- Executive Order 12777      E.O. 12777, signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service).

*Mineral Leasing and Associated Payments:*

- P.L. 106-33      The Omnibus Budget Reconciliation Act of 1993 requires the recovery of one-half of the Federal Government's mineral leasing program costs, before distribution of receipts to States and the Treasury.
- 30 U.S.C. 181, *et seq.*      The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that statute on Federal lands within their boundaries.
- 30 U.S.C. 351 *et seq.*      The Mineral Leasing Act for Acquired Lands as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.
- 30 U.S.C. 1001, *et seq.*      The Geothermal Steam Act of 1970 authorizes Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

30 U.S.C. 1714, 1721(b),  
1721(d), 30 U.S.C. 191,  
as amended

*Federal Oil and Gas Management Act of 1982* provides for timely payments of royalty funds and from gas and production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed by the date required under 30 U.S.C. 191 and 1714.

30 U.S.C. 104(a), -  
30 U.S.C. 191, as amended

*The Federal Oil and Gas Royalty Management of 1982* authorizes the sharing of oil and gas royalties with States and all other charges collected from oil and gas leases located on public domain lands.

30 U.S.C. 191a

This law authorizes the sharing of all late payment interest collected on all Federal Government lands and from all minerals categories. This law applies to all interest paid to the Federal Government on or after July 1, 1988. Any interest the Federal Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.



## Table of Abbreviations and Acronyms

AATS	Automated Allowance Tracking System
ACS	Automated Cartographic System
AEDP	Area Evaluation and Decision Process
AFS	Auditing and Financial System
ADR	Alternate Dispute Resolution
AMSOC	American Management Systems Operation Corporation
API	American Petroleum Institute
ASC	Administrative Service Center
ASIS	Archaeological and Shipwreck Information System
ASLM	Assistant Secretary (Land and Minerals)
ASME	American Society of Mechanical Engineers
BAST	Best Available and Safest Technology
BEDP	Business and Economic Development Program
BEG	Texas Bureau of Economic Geology
BIA	Bureau of Indian Affairs
BIS	Business Information System
BLM	Bureau of Land Management
BOM	Bureau of Mines
BSIP	Business Systems Improvement Plan
BSPI	Business Systems Planning Implementation
CAAA	Clean Air Act Amendments
CAAS	Contracts for Advisory and Assistance Services
CD	Consistency Determination
CER	Categorical Exclusion Review
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMI	Coastal Marine Institute
COE	Corp of Engineers
CRD	Common Reference Database for RMP Systems
CZMA	Coastal Zone Management Act
DEIS	Draft Environmental Impact Statement
DMD	Data Management Division
DOCD	Development Operations Coordination Document
DOJ	Department of Justice
DOT	Department of Transportation
DOV	Division of Verification
DPA	Delegation of Procurement Authority
DPP	Development and Production Plan
EA	Environmental Assessment
EEO	Equal Employment Opportunity program
EEZ	Exclusive Economic Zone
EIA	Energy Information Administration, part of the Department of Energy
EIS	Environmental Impact Statement
EOP	Explanation of Payments (RMP sends to out various recipients)
EP	Exploration Plan
EPA	Environmental Protection Agency
ESP	Environmental Studies Program
ESPI	Environmental Studies Program Information System
ESRP	Environmental Science Review Panel
FEORP	Federal Equal Opportunity Recruitment Program

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FERC	Federal Energy Regulatory Commission
FGDC	Federal Geodetic Data Committee
FIP	Federal Information Processing
FMD	Financial Management Division
FO	Field Operations (of OCS)
FOGRMA	Federal Oil and Gas Royalty Management Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel Payroll System
FR	Federal Register
FRRE	Field and Reservoir Reserves Estimates
FTE	Full Time Equivalent
FTS	Federal Telecommunications System
FTS2000	Federal Telecommunications System 2000
FWS	Fish and Wildlife Service
FY	Fiscal Year
G&G	Geological and Geophysical data
GIS	Geographic Information System
GIT	Geological Interpretative Tools
GNG	Geological and Geophysical Interpretive Database System
GOM	Gulf of Mexico
GOMR	Gulf of Mexico Region
GPRA	Government Performance and Results Act
GS	U.S. Geological Survey
GVS	Gas Verification System
HACU	Hispanic Association of Colleges and Universities
HBCU	Historically Black Colleges and Universities
IBR	Information Base Review, part of AEDP
ICAM	International Conference on Arctic Margins
IG	Inspector General
IGDC	Interior Geodetic Data Committee
IITA	Initiative for Indian Tribes and Allottees
INTERMAR	Office of International Activities and Marine Minerals
IRM	Information Resources Management
JIP	Joint Industry Project
LAN	Local Area Network
LE	Leasing Assessment
LM	Leasing Maps
LUMCON	Louisiana Universities Marine Consortium
LVS	Liquid Verification System
MCP	Management Control Plan
MER	Maximum Efficient Rate (of recovery)
MICR	Magnetic Ink Characters Recognition
MONTCAR	Monte Carlo Range of Values
MOU	Memorandum of Understanding
MPR	Maximum Produccible Rate (of recovery)
MSSD	Management Services and Security Division
NAD 83	North American Datum of 1983
NEPA	National Environmental Protection Act
NIST	National Institute of Standards and Technology (within Commerce)
NMFS	National Marine Fisheries Service
NMS	National Marine Sanctuary
NOA	Notice of Availability
NOAA	National Oceanographic and Atmospheric Administration

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NOI	Notice of Intent, part of AEDP
NONC	Notices of Noncompliance
NPDES	National Pollution Discharge Elimination System
NPR	National Performance Review
NPS	National Park Service
NRC	Natural Research Council
NSWC	Naval Station Weapons Center, Leonardo, New Jersey
OB2MIS	Offshore Block, Boundary, and Map/OPD Information System
OBRA-93	Omnibus Budget Reconciliation Act of 1993
OCD	Offshore and Coastal Dispersion Model
OCRM	Office of Coastal Resources Management within NOAA
OCS	Outer Continental Shelf
OCSIS	Outer Continental Shelf Information System
OCSLA	Outer Continental Shelf Lands Act
OE	Office of Enforcement
OHMSETT	Oil and Hazardous Materials Simulated Environmental Test Tank
OGI	Office of Inspector General
OIRA	Office of Indian Royalty Assistance
OIS	Offshore Inspection System
OMB	Office of Management and Budget
OMM	Offshore Minerals Management
OPA	Oil Pollution Act of 1990
OPD	Official Protection Diagram map
OPS	Office of Pipeline Safety within Department of Transportation
OSM	Operations and Safety Management
OSR	Oil Spill Research
OSRA	Oil Spill Risk Analysis
PAAM	Proposed Action and Alternatives Memorandum, part of AEDP
PAAS	Production Accounting and Auditing System
PARIS	Plume Altered Reactive Interacting System
PFI	Payer Information Form
PIR	Post Improvement Review
PMI	Policy and Management Improvement
PFA	Deputy Associate Director for Policy, Planning and Appeals
PRESTO	Probabilistic Resource Estimates Offshore
PRAS	Partials Analysis System
RDRMS	Relational Data Base Management System
RE	Resource Evaluation program of OCS
RFIC	Request for Interest and Comments
RIK	Royalty-in-Kind
RMP	Royalty Management Program
ROMM	Royalty and Offshore Minerals Management
RPD	Reports & Payments Division
RTWG	Regional Working Technical Groups
SABC	Southern Administrative Service Center
SAVIAC	Committee on Explosions w/ Naval Weapons Stations
SEMP	Safety Environmental Management Program
SEMS	Seafloor Earthquake Measurement System
SES	Senior Executive Service
SFR	Selected Facilities Review
SMD	Systems Management Division
SOBD	Supplemental Official OCS Block Diagrams
STATS	State and Tribal Support System

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<b>STRAC</b>	<b>State and Tribal Royalty Audit Committee</b>
<b>TBD</b>	<b>To be determined</b>
<b>TCCC</b>	<b>Tribally Controlled Community Colleges</b>
<b>TIMS</b>	<b>Technical Information Management System (for OCS)</b>
<b>TLP</b>	<b>Tension Leg Platform</b>
<b>UCSB</b>	<b>University of California, Santa Barbara</b>
<b>UI</b>	<b>University (Research) Initiative</b>
<b>USCG</b>	<b>United States Coast Guard</b>
<b>USGS</b>	<b>United States Geological Service</b>
<b>UTM</b>	<b>Universal Transverse Mercator</b>
<b>VSD</b>	<b>Valuation and Standards Division</b>
<b>VTC</b>	<b>Video Teleconferencing</b>
<b>WASC</b>	<b>Western Administrative Service Center</b>