

UNITED STATES DEPARTMENT OF THE INTERIOR BUDGET JUSTIFICATIONS, F.Y. 1994



MINERALS MANAGEMENT SERVICE

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General Statement

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

For the reader's convenience, a Table of Acronyms is provided at the end of the Justification.

Comparison of FY 1994 Request with FY 1993 Enacted

dollars in thousands

Appropriations		1993 Enacted to Date	1994 Request	Changes from 1993
<i>Current</i>				
Royalty & Offshore Minerals Management	\$ FTE	196,539 2,003	201,586 1,963	5,047 -40
Oil Spill Research	\$ FTE	5,331 —	5,331 —	0 —
Subtotal, Current	\$ FTE	201,870 2,003	206,917 1,963	5,047 -40
<i>Permanent</i>				
Mineral Leasing & Associated Payments	\$	430,927	479,065	48,138
Payments to States from Acquired Forest Lands	\$	4,401	4,144	-257
Payments to States from Flood Control Act Lands	\$	1,085	1,132	47
Subtotal, Permanent	\$	436,413	484,341	47,928
Total, MMS	\$ FTE	638,283 2,003	691,258 1,963	52,975 -40

Mission Statements

Royalty and Offshore Minerals Management

- To enhance the relationship between the Federal Government and private industry in the process of ensuring that all revenues properly owing from mineral leases on Federal onshore and offshore and Indian lands are fairly and efficiently collected, accounted for, and disbursed in a manner that meets or exceeds Federal financial integrity requirements and recipient expectations.
- 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.

Oil Spill Research

- To perform research related to the mitigation and prevention of oil spills, as well as the determination of the financial responsibility of OCS facilities as authorized by the Oil Pollution Act of 1990.

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

- To provide States with a statutory share of bonuses, rents, royalties and interest collected by the Federal Government for minerals produced from onshore Federal lands. The Energy Policy Act of 1992 requires Interior to assume the payments previously made by the Forest Service and the Corps of Engineers and to make these payments under the requirements of the Federal Oil and Gas Royalty Management Act.

The programs and missions of the MMS are conducted by the major components shown in the organizational chart on page 17.

Highlights of FY 1994 Request

Current Appropriations

Uncontrollable Changes

A net decrease of \$1.268 million and 65 FTE from the FY 1993 enacted level will enable MMS to meet the Administration's goal of reducing Federal positions and streamlining Government operations, and increased pay and other fixed costs. Uncontrollable changes are discussed in detail in the Justification of Uncontrollable Cost Changes (page 12).

The following table synthesizes the programmatic changes in the FY 1994 request from the FY 1993 enacted level. Any remaining difference is due to uncontrollable cost changes. Further detail on programmatic changes is provided in the individual program narratives.

Programmatic Changes

dollars in thousands

	1993 Enacted to Date	1994 Request	Description <i>Any remaining difference between 1994 and 1993 levels are due to uncontrollable cost changes</i>
Royalty and Offshore Minerals Management			
OCS Leasing & Environmental	35,023	34,764	No programmatic changes
OCS Resource Evaluation Program	19,691	19,569	No programmatic changes
OCS Regulatory Program	35,428	34,523	-\$1.2M adjustment for one-time Hurricane Andrew Supplemental
OCS Information Mgt. Program	7,279	12,249	\$5.0M to begin acquisition of hardware and software for the TIMS project. Cost recovery efforts will continue.
OCS Lands Total	97,421	101,105	
RMP Mineral Revenue Operations	33,121	32,748	\$1.78M and 20 FTE for start-up of hardrock royalty collection efforts. Also transfers out to: Allottee Refunds (-\$5K), Rewards program (-\$10K), compliance (-\$510K), and audit agreements (-\$590K).
RMP Mineral Revenue Compliance	11,659	12,328	\$320K and 5 FTE for start-up of hardrock royalty collection efforts. \$510K transferred in for compliance efforts and Indian service efforts.
RMP Mineral Revenue Audit	20,189	20,705	\$590K transferred in for the 202/205 audit program to allow for the new participants & continued '93 level.
RMP Late Disb. Interest	—	—	Impossible to estimate. Less than \$300K/yr. in last 5 years. Reprogrammed during year.
Refunds on Behalf of Allottees	10	15	\$5K transferred in to meet greater demand.
Rewards to Individuals	—	10	\$10K transferred in to make payment to an individual who provided information which resulted in increased revenues and thus qualified for reward.
RMP, Total	64,979	65,806	
G. Adm-Executive Direction	3,611	3,633	No programmatic changes
G. Adm-Policy and Mgt. Improvement	3,744	3,683	No programmatic changes
G. Adm-Admin. Operations	11,706	12,034	\$70K for Federal Personnel/Payroll System; \$345K for Interior Dept. Electronic Acquisition System.
G. Adm-General Support Services	15,078	15,325	No programmatic changes
G. Adm, Total	34,139	34,675	
ROMM, Total	196,539	201,586	
Oil Spill Research	5,331	5,331	No programmatic changes
Total MMS Current	201,870	206,917	

Permanent Appropriations

The following table synthesizes the changes in the FY 1994 request from FY 1993 enacted levels.

Summary of Change *dollars in thousands*

	1993 Enacted	1994 Request	Description
Mineral Leasing and Associated Payments	430,927	479,065	Increase due to \$37.3 million increase based on resolution of large coal valuation case; remainder due to estimated increase in oil and gas prices.
Payments to States from Acquired Forest Lands	4,401	4,144	Decrease due to declining revenues from non-oil and gas minerals.
Payments to States from Flood Control Act lands	1,085	1,132	Increase due to estimated increase in oil and gas prices.
Permanents, Total	436,413	484,341	

The Administration is pursuing net receipts in FY 1994 through authorizing language amending the Mineral Leasing Act and other related mineral leasing statutes.

Royalty and Offshore Minerals Management
Activity/Subactivity Change Crosswalk — FY 1993 Enacted to Date
thousands of dollars

Format of 1993 Congressional Budget		1993 Enacted to Date	Format of 1994 Congressional Budget		1993 Enacted to Date
Outer Continental Shelf Lands			Outer Continental Shelf Lands		
1	Leasing & Environmental Program	35,023	1	Leasing & Environmental Program	35,023
2	Resource Evaluation Program	19,691	2	Resource Evaluation Program	19,691
3	Regulatory Program	35,501	3	Regulatory Program	35,428
4	Information Management Program	7,353	4	Information Management Program	7,279
	Total, OCS	97,568		Total, OCS	97,421
Royalty Management Program			Royalty Management Program		
1	Mineral Revenue Collections	21,185	1	Mineral Revenue Operations	33,121
2	Mineral Revenue Compliance	25,322	2	Mineral Revenue Compliance	11,659
3	Systems Development & Operations	20,027	3	Mineral Revenue Audit	20,189
4	Indian Allottee Refunds	10	4	Late Disbursement Interest	
			5	Indian Allottee Refunds	10
			6	Rewards	
	Total, RMP	66,544		Total, RMP	64,979
General Administration			General Administration		
1	Executive Direction	5,671	1	Executive Direction	3,611
2	Administration Operations	11,678	2	Policy & Management Improvement	3,744
3	General Support Services	15,078	3	Administration Operations	11,706
			4	General Support Services	15,078
	Total, General Administration	32,427		Total, General Administration	34,139
	Total, ROMM	196,539		Total ROMM	196,539

Royalty and Offshore Minerals Management
Activity/Subactivity Change Crosswalk — FY 1994 Budget
thousands of dollars

Format of 1993 Congressional Budget		1994 Presidential Budget	Format of 1994 Congressional Budget		1994 Presidential Budget
Outer Continental Shelf Lands			Outer Continental Shelf Lands		
1	Leasing & Environmental Program	34,764	1	Leasing & Environmental Program	34,764
2	Resource Evaluation Program	19,569	2	Resource Evaluation Program	19,569
3	Regulatory Program	34,605	3	Regulatory Program	34,523
4	Information Management Program	12,331	4	Information Management Program	12,249
	Total, OCS	101,269		Total, OCS	101,105
Royalty Management Program			Royalty Management Program		
1	Mineral Revenue Collections	22,366	1	Mineral Revenue Operations	32,748
2	Mineral Revenue Compliance	25,917	2	Mineral Revenue Compliance	12,328
3	Systems Development & Operations	19,073	3	Mineral Revenue Audit	20,705
4	Indian Allottee Refunds	15	4	Late Distribution Interest	—
			5	Indian Allottee Refunds	15
			6	Rewards	10
	Total, RMP	67,371		Total, RMP	65,806
General Administration			General Administration		
1	Executive Direction	5,615	1	Executive Direction	3,633
2	Administration Operations	12,006	2	Policy & Management Improvement	3,683
3	General Support Services	15,325	3	Administration Operations	12,034
			4	General Support Services	15,325
	Total, General Administration	32,946		Total, General Administration	34,675
	Total, ROMM	201,586		Total ROMM	201,586

Justification of Crosswalk Changes

- Reflects the MMS-wide reorganization which was approved by Congressional Committees on October 8, 1992. Budgetary impacts are:
 - The Royalty Management Program (RMP) realigned functions to conduct RMP's mission in the most efficient and effective manner by consolidating fragmented activities into logical, well-defined operating Divisions and Offices. Eliminates fragmented data processing, error correction, and exception resolution functions. The RMP program narrative includes a detailed matrix between the old and new structures.
 - The consolidation of all of MMS's program management, program review, policy planning, and appeals activities into one organizational component. The mission and workload of this new function, Policy and Management Improvement, is discussed in the General Administration program narrative.
- Within General Administration, \$28,000 and 1 FTE have been transferred from Executive Direction to Administrative Operations reflecting the conversion of motor vehicle operator to MMS-wide shuttle driver.

Summary of Requirements
Appropriation: Royalty and Offshore Minerals Management
dollars in thousands

Uncontrollable & Related Cost Changes	FTE	Amount	FTE	Amount
FY 1993 Enacted to Date	—	—	2,003	196,539
Changes				
Additional Cost of 1993 payraise in 1/4 of 1994 (<i>all activities</i>)		1,247		
Workers' Compensation Payments (<i>General Support Services</i>)		11		
Departmental Working Capital Fund (<i>General Support Services</i>)		-23		
Rental Payments (<i>General Support Services</i>)		259		
Retirement Cost (<i>OCS & General Administration</i>)		386		
FTE Usage Reduction - Executive Order 12839 (<i>all activities</i>)	-65	-1,709		
Administrative Streamlining - Executive Order 12837		-1,439		
OCS: Conflict Resolution	-198			
RMP: Completion of Verification Contract	-200			
Video-teleconferencing Set-up Complete	-50			
Mainframe Upgrade	-600			
"3a" regulation (<i>rejected lines</i>)	-50			
Royalty accounting (<i>billed invoices</i>)	-100			
Payor/Operator Training	-72			
BSPI Software Development	-169			
Total Adjustments	-65	-1,268		
FY 1994 Base Budget, ROMM			-65	195,271

Detailed description of streamlining changes are in program narratives.

"Uncontrollable and Related changes" refers to mandated costs which are not easily adjusted in the short term (e.g., space cost, retirement cost, Government-wide changes in pay, etc.) as well as to certain savings or costs which are not easily attributable to specific program elements displayed in the budget.

Summary of Requirements (continued)
Appropriation: Royalty and Offshore Minerals Management
dollars in thousands

Comparison by Activity/Subactivity	1992 Actual ¹		1993 Enacted to Date		Uncontrollable Changes		Programmatic Changes		1994 Request		Changes from 1993	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
OCS Lands Programs												
Leasing and Environmental Resource Evaluation	267	38,000	233	35,023	-12	-259	0	0	221	34,764	-12	-259
Regulatory Program	278	21,096	258	19,691	-14	-122	0	0	244	19,569	-14	-122
Information Management	387	37,894	380	35,428	-1	295	0	-1,200	379	34,523	-1	-905
Subtotal	116	7,287	115	7,279	-6	-30	0	5,000	109	12,249	-6	4,970
	1,048	104,277	986	97,421	-33	-116	0	3,800	953	101,105	-33	3,684
Royalty Management												
Mineral Revenue Operations ¹			283	33,121	0	-1,038	20	665	303	32,748	20	-373
Mineral Revenue Compliance ¹			161	11,659	-9	-161	5	830	157	12,328	-4	669
Mineral Revenue Audit ¹			245	20,189	-9	-74	0	590	236	20,705	-9	516
Late Disb. Interest	—	154	0	0	0	0	0	0	0	0	0	0
Indian Allottee Refunds	—	10	0	10	0	0	0	5	0	15	0	5
Rewards	—	0	0	0	0	0	0	10	0	10	0	10
Subtotal	700	66,729	689	64,979	-18	-1,273	25	2,100	696	65,806	7	827
General Administration												
Executive Direction	77	5,558	46	3,611	-1	22	0	0	45	3,633	-1	22
Policy & Mgt Improvement	0	0	48	3,744	-3	-61	0	0	45	3,683	-3	-61
Administration Operations	238	11,978	234	11,706	-10	-87	0	415	224	12,034	-10	328
General Support Services	0	15,919	0	15,078	0	247	0	0	0	15,325	0	247
Subtotal	315	33,455	328	34,139	-14	121	0	415	314	34,675	-14	536
Total ROMM Requirements	2,063	204,461	2,003	196,539	-65	-1,268	25	6,315	1,963	201,586	-40	5,047

¹ FY 1992 Actuals for Royalty Management in previous budget structure - Collections \$21,270 and 294 FTE; Compliance 24,515 and 326 FTE; and Systems Operations and Development 20,780 and 80 FTE which totals \$66,729 and 700 FTE.

Summary of Requirements
Appropriation: Oil Spill Research
dollars in thousands

Uncontrollable & Related Cost Changes		FTE	Amount	FTE	Amount
FY 1993 Enacted to Date				—	5,331
Total Base Adjustments				—	0
FY 1994 Base Budget				—	5,331

Comparison by Activity/Subactivity	1992 Actual		1993 Enacted to Date		Uncontrollable Changes		Programmatic Changes		1994 Request		Changes from 1993	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Oil Spill Research (OSR)	—	—	—	5,331	—	—	—	—	—	5,331	—	—
Total OSR Requirements	—	—	—	5,331	—	—	—	—	—	5,331	—	—

“Uncontrollable and Related changes” refers to mandated costs which are not easily adjusted in the short term (e.g., space cost, retirement cost, Government-wide changes in pay, etc.) as well as to certain savings or costs which are not easily attributable to specific program elements displayed in the budget.

Summary of Requirements
Appropriation: All Permanent Special Funds (Payments to States)
dollars in thousands

Summary of Base Requirements		FTE	Amount
FY 1993 Enacted to Date		—	436,413
Base Adjustments		—	0
FY 1994 Base Budget		—	436,413

Comparison by Activity/Subactivity	1992 Actual		1993 Enacted to Date		Uncontrollable Changes		Programmatic Changes		1994 Request		Changes from 1993	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Permanents												
Mineral Leasing and Associated Payments	—	432,165	—	430,927	—	—	—	48,138	—	479,065	—	48,138
National Forest Fund, Payments to States	—	—	—	4,401	—	—	—	-257	—	4,144	—	-257
Receipts from lands acquired for Flood Control, navigation and allied purposes ¹	—	—	—	1,085	—	—	—	47	—	1,132	—	47
Total Requirements	—	432,165	—	436,413	—	—	—	47,928	—	484,341	—	47,928

¹ Before FY 1993, MMS transferred the monies collected from payors to the Forest Service and the Corps of Engineers for distribution to States and Treasury. The Energy Policy Act of 1992 requires the Secretary of the Interior to make these disbursements and to make them according to the schedule mandated by the Federal Oil and Gas Royalty Management Act.

Royalty and Offshore Minerals Management
Justification of Uncontrollable Cost Changes
dollars in thousands

Increase/Decrease	1993 Estimate	1994 Change
The Additional Cost in FY 1994 of the January 1993 Pay Raise (all activities)	0	1,247
The adjustment is for an additional amount of \$1,247 needed in 1994 to fully fund the one additional quarter's cost associated with the 3.7% pay raise effective January 1993.		
Workers Compensation Payments (General Support Services)	350	11
The adjustment is for the increased costs for compensation to injured employees through June 1991 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.		
Departmental Working Capital Fund (General Support Services)	442	-23
This adjustment is for decreased costs assigned to the Bureau for administrative services provided on a Department-wide basis. The estimates reflect program adjustments for safety and health activities, including the costs of operating health units.		
Rental Payments (General Support Services)	11,833	259
The adjustment is for increased costs payable to GSA and others resulting from higher rates for office and non-office space.		
Federal Separation and Retirement Payments	0	386
The adjustment is for paying one-time costs of lump-sum payments for separating and retiring employees. An unusually high cost is forecast for such payments in 1994 due to the effect of various laws and personnel policies.		
FTE Usage Reduction - Executive Order 12839	0	-1,709
The adjustment is for the cost savings associated with the Bureau's share of the Administration's goal of reducing Federal positions (-65 FTE in FY 1994) by 100,000 by the end of FY 1995.		
Administrative Streamlining - Executive Order 12837	0	-1,439
The adjustment is for the cost savings associated with a reduction in administrative expenses reflecting the Bureau's participation in the Administration's program to increase the administrative productivity of the Federal government. Specifically, administrative expense reductions are expected in the following areas: OCS: Conflict Resolution; RMP: Completion of Verification Contract; Video-Teleconferencing Set-up Completion; Mainframe Upgrade; "3a" Regulation (rejected lines); Royalty Accounting (billed invoices); Payor/Operator Training; and BSPI Software Development		
Total Uncontrollable Cost Changes	—	-1,268

Appropriation Language Sheet

[Leasing and] Royalty\Management and Offshore Minerals

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [\$197,812,000]\[, of which not less than \$67,115,000 shall be available for royalty management activities] and an amount not to exceed \$5,000,000 for the Technical Information Management System of the OCS Lands Activity, to be credited to this appropriation and to remain available until expended, from additions to current preset receipts and from additional fee collections relating to OCS administrative activities performed by the Minerals Management Service over and above what the Minerals Management Service currently collects to offset its costs for these activities: Provided, That \$1,500,000 for computer acquisitions shall remain available until September 30, [1994]\[; Provided further, That funds 1995

shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d): Provided further, That not to exceed \$3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities; Provided further, That, notwithstanding any other provision of law, [\$10,000]\[under this head shall \$15,000

be available for refunds of overpayments in connection with certain Indian leases in which the Director of the Minerals Management Service concurred with the claimed refund due\; [Provided further, That notwithstanding any other provision of law, \$76,850,000 shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury;][Provided further, That, notwithstanding any other provision of law, in fiscal year 1993 and thereafter, the Minerals Management Service shall have the authority to collect and expend all collections from user fees resulting from the Mineral Management Service providing the services of its Oil and Hazardous Materials Simulated Environmental Test Tank testing facility in Leonardo, N.J., and these collections shall be credited to this account to remain available until expended, and used to offset operation and

Provided further, that notwithstanding any other provision of law, \$10,000 under this head shall be available to pay rewards to persons eligible to receive rewards under 30 U.S.C. 1723.

maintenance costs associated with providing such services]

Oil Spill Research

For necessary expenses to carry out the purposes of Title I, section 1016, and Title VII of the Oil Pollution Act of 1990, \$5,331,000 which shall be derived from the Oil Spill Liability Trust Fund, to be available until expended.

Justification of Proposed Language Changes Royalty and Offshore Minerals Management

- 1. Deletion: "Leasing and"**
Addition: "and Offshore Minerals"

The language proposed will rename the Appropriation to emphasize the Minerals Management Services commitment to proper and timely collection of rents, royalties, and bonuses, due the Federal Government, States, and Indian Tribes and Allottees.

- 2. Deletion: "of which not less than \$67,115,000 shall be available for royalty management activities"**

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

- 3. Addition: "\$15,000"**

The change represents an increased need for refund payments in FY 1994

- 4. Addition: "Provided further, That notwithstanding any other provisions of law, \$10,000 under this head shall be available to pay rewards to persons eligible to receive rewards under 30 U.S.C. 1723."**

Language would allow MMS to make payments to individuals who have provided information resulting in additional collections. Although MMS has the authority to make rewards, it has not had the appropriation. As a matter of fairness, MMS would like to reward an individual who has meet the qualifications for a reward payment.

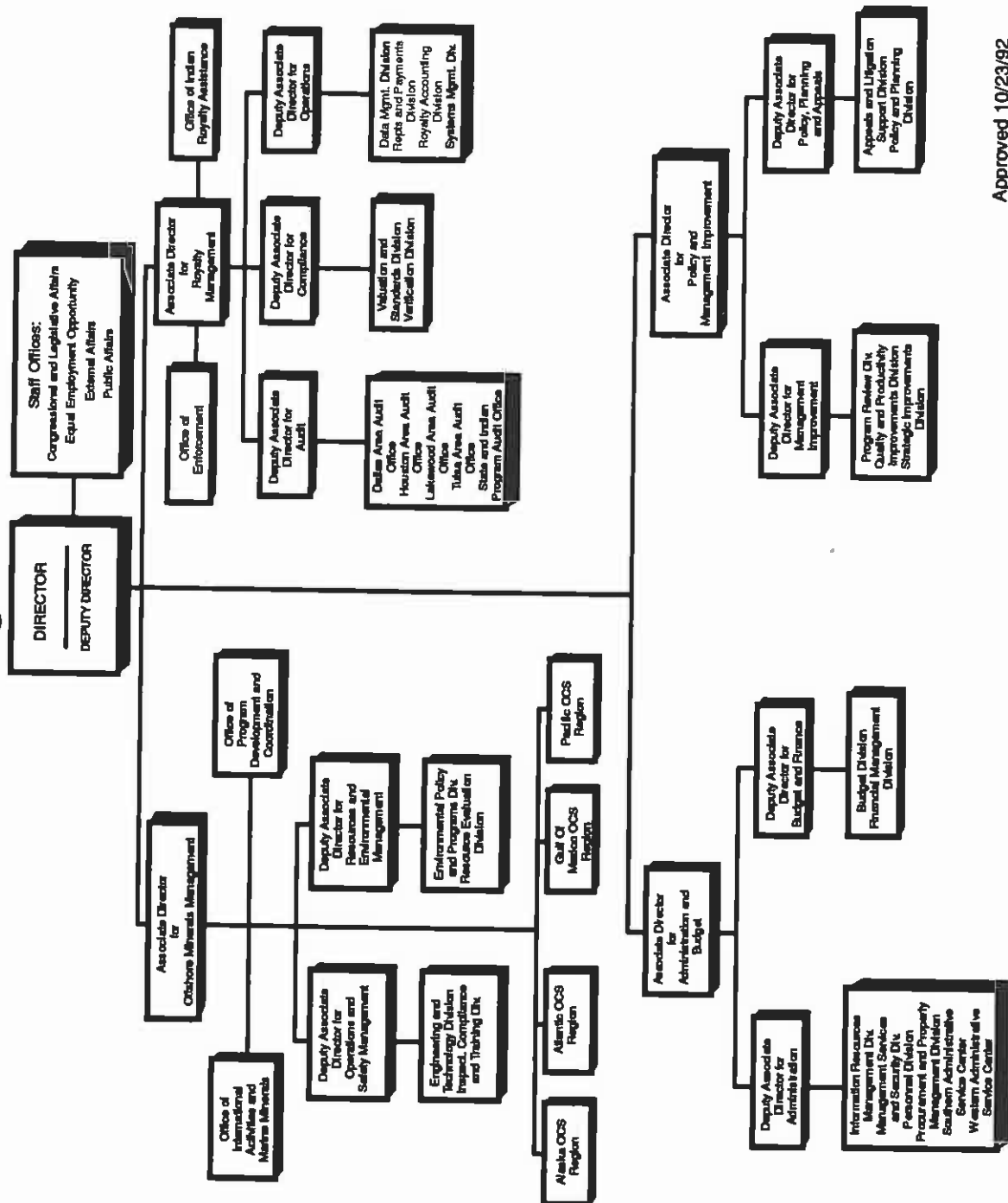
- 5. Deletion: "Provided further, That notwithstanding any other provision of law, \$76,850,000 shall be deducted from Federal onshore mineral leasing receipts prior to the division and distribution of such receipts between the States and the Treasury and shall be credited to miscellaneous receipts of the Treasury;"**

Language is being proposed to the authorizing Committees to amend the Mineral Leasing Act and other applicable statutes.

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

Permanent request in FY 1993, therefore language is unnecessary.

Minerals Management Service



Approved 10/23/92

**Department of the Interior
Minerals Management Service
Advisory and Assistance Services**

thousands of dollars

Account Title and Symbol		FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate
Royalty & Offshore Minerals Management 14-1917-4-302				
I. Contractual Services				
Individual Experts & Consultants	B.A.	212.7	300.0	300.0
	Obligated	212.1	300.0	300.0
	Outlays	217.7	290.8	293.0
Subtotal	B.A.	212.7	300.0	300.0
	Obligated	212.1	300.0	300.0
	Outlays	217.7	290.8	293.0
II. Personnel Appointments	B.A.	—	—	—
	Obligated	—	—	—
	Outlays	—	—	—
III. Advisory Committee	B.A.	—	—	—
	Obligated	—	—	—
	Outlays	—	—	—
TOTAL	B.A.	212.1	300.0	300.0
	Obligated	212.1	300.0	300.0
	Outlays	217.7	290.8	293.0

Prepared : March 12, 1993
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202/208-5728

Activity: Outer Continental Shelf Lands

Analysis by Subactivity *dollars in thousands*

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Changes from 1993
Leasing and Environmental	35,023	-259	0	34,764	-259
Resource Evaluation	19,691	-122	0	19,569	-122
Regulatory	35,428	295	-1,200	34,523	-905
Information Management	7,279	-30	5,000	12,249	4,970
Total	97,421	-116	3,800	101,105	3,684

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-8-12 and MMS-58"

Authorizations

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

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

Mission

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

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

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

As the manager of the nation's OCS energy and non-energy mineral resources, the MMS's long-term strategy will be to assess those resources to determine if they can be developed in an environmentally sound manner and to then offer for lease the appropriate areas. This long-term strategy 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 and other natural resources.

Leasing and Environmental

Justification of Program and Performance Analysis by Subactivity *dollars in thousands*

		1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Changes from 1993
Environmental Studies	\$(000) FTE	19,445 —	0 —	0 —	19,445 —	0 —
Leasing and Environmental Assessment	\$(000) FTE	15,578 233	-259 -12	0 0	15,319 221	-259 -12
Total	\$(000) FTE	35,023 233	-259 -12	0 0	34,764 221	-259 -12

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-8-12 and MMS-58"

Environmental Studies Program

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

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

Environmental Studies Overview

FY 1992	FY 1993	FY 1994
Coastal Marine Institutes		
Gulf of Mexico Region In FY 1992, a Coastal Marine Institute (CMI) was initiated in the GOM. The CMI was developed as part of an initiative to cultivate new State-Federal research partnerships on environmental issues of mutual concern. The CMI was established with Louisiana through the Louisiana State University. The CMI agreement calls for a real-dollar 1-to-1 match of funding for the research. Under the agreement, MMS plans to provide \$2 million per year for up to 5 years. With matching funds from Louisiana, this means that up to \$20 million worth of research will be conducted over the next five year period on research topics of mutual interest to MMS and the State of Louisiana.	The Louisiana CMI has a cost implication for FY 1993 of \$2 million.	The Louisiana CMI has a cost implication for FY 1994 of \$2 million. Additional CMI's in the GOM are under consideration; specifically in the western and eastern areas. The funding implication of these additional CMI's in FY 1994 is estimated to be \$2 million.
Alaska Region N/A	A CMI with the State of Alaska is planned for FY 1993. It is estimated that the FY 1993 cost of the CMI may be up to \$1 million. The agreement will also include a 1-to-1 matching of funds similar to the Louisiana CMI agreement	The CMI in Alaska will have estimated funding costs in FY 1994 of up to \$1 million.

FY 1992	FY 1993	FY 1994
Pacific Region N/A	N/A	A CMI in the State of California is being considered for FY 1994. It is estimated that the FY 1994 cost of the CMI may be up to \$1 million. The agreement will also include a "1-to-1" matching of funds by the State.
University Research Initiatives (UI)		
Gulf of Mexico Region The University Research Initiative (UI) continued in FY 1992 in the GOM Region with Louisiana Universities Marine Consortium (LUMCON). FY 1992 was the fourth year of a five year initiative. The UI was originally developed to enhance cooperative research partnerships with academic institutions. The FY 1992 cost of the UI was \$750,000. No matching funds are required from the LUMCON.	N/A	Although the original UI agreement with UCSB is due to conclude in FY 1993, MMS is evaluating continuation of the agreement on a year-to-year basis. This is primarily the result of the high-quality research that has been initiated by UCSB and the valuable academic-federal working relationship that has been established. Converting the UI to a CMI with matching funds also is being considered. In its current form, the UCSB UI is expected to cost \$500,000 in FY 1994.
Pacific Region The University Research Initiative (UI) continued in FY 1992 in the Pacific Region with the University of California, Santa Barbara (UCSB). FY 1992 was the fourth year of a five year initiative. The UI was originally developed to enhance cooperative research partnerships with academic institutions. The FY 1992 cost of the UI was \$500,000. No matching funds are required from the UCSB although the university contributes about \$65,000 of in-kind costs.	The LUMCON UI has a cost implication for FY 1993 of \$500,000.	The UCSB UI has a cost implication for FY 1993 of \$500,000.

FY 1992	FY 1993	FY 1994
Socioeconomics		
Atlantic Region A socioeconomic study was initiated in FY 1992 in support of the Manteo prospect offshore North Carolina. This study along with several others were identified by the Environmental Science Review Panel (ESRP) that was established under the Oil Pollution Act to review the available information used for decisionmaking in the region around North Carolina. The current study is being conducted by East Carolina University under a Cooperative Agreement and was fully funded in FY 1992 for \$794,000	The initial data collection was completed during December of 1992. An interim report has been received and reviewed in February 1993, and the contract will be completed by August 1993 with submission of the final report. It is not anticipated that this study has any funding implications for FY 1993.	N/A. However, when exploration and other post-lease activities occur at the Manteo site, then MMS intends to implement the suite of studies developed in response to the ESRP report findings if funding allows.
Gulf of Mexico Region A workshop was held in FY 1992 to establish a research agenda for addressing socioeconomic issues in the GOM. A suite of studies was identified, and the studies were ranked by priority. These studies would be developed and funded over a number of years. Funding for socioeconomic studies in the GOM for FY 1992 was covered under the existing URI with LUMCON and totalled about \$150,000 of the FY 1992 LUMCON URI budget.	MMS plans to initiate three high priority studies in FY 1993 from among those identified in the FY 1992 workshop. The three studies are research efforts which will: 1) develop a Gulf-wide demographic baseline analysis (\$500,000), 2) identify and define the socioeconomic issues for the western GOM area (\$100,000), and 3) analyze impacts due to the decline of the OCS gas and oil industry in the Gulf (\$250,000). The combined FY 1993 cost of these three studies is approximately \$850,000	Further initiation of recommended socioeconomic studies in the GOM will be considered in future years.

FY 1992	FY 1993	FY 1994
Pacific Region Based upon a socioeconomic planning workshop held in FY 1989, two studies were planned for FY 1992. However, due to various difficulties, MMS had to defer these studies to FY 1993.	There are three socioeconomic impact analysis studies planned for the Pacific Region in FY 1993 (including the two deferred studies from FY 1992). The estimated combined cost of these studies, which will evaluate impacts on community perceptions over time and on commercial fisheries, and analysis of siting of facilities and transportation corridors will be approximately \$350,000 in FY 1993.	The studies initiated in FY 1993 are estimated to have outyear funding needs in FY 1994 of approximately \$300,000.
Alaska Region There were no new starts of socioeconomic studies in the Alaska Region during FY 1992. Three Socioeconomic studies continued from FY 1991 (North Slope Borough Subsistence study, Risk Perception Study, and a Social Indicators Study) and were funded approximately \$545,000 in FY 1992.	There is one new socioeconomic study proposed in the Alaska region for FY 1993. This is an analysis of the 1990 census data and will have utility for all Regions. The estimated funding required for the new and continuing socioeconomic studies is \$140,000.	No new studies are planned.
National During FY 1992, a social costs analysis study was completed in support of the current 5-year OCS program.	A workshop for developing a national socioeconomic research agenda is planned for May 1993. It is anticipated that this workshop will have outyear funding implications (FY 1994 and beyond) for all MMS Regions and Headquarters. The cost of the workshop is estimated to be \$150,000.	It is estimated that socioeconomic studies developed as a result of the national planning workshop will require \$750,000 to \$1.0 million. Funding for these studies will be considered in future years.

FY 1992	FY 1993	FY 1994
Protected Species		
Atlantic Region In FY 1992, three protected species studies were completed. These include studies on sea turtle satellite tracking, mitigating human effects on Right Whale calving grounds, and a treatise on marine and coastal birds of the Atlantic coast. Funding for protected species studies in FY 1992 was \$116,500.	No protected species studies are planned for FY 1993. There are no continuing studies with funding implications.	No protected species studies are planned for FY 1994.
Gulf of Mexico Region Studies on the movement and distribution of marine mammals and sea turtles in the GOM continued in FY 1992. In addition, a new Interagency Agreement with National Marine Fisheries Service was initiated to support additional research on marine mammal distribution and abundance. The total funding for protected species research in the GOM for FY 1992 was \$1,411,742	No new studies for protected species are planned for FY 1993. However, continuing studies from FY 1992 will require an estimated \$1,350,000 in FY 1993.	No new studies for protected species are planned for FY 1994. However, continuing studies will require an estimated \$950,000.
Pacific Region Two protected species studies were completed in FY 1992; one on elephant seals and one on developing a marine mammal/seabird database. The cost of these studies was \$31,000	No new protected species studies are planned. There is no cost implication from continuing studies.	No new studies are planned. There is no cost implication from continuing studies.

FY 1992	FY 1993	FY 1994
Alaska Region In FY 1992, the cost of protected species studies was \$1.5 million. These included studies on Bowhead Whale aerial monitoring, development of a Bowhead Whale book, and development of satellite tracking methods for whales. New studies in FY 1992 included establishment of a marine mammal tissue bank and remote tracking of seals in Kasegaluk Lagoon.	There are no new studies on protected species planned for FY 1993. Continuing protected species studies are estimated to cost \$735,000 in FY 1993.	No new studies specifically under this category are planned for FY 1994.
National A workshop was held to advance the scientific knowledge of remote tracking methods for marine mammals and turtles. The FY 1992 cost of the Workshop was \$15,000.	There are no new national studies on protected species planned for FY 1993. There are no continuing studies with funding implications for FY 1993.	There are no new national studies on protected species planned for FY 1994. There are no continuing studies with funding implications for FY 1994.
Physical Oceanography		
Atlantic Region The cost of physical oceanography studies in the Atlantic Region in FY 1992 was \$1,139,362. The funding supported continuing studies off the mid-Atlantic coast, in support of information needed to assess the potential effects of continuing exploration on the Manteo Prospect. No new studies were initiated.	There are no new physical oceanography studies planned for FY 1993. The continuing studies with funding implications for FY 1993 are estimated to cost \$800,000.	There are no new physical oceanography studies planned for FY 1994. The continuing studies with funding implications for FY 1994 are estimated to cost \$500,000.

FY 1992	FY 1993	FY 1994
Gulf of Mexico Region During FY 1992, the cost of physical oceanography studies in the GOM was \$1,294,509. This included ongoing studies on Texas-Louisiana shelf circulation, and on Mississippi River plume dynamics.	In addition to the continuing studies, support for data buoys and a planning workshop for eastern GOM physical oceanography research is being planned. The estimated cost of continuing and new physical oceanography studies in the GOM for FY 1993 is \$1,753,519.	The cost of continuing studies for physical oceanography in the GOM for FY 1994 is estimated to be \$2.3 million. No new studies are planned at this time. However, based upon the physical oceanography workshop to be held in FY 1993, additional physical oceanography studies in the eastern GOM may be needed in the future. Such funding needs will be considered in future budgets.
Pacific Region Physical oceanography studiesPhysical Oceanography research to determine the coastal circulation off southern California, concentrating on the Santa Barbara Channel and Santa Maria Basin, continued in FY 1992. The cost of the continuing research was \$1.3 million.	Based upon the results of a workshop held in FY 1990, MMS may initiate a larger circulation dynamics study for the Southern California Bight Region. The FY 1993 cost of this study would be about \$500,000 to get it started late in the fiscal year. In addition, continuing studies from FY 1992 are estimated to cost approximately \$750,000.	No new physical oceanography studies are planned for FY 1994. However, continuing studies, including the large scale circulation study considered for FY 1993, are estimated to cost approximately \$2.5 million.
Alaska Region Continuing physical oceanography studies in the Alaska Region cost \$112,000 in FY 1992. No new studies were initiated.	No continuing physical oceanography studies will require funding in FY 1993. However, a new study to provide information on the physical processes of the Gulf of Alaska is planned and will require funding during FY 1993 of an estimated \$750,000.	No new studies specifically under this category are planned for FY 1994. However, it is anticipated that some studies funded under the CMI will be on physical oceanography. In addition, the National Research Council will be releasing its review on environmental studies for the Beaufort and Chukchi Seas in September 1993 which could identify further physical oceanography data needs for these areas. This report, coupled with the recent exploratory finds of oil in the Beaufort Sea (Kuvlum site), may lead MMS to conduct additional physical oceanography studies in the Arctic Alaska OCS.

FY 1992	FY 1993	FY 1994
National \$218,000 in physical oceanography studies were funded in FY 1992 at the national level. These studies were in support of the Oil Spill Risk Assessment (OSRA) Model and for providing the linkages between the physical oceanography field research programs and the OSRA Model.	It is estimated that \$850,000 will be required in FY 1993 to support national physical oceanography studies in support of the OSRA Model and to link field programs with data needs of the OSRA Model. MMS, through its ESP headquarters office, is strengthening cooperative efforts with other Federal agencies in oceanographic research (biological as well as physical) and will continue these interagency cooperative efforts to leverage dollars and share costs for satisfying similar information needs.	While there may be a need to conduct national physical oceanography studies in support of the OSRA Model and to link field programs with data needs of the OSRA Model, these studies will have to be postponed beyond FY 1994. Again, MMS will look for opportunities to work, and share costs, with other Federal agencies.
Fisheries		
Gulf of Mexico Region \$250,000 was spent in FY 1992 to support the first year of a two-year study on fisheries resources associated with offshore platforms. This study is designed to provide important information on the fish species and assemblages attracted to and resident around offshore gas and oil structures.	Approximately \$515,000 will be used to fund the second year of the platform associated fisheries resources study initiated in FY 1992. No new studies are planned for FY 1993.	No fisheries specific studies are planned for FY 1994.
Alaska Region Approximately \$290,000 was spent in FY 1992 to support five fisheries studies in Alaska. Two of these studies are field investigations of fisheries resources in Arctic OCS areas which have gas and oil activities. The other three studies are data compilation and analysis efforts involving existing data including development of pertinent fisheries databases.	MMS plans to spend \$20,000 in FY 1993 on two fisheries efforts. One, fisheries oceanography in Arctic areas of OCS activities, is a continuation from FY 1992. The other is a compilation of State commercial fisheries harvest data.	As the budget allows, MMS plans to initiate an Arctic fisheries oceanography study for the Beaufort Sea with emphasis being placed on forage fish species such as the Arctic Cod. FY 1994 cost for this study is about \$500,000 and will be under the FY 1993 proposed CMI with Alaska.

FY 1992	FY 1993	FY 1994
Ecology/Biology		
Atlantic Region Approximately \$920,000 was spent in FY 1992 to support a study of the benthic community structure in the area of the Manteo prospect.	There are currently no plans to conduct any basic ecology or biology studies in FY 1993 in the Atlantic Region.	If Mobil conducts exploration drilling at the Manteo site in FY 1994, then MMS plans to fund a study to observe and quantify benthic recovery in the vicinity of the Manteo drill site. The estimated FY 1994 cost of this study is \$500,000.
Gulf of Mexico Region In FY 1992, MMS spent about \$2.4 million on a major monitoring study of ecological impacts associated with OCS gas and oil development and production in the northwestern Gulf of Mexico.	Approximately \$470,000 will be spent to continue support for the ongoing ecology monitoring study initiated in FY 1992. In addition, MMS will spend about another \$250,000 in FY 1993 to initiate an ecosystems structure and function study in the northeastern Gulf of Mexico where active leases exist.	\$2.2 million will be spent in FY 1994 to support the two continuing studies from FY 1992 and from FY 1993.
Alaska Region No studies were conducted.	No studies are planned..	MMS anticipates that several ecology/biology studies that will help in the decisionmaking process will be identified.

FY 1992	FY 1993	FY 1994
Pacific Region MMS spent \$365,000 in FY 1992 on two ecology/biology studies in the southern California planning area. The first (\$265,000) is a multi-year study on the effects of OCS development and production on bottom-dwelling communities in the vicinity of active platforms. The second study (\$100,000) was an updated inventory of biological resources in the Santa Barbara Channel.	Approximately \$1.7 million will be spent in FY 1993 to support two studies: 1) \$1.4 million for continuation of the effects monitoring study, and 2) \$300,000 for a study of deepwater reef communities in the southern California Bight area.	An estimated \$775,000 will be spent on continuation of the effects monitoring study.
Air Quality		
Gulf of Mexico Region MMS allocated \$3.4 million in FY 1992 to a multi-year study of atmospheric ozone in the coastal, near-shore and offshore areas of the western and central Gulf of Mexico. MMS also spent \$60,000 in FY 1992 to run the EPA Regional Oxidant Model for selected areas of the Gulf of Mexico.	MMS will spend about \$1.0 million in FY 1993 for continuation of the Gulf of Mexico ozone study.	In FY 1994, MMS funding of the ongoing Gulf of Mexico ozone study will amount to about \$1.0 million.
Pacific Region In FY 1992, MMS spent a little over \$37,000 to complete a study on hydrocarbon emissions from OCS platforms offshore southern California.	N/A	N/A

FY 1992	FY 1993	FY 1994
Information Management		
MMS In FY 1992 MMS spent approximately \$500,000 for management of environmental information including database development and update activities. A major project under this category is development of a computerized, online Environmental Studies Program Information System (ESPIS) for easy and rapid storage and retrieval of MMS environmental reports information and timely accessibility of that information to MMS users and to constituencies such as States and other Federal agencies	MMS estimates that it will spend \$500,000 for ESPIS development in FY 1993. An additional \$150,000-\$200,000 will be spent for other information management efforts such as database updates.	An estimated \$1.0 million will be spent on ESPIS in FY 1994 with an additional \$150,000-\$200,000 for other information management efforts.

FY 1992	FY 1993	FY 1994
Other		
Each year MMS supports a host of activities that do not fall directly under any of the standard "studies categories." Examples are: 1) workshops, symposia, and conferences; 2) unsolicited research proposals; 3) archiving and curation of biological tissue samples at Federal research labs and museums; 4) storage, transport and refurbishment of government-owned oceanographic equipment; 5) the National Academy of Sciences reviews of the Environmental Studies Program; and 6) funding for the OCS Advisory Board Scientific Committee. Each year MMS supports a host of activities that do not fall directly under any of the standard "studies categories." Examples are: 1) workshops, symposia, and conferences; 2) unsolicited research proposals; 3) archiving and curation of biological tissue samples at Federal research labs and museums; 4) storage, transport and refurbishment of government-owned oceanographic equipment; 5) the National Academy of Sciences reviews of the Environmental Studies Program; and 6) funding for the OCS Advisory Board Scientific Committee. Estimated \$970,000 spent on "other" category items.	Estimated \$850,000.	Estimated \$970,000.

Program Description

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

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

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

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

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

In FY 1992, MMS inaugurated its Coastal Marine Institute (CMI) program with the State of Louisiana and the Louisiana State University (LSU). This program is similar to the UI, but a major difference is the matching funds from the participating State. In FY 1992 and FY 1993, the MMS and Louisiana will both contribute \$2 million each year for research of mutual interest. MMS now is working with the State of Alaska to develop an Alaskan CMI.

Cooperation with State Universities. MMS has numerous studies ongoing with State research institutions. Not only do the State and MMS get the benefit of the research, but many university students participate. Over one third of MMS funds went to State universities in FY 1992. Major physical oceanography research is being conducted in the Gulf of Mexico by Texas A&M University (\$10.8 million over 5 years) and Louisiana State University (\$3.1 million over 5 years). Scripps Institute of Oceanography is conducting physical oceanographic research in the Santa Barbara Channel area off California (\$4.1 million over 5 years). Physical oceanography and marine habitat research off North Carolina have been conducted, respectively, by Science Applications International Corporation (\$2.9 million over 5 years) and by the Virginia Institute of Marine Sciences (\$920,000 over 1 year). The University of Alaska is developing information defining the distribution and abundance of Arctic fisheries, and is working on other data management projects. East Carolina State University, University of Southwest Louisiana, the University of New Orleans, and the State of Alaska are conducting various socioeconomic studies.

Cooperation with Other Federal Agencies. MMS has actively sought out partners in OCS research with other federal agencies, both for their expertise and for joint funding on projects. MMS joined with the Department of Energy in a study on effluent discharges in the Gulf of Mexico. MMS contributed \$200,000 and became part of a \$4 million effort. MMS has several ongoing efforts with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS) on various marine mammals, turtles, fish, seabirds, and polar bear studies. In the Gulf of Mexico, MMS has worked with the Environmental Protection Agency on air quality studies and with the Navy on physical oceanographic modeling. MMS supports meteorological data buoys off the Pacific and Gulf of Mexico coasts through NOAA's National Data Buoy Center. The MMS supports both the Smithsonian Institution and the NMFS in archiving biological specimens.

Leasing & Environmental Assessment

Environmental Assessment

Offshore Environmental Assessment activities support the Regulatory Program, Resource Evaluation Program, and Leasing activities. The main objectives of Environmental Assessment are:

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

Environmental Assessment Overview

FY 1992	FY 1993	FY 1994
Draft EIS's Prepared two draft EIS's for proposed lease sales in the Gulf of Mexico and Alaska Regions.	Five draft EIS's will be in preparation in FY 1993 for proposed lease sales in the Gulf of Mexico and Alaska Regions.	Five draft EIS's will be in preparation in FY 1994 for proposed lease sales in the Gulf of Mexico and Alaska Regions. Work will begin on the draft EIS for the next 5-year Comprehensive Program.
Final EIS's Completed the final EIS for the 1992-97 Comprehensive Program, and prepared one final EIS for two proposed lease sales in the Gulf of Mexico Region.	Two final EIS's will be in preparation in FY 1993 for proposed lease sales in the Gulf of Mexico and Alaska Regions.	Two final EIS's will be in preparation for proposed lease sales in the Gulf of Mexico and Alaska Regions.
Oil Spill Modeling and Analysis Prepared oil spill risk analyses for Gulf of Mexico Lease Sales 142/143 and 147/150, and Cook Inlet Sale 149. Also prepared the ocean circulation modeling for the Cook Inlet sale using inhouse staff.	Oil spill risk analyses will be performed to support Gulf of Mexico OCS Lease Sales 152/155 and Alaska OCS Lease Sales 149 and 150.	Oil spill risk analyses will be performed to support Gulf of Mexico OSC Lease Sales and 157/161 and Alaska OCS Lease Sales 144 and 148.
Interagency Coordination MMS and EPA entered into an agreement that established EPA as a cooperating agency for the preparation of the EIS for Gulf of Mexico Lease Sales 142/143.	Continue cooperating agency agreement with EPA in the Gulf of Mexico Region for Lease Sales 147/150 and in the Alaska Region for Lease Sale 149.	Continue cooperating agency agreement with EPA in the Gulf of Mexico Region for Lease Sales 147/150 and in the Alaska Region for Lease Sale 149.
Pursuant to Section 7 of the Endangered Species Act, MMS conducts formal and informal consultations with the National Marine Fisheries Service and U.S. Fish and Wildlife Service on leasing and regulatory actions deemed to affect an endangered or threatened species and/or its critical habitats.	Beginning in FY 1993, as required under the National Marine Sanctuaries Program Amendments Act of 1992, MMS will also carry out formal consultations with the Department of Commerce on activities affecting designated national marine sanctuaries.	Continue endangered species consultations.

FY 1992	FY 1993	FY 1994
Federal-State Coordination To understand issues of concern to the States, MMS held many meetings with state and local agencies from Alaska, California, North Carolina and Several Gulf Coast States.	Continue same level of coordination with all States with the exception of Alaska. An increased level of coordination with State agencies and local governments in Alaska is anticipated to address proposed lease sales in Cook Inlet/Shelikof Strait, the Gulf of Alaska, and the Beaufort and Chukchi Seas.	Continue same level of coordination with all States with the exception of Alaska. An increased level of coordination with State agencies and local governments in Alaska is anticipated to address proposed lease sales in Cook Inlet/Shelikof Strait, the Gulf of Alaska, and the Beaufort and Chukchi Seas.
Public Consultation MMS held many scoping meetings, public hearings, information transfer meetings, workshops, or other public forums to receive public input for the preparation of lease sale EIS's or for the collection and dissemination of environmental information.	Similar or greater level of effort will be required in FY 1993 for public consultation purposes to address environmental issues of concern in the MMS OCS Regions.	Similar or greater level of effort will be required in FY 1994 for public consultation purposes to address environmental issues of concern in the MMS OCS Regions.
Environmental Assessments (EA) /Categorical Exclusion Reviews (CER's) Prepared EA's and CER's to assess whether environmental effects could occur from industry activity in Gulf of Mexico, Pacific, and Alaska Regions.	EA's and CER's are expected to increase in FY 1993 due to the increase in platform removals in the Gulf of Mexico because of aging and damage from Hurricane Andrew	EA's and CER's are expected to increase in FY 1994 due to the increase in platform removals in the Gulf of Mexico because of aging and damage from Hurricane Andrew

FY 1992	FY 1993	FY 1994
Support for Regulations, Rulemakings, Environmental Legislation, and Major Decisions Worked with other agencies in OCS activity connected with environmental laws, such as air and water quality, endangered species, and historic sites. Also provided NEPA reviews and technical support for MMS rulemakings governing hydrogen sulfide operations, oil spill response plans for offshore facilities, non-energy minerals mining, and archeological surveys. Worked with EPA, NOAA, FWS, and USOG on various rulemaking and legislative proposals concerning air/water quality, coastal zone management, marine sanctuaries, endangered/threatened species, and oil pollution control/recovery	Continue working with EPA/DOE on water quality rules. Work will begin on revisions to MMS's air quality regulations for the Gulf of Mexico and support will be needed for MMS's rulemakings governing oil spill response in State waters, prospecting for hard minerals, shutdown valves and cranes on platforms, and other requirements. Staff will continue working with other Federal agencies on their ongoing environmental rulemaking and major decision making activities that impact MMS missions	Regulation support is expected to be at a similar pace as in FY 1992 and FY 1993. Staff will continue working with other Federal agencies on their ongoing environmental rulemaking and major decision making activities that impact MMS missions

1. Management of the Environmental Studies Program (ESP). — \$2,466,000

ESP management includes:

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

Ongoing Workloads

Number/FTE

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Evaluating Information Needs	/8	/8	/9	/1
Designing and Contracting for Environmental Studies	/8	/7	/6	/-1
Management of Studies Contracts and Reports	102/16	95/15	90/14	-5/-1
Making ESP Information Available (ESP Reports)	37/7	40/7	45/8	5/1
Coordination with State, other Federal Agencies, and Academic Institutions	/6	/6	/7	/1
General ESP Administrative Support	/11	/11	/11	/0

Evaluating Information Needs. Evaluation of the ESP information needs continues to be a top management priority. The time used to identify information needs, evaluate and prioritize proposed studies, and develop credible and effective strategic plans has increased. The increase has been primarily a result of: (1) additional cost-benefit analyses and extended discussions on information priorities for MMS and, (2) organizations outside of MMS, such as the National Academy of Science, the States, environmental groups, and Congress identifying an increasing number of information needs to be considered by the ESP.

Designing and Contracting for Environmental Studies. This category includes all work needed by MMS staff scientists to conceptualize, design, and prepare statements-of-work for research contracts and to evaluate the resulting proposals from Academia, contractors, and Federal and State agencies. With the decrease in the number of contracts, there has been an accompanying decrease in workload to design and contract studies.

Management of Studies Contracts and Reports. This category includes all work needed to provide oversight of ongoing environmental studies to assure that contract requirements are being met, proposed research is being effective in collecting the identified information, the information being collected is

of high quality and available in a timely manner, and the inevitable problems associated with applied research are being addressed in the best interest of the ESP.

As the number of ESP studies under contract has decreased, the time and effort to monitor study progress, evaluate study effectiveness, and review study products has also decreased. However, because of the complexity of ongoing studies, the decrease in workload is minimal.

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

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

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

Although MMS has a long history of cooperative research programs with other scientific and academic programs, an increased effort has been needed in recent years to assure that the information needed by the States, Congress, and senior management to make informed decisions on the offshore natural gas and oil program is available. This has required increased diligence and additional workload on the part of MMS staff as well as development of new programs to identify and cultivate research initiatives with cooperative partners. However, the increased workload has produced an increased dividend. In 1994, it is estimated that MMS cooperative research efforts will generate approximately \$3-4 million in-kind support and matching funds for research of interest to MMS.

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

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

2. Evaluation of Potential Environmental Effects of OCS Activities (both proposed industry activity and MMS lease sales). — \$7,102,000

This includes

- Preparation and analysis for all MMS environmental impact statements and environmental assessments for
 - Industry Exploration and Development and Production Plans
 - Industry platform removals
 - Industry Geologic and Geophysical Permits
 - MMS Lease Sales
- Oil spill analyses of the possible effects of oil spills associated with OCS production.
- Coordinating with other agencies and the public on proposed OCS activities.
- Monitoring industry activities (such as geological and geophysical exploration activities, exploration and development/production plans, pipelines, and rights-of-way) for compliance with MMS's and other environmental regulations.
- Developing improved assessment tools through the TIMS program.

Before a decision can be made on whether industry or MMS activity should proceed, the environmental effects of the proposed activity must be assessed. MMS environmental staff reviews proposed plans and prepares the necessary National Environmental Policy Act documentation to assess the effects for the decisionmakers' consideration. This is for direct support of the Regulatory and Resource Evaluation Programs.

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

Ongoing Workloads

Number/FTE

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Environmental Assessment	200/9	250/10	250/11	0/1
Categorical Exclusion Reviews	700/9	740/9	790/10	50/1
Draft EIS's	2/10	5/19	5/19	0/0
Final EIS's	2/15	2/13	2/11	0/-2
Oil Spill Analysis	/6	/7	/8	/1
Inter-Agency Coordination	65/5	95/6	85/6	-10/0
Federal-State Coordination	85/4	150/5	140/5	-10/0
Public Consultation	105/3	120/4	120/4	0/0

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Federal-State Coordination	85/4	150/5	140/5	-10/0
Public Consultation	105/3	120/4	120/4	0/0

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Planning and Review	/14	/13	/13	/0
TIMS Implementation	/4	/5	/6	/1

Environmental Assessments. In FY 1992, environmental assessments were prepared to assess industry activity in the Gulf of Mexico, Pacific and Alaska regions. An assessment was also prepared for revisions to the Cook Inlet/Shelikof Strait Planning Area as proposed in the 1992-97 Comprehensive Program. The need for environmental assessments in FY 1993 and FY 1994 is expected to be at about the same level as in FY 1992. Industry activity for exploration and development has leveled off. However, an increase in platform removals in the Gulf of Mexico is expected, both due to aging platforms and damage from Hurricane Andrew. EA's will be prepared and mitigation developed when platforms are removed with explosives that have the potential to harm turtles or marine mammals.

Categorical Exclusion Reviews. MMS prepares CER's to review industry activity that historically had little potential for significant environmental effects. This includes most exploration plans and platform removals in the Gulf of Mexico and most G&G permit reviews. Such reviews streamline the MMS workload while still assessing whether environmental effects could occur. (If significant effects are even a possibility, an EA will be prepared in accordance with NEPA.) CER's are expected to increase in FY 1993 and FY 1994 for routine platform removals in the Gulf of Mexico, again due to the number of aging platforms and Hurricane Andrew damage.

Draft EIS's. In FY 1992, MMS prepared 2 draft EIS's for proposed lease sales in the Gulf of Mexico and Alaska Regions. MMS headquarters provided guidance, coordination, and technical review for these EIS's. Also included in this workload measure (and that for final EIS's) is coordination with the Department's Office of Environmental Affairs and the Solicitor's Office on approving the documents. There is an increase in the workload for draft EIS preparation in FY 1993 and FY 1994 because more draft EIS's are planned to meet the Comprehensive Program lease sale schedule. Five draft EIS's will be in preparation in FY 1993 and 5 in FY 1994 for proposed lease sales in the Gulf of Mexico and Alaska Regions. Work will begin on the draft EIS for the next 5-Year Program in FY 1994. It is possible that a development plan will be proposed for activity in the eastern Gulf of Mexico. If it is proposed, MMS likely would be preparing a draft Development/Production Plan EIS in FY 1994.

Final EIS's. In FY 1992, MMS completed the final EIS for the 1992-97 Comprehensive Program, and prepared 1 final EIS for 2 proposed lease sales in the Gulf of Mexico Region. Two final EIS's will be in preparation in FY 1993 and two in FY 1994 for proposed lease sales in the Gulf of Mexico and Alaska Regions.

Oil Spill Analyses. MMS prepared oil spill risk analyses for Gulf of Mexico Lease Sales 142/143 and 147/150, and Cook Inlet Sale 149. MMS also prepared the ocean circulation modeling for the Cook Inlet sale using inhouse staff. Previously, such work was contracted out at a usual cost of over \$1 million. The work followed the recommendations of the NRC reviews and included a special review by an expert in ocean circulation, through MMS's Modeling Review Board (funded through the ESP). In FY 1993, oil spill risk analyses will be performed to support Gulf of Mexico OCS Lease Sales 152/155 and Alaska OCS Lease Sales 149 and 150. In FY 1994, oil spill risk analysis will be performed to support Gulf of Mexico OCS Lease Sales 151 and 157/161 and Alaska OCS Lease Sales 144 and 148. MMS does not plan to support the developing of more than one circulation model each year.

Interagency Coordination. In FY 1992 MMS and the Environmental Protection Agency (EPA) entered into an agreement that established EPA as a cooperating agency (40 CFR 1501.6) for the preparation of the EIS for Gulf of Mexico Lease Sales 142/143. Under the Clean Water Act, the EPA is now required to prepare a NEPA analysis (and usually an EIS) for OCS water quality permits. By joining with MMS, the

federal government will save from having to prepare 2 EIS's for similar activities. Due to increased coordination, an increase in MMS workload for this effort is estimated in FY 1993 and FY 1994 because this cooperative agreement will be continued in the Gulf of Mexico for the EIS for Lease Sales 147/150, and a similar agreement has been established for Cook Inlet/Shelikof Strait Lease Sale 149 in the Alaska Region.

Pursuant to Section 7 of the Endangered Species Act, MMS conducts formal and informal consultations with the National Marine Fisheries Service and the U.S. Fish and Wildlife Service on leasing and regulatory actions deemed to affect an endangered or threatened species and/or its critical habitats. In FY 1992, 10 formal and 23 informal consultations were conducted for both leasing decisions and post lease regulatory actions. Sales currently proposed will require slightly increased formal and informal leasing decision consultations. For FY 1993, damage caused by Hurricane Andrew in the Gulf of Mexico will increase the number of platform removals and related consultations. Increases are expected to continue at a similar rate in FY 1994.

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

Federal-state Coordination. To understand issues of concern to the States, in FY 1992, MMS held approximately 85 meetings with state and local agencies from Alaska, California, North Carolina and several Gulf Coast states. A similar level of effort is anticipated for FY 1993 and FY 1994 for all states except Alaska. An increased level of coordination with state agencies and local governments in Alaska is anticipated to address environmental issues concerning proposed lease sales in Cook Inlet/Shelikof Strait, the Gulf of Alaska, and the Beaufort and Chukchi Seas.

Public Consultation. In FY 1992, MMS held approximately 105 scoping meetings, public hearings, information transfer meetings, workshops, or other public forums to receive public input for the preparation of lease sale EIS's or the collection and dissemination of environmental information. It is estimated that a similar or greater level of effort will be required in FY 1993 and FY 1994 for public consultation purposes to address environmental issues of concern in the four OCS regions.

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

TIMS Implementation. In FY 1992, two inter-office teams were established to begin integration of biological and physical environmental data into the Technical Information Management System (TIMS). Another team was established to integrate the Environmental Studies Program Information System (ESPIS) into TIMS. In FY 1992, approximately 4 work-years were required for these three TIMS components. The workload is estimated to increase for these efforts in FY 1993 and FY 1994 in order to develop extensive environmental data sets in TIMS and to begin initial applications of the environmental components as part of the Gulf of Mexico pilot project.

3. Support of MMS and other Agencies on Environmental Rulemakings Affecting OCS Activities. — \$740,000

This includes

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

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

Ongoing Workloads FTE

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Support for MMS Regulations	6	6	6	0
Review of Federal Environmental Legislation, Rulemaking, and Major Decisions	8	8	8	0

Support for MMS Regulations. The Environmental Assessment Program provides policy direction for OCS activities connected with environmental laws, such as air and water quality, endangered species, and historic sites. This entails reviews of MMS rulemaking and regulatory activities for compliance with the National Environmental Policy Act, delivery of technical assistance and environmental oversight for MMS program activities required under the Nation's environmental laws such as the Endangered Species Act, the National Historic Preservation Act, the Clean Air Act, and the Clean Water Act. In FY-92, the program assisted on the development of MMS rules, handbook and implementation manual for the OCS Civil/Criminal Penalties Program. In addition, NEPA reviews and technical support were provided for MMS rulemaking governing hydrogen sulfide operations, oil spill response plans for offshore facilities, non-energy minerals mining and archaeological surveys.

In FY 1993, demand for technical support from ongoing MMS regulatory programs will be similar to FY 1992. However, a slight increase of this workload will occur in responding to issues concerning naturally occurring radioactive materials on the OCS and MMS's involvement in the London Dumping Convention amendments regarding dumping of low-level radioactive materials. Work will begin on revisions to MMS's air quality regulations for the Gulf of Mexico. Support for environmental review and analyses will be needed for MMS rulemaking governing oil spill response in State waters, prospecting for hard minerals, shutdown valves and cranes on platforms and other requirements.

In FY 1994, demand for regulation support is expected to be at a similar pace as in FY 1992 and FY 1993. In line with the Clean Air Act amendments, MMS will be revising air quality rules.

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

The Environmental Assessment Program staff review and prepare technical comments and information in response to congressional legislative activities, significant proposed Federal rulemaking and decisions that affect and impact MMS programs and missions. Such reviews are needed to help other agencies in developing workable rules and programs for relevant OCS activities. In FY 1992, MMS worked with EPA, NOAA (NOS and NMFS), FWS, and USCG on various rulemaking and legislative proposals concerning air/water quality, coastal zone management, marine sanctuaries, endangered/threatened species, and oil pollution

control/recovery. Specific examples include extensive work and coordination activities with: (1) EPA on its new source performance standard rules for ocean discharges and air quality rulemaking for offshore California and the entire OCS; (2) NOAA/NOS on several coastal zone management consistency appeals by the oil/gas industry; and (3) NOAA/NMFS and DOI/FWS on rules for incidental take of endangered/threatened species. As a part of the above activities, a substantial number of background/briefing papers designed to develop DOI policies were prepared for MMS and Departmental management on topics including air/water quality, coastal zone management consistency appeals, endangered & threatened species, and national marine sanctuaries. To facilitate preparation of these papers, considerable staff time was expended in coordinating and consulting with various MMS headquarters and regional offices, other Federal agencies, the industry and other relevant government and private entities. This also entails assembling background information, preparing issue papers, briefing DOI management, and coordination or consultation with MMS offices, other Federal agencies, State/local governments and environmental or industry groups. These activities will continue at a similar pace in FY 1993 and FY 1994.

In FY 1993, the Environmental Program staff are continuing to work with other Federal agencies on their ongoing environmental rulemaking and major decisionmaking activities that impact MMS missions. These ongoing rulemaking and decisionmaking activities include EPA's air quality rules and NPDES permits (general and specific areas), NOAA/NOS's coastal zone management rulemaking and consistency appeals, and NOAA/NMFS's and DOI/FWS's rulemaking for endangered and threatened species. The program staff will also be involved in reviews and other relevant activities for the expected reauthorization of the Endangered Species Act and the Marine Mammals Act. As additional environmental legislation may be enacted in FY 1993, the demand for MMS staff involvement and support may also increase correspondingly. In FY 1994, the level of activities will be similar to FY 1993.

Leasing

Objectives:

- Develop and review 5-Year OCS Gas and Oil Programs
- Implement Area Evaluation and Decision Process for the current 5-Year Program (1992-1997)
- Develop/Undertake Policy Analysis Concepts/Initiatives related to the next 5-Year Program. Program.

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

Leasing Overview

FY 1992	FY 1993	FY 1994
Finalized the 5-Year Comprehensive Natural Gas and Oil Program which was issued July 1, 1992. MMS restructured its comprehensive program "to create a much more carefully targeted OCS program — one that is responsive to local concerns, to environmental concerns, and the need to develop prudently our nation's domestic energy resources." This program is the only OCS 5-year program to date which was not litigated.	Preliminary planning for the next 5-year program (1997-2002) will accelerate in FY 1993. This planning addresses issues such as: timing scenarios; policy guidance on scope and objectives; and special studies to support analysis for the next program Conduct an annual review of the current 5-year OCS program by July 1993, as required by the OCSLA	Complete preliminary planning steps in early FY 1994. Section 18 steps will begin in July 1994 at the latest with the issuance of a <u>Federal Register</u> notice requesting comments on areas for leasing consideration for a new 5-year OCS program (1997-2002). After receiving comments, analysis and preparation of a new draft proposed program will begin late in FY 1994.
Implemented the new Area Evaluation and Decision Process (AEDP), designed to improve communication with interested parties, further promote informed decisionmaking, and resolve conflicts prior to formulating a decision to hold a lease sale.	Develop, coordinate and implement policy guidance for the AEDP. Implement the AEDP for sales scheduled to occur in FY 93, 94, & 95.	Implement the AEDP for sales scheduled to occur in FY 94, 95, & 96.
Sent coastal impact assistance legislation to Congress to assist States and localities financially in direct proportion to OCS activities off their shores. This was adopted in a modified form by the Senate bill, but the energy legislation enacted by Congress in October 1992 removed OCS impact assistance language.	Re-evaluate whether to again send the current coastal impact assistance legislation to Congress or modify this legislation after briefing the new Administration on the objectives of this initiative	Continue staffwork on coastal impact assistance conflicts

FY 1992	FY 1993	FY 1994
MMS continued its review and analysis of cancellation and potential buyback of selected leases in accordance with section 5 of the OCSLA. These leases are in North Aleutian Basin, Eastern Gulf of Mexico off Florida, and in the Manteo unit off North Carolina. Congress has actively considered mandating cancellation and repurchase of all of these leases but to date has not enacted legislation to do so primarily because of Federal budget constraints. In May 1992, Conoco, Inc. filed suit against the U.S. for breach of contract and the taking of its interests in regard to the above leases.	In October 1992, an additional 13 lawsuits (similar to Conoco's) were filed by various companies in regard to leases in the same areas. DOI is working closely with the Department of Justice to provide substantial documentation regarding the lawsuits. This information will be requested periodically as long as the lawsuit continues.	Continue to provide staff support begun in FY1992 related to buyback legislation assuming lawsuit is not settled.

4. Five-Year Plan — \$405,000

The newly completed 5-Year Program has been tailored to fit the different characteristics of the Nation's coastal regions and to respond to the views expressed by States, local governments, and the public. The program has been well received; and, as a result, there have been no lawsuits. In 1993 and 1994, work will proceed on preliminary planning and analysis for development of the next 5-Year Program.

Key - Steps Five-Year Program Development Process

	1992 Actual	1993 Estimate	1994 Base Estimate
Solicit [Comments Section 18(c)(1)] from public <i>via</i> FR notice		X	X
Comment Period		X	X
Analysis & Preparation of the Draft Proposed Program		X	X
Issue Draft Proposed Program [Section 18(c)(2)]			
Comment Period			
Analysis & Preparation of the Proposed Program			
Issue Proposed Program [Section 18(c)(3) and (d)(2)] and Final EIS			
Comment Period	X		
Analysis & Preparation of the Proposed Final Program	X		
Issue Proposed Final Program [Section 18(d)(2)] and Final EIS	X		
Notification of President/Congress	X		
Approve Program	X		

Not all steps will happen during 1992-1994

Preliminary planning (prior to section 18 steps), which began in early FY 1993, will continue throughout FY 1994. (See Leasing Overview chart for FY 1992, FY 1993, and FY 1994).

Working groups consisting of key staff and managers in the Offshore program will continue to address issues for analysis, workload planning, milestone schedules, and any changes in program requirements in FY 1993 and early FY 1994. A Federal Register notice requesting comments on areas for leasing consideration for a new Program (1997-2002) will be issued in mid-1994 at the latest. Successive program steps, as required by section 18 of the Outer Continental Shelf Lands Act, would then follow.

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

5. The Area Evaluation and Decision Process — \$1,648,000

The Lease Sale Process includes extensive consultation with States, coastal communities and other concerned parties to develop leasing proposals through the recently approved Area Evaluation and Decision Process (AEDP). During Fiscal 1994, major AEDP activities shall continue to include:

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

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

Proposed Lease Sales Schedule

Sale/Area	1993	1994	1995	1996	1997
142 - Central Gulf of Mexico	X				
143 - Western Gulf of Mexico	X				
147 - Central Gulf of Mexico		X			
150 - Western Gulf of Mexico		X			
149 - Cook Inlet, Alaska		X			
152 - Central Gulf of Mexico			X		
155 - Western Gulf of Mexico			X		
158 - Gulf of Alaska/Yakutat			X		
*151 E. Gulf of Mexico, N 26°			X		
144 - Beaufort Sea			X		
157 - Central Gulf of Mexico				X	
148 - Chukchi Sea				X	
161 - Western Gulf of Mexico				X	
*164 - Mid/South Atlantic				X	
153 - St. George Basin, Alaska				X	
166 - Central Gulf of Mexico					X
159 - Hope Basin, Alaska					X

* FY 1993 Department of Interior Appropriations (H.R. 5503) prohibits prelease activities for these Sales.

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

The following chart illustrates the workload associated with these elements:

**Area Evaluation and Decision Process
Base Workloads**

	1992 Actual	1993 Estimate*	1994 Estimate
Information Base Review (IBR)	GOM - 1 AK - 3	GOM - 1 AK - 2	GOM - 1 AK - 2
Request for Interest/Comments	AK - 2	Included in IBR	Included in IBR
Call-Information/Nominations & Notice of Intent to Prepare an Environmental Impact Statement (EIS)	GOM - 1 AK - 5	GOM - 1 AK - 2	GOM - 1 AK - 2
Proposed Action & Alternatives Memorandum (PAAM)	GOM - 2 AK - 1	GOM - 1 AK - 2	GOM - 1 AK - 2
Area Identification	GOM - 2 AK - 1	GOM - 1 AK - 2	GOM - 1 AK - 2
Secretarial Issue Document	GOM - 1	Replaced by PAAM	Replaced by PAAM
Draft EIS	GOM - 1	GOM - 1 AK - 1	GOM - 1 AK - 1
Proposed Notice	GOM - 3	GOM - 2 AK - 1	GOM - 2 AK - 1
Section 19 Letters to Governors	GOM - 12	GOM - 6	GOM - 6 AK - 1
Public Hearing	GOM - 1	GOM - 1 AK - 1	GOM - 1 AK - 2
Final EIS	GOM - 1	GOM - 1	GOM - 1 AK - 1
Consistency Determination	GOM - 4	GOM - 4	GOM - 4 AK - 1
Balancing Letters	GOM - 6	GOM - 6	GOM - 6 AK - 1
Final Notice of Sale	GOM - 2	GOM - 2	GOM - 2 AK - 1
Lease Sale	GOM - 2	GOM - 2	GOM - 2 AK - 1

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

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

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Call for Information and Nominations and Notice of Intent (Call/NOI) to Prepare an Environmental Impact Statement (EIS) The Call/NOI is the next step. It is prepared if, as a result of the IBR, a decision is made to proceed with the leasing process. The Call/NOI invites interested bidders to nominate areas for leasing within a large planning area. It also asks all interested parties to submit written comments on any issues of concern. The Call/NOI is published in the Federal Register with a 45-day comment period. The EIS is also discussed under Environmental Support.

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

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

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

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

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

Balancing Letters When the Secretary decides on the terms and conditions of the lease sale, taking into consideration comments of affected States, the Governors are informed in writing whether their recommendations were accepted or rejected and provide for a reasonable balance between the national interest and the well-being of the citizens of the affected States. These letters are known as balancing letters.

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

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

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

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

6. Post-Lease Adjudication Process — \$1,004,000

Once leases are issued, records relating to assignment of record title interest, operating rights, mortgages, and production status must be maintained. Lease record maintenance continues for the life of the lease. Leases issued during the late 1940s and early 1950s are still in a producing status. As of January 1993, the Gulf of Mexico (GOM) Region had 5,579 active leases to maintain. As the major oil companies slow their domestic operations and/or shift operations overseas, an increasing number of federal oil and gas leases are being assigned to smaller independent stateside operators. This industry transition has resulted in an ever-increasing adjudicative workload.

During the process of assignment review, it may be determined that a supplemental bond is an MMS prerequisite to assignment approval. Such a requirement is necessary in those cases where a lease has existing oil and gas facilities, and none of the post-assignment record title holders has been deemed supplemental bond exempt by MMS. This supplemental bond process typically includes the following steps. An initial determination must be made regarding supplemental bond eligibility for the particular assignment. Coordination between Field Operations (FO) and Leasing and Environmental Assessment (LE) is instituted for the purpose of determining the exact supplemental bond requirement, if any. Official notification of the operator of the requirement is made. Discussions between the operator/lessee representative and MMS regarding the supplemental bond requirement are conducted. MMS review of requested changes in the requirement by the operator/lessee representative are considered by LE, FO and Production and Development. Final MMS notification of the requirement is provided to the operator. In the event of supplemental bond compliance, LE coordinates with the Federal Reserve Bank, and upon sufficient proof of compliance, the assignment is eligible for approval from a supplemental bond standpoint. In the case of final absence of supplemental bond compliance, the assignment is returned to the submitter unapproved. The entire process may take 4 weeks to a year, depending on compliance complications. To date, there are 34 supplemental bonds on file with MMS valuing \$23 million. In addition, there are pending MMS requests for 23 supplemental bonds valuing \$22 million.

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Active Leases	6,802	6,093	5,737	-356
Assignments	2,803	2,580	2,285	-295
New Companies Qualifying	95	79	74	-5

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Qualification Updates	670	827	927	100
Lease/Pipeline Relinquishments	442	525	575	50
Lease/Pipeline Terminations/Expirations	193	526	575	49
Surety Bonds	223	290	343	53
Supplemental Bonds	34	41	51	10
Lease Mortgage	1,385	3,078	3,128	50
Customer Calls for Information	5,645	9,856	11,656	1,800
Customer Visits	1,761	2,035	1,335	-700

Active Lease Any lease that is within the primary term it was issued for or a lease that has drilling or production activity. Many of the leases issued 5 years ago are nearing the end of their primary term. Unless drilling prospects and the long-term price of gas take a significant turn for the better, many leases will expire for lack of activity.

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

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

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

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

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

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

Supplemental Bonds 30 CFR 256.59 authorized additional security for liabilities associated with a specific lease. The increasing number of small companies with limited financial assets to which large companies are transferring leases with major production facilities requiring millions of dollars of site abandonment and cleanup costs has required additional security to ensure the lease is properly closed out even in the event the company files bankruptcy. Some small companies opt to meet this requirement by pledging U.S. Treasury Notes as security.

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

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

Customer Calls Phone calls received in the office requesting information or assistance. There is an expected increase in customer calls during FY 1993 and FY 1994 for several reasons: a newly-installed assignment tracking computer system allows quicker handling of customer questions; high turnover of industry people has resulted in a loss of knowledgeable/experienced industry representatives; and (3) there is one additional employee in this unit.

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

7. Program Management and Support — \$857,000

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

8. Other Activities — \$1,097,000

Leasing Area Maps and Diagrams

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Protraction Diagrams	113	48	103	55
Official Block Diagrams	350	1,213	1,057	-156
Special Block Diagrams	0	117	925	808
Database Development	2.5 FTE	4 FTE	4 FTE	0
A-16 Coordination	.5 FTE	1 FTE	1 FTE	0

The OCS must be timely and accurately defined to assure that only Federal lands are offered for lease by the Federal Government. The definition of this coordinate infrastructure, commonly referred to as the Offshore Cadastre, has been recently changed to reflect the implementation of the North American Datum of 1983

(NAD 83). The conversion to NAD 83 is mandated for all Federal agencies. The MMS NAD 83 Project Plan has been developed and is currently under review by Headquarters and Regional Office program staffs.

The NAD 83 effort will require the MMS to redefine approximately 500 existing Official Protraction Diagrams (OPD's) and Leasing Maps (LM's) and 15,000 existing Supplemental Official OCS Block Diagrams (SOBD's) on the new datum. The mapping effort associated with the implementation of NAD 83 will require approximately 40,000 hours of human effort over a 19-year period. 2,100 hours of effort will be expended in FY 1994 along with \$25,000 to fund the Memorandum of Understanding (MOU) with the USGS. The human effort associated with redefining the existing SOBD's has been incorporated into the estimate in the following paragraph. The NAD 83 process will ultimately eliminate all existing NAD 27 cadastre output products, i.e. maps and diagrams, and redefine them on the metric Universal Transverse Mercator (UTM) system. In addition, a number of new official output products will be required in order to define existing NAD 27 leases on the NAD 83 datum and to depict ambulatory leasing boundaries, the limit of the Exclusive Economic Zone (EEZ), and international maritime boundaries. These new requirements and complete SOBD coverage of all relevant areas may generate as many as 200,000 additional diagrams.

The implementation of NAD 83 is being facilitated by the development of an offshore digital coordinate database entitled Offshore Block, Boundary, and Map/OPD Information System (OB2MIS). OB2MIS or its subsequent replacement, Block and Boundary, will ultimately define, by geographic coordinates, the extent of the entire OCS. The initial development and population of OB2MIS with all historic and current offshore coordinate and area information will require a significant commitment of approximately 21,000 hours of human effort, 4,200 in FY 1994. This process will incorporate and comply with the National Oceanic and Atmospheric Administration's June 14, 1989, Federal Register Notice (54 FR 25318) to implement the new datum, NAD 83, Executive Order 12770 of July 25, 1991, Metric Usage in Federal Government Programs, and with the Office of Management and Budget Circular A-16 process for the coordination, development, and dissemination of surveying, mapping, and related spatial data activities. In addition, this process complies with and has been incorporated into the developmental requirements for the MMS Technical Information Management System (TIMS). Under the TIMS development process OB2MIS has been redesigned as the Block and Boundary component.

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

The MMS continues to take an active role in the Office of Management and Budget Circular A-16 process for the coordination, development, and dissemination of surveying, mapping, and related spatial data activities. The MMS has appointed appropriate key personnel to the Federal Geodetic Data Committee (FGDC) and the Interior Geodetic Data Committee (IGDC) and various other related subcommittees and working groups. This commitment of human resources will require approximately 4,174 hours of effort annually. The MMS is in the third year of a ten-year Memorandum of Understanding with the United States Geological Survey for services to supply NAD 83 shorelines and grids for OPD development associated with sale requirements as defined within the current Comprehensive Program 1992-1997. In addition, the MMS is maintaining a five (5) year Memorandum of Understanding with the National Ocean Service to provide services, including personnel, and tides information and analysis associated with the development of offshore boundaries.

Streamlining Change, Executive Order 12837

	1993 Enacted	1994 Requested	Change
\$(000)	300	102	-198
FTE	—	—	—

Impacted Workload Summary

	1992	1993	1994 Base	1994 Request
Conflict Mgt. Products	4	4	4	3

MMS developed a comprehensive conflict management program in response to the President's June 26, 1990, directive calling for an OCS program that is more responsive to local concerns. The goals of the conflict management program have been: to encourage greater and more effective public participation in the OCS decision-making process; to evaluate and improve current methods of public interaction; to 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.

A decrease of \$198,000 and no FTE is proposed for FY 1994 to be accomplished through a reduction in conflict management activities. The FY 1992-1997 Comprehensive Program has eliminated sales in virtually all of the controversial areas. The elimination of activities in these areas will reduce conflicts and the requirement for a high frequency of public interaction. The more focused approach of the new 5-Year Program will reduce the criticisms and controversy that has been present in the past.

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:

- a policy committee;
- six regional technical working groups (RTWG); and
- 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 convene several times a year and have distinct purposes as explained in their charters. The Advisory Board committees frequently appoint subcommittees for in-depth issue analyses, and findings are reported back to the standing committees.

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

Base Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Policy Committee Meetings	2	2	2	0
Scientific Committee Meetings	3	3	2	-1
Subcommittee Meetings	2	5	5	0
Regional Technical Working Group (RTWG) Meeting	8	4	4	0

The Policy Committee advises the Secretary on the national policy implications of managing the OCS resources. They are currently developing recommendations concerning the hard minerals program and legislative issues affecting the OCS Program.

The Scientific Committee advises MMS on the feasibility, appropriateness, and scientific value of the Environmental Studies Program. It reviews the relevance of data being produced by the program and recommends changes in its scope, direction, and emphasis.

The Advisory Board committees frequently appoint subcommittees for in depth issue analyses, and findings are reported back to the standing committees. Justification of Program and Performance

The RTWG's play a role in developing and generating regional environmental studies plans and are an integral part of the 5-Year Program's Information Base Review that precede sale specific activities.

Resource Evaluation Program

Justification of Program and Performance Analysis by Subactivity *dollars in thousands*

		1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Changes from 1993
Resource Evaluation Program	\$(000) FTE	19,691 258	-122 -14	0 0	19,569 244	-122 -14

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-8-12."

Objectives

- To obtain and analyze geological and geophysical (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 resources are located, (3) the size of the accumulations and the likely amount of resources those accumulations may contain, and (4) the economic value of the resources.
- To advise Department and Bureau management on matters related to the OCS leasing programs and issues from a petroleum geology and resource economic perspective.
- Collect economic data/conduct studies necessary to support the development of 5-year leasing program and ensure that the public obtains fair market value from individual lease sales.
- Publish/make available to the public and private industry information pertinent to the mineral potential of OCS for the possible accumulation of oil and natural gas.

Resource Evaluation Program Overview

FY 1992	FY 1993	FY 1994
Entered into a contract with the Texas Bureau of Economic Geology (BEG) along with the Department of Energy and the Gas Research Institute, to develop an offshore northern Gulf of Mexico Oil and Gas Atlas Series. The work will compile regional trends of major oil and gas reservoirs into regional subgroupings.	Organized and sponsored the first International Conference on Arctic Margins (ICAM). There were 12 nations represented by authors of technical publications. Many of the leading institutions, universities, government agencies, and private companies that study the Arctic were represented. Texas BEG will initiate data collection procedures with MMS Gulf of Mexico (GOM) region through use of GOM database.	Preparing proceedings from ICAM Conference. Data collection completed for miocene and older trends. Texas BEG will assist MMS in identifying plays.
Sponsored a third continental margins symposium, organized by the Texas BEG, that presented research results completed by the Coastal States Geological Surveys from the State Cooperative Program. Invited speakers from industry, discussed activities in the field of ocean mining.	Proceedings from the third continental margins symposium will be published. Funding has been reduced in FY93 by 50%, curtailing this project considerably.	Continuation of State cooperative agreement with coastal States from Maine to Alaska and Hawaii.
Special studies were conducted addressing topics that included: Coastal Impact Assistance; the Energy Policy Act; leasing incentives; and MMS's 1992-1997 Comprehensive Program	Special studies will be conducted addressing: lease buybacks in environmentally sensitive areas; royalty rate reduction requests; alternative leasing strategies; and legislative or policy proposals.	Special studies will address the topics identified in FY 1993, and potentially: lease abandonments and reassignments; platform removal; and the initial studies for 1997-2002 Comprehensive Program.
A new and improved methodology to assess the technically recoverable undiscovered hydrocarbon resources was designed, under the National Assessment. Two nationally well known technical experts in the field of resource assessment were hired as advisors for the National Assessment	Testing of new methodology is performed and analyzed.	Initiation of prospect and play analyses as well as estimation of resources.

FY 1992	FY 1993	FY 1994
Tract evaluations were conducted on 212 tracts receiving bids in two sales in the Gulf of Mexico. Over 70 percent of the high bids were analyzed in Phase 2 of the bid adequacy procedures. More than \$80 million in high bids were accepted and \$1.8 million in high bids were rejected as being below fair market value.	Tract evaluations will be conducted on the tracts receiving bids in the two Gulf of Mexico sales scheduled this year. In addition, a review of RE's tract evaluation procedures will be conducted to see if any improvements can be identified to better ensure receipt of fair market value.	Tract evaluations will be conducted on the tracts receiving bids in the two Gulf of Mexico sales and the Cook Inlet sale scheduled this year. If improvements in the tract evaluation procedures were identified in FY 93, they will be incorporated in the process this year. Working with countries to organize the second conference.

Program Description

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

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

Industry Trends In recent years, the oil and natural gas industry practices of collecting and analyzing geological and geophysical data and information have changed dramatically with the advent and wide usage of computer assisted data interpretation and analyses systems. Such systems utilize powerful computer workstations, sophisticated software, and massive databases in an integrated and interactive fashion to determine possible locations of natural gas and oil accumulations and predict the sizes of these potential fields. One significant factor in the process is the incorporation of 3-dimension (3-D) seismic data which allows scientists to see geologic features that were virtually undetectable using the standard 2-dimension (2-D) data. Several recent major discoveries in the Gulf of Mexico have purportedly resulted from the application of these techniques.

TIMS Related Activities The MMS had been unable to incorporate 3-D seismic data, until a small pilot program was initiated in the Gulf of Mexico Region in FY 1992 as an integral component of an overall Technical Information Management System (TIMS) pilot project. As a result, 13 workstations will be installed in the Gulf of Mexico Region during FY 1993 for approximately 50 geologists, geophysicists, and engineers to share. The workstations will play an important role in performing resource evaluation functions - including critical tract evaluation/bid adequacy determinations as well as field delineation (reserves) mapping, which supplies information to the Royalty Management Program (RMP). The initial installation should increase analytical capabilities, as soon as, the geoscientists acquire sufficient training to utilize the equipment.

The MMS will also have to acquire the 3-D seismic data (as well as other digital information) currently being collected in a multi-year plan by geophysical contractors throughout the Gulf of Mexico Region (as well as other active areas of natural gas and oil exploration and development areas throughout the United States and the world). This will be followed by converting or selectively repurchasing our existing 1,428,000 miles of paper 2-D seismic information and 100,000+ paper well logs, in the Gulf of Mexico alone, into a form usable by these computer-based workstations. (See section entitled G&G Data Acquisition and Analyses for specific information.)

In the meantime, MMS must continue to acquire paper copies of 2-D data, well logs, and related information to continue to perform the majority of work functions in the Gulf of Mexico Region and all of the functions in the other Regions - including the Alaska Region which currently has one lease sale scheduled in FY 1994 and five other sales in FY 1995-1997.

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

1. Regulation of Data Collection — \$500,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
G&G Permits Processed & Approved	136	150	160	10

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

These regulations govern the permitting, data collection, and release of information. They prescribe when a permit or a notice is required, operating procedures for conducting activities, and requirements and conditions for release of data and information as well as reimbursement to permittees for reproduction costs of the data and information for MMS. An increase in permitting activity is indicated due to resurveying efforts by industry in collecting 3-D seismic data over the entire Gulf of Mexico, as well as preparation for possible leasing activities in Lower Cook Inlet, and a re-examination of offshore natural gas prospects, especially in the Eastern Gulf of Mexico and off of North Carolina.

2. G&G Data Acquisition and Analysis — \$2,100,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
G&G Data Acquisitions	15	43	39	-4
Seismic Data Acquisition				
2-D (line miles)	57,063	30,000	20,000	-10,000
3-D (blocks)	—	730	730	0
Digital 3-D Lines Purchased	5,000	90,000	90,000	0
Other Data Acquisition, i.e., digitized well logs, navigational data sets, directional surveys, geology and paleo studies, velocity surveys, etc.	1,742	2,050	2,785	735
Data Conversion of 2-D paper line miles	60,000	60,000	60,000	0

G&G Data Acquisition The primary source of the G&G data and information used by the RE Program is the oil and gas industry which conducts exploration, development, and production activities on OCS lands. While the MMS does not perform any direct data collection activities, permits issued to industry for collecting

G&G data include a stipulation that allows MMS to inspect the data and selectively acquire portions for only the cost of reproduction. However, if industry has collected data in areas not under MMS jurisdiction, e.g., State waters or adjacent foreign waters, MMS must pay the significantly higher "market price" for obtaining such data.

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

Seismic Data Acquisition In FY 1992, 82 percent of all seismic data acquired was in the Gulf of Mexico. Very minor amounts were acquired in Alaska (14 percent) and the Atlantic (4 percent). FY 1993 and FY 1994 are the beginning of a multi-year transitional period for MMS in the G&G Data Acquisition and Analyses Component. First, a limited amount of 3-D was purchased in FY 1993 to be incorporated into the initial Gulf of Mexico database utilizing the pilot project workstations. The relative proportion of 3-D acquisitions to existing 2-D paper copies of geophysical information will grow in FY 1994 and later years as the pilot project progresses into full-scale implementation in the Gulf of Mexico Region and as other MMS offices are provided similar capabilities.

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

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

3. Resource Assessment — \$4,100,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Play Identification	—	75	25	-50
Geologic Play Analysis	100	100	100	0
Resource Model Simulations	—	25	75	50
Well Studies	31	35	35	0
Data Analysis	750	810	810	0
Area of Hydrocarbon Potential	4	10	9	-1

The objective of this component of the RE program is to identify those portions of the OCS which are believed to be the most promising with regards to the accumulation of natural gas and oil. These analyses help to focus necessary studies to identify both environmental and operational constraints as well as to assist in consideration of eventual leasing decisions.

The relative success of this component requires access to and use of a broad array of G&G data, information, and studies. Long lead times are often required to identify and study necessary criteria to determine if a basin is oil or gas prone, i.e., identification and presence of reservoir rocks, source rocks, etc. The results of these studies are subject to change as new data and information are generated and acquired. In the early stages, this component will focus on entire planning areas, but as more data and information are acquired, the focus will shift to sale- and prospect-specific areas to be offered for lease.

In FY 1993 and FY 1994, resource assessment activities will be focused primarily on those tasks necessary to complete the proposed 1995 joint MMS-USGS National Assessment. During FY 1992, MMS, based upon recommendations from the National Academy of Sciences, made major modifications to the processes used to identify and analyze OCS areas which may contain natural gas and oil. Currently studied geologic plays, as well as new well information and analyses of in-house seismic data and information allowed MMS to lay the groundwork for the establishment of a new and improved methodology for assessing OCS areas. Work in this area will continue in FY 1993 and FY 1994 as identified in the workload indicators.

Play Identification will identify new plays based upon evolving geologic and/or exploration theories. The initial thrust of this work will take place in FY 1993. As these new plays are identified,

Geologic Play Analysis will be done throughout the National Assessment exercise to prepare inputs for geologic modeling.

Resource Model Simulations will take place as geologic parameters from the play identification and analysis work are generated and testing of the new methodology can be performed and analyzed. This workload will commence in FY 1993 and increase in FY 1994.

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

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

Data Analysis specifically acquired seismic data, help identify new prospects and exploratory plays or trends. Incorporation of these analyses allow the RE program to generate

Area of Hydrocarbon Potential maps for specific planning areas. The numbers identified for FY 1993 and FY 1994 are based upon the current 1992-1997 5-Year Natural Gas and Oil Leasing Program.

4. Resource Estimation — \$1,400,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Resource Estimates for 5-Year Program	1	0	0	0
Resource Estimates for Lease Sales	3	4	4	0
Resource Estimates for OSRA Model	3	4	4	0

This component of the RE program is focused upon developing estimates of the possible amounts of natural gas and oil believed to exist under Federal waters. Resource estimates can address vast areas, such as the Atlantic or offshore Alaska, but must also be formulated for smaller areas, such as a particular lease sale or deferral option. The estimates are developed using complex computer models and methodologies which utilize specific geologic information, mathematical and statistical analyses, risk and probability theories, and a myriad of specific assumptions pertaining to economic scenarios, petroleum engineering data, and a variety of additional technical assumptions.

Within MMS, the primary uses of resource estimates are comparative analyses among areas being considered for leasing - including decisions related to 5-year program formulation, specific sales and deferral options; conceptual exploration and development decision simulations necessary to analyze potential environmental and socioeconomic impacts associated with resource management decisions alternatives and a myriad of special studies in support of departmental and congressional initiatives.

During FY 1993 and continuing well into FY 1994, MMS is performing in-house revisions to its methodology and models utilized to develop estimates of undiscovered natural gas and oil resources. These revisions will incorporate recommended improvements suggested by the National Academy of Sciences and other separate studies by the American Petroleum Institute, Association of American State Geologists, and Energy Information Administration subsequent to the release of earlier national estimates by MMS and USGS in 1988. The new methodologies will first be reflected in revised national estimates of natural gas and oil undiscovered resources in FY 1995. The revised numbers will then form the basis for program formulation and technical analyses associated with the 1997-2002 leasing options.

Lease Sale Support During FY 1993, estimates were developed for FY 1994 and FY 1995 in the Gulf of Mexico Region and Alaska OCS Region - including the impact of deleting portions of areas being considered for leasing. The estimates will be used to analyze the potential environmental impacts of the proposed sales and alternatives, form the basis for oil spill modeling activities, (in particular, the Oil Spill Risk Analysis model (OSRA)), including trajectories for potential spills, and economic analyses necessary to identify decision options for departmental officials related to each specific sale. The FY 1994 activities will require activities to be initiated to support similar analyses and decisions for specific sales being considered in FY 1995 and FY 1996. Estimates must also be developed for special studies of other miscellaneous OCS issues and decisions, e.g., legislative proposals, OCS marine sanctuary designations, marine boundary disputes, and other similar special studies.

5. Resource Economic Studies — \$1,200,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Sale Related (E&D Reports, NEPA and Other Decision Documents, Bidding System Design, Cost Estimates and Price Forecasts)	3	4	4	0
Special Studies	15	20	25	5

This component of the RE program addresses sale-specific studies as well as economic issues associated with other MMS program activities. Economic analyses are performed which incorporate RE program data and information into the overall MMS and departmental leasing policies and program decisions. This function requires sophisticated statistical and analytical modeling capabilities in addition to access to a diverse array of

data sources on: mineral, natural gas, and oil prices; industry investment patterns; exploration, development, production, and transportation costs; supply and demand factors; financial market conditions; tax laws; and myriad other related topics.

Sale related studies pertain to the terms and conditions used in individual lease sales including rentals, lease terms, and bidding systems (royalty rates and minimum bid levels). Other analyses provide information for Exploration and Development (E&D) reports and decision documents as well as the economic guidelines (prices and costs) for bid adequacy determinations. Broader sale related studies are undertaken to estimate future bonus revenues and other economic benefits resulting from OCS leasing decisions.

In FY 1992, the sale-related studies supported two Gulf of Mexico lease sales as well as a bonus revenue estimate. In FY 1993 and FY 1994, the sale related analyses will support two Gulf of Mexico lease sales, one Alaska lease sale, and annual bonus revenue estimates.

Special studies are the portion of this component is gaining importance as the OCS leasing program matures. The economic analysis expertise of RE is often called upon to analyze regulatory and legislative proposals affecting OCS leasing, exploration, development, and production activities, in addition to ad hoc studies addressing specific policies and compilation of data needed to analyze overall OCS program activities.

In FY 1992, RE conducted special studies addressing the Energy Policy Act (3), Coastal Impact Assistance (2), the MMS incentives initiative (4), and the 1992-1997 Comprehensive Program (6). Analyses of buybacks of leases in environmentally sensitive areas, alternative leasing strategies, and royalty reduction requests are expected to contribute to an increased workload in FY 1993. If any new leasing systems are developed, simulation models may be required to analyze their potential effects and to identify criteria needed to evaluate bids received on tracts using the alternative systems. Also in FY 1993 efforts are likely to begin to compile updated cost data in support of MMS's tract evaluation responsibilities; and the bonus estimating model (IMODEL) will be revised to allow for analysis of alternative leasing systems. In FY 1994, the workload should continue to expand as the topics identified in the previous year are likely to continue to be studied. This will include bonus estimates using the revised IMODEL, analyses related to lease abandonment and reassignments, initial studies for the 1997-2002 Comprehensive Program, and expanded use of GIS capabilities to enhance analyses.

6. Tract Evaluation — \$1,950,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Total Tracts Evaluated	212	250	275	25
Phase 2 Bid Adequacy Determinations	153	175	190	15

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

The RE personnel engaged in tract evaluation use mathematical and statistical models to integrate geophysical, geological, petroleum and mining engineering, and economic data to derive tract values. The process takes into account changes in leasing policies and procedures, lease terms and conditions, tax codes, bidding systems, and other external factors.

In OCS natural gas and oil lease sales, the MMS uses a two-phase process to determine if a high bid represents fair market value. In the first phase, high bids are accepted on wildcat or established tracts receiving three or more high bids and on tracts judged to contain insufficient resources to be economic. High bids on all drainage or development tracts and on other tracts not accepted using the Phase 1 criteria move to Phase 2 for further evaluation.

In **Phase 2**, a labor intensive process occurs in which RE personnel analyze all available appropriate data to determine each tract's value. RE computes the tract's value at the time of the sale, considering a delay in lease award until the next sale, and, if the number of bidders is sufficient, the value considering market factors. If a high bid equals or exceeds RE's estimated value for a tract, it is accepted. The tract value estimate developed by the MMS in Phase 2 is the mandated basis for fulfilling the legal requirement that the public receives fair market value for all tracts leased.

FY 1992 was a year of historically low bidding activity in the Gulf of Mexico. However, of the tracts receiving bids, more than 70 percent had a Phase 2 analysis. This was the case because many of the tracts receiving bids were re-offered and MMS had significant data on this category of tracts. However, even with low bidding activity, more than \$80 million in high bids were accepted. In FY 1993, a modest increase in the number of tracts receiving bids in the two Gulf of Mexico lease sales is expected because of higher natural gas and oil prices, which should help bidding activity recover somewhat from the low levels of the previous year. In FY 1994, a sale in the Cook Inlet is scheduled as well as the two Gulf of Mexico sales, which could lead to a further modest increase in bidding activity and hence, more tract evaluations.

In FY 1993, a review of RE's tract evaluation procedures is being conducted to see if any improvements can be identified to obtain better returns for the Nation from the leasing of OCS resources. If improvements are identified, they will be incorporated in the tract evaluation process in FY 1994.

7. Reserves Estimation — \$2,800,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Field Reserve Studies	32	33	33	0
Preliminary Geologic Studies				
Proven	22	20	20	0
Unproven	13	20	20	0
Engineering Reviews	218	200	200	0
Special Studies	25	25	25	0

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

Field reserve studies are expected to remain fairly constant between FY 1992 and FY 1994. Geologic maps and reserve estimates have been completed for 557 of 819 fields in the Gulf of Mexico. Thirteen of 38 fields in the Pacific are determined to have proven reserves of oil and/or gas. **Studies of proven fields** remain constant through FY 1993 and FY 1994 and represents those fields on which a platform application has been received. Proven reserves are those estimated with reasonable certainty to be recovered under current economic conditions. During FY 1992 and FY 1993, MMS has augmented its reserves estimation capabilities by the in-house development of a computer-based model to produce estimates for newly discovered, unproven fields. Prior to this effort, MMS was unable to determine independent estimates of these sometimes significant discoveries for several years - although the fields' impacts on future production scenarios were often substantial. This improvement is reflected in the studies of **unproven fields** indicated in the charts as well as the rather constant number of **engineering reviews** which must be continually conducted on all fields to determine the effects of production upon ultimate recoveries from these fields.

Special studies reflect those in-depth studies of specific fields or areas where development or future production variances may impact or be impacted by Government or industry policy or investment decisions. In FY 1993, for example, MMS completed a 1-year study undertaken for the Department of Transportation to determine the economic feasibility of a multi-million dollar methanol marine plant facility being supported by future OCS production. Also in FY 1992 and FY 1993, the impact of proposed legislatively mandated royalty reductions upon ultimate production from OCS fields required in-depth analyses of existing fields. Finally, MMS participation in the Department of Energy requested study by the National Petroleum Council to analyze future natural gas supplies provided crucial information regarding OCS reserves as well as undiscovered resources potential.

8. Technical Information Distribution — \$1,500,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Reserve Studies	4	4	4	0
Annual Production Forecasts	1	1	1	0
Gas Deliverability Studies	1	1	1	0
Geology Studies	4	10	9	-1
Technical Symposia	—	1	1	0
Special Projects	8	29	30	1
Published OCS Reports	9	6	5	-1

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

Certain studies' outputs will remain fairly constant over the next few years. **Reserve Studies** will focus on annual reserves reports for the Gulf of Mexico and Pacific Regions, the Field and Reservoir Reserve Estimates (FRRE) Reports, as well as a National Reserve Report Handbook that gives a perspective on national trends of production, additions to the offshore reserves base, and drilling activity. **Annual Production**

Forecasts are in-house studies that are tied to information in the Reserves Handbook by attempting to forecast trends and drilling activity. The **Gas Deliverability Studies**, also an in-house study, attempt to estimate maximum gas production in the Gulf of Mexico without economic restraints.

The various **Geology Studies** show a slight increase from the four completed in Alaska and the Gulf of Mexico for FY 1992. The increase is due to geologic studies and analyses being prepared for the upcoming National Assessment as well as future sale activity. Again, over half of these studies will be in Alaska and the Gulf of Mexico and all will be in-house for now. In addition, MMS, along with the Department of Energy and the Gas Research Institute, entered into an agreement with the Texas Bureau of Economic Geology (BEG) to develop an offshore northern Gulf of Mexico Atlas Series. This multi-year project will compile regional trends of natural gas and oil reservoirs.

The MMS, in FY 1993, has sponsored a Third Continental Margins Symposium, organized by the Texas BEG, that presented research results completed by the coastal States Geological Surveys as a part of the **Technical Symposia** workload element. The research was conducted through the MMS-State Cooperative Program, which was funded for \$600,000 in FY 1992 but was reduced to \$302,000 for FY 1993. The participants are the members of the Continental Margins Committee of the Association of American State Geologists, which consists of all the coastal States from Maine to Alaska and Hawaii. These studies address the geologic framework for petroleum, strategic minerals, and environmental geology. A symposium for the 1995 National Assessment is also planned for FY 1994.

Special Projects represent presentation of MMS work outside of the Bureau and consist of oral presentations and publications in professional journals. The dramatic increase addressed in FY 1993 and 1994 is due to an increase in oral presentations at all four Regions, outside publications by Alaska Region personnel from work presented at the International Conference on Arctic Margins, and the release of various well information.

In taking steps to address the need to make information available, the RE program has traditionally prepared **Published OCS Reports** on the geology of OCS planning areas, certain offshore wells, G&G data acquisition, and the deep stratigraphic test (COST) wells. Publication of these reports are based upon time, availability of personnel and the leasing schedule.

9. Program Management and Support — \$2,499,000

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

Other Activities — International Activities and Marine Minerals Summary — \$1,520,000

Objectives

- To carry out the provisions of the OCSLA to evaluate and achieve the potential of the OCS as a domestic supply source for marine minerals.

In so doing the Marine Minerals Program will assure that activities are compatible with other uses of the sea, are environmentally sound and acceptable, and that coastal States, industry, and other Federal agencies are

effectively involved. Cooperative arrangements are typically initiated by State interest in one or more aspects of the Marine Minerals Program.

- To implement responsibilities as agency liaison for international activities.

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

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

International Activities and Marine Minerals Overview

Program Activity	FY 1992	FY 1993	FY 1994
Marine Minerals Cooperative Arrangements	During FY 1992, 11 cooperative arrangements with 18 States were actively evaluating the potential use of marine minerals from the OCS. The primary focus of eight of the arrangements was the use of sand for coastal restoration and wetland protection purposes. A comprehensive marine minerals database using CD-ROM technology was released to the public. The multi-year project was cosponsored by NOAA and MMS/INTERMAR.	In FY 1993, work of the 11 cooperative arrangements will continue. It is expected that an additional cooperative effort (with Florida) will materialize during FY 1993. A funded study to survey scientific research worldwide on potential environmental impacts of marine mineral recovery will be published.	One or two ongoing projects should progress to a prelease stage (Louisiana and possibly Virginia). Others will continue to assess resource potential and gather and analyze environmental data vital to decisionmaking. Several environmental studies designed specifically for the Marine Minerals Program and for broad application are scheduled for completion in FY 1993-1994. Findings may require modification of work in progress.
International Activities	MMS continued to assist the DOS on questions involving treaties, protocols, U.S. positions and related matters. A new MOU was established with Australia. Cooperative research and information exchange continued with Canada and the United Kingdom under existing MOU's. MMS also began development of an international training program dealing with management of mineral resources and revenues. Six countries approached MMS with requests for technical training or assistance.	Work underway in support of DOS requests will continue in FY 1993 as will cooperative research and information exchange with Canada and the United Kingdom under revised agreements. The modules of the international training program will have been completed and tested. Several training courses are likely to be conducted during the fiscal year. Several additional requests for technical assistance on a cost reimbursable basis are expected. An MOU will be established with Russia and Venezuela and a similar arrangement will be devised with Norway.	DOS assistance will continue in a routine manner. In addition, MMS anticipates an increase in the time spent assessing and monitoring international conventions which have the potential for affecting the offshore gas and oil program. Requests for new or expanded technical assistance from foreign countries are anticipated and would be subject to the availability of third party assistance.

Marine Minerals Program

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

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Active CoOp Arrangements	11	12	14	2
G&G Permits Processed	1	1	1	0
Seismic Data Acquired (line miles)	400	700	500	-200
Core data Acquired (# of cores)	60	60	95	35
Project reports	1	11	8	-3
Public Hearings	1	0	1	1
DEIS	0	0	0	0
EIS	0	0	0	0

Active Cooperative Agreements

In FY 1992, projects primarily involved coastal restoration for Atlantic and Gulf Coast States—the most advanced being the Ship Shoal project off Louisiana. Ship Shoal refers to a large sand body on the OCS which has been evaluated and found suitable as a source of sand to replenish beaches on severely eroded Isles Dernieres. These barrier islands serve to protect important adjacent wetlands also subject to erosion. Other cooperative efforts included the participation of six New England States in the preparation of construction aggregate supply and demand studies; the demand study was completed in January 1992; the evaluation of phosphorite and heavy mineral deposits offshore Georgia; and cobalt crust and environmental investigations in connection with the Hawaii/DOI Joint Planning Arrangement. The Georgia working group is also involved in identifying existing environmental studies pertinent to the extraction of phosphorite or heavy minerals from the continental shelf offshore Georgia. A one year environmental monitoring study in previously dredged State waters offshore Nome, Alaska is being funded by MMS but not through a cooperative arrangement. [See Federal/State Cooperative Arrangements Table for a State-by-State listing.]

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

In FY 1993, final reports and recommendations are expected from initial investigations in Alabama, Louisiana, and Texas. Mineral sample collection and/or data analysis are planned for efforts offshore Delaware, Georgia, Hawaii, Maryland, New Jersey, North Carolina, and Virginia. South Carolina work will concentrate on evaluation of existing data pertinent to their coastal restoration interests. The New England aggregate supply study will be completed and the collective findings of the two New England aggregate studies will be used to determine future steps to be taken.

In FY 1994, new initiatives and expansion of existing partnership arrangements will provide information on sand, gravel, shell and possibly heavy mineral deposits. If the New England demand and supply studies

indicate the offshore area as a needed aggregate supply source, this effort could move into a resource characterization and environmental studies phase.

Geological & Geophysical (G&G) Permits Processed

The prospecting (G&G) permit involves detrital gold deposits in the OCS area offshore Nome, Alaska. The same general area is likely to be the target of permitting in FY 1994.

Seismic Data Acquisition/Analysis

In FY 1992, seismic data were acquired and/or analyzed off the States of Alabama, Delaware, Louisiana, Maryland, Mississippi, North Carolina, Texas and Virginia. Data acquisition continued in Alabama and North Carolina and was extended to Alaska, Hawaii, New Jersey, and South Carolina in FY 1993. Work will continue in six of these States in FY 1994.

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

Core Data Acquired

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

In FY 1992, vibracoring projects were undertaken for offshore Alabama, Delaware, Louisiana, Maryland, Mississippi, Texas and Virginia. Project work was continued in Alabama and North Carolina in FY 1993, and new coring was scheduled for projects with Alaska, Hawaii and Virginia. In FY 1994, coring projects are anticipated in connection with eight State projects (Delaware, Georgia, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, and South Carolina).

Project Reports

During FY 1992, a project report titled "Construction Aggregates Demand in the New England States" was produced through an arrangement with the New England Governors' Conference. In addition to a companion study on New England aggregate supply scheduled for completion in FY 1993, eight other reports covering geologic, environmental, or engineering aspects of coastal restoration projects and two other environmental reports will be undertaken. For FY 1994, project reports are expected to total eight with most involving coastal restoration work. A synthesis report for the aggregates studies and an environmental report in connection with a Hawaii cobalt-manganese crust study will also be completed.

Public Hearings

In the latter part of 1991, a public hearing was held in Houma, Louisiana to solicit public opinion on the proposed Isles Dernieres/Ship Shoal coastal restoration project being evaluated by a joint MMS/State of Louisiana task force.

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

DEIS and EIS

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

Federal/State Cooperative Arrangements

Involved State	Project Description	Other Gov. Agency Involved	1992 Actual Cost		1993 Estimated Cost		Extend in 1994?
			MMS	Other	MMS	Other	
ME, VT, NH, MA, CT, RI	Aggregate Study	BOM	0	0	\$4,000	0	TBD
NJ	Restoration	COE	\$96,000	\$89,000	\$96,000	\$91,000	YES
DE, MD	Restoration	COE	\$27,347	\$20,150	\$45,000	\$25,000	YES
			\$82,387	\$23,156	\$65,000	\$30,000	YES
VA	Restoration	COE	\$105,116	\$68,183	\$105,000	\$68,000	YES
NC	Restoration	COE	0	0	\$70,070	\$49,176	YES
SC	Restoration	COE	\$80,986	\$24,541	0	0	YES
GA	Phosphorite	BOM, GS	0	0	0	0	TBD
AL	Restoration	COE	0	0	\$65,000	\$65,000	YES
MS	Restoration	COE	0	0	0	0	TBD
LA	Restoration	COE, GS	0	0	0	0	YES
TX	Restoration	COE	0	0	0	0	TBD
HI	Crusts	BOM, GS	0	0	0	0	YES
FL	Restoration	TBD	0	0	\$49,930	\$15,000	TBD
AK*	Environ. Monitoring	BOM	\$15,000	\$25,000	0	\$60,000	TBD
T o t a l			\$406,836	\$250,030	\$500,000	\$403,176	

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

International Activities

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

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
State Department Assistance	10	10-20	10-20	0
Active CoOp Arrangements	2	6	8	2
Technical Assistance	1	5	2	-3

Assistance to the Department of State

MMS continued to assist the DOS on the protocols on environmental protection to the Antarctic Treaty, and with issues attending Arctic environmental protection strategy. MMS also participated in working groups supporting U.S. delegates to the London Dumping Convention, assisted on the development of background papers and U.S. positions for the U.N. Conference on the Environment and Development, and provided technical advice on a number of other projects.

In FY 1993, a new supporting role involved an interagency effort led by NOAA to develop a training course on coastal zone management. The course will be used to train U.N. environmental program staff in Nairobi. New requests for assistance for DOS are expected to continue through FY 1993-1994 as are MMS technical advisory roles for continuing projects.

In FY 1994, MMS will continue its involvement in a three-year pilot study sponsored by NATO's Committee on Challenges of Modern Society. The study entitled, "Pollution Prevention Strategies for Sustainable Development" deals with policies, strategies, regulations, technology and educational approaches to pollution prevention research. The offshore drilling sector will be one of many areas addressed by the study.

Active Cooperative Arrangements

During FY 1992, MMS entered into a new MOU with Australia centering on information-sharing regarding offshore oil, gas and minerals. This supplements an earlier MOU with the United Kingdom. An MOU between the Russia and MMS is expected to be signed by FY 1993. A similar, but less formal, agreement is being developed with Norway to meet on an annual basis and regularly exchange publications and new regulations.

Modifications and resolution of issues associated with MOU revisions for Canada should reach a conclusion in FY 1993. Meanwhile, cooperative research in oil spill response strategies is continuing. A new MOU with Venezuela, which would provide for oil and gas technical information exchange, may be implemented.

Potential new cooperative agreements with Mexico and Indonesia may occur in FY 1994. The agreements would potentially involve information exchange and cooperative research concerning oil and gas inspection procedures and pollution prevention.

All agreements of this type are in effect for at least five years, so the numbers pertaining to cooperative arrangements across the above table are additive.

Technical Assistance

During FY 1992, MMS began development of an international training program dealing with management of mineral resources and revenues. Six countries approached MMS with requests for assistance while the project was being designed and formulated. The agency was also engaged in coordinating a DOI multi-agency

training project which helped establish a Hungarian Mining Office, and which was funded by the Agency for International Development.

In FY 1993, the modules of an international training program will have been completed and tested. Several training courses are likely to be conducted during the fiscal year. Additional requests for technical assistance are expected in both FY 1993 and 1994 and will be subject to availability of third party payment or direct reimbursement.

Technical Assistance is provided on a cost-reimbursable basis. Financial assistance can be provided by the host government, a U.S. sponsoring agency such as the Agency for International Development (AID), or other sources such as the Asian development Bank, the World Bank, etc.

The MMS is currently managing one reimbursable project on behalf of the Department of the Interior (DOI). Under this project the AID transferred \$160,000 to the MMS under an Interagency Agreement to provide technical assistance to Hungary. A reimbursable account was set up, and expenses are billed against the account through the On-line Payment and Collection (OPAC) system.

Assistance of this type tends to be short-term and so the numbers referring to technical assistance across the above table are not additive. This assistance will be funded by AID.

Regulatory

Justification of Program and Performance Analysis by Subactivity *dollars in thousands*

		1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Changes from 1993
Regulation of Operations	\$(000) FTE	33,635 366	321 0	-1,200 0	32,756 366	-879 0
Technology Assessment & Research	\$(000) FTE	887 —	0 —	—0 —	887 —	0 —
Oil and Gas Information	\$(000) FTE	906 14	-26 -1	0 0	880 13	-26 -1
Total	\$(000) FTE	35,428 380	295 -1	-1,200 0	34,523 379	-905 -1

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 8-12."

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

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

Regulation of Operations Overview

Area	FY 1992	FY 1993	FY 1994
Developed Regulations	Presidential moratoria/ regulatory reviews delayed many rules from going final in FY 92. Work proceeded at slower pace on developing regulations.	Final rule for data protection from public disclosure. Proposed rules in several areas.	Final rules on archaeological surveys, electronic data interchange, G&G exploration, hard minerals.
SEMP-Safety Environmental Management Program	Investigated concept to require operators to develop & maintain a safety management program including industry's development of new recommended practices.	Develop proposed regulation for SEMP.	Develop Final Rule for SEMP.
Deepwater Production Requirements	Proposed new or revised operating requirements for leases in water depths over 400 meters; re: floating production facilities, well testing, offloading systems, and safety systems.	Develop proposed regulations.	Develop Final regulations.
Royalty Rate Reduction	Started development of proposed rules to facilitate process where it would be advantageous to Government by extending life of a field.	Develop final rule and start processing applications.	Continue processing applications indefinitely
Increased Bonding Requirements	Continued development of proposed rules to ensure responsible parties have financial capacity to fulfill end of lease obligations.	Final rule promulgation and implementation.	Continued processing and verification.
Shutdown Valves on Platforms	Continued development of rules to amend requirements on shutdown valves to make more comprehensive and stringent	Final rule promulgation and implementation.	Continued inspection and verification.
Oil Spill Response in State Waters	Continued development of proposed rules for spill prevention and response in Federal & State waters as a result of OPA 1990.	Final rule promulgation and substantial coordination with State agencies.	Continued monitoring and approval of plans

Area	FY 1992	FY 1993	FY 1994
Inspector Training Program	Established cooperative agreement with University of New Orleans to prepare formal training program.	Implement program and start certifying inspectors.	Complete inspector certification.
Pilot Sampling Inspection Program	Conducted third pilot sampling program in Gulf of Mexico. Inspectors randomly inspect various devices on a facility. Twelve facilities in sample.	Implement sampling approach in 3 of GOM districts.	Implement a region-wide sampling program.
Civil Penalties Program	OPA 1990 restored and expanded MMS Civil Penalty Authority. Director approved Interim Policy Document. First civil penalty collected under new authority.	Director to approve MMS Manual Chapter and Guidebook for the Program. Implementation through training of Inspectors and Regional Supervisors.	Process civil penalty cases and assess penalties as warranted.

Regulation of Operations

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

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

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

Industry Trends

The complexion of the offshore industry operating today on the Outer Continental Shelf (OCS) is different from that of the mid-1980's. The number of operators producing oil and gas on the OCS has increased from 64 in 1985 to 133 in 1992—a two-fold increase in seven years. The majority of these newcomers to the OCS are small independent operators who, in some cases, do not have the experience or financial resources of the major operators or large independents who have been working on the OCS for the past forty years. Because of their smaller resources, some operators may have trouble meeting their end-of-lease financial obligations and safety and pollution response requirements. The MMS is developing a new program that would increase bonding requirements for OCS operators and provide avenues for supplemental security to help protect the government from an operator's default.

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

The result of low oil and gas prices, the migration of major oil companies to foreign waters, and the inability of operators to gain access to frontier areas due to Congressional and Presidential moratoria has been a decrease in exploration and development activity since 1989. However, this does not mean the workload has decreased for the MMS. In fact, it is increasing due primarily to the following factors:

- The number of platforms on the OCS increases every year—and now exceeds 3800.
- Similarly, pipeline mileage increases every year and now stands above 22,000 miles.

- Not only do these facilities and transmission lines require regularly scheduled inspections but many are entering a mature stage of their life cycle and may require recertification of their structural integrity.

Compounding this situation are the added responsibilities of the Oil Pollution Act of 1990 that gives MMS oil spill response planning and prevention authority for State waters, as well as Federal waters. The MMS is working cooperatively with States to ensure there is no duplication in these efforts for offshore operators.

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

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

Workload Indicators and Outputs

The following section details selected workload outputs in the Regulation of Operation program area. Operation and Safety Management divides these indicators into four subelements:

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

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

1. Exploration and Production Review and Approval — \$5,232,000

Plans and Agreements

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Plans:				
Exploration, Development, and Production	321	337	327	-10
Oil Spill Contingency	133	294	295	1
Agreements:				
Utilization Agreements, Operating Agreements, and Enhanced Oil Recovery	660	670	681	11

Exploration, Development, and Production Plans

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

The FY 1992 Exploration, Development, and Production Plans by Region: Gulf of Mexico 300, Pacific 20, Alaska 1, Atlantic 0.

Oil Spill Contingency Plans

As a result of the Oil Pollution Act (OPA), MMS has gained responsibility under the Federal Water Pollution Control Act for oil spill prevention and response for offshore facilities except deepwater ports. This includes oil and gas development and production operations and pipelines in both State and Federal offshore areas. The MMS is implementing this new responsibility in conjunction with authority under the OCSLA and State authority under State statutes. The MMS regulations ensure that all areas have a level of protection mandated by the OPA. Required oil spill contingency plans are reviewed for compliance with the Act. The FY 1992 Oil Spill Contingency Plans by Region: Gulf of Mexico 123, Pacific 9, Alaska 1, Atlantic 0. The increase in oil spill contingency plans for FY 1993 and FY 1994 is due to OPA expansion of MMS responsibility for State waters.

Agreements:

Unitization Agreements and Operating Agreements

Unitization and operating agreements provide for exploration, development, and production of minerals from individual OCS leases as single consolidated entities. These agreements modify the terms of the committed

lease contracts and consolidate them to form units. The MMS monitors unit activity by reviewing unit plans of exploration or unit plans of development and production, to ensure proper and timely exploration or development.

Enhanced Oil Recovery

Operator applications for MMS approval of secondary and tertiary enhanced oil recovery projects must be accompanied by supporting geologic and engineering data showing that the projects are in the interest of conservation of the natural resources on the OCS. MMS uses submitted production data in reservoir analyses, statistical reports, and in the monitoring of individual injection projects to ensure maximum recovery of hydrocarbons. The 1992 Unitization Agreements, Operating Agreements, and Enhanced Oil Recovery by Region: Gulf of Mexico 630, Pacific 30, Alaska 0, Atlantic 0.

Permits

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Application for Permit to Drill	482	732	749	17
Application for Well Workovers, Recompletion, and Abandonment	9,174	10,200	10,203	3
Platforms				
Applications - New Platforms	155	170	171	1
Applications - Modify Existing Platforms	100	135	136	1
Removal and Site Clearance	160	177	178	1
Pipeline Applications	251	201	202	1

Applications for Permit to Drill, Workover, Recomplete, and Abandon Wells

Before wells may be drilled, worked over, recompleted, or abandoned, operators must make application giving full information regarding the proposal and obtain MMS approval prior to beginning the operation. The increase in the number of applications for permits to drill, well workovers, recompletions, and abandonments between FY 1992 and FY 1993 reflects a significant increase in the number of drilling rigs now operating in the Gulf of Mexico. The FY 1992 Applications for Permit to Drill by Region: Gulf of Mexico 475, Pacific 6, Alaska 2, Atlantic 1. The FY 1992 Applications for Well Workover, Recompletion, and Abandonment by Region: Gulf of Mexico 9,174, Pacific 0, Alaska 0, Atlantic 0.

Platform Installation, Modification, Removal, and Site Clearance

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

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

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

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

Pipeline Applications

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

Production Controls

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Production Verification	31,150	31,200	31,300	100
Commingling:				
Agreements and Measurements Approval	379	358	356	-2
Production Rate Control:				
MER/MPR	3,532	3,350	3,400	50
Sensitive Reservoir Studies	231	245	245	0
Quarterly and Semiannual Well Test	23,940	20,000	19,900	-100
Gas Flaring Approvals	211	231	236	5
Other Processes:				
Suspensions of Operations	360	412	364	-48
Field Development Studies	60	101	121	20
Air Quality Evaluations	130	150	150	0

Production Verification

This nationwide production verification program protects the public interest regarding OCS minerals development. The MMS conducts annual inspections on all onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with OCS regulations. The MMS personnel perform onsite production verification and inspections to check discrepancies noted in the records. MMS conducts a proving report test to verify that the meter is accurate. Next the proving report is

compared to the run ticket to verify the run ticket's accuracy. Finally, the run ticket is checked against the monthly production report submitted by the operator. Production verification (workload element) figures include all of these verifications. The MMS has developed an automated system which detects under-reported crude oil production. The MMS has also conducted a pilot gas production verification project in the Gulf of Mexico Region which supports the need for a complete gas verification program.

Commingling Agreements and Measurement Approvals

Operators submit applications for MMS approval to move production from multiple leases to a central facility for purposes of processing, measuring, and storing of this production. In the process, production is commingled (mixed) with production from different wells, leases, and fields, with production of other operators.

MMS reviews commingling agreements to ensure that such agreements do not result in a reduction in the royalty due to the Federal Government. The FY 1992 Commingling Agreements and Measurement Approvals by Region: Gulf of Mexico 375, Pacific 4, Alaska 0, Atlantic 0.

Production Rate Control

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

In the past, operators submitted quarterly oil well and semi-annual gas well test results. In FY 1993, the MMS regulations call only for semi-annual well testing, of either oil or gas wells, resulting in the decrease from 1992 to 1993. MMS uses this information for many reasons which include production capabilities of wells, reservoirs, and leases; reserves estimation; development plans; and royalty obligations.

Gas Flaring Approvals

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

Other Processes

Suspensions of Operations

The MMS directs suspensions of operations when necessary for safety or environmental reasons or grants them in the national interest as specified in regulations. The majority of the increase in suspension of operations from FY 1992 to FY 1993 is because of the deferred military windows in the Gulf of Mexico off the Florida panhandle and south of 26 degrees N latitude. The subsequent decrease in FY 1994 is due to the termination of the suspensions.

Field Development Studies

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

Air Quality Evaluations

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

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

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

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

The MMS plans to examine ways to strengthen the existing DOI air quality regulations that are in effect on the OCS off Texas, Louisiana, Mississippi, and Alabama. This may be accomplished by including a permitting process, regular reporting, monitoring, and inspection requirements, authority to levy fines for violators, and establishment of clearly-defined procedures for ordering a shut-down of a facility if permitted standards are exceeded. Many of these provisions will be patterned after EPA and State regulatory procedures.

2. Inspection and Certification — \$20,232,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Inspection				
Inspection for Energy Minerals Operations	11,565	12,260	12,400	140
Unannounced Oil Spill Drills	36	48	50	2
Reviews and Audits				
Oil Spill Response Exercise Evaluate	165	177	186	9
Selected Facilities Reviews	0	1	2	1
Accident Investigations	112	125	131	6
Civil and Criminal Penalties Cases Processed	7	13	17	4
Certification				
MMS Certification of School	25	55	85	30

Inspection

Inspection for Energy Minerals Operation

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

Due to the increasing number of operators and the lack of additional staffing, MMS is investigating alternative means of inspection, such as scientific random sampling. The addition of 10 inspectors in the Gulf of Mexico region, along with changes in how MMS will carry out future inspections, will lead to an increase in the number of inspections MMS will perform in FY 1993 and FY 1994.

Unannounced Oil Spill Drills

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

Reviews and Audits

Oil Spill Response Exercises Evaluated

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

Selected Facilities Review

A selected facilities review (SFR) is an intensified inspection effort directed at facilities in a specific geographic area. Special inspection teams comprised of two to four inspectors from two or more regions inspect a designated number of various types of facilities in a short (usually three days) period of time using preselected Potential Incidents of Non-Compliance (PINC'S). The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the MMS inspection program and the level of lessee compliance with OCS regulations. Depending on the size and complexity of the facility, as many as 10-30 facilities may be inspected. In FY 1994, two SFRs are planned for the Gulf of Mexico Region.

Accident Investigations

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

Civil and Criminal Penalties

On December 23, 1992, the Director, MMS, approved the Manual Chapter and Guidebook for the OCS Civil/Criminal Penalties Program.

OPA-90 and Executive Order 12777 placed additional civil penalty responsibility on MMS. MMS is evaluating the approach to implementing civil penalties for failure to comply with oil spill financial responsibility.

In FY 1992, the Department of Justice (DOJ) closed three criminal cases when they ruled on one case and declined to prosecute the others. In addition MMS forwarded one criminal case to the Office of the Inspector General (OIG) for investigation. The OIG decided not to forward the case to the DOJ, and closed the case. MMS assessed three civil penalties; one was paid, and the other two continue under appeal in FY 1993.

Certification

MMS Certification of Schools

MMS requires certification and accreditation programs to ensure that OCS personnel are properly trained and that certain safety and pollution prevention equipment required by regulation is in accordance with the American Society of Mechanical Engineers (ASME) or American Petroleum Institute (API) Quality Assurance Programs. These programs have provided positive results in the pursuit of safe operations on the OCS as well as ensuring that the environment is protected. The dramatic increase in MMS certification from FY 1992 to FY 1993 and FY 1994 is because of the promulgation of Subpart O-Training of Title 30 CFR. School programs approved prior to this regulation will require new certification.

3. Operations Supervision — \$4,734,000

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Studies				
Technology and Equipment	31	32	33	1
Regulations				
Regulatory Reviews, Development of Rules and Guidelines	145	150	150	0
Regulations Promulgated	0	12	12	0
External Relations				
Coordination with Federal, State, and Local Government and with Private Organization	160	166	166	0

Studies

Technology and Equipment

The MMS conducts a formal contract research program, funded as the Technology Assessment and Research (TA&R) program element, which investigates safety, pollution prevention, and oil spill response technologies. The Regulation of Operations program element administers the safety aspects part of this program.

Headquarters and each Regional office have established Operations Technology Assessment Committees to consider procedures, problems, and technologies. These committees conduct seminars and workshops to discuss new or improved procedures, technology, and equipment.

Regulations

Regulatory Reviews, Development of Rules and Guidelines

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

Regulations Promulgated

Due to the moratorium on new rules, MMS did not publish any final regulations in FY 1992. Several rules are in final or proposed status and ready for publication.

External Relations

Coordination

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

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

Substantial staff time is spent fulfilling requests from local, State, and Federal agencies for information and meetings relative to regulations, terms, and conditions which affect OCS operations. Support to MMS inspection and enforcement related activities includes generation of weekly, monthly, semi-annual, and annual reports, reviews of requests for departure or variance from specific regulatory requirements, and reviews 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 — \$2,558,000

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

Hurricane Andrew Supplemental Appropriation

On August 26, 1992, Hurricane Andrew, a storm with winds of over 120 knots sustained velocity, caused extensive damage to the offshore oil fields of the central Gulf of Mexico. With sufficient lead time and planning, OCS operators evacuated over 20,000 offshore personnel from these facilities without injury. However, the storm rendered many platforms, pipelines, and related facilities in its path inoperable and, in some instances, damaged beyond repair.

In response to this disaster, Congress passed the Dire Emergency Supplemental Appropriations Act, FY 1992, on September 23, 1992, which provided \$1.2 million in disaster assessment funds for OCS oil and gas operations. This money (a one-time appropriation) is to remain available until expended for review of permits and plans, oversight of pipeline testing and repair, and oil and gas platform reviews and inspection in the Gulf of Mexico.

The Minerals Management Service developed a spending plan for the appropriation, dividing the spending plan into two categories:

- Engineering services which provide contract support for necessary work to be performed, such as underwater inspections or studies to verify repairs or to set criteria for acceptance of repairs, and

the Hurricane Andrew Damage Analysis program which will collect and assess OCS platform damage information and contract for research studies and analyses.

Technology Assessment and Research

The Technology Assessment and Research (TA&R) program is a balanced, comprehensive approach to the investigation of the regulatory or safety-related technologies applicable to industry's movements into deeper, more hostile waters while maintaining 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 complex network of hazardous functions which constitute OCS operations.

The TA&R program has two objectives:

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

Technology Assessment and Research Program Overview

Area	FY 1992	FY 1993	FY 1994
Well Control	Investigated gas bubble migration in directionally drilled wells.	Investigate high pressure operations and simulated well blowout fires.	Investigate safety of automated systems and shallow gas handling procedures.
Diverter Operations	Developed a system to warn against failures.	Establish reliability of surface & subsea systems.	Study methods for handling shallow gas kicks.
Engine Exhaust Emissions Control	Completed simulated gas turbine exhaust system. Discovered additive that efficiently reduces nitrous oxide.	Completed experimental research on nitrous oxide reduction in simulated turbine exhaust.	Conduct demonstration project on gas turbine emission control & transfer technology for application offshore. Hold international workshop.
Arctic Technology	Investigated spray ice/sea ice prop. & forces on platforms	Investigate sea ice structural properties and scaling loads on platforms/	Investigate ice floe fractures against offshore platforms.
Shallow & Deep-water Platforms	Assessed stress corrosion of tension leg platform tethers/old & damaged platforms	Hold international workshop on requalification/assess repair technologies	Investigate high strength steel fatigue; management of human error
Pipelines	Held international workshop. Assess methods leak detection.	Conduct leak detection studies and Arctic pipelines technologies	Conduct leak detection modeling. Investigate methodologies for application to pipeline systems.
Technology Transfer	Held international workshop on OCS pipeline operations.	Hold workshop on seismic design of offshore structures.	Hold workshop on requalification of existing OCS platforms.
Seismic	Implanted second seismic monitoring device off California	Obtain seafloor earthquake response data.	Analyze data to provide guidelines for requalification.

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

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

1. Deep Ocean Operations — \$275,000

Safe development of hydrocarbons becomes increasingly demanding and expensive with increased water depth. These operations are complex and densely configured on deep water platforms where space is at a premium. Facility systems need to be designed, arranged, operated, and inspected to minimize the probabilities of element failures. These failures could cause a cascade of sequential failures resulting in catastrophes. MMS is conducting risk and reliability analysis studies in OCS operations and has held related international workshops. 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. MMS conducts deep ocean well control and diverter research at Louisiana State University where blowout prevention procedures and diverter operations, together with related safety measures, are being modeled.

2. Old and Innovative Structures and Pipelines — \$287,000

A growing concern, particularly in the Gulf of Mexico, is the age of platforms and pipelines, as well as the occasional damage that can occur to these structures from supply vessels, anchors, and corrosion. Improved inspection and monitoring systems need to be devised. Additionally, TA&R is developing a methodology for assessing acceptable loads and residual service lives. Innovative technologies used by industry for designing deep ocean compliant structures need to be verified to ensure safety. To date, industry has had very little operational experience compliant structures.

3. Offshore Earthquakes — \$100,000

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

4. Nitrogen Oxide (NO_x) Pollution on the OCS — \$150,000

To meet the goals of the new air quality standards, it will be necessary to reduce NO_x emissions by about 75% from turbines and diesels operating on the OCS. This substantial reduction is feasible based upon technology assessments. By means of developing a combination of exhaust gas treatment and engine combustion controls for OCS application, these goals probably can be met within the next few years. The TA&R program is in the initial stages of developing a combined MMS/industry development/demonstration project to place new technology on a gas turbine engine, located on a platform off California, that will substantially reduce NO_x emissions. Initial laboratory tests have indicated that this technology is very promising.

5. Arctic Technology — \$75,000

Some of the most promising oil and gas frontier areas are located in arctic or extremely harsh environmental conditions. The TA&R program is pursuing innovative technologies that will help lower the high operating costs for these regions while maintaining human and environmental safety. Sea ice in its various forms is the most severe environment in the Arctic, creating potential hazards much greater than those for open-ocean operations. Such hazards range from the forces that moving sea ice can exert against offshore structures, from icing of structures resulting from freezing spray to the gouging of the sea floor by ice floes which could disrupt buried pipelines. Engineering data for these hazards will become increasingly more important as operations move from an exploration mode to a production mode and as structures are considered for deeper water.

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Technology Projects	19	15	15	0
Major Technology Transfer Seminars/Workshops	2	3	2	-1
Major Program Reports	0	0	1	1

Technology Projects

See the table below for a synopsis of current projects.

Technology Transfer/Seminars/Workshops

Within MMS, a system of work groups or committees located in headquarters and field offices, exists where operational problems and technological solutions are discussed. Research emanating from the TA&R program is presented in reports, seminars, and workshops. In addition, MMS conducts workshops on pertinent areas of technology. The TA&R program sponsors a biennial seminar for the public on its research program. Additionally, several international workshops have been conducted on such topics as pipeline safety, seismic requalification of platforms, and the use of composite materials offshore.

Major Program Reports

The TA&R program prepares a biennial report summarizing information about ongoing projects. Also, all reports from research projects are maintained for in-house use and distribution to the public as appropriate.

The following table details some of the contracts and cooperative agreements the TA&R program has with various organizations.

Technology Assessment and Research Program

Contracts and Cooperative Agreements

Project	Contractor/Organization	Estimated Cost	Extend in 1994
Well Control Procedures	Louisiana State University	\$300,000	YES
Deepwater Subsea Conceptual Studies	Joint Industry Project (JIP) with Texaco	\$50,000	NO
Residual Strength of Damaged Structures	JIP with Lehigh University	\$50,000	NO
Fatigue of High Strength Steels	JIP with Florida Atlantic University	\$10,000	YES
Pipeline Inspection Methods & Technology	Unknown	\$100,000	YES
Pipeline Leak Detection	Scientific Software Intercommunication	\$150,000	YES
International Workshop on Pile Foundations	Joint project with Armp Corps of Engineers	\$8,000	NO
Composite Material Workshop	Interagency Agreement with National Institute of Standard and Technology (NIST)	\$32,000	NO
Seafloor Earthquake Measurement System (SEMS)	Interagency Agreement with DOE-Sandia	\$175,000	YES
SEMS Data Analysis	Interagency Agreement with USGS	\$50,000	YES
Interagency SAVIAC (Committee on Explosions w/ Naval Weapons Stations)	Interagency Agreement with NSWG	\$2,000	YES
Sea Ice Scaling	MIT	\$50,000	YES
Structural Properties of Sea Ice	JIP with Dartmouth	\$10,000	YES
NO _x Control Development	Technor Inc.	\$150,000	YES

Oil and Gas Information

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

The Oil and Gas Information program has two main objectives:

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

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Statistical Reports				
Federal Offshore Statistics	1	1	1	0
Offshore Stats	4	4	4	0
Leasing/Production Annual Report to Congress	1	1	1	0
Regional Summary Reports	2	1	2	1
OCS Regional Map Plates	1	1	1	0
Electronic Bulletin Board System	85	105	115	10

Statistical Reports

The Oil and Gas Information Program provides the public, industry, and other government agencies with official statistical information on the MMS oil and gas program. The annual *Federal Offshore Statistics* is in its thirteenth year of production. This document provides statistics on leasing, exploration, production and revenue from 1954 to 1991. This year's edition is improved by adding graphics to what has traditionally been a tabular format. Information has been divided into sections based on the aforementioned headings. The 1992 edition will begin in March 1993.

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

Leasing and Production Annual Report to Congress

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

Regional Summary Reports

The Secretary of the Interior is mandated by the OCSLA to provide a summary of oil and gas information to State and local officials to assist them in planning for possible onshore impacts resulting from offshore activities. This responsibility has been delegated to the MMS and is met through a variety of informational packages, including the *Regional Summary Reports*. These reports detail specific plans, both approved and proposed, regarding offshore activities, especially in frontier or undeveloped areas. These reports are to be updated as significant events occur. The recent downturn in offshore activity has reduced the need for updating planning information as frequently as in the past. The information needs of the State and local planning communities now require a more constant flow of operations data rather than longer term and more slowly developing leasing and proposed plans information. Therefore, much of their information needs are met by the *Offshore Stats* quarterly report mentioned above.

Regional Map Plates

In conjunction with other information packages, MMS provides oversized map plates detailing active leases, offshore and coastal facilities (platforms, processing facilities), pipeline routes, marine terminals, location of oil spill response equipment, and other useful planning information to State and local planners.

Electronic Bulletin Board System

The MMS provides statistical and tabular information, in an electronic form, through the Offshore Statistics and Information bulletin board system. This system contains downloadable files in several formats that can be easily accessed with a computer and a modem. The amount and variety of files continues to grow. This information is available to the public.

Information Management Program

Justification of Program and Performance activity

dollars in thousands

		1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Changes from 1993
Information Management Program	\$(000) FTE	7,279 115	-30 -6	5,000 0	12,249 109	4,970 -6

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 8-12."

Objectives

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

Information Management Program Overview

FY 1992	FY 1993	FY 1994
Established and implemented program-wide standards for word processing, database management and communications protocols between personal computers and other associated Offshore hardware, as well as standards for Local Area Networks (LANs) and personal computer configuration. Developed and distributed the MMS Data Element Dictionary and the Petroleum Industry Data Dictionary which is providing leadership in industry standards for data elements. Implemented Continuity of Operations Plans (COOP) for the three major computer centers. One LAN COOP has been implemented, and 12 others are under development for use throughout Offshore. Implemented the software and database to migrate existing data to build TMS database structure for block to lease and for the GIT software evaluation. Established TMS Project Director reporting directly to the Associate Director for Offshore Minerals Management; began a distributed development concept. Purchased 26 workstations and services for Gulf of Mexico Pilot. Purchased contractor services to assist in project management, mapping designs, and Oracle coding.	Provided initial TMS database structure (block, company, well reference) for TMS use. Installed server hardware/software in the Gulf of Mexico Region; equipment for Denver was installed. TMS Block and Boundary replaced the Offshore Block, Boundary, and MAP/OPD Information System (OB2MIS). TMS pilot continues. Limited initial operations support (platform, rigs, and pipelines), leasing support (pre-sale) and expansion of GIT support. Additional hardware and software for the Gulf of Mexico will be purchased. Install 26 workstations. Install release 2 and 3 of TMS in GOMR and the Mapping and Survey Group in Denver. Obtain Delegation of Procurement Authority (DPA) for Relational Data Base Management System (RDBMS) software. Obtain DPA for TMS workstations, servers and peripheral equipment. Hold live test demonstrations for GIT software, make selection and initiate user training/familiarization. Define mapping program relationships and initiate design by contract. Reduce mission dependency on aging Concurrent Computer Corp. minicomputers. Initiate TMS Pilot evaluation. Install expanded local area network in GOMR and connected district offices to the GOMR.	Install TMS Releases 4 & 5 in the Gulf of Mexico Region. Release will be a major implementation of TMS—moving a large portion of the data and applications from the existing Concurrent Computer Corp. computers to TMS. Expand the TMS platforms to support a larger user community of PC's and workstations. Install mapping workstations as part of Release 4. Implement Applications software development contract. Continue user testing and enhancements to Release 3 applications software. Install Release 4 applications (expand Release 3 modules plus initial capability for Sale, Post-sale, and base mapping). Complete Release 5 applications module. Expand the GIT database and begin parallel applications of GIT in tract evaluation. Install and maintain wide area network for regions.

Program Description

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

The IMP provides a central source for the gathering, categorizing, coding, computation, storage and retrieval of the large volume of data used in the scientific, engineering and land management activities of the Offshore program. This is currently being accomplished through the use of over a dozen major automated data processing systems and more than 300 minor systems and databases. Over 1,200 microcomputers and workstations and 5 Concurrent Computer Corporation minicomputers are employed in the completion of the tasks necessary to carry out this function. Some examples of the type of data processed through Offshore's ADP programs and its use are depicted in the following table.

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

The major information management systems/databases used and funded throughout the MMS programs include:

* Those systems marked with an asterisk are other critical systems scheduled to be modernized and replaced by TIMS

* **Outer Continental Shelf Information System (OCSIS)** - designed to integrate an array of smaller systems, eliminate duplication of data, make data more accessible and to provide a complete array of data and tools to the users. Its two major components are Lease Management (monitor lease activities from issuance to termination of a lease) and Operations (supports field studies and subsurface work as it relates to wells, reserves, utilization, and mapping; identifies commingling systems information, royalty determination points, and supports liquid verification.)

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

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

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

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

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

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

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

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

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

Probabilistic Resource Estimates Offshore (PRESTO) - a computer simulation model which projects oil and gas resource potential on a structure basis; calculates a range of resource quantities that are

projected to exist; has the ability to estimate for structures not yet identified or which are too small to be captured by the geophysical mapping process.

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

Note: In FY 1993 the Offshore Block, Boundary, and MAP/OPD Information System (OB2MIS) was replaced by a new Block and Boundary data base designed under the TIMS effort.

At present these automated data and systems reside principally on Concurrent Computer Corporation (CCC) minicomputers (formerly Perkin-Elmers) in operation in the Regional offices. These minicomputers are obsolete in all aspects of modern information systems technology— not only hardware, but also database management systems software, programming languages, and telecommunications. In addition to obsolete hardware, peripherals, and operational software, the vast majority of applications systems are well past their normal systems life cycle.

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

TIMS Project Funding *millions of dollars*

F1992	1993	1994	1995	1996	1997	1998	1999	Total
0	5.0	9.93	12.36	11.93	9.89	9.55	9.95	68.61

This evolving element within the IMP program is being designed to maximize the efficiency of the IMP ADP systems, software, equipment and usage and will, when completed, replace the antiquated CCC minicomputers and the resident database management software. The system is designed to acquire and develop a linked automated information system which will enable the Offshore programs to fulfill their mission responsibilities, efficiently using up-to-date technology to assist in an improved management decision-making process. In FY 1992, due to one-time savings resulting from early initiation of downsizing actions, application of geologic and geophysical (G&G) data funds, use of the funding provided by Congress for the development of improved resource evaluation capabilities, and application of Information Management Program funds, MMS was able to identify \$3.6 million for TIMS related requirements. Because of contractual difficulties, \$1.2 million of this amount was carried over into FY 1993 as part of the 2-year authority granted in FY 1992 appropriations for ADP activities. In FY 1993 one-time helicopter savings will be reprogrammed to fund TIMS.

In implementing the TIMS, the MMS is conducting the necessary analysis, systems development, and acquisition activities leading to the modernization of all mission-critical information systems used in support of the IMP and other MMS activities. When all 14 releases of the TIMS have been completed MMS will be able to better fulfill its extensive regulatory responsibility governing the safety, proper design, and technical operation and inspection of the producing oil and gas structures on the outer continental shelf. TIMS is being designed to further facilitate receipt of millions of dollars in revenues to the Federal Government from the leasing and production of energy resources by conducting sophisticated geological, geophysical, engineering, social and economic reviews.

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

In fiscal years 1992 and 1993 the TIMS efforts funded were various components of the first three releases of the program, including a pilot program in the Gulf of Mexico Region. These releases were in relation to various stages of two TIMS database systems: Geological Interpretive Tools (GIT); and Geographic Information System (GIS). GIT is an initiative to bring 2 and 3 dimensional geological evaluation tools to bear on the resource evaluation processes with OMM. GIS is a generic set of workstation graphic and analytical tools used to interactively display, correlate and output layers of geographical and environmental data. These techniques and tools are used in various areas in OMM including environmental impact planning, operational planning/analysis, base map generation and in portraying blocks and boundary information.

In FY 1992 MMS purchased 26 workstations and servers that will assist MMS in the sophisticated analyses required in the pilot program. The pilot is scheduled for completion in December, 1994. (See Program Description under Resource Evaluation Program for a more detailed discussion of the GIT pilot program in the Gulf of Mexico).

Ongoing Workload

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Thousands of Lines of Code (Developed or Maintained)	1,300	1,600	2,000	400
Security Reviews Conducted (COOPS)	1	2	2	0
TIMS Releases	1	2	2	0
Database Applications Developed or Maintained	250	280	310	30
Local Area Networks (LAN)	9	11	12	1
LAN Workstations	650	800	850	50
Personal Computers Installed and Maintained	1,150	1,200	1,250	50
ADP Contracts Administered	5	8	10	2

Justification for Programmatic Change

	1993 Enacted	1994 Requested	Change
\$(000)	7,279	12,249	4,970
FTE	115	109	-6

In fiscal year 1993 Offshore MMS began a study into the possibility of using funds recovered under a cost recovery program to fund the TIMS program. It now appears that a cost recovery program will not be able to

provide more than \$300,000 in funding; and, that this type of funding comes in small amounts throughout the fiscal year.

The request for \$5 million in FY 1994 will be used to continue the development of the Technical Information Management System (TIMS) Pilot Project in the Gulf of Mexico Region (GOMR). The purpose of TIMS is to provide the Offshore Program with the necessary automated tools to carry out its mission of leasing on the Outer Continental Shelf (OCS) in an environmentally sound manner and insuring proper monetary return to the U.S. Government for leased resources. Simply put, TIMS will place the Offshore Program on par with the U.S. oil and gas industry, as to availability of timely, current, technically correct information. Present manual and automated systems do not provide this capability.

The Pilot Project was supported in the MMS budget passback in FY 1993. The TIMS Pilot Project is being constructed in a modular fashion by the development and deployment of a series of application software implementations called "Releases." This approach allows for high priority parts of the total Pilot Project to be implemented and evaluated in a shorter timeframe than if in "grand design" approach were used — with all features being available at the same date in the distant future.

The requested \$5 million will be used to cover the costs associated with the continuance, development, and/or expansion of TIMS Releases 1 through 4; and will allow for the completion and installation of Release 5.

Specific benefits to be derived from these early Releases include: establish the TIMS "corporate" database structure, including Block, Company, Well, and Lease; provide reference data for the Geological Interpretative Tools (GIT) Project; construct the basic TIMS data structure; move some basic functions from existing, obsolete systems to the new TIMS environment; combine interactive and batch processing (4GL and 3GL) in a regimented processing cycle in order to determine official baselines, projected boundaries and areas; generate blockgrids and capture protractions, non-projected boundaries and source document data; track all companies (including individuals, associations, and corporations), conducting business on the OCS; track the collection of bond information and financial data on companies qualified to bid, operate, and/or hold a lease in the OCS; provide the capability to add, change, and/or delete interpretations of seismic and geologic well data by a geoscientist, including permits, lines, shot points, velocity surveys, requisition tracking and seismic section map inventory; provide online access to lease data, owners, designated operators, lease descriptions, borehole, completion, well test, reservoir, production, field, and reserves data; support for Offshore Operations, including platforms, rigs, and pipelines; track coordinates and/or block information with descriptive information for each feature in each stage in the Area Evaluation and Decision Process for sales in the 5-Year Program; collect all information required to track all inspections performed on rigs, platforms, and pipelines; track and collect all activities on bid information after the public opening and reading of bids through lease issuance; provide MMS scientists and engineers with access to meteorological and oceanographic data relevant to OCS industry operations; provide the MMS's Royalty Management Program and the public access to information on wells; track all inspections performed; and collect and store monthly production data.

The above is not an exhaustive list of features associated with TIMS Releases 1 through 4, but provides the most important, relevant highlights. Much of the above information is currently collected, maintained, processed, and analyzed by a combination of manual activities, pseudo-automated systems, and non-comprehensive, obsolete data processing activities. TIMS is intended to provide the Offshore Program with the necessary automated tools to insure that critical mission activities are carried out with the highest level of technical accuracy and timeliness.

Activity: Royalty Management

Analysis by Subactivity

thousands of dollars

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
Operations	33,121	-1,038	655	32,748	-373
Compliance	11,659	-161	830	12,328	669
Audit	20,189	-74	590	20,705	516
Late Disb. Interest	0	0	0	0	0
Allottee Refunds	10	0	5	15	5
Reward	0	0	10	10	10
TOTAL	64,979	-1,273	2,100	65,806	827

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS 8-12, 116, 119, 121, 123, 132, and 155.

Authorizing Statutes

25 U.S.C. 397, <u>et seq.</u>	Indian Mineral Leasing Act of 1891
25 U.S.C. 396, <u>et seq.</u>	Indian Mineral Leasing Act of 1909
25 U.S.C. 396-396 (g), <u>et seq.</u>	Indian Mineral Leasing Act of 1936
30 U.S.C. 181, <u>et seq.</u>	Mineral Leasing Act of 1920
43 U.S.C. 1331, <u>et seq.</u>	Outer Continental Shelf Act of 1953
30 U.S.C. 1001, <u>et seq.</u>	Geothermal Steam Act of 1970
30 U.S.C. 181, <u>et seq.</u>	Combined Hydrocarbon Leasing Act of 1981
25 U.S.C. 2101, <u>et seq.</u>	Indian Mineral Development Act of 1982
30 U.S.C. 1701, <u>et seq.</u>	Federal Oil and Gas Royalty Management Act of 1982
106 Stat. 1374	FY 1993 Department of Interior and Related Agencies Appropriation Bill

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

Mission

- The Royalty Management Program (RMP) is responsible for the determination, collection, accounting for, verification of, and distribution of royalty and other revenue from Federal onshore and Outer Continental Shelf (OCS) Lands mineral leases and producing Indian leases.

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

NOTE: A Glossary is provided at the end of the RMP section to explain commonly used acronyms and other technical terms.

New Organizational Structure FY 1994 Budget (thousands of dollars)

Prior Structure	Operations	Compliance	Audit	Allottee Refunds	Late Disb. Interest	Rewards	TOTALS
Collections	17,176	4,009					21,185
1	-1,228						
2	-19						
3	1,200						
4							
total	17,129	4,009					21,138
Compliance		4,981	20,341				25,322
1		-185					
2		-133	-74				
3		320					
4		510					
total		5,465	20,267				25,732
Systems	17,173	2,854					20,027
1			-152				
2	-1,019						
3	580						
4	-1,115		590			10	
total	15,619	2,854	438			10	18,921
Allottee Refunds				10			10
4				5			5
				15			15
Total	32,748	12,328	20,705	15		10	65,806

¹ Transfer to PMI ² Uncontrollable Changes ³ Programmatic Changes ⁴ Programmatic Transfers

- In early FY 1993, The Royalty Management Program (RMP) reorganized. Some of the benefits of that reorganization are:
- The reorganization realigned functions to conduct the RMP mission in the most efficient and effective manner by consolidating fragmented activities into logical, well defined operating Divisions and Offices consistent with policies, systems, and program operational resources.

- The RMP's management control and effectiveness is substantially improved through realignment of the functions of the Deputy Associate Directors to clearly define mission assignments and accountability over discreet business operational areas.
- The reorganization provides for single organizational points of contact with some 5,000 industry reporters and payors in areas such as royalty reporting, mineral lease payments, systems data editing, payment verification, and regulatory enforcement activities. This change provides the most effective approach to RMP organizational objectives through elimination of fragmented data processing, error correction, and exception resolution activities. It also provides the best assurance for collection of all data beneficial to an effective compliance and enforcement program, thereby enhancing communication and internal control. Specifically, the reorganization established three new subactivities designed to deal with these areas. Those subactivities are:
 - **Operations** - Responsible for operational royalty collection and accounting activities, data management, and systems management support. Division functions within this subactivity include report filing, data base entry and maintenance, essential financial activities, and basic systems operations. Staff who performed these functions under the former RMP organizational structure were moved into this subactivity. This included moving of staff from the former systems subactivity and realigning staff within the former collections subactivity who performed financial and production accounting functions. Additionally, six cooperative program students assist in these fiscal functions.
 - **Audit** - Responsible for carrying out a comprehensive audit program of industry's royalty reporting and payments. Staff who performed these functions under the former RMP compliance subactivity were moved into this subactivity.
 - **Compliance** - Responsible for all regulatory development activities, production valuation, and verification and exception processing activities of the RMP. Staff who performed these functions under the former RMP organizational structure were moved into this subactivity. This included moving of staff from the former collections subactivity who performed AFS and AFS/PAAS exception processing functions.
- The reorganization centralized all program management improvement, program review, policy planning, and appeals activities into one function for greater organizational efficiency and effectiveness. This new office within MMS is called Policy and Management Improvement (PMI). The RMP staff included the 16 FTE who were already doing this work and they were transferred to PMI when it was established.

Transfer of CPU Base Funding

- In FY 1992, RMP purchased outright a replacement to its mainframe central processing unit (CPU) using the \$1.4 million Congress had appropriated for that purchase over a 4-year period.
- The FY 1993 appropriation of \$1.4 million continued for the purchase of a replacement to its mainframe CPU. An FY 1993 one-year reprogramming has been proposed which shifts: 1) \$600,000 to RMP data center hardware and system software upgrades; 2) \$200,000 to the State and Tribal Audit Program; and 3) \$600,000 to additional Compliance activities such as allowance tracking, production valuation, verification of royalty payments and outreach to Indians.
- In FY 1994, RMP proposes to permanently transfer the \$800,000 remaining after streamlining reductions by: 1) adding \$290,000, along with another \$300,000 million transferred from within Operations and \$100,000 redirected from within Audit, to the State and Tribal Audit Program for a total of \$5,490,000, and 2) using \$510,000 for compliance activities such as product valuation, allowance tracking and

exception processing, and other efforts to ensure the proper and timely payment of Indian, State, and Federal royalties.

- Of vital importance to the effective functioning of RMP are the efforts of over 400 contracted employees plus other contracted services worth over \$16 million. Because contracted services are essential to completion of RMP's mission and because many of these contractors perform work within more than one subactivity, the following table consolidates all contracted functions into one presentation for ease of review.

Contract	Subactivity/ Division	FY 1994 Funding	Staff	Function
Source 1	<u>Operations</u> Reports & Payments Data Management Royalty Accounting Systems Mgt. Div. <u>Compliance</u> Div. of Verif.	\$6.8 mill.	200	Performs accounting support services for RMP
AMSOC	<u>Operations</u> SMD	O & M - \$6.4 mill. Develop. - \$1.4 mill.	200	Performs all operations and maintenance functions for the RMP mainframe computer as well as software development functions. Although in Operations, AMSOC's work benefits all RMP
202/205	Audit	\$5.49 mill.		Performs Delegated and Cooperative Audits
Maintenance & Miscellaneous Contracts	Operations Compliance Audit	\$2.0 mill.		Includes GPO printing cost; maintenance of laser scanning equipment, office equipment and photocopy machines; mainframe hardware and software maintenance; and disaster recovery contract.

The AMSOC contract is a 7-year contract and the Source One contract is a 5-year contract. Tasks for each of these contracts are negotiated annually. Historically, these contractors have added a 5 percent inflation factor for salary increases and other associated costs to their annual proposals. Typically, the State and Tribal audit agreements and the maintenance and miscellaneous contracts also include these types of adjustments for normal salary increases and other associated costs. Since these adjustments increase the cost of the contract, RMP has funded the increases internally. Additionally, in FY 1994, because the mainframe warranty expires, maintenance costs will increase.

Operations

Justification of Program and Performance Subactivity - Funding Summary

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)	33,121	-1,038	665	32,748	-373
FTE	283	—	20	303	20

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS 8-12, 116, 119, 121, 123, and 132.

Objectives

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

- Timely collection of revenues due;
- Detection of incorrect payments; and
- Enforcement of the penalty and assessment provisions for noncomplying royalty payors and reporters.

To provide computer and automated system support necessary for the Royalty Management Program (RMP) to perform its mission. Specifically:

- Develop, implement, and manage large scale automated systems;
- Establish automated information sharing mechanisms with States, Tribes, and industry;
- Respond to information requests through customized reports; and,
- Provide system planning and contract management services.

Operations Overview

	FY 1992	FY 1993	FY 1994
Data Management Division (DMD)	Development of Common Reference Database was completed. This project combined reference data from three different systems: BRASS, AFS, and PAAS, and provided consistency of lease information. Work began to write a new solid minerals reporter handbook.	Data base maintenance actions will increase due to changes in the royalty rate for stripper properties and the extension of reduced rental rates effective in 1989. Most rate changes will be completed by the end of the year. The Solid Minerals reporter handbook will be completed. The Solids Staff has new production accounting and financial accounting responsibilities.	Data base size should decrease due to archive software under development in FY 1993. The verification process will be greatest in FY 1994. Begin servicing more lease and agreement problem reports generated through increased data comparisons with the Bureau of Land Management and the Bureau of Indian Affairs.
Reports & Payments Division (RPD)	Minimized company reporting errors by continued use of model, magnetic tape, and floppy diskette reporting media for payors and operators. Held industry training seminars to update payors and operators on royalty and production reporting requirements for mineral resources produced, removed, and sold from Federal and Indian lands	Encouraging use of electronic transfer of information or tape and floppy disc reporting to replace the hardcopy MMS-2014. Holding industry training seminars and providing training targeted to companies with high error rates. Improving current training programs and/or design new training programs to address needs of large, medium, and small companies. Enhancing training methods to target customers in geographical areas not conducive to high population training approaches.	Continue to encourage companies to use existing methods to simplify reporting and improve accuracy. Study the feasibility of developing procedures with the Bureau of Land Management (BLM) and Outer Continental Shelf (OCS) to consider the reporting history prior to issuing companies additional leases or making lease or operator assignments. Explore alternatives for obtaining more accurate and timely reference data from BLM and OCS. Implement an improved data transfer from OCS to RMP.

	FY 1992	FY 1993	FY 1994
Royalty Accounting Division (RAD)	Prepared all RMP invoices for royalty and production collection actions. Distributed all revenues received by RMP proper recipient. In FY 1992, about \$4 billion was distributed. Provided documentation to each revenue recipient to explain source of revenue and its distribution. Prepared all statements required by the Chief Financial Officers (CFO) Act. Administered the Net Receipt Sharing Program.	Continue to prepare all RMP invoices including new invoice types for allowance tracking, Indian overrecoupment, improper adjustments, and rental activities. Continue to distribute revenues received by RMP. Assume revenue distribution responsibility from the Army Corps of Engineers and the Forrest Service. Continue the Net Receipt Sharing Program estimated to collect \$38 million. Continue to provide documentation to revenue recipients formerly serviced by the Army Corps of Engineers and the Forrest Service. Continue to prepare all statements required by the CFO Act.	Continue invoice preparation and revenue distribution, and documentation activities. Continue to provide statements required by the CFO Act. Continue net receipts sharing as required by authorizing language.
Systems Management Division (SMD)	The central processing unit upgrade was installed in FY 1992. The BSPI project, which encompassed a combination of software modernization and significant functional enhancements to RMP's complex royalty and production accounting systems, was completed in FY 1992. The last two phases of IITA were completed in FY 1992. The Business Information System (BIS) now provides improved access to RMP production and royalty data. As a Continuanee of the BIS project, significant enhancements have been made to State and Tribal Support System (STATSS). These enhancements include the integration of STATSS with the new BSPI Common Reference Database and Financial System (part of the AFS)	. Continued refinement and enhancement of BIS capabilities including new and improved reports, implementation of financial account reconciliation software, and integration of the audit support system. Reduction of data entry and paper reporting volume through personal computer based reporting systems, implementation of the automated clearing house project, and expansion of tape reporting capability. Increased capability for customers to generate desired system data through expanded ad hoc reporting capability and improved personal computer applications. Improved user understanding of system functions and features through an aggressive education and training program for all customers.	Introduction of a new data base processing method to further improve data access and ability for all users to extract and manipulate system data consistent with their needs. Development of Windows-based graphical user interfaces to improve user productivity and simplify system use. Exploration of opportunities to advance electronic data interchange concepts with industry and other agencies.

1993 and 1994 Ongoing Workloads

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

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

Data Management Division

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

- The Division serves as the reference data focal point for the Bureau of Land Management, Bureau of Indian Affairs, other surface management agencies, offshore MMS components, payors, lessees, and all components of RMP.
- The common reference data base (CRD) is a crucial link in the tracking and evaluation of royalty and production data. RMP functions that depend on an accurate data base are: account analysis, exception processing, billing and assessment, allowance monitoring, and audit performance and planning.
- The Division uses part of its resources to train industry and operators to report database information timely and accurately. Without adequate training for industry, the RMP CRD loses its accuracy and the RMP functions become less efficient. More specifically, RMP automated systems lose value when the data base isn't accurate. As a result, RMP staff must spend greater manual effort to correct errors and perform RMP's functions (such as exception processing), and the amount of work that can be accomplished is reduced.
- The Division collects, translates, and processes necessary data to produce a comprehensive reference data base file that supports the distribution of royalties, bonuses, and rentals.
- The new CRD, which combines data from three different systems (BRASS, AFS, and PAAS) contains approximately 128,000 leases, 69,000 revenue sources, 307,000 selling arrangements, 12,800 lease agreements, and 13,500 payor codes. In FY 1992, managing this data base called for 35,000 changes contained in Payor Information Forms and 20,000 lease and agreement actions.
- The solids minerals staff managed about 1,250 leases in FY 1992. These leases required 450 data base changes to maintain accuracy.

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

Oil, Gas, & Geothermal

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

Ongoing Workloads

Oil, Gas, & Geothermal	1992 Actual	1993 Estimated	1994 Estimated
Payor Information Forms Processed	35,000	36,000	37,000
Rejected Royalty Lines Cleared	88,000	75,000	30,000
Leased/Agreement Maintenance	20,000	24,500	24,000

Payor Information Form Processing - The Payor Information Form (PIF) represents a fundamental component of the data base. Since payments on the lease may be made by an entity not legally associated with the lease obligations, information must be gathered to identify who is going to pay lease obligations. The PIF serves this purpose. The PIF processing is worked primarily by approximately 30 contractor support staff. Beginning in FY 1992 the redesign and consolidation of data bases proved to have a significant impact on our quality standards for PIF processing. Before the redesign the critical error rate for PIF's approached the 5 percent standard allowed by contract. After the redesign the error rate averaged slightly less than 4 percent — a 20 percent improvement. In addition to quality improvements, contractor staff dropped from 32 in FY 1992 to 30 in FY 1993.

In FY 1994 RMP expects PIF processing to increase because of new services provided by the redesigned system. Specifically, an increase in stored data, along with an increase in compared data, has increased the need for changes to the CRD. For example, beginning in FY 1993, RMP experienced an increased need for timely filing of rental PIF's due to the additional workload (service) of rental courtesy notices.

Rejected Royalty Lines - Royalty lines (payment information) may be submitted incorrectly by payors. When a royalty line is submitted, it is compared to the data base. If a flaw is detected that jeopardizes proper distribution, the line "rejects." Rejected lines will not update the financial system for distribution and must be corrected. The DMD resolved approximately 88,000 rejected royalty lines in FY 1992. Through the reorganization, clearing errors associated with PIF's is assigned to the Reports and Payments Division. Although the workload for rejected royalty lines in DMD is decreasing in FY 1993 and FY 1994, the reduction represents a reassignment of work consistent with the new organization. The DMD expects the number of cleared rejected royalty lines to drop from 88,000 to about 75,000 in FY 1993 and to drop to 30,000 by FY 1994 when the full effect of this reorganization is realized.

Lease and Agreement Maintenance - The primary components of RMP's data base are leases, agreements, and payor information. Each of these primary components contain many "fields" of information. The lease and agreement workload represents additions, changes, and deletions of data in the various fields. The large increase in lease and agreement maintenance in FY 1993 is due to the new "stripper well" regulations. In late FY 1992 the Bureau of Land Management (BLM) issued regulations to reduce royalty rates for a 5-year period on low-producing properties called stripper properties. The RMP worked closely with the Bureau of Land Management (BLM) to prepare for this rule and was ready to change the data base when the rule went into effect. Based on investigation of producing onshore properties the RMP expects to update the data base to reflect stripper rates for 6,000 properties. Most, if not all, of these properties will be updated in FY 1993. The 6,000 royalty rate updates will be approximately 25 percent of all lease and agreement actions for FY 1993.

Solid Minerals Processing

Ongoing Workloads

Solid Minerals Processing	1992 Actual	1993 Estimated	1994 Estimated
Royalty/Production Comparisons	—	1,200	1,200
Payor Information Forms Processed	50	50	50
Rejected Royalty Lines Cleared	1,900	2,000	1,900
Lease/Agreement Updates	400	400	400

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

The workload factors contained in the table are predicted to be constant with two exceptions:

- In FY 1993 the royalty document previously used by solid minerals payors (MMS-4014) was replaced with the form used by the oil and gas industry (MMS-2014). Rejected lines may temporarily increase due to the unfamiliarity with the new form, but then gradually return to, or become better than, the FY 1992 level.
- Since all functions are consolidated into one unit, work formerly done by other Divisions is now accomplished by the Solid Minerals Staff.

The two most significant workloads of the Solid Minerals Staff are the royalty-to-production comparison (AFS/PAAS comparison) and payor account reconciliations. These workloads are classified as Royalty/Production comparisons.

Streamlining Change, Executive Order 12837

	1993 Enacted	1994 Request	Change
\$(000)	10	2	-8
FTE	—	—	—

Impacted workload summary

	1992	1993	1994 Base	1994 Request
Number of Payor/Operator Training Sessions	11	11	11	1

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

- During FY 1992, 11 training sessions were held to update payors and operators concerning reporting requirements for oil, gas, and geothermal resources. A need for industry participation in these activities is expected to increase with RMP's emphasis on targeting companies for training.
- In FY 1993, RMP is continuing a concerted error correction and workload analysis effort will continue to encourage and help companies reduce their error rates. As in the past, RMP is holding training seminars will be held and this effort will be supplemented with training targeted to individual companies that have high error rates. In addition, a positive incentive award program for operators to include RMP letters of recognition for timely and accurate reporting.
- In FY 1994, industry training on proper reporting of database information will be limited to one session and will be modified to reflect company reporting practices and the results of training conducted in FY 1993. Efforts will be directed at improved incentives for timely and accurate reporting by expanding RMP's recognition of quality reporters. Although companies continue to experience high turnover rates resulting in increased need for training, the planned incentive efforts, coupled with proposed assessments, should encourage companies to ensure their reporting is accurate and thus decrease the need for RMP supplied training.

Reports and Payments Division

The Reports and Payments Division (RPD) functions include:

- Processing all incoming reports and payments related to oil, gas, and geothermal royalty and production on Federal and Indian leases;
- Performing error correction of all royalty and production reports submitted;
- Providing technical reporting and payment assistance to payors, operators, and lessees of record; and
- Coordinating production and royalty-related matters with industry, State governments, Indian Tribes, other Federal Agencies, and other RMP offices.

Document Control

Ongoing Workloads

Document Control	1992 Actual	1993 Estimated	1994 Estimated
Royalty Documents Processed (2014, 4014, checks, courtesy notices, etc.)	155,205	156,000	156,000
Production Documents Processed	278,263	280,000	280,000
Valuation Documents Processed	6,699	6,800	6,800

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

- Timely processing of all source documents received;

- Performing the initial AFS and PAAS document processing which includes receipt, review, analysis, and batching of royalty and production reports, royalty and rental payments, and all other billed and non-billed payments;
- Processing transportation and processing allowance forms and other forms related to RMP application systems;
- Pre-screening documents to identify and resolve obvious reporting payment problems;
- Preparing accounting transmittal worksheets for data entry by contractor staff; and
- Processing appeals, bonds, letters of credit, and all other in-coming correspondence for the Deputy Associate Director for Operations. In FY 1992, the activity processed 155,205 royalty documents, 278,263 production documents, and 6,699 valuation documents. Document processing volumes are not anticipated to significantly change from present levels and are envisioned to be managed without an increase in current Federal staffing. However, these workloads could diminish during FY 1993 and 1994 if simplified reporting alternatives under review such as electronic transfer of information, tape, and floppy diskette reporting are adopted by all payor companies.

Royalty Reporting & Payments

Ongoing Workloads

Royalty Reporting & Payments	1992 Actual	1993 Estimated	1994 Estimated
Total Royalty Payment Report Lines Processed	3,063,319	3,100,000	3,100,000
Total Royalty Payment Report Lines Rejected	135,787	136,000	136,000

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

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

In FY 1992, this activity processed 3,063,319 royalty payment report lines of data submitted by some 1,847 payors with an error rate of less than 5 percent. During FY 1993 and FY 1994, the total royalty payment

reported lines are expected to remain at about the same levels because domestic petroleum markets are contemplated to remain relatively stable.

Payor reports contained 135,787 rejected royalty payment lines in FY 1992 representing an error rate of less than 5 percent. The rejected lines were payor reporting mistakes such as:

- Incorrect or missing payment codes;
- Invalid selling arrangements;
- Invalid leases;
- Invalid transaction codes; and
- Invalid product codes.

Approximately 15 contractor staff provide operation and maintenance support for the automated system and assist RPD with report error correction and file maintenance. The number of lines processed and the number of rejected lines are not expected to significantly change from present levels through FY 1993 and 1994 because of static domestic petroleum marketing and industry downsizing. The Ongoing Workloads are expected to be managed without an increase in current staffing.

In FY 1993, a concerted error correction and workload analysis effort will continue to encourage companies to take advantage of existing methods to simplify reporting and improve reporting accuracy. Strategies will be developed to encourage and help companies reduce the rejected payor error rate. As in the past, industry training seminars will be held but this effort will be supplemented with training targeted to individual companies that have high error rates. A positive incentive award program for payors will be established to include routine recognition of improved timeliness or accuracy through RMP letters of recognition for quality reporting on a more routine basis.

Streamlining Change, Executive Order 12837

	1993 Enacted	1994 Request	Change
\$(000)	2,690	2,640	-50
FTE	—	—	—

Impacted workload summary

	1992	1993	1994 Base	1994 Request
Matching royalty payments to reports	20,100	23,000	25,000	25,000

A decrease of \$50,000 is proposed for FY 1994 to be accomplished through automation of a currently manual effort. This manual effort is devoted to matching royalty payments to royalty reports, bills, and lease accounts.

Payors sometimes submit royalty and rental payments separately from the associated reporting form. When this happens, a manual effort is required to match the payment to the form before RMP can disburse the funds. The matching effort is especially time-consuming if the amount reported on the form doesn't match the amount paid or if other identifying data is incorrect.

The more time-consuming matching efforts occur in the Reports and Payments Division (R&P). This effort includes contacting payors to determine which payments go with which reports. The Royalty Accounting Division (RAD) updates the AFS when payments are finally matched to the appropriate reports (see the workload table under Royalty Accounting Division, "Billing Actions", in the next section).

As can be seen in the workload table in the RAD narrative, staff manually matched 20,100 payments in FY 1992. In FY 1993, this number is expected to rise to 23,000 and in FY 1994 it should rise again to 25,000. These increases are expected because of the increases in billing actions associated with various compliance efforts, and with an increasing number of non-producing leases now included in the AFS.

Ordinarily, this increase in workload would require an increase in staff time, especially in the R&P Division where the intensive manual matching effort takes place. However, RMP may be able to implement a regulation, "Assessment for Failure to Submit Payment" (commonly referred to as the "3a" regulation), that would require payors to report a number that ties paid amounts to reported amounts. If this regulation is implemented, it will automate the matching effort in those cases where the "3a" number is properly applied, thereby reducing the manual effort associated with this task. The RMP estimates that it could save \$50,000 in contractor supplied manual effort if the regulation is implemented.

Production Reporting

Ongoing Workloads

Production Reporting	1992 Actual	1993 Estimated	1994 Estimated
Total Consolidated Reports - Lines Processes	4,278,102	4,300,000	4,300,000
Total Consolidated Reports - Lines Rejected	211,336	211,000	211,000

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

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

In FY 1992, this activity processed 4,278,102 consolidated production activity reported lines of data submitted by some 2,800 operators with an error rate of less than 5 percent. Operator reports contained 211,336 rejected lines in FY 1992; this represents an error rate of less than 5 percent. The rejected lines were operator reporting mistakes such as:

- invalid lease and agreement numbers;
- Invalid operator and well combination;
- beginning inventory does not match previously reported ending inventory;
- American Petroleum Institute (API) well number not found on PAAS data base;
- Invalid API gravity or British Thermal Unit (Btu) content;
- Invalid well status; and
- Well totals do not match disposition totals.

Approximately 66 contractor staff provide operation and maintenance support for the automated system and perform document error correction, reference data maintenance, and files maintenance. These workloads are not expected to significantly change from present levels through FY 1993 and 1994 because of relatively stable domestic petroleum production. The workloads are expected to be managed without an increase in current staffing.

The RMP will evaluate the feasibility of developing procedures with the BLM and OCS to consider the reporting history prior to issuing companies additional leases or making lease or operator assignments. Additionally, alternatives will be explored for obtaining more accurate and timely reference data from BLM and OCS. Also, RPD has scheduled implementation of an improved well data information transfer from OCS to RMP.

Streamlining Change - Executive Order 12837

	1993 Enacted	1994 Request	Change
\$(000)	41	5	-35
FTE	—	—	—

Impacted workload summary

	1992	1993	1994 Base	1994 Request
Royalty Reporting Training				
# of Companies attending	154	200	225	125
# of Companies employees trained	329	430	480	265
Production Reporting Training				
# of Companies attending	88	208	260	110
# of Companies employees trained	133	368	450	175

- A decrease of \$35,000 is proposed for FY 1994 to be accomplished through a reduction of payor and operator training designed to teach industry proper reporting of royalties and production volumes.

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

During FY 1992, 329 participants representing 154 payor companies attended RMP's payor training sessions to update payors concerning royalty reporting requirements and royalty payment requirements for oil, gas, and geothermal resources. Also, representatives attended from the BLM, BIA, and several Indian Tribes. Also in FY 1992, 133 participants representing 88 companies attended RMP's operator training sessions to update operators concerning production reporting requirements. Industry participation in these activities is expected to increase with RMP's emphasis on targeting companies with high error rates for training.

In FY 1993, a concerted error correction and workload analysis effort continues to encourage and help companies reduce their error rates. As in the past, RMP will provide training seminars and this effort will be supplemented with training targeted to individual companies with high error rates. RMP will establish a positive incentive award program for operators which will include RMP letters of recognition for improved timeliness or accuracy.

In FY 1994, industry training programs will be modified based on company reporting practices and the results of training conducted in FY 1993. Efforts will be directed at improved incentives for timely and accurate reporting by expanding RMP's recognition of quality reporters. Although companies continue to experience high turnover rates resulting in increased need for training, the planned incentive efforts, coupled with proposed assessments, should encourage companies to ensure their reporting is accurate and thus decrease the need for RMP supplied training.

Royalty Accounting Division

The Royalty Accounting Division (RAD) objectives are to:

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

Billing Actions

Ongoing Workloads

Billing	1992 Actual	1993 Estimated	1994 Estimated
RIK	6	6	6
Number of Matches of Payments to Report/Bills/Lease Accounts	20,100	23,000	25,000

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

- Through the RIK program, RMP conducts oil sales for small refiners. These sales result in contracts with small refiners who are unable to obtain oil at a reasonable price in the open market. The small refiners find oil particularly difficult to obtain when the market price of oil is high. The RIK program establishes the need for sales, holds sales, establishes surety amounts, monitors surety compliance, maintains official contract files, prepares monthly bills, and reconciles contracts. Approximately \$80 million is billed annually. Participants in the RIK program also pay a fee which is deposited directly into the Treasury. This fee covers the annual direct administrative costs of the program of approximately \$400,000.
- The cash applications program matches payments to reports, bills, and lease accounts. During FY 1992, 20,100 payments were manually matched. Manual matches are often required because the computer system can match payments to reports only when the two come in together and are identical in amount. In all other cases, payments are manually matched to reports. In FY 1993, it is estimated that 23,000 payments will be matched, and in FY 1994 it is estimated that 25,000 payments will be matched. The increase in workload is due to increases in bill types (as mentioned above) and non-producing leases. Non-producing leases were formerly processed through BRASS, but now, with all processing going through the AFS, the owners of these leases are subject to courtesy notices and billing if proper payments are not made.

Ten contractor staff from Source One Management, Inc., work in the RIK program and the billing program. These staff provide data entry services, certified mailing, and tracking of certified mailing.

Streamlining Change - Executive Order 12837

	FY 1993 Enacted	FY 1994 Request	Change
\$(000)	418	318	-100
FTE	—	—	—

Impacted workload summary

	1992	1993	1994 Base	1994 Request
Number of Invoices issued	13,397	14,105	14,105	11,400

A decrease of \$100,000 is proposed for FY 1994 to be accomplished through a reduction of contract funds used to support the issuance of bills. The billing program:

- Prepares automated and manual invoices for all of RMP, including invoices resulting from audit exceptions, PAAS exceptions, and Fishermen's Contingency Fund,
- Processes all credits issued against previously issued bills, and
- processes refunds issued as a result of invalidated bills on producing leases.

In FY 1992, RMP prepared 13,397 invoices. In FY 1993, RMP will prepare an estimated 14,105 invoices. In FY 1994, the billing function will be adjusted to meet administrative streamlining goals by increasing billing thresholds and eliminating some exception processing. These actions will reduce the number of prepared invoices to 11,400 with minimal effect on quality.

Collection of Funds

Ongoing Workloads

Collection	1992 Actual	1993 Estimated	1994 Estimated
Correcting Lease Account Balances	445	3,200	3,500
<u>Balances Researched</u>			
Number of Payment Corrections	500	1,200	1,500
Data Base Changes	20	2,000	2,000
Refunding Overpayments	1,220	1,500	1,600
Number of Follow-ups	5,278	7,356	7,600
Number of Sureties	501	550	580

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

The Royalty Accounting Division operates a collection program which includes:

- **Correcting Lease Account Balances** - The FY 1992 conversion of Bonus and Rental Accounting Support System (BRASS) into AFS established this function. In BRASS, overpayments were automatically deducted from the current lease amount due prior to the issuance of courtesy notices, and refunds were issued without identification to a specific lease year. For greater accuracy/accountability, the AFS now requires overpayments to be identified to a specific lease and lease year prior to the issuance of courtesy notices or refunds. This requires resolving differences by either correcting payment balances or having DMD correct the data base prior to issuing courtesy notices or refunds.
- **Refunding Overpayments on Non-Producing Leases** - It is estimated that workload will increase slightly.
- **Number of Follow Ups** - Actions include issuing delinquent payment notices, making telephone contacts, issuing demands to the lessee of records, requesting leasing agencies to collect sureties, issuing notices of noncompliance, and writing off uncollectible debt (due to appeals being upheld, bankruptcies, etc.). These actions are not just against the payor who was issued the invoice. In most cases, the actions also go against multiple lessees who are involved with the invoice. Thus, as the number of invoices increase due to new billing systems coming into existence (as mentioned above), the number of follow-up actions will dramatically increase.

- **Number of Sureties** - Payment of demanded amounts are suspended when a payor posts a surety (letter of credit, bond, etc.). Sureties must be reviewed to ensure they meet acceptable criteria of amount, format, and financial institution. They must also be updated annually so that sufficient funds are available to cover any appealed amount plus interest. In FY 1992, 501 sureties valued at \$392 million were maintained. In FY 1993, the RMP estimates 550 sureties valued at \$430 million will be maintained due to increased numbers of invoices. In FY 1994 it is estimated that 580 sureties will be maintained at a value of \$454 million.

Distribution of Royalties

Ongoing Workloads

Distribution of Royalties	1992 Actual	1993 Estimated	1994 Estimated
Number of States	27	39	39
Number of Agencies	6	5	5
Number of Tribes	26	26	26
Number of Allottees	29,000	29,000	29,000

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

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

- Disbursement of approximately \$333 million in royalty, rent, and bonus monies monthly. In FY 1992, this disbursement was to 27 States, 6 other Federal Agencies, and various General Fund Treasury accounts. In FY 1993, the RAD assumed a new duty to disburse monies to States previously disbursed by the Forest Service and Army Corps of Engineers. This involves monthly disbursements to 12 additional States and the elimination of disbursements to the Corps of Engineers (the Forest Service still receives disbursements of grassland revenues).
- Compliance with about 20 different statutes to calculate and administer revenue distribution formulas.
- Disbursement of collected funds to States by the due date. About 98 percent of all money collected is disbursed on time. For the remaining 2 percent, the RAD calculates and pays interest to the affected States.
- Monthly verification of automated Explanation of Payments Reports and preparation of manual Explanation of Payments reports for States and other Federal Agencies. Manual Explanation of Payments reports are necessary when the automated process cannot handle the transaction such as for Net Receipt Sharing, adjustments, and the new Forest Services accounts.
- Administration of the FY 1993 Net Receipt Sharing Program involving collection of \$76,850,000 annually from States, other Federal Agencies, and the U.S. Treasury to recover a portion of the operating costs of the federal leasing program.

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

- Receive, account for, and disburse Indian mineral revenues to the BIA. These revenues include rents, a small number of minimum royalties, and royalties from producing leases, and rents from non-producing

leases tied to production. This function accounts for approximately \$170.4 million from about 5,400 producing Indian leases. Of this amount, \$57.3 million is deposited to Treasury accounts managed by BIA for subsequent payment to 26 Tribes and 29,000 individual Indian owners, \$17 million to Tribal lockboxes, and \$97 million is paid directly to individual Indian owners and Tribes which includes \$8.3 million that is accounted for by the Indian non-standard lease function.

- Telefax information to the BIA on the amount deposited each day to enable the BIA to invest the revenues into appropriate interest-bearing accounts.
- Provide the BIA with an Indian Financial Distribution Report which details each royalty/bill line distributed to BIA and is used as an Explanation of Payments for Indian Tribes and the basis for BIA to prepare an Explanation of Payments to individual allottees.
- The Indian Mineral Development Act of 1982 gave Indian Tribes the authority to generate unique lease agreements directly with oil and gas companies. These lease agreements contain terms or conditions that cannot be accounted for by the standard AFS processes. These agreements can be joint venture agreements, net profit share agreements, and royalty agreements with unusual terms or conditions such as variable or conditional royalty rates, bonus, or penalty payment terms, alternative payment methods or reporting frequencies, etc.

In FY 1992, the RAD accounted for \$8.3 million from 69 producing Indian leases from 7 Tribes. This accounting function includes reviewing lease agreements and providing comments to the BIA; setting up leases in an off-line system with all the unique codes required by the lease agreement (i.e. drilling costs, completion costs, workover costs, operating costs, taxes paid, gross revenue, net revenue, allowances, loss accounts, etc.); keypunching Form MMS-2014's and payment documentation (royalty and rental) into the off-line system; running edits; and preparing disbursement reports (Explanation of Payments) for each Tribe.

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

General Ledger & Funds Administration

Ongoing Workloads

Distribution of Royalties	1992 Actual	1993 Estimated	1994 Estimated
Number of Checks Received	78,729	78,700	78,500
Number of Wire Transfers	6,580	6,650	6,800
Number of Refunds	1,499	1,800	1,550

General Ledger and Funds staff perform work to ensure the:

- Timely and accurate reporting to the U.S. Treasury of all collection and disbursement activity,
- Appropriate internal controls for the AFS are in place,
- Prompt deposit of all daily receipts,
- Timely disbursement of monies as requested, and

- Monitoring of more than \$1 billion in investments.

These workloads include the following functions:

- Reviewing all checks received by RMP for proper endorsement, valid payee, and MICR encoding and returning checks to remitters as necessary. A moderate decline in the number of checks review is forecast for 1994 due to the increase in electronic fund transfers. A courier delivers daily deposits of all the checks to the Denver Branch of the Federal Reserve and General Ledger staff reconcile all confirmed deposit tickets to the actual deposit ticket details.
- Obtaining wire transfer details through Treasury's CASH-LINK system, verifying the entry, and preparing the Voucher and Schedule of Payment (SF-1166) for monthly State wire payment disbursements.
- Processing user requests for refund payments to industry. To accomplish this, RMP reviews and validates refund requests, AFS input, and SF-1166 preparation. Refunds increased during 1993 due to corrections of the BRASS accounts recently converted to AFS. The RMP is procuring electronic certification equipment for Electronic Fund Transfer to reduce the amount of paper and time required to process refunds.

General Ledger staff also:

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

Systems Management Division

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

Computer Systems Operation & Maintenance

Ongoing Workloads

Systems O & M	1992 Actual	1993 Estimated	1994 Estimated
Lines of Program Code Maintained (000)	2,908	2,349	2,398
Data Base Size Maintained (Mgbyt)	32,899	33,108	36,261
Information Workstations Supported	1,000	1,200	1,400
Input Lines Processed (000)	7,366	7,539	7,671
Data Transactions Keyed (000)	6,500	6,900	7,100
STATSS Users Supported	1,150	1,250	1,300
Contracts Managed (\$000)	17,100	17,100	17,000

Systems Operation and Maintenance is a major activity conducted by 58 SMD systems staff working in conjunction with a single contractor firm, the American Management Systems Operations Corporation (AMSOC). This firm employs anywhere from 191 to 211 people. Operations and maintenance includes tasks ranging from data entry to final report distribution and all processes in between.

Maintaining Computer Application Software - This function is another substantial effort involving over 2.3 million lines of program code, 1,000 computer programs, and 1,800 unique data files. The decrease in the lines of code processed between FY 1992 and FY 1993 is due to consolidation of PAAS processing on the mainframe, and the "double-counting" of Business Information System and State and Tribal Support System (STATSS) data in FY 1992. In FY 1993, the Business Information System absorbed STATSS.

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

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

Processing Input Lines - Input lines processed are derived from all PAAS, AFS, and Common Reference Data Base (CRD) documents processed. The RMP expects the workload for processing input lines to increase only modestly from FY 1992 to FY 1994. The RMP expects royalty lines to remain stable while production lines should increase by 10 percent. Automated functions that remain in the mini-computer environment are inquiries and the processing of solid minerals data.

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

STATSS Users Supported - The RMP supports several groups who have access to RMP data through automated processes. These groups include users from 15 States, 10 Indian Tribes, BLM and BIA offices, and MMS personnel. Since FY 1986, RMP has provided the States and Indian Tribes with 60 microcomputers and

peripheral equipment. In FY 1991 and FY 1992 funding of \$100,500 was provided for upgrades and additional microcomputers for the States and Indian Tribes.

Contract Dollars Managed - The SMD manages over 60 contracts and maintenance agreements valued at \$17.1 million. These contracts and agreements range in scope from the \$8 million annual ADP operations and maintenance contract with AMSOC to a small monitor repair contract. In FY 1992, RMP obligated \$7.7 million for the operations and maintenance contract, and in FY 1993 the contract is costing \$8.2 million. The following table gives an overview of some of the other contract activity required to maintain the ADP operation. Some of the contracts have decreased in cost in FY 1993, but with the completion of the mainframe hardware upgrade, will increase in cost in FY 1994 due to the expiration of the purchase warranty covering maintenance activities.

Contract Maintenance Agreements	Company Name	Location	Amount Obligated in FY 1992	Amount Estimated in FY 1993	Amount Estimated in FY 1994
Operations & Maintenance, Development	AMSOC	Lakewood, CO	7,716,413	8,179,785	7,800,000
Disaster Recovery	COMDISCO, Inc	Cypress, CA	80,640	60,600	70,000
Mainframe Equipment Maintenance	Storage Technology	Silver Springs, MD	243,001	156,606	269,805
Mainframe Software Maintenance	IBM	Denver, CO	323,643	257,748	476,200
Computer Output Microfiche	National Bus. Systems	Denver, CO	93,510	151,896	164,116
Laser Printer Maintenance	Xerox	Denver, CO	44,064	94,815	150,000
Software Maintenance	Computer Associates	Reston, VA	122,790	148,068	170,278
Other Contracts and Agreements	Numerous		8,475,939	8,050,482	7,899,601
Total			17,100,000	17,100,000	17,000,000

Systems Development

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

- Analysis, development, and implementation of user identified improvements for programs that assist functions such as audit, compliance, and allowance tracking;
- Development and implementation of selected Post BSPI recommendations;

- Identification and implementation of software development projects to improve overall RMP processes, e.g., reduction of hard copy reports through increased use of online capability, and an increase of electronic reporting by all reporters; and
- Examination and implementation of new technologies to improve overall RMP processes such as CD ROM for data storage, data warehouse technology, and document imaging.

The following time line chart demonstrates systems development and growth in response to RMP needs.

Strategic Planning

The SMD is developing a long range Enterprise-wide Strategic Plan for RMP's data operations. This plan will document both technical and managerial direction for the operation of RMP's mainframe computer. Included in the plan will be:

- assessment of new storage technologies such as optical storage, automated tape libraries, and disk arrays;
- Automated "lights out" computer operations;
- Alternatives to paper output; and
- Refined computer room layouts.

The goal of the plan will be to improve data services while reducing overall operation costs. The Enterprise-wide Strategic Plan for the mainframe computer will be completed in FY 1993. Implementation of the plan will begin in FY 1994. The Enterprise-wide Plan for mainframe computing is directed at mainframe-based hardware and system software, not application software. As such, it is not expected to significantly impact system development funding.

Upgrade of the Mainframe

In FY 1992, the RMP successfully implemented the mainframe central processing unit (CPU) upgrade. The upgrade was needed to accommodate planned growth of software and processing requirements. The additional processing capacity will allow RMP to respond to increased demands in the level of service from RMP users, States, Tribes, and other users.

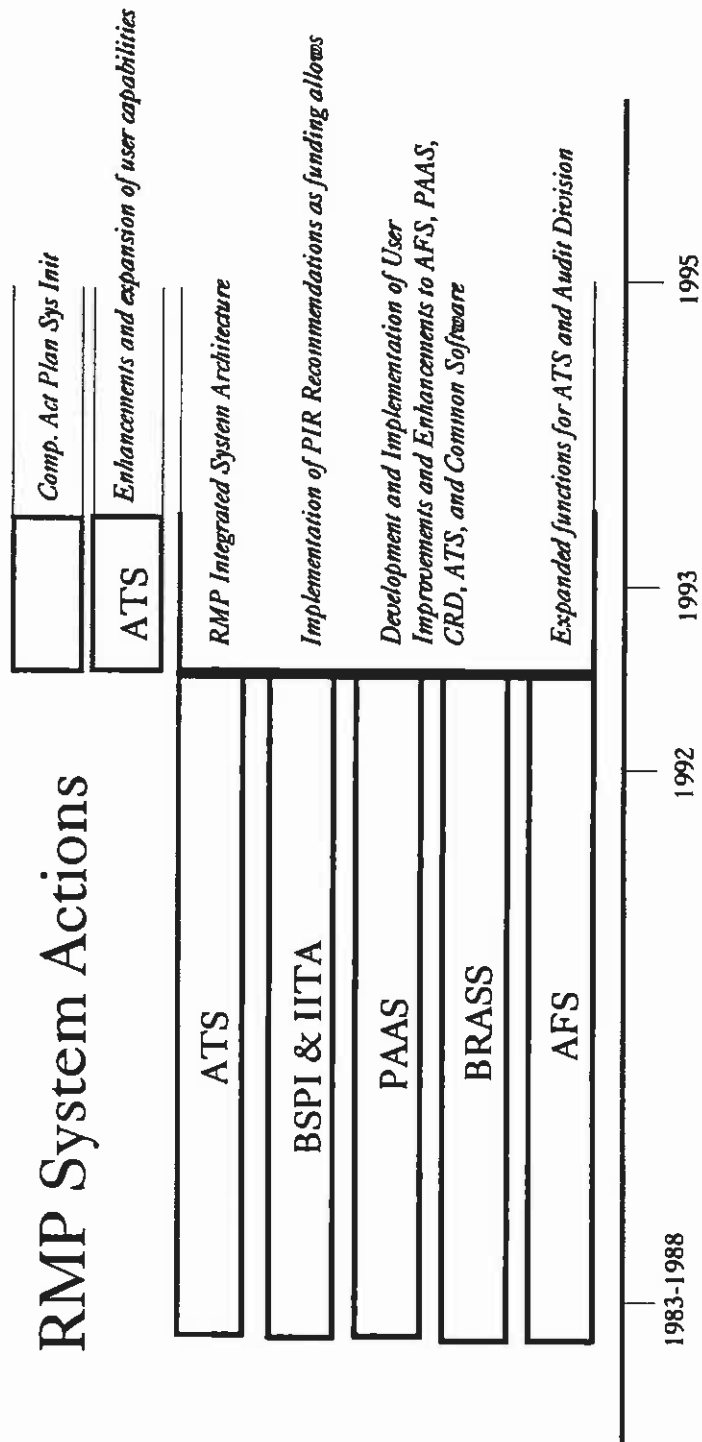
In FY 1993, RMP is acquiring or upgrading mainframe peripherals, system software packages, and development tools. The upgrade of some existing hardware devices is necessary because they are technically obsolete, expensive to maintain, and incapable of supporting future demand. New system software packages will improve maintenance, analysis, testing, and efficiency of application software. Planned acquisition of design and tuning tools will maximize resource utilization, reduce errors, expedite software design and development processes, and increase system efficiency. The RMP anticipates that this upgrade will sufficiently handle workload processing until approximately late FY 1996. At that time, RMP projects that a new upgrade may be needed to handle additional processing requirements.

Gains in efficiency achieved through the upgrades of the mainframe and implementation of the Enterprise-wide Strategic Plan will allow RMP to not only meet its mission goals more efficiently but also to significantly expand support to its constituents. The mainframe hardware and software upgrades have more than tripled RMP's processing capacity while presenting only a marginal increase in yearly operational expenses. The implementation of the enterprise-wide network allows RMP to provide multiple services over the same circuit and to share existing circuits with other agencies. This allows RMP to implement many new

Significant RMP Actions

Mainframe Upgrades
 Kauley settlement
 Compliance Task Force Report
 Strategic Plan for Enterprise-Wide Networking
 Initiative for Indian Tribes and Allottees
 RMP assumes Indian nonstandard accounting
 BSPI Report completed
 Business System Plan completed
 AS/LM directed MMS to automate and centralize production reporting
 Management Action Plan issued

RMP System Actions



functions such as the Department's Payroll and Personnel System with no additional hardware, software, or circuits.

Streamlining Change - Executive Order 12837

	1993 Enacted	1994 Request	Change
\$(000)	2,450	1,431	-1,019
FTE	—	—	—

No Impacted Workloads

A decrease of \$1,019,000 for administrative streamlining is proposed for FY 1994 to be accomplished through:

- Completion of Video Teleconferencing (VTC) installation (-\$50,000)

The site evaluation, equipment purchase, and set-up activities were completed on MMS/RMP's Denver Federal Center Building 85 facility in FY 1993. The Department of the Interior (DOI), in order to reduce duplication of VTC facilities, has designated the RMP Building 85 facility as the principal site for the initial implementation of VTC between Washington, D.C., and Denver.

The operational costs of other DOI bureaus' use of the facility will be recovered through reimbursements.

- Completion of Mainframe Upgrade (-\$600,000)

In FY 1991 RMP received \$1.4 million for 4 years to lease or purchase an upgrade for its computer. In FY 1992, the RMP mainframe central processing unit (CPU) was replaced and installed in 1992 to accommodate planned growth of software and processing requirements. The additional processing capacity will allow RMP to maintain and respond to increased demands in the level of service to RMP users and to States, Tribes, and other users.

In FY 1993, pending Congressional approval, RMP will reprogram \$600,000 to verification and Indian outreach activities and \$200,000 to fund increased and new audit agreements with States and Tribes. The reprogramming of funds into verification and outreach activities responds to concerns of the Interior Committee and the Senate Select Committee on Indian Affairs. With the remaining \$600,000, RMP will acquire or upgrade mainframe peripherals, system software packages, and development tools.

By FY 1994, the majority of necessary mainframe upgrade-related equipment and software will have been purchased.

- Software development following post-BSPI review of systems status (-\$169,000).

In FY 1993, many RMP Divisions are participating in a Post Implementation Review (PIR) of the upgraded system to evaluate the BSPI success and identify further program and system enhancements. In addition, the development and implementation of many user identified improvements to AFS, PAAS, and AATS software are ongoing. Many of these improvements are based on user suggestions made as early as 1988 but have been on hold waiting for completion of the BSPI restructuring and other higher priority systems changes.

In FY 1994, RMP will continue to proceed with these previously identified user improvements. Development and implementation of any PIR identified enhancements will be delayed and phased in later.

- Completion of a contracted verification study (\$-200,000)

By FY 1994, funding will be completed for a two-year Cooperative Research Agreement with the Louisiana State University's Department of Petroleum Engineering. This agreement is for the evaluation of the feasibility of performing quantity and quality verifications of natural gas plant inlet and outlet volumes.

The purpose of the study is to assist RMP in evaluating how better to verify the natural gas resources entering and exiting gas plants. This effort will better ensure royalties are paid on all production with economic value. RMP will incorporate the results of the study in its future compliance efforts.

Programmatic Transfer Change

	1993 Enacted	1994 Request	Change
\$(000)	—	—	-1,115
FTE	—	—	—

No Impacted Workloads

A decrease of \$1,115,000 programmatic transfer is proposed for FY 1994 to be accomplished by:

- Redirecting funds previously appropriated for the purchase of the RMP systems mainframe upgrade. Of a total \$1.4 million in funding, \$290,000 is available for transfer to State and Indian agreements and \$510,000 for compliance activities and Indian service offices. To help the Administration's streamlining efforts, the \$600,000 remaining in the Systems Management Division base is proposed for elimination as discussed above in the Streamlining Change discussion.
- An additional \$315,000 will be available from various savings such as the completion of the Denver space reconfiguration efforts necessitated by GSA's Denver Federal Center renovation and the recently approved reorganization, reduction in inter-office communication services, and continued efforts to maximize resources.

Justification of Program Change

	1993 Enacted	1994 Request	Change
\$(000)	0	1,780	1,780
FTE	—	20	20

An increase of \$1,780,000 and 20 FTE for a programmatic change is proposed for FY 1994.

The Bureau of Land Management administers the granting of claims and patents and collects all associated monies from patents. There are approximately 1 million claims recorded by the BLM. They are maintained at multiple State BLM offices. An amendment to the General Mining Law is expected to establish royalties on locatable hardrock minerals. The Department would be responsible for the timely collection of, accounting for, and disbursement of these royalties.

The Operations staff will gather the data and create a data base to account for production and royalty payments and to participate in the development and presentation of Payor training.

Collection by RMP of hard mineral royalties will not occur for 6 months to 1 year after funding is received. This time will allow for development of the minimum capabilities required for the initial creation of a claims data base and software development, which will give RMP the ability to accept and distribute payments.

Compliance

Justification of Program and Performance Subactivity - Funding Summary

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)	11,659	-161	830	12,328	669
FTE	161	-9	5	157	-4

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS 8-12 and 155.

Objectives

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

Compliance Overview

	1992	1993	1994
Office of Indian Royalty Assistance (OIRA)	Enhanced organizational structure and staffing provided increased support for Indian royalty owners. Increased accessibility through the establishment of field offices and 1-800 phone service. Instituted a pilot program of co-locating BLM/BIA/MMS staff to provide comprehensive outreach activities to the Indian community. Established an educational initiative to promote understanding of the royalty program among Indian mineral owners through Indian elementary/secondary schools and colleges. Represented Indian interests in RMP program policy and procedural development activities.	Will implement newly developed pro-active lease monitoring and compliance procedures. The educational curriculum will be developed and implemented under the expertise of a fellowship program recipient. A monthly newsletter, jointly produced with BLM and BIA, will be distributed to all Indian royalty recipients. Outreach meetings and training activities will be regularly scheduled. Jointly developed with BLM and BIA operational procedures for field offices for Indian community consultation.	Will continue to be involved in the educational program utilizing Indian schools and Tribally-controlled colleges. The co-location initiative will be evaluated for adoption at other locations. Will continue to seek opportunities to increase the involvement of the Indian community in RMP policy and procedural development and program evaluation activities.
Office of Enforcement (OE)	Began search for opportunities to use civil penalties under FOGRMA to encourage voluntary compliance with obligations to pay after litigation. Delegated issuance of routine notices to operating Divisions. Continued to pursue settlements of issues where benefits of settlement outweighed benefits of litigation. Began program of comprehensive global settlements. Began to involve State and Indian representatives in negotiations that affect their revenues. Monitored all on-going cases involving Federal/Indian royalties, rents, and penalties and prepared briefing documents and technical information.	Put trained attorneys in charge of discovering instances of noncompliance. Set up team to investigate. Studying use of civil penalties under other authorities to encourage correct and timely reporting. Using more FOGRMA civil penalty notices to encourage voluntary compliance with duty to pay, when facts dictate. Searching for instances of noncompliance with laws, rules, and leases (not merely orders). Involving more companies with contentious issues in alternative dispute resolution program. Reducing appeals backlog through effective settlements. Continuing to monitor cases and assist Office of the Solicitor and DOJ.	Propose new civil penalties. Continue use of attorneys in teams to pursue instance of noncompliance through use of FOGRMA penalties. Increase investigative and enforcement activities. Coordinate appeals process for royalty management appeals. Ensure timely involvement of all affected persons in each appeal. Increase use of alternative dispute resolution mechanisms. Provide consistency in settlement documents and disbursement process for settlements. Continue bankruptcy work. Increase focus on preparing MMS cases for litigation by writing briefing documents and preparing technical information.

	1992	1993	1994
Valuation and Standards Division (VSD)	Performed majority pricing for Anadarko area leases using prototype system. Performed product value determinations. Provided technical determinations (advice and assistance). Processed requests for transportation, processing, and washing allowance approvals and/or exceptions. Prepared technical field reports for MMS' Office of Appeals. Provided regulatory training. Performed coal regulatory compliance and monitoring. Developed or maintained valuation and allowances regulations.	Continue work activities and level of effort described for FY 1992. Also, expand majority pricing to all Indian leases using a mainframe system; process additional 98 FERC-94 transportation allowance requests; process increased appeals work level resulting from majority pricing and valuation monitoring activities on Indian lands; and complete all payor handbook chapters for gas, coal, and geothermal.	Continue work activities and level of effort described for FY 1993. Allowance approvals will fall back to FY 1992 level, and a marginal decrease in appeals processed may take place due to the resolution of some issues.
Division of Verification (DOV)	From October 1983 through September 1992, about \$109 million in late payment interest attributable to AFS exception processing was collected. In FY 1992, developed new computer software to: detect incidents of incorrect royalty rates and overrecoupments; conduct original line verification and monitoring, identify underpayment of rent/minimum royalty, and monitor OCS unauthorized recoupments. Collections from sales/production comparisons were nearly \$23 million in FY 1992, bringing total collections to about \$100 million from May 1985 to September 1992. Implemented the Automated Allowance Tracking System to monitor and review oil and gas transportation and processing allowances calculated and reported by payors.	Continue verifications function responsibilities. Continue to monitor and evaluate procedures and outputs to determine if resources are efficiently allocated, and applicable tolerance are effective. Identify and evaluate areas where operations can be streamlined. Complete backlog of unworked production exceptions identified in the Miller Committee Reports. Begin work on new production accountability functions such as inventory and injection balance tracking and assume responsibility for royalty rate reduction program administration. Allowance exception processing in an Automated Field/Area Allowance Comparison System are scheduled for implementation in FY 1993 or early FY 1994.	Continue responsibilities for the verification function with the intent of ascertaining if there are more efficient ways of performing the functions. Increase production accountability efforts by developing and implementing procedures to perform a measurement point - production document check for gas produced in the OCS (Gas Verification System). Other initiatives will include the tracking of liquid inventories and monitoring of royalty-free injection balances. The gas verification system will move from the development phase to the operations phase.

1993 and 1994 Ongoing Workloads

In FY 1994 the Office of Indian Royalty Assistance (OIRA) will conduct proactive routine reviews of each Indian allotted lease to identify potential payment problems which need quick resolution. Using this proactive approach, the OIRA will seek to identify and resolve royalty problems early in the royalty process rather than wait for allottees to raise a problem concerning their royalty income.

In FY 1994, the RMP Office of Enforcement (OE) will provide both positive and negative incentives that should encourage mineral lessees to comply with applicable statutes, lease terms, and regulations. The positive incentives are in the form of settlement of (or other alternative dispute resolution methods of resolving) disputes, thereby avoiding expensive litigation and recalculation of royalties. The negative incentives come from an increased emphasis on active use of penalties.

In FY 1994, the Valuation and Standards Division (VSD) will continue to provide valuation determinations and allowance approvals as required under both old and new regulations and the old procedural guidelines. The VSD will continue to provide assistance to MMS's Appeals Division and advice and assistance to industry and other parties affected by the regulations.

In FY 1994, the Division of Verification (DOV) will continue to conduct verification and exception processing activities such as detecting late payment, underreporting, and improper recoupment of royalties; monitoring compliance with Section 10 of the OCS Lands Act; ensuring that all volumes reported for royalty purposes are accurate; and conducting automated valuation and allowance monitoring.

The following describes the program and workloads of the Compliance subactivity.

Office of Indian Royalty Assistance

The OIRA, formerly the RMP Office of External Affairs, was formally established in November 1992. Field offices were opened in Oklahoma City, Oklahoma, in May 1992, and Farmington, New Mexico, in August 1992. Opening these offices was a major action item for the Initiative for Indian Tribes and Allottees (IITA) and was designed to improve services and communications to Indian mineral owners. Indian mineral owners not in the areas served by the two field offices are served from the MMS Lakewood, Colorado, OIRA office.

Demographic Profile Of Populations Served By OIRA - FY 1992

Producing Indian Leases:

Allottee	2,885
Tribal	1,272
Other	16

Customers:

Allottees	20,000
Tribes	23

Direct & lockbox payments to:

Allottees	\$21,159,273
Tribes	52,104,361

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

- responding to questions from allottees and Tribes about royalty payment problems;

- Conducting desk reviews (review and reconciliation of RMP payment and production records and reports);
- Identification and resolution of problem referrals;
- Conducting outreach and educational workshops; and
- Working with Tribes to assist them in development of Tribally managed minerals programs.

The RMP has reassigned several staff to OIRA who had been doing this work in various Divisions to enhance its capability to detect and provide more timely resolution of Indian lease royalty and production problems. This budget narrative reflects the best information available and the experienced judgement by OIRA staff as to the workload measures that are in the development process at this time. As actual workload data is accumulated, the anticipated activity in each of these areas will become more precise.

Proactive Monitoring and Compliance for Indian Leases

Ongoing Workloads

Proactive Monitoring and Compliance	1992 Actual	1993 Estimated	1994 Estimated
Recoupment Reasonableness Checks	*	400	500
AFS/PAAS Exception Follow-Up: Exceptions Worked	*	200	200

* No data is available for FY 1992 on this and the following tables because these workloads are new areas of emphasis that were implemented during that year and no measurement systems were in place. FY 1993 and FY 1994 data are rough estimates based on first quarter data in FY 1993.

The OIRA will build upon its enhanced capabilities and field structure to provide more proactive services to the Indian mineral owners as follows:

- **Recoupment Reasonableness Reviews** - OIRA will review for reasonableness the recoupment discrepancies identified through examination of the Financial Distribution Reports and follow up with payors on questionable recoupments and subsequently notify the Indian mineral owners of the recoupment action. In FY 1994, the number of reviews is expected to increase because OIRA will be fully staffed.
- **AFS/PAAS Exception Follow-Up** - In order to ensure accuracy in reporting and paying of royalties, OIRA will conduct periodic reviews of Indian leases and agreements and resolve AFS/PAAS exceptions not worked by DOV. In FY 1994, OIRA workload is expected to remain the same because DOV will resolve more exceptions related to Indian leases.

OIRA staff will integrate a proactive systematic review of AFS accounting records and reports on Indian allotted leases to identify potential payment problems. They will then seek resolution or take action utilizing current problem resolution and referral processes. The OIRA will not depend solely on allottees to identify problems or raise issues. Problems and issues identified by compliance monitoring efforts will be resolved through desk reviews or referral activities described below. Enhanced staffing gives OIRA increased capability to resolve or follow up on problems through contact with RMP Divisions and with payors and operators. Additionally, OIRA has become the primary RMP contact for Indian issues and it provides an improved capability to plan and carry out MMS trust responsibilities.

Lease Reviews and Problem Resolution

Ongoing Workloads

Lease Reviews and Problem Resolution	1992 Actual	1993 Estimated	1994 Estimated
OIRA Lease Reviews and Referrals		800	800

Reviewing the lease royalty information on behalf of the Indian mineral royalty owners continues to be one of the primary activities of the OIRA. In addition to the reviews initiated as a result of customer concerns or problems regarding production reporting and royalty payments, the OIRA will identify leases for review through pro-active monitoring and issue oversight. The BLM and BIA offices, and in some cases industry, Tribes, or States, may refer an issue to OIRA for review. In resolving this caseload, the OIRA will perform desk reviews of the production and royalty data and may supplement this effort with referrals to RMP audit and valuation staff or to the responsible BIA or BLM office. The OIRA will also seek litigation resolution and conduct follow-up actions related to the Kauley v. Lujan case and the Shii Shi Keyah v. Hodel case.

Customers Contacts

Ongoing Workloads

Customer Contacts	1992 Actual	1993 Estimated	1994 Estimated
Office Visits		500	500
1-800 Telephone Service		1,720	1,720
Inquires Received		900	1,200

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

Indians also visit the Oklahoma City and Lakewood offices for the purpose of problem resolution. As a result, expansion of the one-stop approach is being considered for the OIRA Oklahoma City Office. Additionally, results of this pilot could be considered for broader implementation into other oil and gas development areas where BIA and BLM have offices such as Billings, Montana, pending availability of funds.

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

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

Outreach to Indians

Ongoing Workloads

Outreach to Indians	1992 Actual	1993 Estimated	1994 Estimated
Outreach Meetings			
Allottee Visits			
Scheduled		180	180
Unscheduled		48	48
Tribal Visits		18	18

Court orders in both Oklahoma and New Mexico place major responsibility on OIRA for conducting meetings with allottees and providing royalty information. The RMP has re-emphasized the importance of improved communications with the Indian mineral owners through the OIRA restructuring and the field office concept. In FY 1992, the RMP continued on-site visits, principally through OIRA, with Indian Tribes, allottee organizations, individual allottees, and BIA and BLM offices. These outreach meetings addressed such issues as explanations of payment, royalty payment, payor and operator reporting procedures on Indian leases, auditing, product valuation, MMS policy, and MMS/BIA/BLM coordination. These meetings are either pre-scheduled at certain times of the month with designated allottee organizations or are non-scheduled as a result of a request by an allottee group to discuss individual royalty issues. This activity is expected to continue as more Indian owners become aware of the services and our interest in ensuring their understanding and knowledge of the royalty program.

Training and Education for Indians

Ongoing Workloads

Training and Education	1992 Actual	1993 Estimated	1994 Estimated
STATSS/BIS Training		8	8
Computer Assistance Requests		400	400
Regional Customer Forums		11	11
OIRA In-Reach (RMP) Sessions		12	12
Educational Institution Visits		20	20
Industry Presentations	as needed	as needed	as needed

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

- **STATSS/BIS Training** - OIRA periodically conducts STATSS/BIS training for new employees of the various Indian Tribes and the BIA. Training is conducted onsite and in RMP facilities.
- **Computer Assistance Requests** - OIRA provides a computer related service to BIA and Tribal employees by responding to telephone requests on how to effectively use the STATSS/BIS system.
- **Regional Customer Forums** - The RMP, in conjunction with BIA and BLM, periodically conducts seminars at various locations for allottees and Tribes for the purpose of discussing BIA, BLM, and RMP responsibilities.

- **OIRA In-Reach (RMP) Sessions** - OIRA provides in-house training sessions to RMP Divisions to inform them of the various services that OIRA provides to the Indian community and to discuss RMP processes that address allottee concerns.
- **Educational Institution Visits** - Periodically, OIRA visits educational institutions to discuss energy issues and RMP's role in handling issues affecting the Indian community.
- **Industry Presentations** - OIRA provides, on an as-needed basis, informational sessions to members of the oil and gas industry to inform them of the various services that OIRA is providing to the Tribes and allottees and to discuss compliance with rules, regulations, and Indian lease terms.

In FY 1994, OIRA will continue educational efforts to increase both quality and extent of RMP outreach activities through the Indian elementary/secondary school system and Tribally Controlled Community Colleges (TCCC's). Curriculum jointly developed by RMP, BIA, and BLM on Federal responsibilities for Indian minerals management and trust responsibility, along with courses on cultural diversity and Indian natural resources management, will be incorporated into the curriculum of Indian schools, TCCC's and Interior's system of Resource Learning Centers to:

- significantly improve and expand Indian outreach and education activities;
- promote greater understanding of Federal responsibilities and customer requirements; and
- foster improved working relationships with the Indian Tribal Government and allottees.

Office of Enforcement

The Office of Enforcement (OE) is an office newly created by the November 1992 reorganization. It combines activities previously conducted by the Rules and Procedures Branch (Notices of Noncompliance [NONC's] and Penalty Notices) and by Staff Operations

(bankruptcies, and, on an ad hoc basis, settlements). The MMS has traditionally pursued an enforcement strategy which can best be termed "verification." In that strategy, MMS would, either through field audit or through automated exception processing, check to see if a royalty payor has reported and paid correctly. With the report of the Compliance Task Force, as implemented in the Compliance Action Plan, MMS is moving towards a strategy that places a greater emphasis on providing incentives for companies to pay and report correctly the first time. Greater emphasis on active use of enforcement tools is therefore included in this new strategy.

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Noncompliance & Penalty Notices Issued	18	24	30
Settlements Concluded	25	24	30
Bankruptcies Overseen	337/19 new	160/24 new	120/20 new

Notices of Noncompliance

Notices of Noncompliance (NONC) are issued when sufficient evidence exists that a lessee has not complied with an order, lease term, regulation, or statute. NONC's are authorized, for oil and gas leases only, by section 109 of FOGDMA. In 1994, the OE will look to other RMP Compliance Divisions for referrals of instances of noncompliance (as was the prior practice) and, in the course of conducting independent investigations, issue notices resulting from its own efforts. In FY 1992, routine NONC issuance was delegated to the RMP Divisions. This includes NONC's for non-intentional violations such as:

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

Non-Intentional Violations - A NONC for non-intentional violations is issued to a person RMP believes has failed to comply with a statute, regulation, rule, order, lease, or permit governing the determination and collection of royalties on Federal or Indian lands or on the outer continental shelf based on criteria established by the Associate Director for Royalty Management.

Intentional Violations or Failure to Comply - If a NONC is either for intentional acts (such as nonpayment) or is not complied with during the first 20 days, a penalty notice is issued and interest begins to accrue on a daily basis. However, that penalty cannot be collected before the lessee is afforded a hearing on the record. These hearings are before an administrative law judge from the Department's Office of Hearings and Appeals. The MMS is to be represented at those hearings by employees of the Department's Office of the Solicitor (Solicitor). It is anticipated that more NONC's and civil penalties will be issued with the creation of the Office of Enforcement and RMP's strengthened compliance activities.

Settlement of Payor Appeals

Settlement discussions for global settlements, single issue settlements, and bankruptcy settlements are conducted at the request of a payor that has appealed a bill or order, on referral from the Appeals Division, the Solicitor, or the bankruptcy court. The OE oversees all settlement discussions. Such discussions are conducted by a team made up of representatives of the office(s) that issued the order(s), OE, other MMS and/or Solicitor officials and, if State or Tribal monies are involved, a representative of affected State(s) or Tribe(s). The number of settlement discussions is related to the number of orders issued and the timeliness of the issues being discussed.

With the completion of the Contemporaneous Audit Initiative in September 1992, the number of completed settlements rose significantly. Many orders and bills involved periods prior to the promulgation of recent product valuation regulations and therefore involved issues with little precedential value. Those issues are ripe for settlement in FY 1994. Both major and smaller payors request settlement discussions, which settle many issues simultaneously or one issue at a time. However, the MMS will only settle issues and amounts when the expected value of the settlement is as great as the expected value of litigating the case, with appropriate costs considered for the variety of means of resolving the cases. The OE oversees the collection of all needed information to provide an adequate basis for judging the efficiency of settlement.

Bankruptcies

Since the decade of the 1980's, over 300 bankruptcies have been filed that involve Federal and/or Indian mineral royalties, rents, or penalties. Bankruptcy actions severely impact the RMP accounting and billing process. Millions of dollars are at risk. The MMS assists the Department of Justice in asserting its monetary and legal claims in order to collect as much as possible in each case. The OE, through the bankruptcy team, monitors the activity in those cases and coordinates with the Solicitor and the Department of Justice attorney in protecting and defending MMS claims entered into bankruptcy cases. Proofs of claim are filed with the bankruptcy courts, objections to the claims are refuted, reorganization plans are reviewed, and witnesses and information are prepared to assist the Solicitor and Department of Justice in litigating the cases. A master bankruptcy list showing the bankrupt companies which have filed for protection and the status of the case is prepared on a quarterly basis.

Valuation and Standards Division

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

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

The VSD is responsible for performing certain valuation and allowance monitoring activities related to Indian leases to ensure that royalties on minerals produced from Federal, Indian, and OCS lands are calculated and reported in accordance with existing laws and regulations. Provided below is a workload summary of each major activity performed by VSD, including FY 1992 accomplishments and FY 1993 and FY 1994 projected workloads.

Product Value Determinations

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Product Value Determinations	45	50	50

In general, royalty is based on the value of the commodity produced, the volume of production sold or otherwise disposed of, and the royalty rate applicable to the lease. However, several factors add to the complexity in determining the value of the commodity sold, such as vertically integrated companies selling to themselves, Federal Government price controls, and long-term sales contracts. Current product value regulations deal with many of these complexities and permit industry to request formal valuation determinations from MMS. The RMP uses product-specific information provided by the lessee or operator

and applies applicable laws and regulations, legal precedent, and/or agency policy, to prepare for the request for a decision document detailing the proper method to be followed in determining royalty value. A product valuation determination letter is a final decision, requiring lessee compliance.

Technical Determinations

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Technical Determinations	250	250	250

The VSD provides valuation, allowance, and other technical advice and assistance to persons, companies, agencies, and other interested parties. The work includes interpretation and application of both prior and current valuation and allowance regulations and guidelines, legal precedent, and interpretation of lease terms and/or agreements between lessee and lessor. This category includes requests for advice and assistance on valuation and allowance issues. Also included are requests for technical advice and assistance from RMP and BLM staff, other government agencies, and the mineral industry. Examples of advice and assistance include:

- Requests from RMP auditors and from State and Tribal auditors for valuation assistance,
- Requests from BLM for determinations of unit values for coal advance royalty determinations,
- Requests from RMP auditors for lease term interpretation for minimum royalty requirements for sodium and potassium leases, and
- Requests from industry and RMP auditors for interpretations of the regulations controlling offshore net profit share leases.

Allowances for Costs Incurred by Lessees

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Processing/Washing Allowance Approvals	68	70	70
Transportation Allowance Approvals	165	260	165

Processing and Washing Allowances - By regulations, lessees are allowed to deduct "processing" costs associated with the extraction of liquid products (e.g. propane, butane, isobutane, etc.) from a natural gas stream and "washing" costs associated with the removal of sulfur, ash, or other impurities from coal. In FY 1992, VSD processed 68 processing/washing allowance requests received from industry under

- pre-1988 gas and coal valuation regulations, and
- current non-coal solid mineral regulations and lease terms.

Also included are requests for certain exceptions such as permission to exceed the two-thirds processing allowance ceiling, or exceptions to allowance form filing requirement as provided for under the revised allowance regulations.

Transportation Allowances - In FY 1992, VSD processed 165 transportation allowance requests received from industry under:

- prior oil, gas, and coal valuation regulations,
- existing non-coal solid mineral regulations and lease terms, and
- requests for exceptions such as permission to exceed the 50 percent transportation allowance ceiling and exceptions to allowance form filing requirements as set forth under the revised allowance regulations.

In FY 1993 workload outputs will increase to 260 because VSD will process a backlog of 98 requests involving FERC-94 transportation allowance requests. The VSD expects the FY 1994 workload to return to the FY 1992 level.

Appeals of Valuation and Allowance Determinations

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Appeals of Valuation and Allowance Determinations	17	70	70

The VSD prepares technical field reports for the MMS Division of Appeals in support of appealed valuation and allowance decisions. A field report represents the agency's response to each argument cited by the lessee in its statement of reasons in support of the appeal. The field report includes background information (e.g., dates of relevant events, applicable laws and regulatory requirements, legal precedent, and Department and MMS policy and practices) and an analysis with recommendations to assist the Division of Appeals in resolving the appeal. In FY 1993 and FY 1994, VSD anticipates that its appeals workload will increase due to a growing number of majority price determinations and the expansion for oil valuation monitoring for all Indian leases, where sufficient data is available from the States.

Valuations and Allowance Regulatory Training

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Valuations and Allowance Regulatory Training	26	26	26

In FY 1992, VSD pursued a proactive payor outreach effort. This training provides industry and other affected parties with clear and uniform training on MMS product valuation and allowance regulatory requirements, including net profit share leases. This training improves industry's accuracy and timeliness of royalty payments and reporting. In addition to participating in 12 AFS payor outreach seminars, VSD also provided:

- payor training on oil and gas valuation regulations at 5 sites,
- payor training on transportation and processing regulations and form filing requirements at 4 sites, and

- solid minerals valuation training on 2 separate occasions.

Solid minerals payor training was also provided to BLM personnel at the BLM Phoenix Training Center and the Colorado BLM State Office. In FY 1992, training on net profit share lease regulations and reporting requirements was provided in New Orleans, Louisiana. In FY 1993 and FY 1994, VSD will continue with an aggressive payor outreach effort similar to that provided in FY 1992.

Majority Pricing for Indian Royalties

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Majority Pricing	175	250	250

In valuing gas produced from Indian lands, value must be determined with consideration given to the highest price paid for a majority of like-quality production in the field or area. Various laws, court decisions, and oversight reviews reiterate the requirement for major portion consideration and the Secretary's trust responsibility to Indians for its enforcement. To comply with this mandate, VSD completed the development and testing of an automated microcomputer application for majority price value verification. In FY 1992, majority prices were calculated for Anadarko (Oklahoma) area leases, as required by the Kauley settlement agreement, and 175 issue letters were sent to Anadarko area lessees.

To perform majority price value verification for the Anadarko leases, VSD staff obtains value data for Anadarko area leases from the Oklahoma Tax Commission. Majority prices are then calculated by the automated system and compared to prices reported by lessees on Form MMS-2014. In situations where lessee reported prices are below the majority price, RMP sends a preliminary determination letter to the payor. Based upon the payor's response, VSD researches and either modifies its determination or issues an order to pay additional royalties.

In FY 1993, majority price value verification will be expanded to include Shii Shi Keyah Allottee Association, Southern Ute Indian Tribe, Navajo Nation, and other Indian leases where practicable; that is where sufficient data is available to perform majority pricing using a method agreed upon by the Indian Tribal and allottee group. Because of this increased level of effort, VSD expects majority pricing issue letters to increase to about 250 per year in FY's 1993 and 1994. To assist in handling a portion of this additional workload, two auditors were temporarily detailed to VSD on January 25, 1993, for approximately 3 months.

Regulatory Compliance and Monitoring

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Regulatory Compliance and Monitoring	37	125	175

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

In FY 1992, VSD developed and tested automated systems to monitor reported oil and gas product values using data from Anadarko area Indian leases. The systems are now operating on a microcomputer. While the prototype software isn't fully refined, its automated nature is allowing VSD to expand oil and gas valuation monitoring beyond the Anadarko basin. As can be seen in the workload table, implementation of this software is greatly expanding VSD's ability to investigate oil and gas valuation issues in FY 1993.

In FY 1994, RMP will conduct a thorough analysis of the prototype software to improve its operating efficiency. The valuation monitoring systems may then remain on a microcomputer or be converted to the mainframe. In either case, the improved software will enable VSD to increase its efficiency of operation, allowing it to investigate more valuation issues in FY 1994.

The RMP is uncertain at this point if the systems will identify significant levels of royalty underpayment. If underpayments are found, the lessees will be billed and the royalties distributed to Indian lessors.

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

In FY 1993 and FY 1994, VSD will continue to perform a variety of oversight/monitoring duties involving offshore net profit share leases.

Product Value Regulations and Guidelines

Ongoing Workloads

	1992 Actual	1993 Estimated	1994 Estimated
Product Value Regulations and Guidelines	25	25	25

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

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

Due to the litigation of MMS's revised oil and gas valuation regulations and other objections from industry, the Department of Interior has reconsidered several critical product valuation issues by means of rulemaking.

- A proposed rulemaking concerning the valuation benchmarks that apply to gas not sold under an arm's-length contract was published for comment on December 12, 1991.
- On June 1, 1992, an advanced notice of proposed rulemaking was published regarding the valuation of gas produced from Federally-approved unitization and communitization agreements. This rulemaking will address difficulties arising from the requirement imposed by the 1988 rules.
- Final rulemaking on valuation benchmarks and proposed rulemaking on unitization and communitization agreements were expected by the end of FY 1992. However, because of the former Administration's moratorium on promulgating new regulations, these rulemakings will be deferred to later in 1993.

In its recent report on RMP, the House Interior and Insular Affairs Committee was critical of RMP for not issuing timely guidance to industry regarding valuation. The Committee recommended that RMP publish oil, gas, and solid mineral valuation and allowance payor handbook chapters as soon as possible. Accordingly, final coal product valuation and allowance guidelines were published December 15, 1992. Draft oil and gas product valuation and allowance guidelines were developed in FY 1992; final guidelines will be incorporated as 10 separate chapters in the MMS Payor Handbook in 1993. In FY 1993, VSD will also develop and publish final geothermal payor handbook chapters.

Division Of Verification

The Division conducts verification and exception processing activities such as:

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

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

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

The Division also participates in various payor and operator outreach programs. These outreach programs are provided as a service to industry to educate and update them on current and changing RMP policies and procedures. The programs provide a benefit to RMP by clearing up questionable issues, resulting in better reporting and compliance. The Division participates in sessions on payor training, operator training, and allowances. During FY 1992, payor training efforts included conducting eight sessions for 260 royalty paying companies. There are plans to continue this program in FY 1993 and FY 1994.

Financial Compliance - Prebill Verification

Ongoing Workloads

Financial Compliance - Prebill Verification	1992 Actual	1993 Estimated	1994 Estimated
Late Payment/Insufficient Prebills Verified	5,267	5,100	4,500
Lease Financial Terms Prebills Verified	1,487	4,800	3,850

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

- **Interest Assessments** - Interest assessments for solid mineral leases have not been issued since October 1991. There is currently a backlog of 600 late payment prebills and a total of 5,100 prebills to be verified in FY 1993. This backlog was caused by diverting staff resources to BSPI design, testing, and implementation, and will be eliminated by the end of FY 1993 by contractor personnel.
- **Lease Financial Terms Exception Processing** - Lease financial terms exception processing, which began in May 1992 as a BSPI initiative, identifies leases that have either not been paid or are underpaid for rentals, advance rentals, deferred bonuses, advance royalty, and minimum royalty. The software programs for this activity are very thorough, and the first time they were run against the lease data base, significant data base cleanup and reconciliation actions were required. This time-consuming function creates interaction with industry and RMP's Data Management Division to ascertain the correct parties to bill, thereby delaying the determination of who should be billed. As a result, there is a backlog of 950 prebills for a total of 4,800 prebills to be verified in FY 1993. The FY 1993 increase represents the backlog of 950 prebills plus the prebills for an entire 12-month cycle. Federal staff will eliminate the backlog by September 1993. The FY 1993 workload is higher than in FY 1992 because the module was not implemented until May 1992, and also due to clearing the backlog.

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

Financial Compliance - Monitoring Activities

Ongoing Workloads

Financial Compliance - Monitoring Activities	1992 Actual	1993 Estimated	1994 Estimated
Indian Recoupment Monitoring Exceptions Verified	294	2,640	3,000
Adjustment Monitoring Exceptions Verified	3,000	60,000	160,000

Royalty Rate Monitoring Exceptions Verified	27,300	30,000	27,000
Severance Tax Monitoring Assessments	20	20	20

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

- **Indian Recoupment Monitoring** - Recoupments taken to recover overpayments on Indian leases are limited to 100 percent of the current month's revenues for Tribal leases, and 50 percent of current month's revenues for allotted leases. The system reviews all Indian negative lines, compares them with the appropriate limit, and generates exceptions for lines which exceed the recoupment limits. Payors are requested to explain exceptions and are billed when recoupments taken are inappropriate. The output for FY 1993 increases because this module was implemented in late FY 1992 and did not become fully operational until FY 1993.
- **Adjustment Monitoring** - Adjustments to previously reported lines generally require a 2- line entry. The first line reverses the incorrect data as it was most recently reported; the second line reports the corrected data. The system compares the reversing lines with the most recently reported lines and marks the original if an exact match is found to prevent additional adjustments, or prints possible matches to an exception report for further research. Payors are requested to explain the exceptions. When no original line is found, a billable exception is created. The large increase in exceptions is occurring because the software looks only at adjustments from the sales month of February 1992 forward. Consequently, as the module is run over time, it has a longer period in which to search for adjustments.
- **Royalty Rate Monitoring** - The system module calculates the implied royalty rate by dividing the royalty value by the sales value and then compares the quotient or result to lease master files. Payors are requested to explain exceptions and are billed when royalty rates are inappropriate. This workload is expected to increase in FY 1993 because of increased exceptions associated with stripper well royalty rate reductions. Royalty rate exceptions should return to the FY 1992 level during FY 1994.
- **Severance Tax Monitoring** - Tax credits are claimed by payors by filing negative lines to the AFS. Tax credits taken by payors are appropriate in only certain instances, however. When such credits are detected, the payors are requested to explain exceptions and are billed when severance tax deductions are inappropriate. The workload in this area is stable and is expected to remain so.
- **6-Year Statute of Limitation Monitoring** - This module identifies instances when payors make adjustments to sales months that are over six years old. There is currently no effort being expended to monitor the 6-year adjustment exceptions because there is no regulatory determination clarifying the statute of limitation mandate.

In addition, implementation of the Action Plan for Royalty Compliance could result in enforcement initiatives which may increase the exception processing workload, and possibly add new functions.

Financial Compliance - Outer Continental Shelf Production

Ongoing Workloads

Financial Compliance - OCS	1992 Actual	1993 Estimated	1994 Estimated
OCS Refund Request Processed	2,883	3,100	3,100
OCS Recoupment Monitoring Exceptions Verified	25,000	35,000	35,000

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

The OCS recoupment monitoring function manually compares recoupments taken to the refund authorizations. When it is determined that a recoupment is taken without prior approval, the payor is requested to explain exceptions and is billed when recoupments are inappropriate. The increased compliance actions, as a result of initiating the monitoring function in FY 1992, resulted in a corresponding increase in refunds requested in FY 1993 and is expected to remain at that level for FY 1994. During FY 1993 and FY 1994, the increased exceptions verified are based on a 12 month period. During FY 1992, the exceptions verification routine for OCS recoupment monitoring was implemented. Therefore, figures for FY 1992 are for partial year.

Production Verification

Ongoing Workloads

Production Verification	1992 Actual	1993 Estimated	1994 Estimated
Exception Resolution AFS/PAAS Comparison Exceptions Researched	33,300	23,000	23,000
Stripper Well Rate Reduction Properties Verified Exceptions	— —	5,000 2,500	5,000 2,500
Production Verification Support Liquid & Gas Verification Support Referrals from BLM/RMP	750 1,100	1,000 50	1,500 50

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

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

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

Exception Resolution - The RMP receives, processes, edits, and corrects production reports from lease operators prior to performing the AFS/PAAS comparisons. Comparisons of AFS and PAAS data are made on a monthly basis and exceptions representing differences between sales and production data are examined and reconciled. The RMP then contacts payors and operators to ensure reports are corrected and any additional royalties are paid.

In FY 1992 intensive effort was devoted to meeting the Miller Committee recommendation of eliminating the previously unworked AFS/PAAS volume exceptions. The backlog was eliminated in November 1992. The reduced workload in FY 1993 is the result of a return to a steady-state level of effort.

It should be noted that in FY 1992, RMP researched 33,300 exceptions while 122,000 exceptions were actually identified.

- Because RMP staff is limited and it would not be cost-effective to research all exceptions, only those with the greatest potential for revenue generation are researched.
- Additional staff devoted to this function would then examine the next group of exceptions, which would have a lower potential for revenue generation. The addition of 16 FTE would generate a return of approximately 5:1.

Using this approach, the benefit-cost ratio for FY 1992 was about 17:1. On the other hand, any reduction in FTE would require a decrease in the number of exceptions generated by the system to avoid the development of an exceptions backlog. An alternative would be to allow a backlog to build, in hopes that at a later date additional FTE or funding would be made available to resolve it. Actions taken on any such backlog would be limited by the appropriate statute of limitations.

Stripper Well Rate Reduction - BLM regulations reducing the royalty rate on stripper oil well properties became effective September 1992 and are causing a significant workload increase in FY 1993. A stripper well property is defined as a lease or a portion thereof, a communitization agreement, or a participating area of a unit agreement operated by the same operator, that produces an average of less than 15 barrels of oil per well per day. It is estimated that RMP will need to research and validate production volume on 5,000 properties in FY's 1993 and 1994 to confirm well status. Experience in dealing with the verification process indicates that approximately 50 percent of the properties reviewed result in an exception. It is therefore expected that records from as many as 2,500 of the properties will need further research through contact with the operator or through requesting additional data from BLM. In addition, disputed production volumes requiring referral to BLM for resolution are estimated to average 500 per year.

Production Verification Support - The Liquid Verification System (LVS) and the Gas Verification System (GVS) track production volumes from the point of production to the point of sale and compare these volumes to the volumes reported to RMP. The increase in production verification efforts in FY 1993 is based on increased LVS efforts and in FY 1994 on the planned implementation of the Gas Verification System. Although these are OCS systems, RMP is increasing its efforts to verify the production information reported to PAAS.

Referrals from BLM/RMP - During FY 1992, RMP made a concerted effort to research all current and previously unworked referrals from the Office of Indian Royalty Assistance (OIRA). Three staff were assigned to this function. In FY 1993, OIRA was tasked with researching its own identified cases of potential

underreporting. To support this workload shift, two staff were reassigned to OIRA, and the referrals workload in the Division of Verification was decreased accordingly. The workloads in FY 1993 and FY 1994 are based on the anticipated BLM/RMP referrals to be researched. There currently are no staff permanently dedicated to this function. The research efforts, when required, are utilized from the other exception resolution functions.

Valuation, Allowance and Other Compliance Activities

Ongoing Workloads

Valuation, Allowance and Other Compliance	1992 Actual	1993 Estimated	1994 Estimated
AATS Error Correction	12,000	12,000	12,000
AATS Prebill Verification	1,400	1,400	1,400
AATS Exception Processing	—	—	unable to estimate at this time

Allowance Monitoring - The 1988 regulations specify that all transportation and processing allowances claimed by Federal and Indian payors are subject to monitoring and review. To provide for this requirement the RMP developed and implemented the Automated Allowance Tracking System (AATS).

This system will be supplemented by an allowance exception processing module that will be implemented in late FY 1993 or early FY 1994. The performance of automated allowance tracking and monitoring is intended to detect allowances that may not be proper under the requirements of the regulations. Additional revenues will be generated in those situations where unauthorized allowances are found.

Allowance Error Correction - RMP performs error correction on transportation and processing allowance forms that contain errors submitted by the payors. Since the number of allowance forms submitted from year to year has not been impacted by either policy or programmatic changes, the volume of form errors remains at 12,000 from year to year.

Prebill Verification - RMP performs prebill verification on allowance payback and interest bills prior to sending the bills to the payors. Since billing was first initiated in FY 1992, and no new policy or programmatic changes are expected to impact the volume of prebills, RMP anticipates that prebill verification will remain at 1,400 per year.

Allowance Exception Processing - The allowance exception processing module, when completed in late FY 1993 or early FY 1994, will enhance AATS monitoring capabilities. The module will compare allowances reported on Form MMS-2014 with allowances reported on transportation and processing allowance forms. Discrepancies will be monitored and reviewed and, if necessary, payors will be notified if they are not in compliance with the regulations. Also, in situations where a payor reports a transportation allowance in excess of the regulatory 50 percent limitation without authorization or reports a processing allowance in excess of the regulatory limitation of two-thirds without authorization, an exception will be generated. RMP personnel will investigate the exception to determine if the lessee is actually out of compliance with the existing allowance regulations.

Field/Area Allowance Comparison - In concert with the allowance exception processing module, RMP will develop an automated field/area allowance comparison system in late FY 1993 or early FY 1994. When operational, this system will provide RMP with the ability to compare allowances reported by a payor with other allowances being reported by other payors within the same field or area. Specifically, allowances

reported on Form MMS-2014 will be checked to determine if a payor is reporting exceptionally high allowances when compared with other allowances in the same field or area. Allowance values outside a normal range will be considered exceptions and subject to review.

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

Appeals

Ongoing Workloads

Appeals	1992 Actual	1993 Estimated	1994 Estimated
Financial Compliance	40	180	180
Production Compliance	24	100	100
Valuation, Allowance and other compliance (AATS only, does not include new initiatives)	140	140	140

The appeals function is an administrative review of MMS decisions whereby an appellant files an appeal with the officer who issued a final order to pay or perform an action. When the Division of Verification (DOV) receives an appeal of an action it has taken, DOV staff log it into a tracking system and the appeal is assigned to DOV staff for processing. After researching and analyzing the appellant's statement of reasons, DOV staff prepare a field report stating the appellant's position, MMS's position, and the conclusions and recommendations.

Prior to the reorganization, DOV's appeal function was performed in three RMP Divisions, involving four Branches, each with its own processing system. Then, early in FY 1993, the DOV created an appeals study group to review the Division's appeal procedures. This group will make recommendations to achieve a centralized DOV appeal logging and tracking system and to standardize the varied processing procedures. In addition, the Deputy Assistant Secretary - Land and Minerals Management and the Director, MMS, created an MMS Review of the Appeals Process Task Force in FY 1992 to review and analyze the current appeal process and develop improvements. Actions taken as a result of their recommendations could impact DOV appeals processing and workloads.

Streamlining Change - Executive Order 12837

	1993 Enacted	1994 Request	Change
\$(000)	36	7	-29
FTE	—	—	—

Impacted workload summary

	1992	1993	1994 Base	1994 Request
Payor/Operator Training Session	8	15	15	2
Allowance Training Sessions	8	8	8	2

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

During FY 1992, 8 training sessions for payor and operator training and 8 sessions for allowance training were held to update payors concerning reporting requirements. Industry participation in these activities is expected to increase with RMP's emphasis on targeting companies with high error rates for training.

In FY 1993, a concerted error correction and workload analysis effort will continue to encourage and help companies reduce their error rates. As in the past, training seminars will be held and this effort will be supplemented with training targeted to individual companies that have high error rates. RMP will establish a positive incentive award program for operators to include RMP letters of recognition for improved timeliness or accuracy.

In FY 1994, industry training programs will be modified based on company reporting practices and the results of training conducted in FY 1993. Efforts will be directed at improved incentives for timely and accurate reporting by expanding RMP's recognition of quality reporters. Although companies continue to experience high turnover rates resulting in increased need for training, the planned incentive efforts, coupled with proposed assessments, should encourage companies to ensure their reporting is accurate and thus decrease the need for RMP supplied training.

Programmatic Transfer Change

	1993 Enacted	1994 Request	Change
\$(000)	0	510	510
FTE	—	-	-

Impacted Workloads are Distributed Throughout

A transfer of \$510,000 and no FTE is proposed for compliance activities such as product valuation, allowance tracking, exception processing, and other efforts to ensure the proper and timely payment of Indian, State, and Federal royalties. This is a permanent transfer of the proposed FY 1993 reprogramming with slight adjustments for savings associated with one-time purchases and initial data entry requirements.

Justification of Program Change

	1993 Enacted	1994 Request	Change
\$(000)	0	320	320
FTE	—	5	5

Increased Workloads are Distributed Throughout

- An increase of \$320,000 and 5 FTE for a programmatic change is proposed for FY 1994.
- The Bureau of Land Management administers the granting of claims and patents and collects all associated monies from patents. There are approximately 1 million claims recorded by the BLM. They are maintained at multiple State BLM offices. An amendment to the General Mining Law is expected

to establish royalties on locatable hardrock minerals. The Department would be responsible for the timely collection of, accounting for, and disbursement of these royalties.

- The Compliance staff will write regulations to implement the amendment and will participate in the development and presentation of payor training. This includes establishing valuation methodologies and reporter/payor responsibilities.
- Collection by RMP of hard mineral royalties will not occur for 6 months to 1 year after funding is received. This time will allow for development of the minimum capabilities required for the initial creation of a claims data base and software development, which will give RMP the ability to accept and distribute payments.

Audit

Justification of Program and Performance Subactivity Funding Summary *thousands of dollars*

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)	20,189	-74	590	20,705	516
FTE	245	-9	—	236	-9

Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on Administrative expenses. Further discussion of these changes may be found on pages MMS 8-12.

Objectives

- To ensure that those who report and pay to RMP are in compliance with statutes and regulations governing royalty payments and that revenue due from mineral production on Federal and Indian lands has been properly reported and paid.

Audit Overview

	1992	1993	1994
Residency Company Audits	Audits for 11 residency companies for the 1980-1983 period were completed in March 1990. The audits at the residency companies for the period 1984-1989 were completed in September 1992.	Begin audits at 11 residency companies for the period 10/01/89 through 09/30/92. These audits will be completed in September 1995.	Continue on-going residency audits for the period 10/1/89 through 09/30/92.
Major Payor Company Audits	From the Contemporaneous Audit Initiative, 40 major payor company audits were completed.	Continue work on the beginning inventory of 8 audits-in-process. Thirteen major payor company audits will be initiated in FY 1993. Eight will be completed in FY 1993.	Continue work on the beginning inventory of audits-in-process. Additional major payor company audits will be initiated.
State and Indian Audit Program	Funding for the 202/205 program was \$3.8M, including authority to fund 100 percent of eligible costs of Indian audit agreements. Appropriation Act authorized making solid mineral and geothermal leases available to States and Tribes.	Funding was increased by \$1.0M by the FY 1993 Appropriations Act and by \$0.3M from RMP. Total funding for FY 1993 is \$5.1M. This will allow contract participation by new States and Tribes.	RMP proposes to transfer \$0.590 million from Operations and redirect \$0.1 million from within Audit to the 202/205 permanent base of \$4.8 million establishing a new base of \$5.5 million for the program in FY 1994.
Other Payor Company Audits	Approximately 45 other payor audits were completed.	Continue work on the beginning inventory of 13 audits-in-process. States and Tribes will initiate 20, to total 33 other payors. RMP will begin 52 random payor audits and complete 45.	Continue work on audits-in-process. Initiate new audits.
Other Audits	46 lease audits were completed.	Twelve non-company audits are scheduled with 3 to be completed in FY 1993. Also, 33 lease random audits are scheduled.	Continue work on audits-in-process. Initiate new audits.

The RMP will have completed upgrades to the Royalty Audit Tracking System software in early 1993. Included in the upgrade is a sub-system that automates the audit targeting selection process. This system will be used to help develop the audit schedule for FY 1994. The audit schedule encompasses carry-over audits and new audit initiations.

1993 and 1994 Ongoing Workloads

The Audit Program is responsible for:

- the development, direction, and conduct of a comprehensive compliance audit program for royalty management activities; and
- providing technical assistance to payors.

These responsibilities include recommending audit and related program policy as well as managing policy implementation. They are carried out through four Area Audit Offices (Dallas and Houston, TX; Tulsa, OK; and Lakewood, CO) and a State and Indian Program Audit Office (Lakewood, CO).

The function of the Audit Program is to conduct audits by utilizing Federal resources and resources from States and Tribes participating in the cooperative and delegated audit program. This audit function is based on the Audit Strategy and is guided by the annual update/formulation of the 5-Year Audit Work Plan. The current FY 1993 Audit Work Plan integrates analysis of royalty data for the FY 1988 - FY 1992 period, audit resources available, and areas and issues requiring audit. The FY 1994 plan will cover FY 1989 - FY 1993.

The following table shows how much has been collected, in millions of dollars, through the Contemporaneous Audit Initiative.

Entity	Collections FY 1989-FY 1992
Onshore	186.4
Offshore	156.3
Indians	18.9
Total	361.6

Total includes \$30 million collected by State and Tribal auditors.

Following completion of the Contemporaneous Audit Initiative in September 1992, the audit strategy was enhanced to include additional areas and issues requiring audit. These areas and issues were identified through past audits completed by the Royalty Compliance Division, by States and Tribes participating in the cooperative audit program, by the RMP Compliance Action Plan, by the Inspector General and by the General Accounting Office.

The audit function is grouped into four main workload categories:

- Major Payor Company Audit (this category includes residency company audits)
- Other Payor Company Audit (this category includes random payor company audits)
- Other Audit (this category includes random lease audits)
- State and Indian Audit Agreements

Other audit related activities such as referrals, OIG support, litigation/appeals/FOIA, and various special projects are activities that are a result of audit. Because these related activities are subordinate to the four audit workload categories they are not detailed in this document.

Major Payor Company Audits *Ongoing Workloads*

Major Payor Company Audits	1992 Actual	1993 Estimated	1994 Estimated
Residency Audits	11 completed	Audits were begun at the 11 residencies for the 88-92 period	Continue with audit of 88-92 period
Major Payor Audits	40 completed	Continue with 8 carryover audits from FY 1992, begin 13 new audits, and complete 8 of these	Continue carryover audits. Initiate additional audits

The 5-Year Audit Work Plan will provide audit coverage of over 80 percent of royalties paid during the FY 1988 - FY 1992 period. Of this total audit coverage, over 80 percent is reached through the Major Payor Company Audit category which includes the 11 residency companies. In prior years, the revenue coverage goal for major payor companies was 90 percent of audited royalties. However, dropping the major payor revenue coverage level to 80 percent should not be viewed as a reduction in coverage because the addition of the new work areas will result in total coverage comparable to prior years. The new initiatives and other special efforts discussed below will provide information and experience to assess whether these coverage levels are being attained.

While major payor company audits provide coverage for the largest share of royalties, RMP seeks to achieve diversified audit coverage and meet the needs of differing customers. This is now being accomplished through new and enhanced work areas designed and added in FY 1993 as discussed in the following section.

Other Payor Company Audits *Ongoing Workloads*

Random Payor and Other Payor Company Audits	1992 Actual	1993 Estimated	1994 Estimated
Random Payor Company Audits	N/A	52 to be initiated	Continue with carryover, begin new audits
Other Payor Company Audits	45	13 carried over from 1992, 20 to be initiated	Continue working on carryover, begin new audits.

Companies designated as "random payors" and "other payors" are companies whose total royalty payments do not total enough to qualify for major payor status.

Random Selection - Company audits targeted via a random selection process is a new work area for FY 1993. This addition to the Audit Strategy addresses concerns of the Inspector General and the General Accounting Office that not all companies are subject to audit. This work area also meets specific audit objectives contained in the Compliance Action Plan.

Other Payor company audits - Other payor company audits have been greatly expanded for FY 1993. Other payor companies are companies of special interest to States and Tribes (typically those companies paying high royalties to the applicable States and Tribes) and possibly to RMP, but are separate from those in the major payor group and the randomly selected group. Audits of these companies will further increase total royalty audit coverage under the new strategy.

Thirteen other payor company audits were carried over into FY 1993. States and Tribes added 20 companies for a total of 33 audits of other payors in FY 1993. These companies paid a total of over \$253 million on over 2,400 leases.

Other Audits Ongoing Workloads

Other Audits	1992 Actual	1993 Estimated	1994 Estimated
Random Lease Audits	46	Initiate and complete 33 new audits.	Initiate new audits
Non-Company Audits		Two gas plants and one unit have been selected to date. Up to 10 more will be identified in early 1993	Continue work on audit-in-process. Initiate new audits.

Random Lease Audits - The concerns of the IG and GAO regarding random selection of company audits also apply to lease audits, which is an audit objective contained in the Compliance Action Plan. The audit program has included a sample of the universe of over 36,000 leases to be audited. All activities of the selected leases will be audited. The refined sample of 33 leases accounts for over \$16.6 million in royalties. Any lease associated with a planned or ongoing company audit will become a sample lease for the company audit. These random lease audits will be completed in FY 1993.

Non-Company Audits - Another major new area is the startup of pilot studies to examine new audit approaches for non-company audits. The pilot studies will address:

- offshore transportation systems,
- onshore and offshore gas processing plants,
- audits of major properties (units and leases), and
- possibly major production fields and specialized coverage for Indian reservations.

The studies will involve the comprehensive analysis of all aspects of audit including enhanced royalty coverage, increased utilization of resources, and streamlining audit procedures. The advantages and efficiencies of combining multiple companies into a single comprehensive issue based audit can also be determined.

Other audit activities In addition to those items in the above workload table, are referrals from RMP systems exceptions, non-scheduled company audits, refund requests, administrative issues, and special projects. The most critical example of these activities is the accomplishment of the audit and associated enforcement actions for gas contract settlements (buy-outs and buy-downs). This area is of utmost importance due to the potential limitation of the 6-year billing status, the potential revenues involved, and the continuing oversight and attention by the Department's Office of Inspector General.

The various pilot projects and random lease audits will be assessed to determine whether the planned audit coverage can be realized and whether additional contributions toward accomplishment of RMP Strategic Plan goals of more timely and accurate first-time reporting of royalties can be identified and implemented. Equally important will be identification of new methodologies and approaches to expand audit coverage and improve customer (recipient) service with existing resources.

Another major facet of the RMP Strategic Plan is to maintain our high level of audit coverage on a contemporaneous basis — that is, within the six-year record keeping requirements of applicable law. This goal was finally achieved in FY 1992 and must be maintained consistently in the longer term.

State and Indian Audit Agreements

States and Indians participating in FOGSMA Sections 202 and 205 audit program conduct audit activities in accordance with the RMP Audit Procedures Manual and other valuation regulations and policy. They have responsibility for all phases of audit excluding issuance of enforcement documents.

Ongoing Workloads

State and Indian Audit Agreements	1992 Actual	1993 Estimated	1994 Estimated
Section 205 Delegated Audits	9	10	10
Section 202 Cooperative Audits	4	5	6
Unfunded Oil and Gas Audit Agreements	1	2	2

Participants in the Program - California, Colorado, Louisiana, Montana, North Dakota, Oklahoma, Texas, Utah, and Wyoming have 100 percent funded delegated audit agreements under the provisions of section 205 of FOGSMA. New Mexico is expected to enter into a 205 audit agreement the last quarter of FY 1993.

The Navajo, Northern Ute, Ute Mountain Ute, and the Southern Ute Tribes have 100 percent funded cooperative audit agreements under the provisions of section 202 of FOGSMA.

Three additional Tribes, the Cheyenne/Arapaho Tribes, the Blackfeet Tribe, and the Ft. Peck Indian Tribes, have also expressed interest in obtaining funded audit agreements. Of these three, the Blackfeet Tribe and the Ft. Peck Indian Tribes have new memorandums of understanding (unfunded joint audit agreements) to train and develop Tribal auditors. The RMP anticipates that these Tribes could be ready for funded agreements in FY 1994 or FY 1995.

The Jicarilla Apache Tribe currently has an unfunded agreement but has shown interest in obtaining funding. The timing for such an agreement is uncertain, however, and could be in FY 1993, FY 1994, or later.

Improving the Program - The RMP is initiating a number of pilot activities to improve the effectiveness and efficiency of the State and Tribal audit agreement program. A goal of redirecting RMP resources to more productive audit and service activities will be cooperatively assessed at least quarterly by RMP and the State and Tribal Royalty Audit Committee officer group. All parties have tentatively approved some initial steps that are designed to delegate more responsibility and accountability to STRAC participants, requiring far less oversight by RMP's audit organization.

Funding for State and Tribal Audit - The RMP annual base funding to States and Indian Tribes under sections 202 and 205 was increased in FY 1990 to \$3.2 million.

- In FY 1991, Congress increased this funding by \$0.6 million to increase the funding level for Indian cooperative audits from 50 to 100 percent and to add up to 4 Tribes to the funded cooperative audit program. This increase raised the base level to \$3.8 million.
- In the FY 1992 Appropriations Act, Congress authorized RMP to contract for non-oil and gas audits.
- In FY 1993, Congress appropriated an additional \$1 million for FOGDMA sections 202 and 205 agreements, bringing total base funding for the program to \$4.8 million.
- In FY 1993 RMP, pending Congressional approval, will institute a 1-year reprogramming of \$200,000 from the CPU upgrade monies (no longer required for the mainframe) and redirect another \$100,000 from within the Audit subactivity. As a result, total State and Tribal audit agreement funding for FY 1993 is \$5.1 million, made up of \$4.8 million in base funds and \$300,000 in reprogrammed and redirected funds.

Programmatic Transfer Change

	1993 Enacted	1994 Request	Change
\$(000)	4,800	5,490	590
FTE	—	—	—

In FY 1994, the RMP is proposing to permanently transfer \$590,000 from Operations to the State and Tribal Audit Program funding base of \$4.8 million. The FY 1994 request of \$5.490 million is composed of the \$4.8 million base, \$0.1 million to be redirected from within the Audit subactivity, and \$0.590 million proposed for transfer from the Operations subactivity. The \$0.1 million is currently available due to short-term cost savings in transportation and other areas.

The transfer of funds into the State and Indian Audit Program will permit the hiring of 9 to 10 additional auditors. This increase will offset the reduction of 9 Federal auditors per Executive Order 12839. This will result in no change in the level of audit activities performed and will respond to the States and Tribes request for their increased participation in the audit program.

Interest on Late Disbursements

Justification of Program and Performance Subactivity Funding Summary *thousands of dollars*

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)	—	—	—	—	—
FTE	—	—	—	—	—

The FOGFMA changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. For States, payments must be made by the last business day of the month in which receipts are warranted by the United States Treasury. In addition, FOGFMA provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to the "appropriate Indian account" at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Sections III (b) and (d) of the Act provide that interest computed at a rate applicable under Section 6621 of the Internal Revenue Code of 1954 is owed if the payment schedules listed above are not met.

However, receipts cannot be disbursed to State accounts until a proper determination can be made of the source of all incoming royalties. For example, a payor may send a payment to RMP, but also make a reporting error which prevents a royalty accounting line from processing through the system, resulting in an RMP interest liability. Thus, in this instance, RMP has the cash available, but cannot determine to whom the cash belongs until the error is corrected.

In contrast to money due the States, Indian lease revenues are deposited in the Treasury the same day they are received and transferred to the Bureau of Indian Affairs (BIA) as soon as practicable (normally within 2 working days). Therefore, no interest is accrued on Indian lease revenues.

RMP has undertaken several initiatives to reduce errors and keep interest owed on late disbursements to a minimum. These efforts have resulted in late disbursement interest payments being reduced from \$1.16 million in FY 1985 to \$154,000 in FY 1992. Late disbursement interest payments for FY 1993 are estimated at \$175,000. However, given the difficulty in determining the exact amount, during FY 1993 and FY 1994, RMP proposes to reprogram funds on an as-needed basis with an estimated requirement of \$175,000 but with no ceiling and dependent on the availability of funds.

Refunds on Behalf of Allottees

Justification of Program and Performance Subactivity Funding Summary *thousands of dollars*

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)	10	—	5	15	5
FTE	—	—	—	—	—

Programmatic Transfer Change

	1993 Enacted	1994 Request	Change
\$(000)	10	15	5
FTE	—	-	-

An increase of \$5,000 from a programmatic transfer is proposed for FY 1994.

RMP proposes to continue to pay refunds to companies on behalf of Indian allottees when recoupment of company overpayments from future allottee royalties is not feasible. In these cases, allottees are unable to refund overpayments to the companies because production is too low to generate sufficient royalties.

The need for these refunds arises from past policy that required a payor who appealed a bill to pay the bill, pending the outcome of the appeal. Additionally, the policy required RMP to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible so they could subsequently disburse the revenues to the individual Indian royalty owners. In cases where the payor's appeal was upheld and the allottee was not able to repay the company, recoupment was made against future royalty payments. However, in the instances where lease production was too low to generate sufficient royalties, the company would lose its overpayment.

To mitigate these situations, the BIA changed its policy in FY 1987 and the RMP implemented new procedures. These new procedures allow the companies to post bonds for the disputed amounts and to have RMP suspend the payment. Only after the appeal is settled would RMP distribute BIA's portion.

However, the need occasionally arises for settlements and refunds on pre-1987 bills.

- In FY 1990, RMP refunded approximately \$63,000 to Samedan Oil Corporation, Bow Valley Petroleum, and Mapco, Incorporated.
- In FY 1991, RMP refunded \$8,000 to Samedan Oil Corporation, Ram Asset Management, Arthur D. Weber, Pan Texas Petroleum Corporation, and Lyric Energy, Incorporated.
- In FY 1992, RMP refunded \$9,874 including a final payment of \$53 to Lyric Energy, Incorporated, and the remaining \$9,821 to Giant E & P Company for partial payment of a settlement.

- In FY 1993, RMP paid the \$9,298 balance of the settlement to Giant E & P Company. The remainder of the \$9,915 appropriated in FY 1993 (\$617) was used to partially fund any additional settlements.

Refunds on allottee leases are not highly predictable occurrences or typically known well in advance of requirements. Because most of the proposed budget of \$10,000 in FY 1993 is already targeted for a single company and the need for additional refunds may be identified in FY 1993 as well as FY 1994, the RMP proposes to transfer \$5,000 from the Operations subactivity in FY 1994 to increase funding for allottee refunds up to a total of, but not to exceed, \$15,000.

Rewards

Justification of Program and Performance Subactivity Funding Summary *thousands of dollars*

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
(\$000)			10	10	10
FTE					—

Programmatic Transfer Change

	1993 Enacted	1994 Request	Change
\$(000)	0	10	10
FTE	—	—	—

An increase of \$10,000 from a programmatic transfer is proposed for FY 1994.

The RMP is authorized by Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 to pay rewards 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.

The actual reward percentage is dependent upon the amount and usefulness of the information provided. Regulations to implement the reward program were published in the Federal Register in July 1987. 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 FOGPMA.

In FY 1992, an individual provided information which resulted in additional collections of over \$35,000 and met all qualifications for a reward payment. However, while RMP had the program authority to make a reward payment, it did not have the appropriation authority to make this payment. As a matter of fairness, RMP would like to reward this individual. In FY 1994, RMP proposes to fund the program out of base funds by transferring funds from the Operations subactivity on an as-needed basis, but not to exceed \$10,000. The RMP believes this is a worthwhile compliance activity.

GLOSSARY

Allottee - An individual Indian, enrolled as a member of a Federally recognized tribe, who owns an interest in lands and/or minerals whose title is held in trust by the United States government.

BIS (Business Information System) - A system which provides data delivery between RMP's operational databases and end users.

BSIP (Business Systems Improvement Plan) - A report published in August 1988 containing long-term systems strategy addressing continued contractor support, future application systems redesign, and computer hardware requirements.

BSPI (Business Systems Planning Implementation) - A multi-year effort to improve and consolidate RMP's automated financial systems.

EOP (Explanation Of Payment) - A series of reports mailed twice monthly to Indian Tribes and allottees, and monthly to States, addressing the source and nature of mineral revenue.

Strategic Plan - A plan which encompasses the recommendations and proposals of RMP and all its constituents.

Form MMS-2014 - Report of Sales and Royalty Remittance for oil and gas, and related products, submitted by lessees to the Minerals Management Service.

Form MMS-4014 - Report of Sales and Royalty Remittance for solid minerals, submitted by lessees to the Minerals Management Service.

Geothermal - Hot water or steam extracted from reservoirs in the earth's crust.

IITA (Initiative for Indian Tribes and Allottees) - An initiative developed by Minerals Management Service to improve royalty management services to the Indian community.

Lease Agreement - A legal document executed between a landowner, as lessor, and a company or individual, as lessee, that conveys the right to exploit the premises for minerals or other products.

Operator - The individual, partnership, or firm that has control or management of operations on a lease or portion thereof. The operator may be the lessee, designated agent of the lessee, or holder of rights acquired by an approved assignment of the operating rights.

Payor - A party designated as accepting payment responsibility or who accepts payment responsibility on a Minerals Management Service-issued lease.

Selling Arrangement - Identifies the disposition or marketing outlet of a product.

Solid Minerals - Generally coal, phosphate, sodium, potassium, sulphur, sand, and gravel. Others include, but are not limited to, gilsonite, hardrock minerals, and asphalt.

Stripper Well - A well nearing depletion that produces a very small amount of oil or gas.

Activity: General Administration

Activity Summary *thousands of dollars*

	1993 Enacted to date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
Executive Direction	3,611	22	0	3,633	22
Policy & Management Improvement	3,744	-61	0	3,683	-61
Administrative Operations	11,706	-87	415	12,034	328
General Support Services	15,078	247	0	15,325	247
Total	34,139	121	415	34,675	536

"Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-12."

For details on authorizing statutes refer to appendix at end of the Justification

Mission

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

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

Policy and Management Improvement. Policy and Management Improvement (PMI) was established during the reorganization of the Minerals Management Service early in fiscal year 1993. PMI was created through the consolidation of several functions within MMS in order to enhance their efficiency and make them more responsive to the needs and overall mission of the Bureau. The reorganization combined the former Office of Policy and Planning and the Appeals Division with the Bureau's management and strategic improvement functions. This restructuring consolidated Bureau-wide efforts in the following areas: facilitating policy review and development; adjudicating appeals; coordinating internal and external reviews and audits of MMS programs; and supporting the Bureau's strategic planning and management improvement efforts.

Effect of Reorganization

In the October 1992 reorganization of the Minerals Management Service a separate subactivity and Associate Directorate was established in order to elevate policy development, appeals resolution, and strategic and management improvement efforts. Descriptions of these functions are in the Policy and Management Improvement Subactivity.

Administrative Operations. The Minerals Management Service provides administrative support to its mission programs under the Administrative Operations subactivity. Organizationally, this support is provided by the Associate Director for Administration and Budget, as follows:

- All financial management activities, conducted under the direction of a Deputy Associate Director for Budget and Finance; and
- A broad range of administrative services, provided under the direction of a Deputy Associate Director for Administration. These services include records, space, and facilities management; the safety and health program; personnel, document, and physical security; and management analysis functions; human resources management; procurement, property, office services, and printing activities; and information resources management.

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

Executive Direction

Justification of Program and Performance Subactivity Funding Summary

	1993 Enacted to date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
\$(000) FTE	3,611	22	0	3,633	22

"Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 8-12."

Objectives

- 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, and the Office of the Deputy Associate Director for Budget and Finance.

The **Office of the Director**, which includes the Director, the Deputy Director and their immediate staff, is responsible for providing general policy guidance and management of the organization.

The **Office of Congressional and Legislative Affairs** serves as the primary point of contact between MMS and the Congress, providing information and assistance in response to inquiries by Members of Congress or congressional staff and committee personnel. Specifically, the Office evaluates, or coordinates the evaluation of, legislative proposals affecting MMS's responsibilities; maintains continuing communications regarding programs and policies, items of legislative action, statements of positions on matters under consideration by the Congress, legislative initiatives, preparation and coordination of testimony for witnesses; and coordinates arrangements for congressional authorizing committee hearings and meetings, and congressional activity that affects or may affect MMS.

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

The **Office of 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. In cooperation with Personnel 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 Finance (DAD/B&F) is responsible for the planning and effective utilization of budgetary and financial system resources in support of the varied operating and support programs. The DAD/B&F serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

- The **Budget Division** provides analysis, budget guidance, and recommendations regarding budget and program formulation and justification; assures proper funding and staffing allocation and budget execution in accordance with the law, congressional, departmental, and bureau program directives, goals, and objectives; develops, prepares, and maintains budget data; and provides analysis of financial and other resource use reports. The Division is also responsible for assisting in the presentation and explanation of budget submissions to the Department, the Office of Management and Budget (OMB), and the Congress.
- The **Financial Management Division (FMD)** is responsible for the administrative accounting operations of the Bureau. The FMD operates the administrative accounting system, audits and schedules bills for payments, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies. Financial Management Division is funded under the Administrative Operations Subactivity (found on page MMS-).

Policy and Management Improvement

- The Policy and Management Improvement Program is responsible for:
 - economic and programmatic policy analyses;
 - policy review;
 - integration of MMS policy within Departmental policies and priorities;
 - adjudication of Administrative Appeals and litigation support;
 - alternative dispute resolution;
 - management control systems operations;
 - quality improvement processes;
 - 2 and 5 year strategic planning reviews;
 - major strategic improvement initiatives; and

- transition from executive level policy decisions to functional implementation for strategic improvements.
- The Policy and Management Improvement Program conducts reviews to monitor the implementation of recommendations derived from internal reviews; GAO, IG, and congressional studies; and serves as the central point of contact and coordination for comments and actions resulting from their reports.
- The Policy and Management Improvement Program provides a review and assessment capability within MMS to ensure the proper application of sound procedures for the Royalty Management and Offshore programs; and for providing coordinated program, policy positions, and policy review for the Director.

Policy and Management Improvement

Justification of Program and Performance Subactivity Funding Summary

	1993 Enacted to date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
\$(000)	3,744	-61	0	3,683	-61
FTE	48	-3	0	45	-3

"Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-12."

Objectives

- The objectives of the Policy and Management Improvement Program are:
 - provide a focal point for policy development, review, and application, thereby ensuring comprehensiveness and consistency within the Bureau;
 - enable the Bureau to improve its effectiveness and efficiency through strategic planning, quality improvement, internal evaluations, and response to external suggestions; and
 - provide timely and appropriate resolutions of Administrative Appeals and disputes.

1993 and 1994 Ongoing Workloads

In FY 1994, PMI expects to be addressing some of the major program issues in MMS, offering suggestions to the Director for resolving the issues and suggesting ways to improve the overall effectiveness and efficiency of the Bureau. The following describes the major organizational functions within PMI and their workloads by program element.

Associate Director Policy and Management Improvement (AD/PMI)

The AD/PMI exercises executive oversight of the Deputy Associate Director for Policy, Planning and Appeals, and the Deputy Associate Director for Management Improvement. The office provides the Director, the Department and numerous external sources a single point of contact for resolution of issues with bureau-wide impacts affecting policy, appeals, management control reviews, and strategic and quality improvements. The AD/PMI was formally established in October 1992 and is headquartered in Washington D.C., with offices in Lakewood, Colorado and Herndon, Virginia.

Deputy Associate Director for Policy, Planning and Appeals (DAD/PPA)

The DAD/PPA is responsible for the review and analysis of a broad range of royalty and offshore matters at MMS. Staff provide policy analysis and apply expertise to special studies in support of proposed and existing activities. More specifically, the DAD/PPA assists the Royalty Management and the Offshore Minerals

Management Programs in developing, implementing, and then evaluating program initiatives, including the development and review of regulations. The group is responsible for ensuring that programmatic plans and policies are consistent with and integrated into the overall Bureau mission and responsibilities, as well as the Department and Administration policy framework. It assists in the review and adjudication of administrative appeals decisions, the majority of which result from the royalty program activities. Technical expertise and coordination in support of MMS settlement activities of royalty appeals and litigation with oil companies is provided.

In addition, the DAD/PPA advises the Office of Congressional and Legislative Affairs and the Royalty Management and Offshore Minerals Management Programs in development and evaluation of legislative proposals. The group is responsible for assisting the Budget Division in the review and analysis of proposed programmatic initiatives. It serves as the focal point for the Bureau for other Federal agencies, the private sector, and other groups on general energy and economic issues.

Any party adversely affected by a final order or decision issued by an officer of the Minerals Management Service (MMS) has a right under 30 CFR Part 290 (1992) to appeal to the MMS Director; or, if Indian land is involved, the appeal is filed with the Deputy Commissioner of Indian Affairs. The decisions on those appeals are prepared by the DAD/PPA Appeals and Litigation Support staff. About 99% of the appeals filed are challenges to orders issued by MMS's Royalty Management Program.

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Special Studies	—	10	10
Technical Assistance	—	16	16
Policy Reviews	—	100	100
Policy Coordination	—	25	25
Appeals Resolved	360	375	390

Special Studies

The special studies component involves major analytical efforts, usually long-term in nature, to examine technical issues relevant to the program, analyze policy implications, and provide recommendations to the Director. These efforts may encompass both program specific subjects and developments elsewhere that may have an impact on the programs. For example, staff are currently studying alternative approaches to natural gas product valuation and the comparative emissions of natural gas.

Technical Assistance

DAD/PPA staff provide technical assistance to the programs by participation on Bureau task forces or by directly supplementing staff of the office responsible for specific projects. Currently, DAD/PPA staff are serving on three task forces:

- Review of Alternative Leasing Policies;
- Examination of the applicability of current regulations as operators move into deeper waters in the OCS; and
- Review of the MMS administrative appeals process.

Staff are also participating as technical experts in some of this year's Management Control Reviews, settlement teams for disputes with oil companies, and teams drafting regulations.

Policy Reviews

The DAD/PPA reviews legislation, regulations, and other documents for their policy content. The group provides analysis of proposals from outside MMS that affect Bureau programs and reviews internally generated regulations and documents to ensure adherence to Bureau, Departmental, and Administration policy. In addition to reviewing specific documents, such as legislation, Congressional correspondence, and agreements, this component includes the preparation of issue summaries or briefings for senior management. The table entries reflect the number of occasions the DAD/PPA provides substantive input.

Policy Coordination

The DAD/PPA coordinates the efforts of different parts of MMS in developing Bureau policy on specific issues. The DAD/PPA plays both a substantive role in these efforts and coordinates input from the program offices in performing this task. Over the latter part of FY 1992 and in FY 1993, the DAD/PPA (and its predecessors) has coordinated the development of policy options and analyses on such items as:

- comprehensive energy legislation;
- interest calculations on royalty underpayments;
- settlement procedures;
- transportation allowances;
- coastal impact assistance;
- royalty rate reduction guidelines;
- lease cancellation and compensation;
- implementation of the Administration's regulatory reform efforts; and
- development of an MMS legislative, regulatory, and administrative initiatives package.

Appeals Resolved

There were more appeals closed in calendar year 1992 (360) than in any of the previous three years. However, more appeals were filed in calendar year 1992 (672) than in any previous year and, as a result, the docket of pending appeals at December 31, 1992, was over 1,100 cases. In comparison, at the end of 1989 there were fewer than 500 pending cases. In early FY 1993, MMS completed a task force study which recommended ways to expedite the appeals process. As these recommendations are implemented during the current year more appeal cases should be closed. The resolution of cases generally results in the collection of additional revenues for the States, Tribes, individual Indian allottees and the Federal government.

Deputy Associate Director for Management Improvement (AD/MI)

The office of DAD/MI consists of parts of the former Royalty Management Analysis and Offshore Analysis Divisions, plus additional staff devoted to strategic planning, and quality and management improvement.

The DAD/MI is responsible for preparing the MMS Director's Management Control Plan (MCP) and managing the Management Control Program; leading or participating in individual management control reviews; performing audit liaison, tracking, formal response, and follow-up functions for all external audits; performing program analyses; leading or performing special studies of critical or high profile issues; developing or assisting in the development of new programs, systems, or regulations; managing a conflict resolution and alternative dispute resolution program; and assisting in the resolution of internal and external conflicts.

The DAD/MI is responsible for coordinating the Bureauwide quality improvement initiative by supporting the MMS Quality Council's planning and leadership efforts; coordinating quality training; providing internal consulting services; and coordinating bureauwide quality improvement initiatives. In FY's 1993 and 1994, The DAD/MI will support the Council in developing and implementing a quality improvement plan that is integrated with strategic and operational plans and programs. The staff will also provide technical assistance in the form of training and consulting engagements for those MMS offices that are pursuing quality management and quality improvement initiatives. The staff serve as the clearing house for coordinating quality improvement information, resources, and expertise throughout MMS and in cooperative Departmental and government initiatives.

The DAD/MI staff will also continue to support quality award nominations and initiatives, such as Royalty Management's recent selection as a finalist for the 1993 Quality Improvement Prototype Award, given by the Federal Quality Institute. Royalty was also the recipient of the 1991 Award for Management Excellence, presented by the President's Council on Management Improvement.

The DAD/MI is responsible for coordinating the Bureau's strategic planning process and for providing a transition from executive level policy decisions to functional implementation. In addition to assisting in the development of 2 and 5 year strategic plans for MMS programs, DAD/MI staff analyze and research the merits of proposed operational modifications necessary to implement new or revised Program objectives and policies. Program Offices have a primary responsibility to continue operations on current requirements; the DAD/MI assists those offices in making a transition to new or increased responsibilities through analysis of the impacts of proposed changes, research of potential automated techniques and investigation of workload efficiencies.

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Prepare & Manage Management Control Plan	1	1	1
Participate in Management Control Reviews	27	34	33
Audit Liaison	54	54	56
Program Analysis	35	30	40
Conflict Resolution	2	2	4
Compliance Action Plan Steps Completed	49	27	13
Strategic Plans Developed	0	2	2
Tactical Plan Steps Completed	0	23	37

Prepare and Manage Management Control Plan

In coordination with the programs and the Management Control Council, the DAD/MI annually prepares the Director's new 5 year MCP. Each year, as the Management Control reviews are completed, DAD/MI manages the scheduling, performing and reporting of the reviews and the results and subsequently tracks the implementation of the review recommendations.

Participate in Management Control Reviews

The DAD/MI, in cooperation with the Programs, will lead or assist each team in performing each management control review. However, because staff shortages may preclude active participation in every review, DAD/MI will at least monitor each review. Participation will include ensuring that each review is planned, conducted, documented, and reported in accordance with MMS and Departmental procedures and in compliance with the Federal Manager's Financial Integrity Act. DAD/MI also monitors systems controls, including the fiscal integrity of royalty, offshore, and management accounting systems, as well as the environmental and fiscal integrity of the offshore leasing and inspection systems.

Audit Liaison and Tracking

During FY 1993, DAD/MI will process approximately 12 new Inspector General (OIG) or General Accounting Office audits. It will also continue follow-up work with 42 other ongoing or previously completed audits. This includes tracking the MMS implementation of audit findings and recommendations, determining the effectiveness of the corrective actions, and recommending appropriate actions as required. Tracking also includes the resolution, with the Department and the OIG, of recommendations that were not accepted by program management and MMS.

DAD/MI staff are currently working with the Office of the Inspector General and the Department, to create a prototype electronic audit database that will allow access by all authorized users. The prototype will permit the elimination of redundant databases while expediting the flow and improving the accuracy of audit information.

Program Analyses

The DAD/MI staff conduct, lead, or assist in a variety of program analyses of many of the controversial, complex issues facing MMS. In previous years, DAD/MI staff led the *Mineral Royalty Transfer Study* and led the effort to develop and prepare the *Report of the Task Force on Royalty Compliance* and participated in developing the *Action Plan for Royalty Compliance*. DAD/MI staff also develop or assist in developing new programs or regulations, especially when program responsibility is fragmented or unclear. For example, DAD/MI staff developed an automated document search and retrieval system for MMS Director's appeals decisions. This system now permits more thorough research with significant reductions in time and effort than was previously available and is readily available to all MMS employees. DAD/MI staff also worked with the Royalty program and the Solicitor's office to clarify and document credit adjustment rules and procedures.

Conflict Resolution

Many times disputes require the assistance of a third party to help the interested parties move toward and achieve a resolution. On several occasions, DAD/MI staff have assisted in resolving disputes ranging from internal conflicts with MMS employees and groups of employees to formal disputes with outside organizations. For example, DAD/MI's participation in the negotiation of a settlement to a lawsuit by a large group of Indian allottees resulted in vastly improved services in the areas of product valuation, audit, and problem resolution. The settlement included the opening of two new MMS offices in locations populated by large numbers of allottees. DAD/MI is currently participating in the negotiation of a settlement agreement with another group of allottees. DAD/MI is also working with the MMS operating groups to establish a Bureau alternative dispute and conflict resolution program.

Compliance Action Plan Steps Completed

The DAD/MI has overall management responsibility for the Compliance Action Plan (CAP), which is a three year effort to implement the recommendations of the joint ASLM/MMS Task Force on Royalty Compliance.

The Task Force recommended a range of improvements targeted at encouraging voluntary compliance by companies through clarification of policies and requirements and more aggressive enforcement. The Task Force also sought to integrate audit with other compliance activities and expand automated systems use in the royalty verification process. The plan is being aggressively implemented. The workload indicators reflected in the table above are indicative of the fact that by the end of FY 1993, the short-term implementation steps will be completed and the intermediate-term steps will be underway. By the end of FY 1994, the intermediate steps will be completed and the long term steps will be nearing completion. The matrix of CAP steps completed is fully consistent with the nature of the steps. Short, intermediate and long term steps are to be accomplished within one, two, and three years respectively, and this achievement rate is reflected in the workload table.

The DAD/MI has facilitated the completion or affected the completion of those steps through a variety of methods including establishing and leading *ad hoc* work groups, carrying out specific tasks identified in the plan, arranging for discussion sessions and negotiations to coordinate plan implementation, and establishing a management process to guide the plan through its completion.

Major Action Plan efforts include:

- Improving the appeals and policy decision-making process;
- Broadening the scope of assessments and penalties to increase enforcement;
- Integrating system identified discrepancies with audit efforts;
- Investigating the use of scientific statistical sampling in audits, identifying and developing appropriate regulatory revisions to increase company compliance;
- Assisting in development of compliance and verification system improvements; and
- Establishing a small Pilot Program to expand the research and resolution of discrepancies associated with a sample of leases to include volume, royalty rate, and value.

Strategic Plans Developed

The DAD/MI develops and administers a program of 2 year planning reviews of 5-year strategic plans for MMS functions and closely coordinates these with other ongoing strategic planning processes such as the MMS Strategic Plan on Information Management prepared by the Office of Administration. Through this process, 5-year strategic plans are evaluated at the end of the second year of implementation to refine steps planned for subsequent years and to extend the improvement process through additional steps for an extra two years.

DAD/MI also develops and facilitates major improvement initiatives for the Bureau, to provide the Director with options for decision making on key issues and prepares detailed implementation plans, coordinating with other MMS entities. It implements and manages pilot operations to effect transitioning of major MMS initiatives from current to future issues, monitoring resulting resource utilization issues, legislative revisions, as well as functional and organizational realignments.

In FY 1993 DAD/MI will assist in finalizing RMP's and Policy and Management Improvement's Strategic Plan and begin assisting in the development of strategic plans for other areas of the Bureau such as Administration and Budget and Offshore Minerals Management.

Tactical Plan Steps Completed

In FY 1994, DAD/MI will assist additional MMS programs in developing and implementing tactical plans in support of their strategic plans. These workload estimates are based on the Bureau's experience in implementing the Compliance Action Plan.

Taken in conjunction with the Compliance Action Plan Steps Completed, these two elements indicate a stable workload.

Administrative Operations

Justification of Program Performance Subactivity Funding Summary

		1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
Administrative Direction & Coordination	\$(000) FTE	515 5	31 0	0 0	546 5	31 0
Financial Management	\$(000) FTE	1,078 22	14 0	0 0	1,092 22	14 0
Management Services & Security	\$(000) FTE	1,376 27	-9 -1	0 0	1,367 26	-9 -1
Personnel Management	\$(000) FTE	1,455 28	-9 -1	70 0	1,516 27	61 -1
Procurement & Property Management	\$(000) FTE	1,764 35	-5 -1	345 0	2,104 34	340 -1
Information Resource Management	\$(000) FTE	1,487 25	-10 -1	0 0	1,477 24	-10 -1
Field Administrative Services	\$(000) FTE	4,031 92	-99 -6	0 0	3,932 86	-99 -6
Total	\$(000) FTE	11,706 234	-87 -10	415 0	12,034 224	328 -10

"Uncontrollable Changes include: additional pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS-12."

Objectives

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

1993 and 1994 Ongoing Workloads

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

The following is a description of the major functions/program elements' workload.

Administrative Direction and Coordination

This function provides for oversight of all administrative activities of the MMS, including all of the functions discussed in the above mission statement. Liaison is maintained with departmental offices in order to effect a coordinated and unified administrative program consistent with the mission and goals of the Department. The two Deputy Associate Directors provide direct financial management guidance and administrative support to managers.

This oversight ensures compliance with laws relating to administrative activities; provides for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and develops appropriate organizational guidance to ensure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. It also provides the structure for managing the Bureau's financial resources consistent with the Chief Financial Officers Act of 1990.

Financial Management

Mission

- The Financial Management Division (FMD) is responsible for the administrative accounting operations of the Bureau.
- The FMD operates the administrative accounting system, audits and schedules bills for payments, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies.
- The FMD has the lead responsibility under the Chief Financial Officer's Act of 1990 to prepare a combined Annual Financial Report for the Bureau. In addition, the FMD serves as the focal point for the implementation of the provisions of the CFO Act including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report.

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Accounts Payable Processing	56,100	56,100	53,200
Financial Report Processing	192	192	192
Financial Policy & Procedures Development	6	6	6
Review Policy Documents	120	120	120

Accounts Payable Processing: The estimated workload for FY 1994 in the accounts payable function includes the recording of 17,000 obligations, the auditing and paying of 22,500 invoices, the auditing and paying of 8,500 travel vouchers, and the processing of 5,200 miscellaneous financial documents. This projection is consistent with planned Offshore downsizing.

Financial Reports Processing: Financial reports are produced monthly, quarterly and annually for distribution internally to MMS managers and to external agencies as required by regulation or law. A new

requirement under the CFO Act is for an annual combined financial report to be submitted to the Office of Management and Budget each March 31st following the close of the fiscal year.

Financial Policy and Procedures Development: Develop and issue policies and procedures on such matters as temporary duty and permanent change of station travel, use of the Citicorp Diners Club government card, closing instructions at fiscal year end, and accounting for prior year funding.

Review Policy Documents: Review and implement regulations and procedures issued by agencies having regulatory oversight of government financial activities including the Department of the Treasury, Office of Management and Budget, General Accounting Office, General Services Administration, and the Federal Accounting Standards Advisory Board.

Management Services & Security

Mission

- The Management Services and Security Division (MSSD), reporting to the Deputy Associate Director for Administration, is responsible for all management analysis activities, support services, and security operations of the Bureau and is responsible for budget planning and formulation and allocation of personnel and funding for the Office of Administration and the Associate Director for Administration and Budget.
- Management analysis functions include management studies and reviews, organizational design and review, delegations of authority, regulatory review, and related activities, and special projects such as improvement initiatives.
- Support services functions include facilities (31 buildings in 18 cities) and space management, mail, courier, and records management activities (such as directives, Information Collection, Freedom of Information Act and Privacy Act), and health and safety program management.
- The security program encompasses all activities relating to personnel security, physical security, and document security Bureau-wide.

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Conduct Management Reviews, Studies, Projects	17	17	18
Analyze Organization Proposals	11	10	10
Conduct Space Utilization Studies	2	2	2
Space Acquisition			
Type A (Up to 25 employees)	2	2	0
Type B (26-100 employees)	0	0	1
Type C (more than 100 employees)	0	0	0
Conduct Management Reviews, Studies, Projects	17	17	18
Office Relocations			
Type A (Up to 25 employees)	28	35	25
Type B (26-100 employees)	0	5	0
Type C (more than 100 employees)	0	0	0

	1992 Actual	1993 Estimates	1994 Estimates
Conduct Records Management Activities	3	3	3
Initiate, Review, Adjudicate Security Investigations	1,027	1,027	1,027

Management Reviews, Studies, Projects and Organization Proposals. Management analysis activities will be performed at an enhanced level in such areas as management reviews, projects, and studies, and organizational studies. While the level of organizational activity was extremely high in FY 1992 and FY 1993 effecting a major Bureau-wide reorganization, continued need for significant organizational analysis is anticipated in FY 1994 due to refining realignments to organizations emplaced in FY 1992 and FY 1993. Further, related activities such as updating delegations of authority, will be increased.

Space Utilization Studies and Space Layouts and Reconfigurations. In FY 1994, as a result of staff reductions in the Outer Continental Shelf Lands program and in anticipation of colocation of Royalty Management entities in the Denver area, the Division will continue to conduct space utilization studies and layouts. These studies should result in more efficient utilization of space and, in the case of downsized Offshore entities, may result in a reduced need for space.

Office Relocations. Planning and implementing in-house moves will be at a continued high level with a decline in FY 1994 because of a major Atrium building reconfiguration.

Records Management Activities. Records management activities will be reduced in FY 1993 and FY 1994 below the prior years' level as a result of a decrease of 1 FTE. This impacts affected program offices, which will then have to provide their own indepth and refresher training to file clerks.

Other Management Services and Security Functions. Security investigations will continue to be reviewed, initiated, and adjudicated and are expected to remain constant for the next several years despite reductions of staff levels in the Outer Continental Shelf Lands program area. The level of activity will accommodate internal reassignments to positions with differing security needs.

Personnel Management

Mission

- The Personnel Division is responsible for developing and implementing Bureauwide policies, procedures, guidelines, and standards related to general personnel management; recruitment and employment; position management and classification; compensation; training and career development; personnel program evaluation; labor/management relations; employee relations and services; incentive awards; the Federal Equal Opportunity Recruitment Program (FEORP); public policy programs; and conflict of interest and ethics.
- The Personnel Division provides assistance and guidance on personnel matters to all levels of management in developing and administering personnel programs as well as personnel program direction to field personnel offices located in Lakewood, Colorado, and Jefferson, Louisiana.
- Liaison is required with the Office of Personnel Management, the Department of the Interior, Office of Inspector General, and the Federal Labor Relations Authority on personnel management and related issues.

Ongoing Workloads

	1992 Actual	1993 Estimates	1994 Estimates
Performance Appraisal/Merit Pay Reviews Conducted	1,100	1,100	1,100
Training Request Processed & Reviewed	1,500	2,000	2,100
Employee Relation Cases Processed, Guidance Given	1,000	1,100	1,100
Employment & Financial Statements Processed	2,150	2,150	2,050
PAY/PERS-FPPS Processing	4,200	5,000	4,200

Training Requests Processed and Reviewed. The downsizing within the Offshore program (as well as corresponding cuts in Administration and Budget) is expected to result in increases in training requests. The increase will involve retraining employees affected by the downsizing, and training other MMS employees to become familiar with and assume new and varied responsibilities that had previously been assigned to "over-ceiling" positions. Training requests will also increase because of technological advancements.

Employee Relations Cases Processed/Guidance Given. The high level of employee relations cases will continue as a result of the downsizing and anticipated actions effected because of reduced FTE and budget within the MMS. During downsizing and organizational realignments, more employees request information on their rights, on retirement issues, etc. At the same time, with downsizing and the expectation that more work is distributed among fewer individuals, the number of award actions are anticipated to increase. The FY 1994 estimate, therefore, adjusts commensurately with likely headquarters downsizing and/or realignments.

Other Ongoing Workloads. The number of financial interest statements and FPPS actions processed in FY 1994 will be consistent with the total MMS staffing. In FY 1993, a larger than normal number of FPPS actions were processed due to the implementation of the major reorganization involving most of the Bureau.

Justification of Program Change

	1993 Enacted to Date	1994 request	Change
\$(000)	378	448	+70
FTE	0	0	0

No Impacted Workloads

The Minerals Management Service is one of the first Bureau's to convert to the Federal Payroll and Personnel System (FPPS). An increase of \$70,000, is necessary to support the implementation of FPPS. The additional expenses incurred relate to the cost of supporting the computer, telecommunication systems, and the Bureau of Reclamation operations.

Procurement and Property Management

Mission

- The Procurement and Property Management Division is responsible for entering into and administering contracts, small purchases, grants, cooperative agreements, and interagency agreements essential for fulfilling the mission of the MMS.
- Other responsibilities include managing the 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; and issuing policy guidance to a variety of target groups.
- The property program maintains accountability records of all controlled property in the possession and control of custodial property officers and contractors within the MMS as well as managing the Bureau Vehicle Fleet; managing a printing and publications activity; managing the Bureau museum property; and issuing policy guidance on property, vehicles, supplies, museum property; and printing, duplicating, and copying.
- This office is also responsible for the implementation of the Arts and Artifacts program MMS-wide by establishing MMS regulations and procedures for assessing Bureau collections, providing guidance to field locations and conducting property management reviews emphasizing artwork and artifacts. This includes MMS' continued support of a central staff capability with the National Park Service (NPS), that provides Department-wide policies and procedures for use by and in support of all the bureaus.

Ongoing Workloads

	1992 Actual	1993 Estimates	1994 Estimates
Contracts Awarded-Administered	477	477	488
Small Purchases	2,633	2,361	2,400
Accountable Property Inventoried	4,395	4,279	4,400
Printing & Supply Management	4,521	5,575	6,250

- The Procurement and Property Management Division awarded a contract to operate and complete the refurbishment of the OHMSETT facility which enables the Government and private industry to test oil spill technologies and develop more efficient spill cleanup methodologies. Another award went to Texas A&M University for a crucial study in determining levels of acute but sub-lethal toxicity which can affect the reproductive and other systems in marine life; a second study to fulfill MMS' mandate under the OCS Lands Act to predict, assess, and manage the effects of oil and gas development on the marine environment. Total contract obligations in FY 1992 support of the Environmental Studies program was \$20,488,593 and it is anticipated that level of support will be required in FY 1993 and FY 1994.
- An audit review of the CAAS (Contracts for Advisory and Assistance Services) requirements for MMS found MMS is in full compliance in implementing procedures and accurate reporting. MMS has consistently awarded over 30 percent of the discretionary procurement dollars to small and disadvantaged businesses. For the past 2 years MMS exceeded all of its Business and Economic Development Program (BEDP) goals and received the Department's unit award for excellence and the MMS nominees for the Department's Minority Entrepreneur of the Year FY 1991 and 1992 won the award. MMS acted as the lead bureau within the Department for implementation of the Hispanic Association of Colleges and Universities (HACU) program. This program promotes the placement of HACU students in professional

careers in the Department. MMS will expand outreach efforts to minority concerns in FY 1993 by purchasing supplies and services from Indian businesses under the Buy Indian Act.

- MMS became the first Bureau in the Department to successfully implement a property management program using bar code technology to inventory and track Government-owned equipment. MMS is one of several Bureau's within the Department to place Compressed Natural Gas vehicles in their fleet. MMS provides technical support and system maintenance for the property and vehicle management systems for OSM. MMS established a museum property system in response to a Secretarial initiative for arts and artifacts.

Justification of Program Change

	1993 Enacted to Date	1994 request	Change
\$(000)	1,764	2,014	340
FTE	35	33	-2

No Impacted Workloads

The Department is in the process of creating the mandated Interior Department Electronic Acquisition System (IDEAS) which requires the purchase of software for each office, customizing the software, travel and training at each location, storage and retrieval of MMS data, and necessary hardware upgrades. The FY 1994 request provides the additional funds necessary for implementation of IDEAS.

IDEAS will require software maintenance to include changes to the Federal Acquisition Regulation, Federal Information Resources Management Regulations, etc., and any additional reporting requirements. Maintenance will be performed by a contractor.

Information Resources Management

Mission

- The Information Resources Management (IRM) Division has responsibility for providing coordination and direction for Bureauwide IRM initiatives in technical areas such as data administration, computer security, Federal Information Processing (FIP) resource acquisition management, voice and data telecommunications, FTS2000 services, and Local/Wide Area Networks (LAN/WAN).
- The IRM Division will provide administrative and technical support to the MMS IRM Review Council in the planning and oversight of information systems. The IRM Division will also participate in implementing and executing the Departmental Strategic Plan for FYs 1993-1997 for IRM to increase productivity, improve the management and delivery of information, and increase effectiveness in the use of technology.
- The IRM Division is responsible for developing and maintaining the Bureau administrative information systems and providing support for the Office of Administration computer installation and LANs maintained at two geographic sites. Ongoing maintenance efforts and redesign of administrative systems will provide improved responsiveness and flexibility within the Office of Administration and the Bureau as a whole.
- The IRM Division will provide the annual update to the MMS Strategic Plan for Information Management, providing the Department consolidated budgetary and planning information on the

Bureau IRM activities and future initiatives. The Division will participate in Bureauwide efforts identified in the Strategic Plan such as cyclical reviews of current systems; telecommunications activities; common data elements, electronic data interchange, and standards between program areas; ADP hardware, microcomputer, and electronic mail policy; and analysis of ADP roles and responsibilities.

Ongoing Workloads

	1992 Actual	1993 Estimates	1994 Estimates
Bureauwide Planning & Coordination Activities	17	19	20
Telecommunication Activities	2,708	4,458	4,057
Develop/Enhance/Maintain Administrative ADP System	17	19	20
MMS LAN/WAN Issues and/or Problems	3,700	4,100	4,502
FIP Resources Acquisition Activities	741	691	815

Bureauwide Planning and Coordination Activities: Our Strategic Plan signifies a strong Bureau commitment to the goals, strategies, and objectives as approved by the MMS IRM Review Council. The Plan establishes long-term goals and provides for overall guidance for information resources management to achieve cost-effective use of information technology to support Bureau programs for the next 5 years. Other Bureauwide planning activities include the development of the ADP Security Plan (1), participation in Departmental IRM projects and work groups (13), and performing management control and security reviews (6).

Telecommunications Activities: A contract to analyze the feasibility of video conferencing in the MMS and the benefits/costs associated with this technology was issued and completed in FY 1992. A second contract was negotiated to acquire video conferencing capability at three MMS locations. This project will provide another tool to facilitate decisionmaking in the Bureau. Other telecommunications activities include the implementation of the Bureauwide cc:Mail for electronic mail between all MMS locations (2,100+ users) and the resolution of any problems and/or complaints (1,200); perform studies of Bureau and/or Departmental telecommunications projects (7); and, process telephone orders in the Washington Metropolitan area and resolve telephone complaints (650).

Develop/Enhance/Maintain Administrative ADP Systems: In FY 1993, MMS was the first Department of Interior Bureau to implement the Federal Personnel/Payroll System (FPPS). The IRM Division continues to maintain the existing suite of administrative information systems while actively planning for a new generation of LAN-based applications. Many of the systems to be replaced are now technically obsolescent and are not capable of delivering the level of responsiveness and accessibility that is now expected by the user community. Development, maintenance, and redesign efforts associated with the administrative systems will continue and result in improved support to users. Another high priority item is the support of the Bureau's use of Departmental administrative systems.

MMS LAN/WAN Issues and/or Problems: In FY 1992, IRM Division installed fiber optic cable in the Atrium Building, Herndon, VA, to improve the performance and speed of the Atrium Building LAN and to create a "campus" LAN. High speed network routers at the Atrium and Main Interior Buildings were installed in FY 1992 resulting in greater efficiency and improved throughput. As more users join the PC/LAN environment, the need for connectivity of ADP resources at disparate locations will become more acute and necessitate the further expansion of the MMS WAN. With increased usage of the MMS WAN, the operation, administration, and user assistance will become more resource intensive. Additional resources proposed in FY 1994 will provide increased support for the operation and management of the LANs and related services.

FIP Resource Acquisition Activities: In FY 1993, the handbook Guidelines for FIP Resource Acquisition was finalized and distributed Bureauwide. Implementation of the policies and procedures contained in these publications will require extensive user assistance and training Bureauwide. FIP resource acquisitions are broken down into three categories: (1) requisitions less than \$25,000 (730), (2) requisitions greater than \$25,000 and only requiring MMS approvals (75), and, (3) requisitions requiring Departmental and/or GSA approval (8). The requisitions assigned to the above 3 categories vary in technical complexity and effort. Requisitions requiring higher approvals are more resource intensive because of increased regulatory compliance requirements.

- **Bureauwide Planning and Coordination Activities:** Our Strategic Plan signifies a strong Bureau commitment to the goals, strategies, and objectives as approved by the MMS IRM Review Council. The Plan establishes long-term goals and provides for overall guidance for information resources management to achieve cost-effective use of information technology to support Bureau programs for the next 5 years. Other Bureauwide planning activities include the development of the ADP Security Plan (1), participation in Departmental IRM projects and work groups (13), and performing management control and security reviews (6).
- **Telecommunications Activities:** A contract to analyze the feasibility of video conferencing in the MMS and the benefits/costs associated with this technology was issued and completed in FY 1992. A second contract was negotiated to acquire video conferencing capability at three MMS locations. This project will provide another tool to facilitate decisionmaking in the Bureau. Other telecommunications activities include the implementation of the Bureauwide ccMail for electronic mail between all MMS locations (2,100+ users) and the resolution of any problems and/or complaints (1,200); perform studies of Bureau and/or Departmental telecommunications projects (7); and, process telephone orders in the Washington Metropolitan area and resolve telephone complaints (650). Overall output is anticipated to decrease in FY 1994 as fewer complaints are expected due to more users having been trained and being familiar with the systems.
- **Develop/Enhance/Maintain Administrative ADP Systems:** In FY 1993, MMS was the first Department of Interior Bureau to implement the Federal Personnel/Payroll System (FPPS). The IRM Division continues to maintain the existing suite of administrative information systems while actively planning for a new generation of LAN-based applications. Many of the systems to be replaced are now technically obsolescent and are not capable of delivering the level of responsiveness and accessibility that is now expected by the user community. Development, maintenance, and redesign efforts associated with the administrative systems will continue and result in improved support to users. Another high priority item is the support of the Bureau's use of Departmental administrative systems.
- **MMS LAN/WAN Issues and/or Problems:** In FY 1992, IRM Division installed fiber optic cable in the Atrium Building, Herndon, VA, to improve the performance and speed of the Atrium Building LAN and to create a "campus" LAN. High speed network routers at the Atrium and Main Interior Buildings were installed in FY 1992 resulting in greater efficiency and improved throughput. As more users join the PC/LAN environment, the need for connectivity of ADP resources at disparate locations will become more acute and necessitate the further expansion of the MMS WAN. With increased usage of the MMS WAN, reflected by the increase in output for FY 1994, the operation, administration, and user assistance will become more resource intensive.
- **FIP Resource Acquisition Activities:** In FY 1993, the handbook Guidelines for FIP Resource Acquisition was finalized and distributed Bureauwide. Implementation of the policies and procedures contained in these publications will require extensive user assistance and training Bureauwide. FIP resource acquisitions are broken down into three categories: (1) requisitions less than \$25,000 (730), (2) requisitions greater than \$25,000 and only requiring MMS approvals (75), and, (3) requisitions requiring Departmental and/or GSA approval (8). The requisitions assigned to the above three categories vary in technical complexity and effort. Requisitions requiring higher approvals are

more resource intensive because of increased regulatory compliance requirements. The level of activity will also increase given the life cycle expiration of the current PC contract, the greater use of the contract than originally anticipated, and the aging of existing equipment.

Field Administrative Services

Mission

- Direct administrative support is provided to program managers through two Field Administrative Service Centers (ASC's). These offices provide services to all field activities of the MMS, except for those offices in the Washington, D.C., area which receive support directly from the Office of Administration in Herndon, Virginia.
- The Office of the Deputy Associate Director for Administration and the ASC's are structured to assist managers in matters related to personnel, space and property management, procurement and contracting, safety and security, information resources management and support services activities.
- The Southern Administrative Service Center (SASC), located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico OCS Region (GOMR), the Offshore Systems Center (OSC) and a resident Royalty Management Office. In addition, full support is provided to five outlying District/Subdistrict GOMR Offices.
- The Western Administrative Service Center, located in Denver, Colorado, supports the Royalty Management Program and its field entities, the Office of Policy and Management Improvement, the Offshore Program's Mapping and Survey Staff and, the Alaska and Pacific OCS Regions.

Southern Administrative Service Center

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Staffing/Classification Actions	3,050	3,500	3,800
Employee Relations & Training	4,350	4,800	5,500
Space Acquisition			
Type A (Up to 25 employees)	3	2	1
Type B (26-100 employees)	0	0	0
Type C (more than 100 employees)	0	0	1
Office Relocations			
Type A (Up to 25 employees)	4	10	12
Type B (26-100 employees)	1	2	3
Type C (more than 100 employees)	0	0	0
Accountable Property Inventoried	2,901	3,573	4,248
Contracts Awarded/Administered	10	3	12
Small Purchases	2,810	1,027	3,000

Major thrusts of FY 1993 involving the downsizing and realignment of the Offshore Program, implementation of the new personnel automated Federal Payroll/Personnel System (FPPS), and space acquisition and design will continue to impact the Southern Administrative Service Center in FY 1994 in several areas.

- **Staffing/Classification Actions.** Personnel will continue the implementation of FPPS and associated training requirements. The ongoing support and effects of the downsizing/realignments in the Offshore Program will impact the areas of staffing, classification, employee relations and training.
- **Employee Relations and Training.** Employee development and training workloads will increase as greater emphasis is placed in these areas through state-of-the-art automation and individual assessments. Also of significant impact will be the Departmental mandated emphases in special recruitment activities to further EEO and minority goals, to attract and retain qualified employees through extensive outreach efforts, and to comply with formal commitments of Memorandum of Understanding with leading minority colleges and universities.
- **Space Acquisitions.** Space and telecommunications planning and design for the space requirements of the GOMR will begin in mid-year FY 1994. With the present 10-year lease to expire in June 1996, this will be a major effort involving both the GOMR and the ASC as studies are performed, layouts developed, and special requirements assessed and justified to determine whether the existing lease will be renewed or new space acquired. Coordination of the multiyear task will require a dedicated staff member.
- **Accountable Property Inventoried.** The projected increase in accountable property inventoried is based on anticipated equipment (primarily ADP) needs of the increased GOMR staff levels as a result of the Offshore downsizing effort.

Western Administrative Service Center

Ongoing Workload

	1992 Actual	1993 Estimates	1994 Estimates
Staffing/Classification Actions	3,551	5,723	6,000
Employee Relations & Training	5,400	7,400	8,500
Space Acquisition			
Type A (Up to 25 employees)	1	0	0
Type B (26-100 employees)	4	4	2
Type C (more than 100 employees)	1	2	2
Office Relocations			
Type A (Up to 25 employees)	35	79	20
Type B (26-100 employees)	2	4	2
Type C (more than 100 employees)	1	0	2
Accountable Property Inventoried	8,815	9,466	10,131
Contracts Awarded/Administered	109	130	150
Small Purchases	2,987	3,100	3,300

A new headquarters level, senior management, organization—the Office of Policy and Management Improvement—has been established in Denver, thereby increasing the organizational components serviced by the WASC. The program initiatives and increased FTE have a corresponding impact on the WASC workload and resources.

- **Staffing and Classification Actions.** Additional staffing and classification actions will continue as a result of the RMP reorganization, along with an increase in applications for vacancies as the Offshore

downsizing is pursued. Reorganizational fine tuning is anticipated in RMP, Offshore and the Policy and Management Improvement Offices.

- **Employee Relations and Training.** There will be a need for increased training for employees due to increased automation and better analysis of training needs as greater focus and attention is given to employee development and training. The RMP reorganization and the Offshore downsizing will cause additional: performance and conduct cases; grievances; appeals; and EEO complaints resulting in an increased employee relations workload. Also of significant impact will be the Departmental mandated emphases in special recruitment activities to further EEO and minority goals, to attract and retain qualified employees through extensive outreach efforts, and to comply with formal commitments of Memorandum of Understanding with leading minority colleges and universities.
- **Space Acquisitions and Office Relocations.** The specific space activities include: finalization of space reduction for Camarillo, California; acquisition of space and possible relocation of offices in Anchorage, Alaska; Santa Maria, California; Dallas and Houston, Texas; and, consolidation of the MMS into a new building on the Denver Federal Center (DFC) or leased off the DFC, including developing layouts and special space requirements, coordinating design of the centralized voice/data communication system, and MMS input into building design specific to program requirements.
- **Contracts Awarded/Administered.** RMP's continuing efforts to improve their operations rely heavily upon acquiring additional contractor support and the acquisition of additional ADP resources. Significant procurement resources will be required to support RMP in these areas. This will also increase the administration of the major Accounting Support Services contract and the multi-million dollar Operation and Maintenance Support Services contract for RMP. Support of the 202/205 cooperative agreement program will continue with the addition of the State of New Mexico to the program and additional funds being made available to the existing States and Tribes. Other activities include continuation of the Buy Indian authority with ongoing efforts to identify Indian vendors capable of furnishing supplies and services to the RMP, along with implementation of the Department of the Interior's automated acquisition system (IDEAS).

General Support Services

Justification of Program Performance Subactivity Funding Summary

	1993 Enacted to date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
\$(000) FTE	15,078	247	0	15,325	247

"Uncontrollable Changes include: additional Pay raise cost changes, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on pages MMS 8-12."

Objectives

- Provide adequate and safe work space and facilities that will contribute to the productivity and efficiency of the employees of the MMS in achieving goals and objectives.
- Provide appropriate services to support the operating programs.

Program Description

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at \$12.0 million in FY 1994 is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of \$0.7 million is based on data developed by the Department and actual FY 1991 costs. Commercial communication expenses of \$0.5 million are based on FY 1992 actuals and include operations and maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

A summary of the expenses for General Support Services is shown below:

Rent	11,967
Unemployment Compensation	60
Mail Service	413
Commercial Communications	514
Department of Interior Working Capital Fund, Printing & Miscellaneous Charges	541
Federal Telecommunications System	709
Reimbursable Services	363
Employees' Compensation Fund	361
Miscellaneous Cost	397
Total	15,325

Department of the Interior
Minerals Management Service
Royalty and Offshore Minerals Management
Program and Financing
(in thousands of dollars)

	FY 1992 <u>Actual</u>	FY 1993 <u>Enacted</u>	FY 1994 <u>Estimate</u>
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Program by Activities

Direct Program:

00.0101	Outer Continental Shelf Lands	103,018	97,568	101,105
00.0201	Royalty Management	66,105	66,544	65,806
00.0301	General Administration	<u>33,257</u>	<u>32,427</u>	<u>34,675</u>
00.9101	Total direct program	202,380	196,539	201,586
01.0101	Reimbursable program	<u>3,173</u>	<u>13,274</u>	<u>12,294</u>
10.0001	Total obligations	205,553	209,813	213,880

Financing

21.4001	Unobligated Balance Available, Start of Year	-1	-1,482	-1,482
24.4001	Unobligated Balance Available, End of Year	1,482	1,482	1,482
25.0001	Unobligated balance lapsing	600	—	—
39.0001	Budget Authority	207,634	209,813	213,880

Budget Authority

Current

40.0001	Appropriation	204,461	197,014	201,586
40.7580	Reduction pursuant to P.L. 102-381.	—	-1,675	—
43.0001	Appropriation (adjusted)	204,461	195,339	201,586

Permanent

60.0500	Appropriation (indefinite)	—	1,200	—
68.0001	Spending authority from offsetting collections	3,173	13,274	12,294

Relation of obligations to outlays

71.0001	Total obligations	205,553	209,813	213,880
72.4001	Obligated balance, start of year	81,363	83,283	78,623
74.4001	Obligated balance, end of year	-83,283	-78,623	-76,382
77.0001	Adjustment in Expired Accounts	-2,163	—	—
87.0001	Outlays (gross)	201,469	214,473	216,121

Adjustments to budget authority and outlays Deductions for offsetting collections

88.0001	Federal funds	-3,173	-8,274	-7,294
88.4001	Non-Federal sources	—	-5,000	-5,000
88.9001	Total, offsetting collections	-3,173	-13,274	-12,294
89.0001	Budget authority (net)	204,461	196,539	201,586
90.0001	Outlays (net)	198,296	201,199	203,827

Department of the Interior
Minerals Management Service
 Summary of Requirements by Object Class
Appropriation: Royalty and Offshore Minerals Management
dollar amounts in Thousands

<u>Object Class</u>	<u>FY 1994</u> <u>Base</u>		<u>FY 1994</u> <u>Estimate</u>		<u>Difference</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
11. Personnel Compensation						
11.1 Full-time permanent	1,868	79,978	1,903	80,990	35	1,012
11.3 Other than full-time permanent	63	1,422	55	1,531	-8	109
11.5 Other personnel compensation	7	1,732	5	1,732	-2	—
11.8 Special personal services payments		41	0	41	0	0
11.9 Total Personnel Compensation	1,938	83,173	1,963	84,294	25	1,121
12.1 Personnel benefits: civilian		20,199	0	20,518		319
13.0 Benefits for former personnel		60	0	40		-20
21.0 Travel and transportation of persons		3,456	0	3,531		75
22.0 Transportation of things		285		285		0
23.1 Standard level user charges		10,341		10,341		0
23.2 Rental payments to others		133		133		0
23.3 Communications, utilities and miscellaneous charges		2,900		2,900		0
24.0 Printing & reproduction		825		825		0
25.1 Other Services, consultant		300		300		0
25.0 Other services, non-consultant		63,615		64,530		910
26.0 Supplies and materials		3,358		5,373		2,015
31.0 Equipment		6,611		8,501		1,890
44.0 Refunds		10		15		5
Total Requirements		195,271		201,586		6,320

Department of the Interior
Minerals Management Service
Royalty and Offshore Minerals Management

Object Classification
(In thousands of dollars)

14-1917-0-1-302		FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
Direct Obligations:				
<i>Personnel compensation</i>				
111.10	Full-time permanent	85,114	79,966	80,990
111.30	Other than full-time permanent	1,531	1,405	1,531
111.50	Other personnel compensation	1,864	1,711	1,732
111.80	Special personal services payment's	44	40	41
111.90	Total personnel compensation	88,553	83,122	84,294
112.10	Civilian personnel benefits	18,307	20,315	20,518
113.00	Benefits for former personee	134	60	40
121.00	Travel and transportation of persons	3,760	3,629	3,531
122.00	Transportation of things	295	285	285
123.10	Rental payments to GSA	10,124	10,124	10,341
123.20	Rental payments to others	147	142	133
123.30	Communications, utilities and	2,890	2,900	2,900
	miscellaneous charges			
124.00	Printing and Reproduction	855	825	825
125.10	Other Services, consultants	212	300	300
125.20	Other services	66,710	64,858	64,530
126.00	Supplies & materials	3,479	3,358	5,373
131.00	Equipment	6,849	6,611	8,501
141.00	Grants, subsidies, and contributions	154	—	—
142.00	Insurance claims and indemnities	—	—	—
144.00	Refunds	10	10	15
199.00	Subtotal, direct obligations	202,380	196,539	201,586
<i>Reimbursable Obligations:</i>				
211.10	Full-time permanent	338	371	449
212.10	Civilian personnel benefits	80	66	83
221.00	Travel & transportation of Persons	14	20	126
222.00	Transportation of things	—	—	3
223.30	Comm, Utilities & Msc Chrgrs	—	—	14
224.00	Printing and Reproduction	—	—	8
225.20	Other services	2,726	12,802	11,610
226.00	Supplies & Materials	8	10	—
231.00	Equipment	6	5	1
299.00	Subtotal, reimbursable obligations	3,173	13,274	12,294
999.90	Total Obligations	205,553	209,813	213,880

Department Of Interior
Minerals Management Service
Royalty and Offshore Minerals Management
Personnel Summary

	FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
Direct Funds:			
Full-time equivalent employment	2,057	2,003	1,963
Full-time equivalent of overtime and holiday hours	10	9	9
Reimbursable Funds:			
Full-time equivalent employment	—	10	10
Full-time equivalent of overtime and holiday hours	—	—	—

Department of the Interior
Minerals Management Service
Royalty and Offshore Minerals Management
Employee Count by Grade

	FY 1992	FY 1993	FY 1994
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
ES-6	2	2	2
ES-5	5	5	5
ES-4	5	5	4
ES-3	1	1	—
ES-2	3	3	3
ES-1	1		11
Subtotal	17	17	15
GS/GM-15	72	70	66
GS/GM-14	196	187	183
GS/GM-13	425	430	417
GS-12	505	485	468
GS-11	78	178	178
GS-10	57	56	55
GS-9	113	113	115
GS-8	51	53	57
GS-7	133	133	133
GS-6	137	137	134
GS-5	121	92	94
GS-4	77	77	75
GS-3	1	2	2
GS-2	2	1	1
GS-1	—	—	—
Subtotal	2,068	2,014	1,975
Ungraded	2	2	2
Total employees on board (actual/projected, .	2,087	2,033	1,994
end of fiscal year			

Oil Spill Research

Justification of Program and Performance Subactivity Summary

dollars in thousands

	1993 Enacted to Date	Uncontrollable Changes	Programmatic Changes	1994 Budget Request	Change from 1993
Oil Spill Research	5,331	0	0	5,331	0

"Uncontrollable changes include: additional pay raise cost, other cost changes, and the effects of Executive Order 12839 on FTE usage and Executive Order 12837 on administrative expenses. Further discussion of these changes may be found on page MMS-12.

Authorizations

33 U.S.C. 2701, et seq Title VII of the Oil Pollution Act of 1990 authorizes the use of the Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.

43 U.S.C. 1331, et seq Section 21(b). The Outer Continental Shelf Lands Act

Executive Order 12777 E.O. 12777, signed October 18, 1991

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

Oil Spill Research

Budget resources will be derived from the existing Department of Transportation's Oil Spill Liability Trust Fund (OSLTF) into an account which was established in FY 1993. Resources from this trust fund will be used to finance the oil spill research and financial responsibility activities assigned to the Minerals Management Service

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

- To provide continued research leadership to promote increased oil spill response capabilities in the event of an oil spill in the marine environment.
- To continue studies that will increase the understanding of the fate of oil spilled and the effects occurring within the marine environment.
- To comply with Title VII of the Oil Pollution Act of 1990 and cooperate with the Interagency Coordinating Committee on Oil Pollution Research, as called for in the Oil Pollution Act.

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

The MMS and its predecessor organization, the Conservation Division of the USGS, have been involved in oil spill research since the late 1970's. Prior to the Prince William Sound oil spill in Alaska, the MMS Environmental Studies Program funded extensive research to characterize the toxic and sublethal effects of spilled oil on marine organisms and their habitats. Additional research was carried out to characterize how spilled oil spreads and weathers so that predictions could be developed regarding potential impacts. For the last 15 years, the Technology Assessment and Research (TA&R) Program has funded a comprehensive research program to enhance capabilities to respond to an open ocean oil spill. The efforts focused on improving: remote detection of spilled oil; chemical treating agents including dispersants; capabilities to burn oil in-situ; shoreline cleanup strategies; understanding of the principal characteristics of oil as it weathers after spilling; and updating the performance data base for new and improved booms and skimmers by reopening the OHMSETT oil spill test tank facility. This program consists of joint ventures with the Canadian government and several U.S. Federal agencies (NIST, USCG, USN, EPA, etc.). Starting in FY 1993, funding for the Environmental Studies oil spill fates and effects projects and for all TA&R oil spill research projects was provided by the Oil Spill Research Program.

Oil Spill Research Overview

Area	FY 1992	FY 1993	FY 1994
Ohmsett Testing Facility	Finished refurbishment and commenced testing.	Testing oil spill response booms, skimmers, and other technologies.	Continue testing oil spill response equipment and strategies.
Dispersants	Developed 5 dispersants that have effectiveness measurements that are orders of magnitude higher than current products.	Evaluate stability and toxicity of dispersants after one year of storage. Evaluate effectiveness with OCS oil.	Continue to evaluate dispersants and their effectiveness based on previous year's work.
In Situ Burn	Conducted mesoscale investigations re: air quality implications of burning.	Continue in situ burn research with emulsions. Conduct cold water burn field verification.	Conduct a field verification of in situ burning of spilled oil in warm water.
Laser Sensor	Successfully field tested airborne sensor to detect oil on ocean surface.	Initiate development of prototype which will map presence of oil spill.	Complete development of prototype.
Environmental Fates & Effects	Initiated studies to develop satellite-tracked oil-following drifter buoys which mimic spilled oil; studies to characterize and model ocean circulation in the Gulf of Mexico; and risk assessment model verification studies.	Continue oil-following drifter development and risk assessment model verification studies; initiate study of near-surface circulation and mixed-layer experiments.	Continue development and applications for oil-following drifters; continue near-surface circulation and mixed-layer experiments; complete risk assessment model verification study.
Oil Spill Financial Responsibility	Reassigned responsibilities from U.S.C.G. to DOI.	Transfer personnel from U.S.C.G. to MMS. Initiate assessment of lessee oil spill financial responsibility.	Issue certificates of financial responsibility. Initiate rulemaking re: \$150 million requirement.

The following table gives a summary of the workload indicators in the Oil Spill Research subactivity. A brief narrative for these indicators follows the table.

Ongoing Workloads

	1992 Actual	1993 Estimate	1994 Estimate	Change from 1993
Environmental Fates & Effects Projects	—	3	3	0
Technology Projects	—	11	11	0
Major Technology Transfer Seminars/Workshops	—	1	1	0
Major Program Reports	—	1	1	0
Oil Spill Financial Responsibility				
New Certificates of Financial Responsibility	0	20	40	20
Amendment to Existing Certificates of Financial responsibility	0	115	230	115

Environmental Fates and Effects Projects

The MMS and its predecessor organization, the Conservation Division of the USGS, have conducted studies of the fates and effects of oil in the marine environment since the 1970s through the Environmental Studies Program. In Fiscal Year 1993, MMS continued efforts to develop and test satellite-tracked drifters designed to behave like oil slicks on the ocean surface. These drifters will be a valuable tool in both applied and modeling situations. The Risk Assessment Modeling Verification Study is ongoing, and like the previous study, is intended to improve oil spill trajectory analysis and modeling for use in spill contingency planning. MMS, in collaboration with the Office of Naval Research, continues to carry out experiments to develop a better understanding of very near surface ocean physics so that oil spill motions may be better quantified and simulated. These efforts will continue in FY 1994.

Technology Projects

The MMS and is very active in oil spill research projects, most of which are cooperative agreements with the Canadian government. In Fiscal Year 1993, MMS was a partner with Canada in developing new technologies such as an airborne fluoro-scanner that can be used from airplanes to determine if apparent slicks are, in fact, hydrocarbons or false targets. A second laser system to determine the thickness of the oil slick is being field-tested, and in 1994, development of an airborne prototype is proposed. Studies to predict the effects of weathering of spilled oil in a range of conditions will continue so that response strategies can be optimized before the spill. Much work has been done on improved chemical treating agents, some of which have shown dramatic increases in efficiency over commercially available products. MMS continues to pursue studies on "in-situ" burning of spilled oil with field verification of the extensive laboratory and mesoscale findings with particular emphasis on health and safety issues and improving burning capabilities for emulsions and extremely weathered oils. MMS opened OHMSETT, the national oil spill test tank facility located in New Jersey, in August 1992. Testing of equipment has been underway with the U.S. Coast Guard being the most active participant. MMS has scheduled four major evaluations for FY 1994.

Major Technology Transfer Seminar/Workshops

The research results will continue to be disseminated at numerous major conferences and workshops domestically and internationally. MMS will continue to participate in these conferences and conduct seminars in its regions which have been attended by a wide range of participants in the past.

Major Program Reports

MMS will continue to publish its research program findings on an annual basis in its annual report. Additionally, researchers make about 50 annual submissions to major public and trade periodicals.

Financial Responsibility Certifications (New and Amended)

OPA-90 required lessees/operators in Federal waters and in navigable waters of States and U.S. possessions and territories to establish and maintain proof of financial capability to clean up oil spills from their offshore facilities (i.e., platforms and pipelines) and to pay for associated damages. The MMS is responsible for ensuring this oil spill financial responsibility. The U.S. Coast Guard transferred this responsibility to MMS on October 1, 1992. The program did not become fully functional until the end of the second quarter of FY 1993. Fiscal year 1994 reflects the workload for a full year.

Permanent Appropriations

This section addresses permanent appropriations which are administered by the MMS. These appropriations provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on Federal lands. Revenues for these payments are derived from payor late payment interest, bonuses, rentals, and royalties collected from Federal onshore mineral leases. MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

MMS disburses all the monthly mineral leasing payments to States. All States' monthly payments include late disbursement interest. The Bureau of Land Management (BLM) disburses those payments which are made semi-annual or annually. The largest in this category (about \$100 thousand/year) is the payment made by BLM to Alaska for its share of National Petroleum Reserve-Alaska (NPRA) receipts.

As required by the Energy Policy Act of 1992, "any payment to a State under this section (*section 6 of the Mineral Leasing Act for Acquired Lands*) shall be made by the Secretary of the Interior and shall be made not later than the last business day of the month following the month in which such moneys or associated reports are received by the Secretary of the Interior, whichever is later. The Secretary shall pay interest to a State on any amount not paid to the State within that time at the rate prescribed under Section 111 of the Federal Oil and Gas Royalty Management Act of 1982 from the date payment was required to be made under this subsection until the date payment is made."

MMS is now reporting in this section monies that were previously transferred to the Corps of Engineers and the Forest Service for disbursement.

In FY 1994, the Administration is proposing to amend the Mining Law of 1872 to collect hardrock mineral royalties. These royalties will be shared 25 percent to the States less their share of program administrative costs and 75 percent to the General Fund after reimbursing the applicable bureaus' appropriations for their program costs. The first distribution would occur in FY 1995 with the States' receiving an estimated \$21.875 million and the General Fund receiving \$63.125 million. A place holder of \$5 million is estimated for the program costs.

Included under this heading are the following permanent appropriations

Dollars in thousands

	States' Share	1992 Actual/ Transfer	1993 Estimate	1994 Estimate	Change from 1993
Minerals Leasing & Associated Payments (MLAP)	50%	432,165	430,927	479,065	48,138
National Forest Fund, Payments to States (<i>Forest Fund</i>) [*]	25%	1,959	4,401	4,144	-257
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes (<i>Flood Control</i>)	75%	1,065	1,085	1,132	47
Total		435,189	436,413	484,341	47,928

^{*} The FY 1992 payment is smaller than usual based on a one-time negative adjustment to correct an improper distribution among land categories. The decrease between 1994 and 1993 is caused by a decline in royalties

other than oil, gas and coal from which the Forest Fund receives a greater percent of its revenues compared to Flood Control and MLAP.

Distribution Statutes

For MLAP, the Mineral Leasing Act (MLA), 30 U.S.C. 181 *et seq.*, provides that all States be paid 50 percent of the revenues resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent).

Forest Fund, Payments to a State are determined by the total revenues collected from mineral leasing and production within its boundaries except for the Forest Fund payments. Law requires a States' payment be based on national forest acreage and where a national forest is situated in several States, an individual State's payment is proportionate to its area within that particular national forest.

Flood Control payments to States are shared according to the Flood Control Act of 1936 (33 U.S.C. 701 *et seq.*) which provides that 75 percent of revenue collected be shared with the State in which it was collected to be expended as the State legislature may prescribe for the benefit of the public schools and roads in the county from which the revenue was collected or for defraying any of the expenses of county government including public obligations of levee and drainage districts for flood control and drainage improvements.

For an explanation of how mineral leasing collections are distributed among the various State and Federal accounts, please refer to the following section titled Receipts. This section also includes details on the assumptions used to develop the gross mineral receipt estimates such as production and price forecasts.

Calculation of States' Payments

The total amount for each of the three appropriations is calculated as follows:

- For each land category - public domain, Forest Fund, Flood Control and National Grasslands administered and distributed by the Forest Service, a three-year average for each source type (oil and gas rents, coal royalties, other minerals royalties, etc.) is developed.
- Within each land category, each source type's three-year average is applied to the three-year average for all source types to determine the percent that each source type within each land category contributes to total collections.
- This percent is applied to the gross revenue estimate for each source type to determine for each land category, its share of the gross revenue estimated for that source. This ensures that the source type revenue estimates are distributed to the correct land category and therefore to the proper accounts.
- For each land category, the appropriate distribution formula are applied to each source type and summed into the various account totals. For example, Public domain lands: the MLAP Account 5003 (States' share) calculates and sums 50% from all source types; the General Fund Account 1811 (Federal share of rent and bonuses) calculates and sums 10% of all rents and bonuses, and the General Fund Account 2039 (Federal share of royalties) calculates and sums 10% of all royalties.

The estimate of the payment to a State for any future fiscal year is based on the percent of mineral receipts disbursed to that State to the total mineral receipts disbursed to all States in the prior year. However, when an unusually large one-time adjustment is made for a States in the prior year, the actual for the year before that is substituted and the total amount adjusted accordingly.

In FY 1991, 1992 and 1993 Congress has included a provision to recover approximately 50 percent of the Departments' of the Interior and Agriculture-Forest Service (USFS) mineral leasing administrative program

Permanents

costs. In FY 1994 the Administration is pursuing net receipts sharing through authorizing language to amend the Mineral Leasing Act and other applicable mineral leasing statutes. Before statutory distribution of mineral revenues is made, the portion of program administration cost to be recovered is subtracted from collections so that all recipients share the cost.

Program costs are based on revenues generated within each State. It allocates some of the costs to every State with leasing activity, but reflects the more significant efforts necessary to provide supervision of operations and royalty accounting for leases with higher production and revenue levels. The estimated distribution to each State is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State. On a monthly basis, MMS withholds an equal portion of the cost recovery amount. Each state's monthly withholding is based on that State's prior month's cumulative fiscal year disbursements.

Mineral Leasing Receipts Shared with States (Dollars in thousands) FY 1992 Actuals			
	Gross Payments	Less NRS Deductions	Net to States
Alabama	1,196	87	1,109
Alaska	8,217	603	7,614
Arizona	140	9	124
Arkansas	2,133	158	1,975
California	26,258	1,927	24,309
Colorado	48,113	3,519	44,543
Florida	86	6	80
Georgia	0	0	0
Idaho	1,765	127	1,624
Illinois	71	4	66
Indiana	0	0	0
Kansas	1,200	87	1,113
Kentucky	122	9	113
Louisiana	732	53	678
Michigan	1,072	76	996
Minnesota	18	1	17
Mississippi	658	51	607
Missouri	730	53	676
Montana	20,502	1,508	18,991
Nebraska	0	0	0
Nevada	8,575	627	7,945
New Mexico	110,829	8,117	102,569
North Carolina	0	0	0
North Dakota	5,617	412	5,205
Ohio	319	19	300
Oklahoma	1,571	113	1,459
Oregon	144	8	132
Pennsylvania	17	1	15
South Carolina	3	0	3
South Dakota	549	40	509
Tennessee	0	0	0
Texas	735	52	683
Utah	34,628	2,560	32,035
Virginia	116	8	108
Washington	965	76	889
West Virginia	244	16	227
Wisconsin	6	1	5
Wyoming	192,764	14,150	178,468
Total	470,095	34,481	435,189
NPR-Alaska (BLM)	135	9	126
Above Includes States' shares transferred to Forest Service (FS) and Corps of Engineers (COE) for disbursement.			

Permanents

Mineral Leasing Receipts Distributed by Interior (Dollars in thousands) FY 1993 Estimates			
	Gross Payments	Less NRS Deductions	Net to States
Alabama	1,222	102	1,120
Alaska	8,238	653	7,585
Arizona	140	11	129
Arkansas	4,366	414	3,951
California	26,326	2,087	24,238
Colorado	48,236	3,825	44,412
Florida	86	7	79
Georgia	0	0	0
Idaho	1,770	140	1,630
Illinois	76	8	68
Indiana	0	0	0
Kansas	1,203	95	1,108
Kentucky	136	14	121
Louisiana	808	81	727
Michigan	1,135	103	1,032
Minnesota	23	3	20
Mississippi	799	95	704
Missouri	907	111	796
Montana	20,554	1,630	18,925
Nebraska	0	0	0
Nevada	8,597	682	7,915
New Mexico	111,113	8,810	102,303
North Carolina	0	0	0
North Dakota	5,632	447	5,185
Ohio	341	34	307
Oklahoma	1,597	133	1,464
Oregon	144	11	133
Pennsylvania	18	2	16
South Carolina	4	0	3
South Dakota	550	44	507
Tennessee	0	0	0
Texas	881	102	778
Utah	34,718	2,753	31,965
Virginia	127	13	114
Washington	967	77	891
West Virginia	279	31	248
Wisconsin	7	1	6
Wyoming	193,256	15,323	177,933
Total (MMS)	474,256	37,843	436,413
NPR-Alaska (BLM)	100	9	91
As authorized by the National Energy Policy Act of 1992, in FY 1993 RMP began distributing those payments formerly transferred to USDA-FS and COE under FOGPMA timeframes.			

Mineral Leasing Receipts Distributed by Interior (Dollars in thousands) FY 1994 Estimates			
	Gross Payments	Less NRS Deductions*	Net to States *
Alabama	1,248	101	1,147
Alaska	8,463	638	7,825
Arizona	144	11	133
Arkansas	4,373	420	3,953
California	27,045	2,039	25,006
Colorado	49,554	3,736	45,818
Florida	89	7	82
Georgia	0	0	0
Idaho	1,818	137	1,681
Illinois	79	8	71
Indiana	0	0	0
Kansas	1,236	93	1,143
Kentucky	138	15	123
Louisiana	803	83	721
Michigan	1,144	104	1,040
Minnesota	22	3	19
Mississippi	772	100	672
Missouri	866	117	750
Montana	21,116	1,592	19,524
Nebraska	0	0	0
Nevada	8,832	666	8,166
New Mexico	114,149	8,606	105,543
North Carolina	0	0	0
North Dakota	5,786	436	5,349
Ohio	355	36	319
Oklahoma	1,641	132	1,509
Oregon	148	11	137
Pennsylvania	18	2	17
South Carolina	3	0	3
South Dakota	565	43	523
Tennessee	0	0	0
Texas	853	107	746
Utah	35,666	2,689	32,977
Virginia	129	14	115
Washington	994	75	919
West Virginia	279	33	246
Wisconsin	7	1	6
Wyoming 1/	235,836	17,779	218,057
Total	524,173	39,832	484,341
NPR-Alaska (BLM)	50	4	46
1/ Includes Wyoming's share (\$37.3M) of large coal valuation case estimated to be resolved and paid out by the end of FY 1994.			
* The final amounts depend on reconciliation legislation currently pending before Congress.			

Receipts

The Minerals Management Service is responsible for the collection of all mineral leasing receipts collected from Indian, and Federal onshore and offshore (Outer Continental Shelf) lands. Mineral leasing receipts are derived from rents, bonuses, minimum royalties, royalties, and payor late payment interest. The disposition of these collections between the General Fund of the U.S. Treasury, other Federal funds, and the States and counties is determined by statute which in most part is based on land category (various types of public domain and acquired lands) and source type (oil and gas rents, coal royalties, etc.).

MMS is responsible for the disposition of all OCS collections and about 97 percent of all Federal onshore collections into receipt accounts. The remaining 3 percent of collections are from acquired national grasslands administered by the Department of Agriculture (USDA). As these collections are shared between the General Fund and counties (versus States), the policy has been to transfer them to the USDA for disposition. All monies collected on Indian lands are transferred to the Bureau of Indian Affairs for distribution to Tribal and Indian Allottee accounts.

Legislation also determines how receipts are classified for budgetary purposes. Mineral leasing receipts are classified as offsetting receipts because they arise from business-type transactions with the public versus governmental receipts which arise from the Government's power to tax or fine. Offsetting receipts are further defined as: 1) Proprietary receipts which offset budget authority and outlays (most onshore receipts fall into this category), or 2) Undistributed proprietary receipts which are offsetting against total Federal budget authority and outlays as a bottom-line adjustment (currently, all OCS receipts fall into this category).

Under the Budget Enforcement Act, any legislative changes, including rulemakings, must be analyzed to ensure revenue-neutrality. This means any change in law which decreases receipts must be offset by a change which increases other receipts or reduces budget authority and outlays. In FY 1991-1993 Congress has authorized deducting fifty percent of the Government's onshore mineral leasing administrative program costs from total collections before distribution to Treasury and States (net receipts sharing). In this situation, total receipts are not increased but budget authority and corresponding outlays to States are decreased. It is the amount of reduced outlays to States and not the amount of costs recovered that is "scored" as budgetary savings.

This section includes:

- An explanation as to the distribution of onshore, offshore and hardrock mining royalty revenues into receipt accounts.
- The estimated receipts by source type and by account (for both current and Presidential policy), and a discussion of the changes between FY 1992 actuals and FY 1993 and 1994 estimates.
- The detailed backup information from which the gross estimates are developed (estimated price, production, etc.). Also included is a summary description of current royalty, rent, and bonus rates.

Distribution of Receipt Accounts

The following three flowcharts describe the flow of onshore (Diagram 1) and OCS (Diagram 2), and proposed hardrock mineral leasing collections into receipt accounts. First, as checks or electronic transfer payments are received from payors, they are deposited into a holding or suspense account until the accounting system has identified the payments by the:

- Source type (oil and gas rents, coal royalties, other minerals bonuses, etc.)
- Land category (acquired Forest, public domain, OCS, etc.) and

- Location (to determine recipient States' or counties' shares if applicable).

If reports are filed correctly by payors, this process usually takes about one month.

Onshore Accounts: After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type. Detailed State information is necessary to disburse States' shares to States' treasuries. The acquired lands collections shared with counties are electronically transferred to the USDA for disposition into receipt accounts.

The collections from public domain lands leased under Mineral Leasing Act (MLA) authority are shared 50% with the States (Account 5003), 40% with the Reclamation Fund (Account 5000.24) which funds western water projects, and 10% with the General Fund. The General Fund share is deposited into two accounts depending on whether the collections are from rents and bonuses (Account 1811) or from royalties (Account 2039). Because by law, Alaska receives no funds from the Reclamation Fund, Alaska's receives a 90% share of mineral leasing receipts.

MMS transfers to the Bureau of Land Management for distribution the monies collected from public domain lands not leased under MLA authority, such as the National Petroleum Reserve-Alaska (NPRA) lands from which Alaska and the General Fund receive 50 percent shares. Since there is no production from the NPRA, all the General Fund share is deposited into Account 1811 (rents and bonuses). MMS transfers Alaska's share (account 5045) to Bureau of Land Management for semi-annual disbursement.

The Energy Policy Act of 1992 requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the Mineral Leasing Act for Acquired Lands. Therefore, MMS is now reporting additional accounts: Accounts 5008.1 and 5243.1 are the Federal and States' shares (25 and 75 percent respectively) of receipts collected from National Forest lands, and Account 5248.1 is the States' 75 percent share of receipts collected from Lands Acquired for Flood Control, Navigation and Allied Purposes. The Government's 25 percent share of these collections will be deposited to the General Fund (either Account 1811 or 2039). In the past, MMS transferred these collections to USDA and the Corps of Engineers for annual disbursement to States and Treasury.

As required by the FY 1993 Interior and Related Agencies Appropriations Act, the amount "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." For tracking purposes, this amount is deposited into the General Fund Account 2039.

In FY 1994, the Administration intends to pursue net receipts sharing at the 50 percent cost recovery level (States' share 25%) through authorizing language to amend the appropriate mineral leasing statutes. The previous section, Permanents, provides details on the net receipts sharing.

OCS Accounts: OCS receipts are deposited into accounts depending on source: rents, bonuses, or royalties. Also, interest earned on collections held in escrow are deposited to a separate account. Amounts held in escrow accounts are not included in receipt totals.

In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to 1/5 of the entire proposed bid. This money is deposited into escrow (account 6705), accruing interest, until MMS has determined the proposed bonus is at least equal to the fair market value of that tract. If rejected, the 1/5 upfront deposit, plus interest, is returned to the bidder. If the bid is accepted, the 1/5 bonus, the remaining 4/5 bonus, and the first year's rent are deposited into the receipt account for OCS rents and bonuses (Account 1820). Accrued interest is deposited into Account 1493. Future OCS rents, due on the anniversary date of lease issuance, are also deposited into this same account. OCS royalties, due from payors at the end of the month following the month of production, are deposited into the OCS royalty account (Account 2020).

Receipts

The payments made to coastal states for their 27 percent share of OCS collections within the 8(g) zone, the area approximately 3 miles seaward from the State/Federal boundary, flow through Escrow Account 6707. The last table provides information as to actual and estimated payments for these states.

Deposits are also made into Escrow Account 6704 pending the resolution of a dispute between Alaska and the Federal Government as to the location of the State/Federal boundary in the Beaufort Sea. Sale bonuses collected between 1979 and 1991, as well as rental payments, total over \$446 million. The legal issues are currently being analyzed by a Special Master appointed by the United States Supreme Court. Based on the current schedule of completion of the Special Master's recommendation and subsequent legal processes, a Supreme Court decision could be reached in FY 1994 although the Special Masters' report has been delayed several times. After resolution, an estimated \$877 million will be deposited into a Treasury interest account (Account 1493) and the \$446 million in principal will be deposited into the Treasury account for rents and bonuses (Account 1820).

Most of the OCS receipts accumulated throughout the year in General Fund accounts is transferred at the end of the fiscal year to the National Park Service administered Historic Preservation Fund (Account 5140 and 5140.2) and the Land and Water Conservation Fund (LWCF) (accounts 5000.7 and 5000.8). OCS receipts are the sole funding source of the HPF (\$150 million) and the major funding source (about 85 percent) of the mandated \$900 million required for the LWCF. The other two sources for the LWCF are \$1 million from motor boat fuel taxes and receipts from the sale of surplus government property and materials. Because the HPF was enacted first, the HPF and then the LWCF must be funded from OCS receipts. Accounting procedures require payments be made first from rents and bonuses and associated interest and then any further needed payments should be made from royalties. As OCS bonuses and rents decline, more and more HPF and LWCF payments will be derived from OCS royalties. The HPF and LWCF are subject to appropriation and the amount of States' grants is determined by various criteria which are not related to the amount of OCS receipts collected offshore their coastlines.

Hardrock minerals: The Administration is proposing to amend the Mining Law to require the collection of royalties to be distributed 25 percent to the States (Account 5420.1) less their share of program administration costs and 75 percent to the General Fund of the Treasury (Account 2039) after reimbursing the involved bureaus' appropriations for their program administrative costs. Collection and distribution are expected to begin in FY 1995. These estimates, per DOI, are based on an estimated \$3 billion annual gross production value and phased in royalty rates of 3% in FY 1995, 6% in FY 1996 and 12.5% in FY 1997 and beyond.

Distribution of Onshore Receipts

"Suspense" Acct. 3875
All monies collected from payors waiting to be identified by system as to source and recipient

Mineral leasing program costs
(when applicable)

adjustments for

Adjusted Subtotal of Collections

Non-Interior (3%)

Interior (97%)

Public Domain (94%)

Acquired Lands (3%)

Mineral Leasing Act
(94%)

NPRA 1/
($<1\%$)

Flood Control
($<1\%$)

Natl Forest
(3%)

Transferred to Forest Service for distribution to Treasury and counties (not subject to net receipts sharing)

Alaska

General Fund
(Accts 1811 & 2039)

Mineral Leasing & Assoc. Pymts to States (Acct 5003)

Reclamation Fund
(Acct 5000.24)

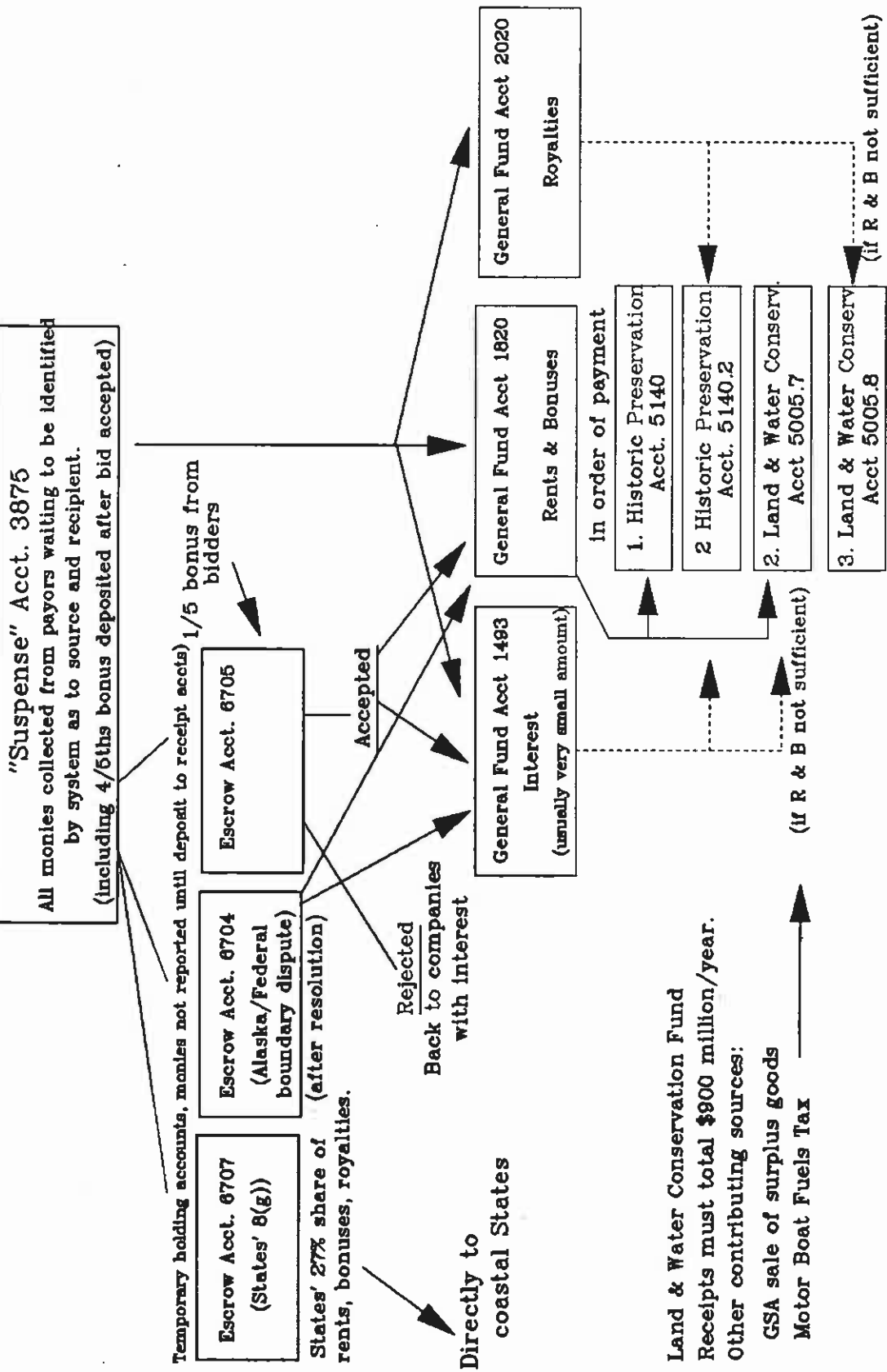
to States
(Acct 5248.1)

Treasury
(Acct 5008.1)

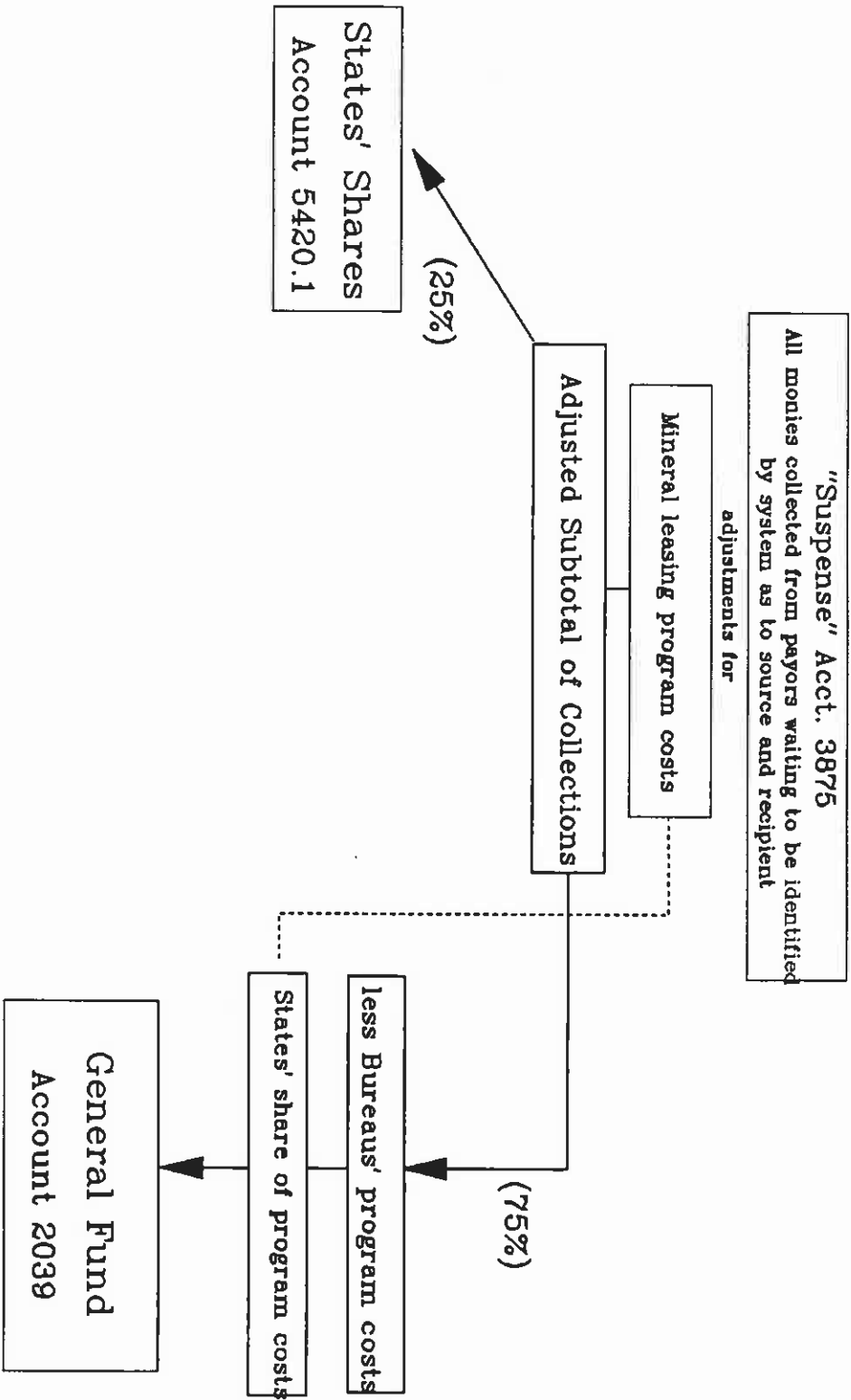
to States
(Acct 5243.1)

1/ National Petroleum Reserve-Alaska (Acct 5045)

Distribution of Offshore (OCS) Receipt Accounts



Distribution of Hardrock Royalties



Receipts

Mineral Leasing Receipts by Source (Dollars in thousands)						
President's Policy	1993 Estimate	1994 Estimate	1995 Estimate	1996 Estimate	1997 Estimate	1998 Estimate
Onshore						
Rents and Bonuses						
Oil and Gas	61,032	55,002	53,323	51,779	50,792	46,227
Coal	20,985	27,973	37,957	45,943	50,936	50,937
Geothermal	1,540	1,540	1,539	1,539	1,538	1,538
Oil Shale	3	3	3	3	3	3
All Other	939	938	938	938	938	938
<i>Subtotal, R & B</i>	<i>84,499</i>	<i>85,457</i>	<i>93,761</i>	<i>100,202</i>	<i>104,207</i>	<i>99,643</i>
Royalties						
Oil and Gas	556,829	574,819	606,039	633,490	658,637	686,331
Coal	267,459	348,520	287,471	297,270	307,183	317,566
Geothermal	17,449	17,452	17,555	17,556	17,559	17,561
Oil Shale	0	0	0	0	0	0
All Other	31,335	30,609	29,880	29,271	29,242	29,112
Hardrock *	0	0	85,000	175,000	370,000	370,000
<i>Subtotal, Royalties</i>	<i>873,072</i>	<i>971,400</i>	<i>1,025,945</i>	<i>1,152,587</i>	<i>1,382,620</i>	<i>1,420,571</i>
Subtotal, onshore	957,570	1,056,857	1,119,706	1,252,789	1,486,827	1,520,214
Royalty-in-Kind fees	400	400	400	400	400	400
OCS						
OCS Rents and Bonuses	156,000	140,000	135,000	131,000	115,000	113,000
OCS Royalties	2,142,600	2,171,600	2,217,200	2,252,000	2,281,000	2,335,700
OCS Escrow Payout	0	446,614	0	0	0	0
OCS Escrow Interest	0	848,342	0	0	0	0
Subtotal, OCS	2,298,600	3,606,556	2,352,200	2,383,000	2,396,000	2,448,700
TOTAL, ALL RECEIPTS	3,256,570	4,663,813	3,472,306	3,636,189	3,883,227	3,969,314

* Estimate is net the \$5 million deducted to offset, or reimburse, bureaus' appropriations for program administration costs.

						Receipts
Accounts – President's Policy (Dollars in thousands)						
	1993 Estimate	1994 Estimate	1995 Estimate	1996 Estimate	1997 Estimate	1998 Estimate
Onshore receipts:						
1811.00 Rents and Bonuses	6,700	6,803	7,569	8,220	8,586	8,152
2039.00 Royalties 1/	156,759	170,285	234,390	306,900	460,674	468,483
5420.10 Hardrock (States' share)	0	0	21,875	44,375	93,125	93,125
5000.24 Reclamation Fund	344,404	382,951	372,574	389,304	403,194	415,072
5003.02 Payments to States	430,927	479,065	465,900	486,757	504,082	518,840
5045.00 Nat'l Petroleum Res.-AK	91	46	0	0	0	0
5243.10 Forest Fund (States' share)	4,401	4,144	4,067	4,016	3,991	3,832
5008.10 Forest Fund, Govt share	13,203	12,431	12,201	12,048	11,973	11,496
5248.10 Flood Control (States share)	1,085	1,132	1,130	1,170	1,203	1,214
Subtotal, onshore	957,570	1,056,857	1,119,706	1,252,790	1,486,828	1,520,214
2419.1 Royalty-In-kind fees	400	400	400	400	400	400
OCS receipts:						
1820.00 OCS Rents and Bonuses	0	0	0	0	0	0
2020.00 OCS Royalties	1,300,205	1,756,609	1,335,595	1,366,395	1,379,395	1,432,095
5005.70 LWCF (R & B)	6,000	436,614	0	0	0	0
5005.80 LWCF (royalties)	842,395	414,991	866,605	866,605	866,605	866,605
5140.00 Hist. Pres. Fund (R & B)	150,000	150,000	135,000	131,000	115,000	113,000
5140.02 Hist. Pres. Fund (royalties)	0	0	15,000	19,000	35,000	37,000
1493.00 OCS Escrow Interest	0	848,342	0	0	0	0
Subtotal, OCS	2,298,600	3,606,556	2,352,200	2,383,000	2,396,000	2,448,700
TOTAL	3,256,570	4,663,813	3,472,306	3,636,190	3,883,228	3,969,314
1/ Includes Federal share of hardrock royalties:						
			63,125	130,625	276,875	276,875

Receipts

Accounts – Current Services (Dollars in thousands)

	1993 Estimate	1994 Estimate	1995 Estimate	1996 Estimate	1997 Estimate	1998 Estimate
Onshore receipts:						
1811.00 Rents and Bonuses	6,700	7,805	8,626	9,295	9,716	9,336
2039.00 Royalties	156,759	96,256	93,197	96,861	100,348	104,119
5000.24 Reclamation Fund	344,404	414,203	405,530	422,828	438,423	452,005
5003.02 Payments to States (flx 93)	430,927	518,125	507,095	528,662	548,118	565,006
5045.00 Nat'l Petroleum Res.-AK	91	50	0	0	0	0
5243.10 Forest Fund, states share	4,401	4,790	4,749	4,709	4,719	4,596
5008.10 Forest Fund, Govt share	13,203	14,370	14,246	14,128	14,158	13,788
5248.10 Flood Control (States shares)*	1,085	1,258	1,263	1,305	1,345	1,363
Subtotal, onshore	957,570	1,056,857	1,034,706	1,077,789	1,116,827	1,150,214
2419.1 Royalty-In-kind fees	400	400	400	400	400	400
OCS receipts:						
1820.00 OCS Rents and Bonuses	0	0	0	0	0	0
2020.00 OCS Royalties	1,300,205	1,727,078	1,320,536	1,350,823	1,363,292	1,415,442
5005.70 LWCF (OCS R & B)	6,000	436,614	0	0	0	0
5005.80 LWCF (OCS royalties)	842,395	444,522	881,664	882,177	882,708	883,258
5140.00 Hist. Pres. Fund (OCS R & B)	150,000	150,000	135,000	131,000	115,000	113,000
5140.02 Hist. Pres. Fund (OCS roy.)	0	0	15,000	19,000	35,000	37,000
1493.00 OCS Escrow Interest	0	848,342	0	0	0	0
Subtotal, OCS	2,298,600	3,606,556	2,352,200	2,383,000	2,396,000	2,448,700
TOTAL	3,256,570	4,663,813	3,387,306	3,461,189	3,513,227	3,599,314

The ensuing discussion highlights the significant changes in receipts between the FY 1992 actuals and the FY 1993 estimates and between the FY 1993 and FY 1994 estimates.

Onshore Mineral Receipts
FY 1992 Actuals vs FY 1993 Estimates
dollars in thousands

	1992 Actual	1993 Estimate	Change	Explanation
DOI Proprietary Onshore Mineral Receipts				
<i>Rents & Bonuses</i>				
Oil & Gas	65,866	61,032	-4,839	Continued relinquishment of leases. Figures reflect continuation of 1989 rental rollback.
Coal	6,224	20,985	14,761	Anticipated leasing in Powder River Basin
Geothermal	1,406	1,540	584	Anticipated increase in leasing
Oil Shale	5	3	-2	Anticipated relinquishment to expected constant rent level.
All Other	163	939	776	Anticipated increase in leasing
Subtotal	73,664	84,499	11,285	
<i>Royalties</i>				
Oil & Gas	536,909	556,829	19,920	Approximately \$9 million in gas royalties due a 7% increase in gas production which offsets decreases in price: oil (3%) and gas (1%). Oil production to remain flat. Incorporates full impact of reduced royalty rates for low producing or stripper wells (-\$22.8 million)
Coal	268,297	267,459	-838	Due to increase in production (2%) and price (2.8%).
Geothermal	19,658	17,449	-2,209	FY 1992 collections slightly greater than usual. Possible accounting adjustments for prior years.
Oil Shale	0	0	0	No royalties are expected in future.
All Other	26,440	31,335	4,895	FY 1992 collections slightly less than norm. Possible accounting adjustments for prior years.
Subtotal	851,304	873,072	21,768	
Total	924,968	957,571	32,603	

FY 1993 Actuals vs FY 1994 Estimates

dollars in thousands

	1993 Actual	1994 Estimate	Change	Explanation
DOI Proprietary Onshore Mineral Receipts				
<i>Rents & Bonuses</i>				
Oil & Gas	61,032	55,002	-6,030	Continued relinquishment of leases which offsets slight increase in bonuses. Figures reflect continuation of 1989 rental rollback.
Coal	20,985	27,973	6,988	Continued leasing in Powder River Basin
Geothermal	1,540	1,540	0	Anticipated level interest in leasing and rentals
Oil Shale	3	3	0	Expected constant rental level
All Other	939	938	-1	Anticipated level interest in leasing and rentals
Subtotal	84,499	85,457	959	
<i>Royalties</i>				
Oil & Gas	556,829	574,819	17,990	+\$9 million in gas royalties due to a 6% increase in price which offsets an almost 3% decrease in production; plus a \$8 million increase in oil royalties due to a 5% increase in production which offsets a 2% decrease in price. Incorporates full impact of reduced royalty rates for low producing or stripper wells (-\$22.8 million)
Coal	267,459	348,520	81,061	Increase due to anticipated settlement of coal valuation case in Wyoming (\$78 million in principal and interest) and an increase in production (2.3%) and price (2%)
Geothermal	17,449	17,452	3	Basically a static level of production
Oil Shale	0	0	0	No royalties are expected
All Other	31,335	30,609	-726	Anticipated depletion in copper, lead, and zinc leasable reserves.
Subtotal	873,072	971,400	98,328	
Total	957,571	1,056,857	99,287	

OCS Mineral Receipts
FY 1992 Actuals vs FY 1993 Estimates
dollars in thousands

	1992 Actual	1993 Estimate	Change	Explanation
DOI Undistributed Proprietary OCS Mineral Receipts				
Rents	58,687	58,000	-687	Basically level with some anticipated relinquishment.
Bonuses	96,085	98,000	1,915	Some level of interest anticipated. Bonuses maybe slightly higher due to higher oil price estimate.
Subtotal	154,772	156,000	1,228	
Oil Royalties	991,800	986,500	-5,300	Due to anticipated decline (10%) in production which offsets increase (12%) in estimate oil price.
Gas Royalties	1,351,700	1,156,100	-195,600	Based on 2% decrease in price and 12% decrease in production.
Subtotal	2,343,500	2,142,600	-200,900	
Total	2,498,272	2,298,600	199,672	

FY 1993 Actuals vs FY 1994 Estimates

	1993 Actual	1994 Estimate	Change	Explanation
DOI Undistributed Proprietary OCS Mineral Receipts				
Rents	58,000	58,000	0	No change expected.
Bonuses	98,000	82,000	-16,000	Based on lower Western and Central Gulf of Mexico bonuses. The percent of receipts (75%) for the Western Gulf sale held in 1992 but collected in FY 1993 is larger than the usual 59%.
Subtotal	156,000	140,000	-16,000	
Oil Royalties	986,500	1,006,200	19,700	Increase based on 5% price increase which offsets a 3% decline in production.
Gas Royalties	1,156,100	1,165,400	9,300	Increase based on 6% price increase which offsets a 5% decline in production.
Subtotal	2,142,600	2,171,600	11,557	
Encrow (principal & interest)		1,294,956	1,294,956	Anticipated resolution of Alaska/Federal boundary dispute
Total	2,298,600	3,606,556	1,307,956	

Receipts
Onshore Rents and Bonuses
(Dollars in thousands)

	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Oil and Gas						
Rents:						
NPRA	200	100	0	0	0	0
Lower 48	45,464	37,483	34,029	30,206	26,770	19,399
ANILCA	459	413	203	142	99	0
Bonuses:						
NPRA	0	0	0	0	0	0
Lower 48	18,975	20,873	22,960	25,256	27,781	30,559
ANILCA	0	0	0	0	0	0
Total, O & G	65,098	58,869	57,192	55,604	54,650	49,958
Coal						
Rents	1,000	1,000	1,000	1,000	1,000	1,000
Bonuses	20,000	27,000	37,000	45,000	50,000	50,000
Total, Coal	21,000	28,000	38,000	46,000	51,000	51,000
Oil Shale						
Rents	3	3	3	3	3	3
Bonuses	0	0	0	0	0	0
Total, oil shale	3	3	3	3	3	3
Geothermal						
Rents	1,400	1,400	1,400	1,400	1,400	1,400
Bonuses	150	150	150	150	150	150
Total, geothermal	1,550	1,550	1,550	1,550	1,550	1,550
Other Minerals						
Rents & bonuses	953	953	953	953	953	953
TOTAL, R & B	88,604	89,375	97,698	104,110	108,156	103,464

Receipts

	Onshore Royalties (Dollars in thousands)						
	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate	FY 1995 Estimate	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate
Oil (mil. barrels)	116.7	112.5	110.1	105.7	100.8	97.2	94.6
Actual/OMB Price	19.91	20.26	21.28	22.37	23.16	23.98	24.82
Royalty rate	12.30%	12.30%	12.30%	12.30%	12.30%	12.30%	12.30%
Oil royalty	\$285.8	\$280.3	\$288.2	\$290.8	\$287.1	\$286.7	\$288.8
Oil minimum royalty	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8
<i>Subtotal, oil</i>	<i>\$289.6</i>	<i>\$284.1</i>	<i>\$292.0</i>	<i>\$294.6</i>	<i>\$290.9</i>	<i>\$290.5</i>	<i>\$292.6</i>
Gas (mil mcf)	1,191	1,241	1,207	1,254	1,314	1,346	1,381
Actual/OMB Price	1.59	1.57	1.67	1.78	1.88	1.98	2.07
Royalty rate	11.97%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Gas royalty	\$226.7	\$233.8	\$241.9	\$267.9	\$296.4	\$319.8	\$343.0
CO2 (mil mcf)	219.8	220.0	220.0	220.0	220.0	220.0	220.0
Estimated Price	0.85	0.90	0.95	1.00	1.05	1.10	1.15
Royalty rate	6.87%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
CO2 royalty	\$12.9	\$12.9	\$13.6	\$14.3	\$15.0	\$15.7	\$16.4
Gas Plant	\$19.6	\$21.7	\$22.2	\$23.1	\$24.1	\$24.7	\$25.3
Gas minimum royalty	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2
<i>Subtotal, gas</i>	<i>\$262.3</i>	<i>\$271.5</i>	<i>\$280.8</i>	<i>\$308.5</i>	<i>\$338.8</i>	<i>\$363.4</i>	<i>\$388.0</i>
<i>Total, oil & gas</i>	<i>\$551.9</i>	<i>\$555.7</i>	<i>\$572.8</i>	<i>\$603.1</i>	<i>\$629.7</i>	<i>\$653.9</i>	<i>\$680.6</i>
Coal, mil tons	234.6	239.9	245.5	251.2	257.0	263.0	269.1
Estimated Price	\$10.35	\$10.55	\$10.71	\$10.84	\$10.95	\$11.06	\$11.17
Royalty rate	10.94%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%
Litigation: princ interest			\$55.6 \$22.0				
<i>Coal</i>	<i>\$265.7</i>	<i>\$283.6</i>	<i>\$372.0</i>	<i>\$304.8</i>	<i>\$315.2</i>	<i>\$325.7</i>	<i>\$336.7</i>
<i>Geothermal</i>	<i>\$17.4</i>	<i>\$17.4</i>	<i>\$17.4</i>	<i>\$17.5</i>	<i>\$17.5</i>	<i>\$17.5</i>	<i>\$17.5</i>
<i>All other</i>	<i>\$32.6</i>	<i>\$31.9</i>	<i>\$31.2</i>	<i>\$30.5</i>	<i>\$29.9</i>	<i>\$29.9</i>	<i>\$29.8</i>
<i>Audit recoveries 1/</i>	<i>\$62.5</i>	<i>\$34.4</i>	<i>\$35.5</i>	<i>\$37.0</i>	<i>\$38.4</i>	<i>\$39.8</i>	<i>\$41.3</i>
<i>Proposed Hardrock 2/</i>				<i>\$85.0</i>	<i>\$175.0</i>	<i>\$370.0</i>	<i>\$370.0</i>
TOTAL	\$867.5	\$888.6	\$993.5	\$1,040.9	\$1,167.3	\$1,397.0	\$1,434.6

1/ Based on historical average not 1992 actual which includes large amounts due to completion of accelerated audits.

2/ Net amount after bureaus' appropriations are offset, or reimbursed, estimated program costs of \$5 million.

Receipts

OCS Rent and Bonus Estimates (Dollars in millions)							
Sale No.	Fiscal Year	Area	High Bids	% in FY	Total 8(g)	8(g) to States	Receipt Estimate
141		Western Gulf of Mexico 1/	32	59%	1	0	24.6
142	mid 93	Central Gulf of Mexico	67	100%	3	1	66
143	late 93	Western Gulf of Mexico	19	41%	0	0	8
					5	1	98
					Rents		58
					Total, FY 1993 OCS Receipts		156
143		Western Gulf of Mexico 1/	19	59%	1	0	11
147	mid 94	Central Gulf of Mexico	65	100%	3	1	64
150	late 94	Western Gulf of Mexico	18	41%	0	0	7
					4	1	82
					Rents		58
					Total, FY 1994 OCS Receipts		140
150		Western Gulf of Mexico 1/	18	59%	1	0	10
149	early 95	Cook Inlet	1.5	100%	0	0	1.5
152	mid 95	Central Gulf of Mexico	60	100%	3	1	59
158	late 95	Gulf of Alaska-Yakutat	1	100%	0	0	1
155	late 95	Western Gulf of Mexico	17	41%	0	0	7
					4	1	79
					Rents		56
					Total, FY 1995 OCS Receipts		135
155		Western Gulf of Mexico 1/	17	59%	1	0	10
151	early 96	Eastern Gulf of Mexico-No 26		Proposed by Secretary for delay 2/			
144	early 96	Beaufort Sea	5	100%	0	0	5
157	mid 96	Central Gulf of Mexico	52	100%	3	1	51
148	late 96	Chukchi	5	100%	0	0	5
161	late 96	Western Gulf of Mexico	15	41%	0	0	6
					3	1	77
					Rents		54
					Total, FY 1996 OCS Receipts		131
161		Western Gulf of Mexico 1/	15	59%	0	0	9
164	early 97	M & S Atlantic		Proposed by Secretary for delay 2/			
153	early 97	St George	1	100%	0	0	1
166	mid 97	Central Gulf of Mexico	48	100%	2	1	47
159	late 97	Hope Basin	1	100%	0	0	1
---	late 97	W. Gulf of Mexico	13	41%	0	0	5
					3	1	63
					Rents		52
					Total, FY 1997 OCS Receipts		115
---		Western Gulf of Mexico 1/	13	59%	0	0	9
---	mid 98	C. Gulf of Mexico	48	100%	2	1	47
---	late 98	W. Gulf of Mexico	12	41%	0	0	5
					3	1	61
					Rents		52
					Total, FY 1998 OCS Receipts 3/		113

1/ As the WGOM sales are late in the fiscal year, not all receipts are collected in that fiscal year. Some receipts are collected and deposited in the following fiscal year.

2/ In current Five Year Plan, Secretary is reviewing leasing plans.

3/ The current Five Year Plan does not extend beyond mid CY 1997. FY 1998 sales are projected.

Outer Continental Shelf Royalties

(Dollars in millions)

(FY 1992 Actuals are based on quantity sold as based on RMP records)

	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate	FY 1995 Estimate	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate
<i>Oil and Gas Condensate</i>							
Production, mil bbls	394	354.7	344.4	337.3	329.0	321.6	317.6
Actual/OMB Price, 1/	17.98	20.26	21.28	22.37	23.16	23.98	24.82
Royalty Rate	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Oil Royalty,	\$981.7	\$995.9	\$1,015.6	\$1,045.6	\$1,055.9	\$1,068.7	\$1,092.4
<i>Natural Gas</i>							
Production, bil cuft	4,956	4,378	4,143	3,931	3,803	3,733	3,664
Actual/OMB Price, 1/	1.60	1.57	1.67	1.78	1.88	1.98	2.07
Royalty Rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Royalty,	\$1,266.5	\$1,097.8	\$1,105.1	\$1,117.6	\$1,141.9	\$1,180.5	\$1,211.5
<i>Minimum Royalties</i>							
Oil	\$9.3	9.5	9.6	9.7	9.6	9.5	9.5
Gas	\$12.7	10.5	10.4	10.3	10.4	10.5	10.5
Total, min. royalties	\$22.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0
<i>Gas Plant Products</i>	\$73.3	\$70.0	\$72.0	\$75.0	\$75.0	\$72.0	\$72.0
<i>Total, Gross Oil and Gas Royalties, \$</i>							
	2,343.5	2,183.7	2,212.7	2,258.2	2,292.9	2,341.3	2,395.9

Adjustments

\$ Audit Recoveries 2/ in above \$	22	22	23	23	23	24	
Current Payments to Coastal States							
Current law 3/	-17	-18	-18	-18	-19	-19	
Mandated payment	-45.5	-45.5	-45.5	-45.5	-65.0	-65.0	
Subtotal, Payments	-63	-63	-64	-64	-84	-84	
To TREASURY	2,343.5	2,142.6	2,171.6	2,217.2	2,252.0	2,281.0	2,335.7

1/ Estimated price based on current OMB's economic assumptions.

2/ Audit recoveries are 1% of gross royalties based on average of past actuals.

3/ Royalties to states for production within 8(g) zone are 0.8% of the total based on past actuals.

4/ Interest is not a DOI receipt and is not included in totals.

5/ Based on OMB's current economic assumptions.

Receipts

ACTUAL AND ESTIMATED PAYMENTS TO COASTAL STATES
under section OCSLA 8(g)
(in Actual Dollars)

FY 1992 Actual Payments				
	Royalties		Mandated	
	Annual rents	Sale Bonuses	Payment	Total
Alabama	2,449,397	0	490,000	2,939,397
Alaska	296,942	0	9,380,000	9,676,942
California	2,971,134	0	20,230,000	23,201,134
Florida	19,619	0	0	19,619
Louisiana	6,664,066	1,189,989	5,880,000	13,734,055
Mississippi	12,101	0	140,000	152,101
Texas	9,076,744	211,580	9,380,000	18,668,325
Total	21,490,003	1,401,569	45,500,000	68,391,572
FY 1993 Estimated Payments				
	Royalties		Mandated	
	Annual Rents	Sale Bonuses	Payment	Total
Alabama	2,038,129	0	490,000	2,528,129
Alaska	247,084	no sales	9,380,000	9,627,084
California	2,472,265	no sales	20,230,000	22,702,265
Florida	16,325	no sales	0	16,325
Louisiana	5,545,132	877,500	5,880,000	12,302,632
Mississippi	10,069	0	140,000	150,069
Texas	7,552,709	437,265	9,380,000	17,369,974
Total	17,881,713	1,314,765	45,500,000	64,696,478
FY 1994 Estimated Payments				
	Royalties		Mandated	
	Annual Rents	Sale Bonuses	Payment	Total
Alabama	2,152,108	0	490,000	2,642,108
Alaska	260,902	no sales	9,380,000	9,640,902
California	2,610,521	no sales	20,230,000	22,840,521
Florida	17,238	no sales	0	17,238
Louisiana	5,855,233	877,500	5,880,000	12,612,733
Mississippi	10,632	0	140,000	150,632
Texas	7,975,079	499,500	9,380,000	17,854,579
Total	18,881,713	1,377,000	45,500,000	65,758,713

Summary Description — Federal Onshore Leases

Royalty Rate	Rents	Lease Duration	Bonus
Oil and Gas			
Competitive: Leases issued under MLA (Prior to 12/23/87), royalty assessed on amount of production and ranges from 12.5% to 33%	Under MLA, for leases 1-5 years, rate is \$2/acre/yr. Secretarial Order on 12/92 reduced to \$1/acre/yr. through 2/98.	5 years; continued if capable of commercial production (than lessor pays minimum royalty)	Under MLA, bonuses are based on fair market value.
Competitive: Leases issued under LRA are set at 12.5%	Under LRA, rent is \$1.5/acre/yr. for 1-5 and \$2/acre/yr. for years 6-10.	see above	Under LRA, bonus is not less than \$2/acre.
Non-Competitive: Based on 12.5% of production	Under MLA, rent is \$1/acre/yr. for years 1-10. SOG leases are \$3/acre/yr. and KGS \$/acre/yr. but are subject to above rental reductions.	10 years; continued if capable of commercial production (than lessor pays minimum royalty)	All leases are now offered only by competitive means.
NPRA Set by regulation at 16.66%. However, no production anticipated.	Rental rate is \$3/acre/yr	10 years or less	
Coal			
Post-FCLAA (1976): 12.5% of value, Secretary may set lower rate for underground mines. Currently 8%.	Rental rate is \$3/acre/yr	Indefinite period with 20 year readjustment.	Bid amount must be equal to or greater than fair market value. At least 1/2 the amount for the lease in a year must be offered through deferred bonus bidding.
Pre-FCLAA: \$.15/ton underground and \$.175/ton surface mines	Rental rate is \$1/acre/yr	see above	see above

Receipts

Royalty Rate	Rents	Lease Duration	Bonus
Geothermal			
Generally set for individual leases. By statute it may not be less than 10% nor more than 15% of the value of demineralized water.	Competitive: \$2/acre/yr. or \$5/acre/yr. for years 1-5 if choose not to file report showing significant expenditures to develop. Non-competitive: \$1/acre/yr. for years 1-5 and \$4/acre/year for subsequent years.	10 years; continued if capable of producing commercial quantities.	Competitive: if within a Known Geothermal Resource Area (KGRA), lease is by sealed bid. Non-competitive: if outside KGRA, lease is by over-the-counter basis.
Other Minerals			
Royalty is paid based on lease terms and varies by commodity	Based on statute and regulation, rent varies by commodity and ranges from \$.25-\$1/acre/yr.	Varies by commodity. 20 years subject to readjustment every 10-20 years.	Competitive (vs non-competitive) leases are awarded to highest qualified bid exceeding fair market value.

MLA — Mineral Leasing Act

LRA — Leasing Reform Act

NPRA — National Petroleum Reserve-Alaska

FCLAA — Federal Coal Leasing Amendments Act of 1976

Summary Description — Federal OCS Leases

Royalty Rate	Rents	Lease Duration	Bonus
Is set for each sale area in its Final Notice of Sale. It may be: 1. Based on water depth— Leases issued after 1/93 on a sale by sale basis: 12.5% for Gulf water depths greater than 200m or 16.66% for water depths less than 200m. Issued before 1/93: 12.5% for water depths greater than 400m or 16.66% for water depths less than 400m. The 12.5% is also used for Alaska & certain parts of California 2. Sliding-scale (12.5-65%) based on average of all production 3. Step-scale which increases by steps as production increases 4. Flat rate of 33.33% + 5. Net profit share which require royalty only after certain expenditures are recovered	\$3/acre/yr. or \$10/acre/yr. for drainage sales. Minimum royalty at above rate after lease deemed capable of commercial production.	5 years (not to exceed 10 yrs). Continued if capable of commercial production.	Based on fair market value. Minimum bid of \$25 to \$150/acre subject to sale by sale review.

For both onshore and OCS leases, once a lease has been drilled and a commercial discovery been made, a minimum royalty is paid until production actually begins. The minimum royalty rate is the same as the rental rate.

Explanation of Authorizing Statutes

Outer Continental Shelf Lands:

- 43 U.S.C. 1331, et seq. The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.
- 43 U.S.C. 4321,
4331-4335, 4341-4347 The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal actions having a significant effect on the environment.
- 16 U.S.C. 1451, et seq. The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.
- 16 U.S.C. 1531-1543 The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.
- 42 U.S.C. 7401, et seq. The Clean Air Act, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require pollutant emission permits administered by the EPA or the States.
- 16 U.S.C. 470-470w6 The National Historic Preservation Act established procedures to ensure protection of significant archaeological resources.
- 30 U.S.C. 21(a)
30 U.S.C. 1601 et seq. The Mining and Minerals Policy Act of 1970 Materials and Minerals Policy, Research and Development Act of 1970 set forth the continuing policy of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
- 33 U.S.C. 2701, et seq. The Oil Pollution Act of 1990 established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
- 43 U.S.C. 1301 The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of Interior prior to designating marine sanctuaries. MMS provides information and comments regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
- 16 U.S.C. 1361-1362,
1371-1384, 1401-1407 The Marine Mammal Protection Act of 1972 provided for the protection and welfare of marine mammals.

Royalty Management Program:

25 U.S.C. 397, <u>et seq.</u>	The <u>Indian Mineral Leasing Act of 1891, as amended</u> , authorizes mineral leasing on lands bought and paid for by Indians.
25 U.S.C. 396, <u>et seq.</u>	The <u>Indian Mineral Leasing Act of 1909</u> authorizes oil and gas leases on Indian allotted lands.
25 U.S.C. 396-396(g) <u>et seq.</u>	The <u>Indian Mineral Leasing Act of 1938</u> 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, <u>et seq.</u>	The <u>Mineral Leasing Act of 1920 (MLA)</u> 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, <u>et seq.</u>	The <u>Outer Continental Shelf Lands Act of 1953</u> provides for granting of leases to develop offshore energy and minerals; provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
30 U.S.C. 1001, <u>et seq.</u>	The <u>Geothermal Steam Act of 1970</u> 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, <u>et seq.</u>	The <u>Combined Hydrocarbon Leasing Act of 1981</u> provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
25 U.S.C. 2101, <u>et seq.</u>	The <u>Indian Mineral Development Act of 1982</u> 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, <u>et seq.</u>	The <u>Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)</u> provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.
106 Stat. 1374	The FY 1993 Department of Interior and Related Agencies Appropriations Bill requires the deduction of \$76.85 million from mineral receipts before their distribution to States and Treasury to recover a portion of the government's mineral leasing program costs.

General Administration:

31 U.S.C. 65	<u>Budget and Accounting Procedures Act of 1950</u>
31 U.S.C. 3901-3906	<u>Prompt Payment Act of 1982</u>
31 U.S.C. 3512(c)	<u>Federal Managers' Financial Integrity Act of 1982</u>

Statutes

5 U.S.C. 552	<u>Freedom of Information Act of 1966, as amended</u>
31 U.S.C. 7501-7507	Single Audit Act of 1984
41 U.S.C. 35-45,	<u>Walsh Healy Public Contracts Act of 1936</u>
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	<u>Federal Records Act of 1950</u>
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)	<u>Anti-Deficiency Act of 1905, as amended</u>
41 U.S.C. 252	<u>Competition in Contracting Act of 1984</u>
18 U.S.C. 1001	<u>False Claims Act of 1982</u>
18 U.S.C. 287	<u>False Statements Act of 1962</u>
41 U.S.C. 501-509	<u>Federal Grant and Cooperative Agreement Act of 1977</u>
41 U.S.C. 253	<u>Federal Property and Administrative Services Act of 1949</u>
41 U.S.C. 401	<u>Office of Federal Procurement Policy Act of 1974, as amended</u>
15 U.S.C. 631	<u>Small Business Act of 1953, as amended</u>
15 U.S.C. 637	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 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).

PL 101-576

Chief Financial Officers Act of 1990

Oil Spill Research

- 33 U.S.C. 2701, et seq. Title VII of the Oil Pollution Act of 1990 authorizes the use of The Oil Spill Liability Trust Fund, established by section 9509 of the Internal Revenue Code of 1986, for oil spill research.
- 33 U.S.C. 2701, et seq. Title I, section 1016, of the Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company, with respect to an offshore facility, has established, and maintains, evidence of financial responsibility in the amount of at least \$150,000,000 to meet potential pollution liability.
- 3 U.S.C. 1331, et seq. Section 21 (b) of the Outer Continental Lands Act, as amended, requires the use of the best available and safest technologies (BAST) and assurance that the use of up-to-date technology is incorporated into the regulatory process.
- Executive Order 12777E.O. 12777, signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service).

Mineral Leasing and Associated Payments:

- 106 Stat. 1374 The FY 1992 Department of the Interior Appropriations Act requires the recovery of \$68.2 million, approximately one-half of the Federal Government's mineral leasing program costs, before distribution of receipts to States and the Treasury.
- 30 U.S.C. 181, et seq. The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that statute on Federal lands within their boundaries.
- 30 U.S.C. 351 et seq. The Mineral Leasing Act for Acquired Lands as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.
- 30 U.S.C. 1001, et seq. The Geothermal Steam Act of 1970 authorizes Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
- 30 U.S.C. 1714, 1721(b), 1721(d), 30 U.S.C. 191, as amended Federal Oil and Gas Management Act of 1982 provides timely payments of royalty funds and from gas and for 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), The Federal Oil and Gas Royalty Management of
- 30 U.S.C. 191, as 1982 authorizes the sharing of oil and gas amended royalties with States and all other charges collected from oil and gas leases located on public domain lands.
- 30 U.S.C. 191a This law authorizes the sharing of all late payment interest collected on all Federal Government lands and from all minerals categories. This law applies to

all interest paid to the Federal Government on or after July 1, 1988. Any interest the Federal Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient.

Table of Acronyms

3A	Regulation governing Assessments for Failure to Submit Payment
AATS	Automated Allowance Tracking System
ACS	Automated Cartographic System
AEDP	Area Evaluation and Decision Process
AFS	Auditing and Financial System
AMSOC	American Management Systems Operation Corporation
API	American Petroleum Institute
ASC	Administrative Service Center
ASIS	Archaeological and Shipwreck Information System
ASLM	Assistant Secretary (Land and Minerals)
ASME	American Society of Mechanical Engineers
BAST	Best Available and Safest Technology
BEDP	Business and Economic Development Program
BEG	Texas Bureau of Economic Geology
BIA	Bureau of Indian Affairs
BIS	Business Information System
BLM	Bureau of Land Management
BOM	Bureau of Mines
BSIP	Business Systems Improvement Plan
BSPI	Business Systems Planning Implementation
CAAA	Clean Air Act Amendments
CAAS	Contracts for Advisory and Assistance Services
CD	Consistency Determination
CER	Categorical Exclusion Review
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMI	Coastal Marine Institute
COE	Corp of Engineers
CRD	Common Reference Database for RMP Systems
CZMA	Coastal Zone Management Act
DEIS	Draft Environmental Impact Statement
DMD	Data Management Division
DOCD	Development Operations Coordination Document
DOJ	Department of Justice

DOT	Department of Transportation
DOV	Division of Verification
DPA	Delegation of Procurement Authority
DPP	Development and Production Plan
EA	Environmental Assessment
EEO	Equal Employment Opportunity program
EEZ	Exclusive Economic Zone
EIA	Energy Information Administration, part of the Department of Energy
EIS	Environmental Impact Statement
EOP	Explanation of Payments (RMP sends to out various recipients)
EP	Exploration Plan
EPA	Environmental Protection Agency
ESP	Environmental Studies Program
ESPIS	Environmental Studies Program Information System
ESRP	Environmental Science Review Panel
FEORP	Federal Equal Opportunity Recruitment Program
FERC	Federal Energy Regulatory Commission
FGDC	Federal Geodetic Data Committee
FIP	Federal Information Processing
FMD	Financial Management Division
FO	Field Operations (of OCS)
FOGRMA	Federal Oil and Gas Royalty Management Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel Payroll System
FR	Federal Register
FRRE	Field and Reservoir Reserves Estimates
FTE	Full Time Equivalent
FTS	Federal Telecommunications System
FTS2000	Federal Telecommunications System 2000
FWS	Fish and Wildlife Service
FY	Fiscal Year
G&G	Geological and Geophysical data
GIS	Geographic Information System
GIT	Geological Interpretative Tools
GNG	Geological and Geophysical Interpretive Database System
GOM	Gulf of Mexico
GOMR	Gulf of Mexico Region
GS	U.S. Geological Survey
GVS	Gas Verification System

Acronyms

HACU	Hispanic Association of Colleges and Universities
HBCU	Historically Black Colleges and Universities
IBR	Information Base Review, part of AEDP
ICAM	International Conference on Arctic Margins
IG	Inspector General
IGDC	Interior Geodetic Data Committee
IITA	Initiative for Indian Tribes and Allottees
INTERMAR	Office of International Activities and Marine Minerals
IRM	Information Resources Management
JIP Joint	Industry Project
LAN	Local Area Network
LE	Leasing Assessment
LM	Leasing Maps
LUMCON	Louisiana Universities Marine Consortium
LVS	Liquid Verification System
MCP	Management Control Plan
MER	Maximum Efficient Rate (of recovery)
MICR	Magnetic Ink Characters Recognition
MONTCAR	Monte Carlo Range of Values
MOU	Memorandum of Understanding
MPR	Maximum Producing Rate (of recovery)
MSSD	Management Services and Security Division
NAD 83	North American Datum of 1983
NEPA	National Environmental Protection Act
NIST	National Institute of Standards and Technology (within Commerce)
NMFS	National Marine Fisheries Service
NMS	National Marine Sanctuary
NOA	Notice of Availability
NOAA	National Oceanographic and Atmospheric Administration
NOI	Notice of Intent, part of AEDP
NONC	Notices of Noncompliance
NPDES	National Pollution Discharge Elimination System
NPS	National Park Service
NRC	Natural Research Council
NSWC	Naval Station Weapons Center, Leonardo, New Jersey
OB2MIS	Offshore Block, Boundary, and Map/OPD Information System
OCD	Offshore and Coastal Dispersion Model
OCRM	Office of Coastal Resources Management within NOAA
OCS	Outer Continental Shelf

OCSIS	Outer Continental Shelf Information System
OCSLA	Outer Continental Shelf Lands Act
OE	Office of Enforcement
OHMSETT	Oil and Hazardous Materials Simulated Environmental Test Tank.
OIG	Office of Inspector General
OIRA	Office of Indian Royalty Assistance
OIS	Offshore Inspection System
OMB	Office of Management and Budget
OMM	Offshore Minerals Management
OPA	Oil Pollution Act of 1990
OPD	Official Protraction Diagram map
OPS	Office of Pipeline Safety within Department of Transportation
OSM	Operations and Safety Management
OSR	Oil Spill Research
OSRA	Oil Spill Risk Analysis
PAAM	Proposed Action and Alternatives Memorandum, part of AEDP
PAAS	Production Accounting and Auditing System
PARIS	Plume Airshed Reactive Interacting System
PIF	Payor Information Form
PIR	Post Improvement Review
PMI	Policy and Management Improvement
PPA	Deputy Associate Director for Policy, Planning and Appeals
PRESTO	Probabilistic Resource Estimates Offshore
PSAS	Postsale Analysis System
RDBMS	Relational Data Base Management System
RE	Resource Evaluation program of OCS
RFIC	Request for Interest and Comments
RIK	Royalty-in-Kind
RMP	Royalty Management Program
ROMM	Royalty and Offshore Minerals Management
RPD	Reports & Payments Division
RTWG	Regional Working Technical Groups
SASC	Southern Administrative Service Center
SAVIAC	Committee on Explosions w/ Naval Weapons Stations
SEMP	Safety Environmental Management Program
SEMS	Seafloor Earthquake Measurement System
SES	Senior Executive Service
SFR	Selected Facilities Review
SMD	Systems Management Division

Acronyms

SOBD	Supplemental Official OCS Block Diagrams
STATSS	State and Tribal Support System
STRAC	State and Tribal Royalty Audit Committee
TBD	To be determined
TCCC	Tribally Controlled Community Colleges
TIMS	Technical Information Management System (for OCS)
TLP	Tension Leg Platform
UCSB	University of California, Santa Barbara
UI	University (Research) Initiative
USCG	United States Coast Guard
USGS	United States Geological Service
UTM	Universal Transverse Mercator
VSD	Valuation and Standards Division
VTC	Video Teleconferencing
WASC	Western Administrative Service Center

