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DEPARTMENT OF THE INTERIOR
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MINERALS MANAGEMENT SERVICE

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DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
FISCAL YEAR 1992

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GENERAL STATEMENT

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

Comparison of 1992 President's Budget with 1991 Enacted Budget

(Dollar amounts in thousands)

		FY 1991 Enacted	FY 1992 Estimate	Inc.(+) Dec.(-)
Leasing and Royalty Management	$	195,995	233,514	+37,519
	(FTE)	(2,117)	(2,137)	(+20)
Mineral Leasing and Associated Payments	$	515,013	472,825	-42,188
	(FTE)	(---)	(---)	(---)
Total, MMS	$	711,008	706,339	- 4,669
	(FTE)	(2,117)	(2,137)	(+20)

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

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

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

(2) distribute all revenues collected to authorized recipients;

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

(4) husband the nation's oil, gas and other natural resources while ensuring human safety and protecting the environment by exercising sound supervision of energy and mineral exploration, development, and production operations on Federal leases;

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

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

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

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

The programs and missions of the Minerals Management Service are conducted by the major components shown in the organizational chart on page MMS-9.

Highlights of the 1992 Request

The proposed funding level represents a net increase of $37.5 million from 1991 in the Leasing and Royalty Management (LARM) appropriation ($5.0 million in base changes and $32.5 in program increases), and a net decrease of $42.2 million in the appropriation for Mineral Leasing and Associated Payments. Program increases in the LARM appropriation include support for the President's decisions on OCS development and other related issues by providing additional funding for conduct and management of environmental studies ($15.5 million), increased inspections of offshore oil and gas operations ($4.7 million), an enhanced oil spill response program ($3.2 million), and an additional effort to evaluate offshore gas and oil resource potential ($1.9 million) in the OCS Lands activity. A new subactivity, Information Management Program, has been created in the OCS Lands Activity to centralize ADP related activities. Support costs for information management functions previously funded in other subactivities have been transferred into this subactivity. An increase of $6.9 million is requested to replace equipment and applications; to acquire mapping and graphics systems; and to maintain and enhance existing equipment. Increases in the Royalty Management Program (RMP) activity include resources to expand and improve services for Indian Tribes and Allottees ($1.6 million), and increased costs of contracted services ($1.8 million) for the collection, accounting, and distribution of approximately $4 billion annually. Increases in General Administration ($0.9 million) are proposed to provide the contracting and administrative support structure necessary to accommodate the proposed increases in the OCS; to provide for human resource development; to provide for increased recruitment and opportunities for persons of Hispanic heritage; to implement a Total Quality Management program; to implement an Arts and Artifacts program; to initiate an Audited Financial Statement program; and to increase support for the Department's Take Pride in America program.

The $37.5 million increase for Leasing and Royalty Management include an offset reduction of $5.1 million. Pending completion of a review by Congressional Appropriations Committees and direction to obligate FY 1991 payments of $4.0 million to the State of Louisiana and its lessees, similar funding has not been included in this request. These payments are for claims on drainage royalties from oil and gas leases in the West Delta field of the Outer Continental Shelf. Additionally, the MMS is proposing a Bureau-wide decrease of $1.1 million and 10 FTE through administrative efficiencies such as by reducing consultants, travel, overtime, supplies, and equipment.

The decrease in the Mineral Leasing and Associated Payments appropriation (formerly Payments to States From Receipts under Mineral Leasing Act) is due to a greater deduction from onshore mineral leasing receipts to recover a larger portion of Federal mineral leasing administrative program costs and a decrease in mineral leasing receipts due to lower oil prices in FY 1992.

Leasing and Royalty Management

Base Increases

A net increase of $5.0 million and a net decrease of five FTE in the base level of funding for the Leasing and Royalty Management (LARM) is proposed. This will enable the MMS to:

- convert from its existing accounting system to the Department-wide accounting system, Federal Finance System (+$1.2 million; and 5 FTE);
- provide for pay raises due to an increase in the general schedule for FY 1991 and FY 1992, an increase in the SES schedule, locality pay and one additional pay day in FY 1992 (+$4.1 million); and
- make several other adjustments for items such as retirement cost, drug free workplace, working capital fund, etc. (+$.9 million)

These increases are offset by a proposed administrative and travel efficiencies decrease amounting to -$1.2 million and -10 FTE, as detailed in the Summary of Requirements.

Two internal budget structure adjustments in the OCS Lands activity have been made in the FY 1992 base to:

- o create the Information Management Program Subactivity; and
- o transfer certain functions more properly placed in an Administrative Satellite Office.

A comparison of FY 1991 and 1992 in the existing and proposed alignments is shown by the crosswalk tables on pages MMS-21 and MMS-22.

Outer Continental Shelf (OCS) Lands

A net increase of $32.2 million and 14 FTE from the FY 1992 base is proposed for the OCS programs.

An increase of approximately $15.5 million is requested for conduct and management environmental studies. Of this increase:

- o $13.1 million will enable MMS to respond to the President's directive to collect additional environmental information, especially for areas offshore California and for additional critical information to support lease sale decisions in the Gulf of Mexico.
- o $1.0 million will be used specifically to support studies related to coastal estuaries.
- o $0.4 million will support an MMS study initiative as part of the U.S. Global Change Research Program.
- o $0.9 million is requested for the management of the increased studies effort and other ancillary support in the Leasing and Environmental Assessment Program.

An increase of $1.9 million and 7 FTE will significantly enhance efforts in the Resource Evaluation Program for the acquisition of additional geologic and geophysical data and information from available sources. This will respond to the President's 1990 decision to secure additional information and conduct further studies "... to create a much more carefully targeted OCS program ..." This effort will be aimed at ensuring that those areas with the most promising resource potential are targeted for further study.

Increases totalling $4.7 million and 7 FTE are requested for helicopter costs and additional personnel in the inspection program. Two of the FTE are for additional personnel for the management of the increased Oil Spill Response Research Program.

An increase of $3.2 million is requested to expand oil spill response research projects and related activities in the Technology Assessment and Research Program (TA&R).

A $6.9 million increase for computer support is proposed in the newly created Information Management Program subactivity to ensure continued operation of existing equipment and for start-up cost for the replacement of existing applications software. This action will ensure continued vital ADP support to the entire OCS Program through maintenance and planned replacement of the aging and outdated Perkin-Elmer mainframe computers.

Royalty Management Program (RMP)

A net decrease of $0.6 million and an increase of 7 FTE from the 1992 base is proposed for the RMP.

An increase of $1.6 million and 7 FTE is requested for the Initiative for Indian Tribes and Allottees (IITA). This initiative will expand and improve the level of services provided for these groups by:

- implementing AFS/PAAS exception processing resolution for Indian leases;
- increasing contractor staff to monitor royalty rates and unit values;
- increasing the existing outreach office and adding outreach offices in locations closer to the Indian constituency; and
- continuing software enhancements for severance tax monitoring, other software modules, and for the majority pricing module, where possible.

An increase of $1.8 million is requested to enable the program to maintain its current contracted services.

A decrease of $4.0 million is included in this request pending completion of review and direction by Congressional Appropriations Committees to obligate FY 1991 payments to the State of Louisiana and its lessees. A decrease of $8,000 is requested for one time refunds on behalf of Indian allottees. However, funding for this is included in the Mineral Leasing and Associated Payments Appropriation.

General Administration

A net program increase of $.9 million and 4 FTE is requested to provide:

- the additional contracting and property management systems, and the redesign and modernization of the administrative systems required by the OCS Lands program to support the Presidential Initiatives (+$510,000, +2 FTE); and
- to carry out Secretarial Initiatives on:
    - increasing the awareness of and opportunities for people with an Hispanic heritage ($+100,000);
    - promoting the development of "Total Quality Management" in the Minerals Management Service (+$100,000);

- accounting for and preserving arts and artifacts held within MMS (+$106,000, +1 FTE); and

- initiating development of audited financial statements (+$50,000, +1 FTE).

Mineral Leasing and Associated Payments

The Minerals Management Service is responsible for the collection and distribution to the States of their shares of bonuses, royalties, rentals, and other payments from the leasing of onshore Federal mineral resources in accordance with applicable laws. This appropriation, formerly called Payments to States From Receipts under Mineral Leasing Act, has been renamed and slightly restructured to clarify the recipients and authorizing statutes. The Mineral Leasing and Associated Payments account consists of two budget activities: Shared Revenue Payments; and Miscellaneous Payments.

Shared Revenue Payments

Shared Revenue Payments are estimated to decrease from FY 1991 by $42.6 million due to:

- a $16.4 million decrease related to increased deductions to cover $102.3 million, rather than $68.2 million (as enacted in FY 1991), in mineral leasing administrative program costs.

- a $26.4 million reduction due to a 28.3% decrease in the estimated price of oil.

- a $0.2 million increase to provide payment of late disbursement interest from the Federal share of mineral receipts rather than from necessary mission funding.

Miscellaneous Payments

Miscellaneous Payments are estimated to increase $410,000 from FY 1991 due to:

- an increase of $10,000 to refund overpayments on behalf of Indian allottees.

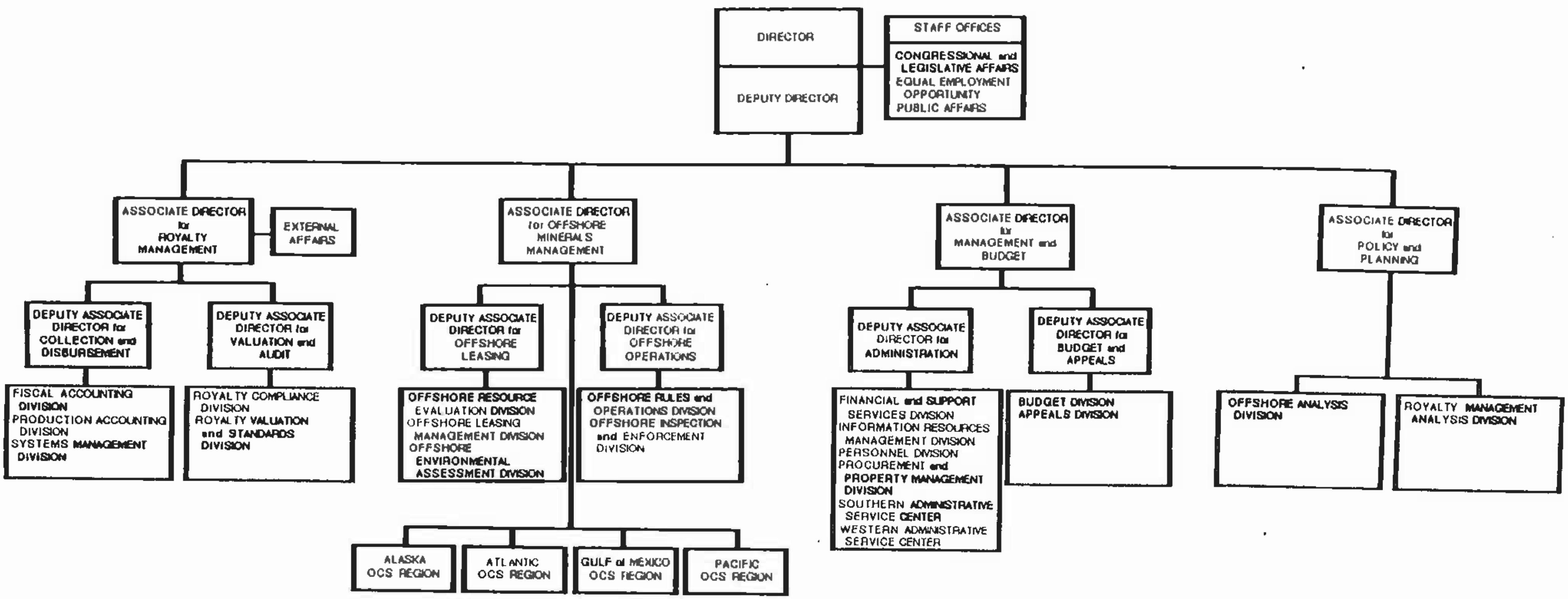
- an increase of $250,000 for the payment of rewards to individuals who provide information to the Government which results in the collection of additional mineral revenues. A proposal is included to expand the current rewards program to cover Indian oil and gas leases, as well as both Federal and Indian non-oil and gas leases.

- an increase of $150,000 to pay interest to companies who have successfully appealed royalty bills.

Authorizations

The basic authorizing legislation for the Minerals Management Service includes: the OCS Lands Act of 1953 (43 U.S.C. 1331 *et seq.*); the OCS Lands Act Amendments (P.L. 95-372); the Mineral Leasing Act (30 U.S.C. 181 *et seq.*); 30 U.S.C. 191a; the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1701, *et seq.*); the Indian Mineral Leasing Acts of 1891, 1909, and 1938; and the Indian Mineral Development Act of 1982.

MINERALS MANAGEMENT SERVICE



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

Account Title and Symbol Leasing and Royalty Management 14-1917-0-1-302		FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
I. Contractual Services				
Individual Experts & Consultants	B.A.	274.9	750.0	550.0
	Oblig.	274.9	750.0	550.0
	Outlays	379.3	604.7	586.7
Subtotal	B.A.	274.9	750.0	550.0
	Oblig.	274.9	750.0	550.0
	Outlays	379.3	604.7	586.7
II. Personnel Appointments	B.A.	---	---	---
	Oblig.	---	---	---
	Outlays	---	---	---
III. Advisory Committees	B.A.	---	---	---
	Oblig.	---	---	---
	Outlays	---	---	---
TOTAL	B.A.	274.9	750.0	550.0
	Oblig.	274.9	750.0	550.0
	Outlays	379.3	604.7	586.7

Prepared: January 22, 1991
Nadine M. Leisz
202/208-5728

Appropriation Summary Statement

Minerals Management Service

Appropriation: Leasing and Royalty Management

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

- collecting, depositing, auditing, and distributing royalties and other mineral revenues due the Federal Government, States, and Indian tribes, from Federal onshore and offshore mineral leases and leases on Indian lands;
- regulating industry operations in the exploration, development and production of leasable energy and mineral commodities on the OCS lands in an environmentally sound and safe manner;
- classifying and evaluating the energy, solid mineral, and environmental resources of OCS lands;
- collecting a comprehensive body of environmental information and performing environmental assessments to ensure the sound and balanced development and management of OCS mineral resources in compliance with the OCS Lands Act, the National Environmental Policy Act (NEPA), and other environmental protection laws; and
- implementing the 5-year Outer Continental Shelf (OCS) Natural Gas and Oil Program approved in July 1987 and developing the next 5-year program;

The 1992 appropriation request for these activities totals $233,514,000. A summary of the changes proposed from the 1992 base is provided below:

Outer Continental Shelf Lands (+$32,206,000 and 14 FTE):

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

(1) development, review, and implementation of the 5-Year OCS natural gas and oil program;
(2) classification and estimation of the potential gas, oil and other mineral resources of OCS lands;
(3) collection of environmental information and conduct of environmental assessments and environmental impact statements (EIS's), both prelease and postlease, to ensure fully informed decisions in compliance with the National Environmental Policy Act (NEPA);
(4) consultation with affected States and other parties and development of issue analyses and decision documents;
(5) conducting lease sales;

(6) development and implementation of bid adequacy procedures to assure that the Government receives fair market value for lands leased and rights conveyed;
(7) issuance and maintenance of leases;
(8) development and enforcement of regulatory requirements for exploration, development, and production operations; and
(9) development of an inventory of information on minerals activity on OCS lands and dissemination of that information.

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

Program changes, resulting in a total increase of $32,206,000 from the base, are proposed as follows:

-- Environmental Studies. A total increase of $14,527,000 is requested for the Environmental Studies Program, of which $13,127,000 implements the President's June 1990 decisions regarding America's offshore natural gas and oil program. The President's decisions included the direction to collect additional environmental information, especially for areas offshore California and to obtain additional critical information to support decisions on lease sales in the Gulf of Mexico. A hallmark of the OCS Program will be quality scientific information that will be available and subjected to rigorous scrutiny before leasing decisions are made.

  Of the total increase, $1,000,000 will be directed toward environmental studies for coastal estuaries. This effort will be a coordinated element of the Department's Coastal America Program.

  Also included in the total increase is $400,000 for Global Change research as part of an integrated effort responsive to the Committee on Earth and Environmental Sciences and the Department's Global Change Research Working Group recommendations.

-- Management Support for Environmental Studies. An increase of $936,000 is requested for the management of the increased studies effort and other ancillary support in the Leasing and Environmental Assessment Program.

-- Resource Evaluation. This increase of $1,913,000 and 7 FTE will allow the Resource Evaluation Program to acquire needed additional geologic and geophysical data and information from available sources, including permittees and lessees, and to conduct studies to enhance the understanding of the resource potential of OCS areas where lease sales may be considered in the future. Concerning the development of offshore gas and oil, the President called for further studies "... to create a much more carefully targeted OCS program ..." by ensuring that only those areas with the most promising resource potential are targeted for further study.

-- Inspection Enhancement. This increase of $4,730,000 and 7 FTE will provide additional personnel (5 FTE) and increased funding for the helicopter fleet to accommodate increased inspections of electrical, pipeline, site security, and completion/workover drilling, and for unannounced inspections of facilities. It also will fund increased certification of schools which provide training in well completion/workover, well control and production safety systems. Included are two FTE to assist in the administration of expanded oil spill response research projects and related activities. This expanded effort will include at-sea testing of cleanup methods and systems.

-- Oil Spill Response. This request of $3,200,000 will expand oil spill response research projects and related activities, such as National Response Team responsibilities, increased oil spill drills and equipment inspection, improved detection of pipeline leaks, and at-sea testing of cleanup methods and systems.

-- Information Management Program. This new subactivity has been established to centralize support costs for maintenance and improvement of the current automated data processing environment. An increase, to this new subactivity, of $6,900,000 will support a multi-year, multi-phased initiative to upgrade and modernize the automated data processing capability for the entire Outer Continental Shelf Lands Program including: the initial cost for the replacement of Perkin-Elmer computers and applications; the acquisition of additional interactive mapping and graphics systems; and maintenance of PC's, minicomputers, and peripherals.

Royalty Management (-$589,000 and +7 FTE)

The Royalty Management Program (RMP) provides for the collection and disbursement of mineral revenues due the Federal Government, States, and Indian lessors from minerals produced on Federal onshore, Indian and OCS lands. In addition, the RMP performs a compliance function to assure that those who report and make payments to MMS have done so in accordance with all pertinent statutes and regulations. In FY 1992, it is estimated that RMP will collect and account for approximately $3.7 billion in DOI mineral leasing revenues and interest. The program is comprised of three major automated revenue and production accounting systems supported by a variety of auditing programs. Dissemination of information to affected States and other parties involves an additional automated system and an outreach program. The following changes, resulting in a net decrease of -$598,000 from the FY 1991 base for Royalty Management are proposed:

-- Initiative for Indian Tribes and Allottees (IITA). Total increases of $1,641,000 and seven FTE will expand last year's Initiative for Indian Tribes and Allottees. An increase of $180,000 and 2 FTE is requested for the Collections subactivity to enable RMP to augment current staffing for AFS/PAAS exception resolutions and to increase contractor staff to monitor royalty rates in response to GAO and DOI Inspector General recommendations. Under the Compliance subactivity, an increase of $1,111,000 and 5 FTE is proposed to expand the outreach effort by increasing staff, creating remote allottee offices, and to enhance monitoring and control systems for royalty payments and reports. An increase of $350,000 under the Systems Development and Operation subactivity is requested to continue the development of a majority pricing system and the enhancement of monitoring modules for royalty rates/unit value exceptions, severance tax deductions, and unauthorized adjustments/recoupments on Indian leases.

-- Increased Costs of Contractor Services. A total increase of $1,758,000 is proposed to continue current levels of contractors' services. An increase of $550,000 is proposed for the Collections subactivity to meet the increased costs of maintaining the base level contract effort for accounting and exception processing activities. Under the Compliance subactivity, an increase of $258,000 is proposed to meet the increased costs of maintaining the base level of contracted services such as training for auditors to meet stricter GAO requirements, data analyses for the allowance tracking effort, and contracted replacement and maintenance of office equipment, microcomputers, and regional offices' telephone systems. Additionally, an increase of $950,000 is requested for the Systems Development and Operation subactivity to fund the increasing costs of computer systems and software operation and maintenance, as well as increasing costs of long-term systems enhancements. The increasing costs of contracts severely impacts this subactivity as it is sixty percent contract costs.

-- Indian Refunds. A decrease of $8,000 is proposed for this subactivity. In FY 1991, funding for this purpose was included in the Leasing and Royalty Management Appropriation. However, as it is difficult to estimate the outcome and timing of appeals, MMS has requested indefinite funding for this purpose under the Mineral Leasing and Associated Payments appropriation. Funding will be from the Federal Government's share of mineral leasing receipts.

-- West Delta; Louisiana Settlement. A total decrease of $3,979,000 is requested in FY 1992. In FY 1991 money was appropriated for payment to the State of Louisiana and its lessees for claims on drainage royalties from oil and gas leases in the West Delta field of the Outer Continental Shelf. The Conferees instructed MMS to delay obligation of these dollars until the Appropriation Committees "had an opportunity to conduct a full hearing on this subject and agreed to the use of the funds." Pending the results of this review, continued funding in FY 1992 has not been requested.

General Administration (+$885,000 and +4 FTE)

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

As an increase in the base, of $1,198,000 is requested to enable MMS to convert from its existing accounting system, ABACIS, to the Department-wide accounting system, FFS.

Program increases are as follows:

-- Hispanic Opportunities. A increase of $100,000 under the Executive Direction subactivity will allow the Equal Employment Opportunity Office to update the MMS response to the needs of people with an Hispanic heritage in the workplace by providing an improved recruitment effort, implementing a career development plan, and modifying management and hiring practices to foster responsible, efficient and ethical management practices.

-- Contract Support. A total increase of $510,000 and 2 FTE is requested. Of this amount, $390,000 and 2 FTE will increase the staff of contractual services (Administrative Operations subactivity) to support the increased levels of procurement required by the President's Initiative on assessing and developing oil and gas resources on the Nation's OCS. Redesign and modernization of administrative systems will be necessary to provide adequate administrative support to MMS's program offices.

  $20,000 will be used to ensure compliance with the Department's Contracting Officer's Warrant System training requirements.

  $100,000 will be used in support and development of our Human Resources, upgrading equipment for the Automation Training Center is planned to enhance employee data processing skills.

-- Total Quality Management. Under the Administrative Operations subactivity a request for $100,000 will be utilized to provide and initiate implementation of "Total Quality Management" throughout the MMS. This program is "a philosophy of pursuing continuous improvement through the integrated efforts of all members of an organization" and of "consistently meeting customer's expectations." Management has already begun implementing TQM by selecting a TQM contractor, conducting an organizational assessment of the needs for and organization status of TQM, and holding an orientation and training for RMP's top managers. Subsequent actions will include processing action groups to study specific organizational functions and to suggest improvements, and strategic planning sessions with executive managers to develop quality goals and then to develop implementation plans.

-- Audited Financial Statements. To support the Office of Management and Budget's efforts to enhance the integrity of Federal financial management, the MMS requests $50,000 and one FTE to begin a major financial audit effort.

-- Arts and Artifacts. To correct an arts and artifacts material weakness noted in a July 1990 Inspector General's report and designated in the Secretary's Annual Statement and Report for 1990, the MMS requests $106,000 and one FTE.

-- Take Pride in America. The MMS is requesting $19,000 as its share of funding required to support the Department's national public awareness campaign designed to encourage wise use of the lands and resources shared by all Americans.

Appropriation Language Sheet

LEASING AND ROYALTY MANAGEMENT

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [$197,028,000,]/\[of which not less than $65,552,000 shall be available for royalty management activities: Provided, That funds appropriated under this Act shall be available for the payment of interest in accordance with U.S.C. 1721 (b) and (d): Provided further, That] of which not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities; [Provided further, That not withstanding 5 U.S.C. 5901(a), as amended, the uniform allowance for each uniformed employee of the Mineral Management Service shall not exceed $400 annually: Provided further, That notwithstanding any other provision of law, $8,000 under this head shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service concurred with the claimed refund due: Provided further, That notwithstanding 31 U.S.C. 3302 any moneys hereafter received as a result of the forfeiture of a bond or other security or payment of civil penalty by an Outer Continental Shelf permittee, lessee, or right-of-way holder which does not fulfill the requirements of its permit, lease, or right-of-way or does not comply with the regulations of the Secretary shall be credited to this account to cover the cost to the United States of any improvement, protection, or rehabilitation work rendered necessary by the action or inaction that led to the forfeiture or imposition of the civil penalty, to remain available until expended: Provided further, That any portion of the

$233,514,000

moneys so credited shall be returned to the permittee, lessee, or right of way holder to the extent that the money in excess of the amount expended in performing the work necessitated by the action or inaction which led to their receipt or, if the bond or security was forfeited for failure to pay the civil penalty, in excess of the civil penalty imposed:] Provided [further], That notwithstanding any other provision of law, [$68,200,000]/\ shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury. $102,300,000

Justification of Proposed Language Changes

LEASING AND ROYALTY MANAGEMENT

1. Deletion: Provided further, That, notwithstanding 31 U.S.C. 3302 any moneys hereafter received as a result of the forfeiture of a bond or other security or payment of civil penalty by an Outer Continental Shelf permittee, lessee, or right-of-way holder which does not fulfill the requirements of its permit, lease, or right-of-way or does not comply with the regulations of the Secretary shall be credited to this account to cover the cost to the United States of any improvement, protection, or rehabilitation work rendered necessary by the action or inaction that led to the forfeiture or imposition of the civil penalty, to remain available until expended: Provided further, That any portion of the moneys so credited shall be returned to the permittee, lessee, or right of way holder to the extent that the money in excess of the amount expended in performing the work necessitated by the action or inaction which led to their receipt or, if the bond or security was forfeited for failure to pay the civil penalty, in excess of the civil penalty imposed.

   Permanent request in FY 1991, therefore language is unnecessary.

2. Deletion: $197,028,000, of which not less than $65,552,000 shall be available for royalty management activities: Provided, 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):

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

3. Deletion: Provided further, That not withstanding 5 U.S.C. 5901(a), as amended, the uniform allowance for each uniformed employee of the Minerals Management Service shall not exceed $400 annually:

   Permanent request in FY 1991, therefore language is unnecessary.

4. Deletion: That notwithstanding any other provision of law, $8,000 under this head shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service concurred with the claimed refund due:

   As it is difficult to estimate the outcome and timing of appeals, MMS has requested indefinite funding for this purpose under the Mineral Leasing and Associated Payments appropriation. Funding will be from the Federal Government's share of mineral leasing receipts.

Appropriation Language Citations

LEASING AND ROYALTY MANAGEMENT

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

30 U.S.C. 181 et seq.

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

30 U.S.C. 1701 et seq.

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

43 U.S.C. 1331 et seq.

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

43 U.S.C. 1801

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

43 U.S.C. 4321-4347

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

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

30 U.S.C. 189

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

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

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

3. and for matching grants or cooperative agreements;

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

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

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

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

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

No specific authority

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

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and **Royalty** Management
Activity/Subactivity Change **Crosswalk - FY 1991 Enacted to Date**
(In thousands of dollars)

Format of FY 1991 Congressional Budget

Activity/Subactivity	FY 1991 Enacted to Date
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	41,636
(2) Resource Evaluation Program	22,807
(3) Regulatory Program	33,174
Total, Outer Continental Shelf Lands	97,617
B. Royalty Management	
(1) Mineral Revenue Collections	19,983
(2) Mineral Revenue Compliance	22,411
(3) Systems Development & Operation	19,722
(4) Refunds to Indians	8
(5) West Delta Settlement	3,979
Total, Royalty Management	66,103
C. General Administration	
(1) Executive Direction	5,369
(2) Administrative Operations	10,924
(3) General Support Services	15,982
Total, General Administration	32,275
Combined Total	195,995

Format of FY 1992 Congressional Budget

Activity/Subactivity	FY 1991 Enacted to Date
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	40,380
(2) Resource Evaluation Program	19,764
(3) Regulatory Program	30,184
(4) Information Management Program	7,223
Total, Outer Continental Shelf Lands	97,551
B. Royalty Management	
(1) Mineral Revenue Collections	19,983
(2) Mineral Revenue Compliance	22,411
(3) Systems Development & Operation	19,722
(4) Refunds to Indians	8
(5) West Delta Settlement	3,979
Total, Royalty Management	66,103
C. General Administration	
(1) Executive Direction	5,369
(2) Administrative Operations	10,990
(3) General Support Services	15,982
Total, General Administration	32,341
Combined Total	195,995

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Activity/Subactivity Change Crosswalk - FY 1992 President's Budget
(In thousands of dollars)

Format of FY 1991 Congressional Budget

Activity/Subactivity	FY 1992 Estimate
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	57,766
(2) Resource Evaluation Program	25,392
(3) Regulatory Program	48,771
Total, Outer Continental Shelf Lands	131,929
B. Royalty Management	
(1) Mineral Revenue Collections	21,165
(2) Mineral Revenue Compliance	24,242
(3) Systems Development & Operation	21,167
(4) Refunds to Indians	---
(5) West Delta Settlement	---
Total, Royalty Management	66,574
C. General Administration	
(1) Executive Direction	5,666
(2) Administrative Operations	13,268
(3) General Support Services	16,077
Total, General Administration	35,011
Combined Total	233,514

Format of FY 1992 Congressional Budget

Appropriation/Activity/Subactivity	FY 1992 Estimate
A. Outer Continental Shelf Lands	
(1) Leasing & Environmental Program	56,510
(2) Resource Evaluation Program	22,349
(3) Regulatory Program	38,881
(4) Information Management Program	14,123
Total, Outer Continental Shelf Lands	131,863
B. Royalty Management	
(1) Mineral Revenue Collections	21,165
(2) Mineral Revenue Compliance	24,242
(3) Systems Development & Operation	21,167
(4) Refunds to Indians	---
(5) West Delta Settlement	---
Total, Royalty Management	66,574
C. General Administration	
(1) Executive Direction	5,666
(2) Administrative Operations	13,334
(3) General Support Services	16,077
Total, General Administration	35,077
Combined Total	233,514

Summary of Requirements

Appropriation: Leasing and Royalty Management

(Dollar amounts in thousands)

Summary of Base Adjustments	FTE	Amount	FTE	Amount
Appropriation Enacted to Date, 1991	---	---	2,117	195,995
Base Adjustments:				
Internal Adjustments for:				
Information Management Program				
From Leasing and Environment Program	-18	-1,190		
From Resource Evaluation Program	-45	-3,043		
From Regulatory Program	-45	-2,990		
To Information Management Program	108	7,223		
Satellite Service Center				
From Leasing and Environment Program	- 3	- 66		
To Administrative Operations	3	66		
Other Adjustments:				
Additional Cost in 1992 for January 1991 and January 1992 Pay Raise	---	2,922		
Locality Pay Increase	---	474		
One More Paid Day in FY 1992	---	386		
Workers' Compensation Payments	---	79		
January 1991 SES Salary Increase	---	316		
CSRS/FERS Retirement Cost	---	750		
Administrative Efficiencies and Travel	-10	-1,171		
Drug-Free Workplace	---	-10		
Unemployment Compensation Payments	---	9		
Departmental Working Capital Fund	---	35		
PAY/PERS	---	29		
Federal Financial System Implementation	5	1,198		
Total Base Adjustments	-5	5,017	-5	5,017
1992 Base Budget			2,112	201,012

Summary of Requirements
(Dollar amounts in thousands)

Comparison by Activity/Subactivity	FY 1990 Actual FTE	FY 1990 Actual Amount	FY 1991 Enacted to Date FTE	FY 1991 Enacted to Date Amount	FY 1992 Base FTE	FY 1992 Base Amount	FY 1992 Estimate FTE	FY 1992 Estimate Amount	Inc./Dec from FY 1991 FTE	Inc./Dec from FY 1991 Amount	Inc./Dec. from FY 1992 Base FTE	Inc./Dec. from FY 1992 Base Amount
OCS Lands												
Leasing & Environmental Program	350	37,291	335	41,636	311	41,047	311	56,510	-24	14,874	---	15,463
Resource Evaluation Program	343	22,354	343	22,807	295	20,436	302	22,349	-41	- 458	7	1,913
Regulatory Program	402	30,511	414	33,174	367	30,951	374	38,881	-40	5,707	7	7,930
Information Mgmnt Program					108	7,223	108	14,123	108	14,123	---	6,900
Subtotal	1,095	90,156	1,092	97,617	1,081	99,657	1,095	131,863	3	34,246	14	32,206
Royalty Management												
Mineral Revenue Collections	298	18,144	294	19,983	294	20,435	296	21,165	2	1,182	2	730
Mineral Revenue Compliance	286	18,340	339	22,411	339	22,874	344	24,242	5	1,831	5	1,368
Systems Development & Operation	81	17,544	83	19,722	82	19,867	82	21,167	-1	1,445	---	1,300
Interest on Late Payments	---	177	---	---	---	---	---	---	---	---	---	---
Indian Refunds	---	63	---	8	---	8	---	---	---	-8	---	-8
West Delta Sttlmnt	---	---	---	3,979	---	3,979	---	---	---	-3,979	---	-3,979
Subtotal	665	54,268	716	66,103	715	67,163	722	66,574	6	471	7	-589
General Administration												
Executive Direction	73	4,731	80	5,369	80	5,566	80	5,666	---	297	---	100
Admin. Operations	225	10,021	229	10,924	236	12,568	240	13,334	11	2,410	4	766
Gen. Support Svcs	---	16,866	---	15,982	---	16,058	---	16,077	---	95	---	19
Subtotal	298	31,618	309	32,275	316	34,192	320	35,077	11	2,802	4	885
Total Requirements	2,058	176,042	2,117	195,995	2,112	201,012	2,137	233,514	20	37,519	25	32,502

Justification of Adjustments to Base

LEASING AND ROYALTY MANAGEMENT

	FTE	Amount ($000)
Internal Adjustments:		
Information Management Program	--	---

The Information Management Program subactivity has been established to more succinctly present OCS's information technology initiatives and requirements. Resources currently dedicated to these efforts within the other OCS subactivities are being transferred as follows:

Subactivity	FTE	Amount
Leasing and Environment	-18	-1,190
Resource Evaluation	-45	-3,043
Regulatory Program	-45	-2,990
	-108	-7,223

	FTE	Amount ($000)
Satellite Office	--	---

Certain functions currently being performed by the Pacific Region's OCS office are more properly placed within an Administrative Satellite Office. To realign these functions a base transfer of -$66 and -3 FTE from the Leasing and Environment Program is being made to Administrative Operations.

Other Adjustments:

	FTE	Amount ($000)
The Additional Cost in 1992 of the January 1991 and the January 1992 Pay Raise	--	+2,922

The adjustment is for an additional amount of $1,064 needed in FY 1992 to fund all of the costs of the 4.1% pay raise effective in January 1991 and for an additional amount of $1,858 needed in FY 1992 to cover a portion of the estimated 4.2% pay raise that would be effective in January 1992.

The remaining costs (50%) of the January 1992 pay raise of $1,858 will be absorbed.

	FTE	Amount ($000)
FY 1991 Locality Pay Adjustments		+474

This adjustment is for an additional amount of $474,000 needed in 1992 to cover the 8% pay adjustment to employees in the New York City, Los Angeles, and San Francisco areas.

	FTE	Amount ($000)
One More Paid Day in FY 1991	--	+386

The increase in personnel compensation results from there being one more paid day in FY 1992 than in FY 1991.

	FTE	Amount ($000)
Workers Compensation Payments	--	+79

This adjustment is for increased costs for compensation to injured employees to be paid to the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b), as amended by Public Law 94-273 for the accounting year ending June, 1990.

January 1991 SES Salary Increase	--	+316

The adjustment is for the January 1991 increase in personnel compensation to Senior Executive Service employees.

CSRS/FERS Retirement Costs	--	+750

The adjustment is for the increase in estimated retirement costs resulting from the continuing growth in the relative proportion of FERS employees in the bureau work force.

Adjustment for Administrative Efficiency	--	- 753

The Department is proposing to decrease spending for consultants, travel, overtime, supplies, and equipment by about 5 percent to improve administrative efficiency in order to place greater priority on 1992 program initiatives. Specific reductions are proposed in the following areas:

Consultants	-$ 31,000
Travel	- 265,000
Overtime	- 18,000
Supplies	- 108,000
Other Services	- 29,000
Equipment	- 302,000
Total	-$753,000

Adjustment for Staffing Efficiency	-10	- 418

Savings are proposed from a planned reduction in the average grade achieved by filling vacant positions at an average of one grade lower than previously filled and from taking into account an expected lapse of about 30 days before filling positions that become vacant in 1992. Specific reductions follow:

Average Grade	-$184,000
Lapse	- 234,000
Total	-$418,000

Drug Free Workplace	--	- 10

The number reflects estimated change in the bureau's share of operating the Drug Free Workplace program.

Unemployment Compensation		+9

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

	FTE	Amount ($000)
Departmental Working Capital Fund................................	--	+35

This adjustment is for increased costs assigned to the Bureau for administrative services provided on a Department-wide basis. In FY 1992, the Departmental Human Resources Development Center will be undergoing an expansion and implementing new management and executive training programs. These training programs will complement the Secretarial Human Resource initiatives.

	FTE	Amount ($000)
PAY/PERS Customary Service..	--	+29

The adjustment is for changes in costs of operating and/or implementing the Department's standard payroll/personnel system.

	FTE	Amount ($000)
Federal Financial System..	+5	+1,198

This adjustment is for changes in the costs of operating and/or implementing the Department's standard administrative accounting system, the Federal Financial System (FFS).

Activity: Outer Continental Shelf Lands

Activity Summary

(In thousands of dollars)

Subactivity	FY 1990 Actual	FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Leasing & Environmental Program	37,291	41,636	41,047	56,510	+14,874	+15,463
Resource Evaluation Program	22,354	22,807	20,436	22,349	-458	+1,913
Regulatory Program	30,511	33,174	30,951	38,881	+5,707	+7,930
Information Mgmt Program	---	---	7,223	14,123	+14,123	+6,900
Total Requirements	90,156	97,617	99,657	131,863	+34,246	+32,206

Authorizations

43 U.S.C. 1331, *et seq.*	The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.
43 U.S.C. 4321, 4331-4335, 4341-4347	The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal projects having a significant effect on the environment.
16 U.S.C. 1451, *et seq.*	The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that industry activity in the coastal zone is consistent with coastal zone plans set by the States.

16 U.S.C. 1531-1543	The <u>Endangered Species Act of 1973</u> established procedures to ensure interagency cooperation and consultations on endangered and threatened species.
42 U.S.C. 7401, *et seq.*	The <u>Clean Air Act</u>, as amended, now applies to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require air permits administered by the EPA or States.
16 U.S.C. 470-470w6	The <u>National Historic Preservation Act</u> established procedures to ensure protection of significant archaeological resources.
30 U.S.C. 21(a) 30 U.S.C. 1601 *et seq.*	The <u>Mining and Minerals Policy Act of 1970</u> and the <u>Materials and Minerals Policy, Research and Development Act of 1970</u>, set forth the continuing policy of the Federal Government, in the national interest, to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves. MMS is responsible for the assessment of oil, gas, and non-energy minerals, and for the management of those OCS resources.
33 U.S.C. 2701, *et seq.*	The <u>Oil Pollution Act of 1990</u> establishes limitations on liability for damages resulting from oil pollution, establishes a fund for the payment of compensation for such damages, and for other purposes.
43 U.S.C. 1301	The <u>Marine Protection, Research, and Sanctuaries Act of 1972</u> provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. MMS provides information regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
16 U.S.C. 1361-1362, 1371-1384, 1401-1407	The <u>Marine Mammal Protection Act of 1972</u> provides for the safeguard of marine mammals which are, or may be, in danger of extinction or depletion as a result of man's activities.

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

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

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

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

As the manager of the nation's OCS energy and non-energy mineral resources, MMS's long-term strategy will be to assess those resources to determine if they can be developed in an environmentally sound manner and to then lease the appropriate areas. This long-term strategy will affect the way MMS manages the OCS resources and the way MMS faces the challenge of maintaining a balance between providing energy and protecting the Nation's unique and sensitive environments. In an effort to meet that challenge, the MMS has formulated several new initiatives or shifts in program direction. The most important are described below.

<u>Recent Program Initiatives</u>

- Environmental Studies

  The MMS will enhance its environmental studies program by initiating new studies and integrating those results into a comprehensive base of information and data to provide assessments of OCS energy and non-energy mineral activities in terms of environmental and socioeconomic impacts. Additionally, MMS will provide new information to: identify potential adverse impacts to assist in ensuring environmentally responsible and safe operations; be considered in the development of the 5-Year Natural Gas and Oil Program; and help monitor postlease energy and non-energy mineral operations. The MMS's new program initiatives will include the following: (1) the design and conduct of environmental impact monitoring studies for the producing areas of the Gulf of Mexico, (2) the design and conduct of studies in southern and northern California, (3) the increased emphasis on air quality studies in the Pacific and Gulf of Mexico OCS Regions, and (4) the additional studies to address specific concerns raised by the 1990 report of the National Research Council.

- Geologic Studies

  The MMS will take a more active role in acquiring data and evaluating the resource potential of the OCS in response to the President's guidance. This will improve MMS's ability to identify areas with more promising resource potential. This initiative will provide for the acquisition of geologic and geophysical data and information from sources other than permittees and lessees and the conducting of studies for the purpose of evaluating the resource potential of the OCS for the longer term, where lease sales are not under consideration in the next 5-year program.

- Identification of Areas with Resource Potential

  The MMS will play an important new role in the identification of specific subareas within major areas with high resource potential. It will assist in targeting future sales to areas with high resource potential and low environmental sensitivity. This effort will also help focus the environmental studies program. Further study based on information gained through the Geologic Studies initiative will provide the "screen" through which these areas will be identified for future programs.

- Reserves Assessment

  The MMS will expand its usage of well data and other information provided for the Reserves Assessment Program to develop equivalent data for undeveloped areas. The Reserves Assessment Program uses information for every well completion in the OCS in its geologic mapping and reserves estimations. These data will also be studied to develop geologic analog models to project and estimate resource potential in applicable underdeveloped and frontier areas. This information will provide valuable support to the "Geologic Studies" and "Identification of Areas with Resource Potential" initiatives.

- Operations and Oil Spill Response

  The MMS will take steps to enhance the detection and cleanup technology and procedures for OCS oil spills to improve responses to any spill that may occur. The President's June 1990 announced decisions on the OCS program as well as the recently enacted Oil Pollution Act of 1990 direct Executive Branch agencies to "...reduce the possibility of oil spills offshore from whatever source..." and to "...improve the ability of industry and the federal government to respond to oil spills offshore..." These directions were issued to ensure that offshore energy resource development that does take place does so in the most environmentally protective manner possible. The MMS will increase the effectiveness of its Inspection Program, increase training requirements for offshore employees, increase oil spill drills and equipment inspection, and expand its oil spill response research program and related activities.

- Information Management Program

  To enhance the MMS's capability of more clearly presenting and accounting for the costs of automated data processing support and development, a separate subactivity has been created.

  Attendant upon the President's decision of June 1990, and in conjunction with the OCS program restructuring, OMM will begin to upgrade its computer operations to better support the program and its new priorities. Both equipment and software will be improved to monitor and analyze the 1.4 billion acres managed by the MMS. This redesign will allow MMS to target areas with high resource potential, improve information management, alleviate oil spill risks, and ensure that current offshore operations remain clean and safe.

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

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

(Dollar amounts in thousands)

Program Element		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Environmental Studies	$	23,335	23,335	37,862	+14,527	+14,527
	(FTE)	(---)	(---)	(---)	(---)	(---)
Leasing & Environ'l Assessment	$	18,301	17,712	18,648	+347	+ 936
	(FTE)	(335)	(311)	(311)	(-24)	(---)
Total Requirements	$	41,636	41,047	56,510	+14,874	+15,463
	(FTE)	(335)	(311)	(311)	(-24)	(---)

Environmental Studies

Objectives

- To develop and conduct studies to address the environmental commitment made by the President in June 1990, when he announced his decision on the OCS program.
- To continue to support the Department's goals of providing adequate scientific and technical information on environmental, social, and economic effects of oil, gas and other mineral activity before decisions are made.
- To continue to plan and initiate scientific investigations to contribute to a basic and broad-scope understanding of the marine environment in OCS areas.
- To enhance assessments of the effects of oil, gas and other mineral activities in terms of environmental and socioeconomic impacts.
- To continue the commitment to lessen or remove adverse impacts.
- To increase the monitoring of postlease natural gas and oil and other mineral operations in support of the departmental mandate to protect the environment.
- To develop and provide the new information which is needed for the comprehensive plan for individual leasing proposals.

- To maximize the utilization of information within the existing data sets through analysis of these data.

Program Description

The Environmental Studies (ES) Program began in 1973. Since that time, the program has actively sought to obtain the scientific and technical data necessary to support the OCS program's mandate to consider environmental and social concerns during all phases of the program. In the 17 years the program has been in existence, its focus has changed to address the issues of greatest concern. Early on, this meant focusing on broad information requirements to support leasing in frontier areas. Later, the program began to invest an increasing proportion of its funds towards information related to postlease management decisions while still supporting information needs in the remaining frontier areas. More recently, the ES Program has begun to concentrate on possible long-term, low-level impacts which, if present, remain to be more clearly defined. This means that a significant portion of the ES Program needs to occur in areas where natural gas and oil activities are (or have been) occurring and can be evaluated. In addition, the ES Program must collect the information necessary to support the President's decisions concerning natural gas and oil development on the Outer Continental Shelf. Specifically, major efforts are anticipated offshore California. In light of existing concerns about environmentally sensitive areas, additional studies may be necessary off Florida and in the North Atlantic. At the same time, the Department is committed to sound environmental management in all areas and intends to expand its efforts to define any significant potential effects of natural gas and oil activities.

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

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

Particular emphasis is being given to the results of the National Research Council evaluation in California planning areas (especially expanded physical oceanography studies in the vicinity of the Northern end of the Santa Barbara channel); long-term monitoring and ecosystem studies in several Regions; physical oceanography in the Gulf of Mexico; the recommendation of the Pacific Northwest OCS Task Force in Washington/Oregon; and synthesis and evaluation reports for selected topics. The basic data collection in frontier areas not previously studied is also supported. The goal of maximum use and availability of existing information has also led to the development of initiatives on information and data management and to expanded efforts involving local universities in the ES Program.

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

Recent Activities and Accomplishments

- Subsequent to the EXXON VALDEZ tanker spill in FY 1989, the ES Program responded rapidly to support researchers in the field conducting immediate response sample collections and field observations which would not otherwise have been undertaken. The MMS staff also participated in field activities collecting seabird and marine mammal observational data and worked in sea otter and seabird rehabilitation centers. The ES Program continues to seek out opportunities to supplement damage assessment research when appropriate.

- A multiyear study initiated in FY 1988 to document the chemical and biological impacts resulting from the discharge of waters produced during drilling in the Louisiana coastal areas is nearing completion.

- To further MMS's understanding of the long-term effects of a coastal oil spill and the time needed for recovery, a project initiated late in FY 1989 collected field data and compared results with data collected 20 years ago after an oil spill in West Falmouth Bay, Massachusetts. The final report will be available in 1991.

- A circulation model of the Gulf of Alaska, Bering Sea, and Beaufort Sea is under development in a multi-year contract. A major part of the effort is directed towards coupling ice and wind models to the ocean circulation model.

- A high resolution circulation model for the U.S. Atlantic coast which incorporates Gulf Stream dynamics should be completed in FY 1991. An important aspect of this investigation is the use of field data and modeling products to better define the environmental conditions in the model.

- The Gulf of Mexico OCS Region is managing a major physical oceanographic study of the northwestern quarter of the Gulf of Mexico which will begin in FY 1991. The objectives of this study will be to identify key dynamic processes governing circulation, transport, and cross-shelf mixing on the Texas and Louisiana shelf.

- The results of a cooperative marine mammal and sea turtle aerial survey project with NMFS have revealed a relatively rich cetacean fauna offshore in the Gulf of Mexico. The most commonly sighted species include threatened loggerhead sea turtles; endangered sperm whales; spotted, Risso's and common dolphins; dwarf and pygmy sperm whales; and beaked whales. Surveys will continue into 1991 to better characterize the cetacean fauna in this area.

- Right whales are being studied by MMS in the only documented calving grounds in the Atlantic Ocean, in the coastal areas of Georgia and northern Florida. This study will further our understanding of the life history, migratory routes and population dynamics of this highly endangered species.

- A major study of an oil spill from a refinery in Panama which affected a coastal research facility of the Smithsonian Institution is now in its fifth and final year.

  This spill is unique in that it affected an area of coral reefs, mangroves, and seagrass beds about which the Smithsonian had a significant amount of pre-spill data. This effort has represented one of the best opportunities to document oil spill impacts in a tropical coastal environment. Preliminary results have been released in conferences and published articles.

- The MMS began a series of social and economic studies in Santa Barbara County, California in FY 1991, to evaluate the effects of the existing and proposed OCS development as well as the role that risk perception plays in public attitudes. These studies will include a workshop to discuss issues and involve local participants in the studies.

- In FY 1991, MMS also initiated a major program to collect additional field observations on oceanographic conditions in the vicinity of the northern end of the Santa Barbara Channel. These data, coupled with a series of workshops on issues related to physical oceanography and oil spill trajectory analysis, will greatly influence future oil spill risk analysis efforts in this area.

- An integrated monitoring program to evaluate potential low-level chronic impacts of OCS activities in the Western Gulf of Mexico was started in FY 1991 and will continue for a number of years.

Increase from 1992 Base

	(Dollar amounts in thousands) FY 1992 Base	FY 1992 Estimate	Difference
$	23,335	37,862	+14,527
(FTE)	(---)	(---)	(---)

Environmental Studies Program Funding Increase (+$14,527,000)

General Program: An increase of $13,127,000 is requested to respond to the President's message to collect additional environmental information for southern and northern California and for additional critical information to support lease sales in the Gulf of Mexico. When President Bush announced his decisions on the OCS Natural Gas and Oil Program, he outlined guiding principles on which his decisions were based and on which future OCS Program decisions would be based. A hallmark principle was that adequate scientific information must be available and subjected to rigorous scrutiny before leasing decisions are made.

The funds being requested in this initiative will also support MMS's commitment to collect the information necessary to resolve some of the environmental issues highlighted by the National Research Council (NRC) in its November 1989 report on OCS environmental information -- a report which the President considered in his decision. For southern and northern California, the President stated that environmental studies should be done to respond to information gaps identified by the NRC. The NRC found that existing environmental information was inadequate for leasing decisions in one or more of the disciplines of physical oceanography, socioeconomics, and ecology for these areas.

To address these concerns the MMS plans the following types of studies:

- Southern California - physical oceanography (oceanic circulation, cross-shelf transport, model sensitivity), ecology (seabirds, protected species), socioeconomics (risk perception, social, economic, and tourism effects).
- Northern California - risk perception, social, economic, and tourism effects.

Remaining funds will be used to support physical oceanography, ecology, and air quality studies for the producing areas in the Gulf of Mexico. The Gulf States are concerned about dispersant toxicity, air quality, wetlands, and chronic ecological impacts. Work will be planned in southern California to have sufficient information by 1996. Work in northern California and the Gulf of Mexico will be on a somewhat more extended schedule.

Demand for resolution of the various issues and concerns has placed severe pressure on the ESP at a time when the funding for ESP has been static. The requested increase will permit MMS to begin to respond to the President's decisions and other demands for issue resolution. Increased costs for doing at-sea surveying and data gathering continue to place additional pressure on the funds available for studies.

Coastal Estuaries: An increase of $1,000,000 will be used specifically to support environmental studies for coastal estuaries. The prime focus of these studies will be understanding the ecology of the selected estuaries and the long-term impacts of OCS natural gas and oil development on the estuarine ecosystems.

This FY 1992 budget initiative is a part of the Department's Coastal America Program which is a cooperative Federal Agency approach to improve the Federal response to known problems and management issues of the nation's coastal resources. It sets forth an unprecedented plan to coordinate Federal programs and integrate actions, the goal of which is to protect, restore, and maintain the Nation's coastal living resources. The MMS will coordinate its research with the U.S. Fish and Wildlife Service, the U.S. Geological Survey, the Environmental Protection Agency, the Corps of Engineers, and the National Oceanic and Atmospheric Administration.

Global Change Research: An increase of $400,000 is requested in FY 1992 to fund the first year of a multi-year study of the circumpolar region in response to the Committee on Earth and Environmental Sciences' recommendations for the Department of the Interior's FY 1992 study initiatives concerning the U.S. Global Change Research Program. The total cost of this five-year study is $2,000,000. This effort has also been reviewed by the Department's Global Change Research Working Group. The proposed study represents a coordinated approach to the research of social change in circumpolar regions.

The circumpolar region is a vast depository of mineral and energy resources. The rapid and continuing development of these resources has tremendous consequences for the area's environment and for the area's population that must adjust to these consequences. Using a comparative approach, and analyzing the different policies of the U.S.S.R., U.S., Canada, and Greenland, the MMS will conduct an investigation into the following topics: demographic change and land-use patterns; health, government policy, and the delivery of services; and the social impact assessment of indigenous groups.

The objectives are to improve understanding of the interactions among resource development, ecological disturbance, and social change in cirumpolar regions. The approach will coordinate a three tiered study including: (1) an initial collection and synthesis of the existing information; (2) a cooperative and coordinated research design involving field observations, survey research, and modeling investigations; and (3) an integrated reporting of the results. Currently, no government agency coordinates U.S. social impact research in the arctic and subarctic with similar research occurring in other countries. The MMS has experience with various information transfers with Alaska state agencies and regional organizations. The MMS is currently participating in research exchanges with the Northeast Complex Research Institute, Soviet Academy of Science, Magadan, U.S.S.R.

Distribution of change by object class

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

	Amount ($000)
Other Services..................................	+14,527
Total..................................	+14,527

Leasing and Environmental Assessment

Objectives

- To promote responsible stewardship of OCS resources through a comprehensive foundation of environmental and socioeconomic information.
- To manage responsibly the nation's OCS resources through a long-term planning strategy which assesses the energy and non-energy resources of an area and determine if development can be performed in an environmentally sound manner.
- To preserve, protect, and develop the resources of the OCS in a manner consistent with the need to balance orderly energy and non-energy resource development with protection of the human, marine, and coastal environments.
- To provide affected States and, through such States, affected local governments, with opportunities to participate in policy and planning decisions relating to leasing, exploration, development, and production of energy and minerals on the OCS.
- To ensure that leasing and permitting actions are in accordance with all Federal environmental laws and that required coordination with Federal and State agencies occurs, such as for endangered species, archaeological resources, and coastal zone management.

Program Description

The eight major subelements of the Leasing and Environmental Assessment Program are described below:

1. Development of a 5-Year OCS Natural Gas and Oil Program ($449,000)

   An innovative approach is being taken in the development of a new comprehensive OCS program consistent with the President's June 1990 announced decisions. In addition to identifying areas to be considered for leasing during the five year period 1992 - 1997 pursuant to section

18 of the OCS Lands Act, the new program will cover a range of OCS activities to set the stage for the longer term. This approach to the program's development will include the selection of a 5-year OCS natural gas and oil leasing program. It will also include MMS's proposed future directions for the acquisition of new geologic data, the planning for future environmental studies, and assuring continued safe OCS operations beyond the 5-year program.

In FY 1992, the new comprehensive 5-year program will be subjected to public comment and review. The new context for this process has been set by the President's June 26, 1990, statement on the OCS. Suggestions and relevant information from all interested parties, including Federal Agencies, industry, the Governor of each potentially affected State, and the general public, will be considered. Comments are requested on: the geographical, geological, and ecological characteristics of the broad areas under consideration; other uses of offshore resources and space; identification of areas of environmental sensitivity and marine productivity; and the technological feasibility of, time periods required for, and interest in offshore exploration and development. States that are developing or administering a coastal zone management (CZM) program are also requested to supply information concerning the relationship between their CZM programs and potential offshore natural gas and oil activity.

2. Management of Environmental Studies ($3,658,000)

The Environmental Studies (ES) Program has continually evolved and changed to meet the needs of the OCS Program and the cumulative increase in information and understanding of the OCS environment. The program contributes to the basic and broad-scope understanding of the environment in OCS areas, and it provides information for the environmentally safe operation of OCS oil, gas and other mineral activities and the development of the 5-year program leasing proposals. As stated in the OCS Lands Act, the purpose of the ES Program is "to establish information needed for prediction, assessment, and management of impacts on the human, marine, and coastal environments which may be affected by OCS oil and gas activities." The ES program, which responds to the President's directives, includes: (1) continued balance between prelease and postlease studies; (2) continued emphasis on studies identified by the President's Task Force; (3) development of a strategy for postlease monitoring studies; and (4) increased emphasis on summary reports and management of existing information.

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

The knowledge gained from the studies conducted under this program is used by the Department in making decisions on the balanced development of marine mineral resources. Many of the studies, while targeted for determining potential effects of natural gas and oil activities, result in the collection of fundamental data on the marine environment. Study results often contribute to the full range of environmental issues. The data are used in avoiding the inclusion of environmentally critical areas in proposed leasing areas, analyzing environmental effects, formulating lease stipulations, modifying leasing and operating rules and regulations, and assessing effects of industry activities.

Environmental studies are also designed to monitor the effects of hydrocarbon and other mineral exploration and the effects of development and production activities. Monitoring and other study efforts are used to design appropriate measures to mitigate or change potential adverse effects by amending and modifying OCS regulations or by issuing Notices to Lessees and Operators (NTL's). When an environmental study in a specific geographical area indicates a need to further protect the environment, new or changed operating conditions may be imposed on existing and future leases.

3. Consultation to Assess Program Proposals ($570,000)

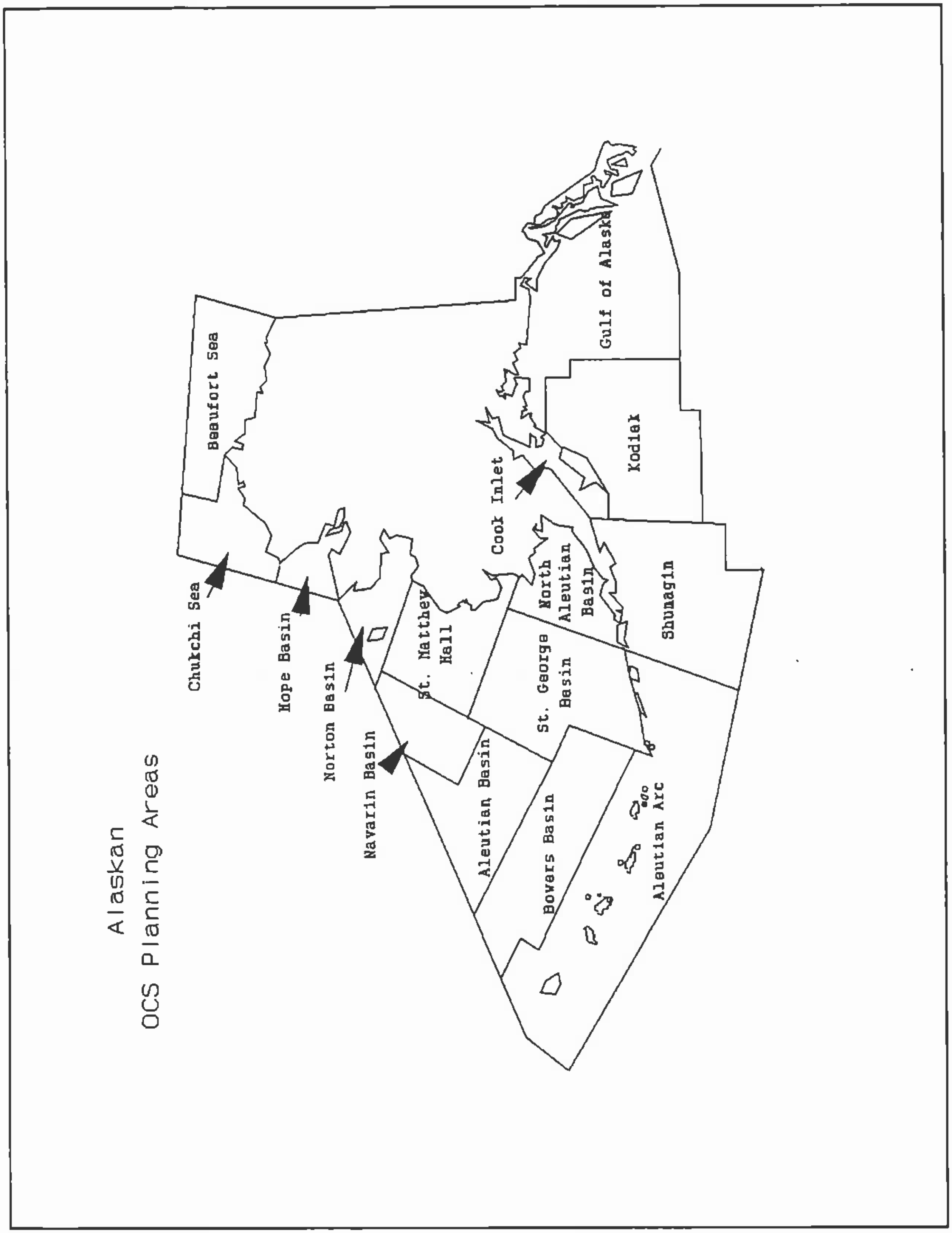
The objective of the consultative process is to fully evaluate OCS areas for various OCS management decisions. One such decision is the identification of the area proposed for further consideration of leasing under certain terms and conditions for further study in the environmental analysis process under the National Environmental Policy Act (NEPA). Other OCS management decisions include the identification of OCS areas as candidates for studies and/or special consultation efforts. The location of the various OCS planning areas can be found in Figure 1 and Figure 2.

In areas where no leasing has occurred, preliminary consultation takes place to determine if enough industry interest exists. Preliminary consultations may take the form of meetings and information exchanges with coastal States and members of Congress to discuss OCS concerns and issues. A request for interest may be issued at any stage in the planning process when it is believed that current economic or market conditions may have changed industry interest or changed the number of companies interested in exploring an area.

A Call for Information and Nominations concerning an area under consideration for leasing may then be issued. The Call provides industry, the States, and the public an opportunity to submit specific information (geological, biological, archaeological, socioeconomic, and technical) which might bear upon the development of a leasing proposal to be analyzed in an Environmental Impact Statement (EIS) or other OCS management options. Consultation also includes the Department of Defense to identify possible multiple-use conflicts in the sale area.

4. Environmental Assessment Process ($5,795,000)

The NEPA requires the preparation of an EIS before the conduct of any major Federal action which could significantly affect the quality of the human environment and specifies the basic information that the EIS shall include. In limited instances for small-scale proposed sales (such as proposed supplemental sales), an Environmental Assessment (EA) may be



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

Figure 1

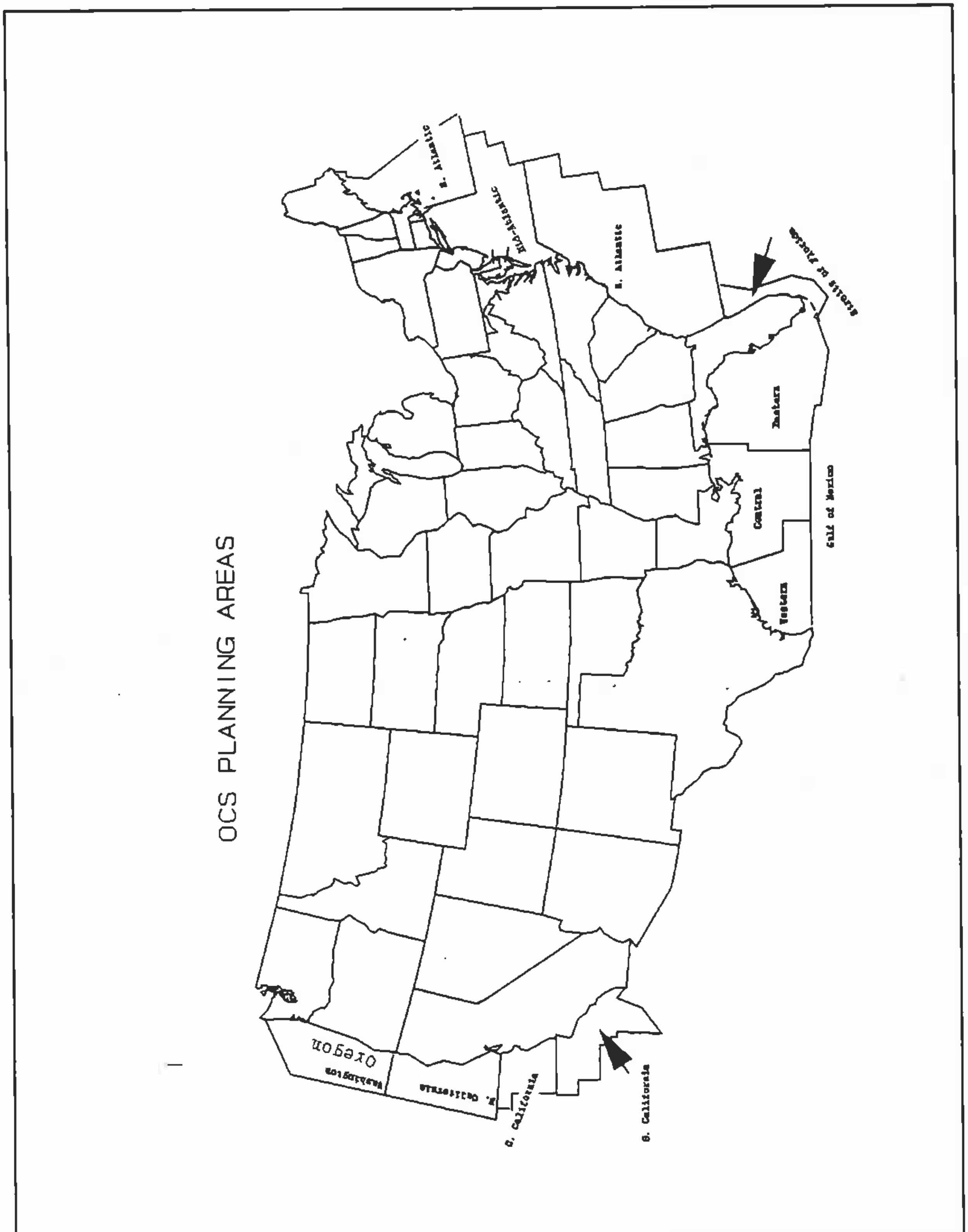

OCS PLANNING AREAS
N. Atlantic
Mid-Atlantic
S. Atlantic
Straits of Florida
Eastern
Central
Western
Gulf of Mexico
Washington
Oregon
N. California
C. California
S. California

Figure 2

prepared to determine whether an EIS is needed.

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

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

The development of mitigating measures appropriate to the pertinent environmental concerns is another important phase of the prelease NEPA process for specific leasing proposals. Lease stipulations and Information to Lessees clauses, which are implemented through work in the Regulatory Program, are developed in conjunction with the environmental analyses. An evaluation of the effectiveness of these stipulations to mitigate potential adverse impacts is provided. These mitigating measures, in conjunction with the existing regulatory framework, have proven to be an effective and economical means of minimizing many potential adverse environmental effects while allowing the search for offshore natural gas and oil resources to proceed. Additionally, much of the analytical environmental work carried out at this stage provides background information that directly supports environmental analyses related to reviewing and permitting of postlease activities.

Pursuant to Section 7 of the Endangered Species Act of 1973, the MMS formally consults with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS), as appropriate, if the proposed activity has the potential to affect an endangered or threatened species or harm its critical habitat. The formal consultation process is associated with the preparation of the EIS and the information provided is factored into the EIS analysis and/or the lease-sale decision process.

5. Leasing Proposal Process/Consultation ($1,249,000)

The coordination and presentation of issues and options for Departmental decision makers to reach decisions on the terms and conditions of the leasing proposal builds upon the information and analyses gathered through the MMS Environmental Studies program and the NEPA and consultative processes conducted prior to decision making. Decision documents are prepared which clearly and concisely presents information on the options of size, timing, location, and other terms and conditions of the leasing proposal.

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

Section 19 of the OCSLAA mandates that Governors of affected States be provided the opportunity to comment on the size, timing, and location of a proposed lease sale. The Governors receive the proposed Notice of Sale, the EIS, and the Coastal Zone Consistency Determination. MMS may meet with State officials to discuss and possibly resolve issues associated with the proposed sale.

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

In accordance with Section 19 of the OCSLAA, the Governor of each affected State receives written notification of the reasons for the determination to accept or reject the Governor's recommendations on the lease sale. Section 19 requires DOI to accept such recommendations if it is determined, after having provided the opportunity for consultation, that they provide for a reasonable balance between the national interest and the well-being of the citizens of the affected States.

6. Lease Sale Process/Adjudication ($1,109,000)

The sale of offshore leases is conducted under competitive sealed bidding procedures. After the bid opening, MMS adjudicates the bids to assure compliance with regulations and to determine whether the highest valid bid for each block exceeds our bid adequacy criteria.

Technical and economic information gathered prior to the lease sale for the purpose of evaluating the potential mineral resource value of the blocks (provided by the Resource Evaluation Program subactivity) is considered during this review. The evaluation and acceptance or rejection of each bid must, by regulation, occur within 90 days of the sale. Pertinent information is sent to the Department of Justice, Antitrust Division and the Federal Trade Commission (FTC) for review. Their recommendations are considered in the final decision process.

Lease records must be maintained until that lease is terminated by law, relinquished, or expires. Maintenance includes actions related to assignments of record title (approved by the Department of Justice), relinquishments, extensions, rentals, status (tract and serial register books), statistics, and the development and updating of bidder qualification files.

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

Bonuses and rents paid for OCS leases and royalties from subsequent production have a positive effect on the Federal Budget. In FY 1990, $712 million in rents and bonuses and $2.292 billion in royalties were received. In the FY 1992 President's Budget, approximately $2.7 billion is estimated to be received. Of the FY 1992 amounts, royalty receipts from producing OCS leases are estimated to be $2.2 billion. Lease sale bonuses and rentals are estimated at $468 million.

7. <u>National Environmental Policy Act (NEPA) and Other Reviews for Industry Activities ($2,864,000)</u>

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

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

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

A Categorical Exclusion (CE) Review for Regulatory Action covers actions which typically do not cause significant environmental effects. Included as CE's are most exploration, development, and production plans in the central and western Gulf of Mexico; and rights-of-way permits that do not result in a new pipeline corridor to shore. If the potential for a significant impact is determined from the categorical exclusion review, an Environmental Assessment (EA) is prepared.

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

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

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

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

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

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

A Categorical Exclusion Review for Geological and Geophysical Activity is prepared prior to issuing a permit to conduct a geological and geophysical (G&G) survey (an activity conducted through the Resource Evaluation Program). In this review, MMS conducts an environmental analysis of the potential effects of the proposed survey activities. Approval of such activities are categorically excluded except when the proposed activity includes the drilling of deep stratigraphic test holes or uses solid or liquid explosives. If the potential for a significant impact is determined from the categorical exclusion review, an EA must be prepared.

An Environmental Assessment (EA) for Geological and Geophysical Activity is prepared if (1) the permit involves deep stratigraphic drilling or the use of explosives, or (2) an EA is needed to determine if there is potential for causing a significant impact.

8. Program Management and Support ($945,000)

This subelement provides policy guidance and program direction, internal and external coordination of program activities, and program and technical support for the work of the entire Leasing and Environmental Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, Regional Directors, and the Office of Offshore Management Support. Cartographic, editorial, and other program support duties are provided by support staffs within each Region and are funded within this subelement.

Other Programs ($2,009,000)

In addition to the programs described above, the Leasing and Environmental Program is responsible for managing other mineral leasing activities and coordinating the work through task forces and advisory groups. These activities are discussed below.

Leasing Area Maps and Diagrams

The OCS must be adequately defined to assure that only Federal lands are offered for lease. The MMS is in the process of implementing the new horizontal datum called the North American Datum of 1983 (NAD-83) which was officially adopted by the U.S. in December 1988.

Additional data are portrayed on approximately 15,200 Supplemental Official OCS Block Diagrams (Split Blocks).

The MMS continues its participation in a number of planning efforts related to joint Federal/State boundary projects. These projects enhance relationships and promote the best use of Agency resources since expenses are shared and data is provided to all parties. The collective efforts may prevent costly and time-consuming Federal/State jurisdictional disputes over boundary lines. Jurisdictional disputes which are not resolved have the potential for causing delays or reductions in the size of proposed Federal and State natural gas and oil lease sales.

Joint reconnaissance and survey projects have been or are being carried out between the MMS and the States of California, Washington, Oregon, and Alaska.

OCS Advisory Board Coordination

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

The OCS Lands Act requires that Interior consult with affected States and other interested parties on all aspects of leasing, exploration, development, and protection of the resources of the OCS. This requirement is partially fulfilled through the activities of the OCS Advisory Board which is comprised of: (1) a policy committee; (2) six regional technical working group committees; and (3) a scientific committee. The members are appointed and provide advice to officials within the Department of the Interior. The membership is balanced as required by the Federal Advisory Committee Act to ensure that all interested constituencies, including the coastal States, are adequately represented. The Advisory Board committees have distinct purposes as explained in their charters and meet separately several times a year. The Advisory Board committees frequently appoint subcommittees for in-depth issue analyses, and findings are reported back to the standing committees.

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

Strategic and International Minerals

In FY 1990, the MMS had formed close partnership arrangements with 15 coastal States through cooperative agreements and task forces for the joint analysis of hard mineral resources and potential environmental impacts of marine mineral recovery. These efforts include preparation of documents required by NEPA to evaluate effects of mineral development.

In August 1990, the MMS and State of Hawaii released a final EIS for the possible leasing of cobalt-rich manganese crusts adjacent to Hawaii and Johnston Islands. Following release of the EIS, an assessment of the mining industry's interest in proceeding with a lease sale and future information needs will be completed in FY 1991. Based on environmental data needs identified in the EIS and recommendations from the MMS/State of Hawaii Task Force, environmental impact research on benthic recolonization at the mine site will be initiated. Continuation of this study and other prelease activities are planned throughout FY 1992 to resolve those issues which MMS and the State mutually agree require early resolution.

A Final Leasing Notice and final EIS were issued in early FY 1991 in preparation for the Norton Sound, Alaska Marine Mineral Lease Sale. The lease sale to be conducted in mid-FY 1991 will include, as part of the proposed action, Stipulations and Information to Lessee clauses specifically designed to mitigate adverse effects from mining. In May 1990, MMS agreed with the State of Alaska that Alaska's coastal zone management consistency reviews for hard minerals postlease activities were appropriate. For FY 1992, environmental baseline monitoring studies initiated in FY 1991 will continue, and expanded participation with the State in evaluating environmentally safe development of other potential resources is anticipated.

The Federal/State of Oregon Task Force will complete a research cruise in early FY 1991 which will provide much needed data on offshore placer deposits and an initial assessment of living resources. In FY 1992, the project's focus will be one of investigating the environmental and socioeconomic impacts of possible future mineral extraction and an outreach effort to resolve concerns and issues of interested parties.

A project investigating the use of offshore sand shoals to mitigate wetland and barrier island destruction in Louisiana is continuing under guidance of the Federal/Gulf of Mexico Task Force. During FY 1992, development of the geologic, engineering, economic and environmental model will continue on shoal deposits in other areas of the Gulf. In addition, prelease activities for potential leasing of sand and possible shell deposits offshore Louisiana will be pursued.

A joint Federal/State of Georgia Task Force has conducted a preliminary assessment of phosphate resources offshore Georgia. During FY 1991, the Task Force anticipates conducting a deep coring program to provide more definitive information on the lateral and vertical extent of the deposits, including the environmental monitoring of sea floor drilling on marine biota. In FY 1992, environmental and socioeconomic studies will be undertaken to evaluate potential impacts of future development of the resource.

Completion of an aggregate demand study through a cooperative arrangement with the six New England States during FY 1991 may result in formation of a new task force project focusing on potential offshore aggregate supplies for construction.

Conflict Management

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

Recent Activities and Accomplishments

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

- MMS recently completed a program summary of the first 15 years of the ES Program. This document, to be published in FY 1991, highlights the accomplishments of the program to date.

- MMS is continuing its policy of information management through the preparation of project summaries for all major studies funded through the program since 1973 and development of an improved computer indexing and reference retrieval system. These efforts, combined with the ongoing information transfer meetings in each Region, ensure that the scientific community has full access to this wealth of information. The first volume of the technical summaries series was completed in FY 1989, and the second volume in the series was completed in FY 1990. Three additional volumes are scheduled for FY 1991. Efforts are also increasing to provide computer files of field data to other Agencies (State and Federal) working with marine environmental issues. Finally, the first comprehensive ES Program bibliography was published in FY 1990.

- The following EIS's have been published and filed with the Environmental Protection Agency during FY 1990:

  - Norton Sound Mining Proposed Sale (Second Draft EIS)
  - Gulf of Mexico Proposed Sales 131/5/7 (Draft and Final EIS)
  - Beaufort Sea Proposed Sale 124 (Draft and Final EIS)
  - Navarin Basin Proposed Sale 107 (Draft EIS)
  - Chukchi Sea Proposed Sale 126 (Draft EIS)

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

- Actual OSRA's performed in FY 90 were in the Central and Western Gulf Lease Sales 131/135/137; Navarin Basin Sale 107; Beaufort Sea Lease Sale 124; and Chukchi Sea Lease Sale 126. The analyses for Central Gulf of Mexico Lease Sale 139 (combined with as yet unnumbered Western Gulf Lease Sale "142") was to be completed by the end of FY 90.

- In order to address the wide range of issues concerning the air-quality impacts from OCS facilities adjacent to California, MMS participated in a negotiated rulemaking process to revise its OCS air quality rules. The information gathered during the negotiated rulemaking process was used to develop a notice of proposed rule making revising the air quality rules for OCS facilities adjacent to California. This rulemaking was published in the Federal Register on January 17, 1989. In accordance with the 1990 Clean Air Act Amendments, OCS air quality, except in the central and western Gulf of Mexico, will be regulated by the Environmental Protection Agency. Therefore, MMS has terminated the California OCS rulemaking process.

- In FY 1990, MMS published a report to Congress pursuant to Section 20(e) of the Outer Continental Shelf Lands Act for assessment of the cumulative effect of activities conducted under the Act. This report is being updated for future submission to Congress.

- In FY 1990, MMS completed work on two task forces with the State of Florida on exploratory drilling issues in the Outer Continental Shelf off southwest Florida. One task force assessed the likelihood, fate, and transport of oil spills, and the second assessed potential impacts of drilling operations on Florida coastal and marine resources.

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

- In FY 1991, MMS will initiate development of the OCS draft proposed program for comment and review by affected States, local communities, national and local interest groups, and the public. This effort will continue during FY 1992.

- In FY 1991, MMS will continue to work with the Washington-Oregon Task Force to further identify environmental studies of particular concern to the States of Washington and Oregon and the tribal representatives on the task force. Meetings were held in FY 1990 and this effort will continue in FY 1992.

- In FY 1991, MMS plans to continue the expansion of its outreach program and the development of informal information exchanges on the development of the new OCS program. MMS also will develop a video on consultation with the States and public participation in its decision-making process.

- In FY 1991, MMS will increase the number of workshops it holds with local groups to provide a forum for the discussion of issues and concerns of the public.

- In FY 1991, MMS awarded a contract for a comprehensive analysis of its current processes relative to conflict management. The contract called for a thorough review of MMS's processes to determine which are working to reduce conflict, which may actually be inducing conflict, and what might be done to change Agency processes to reduce or avoid conflict.

- In FY 1991, MMS plans to hold lease sales offshore Alaska and in the Gulf of Mexico. These sales will be held after extensive consultation with the affected States to assure that their concerns were addressed.

- In FY 1991, MMS will conduct its Annual Review of the current 5-year program as required by the OCSLAA.

- In FY 1990, MMS worked to implement the recommendations of the OCS Policy Committee to the Secretary concerning improvements in the OCS program consultation efforts and in the process for developing the next 5-year program.

- In FY 1990, MMS continued staff studies concerning marine productivity and environmental sensitivity to assess whether new methods and data should be used in the next 5-year program.

- In FY 1992, MMS will continue to test and evaluate new approaches to public interaction. MMS will provide more face-to-face dialogue with the public and pursue innovative, timely ways to assure that the public's concerns and issues are addressed in the development of the OCS program.

- In FY 1992, MMS will continue conflict resolution/communications training for its employees to facilitate resolution of issues and concerns regarding the OCS program. This training is part of a comprehensive conflict management program aimed at changing the agency culture to be more sensitive and responsive to public concerns.

SELECTED WORKLOAD OUTPUTS

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

Subelement	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc(+) Dec(-)
1. Development of Comprehensive OCS Program:				
• Develop a New Program	1	1	1	---
• Annual Review	1	1	1	---
2. Management of Environmental Studies:				
• Regional Studies Plans	5	5	5	---
• National Studies Lists	1	1	1	---
• Procurement Packages	53	64	85	+21
• Technical Proposal Evaluations	9	14	25	+11
• Contracts Monitored	240	280	290	+10
3. Consultation to Assess Program Proposals:				
• Requests for Interest	0	3	0	- 3
• Calls for Information and Nominations	2	4	6	+2
• Area Identifications	2	4	6	+2
4. Environmental Assessment Process:				
• Scoping Process Reports	1	2	2	---
• Draft Environmental Impact Statements	5	3	2	-1
• Oil Spill Risk Analyses/Reports	5	2-3	2	---
• Endangered Species Consult.	11	8	6	-2
• Public Hearings	5	3	2	-1
• Final Environmental Impact Statements	2	4	3	-1
• Environmental Assessments	0	0	0	---
5. Leasing Proposal Process/Consultation:				
• Secretarial Issue Documents	2	5	2	-3
• Proposed Notice of Sale Decision Memoranda	3	5	2	-3
• Proposed Notices of Sale	2	5	2	-3
• Section 19 Letters	6	8	5	-3
• Final Notices of Sale	2	5	2	-3
• Final Notice of Sale Decision Memoranda	2	5	2	-3
• Balancing Letters	6	8	5	-3
• CZMA Consistency Determinations	---	5	3	-2

Subelement	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc(+) Dec(-)
6. Lease Sale Process/Adjudication:				
• Lease Sales	2	5	2	-3
• Active Leases Maintained	7,575	8,877	10,126	+1,249
7. NEPA Review for Industry Activities:				
• Categorical Exclusion Reviews for Regulatory Action	1,406	1,587	1,766	+179
• Environmental Assessments for Regulatory Action	147	181	211	+30
• Environmental Impact Statements for Regulatory Action	0	2	3	+1
• Oil Spill Risk Analysis/ Reports	0	2	2	---
• Endangered Species Consultations	15	22	22	---
• Environmental Reports Reviewed	308	352	402	+50
• Categorical Exclusion Reviews for Geological/ Geophysical Activity	484	572	662	+90
• Environmental Assessments for Geological/ Geophysical Activity	11	15	20	+5
Other Programs				
1. Leasing Area Maps and Diagrams:				
• Official Protraction Diagrams and Leasing Maps	62	64	64	---
• Supplemental Official Block Diagrams	0	1,000	1,000	---
2. Advisory Board Coordination:				
• Policy Committee Meetings	2	2	2	---
• Subcommittee Meetings	9	9	9	---
• Regional Technical Working Group Committee Meetings	12	12	12	---
• Scientific Committee Meetings	3	3	3	---
3. Conflict Management Products	0	4	6	+2

Note: Strategic and International Minerals workload units are included in Subelements 1-7.

Increase from 1992 Base

	(Dollar amounts in thousands) FY 1992 Base	FY 1992 Estimate	Difference
$	17,712	18,648	+ 936
(FTE)	(311)	(311)	(---)

Management Support for Increased Environmental Studies Program (+$936,000)

An increase of $936,000 is requested for the management of the increased studies effort and other ancillary support in the Leasing and Environmental Assessment Program. This effort is in response to the President's message to collect additional environmental information, especially for southern and northern California. Additionally, this effort will support needed studies in the producing areas of the Gulf of Mexico. On June 26, 1990, President Bush announced his decisions on the Outer Continental Shelf (OCS) Natural Gas and Oil Program. The President outlined guiding principles on which his decision was made and on which future OCS Program decisions would be based. A hallmark principle was that adequate scientific information must be available and subjected to rigorous scrutiny before leasing decisions are made.

The requested increase responds to this principle through the strengthening of current MMS environmental information management and distribution capabilities. Presently, the public and interested parties are notified of studies findings and results through the press notices, mailing lists, announcements at scientific meetings, and the issuance of an annual publications index. Information is disseminated primarily in hard copy form and may include the full study or study abstracts. The MMS will improve and expand current information management and dissemination capabilities within the Environmental Studies Program so that environmental information may be shared more efficiently and effectively. An inherent component of this effort will be improvements in getting information quickly and in usable form to the States. Some specific areas which MMS will address are improvements in the: (1) storage and retrieval of data; (2) ability to geographically reference, overlay, and analyze environmental data; (3) ability for users to obtain MMS's environmental information either electronically or in hard copy. These efforts will result in the expansion of mailing lists which are used to notify interested parties of available information, use of compact and optical disks to store data, and improvement of a PC-based data base used to index information.

Distribution of change by object class

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

	Amount ($000)
Travel	+10
Transportation of Things	+5
Rents, Communications, & Utilities	+20
Printing & Reproduction	+10
Other Services	+400
Supplies	+30
Equipment	+461
Total	+936

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(Dollar amounts in thousands)

Program Element		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Resource Evaluation Program	$ (FTE)	22,807 (343)	20,436 (295)	22,349 (302)	-458 (-41)	+1,913 (+7)
Total Requirements	$ (FTE)	22,807 (343)	20,436 (295)	22,349 (302)	-458 (-41)	+1,913 (+7)

Objectives

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

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

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

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

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

Program Description

The Resource Evaluation (RE) Program identifies potential locations and accumulations of offshore energy or non-energy mineral resources. Through the acquisition and analysis of scientific data, the extent and economic value of the Federal OCS resources are determined. Resource assessments are the core for understanding the relative resource potential of the various OCS areas.

The determination of the resource potential allows MMS to fulfill its mandate of responsible stewardship of the OCS. The development of estimates of technologically and economically recoverable resources serves as the basis for identifying candidate areas for assessing potential environmental impacts. Economic analyses of possible environmental damages and adverse coastal zone effects from proposed OCS leasing are performed to evaluate the net social value.

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

Information on the OCS provided by the RE Program enables the Department to make informed balancing decisions in the resolution of conflicts with other Federal Agencies, State and local governments, and other groups. Furthermore, MMS provides data and information concerning the resource potential of OCS areas to other Federal Agencies in support of their activities (i.e., proposed marine sanctuaries, traffic separation schemes, international boundary disputes, etc).

The RE Program combines much of the G&G data and analyses with resource economic and engineering data to produce outputs and products that are essential to major steps in the environmental studies and in the leasing process. Fundamental to accomplishing these objectives is the design, maintenance, and update of advanced computer models, ADP systems, and data bases for economic and engineering analyses that are a basic part of the overall OCS program and decisionmaking process.

The seven major subelements of the Resource Evaluation Program and their descriptions follow:

1. Geological Studies Program ($5,739,000)

   The objective of this subelement is to acquire and analyze G&G data and information to identify broad areas and to specify tracts with geologic potential for energy or non-energy minerals. These data and information form the basis for the detailed mapping and evaluation of formations and the distribution of potential offshore resources. This knowledge provides the basis for the geology report and associated maps, which are the initial technical analyses in the early stages of the leasing process. These data are used for determining the need for and the locations of additional environmental studies and for evaluations of bids received in an OCS lease sale.

The President set out as a guiding principle the necessity of adequate scientific and technical information regarding the resource potential of each area considered for leasing as well as a general directive to target more carefully toward areas with truly promising resource potential. In the past, when sales were scheduled in specific areas, G&G permits were issued to industry for the gathering of prelease data. Industry generally conducted extensive G&G work for 1 to 3 years prior to the proposed sale. There has been a lack of data in recent years resulting from deferrals, moratoria, or cancellations of lease sales causing industry to not acquire data in these OCS areas. As a result, MMS may have to acquire its own G&G (including seismic) data to have adequate information to perform analyses and make decisions. Seismic data form the primary base of information for the area identification/prospect evaluation process, and for the support of activities of the Energy Information Administration and National Oceanic and Atmospheric Administration. Adequate technical input must be available when analyzing proposed legislation or issues concerning other Departments, Federal Agencies, State or local governments, and other interested groups.

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

2. <u>Program Formulation ($2,026,000)</u>

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

A significant step in the leasing decision process is the identification of the prospective portions of the planning areas proposed to be offered under the "Comprehensive 5-Year Leasing Program". It is necessary to determine the range of potential for the areas to establish the need for environmental studies or initiate action on a proposed lease offering. Information on industry interest is also considered. Priorities are weighed against environmental, economic, and military concerns to identify the specific areas to be included in the proposed sales.

3. Evaluation Decisions Prior to a Lease Sale ($5,402,000)

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

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

4. Evaluation Decisions Following a Lease Sale ($2,251,000)

Under the OCSLAA, energy and non-energy mineral acreage is leased by a competitive bidding process. After a lease sale is held, high bids are evaluated to make sure the public has been offered fair market value for its resources. This includes determinations of the type of tracts, the viability of prospects, tract-specific resources, economic values, and development costs to determine the final acceptance or rejection of high bids (i.e., fair market value determinations). Cost estimates and price assumptions are prepared for lease sales in each fiscal year and include: gas and oil prices; transportation costs (pipeline, tanker, etc.); real price increases; inflation and discount rates; and exploration, development, production, and transportation costs. A computer model calculates both resource and economic values using estimates of recovery factors; production profiles; exploration, development, operating, and transportation costs; and market supply and demand. A continuous research effort is necessary to refine the guidelines for bid adequacy as well as the methodology and procedures involved with the model and the modeling process.

5. Reserves Assessment Program ($1,351,000)

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

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

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

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

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

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

Resource estimates are developed for biennial reports to Congress containing estimates of undiscovered recoverable gas and oil resources and known reserves in the OCS as required by Section 606 of the OCSLAA. In addition, those Regions having hydrocarbon reserves publish annual regional reserves reports. Headquarters, in conjunction with the Regions, produces a report that provides additional reserves related details presented from a total Federal OCS perspective.

6. Special Studies ($2,164,000)

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

Outreach efforts promote cooperation with State and local governments and enhance their understanding of the OCS Program and its effects on their communities. State cooperative agreements allow MMS to obtain vital information from State coastal areas for inclusion in MMS analysis of the Federal OCS. The MMS has such a cooperative agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin. The BEG acts as a central contact between MMS and the geological surveys of the coastal States and monitors multidisciplinary scientific activities conducted by the surveys for MMS. In FY 1992, approximately 23 coastal States will participate in the program.

7. Program Management and Support ($1,808,000)

Policy guidance and program direction is provided, along with internal and external coordination of program activities, and program and technical support for the work of the RE Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, the Regional Directors, and the Office of Offshore Management Support. Cartographic, editorial, and other support duties are provided by support staffs within each Region and are funded within this subelement.

Other Programs

Strategic and International Minerals ($1,608,000)

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

During FY 1992, the MMS will continue to ensure that State and local interests are fully considered and provide a forum for early identification and resolution of issues. Some ongoing projects have progressed to the prelease or postlease stage, while others continue to assess resource potential and gather and analyze environmental baseline data and information. New initiatives and expansion of existing partnership arrangements will provide new information on sand, shell, heavy minerals, and platinum deposits.

Recent Activities and Accomplishments

- Estimates were derived for numerous leasing options and subareas of the OCS addressed by the new 5-year program for the period commencing in mid-1992 and ending in 1997. In addition to estimates of the occurrence of natural gas and oil in the areas addressed by the various alternatives, estimates of the potential amounts of natural gas and oil that may be leased in each proposed sale were developed.

- Procedures and resource assessment models were developed for the potential leasing of gold or other non-energy minerals offshore Alaska and for sand and gravel in the Gulf of Mexico.

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

- Resource assessment models were modified for use in estimating potential undiscovered amounts of sulphur in the GOM. In a similar manner, a model was developed incorporating MMS evaluation policies to evaluate industry bids for other non-energy minerals leases.

- Several economic value estimates have been made to project the effects of moratoria on leasing and drilling and statutory changes affecting lease sales and bidder eligibility.

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

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

- Reserves reports for the Pacific and the GOM Regions as well as a total Federal OCS report will be published during FY 1991.

- A Bureau-wide effort to review the specific requirements of the RE Program's geologic mapping functions for the purposes of automating regional mapping activities is planned to be completed in FY 1991.

- A prototype resource report will be initiated in FY 1991. This report will discuss the resource estimates generated for a specific leasing proposal, the rationale behind the estimates, and the general factors composing the estimates.

- In conjunction with DOE's National Energy Strategy, MMS developed scenarios specifying when, and under what conditions, access could be provided to natural gas and oil resources on Federal areas currently withheld from leasing by the President, congressional moratoria, military or NASA deletions, ANWR, and wilderness considerations.

- It was estimated that MMS will collect approximately $468 million in bonus bids and rentals in FY 1992.

- An update of the statistical book called Sale Statistics is being completed to answer frequently asked questions relating to bidding information for offshore lease sales, eliminating the need to query on-line data bases in all instances. It will encompass sales from January 1987 through December 1990.

- A paper providing estimates of different measures of resources, economic value, employment effects and Government receipts associated with moratoria for the National Energy Strategy was completed.

- The pattern of bid rejections during the 1980's was analyzed. Found that rejected tracts generated an average increase of 100 percent in high bids when reoffered, thereby raising Federal receipts by $600 million. This finding confirmed the effectiveness of the MMS policies designed to "ensure receipt of fair market value," as mandated by the OCS Lands Act.

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

- The Hawaii Joint Planning Arrangement's ongoing assessment of cobalt-rich manganese crusts has been commended by the Governor and continues to receive strong endorsement by State participants and outside interest groups.

- In Alaska, the Federal/State Coordination Team worked successfully to resolve issues of concern throughout the prelease process for an offshore non-energy minerals sale (gold) and will continue to work with all parties after the sale by using a Monitoring Team approach.

- The Federal/Gulf of Mexico Task Force continues to address offshore sand shoals as a source for beach nourishment and restoration of barrier islands, an important option for dealing with wetland loss.

- A study of construction aggregate demand in the New England States, initiated in FY 1991, is anticipated to result in a future cooperative effort to investigate onshore and offshore aggregate supplies.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Resource Evaluation Program by subelement is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc. (+) Dec. (-)
1. Geological Studies Program:				
• G&G Permits Processed & approved	241	280	293	+13
• G&G Data Acquisition Actions	58	54	61	+7
• Seismic Data Acquisition (line miles)	85,280	42,000	47,000	+5,000
• Geology Reports	0	4	6	+2
2. Program Formulation:				
• Sales in Progress	13	10	12	+2
• Review of 5-Year Leasing Schedule	1	1	1	---
• Economic Value Estimates	10	8	5	-3
3. Evaluation Decisions Prior to a Lease Sale				
• Determinations of Area of Hydrocarbon Potential	2	4	6	+2
• Area Identification Recommendations	2	4	6	+2
• E&D Reports	6	4	5	+1
• NEPA and Other Decision Documents	12	10	7	-3
• Bidding System Design	2	6	3	-3
4. Evaluation Decisions Following a Lease Sale				
• Completed Sales	2	4	3	-1
• Cost Estimates and Price Assumptions	2	2	2	---
• Fair Market Value Determinations	2	4	3	-1

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc. (+) Dec. (-)
5. Reserves Assessment Program				
• Section 606 Reports	0	0	1	+1
• Field Reserve Studies	34	36	39	+3
• Preliminary Geologic Studies	66	57	59	+2
• Engineering Reviews	130	109	112	+3
6. Special Studies				
• Geologic Studies	10	10	12	+2
• Engineering Studies	12	16	15	-1
• Economic Studies	25	25	25	---

Note: Strategic and International Minerals workload units are included in subelements 1-6.

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	20,436	22,349	+1,913
(FTE)	(295)	(302)	(+7)

Resource Evaluation Initiatives (+$1,913,000; +7 FTE)

On June 26, 1990, President Bush announced his decision on the OCS Oil and Gas Program. Concerning the development of offshore oil and gas, the President called for further studies "... to create a much more carefully targeted OCS program ..." He emphasized the necessity for adequate scientific and technical information regarding the resource potential of each area considered for leasing as well as issuing a general directive to target more carefully toward areas with truly promising resource potential. It may be necessary for MMS to take the lead in data acquisition and in the study of many of these offshore areas to more fully understand the geology and resource potential. Industry may not acquire the necessary data in the absence of a scheduled lease sale.

The listed funding and personnel increases will allow the Resource Evaluation (RE) program to acquire geologic and geophysical data and information from selected available sources, including permittees and lessees, and to conduct studies for the purpose of evaluating the resource potential of OCS areas where lease sales may be scheduled in the future.

The President's decision has dictated a change in the way the MMS will need to carry out its resource evaluation responsibilities. In the past, MMS relied upon industry survey efforts to provide geologic and geophysical data and information necessary for assessing the resource potential of OCS planning areas. Once sales were scheduled in specific areas, industry generally conducted extensive geologic and geophysical work for one to three years prior to the proposed sale. The MMS has access to data collected by companies and selectively acquires data to use in its internal studies associated with resource assessment and prospect identification. However, in recent years, the deferral or cancellation of lease sales has resulted in the deferral or cancellation of industry geologic and geophysical work in these OCS planning areas. Also, the President's decision, while recognizing the long-term potential of the OCS as a source of domestic energy, puts areas off limits for more than a decade and establishes guiding principles regarding adequate data and analysis requirements for decision-making.

Accordingly, this request will facilitate MMS determinations on resource potential to: recommend where leasing should be considered; advise management on where to focus funds for environmental studies; and update the National Assessment of Offshore Oil and Gas Resources and Reserves. Adequate technical input must be available in the future when deliberating on proposed legislation or on issues concerning marine sanctuaries, Department of Defense or NASA withdrawal, and other related topics.

The types of studies and the generic approach to the types of geologic studies proposed are as follows:

- Broad regional studies of geologic basins
- Play identification and delineation
- Prospect identification
- Tract-specific prelease evaluation
- Tract-specific postsale data analyses
- Detailed studies of fields
- Special studies by universities.

The broad-scale geologic framework studies will take place in selected frontier areas of the OCS offshore California, Washington and Oregon, Mid-Atlantic area, and some portions of Alaska and the eastern Gulf of Mexico. The more detailed, prospect or structure-specific investigations will take place in portions of areas such as the Gulf of Mexico, southern California, Beaufort Sea, and Chukchi Sea where exploration and/or discoveries have taken place.

The types of investigations are as follows:

- Gulf of Mexico Region - S. Florida Basin Study, Central and Western Gulf of Mexico "Below the Salt" Study.
- Alaska Region - Geological Studies in Cook Inlet/Gulf of Alaska, St. Lawrence Basin Study.
- Pacific Region - Shallow Subcrop Stratigraphic Study in N. California, Eel River Basin Study, Point Delgada Area Study, Correlation Chart Study.
- Atlantic Region - N. Carolina Geologic Framework Study.
- Headquarters - General National Geologic Studies.

In OCS areas of exploration and development activities, an increased MMS RE program will encourage completion of vital post-discovery geologic studies associated with determination of the natural gas and oil reserves and related functions. Over the decade from 1978 to 1988, the number of discovered fields for which reserves determination and studies are mandated has risen from 430 total fields to 865. This increase can be attributed to higher oil prices and increased leasing rates in the early 1980's, increased exploration in deepwater portions of the Gulf of Mexico, and probably most significant, the increasing number of discovered smaller fields that were economical to produce. The increased workload occasioned by this doubling of reserve fields has resulted in approximately one-fourth of discovered fields being absent from MMS reserves estimates, thereby slowing periodic reviews of existing fields.

Having the Government play a more proactive role in the resource evaluation will also allow for greater cooperative efforts with States and universities. This activity promotes increased partnerships with groups which have had adversarial relationships with the Federal offshore gas and oil program in the past.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation........................	+ 420	
Personnel Benefits............................	+ 74	
Travel..	+ 25	
Transportation................................	+ 2	
Rents, Communications, & Utilities.............	+ 5	
Printing & Reproduction.......................	+ 8	
Other Services................................	+1,339	
Supplies......................................	+ 5	
Equipment.....................................	+ 35	
TOTAL	+1,913	+7

Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(Dollar amounts in thousands)

Program Element		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Regulation of Operations	$	30,192	27,950	32,680	+2,488	+4,730
	(FTE)	(407)	(360)	(367)	(-40)	(+7)
Technology Assessment and Research	$	2,095	2,095	5,295	+3,200	+3,200
	(FTE)	(---)	(---)	(---)	(---)	(---)
Oil and Gas Information	$	887	906	906	+19	---
	(FTE)	(7)	(7)	(7)	(---)	(---)
Total Requirements	$	33,174	30,951	38,881	+5,707	+7,930
	(FTE)	(414)	(367)	(374)	(-40)	(+7)

Regulation of Operations

Objectives

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

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

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

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

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

Program Description

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

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

Descriptions of the four major subelements of the Regulation of Operations program element descriptions follow:

1. Exploration and Production Review and Approval ($5,189,000)

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

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

a. Exploration and Development Plans

- Lease Plans

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

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

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

- <u>Unit Plans</u>

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

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

b. <u>Permitting</u>

- <u>Platform Installation Applications</u>

Provisions in 30 CFR 250 Subpart I, Platforms and Structures, requires that an operator submit to the Minerals Management Service, for approval, applications for the installation of new bottom-founded or fixed platforms and applications for significant modifications to applications that have already been approved. All new platforms or other structures are required to be designed, fabricated, installed, and inspected in accordance with these requirements. The requirements were designed to prevent the endangerment of life or health or damage to the environment and to ensure the structural integrity of platforms when they are subjected to hurricanes, earthquakes, ice, other natural hazards, and boat collisions.

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

In addition, platforms which: are to be installed in water depths exceeding 400 feet; have natural wave periods greater than three seconds; are to be installed in areas of unstable bottom conditions; have designs not previously proven for use in that area; or are to be installed in seismically active areas, are subject to the requirements of the Minerals Management Service Platform Verification Program. The Platform Verification Program requires both a more detailed review by the Minerals Management Service 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.

- <u>Pipeline Applications</u>

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

When a pipeline qualifies as a right-of-way pipeline, the pipeline cannot be installed until right-of-way approval has been requested and granted. Right-of-way grants are issued pursuant to Section 5(e) of the OCS Lands Act.

In addition to applications for new pipelines, operators and right-of-way grant holders are required to submit applications for approval for modification or repair of existing pipelines, as well as periodic inspection reports.

- <u>Suspension of Operations</u>

Suspensions of Operations (SOO) are directed when necessary for safety or environmental reasons or are granted for reasons in the national interest which are specified in regulations. The SOO's that have the effect of extending a lease beyond its primary term are granted with due consideration given to difficult or unforeseen problems. These suspensions are approved with the understanding that the lessee will meet all deadlines within approved activity schedules. Once a schedule has been approved, the deadlines are closely monitored to make certain that the lease is placed on production at the earliest possible date.

- <u>Gas Flaring</u>

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

- <u>Enhanced Recovery Operations</u>

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

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

  Safety systems on production platforms are a primary means of providing for operational and personnel safety and environmental protection. Drawings and schematics of new platform facilities showing production and process equipment, as well as safety and anti-pollution controls and devices, are reviewed for compliance with applicable OCS regulations. Following approval of the facility, these drawings are used to verify that the production system equipment is installed in the field in conformance with the approved plan.

- <u>Production Verification</u>

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

  Annual inspections are conducted of all onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with OCS regulations. MMS personnel perform onsite production verification and inspections to check discrepancies noted in the records being reviewed. The MMS has developed an automated system that analyzes crude oil production run tickets, meter proving reports and system sales allocation reports on a continuous basis. The system will detect under-reported crude oil production. The MMS has conducted a pilot gas production verification project in the Gulf of Mexico Region which will be used to determine whether a complete gas verification program is needed.

c. Determination and Agreements

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

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

- Natural Gas Policy Act (NGPA) Category

  The NGPA category determinations are made on the applications of gas producers, based on engineering and geological evidence, which must conform to specific requirements of the Federal Energy Regulatory Commission (FERC). This office makes determinations which, in effect, set the maximum price a producer can receive for gas produced from a well receiving a category determination.

- Commingling

  Commingling agreements are reviewed to ensure that such agreements do not result in a reduction in the royalty due to the Federal Government. Commingling applications are submitted when a lessee or lease operator intends to move production from multiple leases to a central facility for the purpose of treating, measuring, and storing this production. The MMS approves or disapproves the commingling or mixing for the above purposes. Further, commingling may involve the mixing of production from different wells, leases, and fields, with production of other operators.

- Development Activities/Lease Drainage

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

2. <u>Inspection and Certification ($20,099,000)</u>

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

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

- the certification of OCS well-control and safety device training programs; and

- the accreditation of manufacturers of certain safety and pollution prevention equipment.

The inspection of OCS operations is required by the OCS Lands Act to ensure compliance with all applicable safety and environmental protection laws and regulations. To measure lessee compliance and to evaluate the inspection program, selected facilities reviews are performed on operations in a specific area. The certification and accreditation programs are required to ensure that personnel working on the OCS are properly trained and that certain safety and pollution prevention equipment required by regulation is manufactured in accordance with the American Society of Mechanical Engineers (ASME) or American Petroleum Institute (API) Quality Assurance Programs. These programs have provided positive results in the pursuit of safe operations on the OCS as well as ensuring that the environment is protected.

a. <u>Inspection and Enforcement</u>

- <u>Inspections</u>

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

  Inspections are conducted on drilling, production, measurement, pipeline, workover and completion, oil spill response equipment, and abandonment operations. Drilling inspections are conducted to ensure that the proper equipment is used, sufficient supplies are on location, and proper techniques are followed to maintain control of the well and prevent blowouts, spills, and other accidents.

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

Petroleum engineering technicians perform the inspections and are located in district offices near the offshore facilities. The Minerals Management Service has four district offices and two sub-district offices in the Gulf of Mexico OCS Region, two district offices in the Pacific OCS Region, and one district office in the Alaska OCS Region. The MMS is hiring ten new inspectors that will work in the Gulf of Mexico OCS Region. These inspectors are expected to be hired by July 1, 1991. Inspections are highly technical in nature and consist of inspecting a number of small individual items that, in the aggregate, measure the overall condition and compliance record of the particular operation being examined. The number of inspections that are completed must be viewed in an overall context as representing a compilation of numerous checks and examinations performed by Minerals Management Service inspection personnel.

- <u>Accident Investigations</u>

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

- Safety Award for Excellence

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

  The Safety Award for Excellence is presented on both district and national levels. Each MMS district presents awards semi-annually based on exemplary performance on a single platform or rig, lease, or field or throughout an entire district. The National Safety Award for Excellence is presented annually by the Secretary of Interior to a lessee or company selected from the winners of the district awards.

- Selected Facilities Review

  A selected facilities review (SFR) is an intensified inspection effort directed at facilities in a specific geographic area. Special inspection teams comprised of two to four inspectors from two or more OCS Regions inspect a designated number of various types of facilities in a short (usually three days) period of time using preselected PINC's. The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the Minerals Management Service inspection program and the level of lessee compliance with OCS regulations. In FY 1991, one SFR is planned for the Gulf of Mexico Region and one is planned for the Pacific Region.

- Enforcement

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

b. MMS School Certifications

To ensure that workers in the OCS receive proper training necessary for safe drilling operations, protection of the environment, and conservation of natural resources, the Minerals Management Service currently reviews and certifies drilling well control training schools in the United States. The programs, instructors, curriculum, and record-keeping procedures are considered in the certification process.

In FY 1990, the MMS prepared procedures and regulations for the certification of training schools in completion/workover well control, production safety systems, and for the onsite testing of OCS workers.

c. Equipment Certifications

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

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

3. Operations Supervision ($4,694,000)

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

a. Training

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

b. Technology and Equipment

To ensure that OCS procedures, technology and equipment information needs for the regulation of OCS operations are available, the Minerals Management Service has implemented a multifaceted approach. A formal contract research program is funded which investigates the safety, pollution prevention, and oil spill response technologies. This program is funded as the Technology Assessment and Research Program Element. It is administered as part of the Regulation of Operations Program Element. Operations Technology Assessment Committees are established at each OCS Region and at Headquarters to consider procedures, problems, and technologies. Seminars and workshops are conducted to discuss new or improved procedures, technology, and equipment. Contracts to identify and/or evaluate new procedures and equipment are funded and administered. Also, multi-Agency contracts are funded and administered to evaluate and provide advice concerning the Nation's capability to accomplish its marine and maritime objectives.

c. Regulations and Associated Information

In association with studies of technology and equipment, the adequacy of current regulations and standards are continually reviewed relative to operating experience and new technology and information gained from analysis of accident reports. Rules under development include amendments to implement Minerals Management Service's new civil penalty authority and to reflect Minerals Management Service's assumption of regulatory responsibility for OCS pipelines previously under shared jurisdiction with the Department of Transportation.

Internal directives and operating procedures establish consistency in MMS operations. Notices to operators and lessees add specific regulatory explanation and guidance. Safety Alert Notices result from a detailed analysis of particular accidents and provide recommendations to prevent recurrence of accidents and provide information necessary to facilitate safe operations and protection of the environment.

d. Inspection Analysis

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

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

e. Associated Operation Support

Substantial staff time is spent fulfilling requests from local, State, and other Federal agencies for information and meetings relative to regulations, terms, and conditions which affect OCS operations. Support is also provided to MMS inspection and enforcement related activities. This support includes generation of weekly, monthly, semi-annual, and annual reports of various kinds and types, review of requests for departure or variance from specific regulatory requirements, and review of particular problems related to OCS drilling and production operations. Best Available and Safest Technology (BAST) reviews are also conducted.

4. Program Management and Support ($2,698,000)

Policy guidance and program direction are provided, as well as internal and external coordination of program activities, and program and technical support for the work of the Regulation of Operations Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Operations, the Regional Directors, and the Office of Offshore Management Support. Cartographic, editorial, and other program support duties are provided by support staffs within each Region and are funded within this subelement.

Recent Activities and Accomplishments:

- On September 30, 1990, the MMS was monitoring the development and production of 200 active units on the OCS.

- During FY 1990, 221 Suspensions of Production (SOP's) and 318 Suspensions of Operation (SOO's) were issued. As of September 30, 1990, there were 334 leases beyond their primary term with approved Suspensions of Operation (SOP's).

- In 1991 and 1992, the MMS, through the Platform Verification Program, will review the design and fabrication of a platform to be installed in a record depth on the OCS, 2,800 feet of water.

- In the Arctic, structural inspections of unique structures are being conducted to evaluate the construction and technology for exploratory drilling structures.

- The Gulf of Mexico Region is inspecting up to 50 OCS facilities per year for compliance with the National Pollutant Discharge Elimination System permit provisions for the Environmental Protection Agency (EPA). A MMS inspection checklist, agreed to by EPA, is being used to conduct the facility inspections.

- The MMS is implementing task force recommendations on oil spill response capabilities and regulations in each Outer Continental Shelf (OCS)

Region. Approximately 35 unannounced oil spill containment and cleanup drills per year are being conducted in the Gulf of Mexico (5) and the Pacific (30) Regions. All four OCS Regions have implemented internal guidelines for conducting four different levels of spill drills and exercises from simulations to actual unannounced deployments.

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

- The MMS continues to initiate interagency cooperative research in oil spill response technology with U.S. Coast Guard, EPA, and the Navy. It also is continuing a long-standing cooperative effort in oil spill response research with the Canadian Government and has recently developed a cooperative agreement with the American Petroleum Institute.

- The MMS hopes to reopen the Oil and Hazardous Materials Simulated Environmental Task Tank (OHMSETT) facility in the summer of 1991. Approximately 95 percent of all current performance data for oil spill response booms and skimming systems were generated at the OHMSETT facility. Reopening this facility will enable the MMS with other Agencies to continue important research concerning the performance of oil spill containment booms and skimming systems.

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

- The Pacific OCS Region has requested operators of older platforms to reevaluate the ability of those platforms to withstand earthquakes. Results were received in first quarter of FY 1991.

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

- During 1989, the MMS assembled a task force of headquarters and field personnel to analyze the inspection and enforcement program. A final report was issued in February 1990, and an implementation plan was issued in May 1990 outlining tasks to upgrade the inspection program to accomplish the oversight responsibilities of the Bureau. This implementation plan includes a new definition of a facility and a statistical sampling program, upgrading of the Offshore Inspection System (OIS) to provide programmatic oversight of the inspection program as implemented, and upgrading of the inspector work force to meet the increased technical requirements of the new inspection initiatives.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs in the Regulatory Program by subelement and other initiatives is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
1. Exploration and Production:				
Exploration/Development and Production Plans Processed	738	756	816	+ 60
Offshore Mining Permits Processed	0	2	2	---
Unitization Agreements, Operating Agreements and Enhanced Recovery Operations Analyses Processed	971	991	992	+1
Applications for Permit to Drill Processed	907	1,004	1,110	+106
Platform Installation Applications Processed and Verifications of New Platforms	292	321	341	+ 20
Pipeline Applications Processed	292	305	336	+ 31
Suspensions of Operation/Production	423	426	441	+ 15
Gas Flaring Approvals	290	316	351	+ 35
Enhanced Recovery Operation Analyses	4	4	4	---
Production Verifications	26,300	28,400	29,000	+600
Production Rate Control (MER and MPR)	4,410	4,455	4,560	+105
NGPA Category Determinations	153	105	110	+ 5
Commingling Agreements and Measurement Approvals	255	265	265	---
Review Development Activity/ Lease Drainage	205	257	258	+ 1
Quarterly and Semiannual Well Tests	17,450	17,550	17,700	+150
Applications for Workover, Recompletion, and Abandonments	3,781	4,150	4,566	+416
Platform Removals and Site Clearances Processed	203	218	239	+ 21
Air Quality Evaluations Processed	100	110	120	+ 10
Field Development Studies Performed	75	102	127	+ 25
Oil Spill Contingency Plan Reviews	149	160	169	+ 9
Critical Operations and Curtailment Plans Processed	16	23	27	+ 4
2. Inspection and Certification:				
Inspections for Energy Minerals Operations	11,045	12,540	13,300	+760
Inspections for Nonenergy Minerals Operations	0	2	20	+ 18
Unannounced Oil Spill Drills Conducted	32	44	47	+ 3
Oil Spill Response Exercises Evaluated	56	63	73	+ 10
Accident Investigations	105	107	107	---

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Selected Facilities Reviews............	0	2	2	---
Civil and Criminal Penalties Cases Processed...........................	0	2	4	+ 2
MMS School Certifications..............	5	100	125	+ 25
3. Operations Supervision:				
Technical Courses Attended.............	97	101	107	+ 6
Safety Courses Attended................	24	29	36	+ 7
Management and Administrative Courses Attended............................	40	41	42	+ 1
Technology and Equipment Studies Administered........................	54	79	124	+ 45
Regulations Promulgated................	16	19	21	+ 2
Freedom of Information Requests Processed...........................	35	40	50	+ 10
Public Information Requests Processed...........................	1,186	696	808	+112
Reports/Statistics Prepared............	255	277	308	+ 31
Inter-agency (Federal, State, and local government) Coordination Activities..	118	143	178	+ 35
Coordination Activities with other organizations/government agencies....	109	128	153	+ 25
Regulatory Reviews Performed...........	214	231	246	+ 15
Preliminary Lease Activities..........	44	33	32	- 1
Lease Stipulation Activities..........	91	90	90	---
External Affairs Activities............	70	105	122	+ 17
Development of Guidelines and Rules....	110	154	177	+ 23
Legal Actions..........................	20	25	25	---
Responses to Congressional Requests for Information......................	64	67	77	+ 10
Biological Task Force Meetings.........	7	10	13	+ 3

Note: Strategic and International Minerals workload units are included in subelements 1-3.

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	27,950	32,680	+4,730
(FTE)	(360)	(367)	(+7)

Inspection Program Enhancement (+$4,730,000; +7 FTE)

This increase will provide:

- additional personnel (5 FTE) and increased funding for the helicopter fleet to accommodate increased inspection activity such as electrical, pipeline and site security completion/workover, and unannounced inspections of facilities;

- conversion to a statistical sampling approach in the inspection of OCS facilities and increased inhouse analysis of inspection data to improve inspection targeting;

- increased certification of schools which provide training in well completion/workover, well control, and production safety systems as described in the Subpart "O" Regulations; and

- an additional two FTE to assist in the administration of expanded oil spill response research projects and related activities. This expanded effort will include at-sea testing of cleanup methods and systems.

On June 26, 1990, President Bush announced his decisions on the Outer Continental Shelf Oil and Gas Program. The President outlined guiding principles on which his decision was based. A key component of this is the need to achieve a balance between providing energy for the American people and protecting the unique and sensitive coastal and marine environments. Enhanced programs of inspection and further development of oil spill response technology will meet this goal.

In FY 1990, there were 10 helicopters in the Gulf of Mexico, six single-engine and four twin-engine. In the Pacific OCS Region, there was one single-engine and one twin-engine. In FY 1991, the Gulf of Mexico Region plans to have five single-engine and six twin-engine with the Pacific Region remaining the same. With this increase in FY 1992, the Gulf of Mexico Region will be equipped with five single-engine and eight twin-engine and the Pacific Region will have two single-engine and one twin-engine.

In 1989, there were approximately 3,700 OCS platforms, the majority of which are in the GOM. This does not include the 123 mobile offshore drilling units. The number has been increasing at a rate of about 80 platforms per year since 1985. In FY 1989, 66 percent were between 50 and 100 miles from shore, and 17 percent were between 100 and 200 miles from shore.

Of the new OCS platforms, almost 100 percent have been installed further than 50 miles from shore and approximately 23 percent further than 100 miles from shore. The distances required to be travelled are increasing and require a different type of helicopter that has a higher lease cost.

Recent reports on inspections by the Marine Board and the MMS Task Force on OCS Inspection and Enforcement have recommended certain changes and new approaches to the ever-increasing inspection demands. MMS has increased unannounced inspections to ensure safety of OCS operations. This results in a requirement for additional personnel and more helicopter air time in aircraft with a higher lease cost.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation................................	+464	
Personnel Benefits....................................	+74	
Travel..	+37	
Transportation of Things..............................	+3	
Rents, Communications, & Utilities....................	+40	
Printing & Reproduction...............................	+25	
Other Services..	+4,025	
Supplies..	+19	
Equipment...	+43	
Total...	+4,730	+7

Technology Assessment and Research (TA&R)

Objectives

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

- To provide research leadership to promote increased oil spill response capabilities in the event of an oil spill in the marine environment.

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

Program Description

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

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

Descriptions of the five major subelements of the Technology Assessment and Research program element follow:

1. Deep Ocean Operations

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

2. Old and Innovative Structures and Pipelines

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

3. Offshore Earthquakes

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

4. Nitrogen Oxide (NO_x) Pollution on the OCS

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

5. Oil Spill Containment and Cleanup

To fulfill its responsibilities in the review of oil spill contingency plans and to ensure that response equipment and procedures are optimum, a balanced and comprehensive research approach is necessary to address all applicable techniques--mechanical, chemical (including dispersants), and burning, as well as methods for spill detection and thickness measurement. The MMS and its associate agencies in the United States and Canada are engaged in such a research program to produce significant response improvements in the next several years. This technology involves laboratory, large scale, and ocean evaluation.

Recent Activities and Accomplishments

- Development of an automated system to sense bottom-hole instabilities while drilling and to maintain well control was completed.

- Completed tests and evaluations of the design and operations of state-of-the-art diverter systems.

- An International Workshop/Symposium on well control were conducted.

- Tests and evaluations of the susceptibility of compliant platform tendons (legs) to stress corrosion and fatigue were conducted.

- Testing and evaluation of the susceptibility to "pull out" of pile foundations of compliant structures was conducted.

- Technologies for determining the integrity of subsea pipelines and the techniques for monitoring and inspection of these were assessed.

- Earthquake data off California from seafloor seismic instrumentation was obtained.

- The assessment of technologies applicable for reducing NO_x in gas turbines and diesels was completed.

- Laboratory testing of NO_x control technique known as RAPRENOX was supported.

- A public workshop on spill response was held.

- Test facility (OHMSETT) for performing research and testing of spill response techniques and procedures were refurbished.

- Dispersant chemicals for use in open-ocean crude oil spills continue to be reformulated.

- Mesoscale burn tests are being set up and large scale, at-sea burn experiments are being planned.

- Standardized procedures (protocols) are being completed for testing oil spill containment booms.

SELECTED WORKLOAD OUTPUTS

Selected outputs for the Technology Assessment and Research Program Element are:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc (+) Dec (-)
Technology Projects	20	28	35	+7
Major Technology Transfer Seminars/Workshops	1	2	2	---
Major Program Reports	--	1	--	-1

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	2,095	5,295	3,200
(FTE)	(---)	(---)	(---)

Oil Spill Response Initiative (+$3,200,000)

This request will expand oil spill response research projects and related activities, such as: National Response Team responsibilities; increased oil spill drills and equipment inspection; improved detection of pipeline leaks; and at-sea testing of cleanup methods and systems.

The Minerals Management Service/American Petroleum Institute joint research program on oil spill cleanup is due to end in FY 1991. This proposal will ensure a continuing emphasis on this high priority research and the field testing of promising new techniques. Utilization of the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT), transferred to MMS in FY 1990 and operational in the summer of 1991, will also be supported by this proposal. Recent progress on two remote oil sensors are ahead of the original schedule. Research on the following technologies applicable to spill response will continue: mechanical booms and skimmers; chemical treating agents and dispersants; burning of oil on the surface of the ocean; and beach line cleanup. In addition, at-sea evaluation will greatly accelerate the evaluation of promising cleanup techniques and systems.

The initiative will improve oversight of critical studies being conducted on oil spill cleanup as well as facilitate rapid integration of study results into MMS regulations. MMS, through a new MOU with DOT, is greatly expanding its jurisdiction over pipelines on the OCS. Pipelines are the major source of oil pollution from OCS operations and this research is critical.

Distribution of change by object class

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

	Amount ($000)
Other Services..............................	+3,200
Total..	+3,200

Oil and Gas Information

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 Minerals Management Service by providing summaries of scientific, technical, and policy data.
- To compile, organize, print, and disseminate this information to facilitate efforts by other Federal Agencies, State and local governments, and the public to manage OCS activities.

Program Description

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

Descriptions of the two major subelements of the Oil and Gas Information program element follow:

1. OCS Oil and Gas Information Program

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

   b. Develop and publish informational documents containing the data discussed above including Regional Update Reports, Map Plates, an OCS Compendium, an OCS Directory, the OCS Leasing/Operations Procedures, and Compilations of OCS Laws and OCS Regulations.

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

2. Technical and Program Publications

Program publications and editorial approval are provided by the Office of Office Information and Publications. This Office provides:

a. Overall management, development, and coordination of offshore technical and scientific publications, graphics support and design, and public information products related to the OCS program.

b. Development and implementation of publications policies and review procedures designed to meet the objectives of the MMS in providing State and local officials, industry, and the public with timely scientific, technical, educational, and policy information.

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

Recent Activities and Accomplishments

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

- Alaska Update; September 1988--January 1990: Outer Continental Shelf Oil & Gas Activities.
- Atlantic Update; July 1986--June 1990: Outer Continental Shelf Oil & Gas Activities.
- Gulf of Mexico Update; May 1988--July 1989: Outer Continental Shelf Oil & Gas Activities.
- Pacific Update; August 1987--November 1989: Outer Continental Shelf Oil & Gas Activities.
- Map plates for the Southern California, Arctic, Bering Sea, and the Chukchi areas. (December 1989)
- OCS Directory; Federal and State Agencies Involved in the Outer Continental Shelf Oil and Gas Program. (July 1990)
- OCS National Compendium; Outer Continental Shelf Oil and Gas Information through September 1988.
- Oil & Gas Leasing/Production Program: Annual Report/FY 1989.
- Federal Offshore Statistics: 1988; Leasing, Exploration, Production, and Revenues.
- Offshore Scientific & Technical Publications; 1987 Annual.

- Offshore Scientific & Technical Publications; Spring 1989.
- New Publications; Offshore Scientific & Technical Publications; July 1990.

SELECTED WORKLOAD OUTPUTS

Selected Oil and Gas Information Program workload outputs are:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Regional Update Reports.............	4	4	4	---
OCS Regulations.....................	0	0	1	+1
OCS Laws............................	0	1	0	-1
Directory......................	1	1	1	---
OCS Leasing/Operations Procedures...	0	1	0	-1
Regional Map Plates.................	2	2	2	---
OCS National Compendium.............	0	1	0	-1
OCS 5-year Program Map..............	0	1	0	-1
Annual Report to Congress...........	1	1	1	---
Federal Offshore Statistics.........	1	1	1	---
Annual Offshore Scientific/Technical Publications Catalog..............	1	1	1	---

Activity: Outer Continental Shelf Lands
Subactivity: Information Management Program

(Dollar amounts in thousands)

Program Element		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Information Mgmt	$	---	7,223	14,123	+14,123	+6,900
Program	(FTE)	(---)	(108)	(108)	(+108)	(---)
Total	$	---	7,223	14,123	+14,123	+6,900
Requirements	(FTE)	(---)	(108)	(108)	(+108)	(---)

Information Management Program

Objectives:

- To maintain and operate effective and efficient automated data processing systems and databases to support the mission programs.
- To continually review the effectiveness of the various systems and databases to determine the need for enhancements and changes to meet evolving mission program requirements.
- To fully correlate and assess the large volumes of environmental and resource data being gathered under private and contractual efforts and make these data fully accessible to other MMS mission requirements.
- To lead in the development and maintenance of oil and gas industry standards for the exchange of information about the OCS.
- To effectively utilize computer tools and analytical mapping techniques to improve resource assessment and to respond fully to the President's directive to achieve a balance between the need to provide energy for the American people and the need to protect unique and sensitive coastal and marine environments.

Program Description:

The Information Management Program provides the essential technical and program support information necessary to carry out the Outer Continental Shelf Lands Activity; i.e., the Leasing and Environmental Program, Resource Evaluation Program, and Regulatory Program. Those scientific, engineering, and land management activities are information intensive drawing from a wide variety of current, historical and multidisciplinary data and are being used every day and are called on for each decision. The accumulation, storage, retrieval, combination, and computations of that data have been increasingly automated in a somewhat piecemeal manner over the past decade. The Outer Continental Shelf Lands Activity depends upon a dozen major automated data processing (ADP) systems and more than 200 minor systems and databases, employs 5 Perkin-Elmer minicomputers, and about 900 microcomputers. The computers, systems and databases, and the data are tools used daily by MMS employees to efficiently and effectively carry out their jobs.

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

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

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

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

Recent Activities and Accomplishments:

- Program-wide standards were established for word processing, database management and communications protocols between personal computers and other associated Offshore hardware. Also, standards were developed for Local Area Networks (LANs) and personal computer configurations.

- The MMS Data Element Dictionary was developed and distributed and is providing leadership in industry standards for data elements.

- A long-term information requirements document was developed and a requirements analysis and benefit/cost analysis was completed to guide future equipment acquisition. A project plan for future application software development was developed and verified by an outside consultant.

- The requirements analysis and the feasibility study benefit/cost analysis for standard interactive mapping systems to support the resource evaluation program was completed. The Statement of Work is in its final stages for a contract to be awarded in FY 1991.

- Continuity of Operation Plans have been developed for the three major computer centers and plans are being developed for the 13 LAN's throughout the Offshore program.

Selected Workload Outputs

A summary of selected workload outputs for the Information Management Program is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Lines of Code Developed or Maintained for various systems[1]	1,000,030	1,130,000	1,630,000	+500,000
Database Management Systems Developed or Maintained	197	230	235	+5
Local Area Networks Installed and Maintained	13	16	20	+4
Number of Personal Computers Installed and/or Maintained	1,087	1,115	1,150	+35
ADP Contracts Administered	5	7	12	+5

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	7,223	14,123	+6,900
(FTE)	(108)	(108)	(---)

Technical Information Management System (+$6,900,000):

This request will support a multi-year, multi-phased initiative, known as the Technical Information Management System (TIMS), to upgrade and modernize the automated data processing capability for the entire Outer Continental Shelf Lands Program including: the initial replacement of Perkin-Elmer computers and applications; the acquisition of additional interactive mapping and graphics systems; maintenance of PC's, minicomputers and peripherals; and acquisition of additional data storage capacity.

Initiative for the initial replacement of equipment and applications includes:

- the equipment cost for the initial development associated with replacement of obsolete and outdated Perkin-Elmer minicomputers;
- applications systems development using a corporate database structure on a PC-based network environment that will transfer the

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[1] Systems for which code developed or maintained are: OCSIS; OIS; OB2MIS; CLASS; ACS; G&G; ZYCOR; MONTCAR; and PRESTO.

existing applications to the operating environment of the new Technical Information Management System (TIMS); and

- new applications systems support to develop PC-based pilot application for the Regulatory Program and to improve data gathering and information dissemination. Much of the support will be provided on an interim basis until new ADP system(s) of TIMS is in place.

Initiative to acquire mapping and graphics systems includes:

- replacement of existing Perkin-Elmer based analytical mapping capability.

Initiative for maintenance and enhancement of existing equipment includes:

- periodic replacement of some outdated PC's; and

- increased maintenance and additional disk storage of existing Perkin-Elmer minicomputers.

Escalating maintenance cost, near-capacity utilization, and particularly, technological obsolescence dictate replacement of the Perkin-Elmer minicomputers. Existing programs include a number of specialized applications (including mission-essential mapping capability) that are not transportable. Therefore, applications systems development will be required to rewrite these applications for the new operating environment of any replacement system(s). The ORACLE database management system, acquired in FY 1990, will facilitate a smooth system transition to a full range of new hardware.

The Offshore Program's installed base of 900 personal computers is an important and integral part of the existing operations. Many of these units will be more than five years old in FY 1992, and some units will need to be replaced. Additionally, significant software upgrades are required to enhance efficiencies. A requirement for additional disk storage capacity, which may be utilized with the new system, and increased maintenance costs for the Perkin-Elmer computers is projected in FY 1992. This increase is necessary for "survival" of existing systems until new hardware can be installed, tested, and made operational.

<u>Distribution of Changes by Object Class</u>:

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

	Amount ($000)
Other Services..................	+ $ 2,800
Supplies........................	500
Equipment.......................	+ 3,600
Total...........................	$ 6,900

Activity: Royalty Management

(In thousands of dollars)

Activity Summary

Subactivity	FY 1990 Actual	FY 1991 Enacted to Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Mineral Revenue Collections	18,144	19,983	20,435	21,165	1,182	+730
Mineral Revenue Compliance	18,340	22,411	22,874	24,242	1,831	+1,368
Systems Development and Operation	17,544	19,722	19,867	21,167	1,445	+1,300
Interest on Late Disbursements	177	---	---	---	---	---
Indian Refunds	63	8	8	---	-8	- 8
West Delta, Louisiana OCS Settlement	---	3,979	3,979	---	-3,979	-3,979
Total Requirements	54,268	66,103	67,163	66,574	471	- 589

Authorizations

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

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

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

30 U.S.C. 181, et seq. — The Mineral Leasing Act (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 as amended, (OCSLAA) extends the jurisdiction of the United States to the Outer Continental Shelf; provides for granting of leases to develop offshore energy and minerals; and provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
30 U.S.C. 1001, et seq.	The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 181, et seq.	The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
25 U.S.C. 2101, et seq.	The Indian Mineral Development Act of 1982 provides that any Indian Tribe may enter into lease agreements for mineral resources within their boundaries with the approval of the Secretary. Allotted land owners may join Tribal mineral agreements.
30 U.S.C. 1701, et seq.	The Federal Oil and Gas Royalty Management Act of 1982 (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.

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

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

Recent Program Initiatives

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

- The RMP continues to place top priority on the accurate and timely processing of mineral revenues on behalf of Indian Tribes, Indian allottees, States, and the U.S. Treasury. In the 12 months ended September 30, 1990, the RMP collected, accounted for, and distributed over $4 billion in mineral revenues from more than 90,000 Indian and Federal mineral leases.

- Through October 1990, comprehensive royalty payment review and follow-up procedures have generated over three quarters of a billion dollars and continue to produce about $100 million annually in unpaid and underpaid mineral revenues. These programs include: AFS exception processing, which has collected more than $68 million to date; the AFS/PAAS comparison, which has contributed more than $59 million; and the audit program, which has generated more than $629 million.

- The MMS audit strategy has been revised to provide improved audit coverage of Federal and Indian leases. The MMS is directing the majority of its audit resources toward nearly 200 major payor company audits. The remaining payors are subject to audit through a sample selection process; through audit referrals from the Bureau of Indian Affairs (BIA) and the Bureau of Land Management (BLM); and through exception referrals from the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS).

- The MMS Contemporaneous Audit Initiative, begun in FY 1989 to accelerate the completion of prior year audits, is progressing on schedule. In FY 1990, the Royalty Compliance Division completed audits of the 11 residency companies for the 1980-83 business period, and is currently auditing the 1984-89 period. The MMS, States, and Indian Tribes also completed joint comprehensive audits of about 40 major payor companies in FY 1990 and are scheduled to complete 60 more in FY 1991.

- During FY 1988, MMS assumed the responsibility of accounting for Indian nonstandard leases and agreements. Because these leases and agreements contain unique provisions not readily adaptable to AFS, MMS developed new AFS capabilities plus off-line microcomputer applications to account for these leases. The implementation of the new off-line system was completed in FY 1989. All Indian Royalty-in-Kind leases were converted to the AFS and all non-standard leases were converted to the microcomputer system by the end of FY 1990.

- During FY 1991, MMS plans to improve the process for monitoring revenue on Indian leases. The recoupment of royalties by a company is a common and permitted practice whereby a company offsets a current royalty payment due against a previous excess royalty payment. The FY 1991 budget includes a request to provide staffing necessary to monitor overrecoupment activity and to assure that Indian allottees can expect relatively consistent monthly royalty payments.

- On January 15, 1988, MMS published final regulations for determining the value for royalty purposes of oil and natural gas produced from Federal and Indian leases. These regulations became effective March 1, 1988. As detailed in RMP's quarterly reports to Congress on revenue neutrality, these regulations have produced no obvious effects on royalty collections. Final rulemaking for coal product valuation was published in the Federal Register on January 13, 1989, and became effective on March 1, 1989. The coal product valuation regulations were amended with publication of the final rulemaking on August 30, 1990. See Compliance subactivity, Product Valuation section, for further details. Proposed rulemaking for valuing geothermal resources was published in the Federal Register on January 5, 1989. It is anticipated that a final geothermal product value rulemaking will be issued in FY 1991.

- The initiative to centralize onshore oil and gas production reporting within MMS was successfully completed in October 1989 when the remaining onshore leases were converted to the automated production reporting system. The MMS is now able to systematically and comprehensively compare sales reported by operators on production reports to sales reported by payors on royalty reports.

- The MMS is continuing to improve its responsiveness to Indian concerns and problems by increasing staffing in the Office of External Affairs (OEA). In FY 1992, OEA will conduct some 40 visits with Indian tribes, allottees, allottee organizations, and Bureau of Indian Affairs (BIA) offices to foster communication and cooperative problem solving. The OEA will also respond to a growing workload of individual problem referrals. As Indians become aware of the services MMS offers, referrals are expected to double from 125 in FY 1990 to 250 in FY 1992.

- An OEA Indian Royalty Services field office is planned for opening in Oklahoma City in the latter half of FY 1991. This office will provide on-site resolution of Indian lease problems. In FY 1992, MMS is tentatively planning to open a second OEA field office in northwestern New Mexico. A budget increase is proposed to fund this expansion of outreach activity.

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

- By beginning implementation of total quality management (TQM) during FY 1990, the RMP has made a long-term commitment toward achieving its vision of royalty management excellence in the coming decade. This latest action follows a history of active RMP participation in the President's quality and productivity program. Applying TQM principles, RMP intends to pursue continuous improvement through the integrated efforts of management and employees with a unified attitude of public service and stewardship over public resources.

- The MMS is continuing its initiative to enhance the AFS in response to recommendations from systems users, the RMAC, and other interested parties. Benefits derived so far from these enhancements include simplified reporting, increased revenues, and improved information to RMP clientele. Long-term enhancements to further simplify industry reporting, accelerate the processing and disbursement of receipts, and improve relations with and services to clientele were incorporated in the RMP's Business System Improvement Plan. The implementation phase of this plan is the Business System Planning Implementation. The MMS is continuing implementation of this plan during FY's 1991 through 1992.

- In FY 1991, MMS is beginning the upgrade of the central processing unit (CPU) to accommodate the additional workload on the mainframe as well as to maintain the schedule for converting all workload from the minicomputers to the mainframe. FY 1991 is the first year of this four year enhancement effort.

- In response to the issues raised by the Special Committee on Investigations of the Senate Select Committee on Indian Affairs, MMS established an Initiative for Indian Tribes and Allottees (IITA) Task Force to evaluate the Committee's concerns and to develop an improvements plan. The IITA Task Force developed several proposed improvement initiatives which were then reviewed by the RMAC. In February 1990, MMS Director Barry Williamson announced release of an Action Plan for Improved Indian Royalty Management, which contains 18 action elements for improving the services provided to the Indian community. The Action Plan initiatives have been incorporated into the Business Systems Improvement Plan. Increases totaling $1.64 million are requested under IITA to intensify outreach, product valuation, and collection oversight on Indian leases.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec(-) from 1991	Inc.(+) Dec.(-) from Base
Mineral Revenue	$	19,983	20,435	21,165	+1,182	+730
Collections	(FTE)	(294)	(294)	(296)	(+2)	(+2)
Total	$	19,983	20,435	21,165	+1,182	+730
Requirements	(FTE)	(294)	(294)	(296)	(+2)	(+2)

Objective

o To efficiently carry out the provisions of legislation providing for collection and distribution of mineral revenues. In particular, FOGRMA requires the timely collection of revenues due, the detection of incorrect payments, and the enforcement of the penalty and assessment provisions for noncomplying royalty payors and reporters.

Program Description

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

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

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

In FY 1992, RMP expects to collect and account for over $4.0 billion in mineral leasing revenues through AFS and BRASS. In addition, the RMP generates a centralized reporting system, PAAS, to track production reports from Federal and Indian leases. Production data from PAAS is compared to financial data from AFS to guard against under reporting of sales volumes and to verify that proper royalties have been reported and paid. The RMP was created to minimize under collections and will continue to work toward improving collection and reporting mechanisms in FY 1992.

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

- o Payor and system error rates have dropped to systems integrity levels; sustaining these levels has required a continuing resource-intensive effort on the part of RMP staff;
- o Approximately 97 percent of all dollars collected each month are disbursed within the following month; and
- o The penalty and assessment procedures contained in MMS regulations have been helpful in reducing error rates and improving payor and reporter compliance.

<u>Auditing and Financial System (AFS)</u>

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

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

<u>Exception Processing</u>: The purposes of the exception processing program are to identify payor noncompliance in royalty reporting and paying and encourage

payors to comply with reporting and payment requirements. Billable exceptions are generated by comparing what a payor reports and pays to what the system expects the payor to report and pay. Although the AFS generates these exceptions each month, a manual effort is necessary to assure that a true discrepancy exists and that the royalty payor is in fact responsible for the problem. If necessary, RMP issues bills on Federal and Indian leases for late payments and under payments.

The MMS augments the exception processing effort with contractor employees in order to handle the large workloads. In FY 1991, RMP anticipates that the contractor workload in support of exception processing will increase due to the implementation of the Business Systems Improvement Plan and the Initiative for Indian Tribes and Allottees (IITA). Because of these initiatives, RMP anticipates increases in FY 1991 and FY 1992 in the number of bills issued and the number of appeals received, completed, and resolved. The Debt Collection Act of 1982 and FOGRMA require that RMP follow-up and collect on delinquent bills. The RMP estimates that workload for the follow-up and collection activities from RMP issued bills will increase in both FY 1991 and FY 1992 due to increases in workloads referred from other RMP entities.

The RMP utilized IBM's Business Systems Planning (BSP) methodology to evaluate the effectiveness of current systems, to identify both short-term and long-term functional improvements, and to develop a long-term strategic plan for future systems design and implementation within the Systems Development and Operation subactivity. Part of RMP's in-house cost within the Mineral Revenue Collections subactivity is for the testing of new and modified software. This cost will increase in FY 1992 due to a higher level of testing required on the BSP system improvements to permit full acceptance of the new and enhanced software.

Although exception processing has the primary goal of increasing compliance with the law and implementing regulations, increased revenues are a secondary benefit of this activity. From February 1985 through September 1990, MMS increased royalty collections by $68.1 million as a result of exception processing. In FY's 1991 and 1992, additional gross receipts are estimated to average $14 million each year. The MMS will also be exploring further enhancements to exception processing routines which could further improve payment and reporting by industry. Additional billings and collections are expected from these new routines.

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

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

- Automated reporting, whereby companies are encouraged to submit royalty reports by magnetic tape to eliminate transcription and input errors. Similarly, MMS mails out "model" royalty reports, with static information already filled out, to help minimize the opportunity for transcription and input errors.

- o Payor training efforts which included the presentation of 19 sessions for 286 royalty paying companies through September 1990. Currently, RMP has plans for 15 sessions during FY 1991.

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

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

The improvement in payor compliance with paying and reporting requirements can be seen in the historical drop in the percent of total fatal lines (those data lines with errors which make it impossible to accurately disburse funds until corrected) as reflected in Figure 3 shown below.

Figure 3 depicts the percentage of rejected fatal lines by type of data input: tape; other than tape; and total lines. Total fatal lines has declined from an average of 17 percent in FY 1984 to about 5 percent in FY 1990.

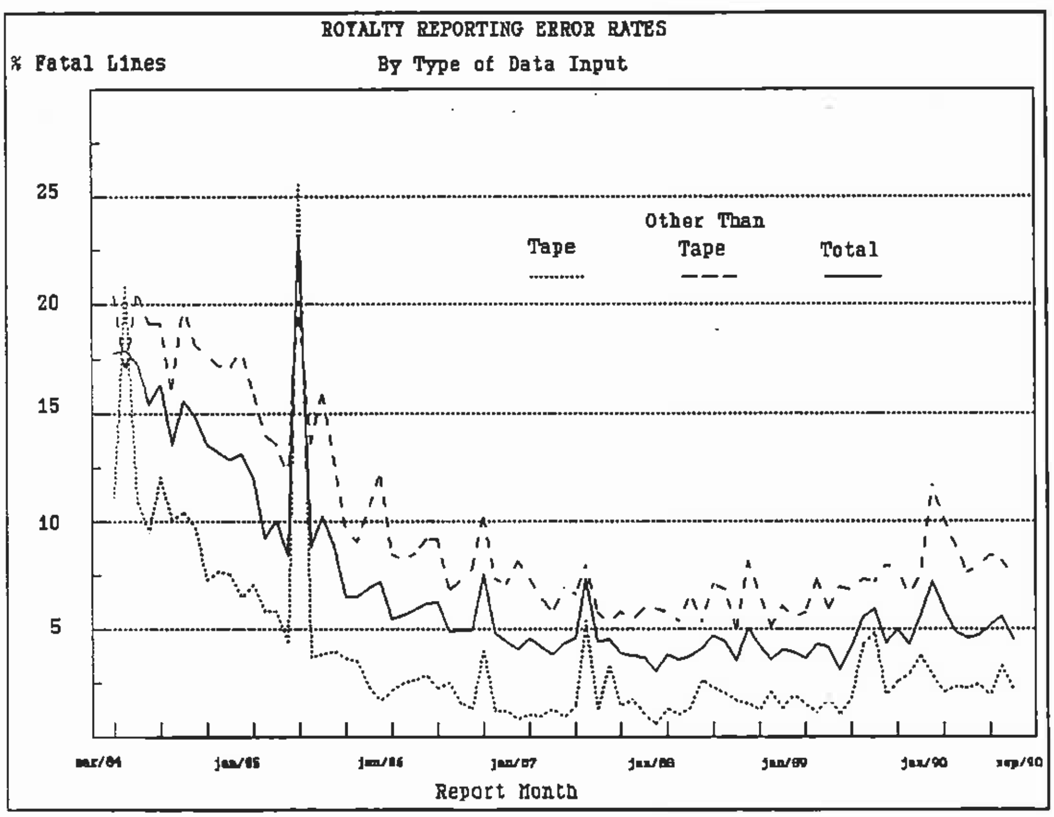

Figure 3

The number of error corrections increased by 12,000 in FY 1990 because of the conversion of the last major payor to the AFS. This conversion added approximately 400 additional royalty payors. The RMP anticipated a relatively high initial error rate - the error rate climbed to approximately 8 percent - with these new payors, but expects this problem to be mitigated by increased training for new payors and by certain on-line computer enhancements which will make error correction more efficient. A further increase of about 7,000 error correction actions will occur in FY 1991 and an additional 14,000 in FY 1992 due primarily to the tightening of tolerances in edit criteria. The error rate has declined from January 1990 and, as of September 1990, is approximately 4.5 percent. Although the workloads will increase, the changes will improve the accuracy and integrity of the data base and the accounting operations.

Upon completion in FY's 1991 and 1992 of this phased approach to tighten tolerances of edits, the number of error corrections is expected to decrease by about 10,000 in FY 1993 due to improved compliance and reporting by payors.

Electronic Funds Transfer: In an effort to run an efficient accounting operation and realize savings to the Federal Government, MMS initiated the use of Electronic Funds Transfer (EFT) to expedite royalty payments to the Government. Regulations initially in place required all payors with transactions in excess of $50,000 to use EFT. Then, in keeping with Treasury Department goals, MMS reduced the EFT threshold to $10,000 in FY 1987. In addition, MMS extended the use of EFT to solid mineral and geothermal leases and certain deferred bonus payments. The MMS will continue converting payors to EFT as their payments meet the appropriate criteria. For FY 1991 and 1992, RMP expects the numbers of EFTs to increase by 1,600 and 500 respectively, with a corresponding decrease of 300 checks received. The MMS is also working on a pilot program with a major billee to convert all of their BRASS lease rental payments to EFT via the Automated Clearing House. The conversion of approximately 100 of these leases is planned to be completed in FY 1991 with the pilot program continuing through FY 1991. An increase of 800 EFT's is expected on BRASS rental payments with a resulting decrease in checks received during FY 1992.

Reference Data - Payor Information Forms (PIF): Because the last major payor was converted to AFS in FY 1990, the number of PIFs processed will decrease in FY 1991 and will remain fairly constant in FY 1992. However, the overall workload will increase due to product value and allowance monitoring and the Business System Improvement Plan. All 114,000 "selling arrangements" that currently reside in the AFS database will be reviewed in FY 1991 and consolidated based on the new definition of a selling arrangement. The RMP anticipates that contractor support staff will need to be expanded to handle this new work.

The Common Reference Database (CRD) was successfully converted to a pilot environment in FY 1990 and will be a consolidated, operational database in FY 1992. This new system has provided increased flexibility in the areas of effective-dating and inquiries, and it increased the amount of data maintained in a single database. RMP staff required to build and maintain this database for the use by all of RMP will be reassigned from other areas as productivity gains are realized from Business System Improvement Plan efficiencies.

Accounting for Indian Nonstandard Leases: In March 1988, MMS assumed the responsibility of accounting for and auditing nonstandard leases and agreements for Tribes and allottees. This is consistent with the recommendations of the RMAC and the desires expressed by several Indian Tribes. Nonstandard leases are those that contain unusual provisions such as nonstandard royalty rates, variable or escalating arrangements, joint venture provisions, and Royalty-in-Kind (RIK) provisions. Many of these leases and agreements could not be processed by the standard AFS formats and are now being processed on new AFS routines and on an off-line microcomputer. By the end of FY 1990, all Indian RIK leases were converted to the AFS and all nonstandard leases were converted to the microcomputer system.

Royalty-in-Kind: The Royalty-in-Kind (RIK) arrangement, authorized by the Mineral Leasing Act of 1920 for onshore leases and the OCS Lands Act for offshore leases, allows the Government to take oil and gas royalties in barrels of oil and quantities of gas rather than in value of cash payment. The Government may then sell that royalty oil or gas to interested and eligible refiners who are experiencing difficulty obtaining sufficient quantities of oil or gas on the open market at an equitable price. Participants in the program pay a fee which covers the annual Government direct administrative costs of the program of approximately $400,000. The number of RIK leases administered is projected to increase late in FY 1991 because the RMP anticipates a sale to assist small refiners.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs relative to AFS is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
AFS Warnings/Bills Issued	11,320	12,500	13,500	+1,000
AFS Reporting Error Corrections Completed	116,000	123,000	137,000	+14,000
Checks Deposited	36,393	34,600	34,300	-300
Payor Information Forms Processed (New and Revised)	38,000	37,000	37,000	---
EFT Messages Received	5,636	7,300	7,800	+500
Percentage of Collections by EFT	90	95	95	---
RIK Leases Administered	407	800	800	---
Delinquent Bill Notices Issued	4,836	5,250	5,500	+250
Completed Appeals (FAD Initiated)	259	325	375	+50

Production Accounting

Complementing the mineral revenue accounting operation, RMP conducts a sophisticated, centralized production accounting activity. With the conversion of onshore production reporting to the MMS systems in 1988 and

1989, MMS completed the final phase of the centralization and automation of all Federal and Indian production accounting. For the first time in its history, the Department has a consolidated, consistent, timely repository of production information on all Federal and Indian mineral leases nationwide.

The objectives of the production accounting operation and the automated systems which support it are to: (1) support lease management functions by supplying accurate and timely production data to Offshore Minerals Management (OMM) Regional Offices, BLM, and BIA; (2) identify potential royalty underpayments by comparing sales volumes reported by operators to sales volumes reported by royalty payors; (3) account for and reconcile production data and disposition volumes for leases and agreements; (4) trace mineral production from point of origin to point of sale for all offshore and onshore mineral leases; (5) identify inconsistencies in production data to target leases and operators for audit and on-site inspection; and (6) provide production data on a lease-by-lease basis to States and Indian Tribes.

The MMS receives, processes, edits, and corrects production reports from lease operators and provides monthly production data to agencies, States, and Tribes. Comparisons of AFS/PAAS data are made on a monthly basis and exceptions representing differences between sales and production data are examined and reconciled. The MMS then contacts payors and operators to ensure reports are corrected and any additional royalties are paid. This effort has continually proven to be highly cost-effective. From June 1985 through November 1990, this effort resulted in additional royalty collections of $59.7 million. With the completion of the onshore conversion and the system enhancements discussed below, MMS expects to increase annual collections to about $18 million in FY 1991, although actual collections cannot be predicted with great accuracy.

The conversion of onshore leases to MMS's automated production reporting system was completed in October 1989, culminating more than 2 years of joint effort by BLM, MMS, and the oil and gas industry. Standardized reporting required the development of an automated production reporting system. As a result of extensive advance coordination and communication among the parties involved, the conversion was extremely effective. The PAAS now processes approximately 300,000 lines of data per month from 27,000 reports submitted by 2,600 operators, with an error rate of less than 5%.

During FY 1990 MMS began working exceptions generated by OMM's Liquid Verification System, which compares reported offshore production volumes to run ticket volumes. The MMS implemented assessments for late and erroneous production reporting for onshore properties late in FY 1990. In addition, contractors provide operation and maintenance support for the automated system, perform document error correction, reference data maintenance, and front-end AFS/PAAS exception processing.

The MMS's new enhanced exception processing software increases efficiency by eliminating several manual research, follow-up, and tracking activities, and minimizes generation of erroneous exceptions. However, the number of AFS/PAAS comparisons researched will decrease in FY 1991 as a result of increased contractor direct labor costs and an increase in the BLM/OEA referrals, which take approximately twice as much effort since they are worked manually.

After the onshore conversion was completed and RMP had approximately six months experience working the onshore Federal and Indian minerals leases, RMP revised upward the FY 1990 estimates for operating document lines about 25 percent to 3,500,000. The increase in operating document lines in FY 1991 includes new leases to be placed in production and new operators expected to report to PAAS. With the growing number of operators and production lines processed, RMP expects the number of technical assistance projects to increase substantially. The increase in assessments and appeals is based on the increase in other PAAS exceptions and the issuance of orders to perform as a result of the AFS/PAAS comparisons In addition, RMP will continue the ongoing training program for operators and new reporters.

Presently, PAAS operates on two computer environments: (1) offshore and a small portion of onshore oil and gas production data plus solid minerals production data is processed on a VAX minicomputer: and (2) most onshore oil and gas production data is processed on the IBM mainframe. The MMS began designing software in FY 1990 to convert all remaining oil and gas production data from the VAX minicomputer to the IBM mainframe. Solid minerals production data will eventually be converted and processed on the IBM computer. Additionally, an automated access system similar to STATSS will be designed to provide on-line production data to States, Tribes, and other DOI users in FY's 1991 and 1992.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs relative to PAAS is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Technical Assistance Project				
--Operators	557	1,100	1,500	+ 400
--Other DOI Offices	56	50	50	---
Processing Workloads				
--Reference Document Lines	119,503	88,000	88,000	---
--Operating Document Lines	3,451,447	3,600,000	3,600,000	---
Exception Resolution				
--AFS/PAAS Comparison Exceptions	19,733	18,800	18,800	---
--Other PAAS Exceptions	67,450	130,000	123,000	-7,000
Assessments and Appeals	370	2,700	3,000	+ 300
Production Verification Support				
Liquid Verification System	414	600	1,800	+1,200
BLM/RMP OEA	1,316	1,600	1,600	---

Bonus and Rental Accounting Support System (BRASS)

In FY 1984, MMS accepted responsibility for the collection of bonuses and rents from Federal onshore nonproducing leases. As of September 1990, there were 58,721 active leases in rental status. For this function to be compatible with the AFS and to meet the requirements of the FOGRMA, an automated BRASS was designed and installed. Operation of this system began in April 1984.

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

On January 19, 1989, the Secretary implemented a rental rate reduction lowering the rates for Federal onshore oil and gas leases for a period of three years. As a result, RMP performed lease financial adjustments and processed refunds on many of the 36,000 affected leases. While the number of industry inquiries and lease financial adjustments are expected to increase in FY 1991, the number of BRASS refunds is expected to decline. However, in FY 1992, when the rental rate reduction period ends, BRASS refunds and lease financial adjustments are expected to again increase. The decline in database maintenance actions reflects a corresponding decline in the number of new leases and assignments by BLM.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs relative to BRASS is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Unidentified Checks	7,344	8,000	8,000	---
Refunds Processed	2,240	2,200	3,000	+800
Lease Financial Adjustments	8,810	10,000	12,000	+2,000
Industry Inquiries	9,862	10,000	10,000	---
Data Base Maintenance Actions	20,683	22,000	22,000	---
Checks Deposited	47,329	47,800	47,000	-800
EFT Messages Received	100	700	1,500	+800

Increase from 1992 Base

	(Dollar amounts in thousands)		
	FY 1992 Base	FY 1992 Estimate	Difference
$	20,435	21,165	+730
(FTE)	(294)	(296)	(+2)

Initiative for Indian Tribes and Allottees (IITA) (+$180,000; +2 FTE)

An increase of $180,000 and 2 FTE is proposed to augment current staffing for AFS/PAAS exception resolutions in support of IITA's expanded outreach effort, and to increase contractor staff to monitor royalty rates in response to GAO and Department of the Interior Inspector General criticisms.

This FY 1992 request, combined with new FY 1991 IITA funding recently approved by Congress, responds to many of the concerns addressed by the Senate Select Committee on Indian Affairs, except those which require intra-Departmental or legislative action. Anticipated benefits from this increase include:

- reduction in backlog of royalty rate discrepancies, thereby improving the accuracy of disbursements to Indians, and establishing the ability to then remain current with discrepancies identified by new software modules; and

- generation of additional revenues from AFS/PAAS exception processing estimated at $630,000 for FY 1992 and continuing in the out years.

Related increases under IITA are being requested in the Mineral Revenue Compliance and Systems Development and Operation subactivities.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation	+ 69	
Personnel Benefits	+ 17	
Travel	+ 3	
Other Services	+ 80	
Supplies	+ 2	
Equipment	+ 9	
Total	+ 180	+2

Increased Costs of Contractor Services (+$550,000)

An increase of $550,000 is requested to maintain the high level of service which the States, Tribes, and Congress have come to expect.

This request will fund the escalating costs of contract services for the three major accounting systems and the contracted replacement/maintenance of older equipment.

The Royalty Management Program relies heavily on contractor personnel to carry out day-to-day operations. In the Collections subactivity, about 32 percent of available resources go to the acquisition of contract services, which perform error checking, forms processing, and basic accounting functions.

These contractor services are an integral part of RMP operations. Since these contracts include negotiated adjustments for normal salary increases and other associated costs, the amount of work that can be accomplished with a continuing, but unchanging, funding level declines each year. As much as $6.9 million in delayed collections and $1.5 million in lost revenue per year is estimated if RMP Collections contracts are not maintained at current operating levels.

Distribution of change by object class

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

	Amount ($000)
Other Services..............................	+ 550
Total.......................................	+ 550

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec(-) from 1991	Inc.(+) Dec.(-) from Base
Mineral Revenue Compliance	$ (FTE)	22,411 (339)	22,874 (339)	24,242 (344)	+1,831 (+5)	+1,368 (+5)
Total Requirements	$ (FTE)	22,411 (339)	22,874 (339)	24,242 (344)	+1,831 (+5)	+1,368 (+5)

Objectives

- o To provide accurate and effective product value guidance to royalty payors which will better assure that royalties paid on all products removed from Federal and Indian lands are in accord with law and regulation.
- o To ensure that those who report and pay to MMS are in compliance with statutes and regulations governing royalty payments and that revenue due from mineral production on Federal and Indian lands has been properly reported and paid.

Program Description

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

The product valuation function is responsible for providing the technical support, including valuation and allowance monitoring and review, needed by RMP to ensure that royalties on minerals produced from Federal, Indian, and OCS lands are calculated in accordance with existing laws and regulations; prepares regulations and guidelines to be used in valuing minerals for royalty purposes; provides regulatory training to RMP and industry on new and revised product valuation and allowance regulations and guidelines; approves certain transportation and processing allowances which are deducted by payors from royalty payments; and provides advice and assistance on valuation, appeal, and allowance issues.

Within the audit function, MMS performs audits of mineral revenue and payor activities. This function also includes resolution of exceptions which have been identified by automated royalty management systems, but cannot be resolved by other RMP organizations. The MMS audit staff also undertake special audits and reviews in support of MMS and BLM lease management activities and in response to requests from Indians through the BIA.

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

Other activities in the Mineral Revenue Compliance subactivity include: an effort to provide contact and assistance for the external user community, e.g., States, Indians, industry, the public, and other Government entities; and the development and promulgation of regulations. The FY 1992 budget request proposes a $258,000 increase to help meet increased costs of 1) training required to meet GAO requirements, 2) contractor staff for allowance tracking data analysis, and 3) other contracted compliance support activities.

Product Valuation

Royalty payments due are based on the value of the commodity produced, the volume of production sold, and the royalty rate applicable to the lease. In the past, the product value reported by the lessee (normally the sales price) was usually accepted as the value for royalty purposes. The value of the commodity, however, cannot always be determined by the reported sales price. Several factors add to the complexity in determining the value of the commodity sold, such as vertically integrated companies selling to themselves, Government price controls, long-term sales contracts, complicated marketing agreements, and complex relationships among the various owners and operators of producing leases. To better deal with these complexities, new product value regulations for oil and gas were published and went into effect on March 1, 1988. These new regulations provide more definitive and consistent guidance to industry for valuing production from Federal and Indian leases for royalty purposes. As reported regularly to Congress, these 1988 regulations neither enhance nor diminish aggregate revenues.

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

On November 8, 1988, a final rulemaking which deleted take-or-pay payments from the definition of gross proceeds was published in the Federal Register. Proposed rulemaking regarding the valuation of gas attributable to leases committed to unitization and communitization agreements is anticipated in FY 1991.

Final rulemaking for coal product valuation was published and became effective on March 1, 1989. Due to a controversy over the exclusion of the cost of certain taxes and fees from value for royalty purposes, the Secretary directed the Department to review the revised regulations. A comprehensive review and analysis of the effects of the exclusions on both national and regional coal production and on the Federal, State, and Indian treasuries was completed in January 1990. Because of the complexity of market conditions and the limited months of data available for analysis, MMS could not conclusively isolate the effects of exclusions on production. The study concluded that the production and fiscal impacts from the exclusions of taxes and fees from the royalty base did not present strong arguments for either terminating or retaining the exclusions. As a result, on February 13, 1990, the Department published in the Federal Register proposed rulemaking eliminating the exclusion of certain taxes and fees from value. Public hearings were held on the proposed regulations and public comments were accepted until May 16, 1990. On July 17, 1990, the Secretary of the Interior announced his decision to return to the historic practice of valuing coal based on gross proceeds and directed MMS to implement this decision immediately. The final rulemaking was published in the Federal Register on August 30, 1990 and became effective October 1, 1990.

Proposed geothermal rules were published in the Federal Register on January 5, 1989. A public hearing to discuss the proposed geothermal regulations was held in Denver, Colorado, on March 28, 1989. By Federal Register notice dated May 7, 1990, the proposed rule was reopened for public comment on certain aspects of the rule. The comment period closed June 6, 1990. It is anticipated that a final rulemaking will be issued in FY 1991. Payor training sessions addressing these revised regulations will be held following their issuance.

In FY 1992, the Royalty Valuation and Standards Division (RVSD) will continue to provide valuation and allowance approvals as required under both old and new regulations. The RVSD will continue to provide assistance to MMS's Appeals Division and advice and assistance to industry and other parties affected by the regulations. Oil, gas, geothermal, and coal product valuation and allowance guidelines developed in FY 1991 will be incorporated as chapters in the MMS Payor Handbook. The intent of these guidelines is to provide further clarification and interpretation of MMS's new regulations. Oil, gas, geothermal, and coal product valuation and allowance payor training will continue as part of the total MMS outreach effort.

The new valuation regulations specify that all royalty values reported and transportation and processing allowances claimed by lessees are subject to monitoring and review. To provide for this requirement, RVSD is currently developing an automated allowance tracking system (AATS) and prototypes of two product value monitoring systems, one for oil and one for gas. The performance of automated allowance and valuation monitoring is a proactive approach to the enforcement of MMS regulations. It is intended to result in the detection of allowances or values that may not be proper under the requirements of the regulations. As such, additional revenues will be generated in those cases where unauthorized allowances and understated values are found. In turn, royalty recipients will have the benefit of monies rightfully due them at a date much earlier than if these exceptions are not detected until the leases are audited. The billing module of AATS is expected to be developed and operational by the end of FY 1991. In FY 1992 RMP will complete development of the exception processing module of AATS and the prototype of the oil and the gas automated monitoring system. In FY 1992 and thereafter, product valuation and allowance monitoring activities will be a major RVSD workload factor. After an increase in FY 1991 due to the implementation of the billings module, the appeal workload is expected to level out in FY 1992.

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

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

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

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs related to the product valuation function is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Valuation Determinations	49	75	75	---
Advice and Assistance	277	210	210	---
Processing Allowance Applications Reviewed	145	115	115	---
Transportation Allowance Applications Reviewed	155	125	125	---
Appeals of Royalty Valuation Determinations	24	180	180	---
Valuation/Allowance Regulatory Training	4	10	10	---
Regulatory Compliance and Monitoring (exceptions reviewed)	10	50	1,350	+1,300

Audit

From FY 1987 through FY 1990, the MMS audit program has recovered $304 million in collection of previously unpaid or underpaid royalties, interest payments, liquidated damages, and refund denials. Since 1982, the program has generated $629 million in additional mineral revenues.

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

In addition, MMS started a major project in FY 1989, the Contemporaneous Audit Initiative, that will accelerate the completion of prior-year audits and place the 6-year cycle on a more contemporaneous schedule. Prior to the initiative, companies were often required to retain records for 7-12 years to accommodate the audit of 6 years of data. This project will minimize retention periods for companies and will accelerate collections of any additional royalties due. MMS believes that this is consistent with the intent of Congress when it established a 6-year record retention requirement in FOGRMA and that Congress anticipated a significant lag until this equilibrium cycle could be achieved and intended that MMS be able to audit records predating FOGRMA over a reasonable number of years. However, MMS has now completed audits for the pre-FOGRMA periods for the largest companies and is moving toward a more contemporaneous cycle. Congress appropriated an increase of $3.6 million in FY 1990 and $1.77 million in FY 1991 to support the full annual funding requirement of the Contemporaneous Audit Initiative.

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

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

Company Audits

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

Residency Audits

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

- o Conducting ongoing audits of each company's royalty payment and reporting activities, providing guidance and technical assistance to the company in reporting through MMS accounting and auditing systems, and resolving policy and procedural questions which may arise;
- o Resolving exceptions identified by AFS, PAAS, and BRASS;
- o Resolving problems identified through the MMS offshore inspection program, the BLM onshore inspection programs, Office of the Inspector General, and other sources;
- o Coordinating requests for information related to audit work at the company from MMS auditors and from States and Indian Tribes that conduct coöperative and delegated audit activities;
- o Conducting financial reviews of royalty rate reduction requests and making recommendations regarding acceptance or rejection;
- o Performing continuous audit of company records which cover functional areas such as valuation, allocation, production, gas plants, and accuracy of reporting; and
- o Identifying and resolving special problems unique to individual leases.

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

State and Tribal Audit Activities

Nine States (California, Colorado, Louisiana, Montana, North Dakota, Oklahoma, Texas, Utah, and Wyoming) have delegated audit agreements under the provisions of section 205 of FOGRMA. Three Indian Tribes, the Navajo, the Northern Ute, and the Southern Ute, have funded agreements under the provisions of section 202, and one additional Tribe, the Shoshone/Arapahoe, has expressed interest in establishing an audit agreement.

In addition, MMS has unfunded joint audit agreements with two Indian Tribes. The MMS has an agreement with the Jicarilla Apache Tribe to audit oil and gas leases and with the Navajo Indian Tribe to audit coal leases.

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

Indian Audits

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

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

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

- Residency audits at 11 major companies provide audit coverage for about 60 percent of the total revenue from Indian mineral leases.
- Company audits of major non-resident companies provide audit coverage for about 15 percent of the revenue from Indian mineral leases.
- Audits targeted on other predominant Indian payors provide coverage of about 20 percent of the total revenue from Indian mineral leases.
- Royalty payors for Indian leases will have an opportunity for additional audit coverage through special audit techniques, such as statistical sampling, and compliance monitoring through exception processing.
- Periodic audits of negotiated nonstandard mineral lease agreements that contain unique terms and conditions for the calculation and payment of mineral revenues provide audit coverage of these specialized leases.
- Review of specific royalty payment issues/problems on Tribal or allotted leases are identified and referred to RCD, through BIA, for resolution.
- The FY 1991 funding increase began implementation of the Initiative for Indian Tribes and Allottees, which provides $432,000 and 8 FTE to initiate a spot audit approach of companies holding Indian Tribal and allottee leases.

- o The FY 1991 funding also includes an increase of $132,000 for 3 FTE to expand the Office of External Affairs. These staff will enhance RMP's outreach and Indians by fostering communication and providing more on-site problem resolution.

- o The FY 1992 budget requests an additional $1,110,000 and 5 FTE to expand the outreach effort by increasing outreach staff and creating remote offices near Indian allottees, and to enhance monitoring and control systems for royalty payments and reports.

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

Net Profits and Indian Joint Venture Agreements

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

Exception Resolution

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

Litigation Support

Litigation support is necessary due to: (1) industry's testing in court of MMS positions expressed in demand letters, (2) implementing regulations of FOGRMA, and (3) application of product valuation regulations. Litigation support includes responding to requests for documents, preparing responses to interrogatories, gathering statistical royalty data, preparing position papers in defense of the Government's position in appeals and legal actions, and preparing for and undergoing deposition. The MMS estimates that support for litigation, appeals, and Freedom of Information Act requests will be necessary for approximately 297 cases during FY 1992. Many of these cases will involve new product value regulations and other new or unique issues.

Referrals and Requests from Other Organizations

Among its commitments, RCD responds to special requests and referrals regarding potential underpayment of royalties. These requests and referrals come from BIA, BLM, OIG, GAO, other MMS units, and industry.

Refund Request Reviews

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

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the audit function is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Company Audits	127	127	127	---
Lease/Subject Audits	310	310	310	---
Refund Request Reviews	268	268	268	---
Referrals	128	128	128	---
AFS/Production Accounting System (Case Load)	28	28	28	---
OIG Support (Case Load)	141	141	141	---
Special Projects (Compliance Enforcement	54	54	54	---
Litigation/Appeals/FOIA (Case Load)	297	297	297	---
Cooperative Audit Agreements --Section 202 of FOGRMA	3	8	8	---
Delegated Audit Agreements	9	9	9	---
Residency Audit Teams	12	11	11	---

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	22,874	24,242	+1,368
(FTE)	(339)	(344)	(+5)

Initiative for Indian Tribes and Allottees (IITA) (+$1,110,000; +5 FTE)

An increase of $1,110,000 and 5 FTE is proposed to expand the outreach effort by increasing outreach staff and creating remote MMS offices near Indian allottees and to enhance monitoring and control systems for royalty payments and reports.

Funding will cover: personnel, travel, change of station, and other related costs for the outreach effort including the establishment of an outreach office closer to the Indian constituency; testing of software for the majority pricing system; operational expenses of the allowance tracking system and billing system; and other associated compliance activities.

This FY 1992 request, combined with the new FY 1991 IITA funding recently approved by Congress, responds to concerns addressed by the Senate Select Committee on Indian Affairs in its November 1989 report, except those which require intra-Departmental or legislative action. Anticipated benefits from this increase include:

- permitting the validation of the propriety of royalty reductions involving transportation and processing allowances;
- providing improved communications to build allottee confidence in Royalty Management through a local RMP field presence in major allottee areas, specifically, Oklahoma City, OK, and Farmington, NM.; and
- further development of majority pricing information for monitoring and verification of Indian lease production.

Distribution of change by object class

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

	Amount ($000)	FTE
Personnel Compensation............................	+ 249	
Personnel Benefits................................	+ 102	
Travel..	+ 79	
Rents, Communications, Utilities..................	+ 51	
Other Services....................................	+ 596	
Supplies..	+ 10	
Equipment...	+ 23	
Total...	+1,110	+5

Increased Costs of Contractor Services (+$258,000)

An increase of $258,000 is requested to maintain the high level of service which the States, Tribes, and Congress have come to expect.

This request will fund the increasing costs of contract services for auditor training programs to meet strict GAO requirements, contractor staff for allowance tracking data analyses, and the contracted replacement and maintenance of office equipment, regional offices' telephone systems, and microcomputers.

Distribution of change by object class

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

	Amount ($000)
Other Services....................................	+ 258
Total...	+ 258

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec(-) from 1991	Inc.(+) Dec.(-) from Base
Systems Development	$	19,722	19,867	21,167	+1,445	+1,300
and Operation	(FTE)	(83)	(82)	(82)	(-1)	---
Total	$	19,722	19,867	21,167	+1,445	+1,300
Requirements	(FTE)	(83)	(82)	(82)	(-1)	---

Program Description

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

Planning, Designing, and Installing Software Systems

Since its inception, RMP has planned, designed, and installed three major operating systems (AFS, PAAS, and BRASS) plus one major data access system (STATSS).

The AFS began operations in FY 1983 and was later converted from a minicomputer configuration to a mainframe environment in order to realize the full functionality and efficiency of the system. The mainframe hardware was successfully installed in the fall of 1985 and AFS was reimplemented in the fall of 1987. The PAAS and BRASS were designed, developed, and placed in operation in 1984 to meet the initial operational responsibilities of the RMP. Because of the timing of their development, both systems were designed to operate on the minicomputer configuration, but will eventually be consolidated on the mainframe. As the first step in this consolidation, the final and largest phase of the production accounting workload was implemented directly onto the mainframe.

The initial PAAS phases--consisting primarily of solid mineral and offshore leases--were implemented on the minicomputer environment. However, following a 1987 departmental decision to consolidate all onshore production reporting with MMS, RMP designed, developed, and installed a mainframe-based production reporting software system patterned after the PAAS software operating on the minicomputers. The new mainframe-based software has enabled RMP to handle the massive workloads associated with the onshore conversion. The MMS is continuing the development of this software system in FY 1991 and FY 1992. The MMS is also in the process of converting minicomputer-based offshore production accounting to the mainframe. It is expected that the final stages of this effort will be completed by April 1992.

A major element of RMP's 1985 Management Action Plan was to improve access by States and Indian Tribes to data on the MMS systems. On April 30, 1986, AFS data from individual leases was made available to States and Indian Tribes through STATSS. Additionally, MMS provides the States and Tribes with continuous training and equipment to promote interaction with the MMS computer. As of September 1990, 11 States, 10 Tribes, and 22 BIA offices could access AFS data through STATSS. The total population of registered users is expected to remain relatively stable at about 1,000 through FY 1992. In FY 1991, MMS is initiating an equipment replacement program to replace the oldest and least reliable STATSS hardware, thereby keeping STATSS readily available to Indian Tribes and other system users.

In FY 1992, RMP is requesting funds to develop an automated "majority pricing system" to collect pricing data needed by RMP staff to calculate majority prices for minerals produced on Indian lands. The intent of this new system is to meet regulatory and lease requirements and to provide assurance to Indian Tribes and allottees that royalties are being properly computed and paid.

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

All four automated systems continue to need enhancement and software improvements as the systems operate in the production mode. In the case of the AFS, the system was "frozen" for over 2 years during the software reimplementation process. Many user changes were pending at the time the reimplementation process started and many other improvements, most notably those in the Business Systems Improvement Plan, have been identified since. As a result, numerous enhancements are being assigned priorities and made ready for development. These changes will provide improvements in data base structures, information access, operational efficiency, and system maintainability in the mainframe operating environment. Such improvements were not possible on the minicomputer configuration. To accommodate the additional workload on the mainframe as well as to maintain the schedule for converting all workload from the minicomputers to the mainframe, MMS is upgrading the central processing unit (CPU) in FY 1991.

Enhancement of the PAAS and BRASS systems is also an ongoing process as users identify improvements after they have used the systems for a period of time. These improvements, or enhancements, make the system run better and, in the long run, minimize the further escalation of operational costs by improving hardware, software, and user efficiency.

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

The RMP used IBM's Business System Plan methodology to evaluate the effectiveness of current systems, to identify both short-term and long-term functional improvements, and to develop a long-term strategic plan for future systems' design and implementation. This project has also incorporated detailed input from the RMAC, a group comprising representatives from States, Tribes, and industry. In Phase I of the project, completed in November 1987, RMP identified areas for improvement in the current systems. In Phase II, RMP analyzed and examined the cost effectiveness of the identified improvements and prepared a Business System Improvement Plan in 1988. This plan contains 5 policy and regulatory projects and 14 systems projects. The improvements contained in the plan will provide the following benefits:

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

Many high priority short term improvements were implemented in FY 1989. In FY 1990 two of the fourteen systems projects were completed and moved into a pilot environment for testing. The implementation schedule for the remaining improvements was slightly extended to mid-FY 1992 to incorporate recent Initiatives for Indian Tribes and Allottees (IITA) enhancements into the overall project plan.

Workload and activity indicators are increasing due to IITA and other program enhancements. In FY 1991, as programs were refined, the number of lines of program code decreased. However, in FY 1992, other programs will be added to the database and, therefore, the lines of program code, database size, contracts managed, input lines processed, and data transactions keyed will increase.

<u>Operating and Maintaining the Systems</u>

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

- Computer operations - Computer operations are performed in two operating environments. The mainframe computer has been running

STATSS software since April 1986 and AFS software since October 1987; PAAS onshore software has been fully operational on the mainframe since April 1990. A minicomputer configuration runs the offshore PAAS and the BRASS software.

- o Data entry - Data entry and data validation services for the three operating systems.
- o Software maintenance - Maintenance of all software for all RMP applications, systems testing, and the installation of fully tested software into the production mode.
- o Additional support services - Support services, such as micrographics, reproduction, tape storage, and microcomputer support are provided.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the systems function is presented in the following table:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Lines of Program Code Maintained (000)	3,570	2,850	2,923	+73
Database Size Maintained (Megabytes)	25,970	27,370	30,107	+2,737
Contracts Managed ($000)	16,380	16,600	17,100	500
Interactive Terminal Users Supported	655	705	705	---
Input Lines Processed (000)	1,293	1,300	1,500	+200
Data Transactions Keyed (000)	5,892	5,900	6,000	+100
STATSS Users Supported	1,000	1,000	1,000	---
Reference Documents Processed (000)	450	500	500	---
Responses to Information Requests	850	900	900	---
Office Automation Stations Supported	550	750	750	---

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$.	19,867	21,167	+1,300
(FTE)	(82)	(82)	(---)

Initiative for Indian Tribes and Allottees (IITA) (+$350,000)

An increase of $350,000 is proposed to continue the software enhancements begun in FY 1991. These software enhancements will:

- o identify royalty rates and unit value exceptions,
- o monitor unauthorized adjustments and recoupments through exception processing,
- o monitor improper severance tax deductions, and
- o continue the development, where possible, of an automated majority pricing database.

Funding will cover contract computer specialist services.

This FY 1992 request, combined with the FY 1991 IITA request, responds to the concerns addressed by the Senate Select Committee on Indian Affairs, except those which require intra-Departmental or legislative action. These software enhancements will enable RMP to correct erroneous royalty calculations, thereby better ensuring that Indian Tribes and allottees receive the correct amount of royalties and that royalties are paid timely.

Distribution of change by object class

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

	Amount ($000)
Other Services....................................	+ 350
Total..	+ 350

Increased Costs of Contractor Services (+$950,000)

An increase of $950,000 is requested to maintain the high level of service which the States, Tribes, and Congress have come to expect. The Systems subactivity, which supports all RMP efforts, applies over 60 percent of funding for contractor costs.

This request will fund the increasing costs of contract services for the three major accounting systems, and the contracted replacement/maintenance of older equipment. Additionally, this request will fund increasing costs associated with the greater workload and complexity in software maintenance due to the added capabilities of RMP systems and the maintenance of a steady-state level of effort for development and operations.

The FY 1991 Budget included a request to cover the increased costs of ongoing activities in the Collections and Compliance subactivities. The Systems subactivity, which supports all other RMP efforts, applies over 60 percent of its funding for contractor costs.

These contractor services are an integral part of RMP Systems operations. As these contracts include negotiated adjustments for normal salary increases and other associated costs, the amount of work that can be accomplished with a continuing, but unchanging, funding level declines each year.

Without this request, MMS may be forced to delay several long-term systems enhancements to increase the efficiency, accuracy, and usage of the various accounting systems. These systems enhancements are contained in the Business Systems Improvements Plan, based on specific needs identified by our constituents. In addition, MMS may be unable to sustain the expected levels of systems operations and maintenance, thereby increasing the risk of systems downtime and delayed disbursements to States and Indians.

Distribution of change by object class

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

	Amount ($000)
Other Services................................	+ 950
Total..	+ 950

Justification of Program and Performance

Activity: Royalty Management
Subactivity: Indian Refunds

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec(-) from 1991	Inc.(+) Dec.(-) from Base
Indian Refunds	$	8	8	0	-8	-8
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements	$	8	8	0	-8	-8
	(FTE)	(---)	(---)	(---)	(---)	(---)

Refunds on Indian Allotted Leases (-$8,000)

A decrease of $8,000 is proposed for this subactivity. In FY 1991, funding for this purpose was included in the Leasing and Royalty Management Appropriation. However, as it is difficult to estimate the outcome and timing of appeals, MMS has requested indefinite funding for this purpose under the Mineral Leasing and Associated Payments appropriation. Funding will be from the Federal Government's share of mineral leasing receipts.

Justification of Program and Performance

Activity: Royalty Management
Subactivity: West Delta Louisiana OCS Settlement

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec(-) from 1991	Inc.(+) Dec.(-) from Base
West Delta Settlement	$ (FTE)	3,979 (---)	3,979 (---)	0 (---)	-3,979 (---)	-3,979 (---)
Total Requirements	$ (FTE)	3,979 (---)	3,979 (---)	0 (---)	-3,979 (---)	-3,979 (---)

West Delta Louisiana Settlement (-$3,979,000)

This money was appropriated in FY 1991 for payment to the State of Louisiana and it's lessees for claims on drainage royalties from oil and gas leases in the West Delta field of the Outer Continental Shelf. The House and Senate Appropriation Subcommittee Conferees instructed MMS to delay obligation of these dollars until the Appropriation Committees "had an opportunity to conduct a full hearing on this subject and agreed to the use of the funds." Pending the results of this review, continued funding in FY 1992 has not been requested.

Activity: General Administration

Activity Summary
(In thousands of dollars)

Subactivity	FY 1990 Actual	FY 1991 Enacted to Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Executive Direction	4,731	5,369	5,566	5,666	+297	+100
Administrative Operations	10,021	10,924	12,568	13,334	+2,410	+766
General Support Services	16,866	15,982	16,058	16,077	+95	+19
Total Requirements	31,618	32,275	34,192	35,077	+2,802	+885

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

Executive Direction. The Executive Direction subactivity provides budget authority for the Office of the Director and immediate staff, the Office of Congressional and Legislative Affairs, the Office of Public Affairs, the Office of Equal Employment Opportunity, Office of the Associate Director for Policy and Planning, and Office of the Deputy Associate Director for Budget and Appeals. These functions provide for overall program leadership and direction, policy and planning, program review and evaluation, budget formulation and execution, and management coordination of all the responsibilities of MMS.

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

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

Justification of Program and Performance

Activity: General Administration
Subactivity: Executive Direction

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Executive Direction	$ (FTE)	5,369 (80)	5,566 (80)	5,666 (80)	+297 (---)	+100 (---)
Total Requirements	$ (FTE)	5,369 (80)	5,566 (80)	5,666 (80)	+297 (---)	+100 (---)

Authorization

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

Executive Direction

Objective

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

Program Description

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

The Office of the Director, which includes the Director, the Deputy Director and their immediate staffs, 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 responsibilities; maintains continuing communications regarding programs and policies, items of legislative action, statements of positions on matters under consideration by the Congress, legislative initiatives, preparation and coordination of testimony for witnesses; and coordinates arrangements for congressional authorizing committee hearings and meetings, and congressional activity that affects or may affect MMS.

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

The Office of Equal Employment Opportunity develops, directs, monitors, and operates the Equal Employment Opportunity (EEO) Program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, departmental directives, and other related statutes and orders. Specifically, these duties include the discrimination complaint system, counseling, and development and implementation of equal employment opportunity and affirmative action plans.

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

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

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

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

The Appeals Division administers the appeals process within the MMS through direct staff support of the appellate responsibilities of the Director (and the Deputy Assistant Secretary - Indian Affairs in appeals cases involving Indian lands) pursuant to 30 CFR Part 290 - Appeals Procedures. Specifically, the Appeals Division is responsible for the review and analysis of appeals to the Director which contest the payment of royalties and for the preparation of decision documents for the Director. These responsibilities also include program and policy liaison and coordination between the various MMS programs, other Bureaus and departmental offices, and various segments of the Federal Government and the private sector.

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

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	5,566	5,666	+100
(FTE)	(80)	(80)	(---)

Hispanic Opportunities (+$100,000)

The MMS, the first Interior bureau to carry out the Secretary's vision of a solid, working relationship between Hispanic Colleges and Universities and the Department of Interior, requests an increase of $100,000 to expand this effort. The increase will provide funds to develop additional MOUs with institutions of higher education, and will enhance recruitment of people with an Hispanic heritage.

Efforts to develop partnerships between government agencies and Hispanic institutions will be similar to the current MOU between MMS and New Mexico Highlands University; which provides cooperative education positions for students, on-campus presentations sponsored by MMS, and faculty-student participation in MMS programs. Training of MMS staff will emphasize the needs of Hispanic persons, including directing current employees toward career development opportunities and improving the quality of work life to promote recruitment and retention of future employees. Participation in career and job fairs at the high school and college levels in certain geographic areas will further increase the probability of employing people with an Hispanic heritage.

The combined efforts, which incorporate education in all its forms, from a formal institution, through public awareness at community functions to on-the-job training, will strengthen the ties between minority groups and the Department of the Interior and Minerals Management Service and meet many of the needs of those involved.

<u>Distribution of change by object class</u>

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

	Amount ($000)
Personnel Compensation........................	+33[1]
Personnel Benefits...........................	+7
Travel.......................................	+14
Printing & Reproduction......................	+2
Other Services...............................	+31
Supplies.....................................	+3
Equipment....................................	+10
Total..	+100

[1] Cooperative students use non-ceiling FTE

Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Administrative Direction and Coordination	$	944	1,000	1,200	+256	+200
	(FTE)	(17)	(17)	(17)	(---)	(---)
Financial and Support Svcs	$	1,452	2,711	2,761	+1,309	+50
	(FTE)	(33)	(38)	(39)	(+6)	(+1)
Personnel Management	$	1,453	1,497	1,497	+44	---
	(FTE)	(29)	(29)	(29)	(---)	(---)
Procurement and Property Mgmt	$	1,660	1,711	2,227	+567	+516
	(FTE)	(34)	(34)	(37)	(+3)	(+3)
Information Resources Mgmt	$	1,466	1,501	1,501	+35	---
	(FTE)	(23)	(23)	(23)	(---)	(---)
Field Admin Services	$	3,949	4,148	4,148	+199	---
	(FTE)	(93)	(95)	(95)	(+2)	(---)
Total Requirements	$	10,924	12,568	13,334	+2,410	+766
	(FTE)	(229)	(236)	(240)	(+11)	(+4)

Authorizations

31 U.S.C. 65	Budget and Accounting Procedures Act of 1950
31 U.S.C. 3901-3906	Prompt Payment Act of 1982
31 U.S.C. 3512(c)	Federal Managers' Financial Integrity Act of 1982
5 U.S.C. 552	Freedom of Information Act of 1966, as amended
31 U.S.C 7501-7507	Single Audit Act of 1984
41 U.S.C. 35-45	Walsh Healy Public Contracts Act of 1936
41 U.S.C. 351-357	Service Contract Act of 1965

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

Administrative Operations

Objective

- o Provide continuing administrative direction and coordination to support the Outer Continental Shelf Lands and Royalty Management programs of the MMS.

Program Description

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

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

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

The management analysis staff reports to the ASMO. In the area of management analysis, the staff conduct management reviews, systems studies, analyses, productivity reviews, and special projects. Combined management reviews of our Service Center areas will be conducted. This Office will continue to provide advice, counsel, and direction on organizational activities; will analyze and process organizational structures for implementation; provide guidance to program offices on the preparation, review, and issuance of Federal Register documents and delegation of authorities; and provide policy oversight for the directives and OAB systems.

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

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the Administration Management and Security Offices are:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Conduct Management Reviews/Studies	4	6	7	+1
Monitor Federal Register Cost Accountability	120	120	150	+30
Policy Review of Directives	50	60	60	---
Analysis of Organization Proposals	20	20	20	---
Process Other Documents	100	100	100	---
Initiates/Updates Directives	10	10	12	+2
Security Investigations Initiated	470	480	500	+20
Investigations Reviewed/ Adjudicated	554	560	575	+15
Suitability/ADP Access/ National Security Clearances Granted[1]	633	640	660	+20

Financial and Support Services. The Financial and Support Service Division (FSSD) is responsible for administering the financial management and support services programs. FSSD operates the administrative accounting systems, provides payroll liaison functions, audits and schedules bills for payment, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with departmental offices and other Government agencies. This Division is also responsible for facilities management; transporting of goods/materials; mail management; safety and health programs; records and paperwork management; directives; the information collection budget; and compliance with the Privacy Act, Freedom of Information Act, and

[1] Includes Federal Register and OAB processing.

Paperwork Reduction Act. Technical direction is provided nationwide through the issuance of policy and on site assessment and assistance.

An increase in base level funding and FTE has been provided to support MMS's conversion to the Departmentwide Federal Finance System (FFS). Transition to FFS is scheduled to be accomplished without operating the existing ABACIS system as a backup. Based on the experience of bureaus that have made the transition to FFS, a delay in processing will be experienced until such time as the operators and managers have developed familiarization with the FFS system and its capabilities.

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

The FSSD is responsible for records and mail management. The Division will continue to manage the directives system, issue mail management policy and guidelines, oversee a metered mail system, and mail shipments bureau-wide; and provide policy and procedural review to ensure compliance with regulations and utilization of enhanced records and information management technologies. Emphasis will continue on efforts to aid MMS in meeting its information collection budget requirements.

The safety and facilities management program will continue to oversee assigned space in 32 buildings in 20 cities. Responsibilities include: operation of a consolidated facility in the Northern Virginia area; processing space requests and reimbursable work authorizations; conducting bureau-wide space utilization surveys, safety inspections of facilities, and annual space inventories; and issuing bureau-wide facilities management policy and guidelines.

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

SELECTED WORKLOAD OUTPUTS

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

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Obligations Recorded	18,000	18,500	18,500	---
Auditing & Paying Invoices	24,000	24,000	24,000	---
Auditing & Paying Travel Vouchers	9,000	9,500	9,500	---
Miscellaneous Financial Documents Processed	5,500	5,500	5,500	---
Cash Management Reports Processed	16	16	16	---

SELECTED WORKLOAD OUTPUTS (continued)

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Debt Management Reports Processed	16	16	16	---
Financial Policies & Procedures Developed	5	8	8	---
Internal Reports Prepared	100	100	100	---
External Reports Prepared	60	60	60	---
Review Policy Documents (Directives System)	100	120	120	---
Process Other Documents	435	435	435	---
Conduct Records Management Training	5	5	5	---
Conduct Space Utilization Studies/ Layouts	2	2	2	---
Design Office Space Layouts	50	75	50	-25
Plan and Implement In House Moves	50	150	50	-100
Conduct Bureau Safety Inspections	6	6	6	---
Investigate Accidents/ Incidents	60	70	70	---

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

In FY 1992 Personnel Division staff will participate in two management reviews in order to evaluate personnel management. These evaluations will cover operating practices; merit promotion and recruitment; classification accuracy;

performance management; compliance with governing policies, regulations, and guidelines; management assistance activities; and personnel processing. The automated SF-52 system will be extended to the field, and the Personnel Division will be providing technical support and taking the lead in ensuring that the system functions optimally. The conversion to the Federal Personnel and Payroll System (FPPS) will require heavy involvement in technical requirements in support of the actual conversion process anticipated to be undertaken in FY 1994 (e.g., training, development and/or customization of user manuals, and data conversion). The Personnel Division will be finalizing implementation bureau-wide of an automated position description system for selected positions. The Personnel Division will be implementing Executive Order 12674 to ensure that all covered employees receive training in Conflict of Financial Interest and Standards of Conduct on an annual basis. The Minerals Management Service currently has 1,700 covered positions.

SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for Personnel Management are:

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Positions Reviewed	250	300	300	---
Vacancy Announcements Processed	65	95	95	---
Classification Audits Conducted and Positions Reviewed	100	125	125	---
Personnel Actions Processed	400	400	400	---
PAY/PERS Processing	3,300	3,300	3,300	---
Employment and Financial Interest and Public Disclosure Statements Processed	2,150	2,150	2,150	---
Personnel Management Evaluations Conducted	2	2	2	---
Personnel Policies/ Procedures Issued	50	50	50	---
Training Requests Processed & Reviewed	1,500	1,500	1,500	---
Executive/Managerial Training Processed	150	150	150	---
Training Courses Developed/Presented	20	20	20	---
Performance Appraisal/ Merit Pay Reviews Conducted	1,100	1,100	1,100	---
Employee Relations Cases Processed/ Guidance Given	975	1,000	1,000	---
Labor Relations Cases Processed/Guidance Given	200	200	200	---
Worker Compensation Cases, Incentive Awards, Beneficial Suggestions, and Retirements Processed	440	440	440	---

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

The Division is responsible for two distinct programs in support of MMS:

1. <u>Procurement</u>. The procurement program includes entering into and administering contracts, small purchases, grants, cooperative agreements, and interagency agreements essential for fulfilling the mission of the MMS. Other responsibilities include managing the Small and Disadvantaged Business Utilization Program and Historically Black College and University (HBCU) Program; conducting acquisition management and internal control reviews of procurement activities; managing the Contracting Officers Technical Representative training program for all regions; conducting cost and price analyses; developing annual Advance Procurement Plans; and issuing procurement policy guidance to a variety of target groups, including private industry, senior management, contracting officers, and the Offshore and Royalty Management Programs.

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

   The MMS established a property management system for the Office of Surface Mining Reclamation and Enforcement (OSM) under an intra-agency agreement. In FY 1992 MMS will provide the required services in maintaining the system on a reimbursable basis.

SELECTED WORKLOAD OUTPUTS

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

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Award Contracts	205	215	230	+15
Award Small Purchases	1,751	1,700	1,750	+50
Administer Contracts	395	420	450	+30
Conduct Acquisition Management Reviews:				
Primary	1	2	1	+1
Follow-up	0	1	0	-1
Update Property Management Records	11,690	12,275	12,880	+605
OSM Transactions	4,095	3,500	1,000	-2,500
Contractor-Property Transactions	0	800	1,300	+500
Conduct Property Management Reviews of ASC's	1	1	1	---
Issue Individual Inventories of Controlled Property	238	200	200	---
Review Property Survey Board Actions	10	20	20	---
Process Printing Requests	410	440	500	+ 60
Desk Top Publishing	120	130	200	+70
Issue Supplies:				
Filling Orders	924	1,500	2,000	+500
Ordering/Restocking	200	700	900	+200
ADP Transactions	0	1,000	1,500	+500
Develop Procurement Policy Directives	17	20	20	---
Issue Information Requests or Transmittals	76	85	95	+ 10
Prepare Pricing Reports:				
Pre-award	32	40	45	+ 5
Closeout	18	22	25	+ 3
Process Audit Requests:				
Pre-award	25	32	32	---
Closeout	15	15	12	-3
Initiate, Review, and Implement Special Projects	300	325	350	+25
Analyze, Revise, or Provide Written Guidance on Procurement Approval Requests	30	32	35	+3
Review and Adjudicate GAO/OIG/Departmental (PAM) Audit Investigations	5	10	10	---
Respond to GAO/GSA/CO Protests	0	3	3	---
Conduct Internal Control Reviews	1	1	1	---
Establish and Monitor Procurement Integrity Procedures/Controls	250	100	100	---

Information Resources Management (IRM). The IRM Division is responsible for direction and review of the MMS IRM programs. These include planning, analyses, and direction for data administration and telecommunication; office automation and LAN's; security of data, systems, and equipment; operation, maintenance, and improvement of the administrative systems; operation of voice and data telecommunications systems; and coordinating and monitoring the use of FTS 2000 services.

In FY 1992, the Division will issue the annual MMS Strategic Plan for Information Management, providing the Department consolidated budgetary and planning information on the MMS IRM activities and future initiatives. The Division will also participate in Bureauwide efforts identified in the Strategic Plan, such as cyclical reviews of current systems; telecommunications activities; common data elements and standards between program areas; information resources security; awareness of and analysis of ADP costs; ADP hardware, microcomputer, and electronic mail policy; and analysis of ADP roles and responsibilities. The plan calls for development of a number of new administrative systems, consistent with Department-wide systems initiatives, (e.g., an integrated property and procurement system, an improved activities/correspondence control system). Some of these tasks will be initiated in FY 1992.

The Division will continue to provide administrative and technical support to the ADP Review Council in the planning and oversight of information systems. The Division will participate in implementing and executing the departmental Strategic Framework for Information Resources Management to increase productivity, improve the management and delivery of information, and increase effectiveness in the use of technology. The system life cycle management, the IRM review, the ADP security and data administration programs will continue. ADP Security Reviews will be completed for Sensitive Administrative Systems. This will be done under the auspices of the Management Control Review (MCR) program. In addition, IRM will provide support for scheduled RMP and Offshore MCR's.

Maintenance efforts and improvements to existing administrative systems will continue. Support of the Office of Surface Mining's controlled property tracking requirements will continue to be provided using the Property Management System. Similarly, the departmental requirement to furnish data on vehicle costs will be satisfied for both MMS and OSM by means of the Vehicle Maintenance System (VMS). Assistance will be given, as required, in the conversion efforts to the Federal Finance System (FSS). This will require significant effort to accommodate new requirements in a new hardware and software environment. Existing hardware and software will be evaluated for utility in supporting the new departmental system, and to provide the most efficient connectivity. Support for Headquarters microcomputer users and local area networks will continue, and connectivity among program functions will be reviewed and enhanced. More users will be added to Administration's local area network. A LAN, scheduled to be installed in the second quarter of FY 1991, will be supported for all MMS employees at the Main Interior Building.

SELECTED WORKLOAD OUTPUTS

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

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Maintain/Operate Administrative Systems	17	20	20	---
Develop/Enhance (Major) Administrative Systems	7	7	7	---
Operate Vendor-Supplied Systems	11	20	20	---
Issue MMS ADP Strategic Plan	1	1	1	---
Conduct ADP Security Reviews	3	7	7	---
Participate in Departmental IRM Projects and Work Groups	6	8	8	---
Respond to Requests for IRM Policy/Procedures Reviews	9	12	12	---
Perform Studies of Bureau ADP/Telecommunications Operations	6	6	7	+1
Prepare Planning Documents (5 yr. ADP/Telecommunication Plan)	3	3	2	-1
ADP Requisition Reviews	500	600	660	+60
ADP Acquisition Management Reviews	---	2	5	+3
Process Telephone Orders	1,200	400	400	---
Handle Telephone Complaints	350	200	200	---
Resolve Administrative LAN Users Problems (hot line)	---	1,500	2,000	+500
Resolve MMS LAN problems at Main Interior Building	---	2,000	2,000	---

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

The Office of the Deputy Associate Director for Administration and the ASC's are structured to assist managers in matters related to personnel, safety, security, space and property management, procurement and contracting, information resources management activities, and financial management. The ASC's operate under the direction of a service center manager who reports to the Deputy Associate Director for Administration. The two administrative satellite offices report to the Manager, Western Administrative Service Center. The administrative service organizations and their service areas are:

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

SELECTED WORKLOAD OUTPUTS

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

	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate	Inc.(+) Dec.(-)
Small Purchases Processed	4,625	4,925	5,175	+250
Contracts Awarded	110	107	115	+8
Contracts Administered	98	93	93	---
Property Actions				
Non ADP	1,351	2,949	1,665	-1,284
ADP	7,092	7,801	9,185	+1,384
Property Inventories	1,928	2,334	3,042	+708
Space Utilization Studies/Layouts	83	80	85	+5
Building Services, Repairs, Complaints, Requests	3,300	3,480	3,550	+ 70
Telephone Connects/ Disconnects Processed	1,435	1,855	1,650	-205
Safety Inspections/Accident Investigations	75	80	80	---
Security Clearances Processed	415	1,195	239	-956
Positions Reviewed	196	380	380	---
Vacancy Announcements Processed	158	205	210	+5
Training Courses	36	38	43	+5
Training Requests Processed & Reviewed	4,610	4,375	4,775	+400
Personnel Actions Processed	6,258	6,325	6,525	+200
Employee Relations Cases Processed/ Guidance Given	2,814	2,757	2,775	+18
Labor Mgmt. Relations Cases Processed				
a. Tangible Products	38	32	42	+10
b. Guidance Given	550	500	490	-10
BPA Calls Processed	1,025	1,000	1,100	+100
Invoices Processed	3,417	3,500	4,400	+900
Mail Processed	1,526,814	1,730,000	1,880,000	+150,000
Printing Work	4,939,259	5,300,000	5,600,000	+300,000
Imprest Fund Actions Processed	3,347	3,697	3,800	+103
PAY/PERS Input	70,476	75,000	74,100	-900
Vehicle Activities	226	365	400	+35

Increase from 1992 base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	12,568	13,334	+766
(FTE)	(236)	(240)	(+4)

Total Quality Management Program (+$100,000)

An increase of $100,000 is requested to establish a viable Total Quality Management (TQM) program within MMS to correspond to the program within the Department. The goal of this program will be to promote the timely delivery of high-quality, error-free, cost-effective products and services using delivery systems that are responsive to customer needs both within and outside of the Bureau and Department. Funding will be used to educate managers, supervisors and employees in the concepts and practices of TQM while implementing new procedures designed to create an environment that emphasizes an improved way of performing the work with fewer errors. The end result is that such on-the-job education and subsequent practice of the TQM procedures will provide greater customer satisfaction.

Distribution of change by object class

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

	Amount ($000)
Other Services........................	+100
Total..........................	+100

Contract Support (+$510,000; +2 FTE)

Contracting staff will be increased by 2 positions to process and administer increased workload primarily related to the new Environmental Studies and Oil Spill Response initiatives proposed by OCS Lands. Personnel and support costs for these two positions amount to $183,000.

In addition, $207,000 will be necessary for contractor services and equipment acquisition to redesign/modernize administrative systems which will include procurement, property, and personnel-related systems. Updating of Administrative systems will be necessary to provide adequate administrative support to MMS's program offices. The work will consist of consultation, database design, systems design, programming support, and where necessary due to expiration of systems' life cycles, equipment replacement. This will increase Administration's responsiveness in terms of information retrieval, reduce duplication and unnecessary data entry, and will extend or reinitiate systems' life cycles.

order for personnel to qualify for contracting officer warrants. Sufficient funds must also be available to provide training to allow contracting officers, procurement analysts, price analysts, purchasing agents, and other contact specialists to maintain professional levels of proficiency established in the Department of Interior's Contracting Officer's Warrant System by providing an annual minimum of 40 hours of professional maintenance training for each such position. To accomplish this task the Minerals Management Service is requesting $20,000.

In support and development of our Human Resources, $100,000 will be used for upgrading equipment and increasing course offerings for the Automation Training Center is planned to enhance employee automatic data processing skills.

Distribution of change by object class

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

	Amount ($000)	(FTE)
Personnel Compensation.................	+110	
Personnel Benefits.....................	+ 25	
Travel.................................	+ 25	
Rents, Communications, Utilities.......	+ 3	
Other Services.........................	+131	
Supplies...............................	+ 20	
Equipment..............................	+196	
Total..................................	+510	+ 2

Audited Financial Statements (+$50,000; +1 FTE)

In order to support the Office of Management and Budget's efforts to enhance the integrity of Federal financial management, the MMS requests $50,000 and one FTE to begin a major financial audit effort. This requirement comports with a broader program goal of improving the quality of Federal financial management, as has been endorsed by the Comptroller General and the Office of Management and Budget.

Distribution of change by object class

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

	Amount ($000)	(FTE)
Personnel Compensation.................	+ 35	
Personnel Benefits.....................	+ 7	
Travel.................................	+ 4	
Equipment..............................	+ 4	
Total..................................	+ 50	+ 1

Arts and Artifacts (+$106,000; +1 FTE)

The Secretary identified the urgent need to strengthen throughout the Department the accountability, control and protection of artwork and artifacts which constitute an important cultural resource managed by the bureaus and offices. This action was prompted by an Inspector General audit report of July, 1990 which resulted in the management deficiencies related to artwork and artifacts being designated a Departmental material weakness in the Secretary's Annual Statement and Report for 1990 under the Federal Manager's Financial Integrity Act. To correct this weakness in FY 1992, an increase is requested so the bureau can 1) carry out bureau-wide implementation of interim guidance; 2) coordinate and direct bureau internal assessments of bureau collections and the capability of existing resources; 3) conduct bureau-level property management reviews emphasizing their artwork and artifacts collections; 4) support a central staff capability within the National Park Service (NPS) that will provide Department-wide policies and procedures for use by and in support of all bureaus; and 5) participate in the NPS-led effort.

Distribution of change by object class

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

	Amount ($000)	(FTE)
Personnel Compensation	+ 50	
Personnel Benefits	+ 10	
Travel	+ 24	
Printing	+ 2	
Other Services	+ 10	
Equipment	+ 10	
Total	+106	+ 1

Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
General Support Services	$	15,982	16,058	16,077	+95	+19
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements	$	15,982	16,058	16,077	+95	+19
	(FTE)	(---)	(---)	(---)	(---)	(---)

Authorization

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

General Support Services

Objectives

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

- o Provide appropriate services to support the operating programs.

Program Description

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at $12.2 million in FY 1992, is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of $1.2 million is based on data developed by the Department and actual FY 1989 costs. Commercial communication expenses of $0.4 million are based on FY 1991 estimates and include operations and maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

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

(In thousands of dollars)

Rent	12,211
Mail Services..........................	418
Commercial Communications...............	398
Department of Interior Working Capital Fund, Printing and Miscellaneous Charges	726
Federal Telecommunications System	1,185
Reimbursable Services	382
Employees' Compensation Fund	311
Miscellaneous Costs.....................	384
Unemployment Compensation	62
Total............................	16,077

Increase from 1992 base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	16,058	16,077	+19
(FTE)	(---)	(---)	(---)

Take Pride in America (+$19,000)

The MMS is requesting $19,000 as its share of funding required to support the Department's Take Pride in America effort.

Take Pride in America is a national public awareness campaign designed to encourage wise use of the lands and resources shared by all Americans. Many Federal, State, local, and private sector organizations are involved in this program. The focus of the campaign is at the grassroots level. The campaign is not intended to be a vast Federal program, but rather to provide a unifying theme for thousands of local and individual activities. Through national public service announcements, public-private partnerships, a national awards program, and other activities, the campaign seeks to provide a boost for stewardship action and awareness efforts around the nation.

Distribution of change by object class

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

	Amount ($000)	(FTE)
Other Services........................	+ 19	
Total...........................	+ 19	

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Program and Financing
(In thousands of dollars)

14-1917-0-302	FY 1990 Actual	FY 1991 Enacted to Date	FY 1992 Estimate
Program by activities:			
DIRECT PROGRAM:			
00.0101 Outer Continental Shelf Lands...	89,974	97,552	131,863
00.0201 Royalty Management..............	54,197	66,103	66,574
00.0301 General Administration..........	31,366	32,341	35,077
00.9101 Total direct program.........	**175,537**	**195,996**	**233,514**
01.0101 Reimbursable program............	3,473	3,625	4,000
10.0001 Total obligations............	**179,010**	**199,621**	**237,514**
FINANCING:			
21.4001 Unobligated Balance Available, Start of Year....................	-1	-1	---
24.4001 Unobligated Balance Available, End of Year......................	1	---	---
25.0001 Unobligated Balance Lapsing.....	505	---	---
39.0001 Budget Authority...............	179,515	199,620	237,514
BUDGET AUTHORITY:			
Current:			
40.0001 Appropriation..................	176,042	197,028	233,514
40.7580 Reduct. pursuant to P.L. 101-512	---	-1,033	---
43.0001 Appropriation (adjusted)........	176,042	195,995	233,514
Permanent:			
68.0001 Spending authority from offsetting collections....................	3,473	3,625	4,000
Relation of obligations to outlays:			
71.0001 Total obligations...............	179,010	199,621	237,514
72.4001 Obligated balance, start of year......................	68,793	67,394	74,688
74.4001 Obligated balance, end of year......................	-67,394	-74,688	-85,734
77.0001 Adjustment in Expired Accounts..	-1,783	---	---
87.0001 Outlays (gross).............	178,626	192,327	226,468
Adjustments to budget authority and outlays			
Deductions for offsetting collections:			
88.0001 Federal funds..................	-1,986	-1,825	-2,000
88.4001 Non-Federal sources............	-1,487	-1,800	-2,000
88.9001 Total, offsetting collections...	-3,473	-3,625	-4,000
89.0001 Budget authority (net)..........	**176,042**	**195,995**	**233,514**
90.0001 Outlays (net)..................	**175,153**	**188,702**	**222,468**

Summary of Requirements by Object Class

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

Object Class		FY 1992 Base FTE	FY 1992 Base Amount	FY 1992 Estimate FTE	FY 1992 Estimate Amount	Difference FTE	Difference Amount
11.	Personnel Compensation:						
11.1	Full-time permanent	2,003	83,988	2,028	85,410	25	1,422
11.3	Other than full-time permanent	100	2,208	100	2,216	---	8
11.5	Other personnel compensation	9	1,284	9	1,284	---	---
11.8	Special personal services payments	---	9	---	9	---	---
	11.9 Total Personnel Compensation	2,112	87,489	2,137	88,919	25	1,430
12.1	Personnel benefits: civilian		20,000		20,316		316
13.0	Benefits for former personnel		62		62		---
21.0	Travel and transportation of persons		3,996		4,227		231
22.0	Transportation of things		314		324		10
23.1	Standard level user charges		11,049		11,049		---
23.2	Rental payments to others		254		330		76
23.3	Communications, utilities and miscellaneous charges		3,732		3,775		43
24.0	Printing & reproduction		1,305		1,352		47
25.0	Other services		66,060		95,416		29,356
26.0	Supplies and materials		1,748		2,337		589
31.0	Equipment		966		5,357		4,391
42.0	Insurance claims and indemnities		4,029		50		-3,979
44.0	Refunds		8		---		-8
	Total Requirements		201,012		233,514		32,502

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

14-1917-0-1-302	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
Direct Obligations:			
Personnel compensation			
111.10 Full-time permanent............	75,063	80,299	85,410
111.30 Other than full-time permanent..	1,981	2,119	2,216
111.50 Other personnel compensation....	1,165	1,246	1,284
111.80 Special personal svcs payments..	8	9	9
111.90 Total personnel compensation...	**78,217**	**83,673**	**88,919**
112.10 Civilian personnel benefits.....	16,035	18,269	20,316
113.00 Benefits for former personnel...	117	53	62
121.00 Travel & transport of persons...	3,512	4,209	4,227
122.00 Transportation of things........	397	314	324
123.10 Rental payments to GSA..........	9,786	11,204	11,049
123.20 Rental payments to others.......	112	129	330
123.30 Communications, utilities and miscellaneous charges.........	3,161	3,732	3,775
124.00 Printing and Reproduction.......	1,069	1,323	1,352
125.00 Other services..................	57,032	65,659	95,416
126.00 Supplies and materials..........	2,296	2,135	2,337
131.00 Equipment.......................	3,408	1,259	5,357
141.00 Grants, subsidies, and contributions................	177	---	---
142.00 Insurance claims & indemnities..	155	4,029	50
144.00 Refunds.........................	63	8	---
199.00 SUBTOTAL, direct obligations....	**175,537**	**195,996**	**233,514**
Reimbursable Obligations:			
221.00 Travel of Persons...............	---	---	---
222.00 Transportation of Things........	---	---	---
223.30 Comm, Utilities & Msc Chrgs.....	4	---	---
225.00 Other services..................	3,468	3,625	4,000
226.00 Supplies & Materials............	1	---	---
299.00 SUBTOTAL, reimbursable obligations..................	**3,473**	**3,625**	**4,000**
999.90 TOTAL OBLIGATIONS.............	**179,010**	**199,621**	**237,514**

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Personnel Summary

14-1917-0-302	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
Direct:			
Total number of full-time permanent positions............................	1,964	2,002	2,019
Total compensable workyears: Full-time equivalent employment..........	2,058	2,117	2,137
Full-time equivalent of overtime and holiday hours....................	6	8	7
Average SES salary......................	$79,167	$99,576	$99,576
Average GS grade........................	10.49	10.52	10.51
Average GS salary.......................	$37,134	$39,560	$41,568
Average salary of ungraded positions.....	$11,023	$11,850	$12,250

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Employee Count by Grade

14-1917-0-1-302	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
ES-6	3	2	2
ES-5	3	3	3
ES-4	6	6	6
ES-3	3	4	4
ES-2	1	1	1
ES-1	1	1	1
Subtotal	17	17	17
GS/GM-15	72	72	73
GS/GM-14	174	176	177
GS/GM-13	417	421	424
GS-12	478	482	483
GS-11	187	195	198
GS-10	39	39	39
GS-9	121	124	129
GS-8	49	51	51
GS-7	158	163	166
GS-6	137	137	139
GS-5	147	147	148
GS-4	84	85	86
GS-3	5	5	5
GS-2	4	4	4
GS-1	0	0	0
Subtotal	2,072	2,101	2,122
Ungraded	2	2	2
Total employment (actual/projected) end of fiscal year	2,091	2,120	2,141

Appropriation: Mineral Leasing and Associated Payments

Appropriation Summary Statement

Minerals Management Service

Payments to States: (-$42,598,000)

- Shared Revenue Payments (-$42,798,000): This subactivity provides for monthly payments to all States for their share of revenues realized as a result of mineral leasing activities and associated interest charges under various authorizing statutes on Federal lands within their boundaries. In FY 1991 Congress included a provision to recover $68.2 million, approximately one-half, of the Departments of the Interior and Agriculture-Forest Service mineral leasing administrative program costs. This year's budget proposes to continue this provision and to increase the amount of program costs recovered to $102.3 million or approximately three-quarters of the government's program costs. Cost recovery is accomplished by reducing the government's, the Bureau of Reclamation Fund's, and the States' shares of mineral leasing receipts.

  In accordance with 30 U.S.C. 181 et seq. (the Mineral Leasing Act), all States (except Alaska) are paid 50 percent of the receipts from bonuses, royalties, and rentals resulting from the leasing of mineral resources under the Act, on public domain lands. Alaska is paid 90 percent of the receipts from such leasing (except for lands within the National Petroleum Reserve-Alaska (NPRA)). Also included are MMS disbursements of the States' shares of mineral leasing receipts as authorized under 30 U.S.C. 351 et seq. (The Mineral Leasing Act for Acquired Lands) and 30 U.S.C. 1001 et seq. (The Geothermal Steam Act of 1970).

  The FY 1992 payments to the States decrease from the FY 1991 estimate due to:

  - a $26.3 million decrease in mineral leasing receipts, and
  - a $16.5 million decrease caused by an increase in the amount of the Government's mineral leasing program costs, from $68.2 to $102.3 million, to be recovered through cost recovery measures.

  The States' shares of payor late payment interest, as authorized by FOGRMA and 30 U.S.C. 191a, is also included in this subactivity. In FY 1992, $7.3 million is estimated for interest from the resolution of coal litigation cases expected to be resolved. The FY 1992 estimate is almost twice the FY 1991 estimate as the interest portion of the expected settlement is greater.

- Late disbursement interest (+$200,000): The Federal Oil and Gas Royalty Management Act of 1982 requires monthly payments to a State of its share of royalty funds on production from federal leases within the State. Payments are disbursed late when a proper determination of the source of royalties cannot be made, usually due to a company reporting error. MMS has the cash available but cannot determine to whom the cash belongs until the error is corrected. The reporting error rate has declined to a steady state and no additional effort on MMS's part can significantly reduce this rate. MMS's efficiency enhancement efforts have proven successful; interest payments have been reduced to less than 1/2 of one percent of the total annual payments to States. The resources required to ensure a zero reporting error rate, if such were possible, would be greater than the amount of interest being paid. Due to recent budgetary constraints, MMS can no longer cover these interest payments out of its operating budget without reducing other functions necessary to meet its mission. Included in this request is $200,000 to pay interest from the Federal government's ten percent share of mineral receipts, thereby not reducing the States' share of mineral leasing receipts or reducing necessary MMS operating funds.

Miscellaneous Payments: (+410,000)

This activity provides for a variety of payments, associated with mineral leasing activities, to a variety of recipients. Included are:

- Interest on Refunds. $150,000 is requested to pay interest to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.

- Rewards. $250,000 is requested to reward persons who provide information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government, Indian Tribes and allottees.

- Refunds. $10,000 is requested for one-time refund payments for successfully appealed bills due on Indian allotted leases.

- Payor Late Payment Interest (other than to States). Interest to be paid to recipients other than States as authorized under 30 U.S.C. 191a. No request is necessary in FY 1992.

Appropriation Language Sheet

MINERAL LEASING AND ASSOCIATED PAYMENTS

In fiscal year 1992 from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, (30 U.S.C. 181 et seq.) and the Geothermal Steam Act of 1970, as amended (30 U.S.C 1001 et seq.) which are not otherwise payable, for the following payments: (1) such amounts as may be necessary for interest owing to States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714, and 1721(b) and (d); and (2) $10,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due; and (3) such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government, an Indian tribe, or an Indian allottee in accordance with Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723), as amended by this Act.

Further, section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723) is amended by striking out the words "with respect to any oil and gas lease on Federal lands or on the Outer Continental Shelf" and inserting in lieu thereof the words ", any Indian tribe, or any Indian allottee with respect to any oil and gas lease or any lease or agreement authorizing exploration for and production of coal, any other mineral, or geothermal steam from Federal lands, Indian lands, or the Outer Continental Shelf and by striking out the words "under this Act" where it appears in the first sentence.

Further, during fiscal year 1992 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for the payment of interest on any refund of any amounts paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law. Interest shall be paid without regard to whether the monies refunded were paid to the Secretary before or after the date of enactment of this Act, and shall be from the date of payment until the date of refund except that interest on refunded monies paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978.

Justification of Proposed Language Changes

MINERAL LEASING AND ASSOCIATED PAYMENTS

1. "In fiscal year 1992 from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, (30 U.S.C. 181 et seq.) and the Geothermal Steam Act of 1970, as amended (30 U.S.C 1001 et seq.) which are not otherwise payable, for the following payments: (1) such amounts as may be necessary for interest owing to States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714, and 1721(b) and (d);"

This is an annual provision which asks for an appropriation to pay authorized late disbursement interest to the States from the Federal share of mineral leasing receipts.

2. "(2) $10,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due:"

This provision would allow MMS to make refunds from the Federal share of mineral leasing receipts on behalf of certain Indian allottees. The allottees do not have the monies to pay refunds to the companies, and as monthly rents and royalties currently collected on the affected leases are either so small or nonexistent, recoupment from future royalty payments is not possible in a reasonable time. As a matter of fairness, the MMS asks for authority to reimburse the companies and for an appropriation to do so.

Past policy required the MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible. New procedures allow the companies to post bonds for the disputed amounts and to have MMS suspend the disputed payment. Only after the appeal is settled would the MMS distribute BIA's portion. Due to these new procedures, the need for these settlements should not recur for bills issued after 1987. However, settlements may be necessary for bills prior to 1987.

3. (3) such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government, an Indian tribe, or an Indian allottee in accordance with Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723), as amended by this Act.

This is an annual provision which requests an appropriation to pay FOGRMA authorized rewards from the Federal share of mineral leasing receipts. This year the provision expands the current request for an appropriation to pay FOGRMA-authorized rewards for Federal oil and gas leases to Indian oil and gas leases and to both Federal and Indian non-oil and gas leases.

4. "Further, section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723) is amended by striking out the words "with

respect to any oil and gas lease on Federal lands or on the Outer Continental Shelf" and inserting in lieu thereof the words ", any Indian tribe, or any Indian allottee with respect to any oil and gas lease or any lease or agreement authorizing exploration for and production of coal, any other mineral, or geothermal steam from Federal lands, Indian lands, or the Outer Continental Shelf and by striking out the words "under this Act" where it appears in the first sentence."

This provision provides the authority for the expansion the current FOGRMA-authorized rewards program for Federal oil and gas leases to Indian oil and gas leases and to both Federal and Indian non-oil and gas leases. Authorization to amend section 113 of FOGRMA is being sought from the appropriate authorization committees.

5. "Further, during fiscal year 1992 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for the payment of interest on any refund of any amounts paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law.] Interest shall be paid without regard to whether the monies refunded were paid to the Secretary before or after the date of enactment of this Act, and shall be from the date of payment until the date of refund except that interest on refunded monies paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978.

   This provision would give MMS the permanent, indefinite authority to pay, from the Federal share of undistributed mineral leasing receipts, appropriate interest on all refunded payments for the period of time during which the disputed amount has been in the accounts of the Government, thus reflecting greater fairness and better business practice toward all royalty payors. Interest shall be paid without regard to whether monies refunded were paid to the Secretary before or after the date of enactment of this Act.

Appropriation Language Citations

MINERAL LEASING AND ASSOCIATED PAYMENTS

1. "In fiscal year 1992, from moneys received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Leasing Act of 1920, as amended,"

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

The Mineral Leasing Act, provides for the sharing of receipts with States from various mineral leasing activities on Federal public domain lands within their boundaries.

2. "and the Geothermal Steam Act of 1970, as amended,"

30 U.S.C. 1001 *et seq*.

The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

3. "which are not otherwise payable, for the following payments:

(1) such amounts as may be necessary for interest owing to the States, Indian tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714 and 1721(b) and (d);"

30 U.S.C. 1721(b) and (d)

The Federal Oil and Gas Royalty Management Act of 1982 provides for monthly payments to a State of its share of royalty funds from oil and gas production on Federal public domain lands within the State and to Indian accounts on production from leases on Indian lands, and for payments of interest to States and Indian accounts when funds are not disbursed as required by 30 U.S.C. 191 and 1714.

4. "(2) $10,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due:"

This provision is being proposed to allow MMS to refund companies amounts successfully appealed which are due from Indian allottees.

5. "(3) such amounts as may be necessary shall be available for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral revenues owed to the Government, an Indian tribe, or an Indian allottee in accordance with Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723), as amended by this Act.

Further, section 113 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1723) is amended by striking out the words "with respect to any oil and gas lease on Federal lands or on the Outer Continental Shelf" and inserting in lieu thereof the words ", any Indian tribe, or any Indian allottee with respect to any oil and gas lease or any lease or agreement authorizing exploration for and production of coal, any other mineral, or geothermal steam from Federal lands, Indian lands, or the Outer Continental Shelf and by striking out the words "under this Act" where it appears in the first sentence."

30 U.S.C. 1723

The Federal Oil and Gas Royalty Management Act of 1982 authorizes payment of a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government. This provision would expand the current FOGRMA-authorized rewards program to Indian oil and gas leases, as well as to Federal and Indian non-oil and gas leases, thereby improving compliance and increasing mineral collections to Indian tribes and allottees, States, and the Federal government. Authorization to amend section 113 of FOGRMA is being sought from the appropriate authorization committees.

6. "Further, during fiscal year 1992 and each fiscal year thereafter, from moneys received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for the payment of interest on any refund of any amounts paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law.] Interest shall be paid without regard to whether the monies refunded were paid to the Secretary before or after the date of enactment of this Act, and shall be from the date of payment until the date of refund except that interest on refunded monies paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978."

This provision is being proposed to allow MMS to pay appropriate interest on successfully appealed bills for the period of time during which the disputed amount has been in the accounts of the Government, thus reflecting greater fairness and better business practice toward all royalty payors.

Justification of Appropriation Structure Changes

The appropriation title and structure have been revised to clarify the recipients and authorizing statutes. Revisions are based on the following:

1) Currently, the appropriation is authorized to share with the States mineral receipts not only from the Mineral Leasing Act, as amended, but also from the Mineral Leasing Act for Acquired Lands, as amended, and the Geothermal Steam Act of 1970.

2) The appropriation is not only authorized to share with the States, but also all other recipients, the payor late payment interest collected under FOGRMA as authorized by 30 U.S.C. 191a. Interest is not a mineral leasing receipt and is not authorized by the Mineral Leasing Act.

3) Included in the appropriation is a proposal to pay to the States FOGRMA-authorized late disbursement interest. This proposal is under the Payments to States activity thereby consolidating all payments to States in one activity. Funding is proposed from the Federal government's ten percent share of mineral leasing receipts which are deposited into the miscellaneous receipt account of the Treasury, thereby ensuring a sufficient source of funding without diminishing the operating funds necessary for MMS to accomplish its basic missions.

4) Also included in the appropriation as the Miscellaneous Payments activity, are proposals to pay from the Federal government's ten percent share of undistributed mineral leasing receipts:

   - FOGRMA-authorized rewards which are paid to individuals (not States) who provide information which results in additional collections from Federal oil and gas leases;

   - Rewards to individuals (not States) who provide information which results in additional collections from oil and gas Indian leases and from non-oil and gas Federal and Indian leases;

   - Interest on refunds which is paid to royalty-paying companies (not States); and

   - Payor late payment interest collected under 30 U.S.C 191a and paid to recipients other than States.

These payments are not made to States and do not affect in any manner the amount of the States' payments. Funding is proposed from the Federal government's ten percent share of mineral leasing receipts which are deposited into the miscellaneous receipt account of the Treasury.

Mineral Leasing and Associated Payments
Activity/Subactivity Change Crosswalk - FY 1992 Estimates
(in thousands of dollars)

Format of FY 1991 Congressional Budget Appropriation/Activity/Subactivity	FY 1991 Enacted	Format of FY 1992 Congressional Budget	FY 1991 Estimate
PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT		MINERAL LEASING AND ASSOCIATED PAYMENTS	
A. Payments to States from Receipts under Mineral Leasing Act	515,013	A. Payments to States	
		(1) Shared Revenue Payments	515,013
		(2) Late Disbursement Interest	0
		Total, Payments to States	515,013
B. Miscellaneous Payments		B. Miscellaneous Payments	
(1) Refunds	0	(1) Refunds	0
(2) Interest on Refunds	0	(2) Interest on Refunds	0
(3) Late Disbursement Interest	0	(3) Rewards	0
(4) Rewards	0	(4) Payor late payment interest (other than States)	0
Total, Miscellaneous Payments	0	Total, Miscellaneous Payments	0
Combined Total	**515,013**	**Combined Total**	**515,013**

Mineral Leasing and Associated Payments
Activity/Subactivity Change Crosswalk - FY 1992 Estimates
(in thousands of dollars)

Format of FY 1991 Congressional Budget Appropriation/Activity/Subactivity	FY 1992 Estimate	Format of FY 1992 Congressional Budget	FY 1992 Estimate
PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT		MINERAL LEASING AND ASSOCIATED PAYMENTS	
A. Payments to States from Receipts under Mineral Leasing Act	472,215	A. Payments to States	
		(1) Shared Revenue Payments	472,215
		(2) Late Disbursement Interest	200
		Total, Payments to States	472,415
B. Miscellaneous Payments		B. Miscellaneous Payments	
(1) Refunds	10	(1) Refunds	10
(2) Interest on Refunds	150	(2) Interest on Refunds	150
(3) Late Disbursement Interest	200	(3) Rewards	250
(4) Rewards	250	(4) Payor Late Payment Interest (other than States)	0
Total, Miscellaneous Payments	610	Total, Miscellaneous Payments	410
Combined Total	**559,754**	**Combined Total**	**472,825**

Summary of Requirements

Appropriation: Mineral Leasing and Associated Payments

(Dollar amounts in thousands)

	FTE	Amount
Appropriation Currently Available, 1991	---	515,013
Base Adjustments............................	---	-------
1992 Base Budget............................	---	515,013

Comparison by Activity/Subactivity	FY 1990 Actual 1/ FTE	FY 1990 Actual 1/ Amount	FY 1991 Enacted FTE	FY 1991 Enacted Amount	FY 1992 Base FTE	FY 1992 Base Amount	FY 1992 Estimate FTE	FY 1992 Estimate Amount	Inc./Dec. from FY 1991 FTE	Inc./Dec. from FY 1991 Amount	Inc./Dec. from Base FTE	Inc./Dec. from Base Amount
Payments to States												
Shared Revenue Payments	---	451,169	---	515,013	---	515,013	---	472,215	---	-42,798	---	-42,798
Interest for Late disbursement	---	---	---	0	---	0	---	200	---	+200	---	+200
Subtotal	---	451,169	---	515,013	---	515,013	---	472,415	--	-42,598	---	-42,598
Miscellaneous Payments												
Interest on Refunds	---	---	---	0	---	0	---	150	---	+150	---	+150
Rewards	---	---	---	0	---	0	---	250	---	+250	---	+250
Refunds	---	---	---	0	---	0	---	10	---	+10	---	+10
Payor late payment interest(other than States)	---	---	---	0	---	0	---	0	---	0	---	+0
Subtotal	---	---	---	0	---	0	---	410	---	+410	---	+410
Total Requirements	---	451,169	---	515,013	---	515,013	---	472,825	---	-42,188	---	-42,188

1/ Outlays totaled $451,279.

Justification of Program and Performance

Activity: Payment to States

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Shared Revenue	$	515,013	515,013	472,215	-42,798	-42,798
Payments	(FTE)	(---)	(---)	(---)	(---)	(---)
Interest for Late Disbursements	$		0	200	+200	+200
	(FTE)	(---)	(---)	(---)	(---)	(---)
Total Requirements		515,013	515,013	472,415	-42,598	-42,598

Authorizations

30 U.S.C. 181, *et seq.*	The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that stature on Federal lands within their boundaries.
30 U.S.C. 351 *et seq.*	The Mineral Leasing Act for Acquired Lands as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.
30 U.S.C. 1001, *et seq.*	The Geothermal Steam Act of 1970 authorizes 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	<u>The Federal Oil and Gas Royalty Management of 1982</u> 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 Government lands and from all minerals categories. This law applies to all interest paid to the Government on or after July 1, 1988. Any interest the Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.

Objectives

- o Provide payments to the States on a monthly basis based on the bonuses, rents, royalties paid for mineral resources on Federal lands within their boundaries.
- o To share payor late payment interest with the States.
- o Provide interest to States when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714.
- o Recover some of the government's mineral leasing administrative program costs.

Base Program

Shared Revenue Payments

This activity provides for payments to all States due shares of mineral leasing receipts and payor late payment interest realized as a result of the leasing of minerals on Federal lands located within the boundaries of the States. Revenues for these payments are accrued from payor interest, and bonuses, rentals, and royalties collected from Federal onshore mineral leases. Amounts paid to States are determined in accordance with various laws which specify the percentages of revenues to be paid. The payment a State receives is determined by the total revenues collected from mineral leasing and production within its boundaries.

In FY 1991 Congress included a provision to recover $68.2 million, approximately one-half, of the Departments of the Interior and Agriculture-Forest Service mineral leasing administrative program costs. This year's budget proposes to continue this provision and to increase the amount of program costs recovered to $102.3 million or approximately three-quarters of the government's program costs. Cost recovery is accomplished by reducing the government's, the Bureau of Reclamation Fund's, and the States' shares of mineral leasing receipts.

The Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., provides that all States be paid 50 percent of the revenues from bonuses, rentals, and royalties resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent). Alaska also receives 50 percent of the revenues collected on the non-MLA public domain lands of the National Petroleum Reserve-Alaska (NPRA). The estimate of payments to each State for any future fiscal year is an allocation based on the projected total mineral leasing receipts during that year. The actual payments from the prior fiscal year are used to determine the estimated allocation by State.

Distribution to the States

Figure 2 details the steps in this derivation process in flow chart form. The reader may find it useful to refer to Figure 2 while reading the following paragraphs.

An estimate of the total gross mineral collections is obtained from the various agencies which administer the onshore mineral leasing programs. The estimate of collections must then be converted into receipt estimates by incorporating the approximate one month delay necessary for processing collections and subsequent distribution into receipt accounts. For example, monies that are collected in September 1991 will generally be classified and distributed in October 1991 (the following fiscal year). Thus, 11/12ths or approximately 92 percent of budget year collections and 1/12th or approximately 8 percent of current year collections are combined to equal the receipts which are immediately distributed through the appropriation in the budget year.

Any applicable deductions for legislative proposals are made to derive a subtotal of mineral collections. For example, in FY 1991, a deduction to fund $68.2 million of the Department of the Interior's and Agriculture's mineral leasing administrative program costs was taken from the gross mineral collections before any distribution to the Treasury or States. In FY 1992, the administration is proposing to deduct $102.3 million of the government's mineral leasing program costs before distribution to States and the Treasury.

From this subtotal (gross receipts less cost recovery amount), six percent is then deducted which represents the amount collected for non-MLA lands ($60.099 million) and is based on past actuals. Most of these amounts are distributed by other Federal agencies. These are not considered Interior receipts and therefore are not in the Shared Revenue Payments calculations. However, deductions are made to these amounts for their appropriate share of cost recovery subsequent to their transfer to other agencies.
prior ?

The Shared Revenue Payments estimate is derived from the remaining 94 percent of the mineral receipt estimate. Its derivation may be tracked on the right hand side of the flow chart (Figure 2), or, if the reader prefers, Table 1 presents the same flow of events in dollar terms. Because of Alaska's unique revenue sharing arrangements, Alaska's estimated receipts are deducted prior to determination of amounts available for distribution to the Lower 48 States. After the Lower 48 States' 50 percent share is calculated, the amount to be distributed to Alaska for its 90 percent share of MLA collections is added to the Lower 48 total to arrive at the amount to distribute through the Shared Revenue Payments subactivity account. Some further adjustment is necessary based on the appropriation language which requires 1) Interior to show the full cost recovery amount in its accounts, and 2) not to subject county payments to cost recovery deductions. Therefore, the Shared Revenue Payments subactivity has been further reduced by its share of deductions ($704 and $1,046 thousand in FY 1991 and 1992, respectively) required to achieve the cost recovery amount required under law.

Alaska's share of NPRA receipts are not included in the Payments to States from Mineral Leasing Receipts activity account. They are distributed by the Bureau of Land Management through a separate account.

The estimated distribution to each State is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State. Table 2 provides the amounts distributed or planned for distribution to the States during FY 1990-1992. On a monthly basis, MMS withholds an equal portion of the cost recovery amount. Each state's monthly withholding is based on that State's prior month's cumulative fiscal year disbursements. September 1992 withholdings will be based on the full year's disbursements.

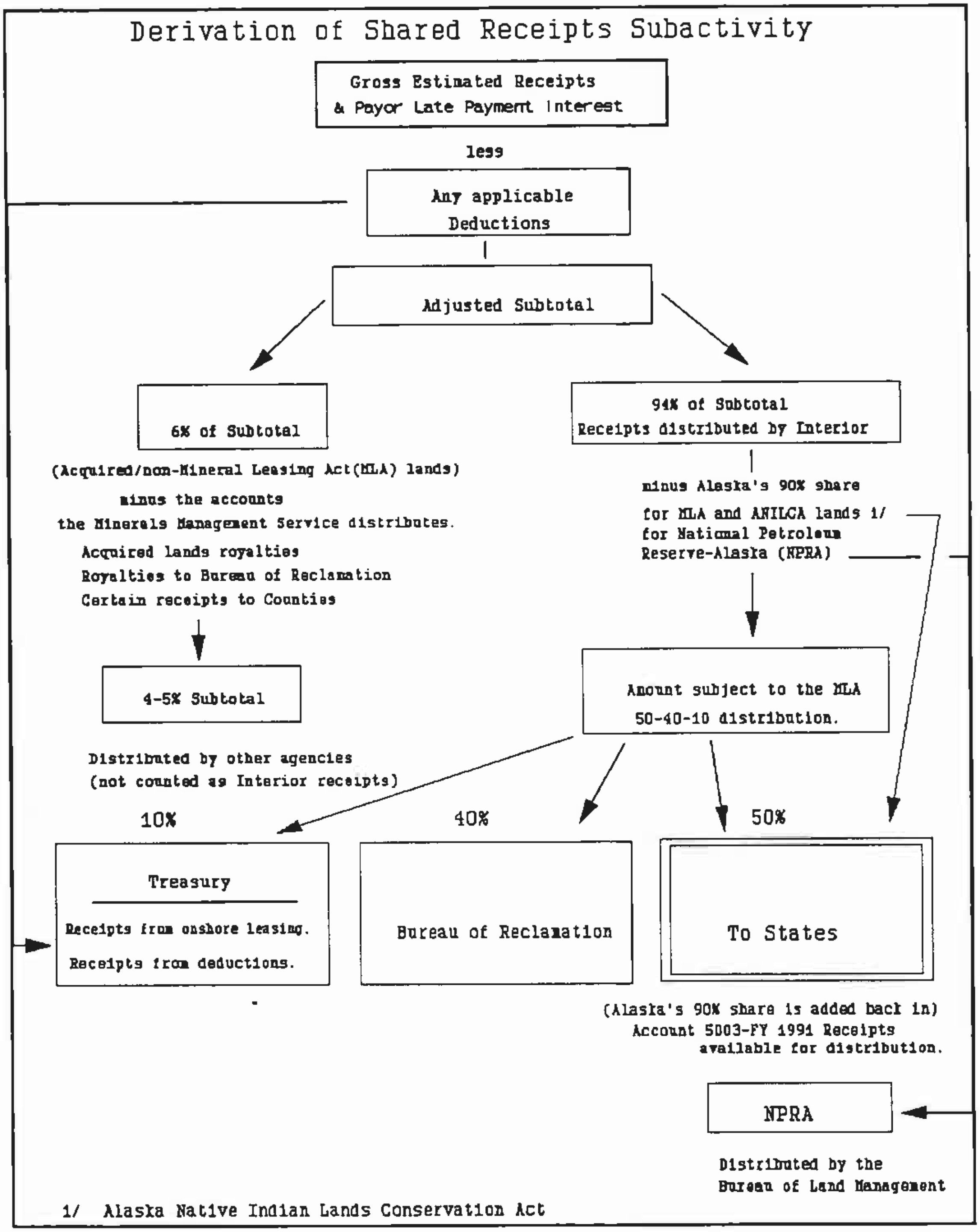
Derivation of Shared Receipts Subactivity
Gross Estimated Receipts & Payor Late Payment Interest
less
Any applicable Deductions
Adjusted Subtotal
6% of Subtotal
(Acquired/non-Mineral Leasing Act(MLA) lands)
minus the accounts
the Minerals Management Service distributes.
Acquired lands royalties
Royalties to Bureau of Reclamation
Certain receipts to Counties
4-5% Subtotal
Distributed by other agencies
(not counted as Interior receipts)
94% of Subtotal
Receipts distributed by Interior
minus Alaska's 90% share
for MLA and ANILCA lands 1/
for National Petroleum
Reserve-Alaska (NPRA)
Amount subject to the MLA
50-40-10 distribution.
10%
40%
50%
Treasury
Receipts from onshore leasing.
Receipts from deductions.
Bureau of Reclamation
To States
(Alaska's 90% share is added back in)
Account 5003-FY 1991 Receipts
available for distribution.
NPRA
Distributed by the
Bureau of Land Management
1/ Alaska Native Indian Lands Conservation Act

Figure 2

Table 1

Method of Estimating the FY 1991 and 1992
Shared Revenue Payments
(In thousands of dollars)

Estimated Collections	FY 1991	FY 1992
Shared Revenue Payments Mineral leasing receipts and payor late payment interest	1,160,016	1,103,954
Deduct: administrative costs	68,200	102,300
Total Receipts for Distribution	1,091,816	1,001,654
Deduct: Other Distributions (6%)	65,509	60,099
Available for Distribution to States (94% of receipts)	1,026,307	941,555
Deduct: Alaska	5,673	5,642
ANILCA 1/	1,440	1,249
NPRA 2/	564	544
Available to share with Lower 48 States	1,018,630	934,119
Lower 48 States' 50% share 3/	508,619	466,026
add in Alaska's 90% share 3/ (includes ANILCA revenues)	6,394	6,189
Receipts available for distribution to States through appropriation account	515,013	472,215

1/ Receipts collected on lands controlled by the Alaskan Native Indian Land Conservation Act.

2/ The NPRA receipts are deposited to a separate account for distribution to the state of Alaska.

3/ The full amount stated in the law must be recovered. Therefore, the States', Bureau of Reclamation, and Government's miscellaneous accounts must be further reduced to cover accounts not subject to cost recovery.

Table 2

SHARED REVENUE PAYMENTS
(In thousands of dollars)

	FY 1990 Actual Payments	FY 1991 Estimated Payments	President's Budget FY 1992 Estimated Payments
Alabama	991	1,142	1,049
Alaska-see below	0	0	0
Arizona	174	201	184
Arkansas	876	1,010	928
California	28,563	32,938	30,255
Colorado 1/	36,341	41,907	38,494
Florida	56	65	59
Idaho	1,969	2,271	2,086
Kansas	1,226	1,414	1,299
Louisiana	542	625	574
Michigan	724	835	767
Minnesota	0	0	0
Mississippi	86	99	91
Montana	20,316	23,428	21,520
Nebraska	127	146	135
Nevada	9,278	10,699	9,828
New Mexico	100,072	115,400	106,001
North Dakota	5,063	5,839	5,363
Ohio	13	15	14
Oklahoma	1,808	2,085	1,915
Oregon	371	428	393
South Dakota	695	801	736
Texas	114	131	121
Utah	33,293	38,393	35,266
Virginia	20	23	21
Washington	155	179	164
Wisconsin	0	0	0
Wyoming 2/3/	181,886	209,746	192,663
Lower 48 (50% share)	424,759	489,819	449,926
Alaska/ANILCA(90% share)	7,320	6,394	6,189
subtotal	432,079	496,213	456,115
One time payments 1/2/3/	19,200	18,800	16,100
Total Payments	451,279*	515,013	472,215

* Reflects outlays. All other years indicate budget authority.

1/ Does not include $18.8 million from Colowyo (coal) settlement.
2/ Does not include $19.2 million for Thunder Basin adjustment in FY 1991. FY 1990 column used for proration so Thunder Basin shown separately.
3/ Does not include $16.1 million from Meadowlark (coal) settlement in FY 1992.

(Numbers may not add due to rounding).

Late Disbursement Interest

The Federal Oil and Gas Royalty Management Act of 1982 requires monthly payments to a State of its share of royalty funds on production from federal leases within the State. Interest must be paid if the FOGRMA disbursement timeframes are not met. Payments are disbursed late when a proper determination of the source of royalties cannot be made, usually due to a company reporting error. MMS has the cash available but cannot determine to whom the cash belongs until the error is corrected. The reporting error has reached a steady state and no additional effort on MMS's part can significantly reduce this inherent error. MMS's efficiency enhancement efforts have proven successful; interest payments have been reduced to less than 1/2 of one percent of the total annual payments to States. The resources required to ensure a zero reporting error rate, if at all possible, would be greater then the amount of interest being paid. Due to recent budgetary constraints, MMS can no longer cover these interest payments out of its operating budget without reducing other functions necessary in meeting its mission. Included in this request is $200,000 to pay interest from the Federal government's ten percent share of mineral receipts thereby not reducing the States' share of mineral leasing receipts or reducing necessary MMS operating funds.

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	515,013	472,415	-42,598
(FTE)	(---)	(---)	(---)

The decrease in the Payments to States activity is due primarily to:

- a $26.353 million decrease in mineral leasing receipts due to a 28% decrease in the estimated oil price;

- a $16.445 million decrease based on an increase in the amount of government mineral leasing administrative program costs from $68.2 in FY 1991 to $102.3 million in FY 1992; and

- a $.200 million increase to pay late disbursement interest.

  This amount will be funded from the Federal government's share of mineral receipts, thereby ensuring a sufficient source of funding without diminishing MMS's operating funds.

The following is a detail of the receipts changes determining the States' payments:

(In thousands of dollars)

Rents and Bonuses	FY 1991 Receipts	FY 1992 Receipts	Difference
Oil and Gas	75,011	103,111	28,100
Coal	15,236	24,797	9,561
Geothermal	3,456	3,461	5
Oil Shale	3	3	0
Other Minerals	907	909	2
Subtotal	94,613	132,28	137,668
Royalties			
Oil and Gas	671,625	544,889	-126,736
Coal	295,345	329,009	33,664
Geothermal	17,140	20,029	2,889
Oil Shale	0	0	0
Other Minerals	24,758	24,797	39
Subtotal	1,008,868	918,724	-90,144
TOTAL	1,103,481	1,051,005	-52,476

States' approximate 50 percent share of decrease in mineral leasing receipts................................ -26,353

1/ The receipts shown include the one month processing delay between collection and deposition into receipt and appropriation account. These receipts do not include amounts transferred to other agencies.

Distribution of change by object class

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

	Amount ($000)
Grants, subsidies, and contributions..........	-42,598

Justification of Program and Performance

Activity: Miscellaneous Payments

(Dollar amounts in thousands)

Subactivity		FY 1991 Enacted To Date	FY 1992 Base	FY 1992 Estimate	Inc.(+) Dec.(-) from 1991	Inc.(+) Dec.(-) from Base
Interest on Refunds		0	0	150	+150	+150
Rewards		0	0	250	+250	+250
Refunds		0	0	10	+ 10	+ 10
Payor Late Payment (other then States)		0	0	0	0	0
Total Requirements	$ (FTE)	0 (---)	0 (---)	410 (---)	+410 (---)	+410 (---)

Authorizations

30 U.S.C. 1723 — This provision of the Federal Oil and Gas Royalty Management Act of 1982 provides for payment of rewards to persons who furnish information resulting in recovery of mineral lease revenues owed to the government of up to 10 percent of amounts collected.

30 U.S.C. 191a — This law authorizes the sharing of all late payment interest collected on all Government lands and from all minerals categories. This law applies to all interest paid to the Government on or after July 1, 1988. Any interest the Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.

Objectives

- To assure an equitable payment of interest foregone is made to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.
- To encourage receipt of information that results in the collection of additional mineral revenues owed to the Government.

- To pay refunds on behalf of Indian allottees to companies who successfully appeal royalty bills. Refund payments are made when recoupment from future royalties is not feasible.

- To share payor late payment interest with all other recipients.

Base Program

Interest on Refunds Companies

Some royalty payors who contest a particular assessment or royalty payment obligation pay the disputed amounts to MMS pending administrative appeal or judicial review. In some cases, all or some portion of the amount so paid ultimately is determined to be not owing to the United States, an Indian account, or an Alaska Native Corporation.

The MMS believes it is appropriate to pay interest on the amount refunded for the period from payment until refund, thus reflecting more equitable and better business practice toward the royalty payors. The interest rate provided is one which corresponds closely to the time value of the funds; it is not a punitive interest rate. Interest on refunds for FY 1992 is estimated to be $150,000. Per new guidance in Circular A-11, it is now treated as permanent authority the first year it becomes available, as well as in succeeding years.

Rewards

The MMS is authorized by Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 to pay a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government from Federal oil and gas leases. Regulations to implement the reward program were published in the Federal Register in July 1987. The reward percentage will be dependent upon the amount and usefulness of the information provided. The regulations provide a formula similar to that used by the IRS to determine what percentage of the collected amount individuals will receive. These rewards do not apply to information obtained from Federal Government employees, an officer or employee of a State or Indian tribe acting pursuant to a cooperative agreement or delegation under this Act, or any person acting pursuant to a contract authorized by FOGRMA.

In FY 1992, $200,000 is estimated to be needed for the FOGRMA-authorized reward program. An additional $50,000 is included to expand the rewards program to include Indian oil and gas leases and also to include all non-oil and gas leases, both Federal and Indian. Authorization will be requested from the appropriate authorization committees. The current and proposed reward programs, together, will enhance royalty collection efforts and lead to increased royalty collections on all types of Federal and Indian leases.

Refunds to companies for Indians + Allottees

Refund payments are made on behalf of Indian allottees when they are not able to make refunds and due to the current royalty revenue on the leases being either so small or non-existent, recoupment from lease royalty payment is not possible or would require an unduly long period.

Past policy required a payor who appealed a bill to pay the bill pending the outcome of the appeal. Additionally, the policy required the MMS to distribute 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 up held and the moneys were not available to repay the company, recoupment was made against future royalty payments. To mitigate these situations, in 1987, the BIA changed its policy and the MMS implemented new procedures. These new procedures allow the companies to post bonds for the disputed amounts and to have MMS suspend the payment. Only after the appeal is settled would MMS distribute BIA's portion. These procedures insure that the distribution is not made until after the appeal is resolved. However, the need may arise for settlements of pre-1987 bills as it has in these cases, with refunds being required. In FY 1992, $10,000 is estimated for refunds based on past actuals.

Payor Late Payment Interest On October 24, 1988, 30 U.S.C. 191a was signed into law. This law authorized sharing with the States and all other recipients any interest on payor late payments accrued from all payments due on all Government lands, and from all minerals. This activity provides payment to all other recipients. However, no request has been identified for FY 1992.

Increase from 1992 Base

(Dollar amounts in thousands)

	FY 1992 Base	FY 1992 Estimate	Difference
$	0	410	+410
(FTE)	(---)	(---)	(---)

Indefinite amounts are requested for four different types of payments: (1) $150,000 to pay interest on refunds, (2) $250,000 to pay rewards an all types of Federal and Indian lands, and (3) $10,000 to make refunds on behalf of Indian allottees.

Distribution of change by object class

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

	Amount ($000)
Refunds..	+10
Other services	+250
Interest and dividends...........................	+150
Total....................................	+ 410

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
MINERAL LEASING AND ASSOCIATED PAYMENTS

Program and Financing
(In thousands of dollars)

14-5003-0-2-806	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
Program by activities:			
Direct Program:			
00.01 Payments to States.................	451,192	515,013	472,415
00.02 Miscellaneous Payments...............	0	0	410
10.00 Total obligations	451,192	515,013	472,825
Financing:			
39.00 Budget authority....................	451,169	515,013	472,825
Budget authority:			
40.00 Appropriation (definite).............	---	---	---
40.05 Appropriation (indefinite)...........	---	0	460
60.05 Appropriation (permanent, indefinite)......................	451,169	515,013	472,365
Relation of obligations to outlays:			
71.00 Obligations incurred, net............	451,192	515,013	472,825
72.10 Receivables in excess of obligations, start of year.........		-87	
72.40 Receivables in excess of obligations, end of year...........	87		
90.00 Outlays..........................	451,279	514,926	472,825

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Mineral Leasing and Associated Payments
Object Classification (In thousands of dollars)

14-5003-0-2-806	FY 1990 Actual	FY 1991 Estimate	FY 1992 Estimate
125.00 Other services	---	---	250
141.00 Grants, subsidies, and contributions	451,192	515,013	472,415
143.00 Interest and dividends	---	---	150
144.00 Refunds	---	---	10
	451,192	515,013	472,825