# UNITED STATES
# DEPARTMENT OF THE INTERIOR
# BUDGET JUSTIFICATIONS, F.Y. 1991

## MINERALS MANAGEMENT SERVICE

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
Fiscal Year 1991 Budget

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## GENERAL STATEMENT

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

Comparison of 1991 President's Budget with 1990 Enacted Budget

(Dollar amounts in thousands)

| Appropriation Requested | | FY 1990 Enacted to Date | FY 1990 Adjusted Appn | FY 1991 Estimate | Inc.(+) Dec.(-) From Enacted |
|---|---|---|---|---|---|
| Leasing and Royalty Management | $ | 178,525 | 176,042 | 194,252 | +15,727 |
| | (FTE) | (2,076) | (2,076) | (2,109) | (+33) |
| Payments to States from Receipts under Mineral Leasing Act | $ | 471,043 | 471,043 | 483,244 | +12,201 |
| | (FTE) | (---) | (---) | (---) | (---) |
| Total, MMS | $ | 649,568 | 647,085 | 677,496 | +27,928 |
| | (FTE) | (2,076) | (2,076) | (2,109) | (+33) |

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

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

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

(2) distribute all revenues collected to authorized recipients;

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

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

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

(6) support the minimization of adverse environmental impacts and to support the making of fully informed decisions on lease proposals and permit reviews by describing and evaluating the effects of the offshore program on the marine and coastal environment; and

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

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

The programs and missions of the MMS are conducted by the major components shown in the organizational chart on page MMS-6.

Highlights of the 1991 Request

The proposed funding level represents an increase of $14.0 million from 1990 in the Leasing and Royalty Management (LARM) appropriation, and an increase of $11.6 million in the appropriation for "Payments to States from Receipts under Mineral Leasing Act." Increases/decreases in the LARM appropriation include:

OCS Lands Activity

- o Environmental studies program ($6.1 million) including $3.6 million for Global Change research and $2.6 million for other environmental studies,
- o Safety and pollution prevention research ($0.5 million),
- o Maintenance of the Perkin-Elmers computer system ($0.1 million),
- o Departmental education initiative ($0.3 million),
- o Conflict resolution ($0.6 million),
- o Upgrading helicopter services ($1.2 million),
- o Small decreases (-$0.2 million)

Royalty Management Program (RMP)

- o Expand and improve services for Indian Tribes and Allottees ($1.7 million),
- o Continue the contemporaneous audit initiative ($1.8 million),
- o Upgrade the mainframe computer ($1.4 million),
- o Perform new workloads in fiscal accounting services ($1.0 million),
- o Other increases to maintain and improve service levels ($0.4 million),

General Administration

- o Reduction to account for completion of the Ventura move in FY 1990 (-$2.0 million),
- o Enhancement of the Women and Minorities program ($0.3 million) and the Appeals program ($0.2 million),
- o Equipment modernization ($0.4 million),
- o Additional other small increases and decreases in all three activities ($0.1 million).

The increase in the "Payments to States from Receipts under Mineral Leasing Act" appropriation is primarily due to higher oil and gas royalty, rent and bonus payments, as well as an increase in coal bonuses ($12.2 million). An increase in the Miscellaneous Payments activity ($.6 million) is also accounted for in this total.

## Leasing and Royalty Management

### Outer Continental Shelf (OCS) Lands

A net increase of $8.7 million from the 1991 base is proposed for OCS programs. Environmental studies program increases by $6.1 million, including $3.6 million as part of the Administration's Global Change initiative and $2.6 million for other OCS environmental studies. This increase will fund three proposals for focused study efforts and will lead to a better understanding of coastal and marine environments. The information will support decision makers in DOI, affected States, and other interested bodies.

Increased efforts in conflict resolution and initiation of an oceans energy/environment education program would be funded by a requested increase of $0.9 million. This increase will help expand public awareness of the issues involved in the OCS program and of the multiple steps that are built into the leasing process to review environmental concerns and provide appropriate environmental protection. A request for $0.1 million is needed to cover the increasing cost of maintaining the aging Perkin-Elmer Computer System.

Increases totalling $1.2 million are requested for helicopter costs and other costs related to the OCS inspection program. Of that amount, $0.3 million will cover increased helicopter rates needed to maintain the current level of operations. An increase of $0.5 million is required to cover increased inspection activities required by revised Offshore Operating Regulations. An increase of $0.4 million is required to perform liquid royalty meter site security inspections.

A net $0.5 million increase in the Technology Assessment and Research Program (TA&R) will cover the cost of inflation and ensure an active research effort into the effectiveness of blowout prevention technology, the structural integrity of deep water platforms and pipelines, and the impact of OCS operations on air quality.

A transfer of $0.1 million and 1 FTE will be made from the OCS Lands activity to the General Administration budget activity to consolidate and improve the use of training resources.

It should be noted that the preceding program changes do not attempt to anticipate the outcome of current deliberations by the President's OCS Task Force for OCS Leasing and Development. The findings and recommendations of this task force, which were forwarded to the President in January 1990, may impact the OCS budget requirements.

Royalty Management Program (RMP)

A net increase of $6.3 million from the 1991 base is proposed for the RMP. An increase of $1.7 million and 13 FTE are requested for an Initiative for Indian Tribes and Allottees (IITA). These funds will contribute to the initiative which expands and improves the level of services provided for these groups. RMP will review and resolve improper overrecoupments of royalties so that allottees can expect relatively consistent monthly payments and will better assure timely royalty payments to allottees by expediting disbursements to the Bureau of Indian Affairs. The RMP will provide additional auditing services to Indian Tribes and allottees by expanding the cooperative audit program with the Tribes and initiating a spot audit approach to target leases that might otherwise not received audit coverage. The RMP will also expand the Office of External Affairs to improve issue resolution with the Indian community. Also, various software enhancements to support operational needs arising from this initiative will be developed and implemented.

A $1.8 million increase and 26 FTE are requested to provide the final increment for the effort initiated in FY 1989 to place the audit schedule on a more contemporaneous basis.

A $1.4 million increase is requested to fund an expansion of the RMP's data processing capacity through an upgrade of the IBM mainframes's central processing unit.

A $1.0 million increase is requested to perform new workloads for fiscal accounting services and to assure that service levels are maintained at an adequate level. An increase of $0.5 million is requested to enable the program to maintain its current activities at their existing levels.

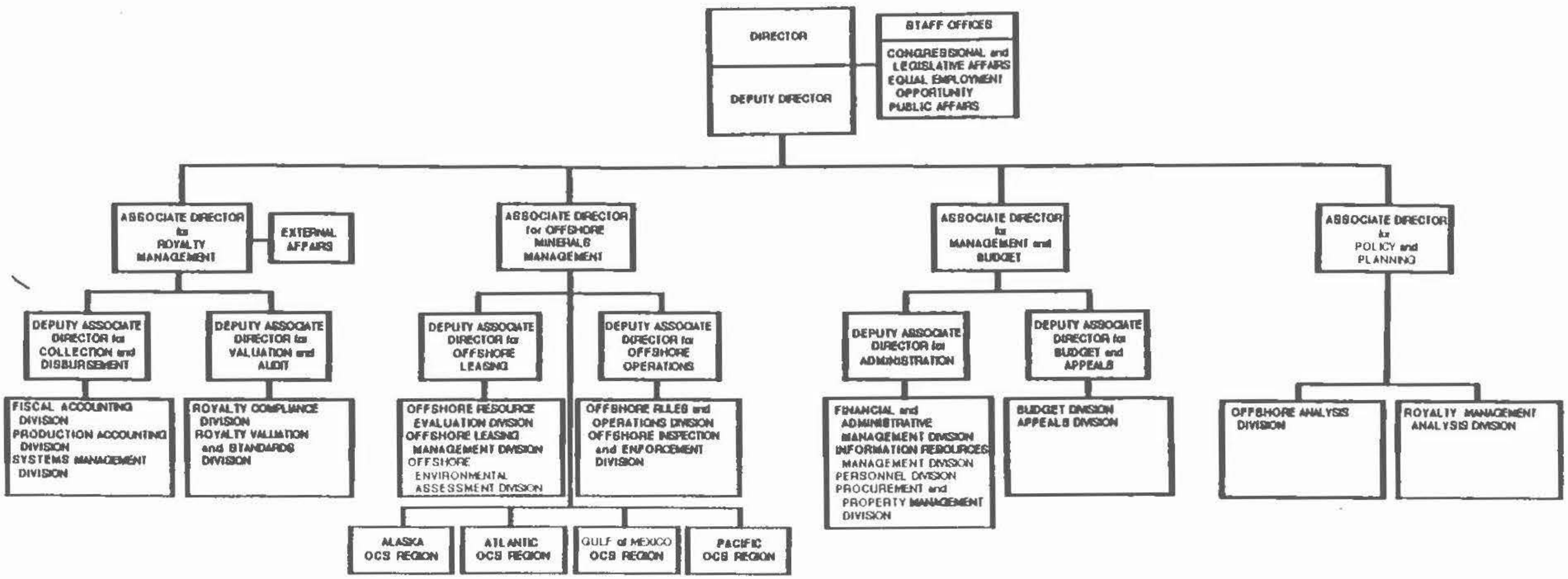
Increases totaling $0.1 million are requested to improve payor compliance on certain valuation issues and to improve States and Tribes access to the Auditing System.

A $0.1 decrease is proposed as the result of obligations due certain companies on overpayments being satisfied in FY 1990 and the transfer of training funds to the General Administration activity.

General Administration

For General Administration, there is a net decrease of $1.1 million. Decreases of $2.1 million result from the relocation of the Pacific OCS Regional Office and reduction of miscellaneous general support costs. These decreases are partially offset by increases totalling $1.0 million and 4 FTE for appeals review and processing, equipment modernization, EEO recruitment, training, and MMS's share of the Department's Take Pride in America program.

# MINERALS MANAGEMENT SERVICE



# Payments to States from Receipts under Mineral Leasing Act

The Minerals Management Service is responsible for the collection and distribution to the States of a share of bonuses, royalties, and rents from the leasing of onshore Federal mineral resources in accordance with applicable laws. This appropriation consists of two budget activities: Payments to States from Receipts under Mineral Leasing Act and Miscellaneous Payments.

## Payments to States

Payments to States from mineral leasing receipts are estimated to increase by $11.6 million from FY 1990. This increase is based on expected increases in prices of oil (+1.6 percent) and gas (+4.9 percent). In addition, new regulations have been proposed for determining the value of coal for royalty purposes. If the proposal is adopted, federal coal lessees no longer would be permitted to deduct the costs of federal Black Lung excise taxes, abandoned mine lands fees, and State and local severance taxes from the value of coal before computing royalties. The FY 1991 budget estimates include an increase in receipts based on this proposed rule change. Based on recent industry interest and the pending decertification of the Powder River Basin region, which will allow for leasing by application, coal bonuses are expected to increase. Coal production and price are estimated to increase 2.0 percent and 1.6 percent, respectively, from FY 1990; however, the FY 1990 estimate includes $87 million from coal lease readjustment cases expected to be resolved during FY 1990.

## Miscellaneous Payments

Miscellaneous Payments increases, estimated to total $558,000, are requested for four categories of payments.

1) Interest on late payments ($200,000) to compensate States and Indian Tribes when mineral leasing revenues are not disbursed within legislatively prescribed timeframes.
2) An appropriation of $150,000 and authority to pay interest on refunds to industry payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.
3) Rewards ($200,000) for persons who provide information to the Government which results in the collection of additional mineral revenues owed to the Government.
4) A one-time increase of $8,000 and authorization to refund overpayments made on Indian allotted leases.

## Authorizations

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

DEPARTMENT OF THE INTERIOR

FY 1991 Budget for Consulting Services

Bureau: Minerals Management Service

| Appropriation Accounting Title<br>Program Requiring Services | FY 1991 Request<br>(in thousands of dollars) | Description of Services Being Acquired |
|---|---|---|
| Leasing and Royalty Management<br>14-1917-0-1-302 | | |
| Outer Continental Shelf Lands | 600 | To provide an unbiased independent evaluation of the adequacy and applicability of past MMS/Environmental Studies Program studies, specific recommendations for future studies, and state-of-the art overview of available information on each major issue reviewed. |
| Royalty Management | 392 | To provide the Royalty Management Program with objective expert accounting advice and related consulting services in reviewing and evaluating certain RMP functions so that program effectiveness can be maximized. |
| Account Total | 992 | |

Appropriation Summary Statement

Minerals Management Service

Appropriation: Leasing and Royalty Management

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

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

The 1991 appropriation request for these activities totals $194,252,000. A summary of the changes proposed from the 1991 base is provided below.

Outer Continental Shelf Lands (+$8,748,000):

This budget activity funds the program for the Outer Continental Shelf Land (OCS) including: (1) resource evaluation of potential oil and gas, and other OCS minerals; (2) performing environmental studies and assessments; (3) analyses and development of 5-year OCS program proposals; (4) consultation with affected States and other parties and development of issue analyses and decision documents; (5) development and implementation of bid adequacy procedures to assure that the Government receives fair market value for lands leased and rights conveyed; (6) sales, issuance, and maintenance of leases; (7) development and enforcement of regulatory requirements for exploration, development, and production operations to ensure safety and protect the environment; and (8) development of an inventory of information on mineral resources on OCS lands and dissemination of that information. While most of the MMS's efforts concern OCS oil and gas, the agency also performs the above functions for other minerals (e.g., sulfur, phosphorite and gold) on offshore lands under Federal jurisdiction.

The following program changes from the FY 1991 base for the OMM are proposed:

-- Environmental Studies. The MMS has submitted several proposals for research concerning Global Change. These proposals are related to studies currently planned or underway in the Environmental Studies Program. The FY 1991 request for the proposals is $3,575,000. In addition, $1,600,000 is requested to fund critical new studies in controversial areas. An increase of $1,000,000 is requested to restore funds to the Environmental Studies Program which were redistributed to the Technology Assessment and Research Program in FY 1990 for the enhanced oil spill containment and cleanup research program.

-- Conflict Resolution and Education. The OCS leasing program has experienced a series of congressional moratoria, lawsuits, and other delays over a period of several years. The delays are partly a result of lacking or conflicting information and different perceptions regarding the level of acceptable risk. Funding of $615,000 will allow for increased participation in joint task forces or other cooperative ventures to resolve issues, and to contract, where appropriate, to third-party mediators to resolve specific program issues. An increase of $300,000 would be used to hire a consultant to prepare an oceans energy/environmental education curriculum for distribution to elementary, secondary and post-secondary schools and also to develop materials for general public information.

-- Perkin-Elmer Computer. A total increase of $111,000 is requested for maintenance of the Perkin-Elmer computers. This will cover the increasing cost of maintenance contracts and partially assist in planning for the replacement of Offshore's primary support computers.

-- Helicopters and Regulatory Inspection. An increase of $300,000 is required to cover a 5.85 percent lease price rate increase for helicopter usage in the Gulf of Mexico. An additional $465,000 will fund helicopter conversions to twin engine aircraft which will support the additional inspection activities required by the recently revised Offshore Operating Regulations. Funding of $400,000 is required to perform liquid royalty meter site security inspections and to witness the required provings/calibrations of meters. This total increase is $1,165,000.

-- Technology Assessment and Research. An additional $461,000 is requested to cover the increasing costs of maintaining an active research effort. As the industry moves into deeper water and harsher environments, increased research efforts are needed to provide rigorous independent analysis of the methods and materials used by industry.

-- Centralized Training. A transfer of $79,000 and 1 FTE is being made to the Administrative Operations subactivity of the General Administration budget activity to consolidate and improve the utilization of training resources.

Royalty Management (+$6,285,000)

The Royalty Management Program (RMP) provides for the collection, distributing, accounting, and auditing of mineral revenues due the Federal Government, States, and Indian lessors from minerals produced on Federal onshore, Indian, and Outer Continental Shelf lands. In addition, the RMP performs a compliance function to assure that those who report and make payments to MMS have done so in accordance with all pertinent statutes and regulations. In FY 1991, it is estimated that RMP will collect and account for approximately $4.0 billion in mineral leasing revenues. The program comprises three major automated revenue and production accounting systems supported by numerous pieces of auditing software. Dissemination of information to affected States and other parties involves an additional automated system and an outreach program. The following program changes from the FY 1991 base for Royalty Management are proposed:

--Initiative for Indian Tribes and Allottees (IITA). As a result of recommendations made by the Senate Select Committee on Indian Affairs and concerns raised by the Indian community, MMS is proposing a comprehensive initiative to expand and improve the services provided to these groups. Accordingly, MMS is requesting increases totaling $1.7 million and 13 FTE for IITA. In the audit area, increases of $615,000 to expand the cooperative audit program and $432,000 and 8 FTE to initiate a spot audit approach to target companies who otherwise might not receive audit coverage are requested. To improve issue resolution, $132,000 and 3 FTE are proposed to expand the Office of External Affairs. A $400,000 increase is requested to fund various software enhancements, including an assessment of the viability of developing a majority pricing system to assure proper valuation. Finally, increases of $77,000 and 2 FTE are requested to review and resolve improper recoupments and to expedite monthly disbursements of royalties.

--Contemporaneous Audit Initiative. An increase of $1.8 million and 26 FTE are requested to fund the second full year of a one-time project to place the audit cycle at the 11 residencies and at the other major payors on a more current schedule. This will accelerate the completion of prior royalty payment periods and provide faster identification and resolution of royalty payment problems.

--Central Processing Unit (CPU) Upgrade. An increase of $1.4 million is requested to fund the expansion of the RMP's data processing capacity through an upgrade of the mainframe's CPU. The additional processing capacity will allow RMP to maintain and respond to increased demands in the level of service to both RMP users and to the States and Tribes.

--Fiscal Accounting Contract. An increase of $1.0 million is requested to perform new workloads for fiscal accounting services and to assure that service levels are maintained at an adequate level.

--Other RMP Program Changes. An increase of $474,000 is requested to meet the increased costs of maintaining base level contract efforts for ongoing activities. A $66,000 increase is requested to fund the billing process associated with the implementation of allowance exception processing. A $25,000 increase is proposed for the initial step in the phased replacement of personal computers and peripherals used by States and Tribes to access the Auditing and Financial System. A decrease of $64,000 is proposed as obligations due certain companies who made overpayments on allotted leases were satisfied. A transfer of $24,000 is being made to the General Administration activity due to the consolidation of certain training resources.

General Administration (-$1,068,000)

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

-- Pacific Regional Office Relocation. A decrease of $2.0 million is proposed due to the one-time costs associated with the relocation of the OCS Pacific Regional Office in FY 1990.

-- Appeals Review and Processing. The Appeals Division has experienced a 500 percent increase in the number of docketed cases from 1984-1989. This increase is due primarily to the enforcement of the Federal Oil and Gas Royalty Management Act of 1982, implementation of regulations, and the conduct of more audits. The proposed increase of $181,000 and 4 FTE will provide the personnel support to reduce the current docket of 406 cases and to process the expected increase in docketed appeals from industry in a timely fashion.

-- Centralized Training. Resources, totalling $103,000 and 1 FTE, are required to establish a centralized training facility in the new consolidated office facility in Herndon, Virginia. The resources will also be used to provide mandatory training through contract for staff on their responsibilities as contracting officer's technical representatives (COTRs) and other procurement issues. This is a MMS initiative to provide employees training in the management of contracts in light of the recent adverse criticism that Government procurement activities have received publicly. The proposal will not result in additional funds for MMS but would be obtained by a transfer of 1 FTE and $79,000 from OCS Lands and $24,000 from Royalty Management.

-- Equal Employment Opportunity. The proposed increase of $300,00 will allow the EEO office to respond more to the needs of women and minorities in the workplace. The emphasis of this initiative will be to involve more women and minorities in the programs and management levels. This will be accomplished by improving the recruitment effort and management training opportunities which will ultimately lead to the advancement of more women and minorities.

-- Equipment Modernization. The proposed increase of $370,000 is required for equipment modernization and upgrades. Administrative Operations has delayed its plans in the past to replace outdated equipment to improve productivity. This was necessary because administration, which is salary intensive, had to absorb unfunded pay increases.

-- Miscellaneous Support Costs. An additional decrease of $54,000 is possible due to a reduction in miscellaneous support costs such as courier services, operating building costs, and facsimile machine maintenance resulting from the co-location of staff in the new Northern Virginia facility. These two decreases are partially offset by increases for the Department's Take Pride in America and Drug Free Workplace programs.

## LEASING AND ROYALTY MANAGEMENT

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; and for matching grants or cooperative agreements; including the purchase of not to exceed eight passenger motor vehicles for replacement only; [$178,525,000 of which not less than $56,060,000 shall be available for royalty management activities: Provided, that notwithstanding any other provision of law, funds appropriated under this Act shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d):] Provided [further], That not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities: [Provided further, That of the above enacted amounts, up to $250,000 proposed for data gathering to help determine the boundary between State and Federal lands offshore of Alaska shall be available only if an equal amount is provided by the State of Alaska from State revenues to match the Federal support for this project. Provided further, That of the above enacted amounts, up to one-half of the increase over the fiscal year 1989 funding provided for mineral royalty audits may be used to compensate States and Indian tribes for audit activities under the provisions of sections 202 and 205 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1732, 1735): Provided further, That for fiscal year 1990 and each fiscal year thereafter, notwithstanding the provisions of section 201 of the Federal Oil and Gas Royalty Management Act of 1982, sections 202 through 206 of that Act shall apply to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1337), which for purposes of those provisions and for no other purposes, shall be regarded as within the coastal State or States entitled to receive revenues from it under section 8(g): Provided further, That notwithstanding any other provision of law, $64,000 under this head shall be available for refunds of overpayments made by Samedan Oil Corporation in connection with certain Indian leases in Oklahoma (Case No. MMS-85-0135-IND before the Director of the Mineral Management Service)

$194,252,000

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

and by Bow Valley Petroleum Corporation and Mapco in connection with certain Indian leases in Utah in which the Director concurred with the claimed refund due.]

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

## Justification of Proposed Language Changes

## LEASING AND ROYALTY MANAGEMENT

1. Addition: "and not withstanding section 5901(a) of Title 5, United States Code, as amended, the uniform allowance for each uniformed employee of the Minerals Management Service shall not exceed $400 annually."

   The proposed language is added to raise the current $125 maximum annual allowance for uniforms up to the level authorized for other uniformed agencies such as the U.S. Fish and Wildlife Service, the National Park Service and the Bureau of Land Management. This level will allow the Minerals Management Service to implement its uniform program better and permit the MMS to authorize a more equitable maximum allowance for those employees who are required to wear standard MMS uniforms in the performance of their official duties. The uniform program is intended to identify MMS employees to the public and to provide an improved image of authority and obtain cooperation in dealing with industry inspection activities; and to enhance employee pride by projecting a more professional image to the public and the industry it regulates.

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

   The proposed language is added in order to properly protect public health and safety. MMS needs the authority to expend proceeds from Government securities for the protective or rehabilitative work that is needed due to lessee's default, when the surety bond provided is a Government security. In the event of a default, currently where a Government security is provided in lieu of a surety bond, the proceeds from the Government security must be deposited in the U.S. Treasury. While this is satisfactory if the default involves nonpayment of money owed the U.S., it is not when the default involves noncompliance with other provisions of the lease, such as proper well abandonment and clearance of the well site. MMS needs the authority to expend proceeds from Government securities for the protective or rehabilitative work that is needed due to the lessee's default. Similar authority is already provided to BLM and USFS.

3. Deletion: Provided further, That of the above enacted amounts, up to $250,000 proposed for data gathering to help determine the boundary between State and Federal lands offshore of Alaska shall be available only if an equal amount is provided by the State of Alaska from State revenues to match the Federal support for this project.

   The Minerals Management Service is required to delineate the boundaries of Federal jurisdiction under the Submerged Lands Act (43 U.S.C. 1301 et seq.) and the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) and to help delineate boundaries of the jurisdiction of the United States of America under other Federal laws and proclamations and international law.

   The proposed deletion would remove a restriction that prevents the Federal Government from pursuing unilateral survey efforts in Alaska that are in the interest of the Federal Government. Without the deletion of the language as proposed, the State of Alaska could effectively prevent certain survey efforts by their lack of matching funding.

4. Deletion: $178,525,000 of which not less than $56,060,000 shall be available for royalty management activities: Provided, that notwithstanding any other provision of law, funds appropriated under this Act shall be available for the payment of interest in accordance with 30 U.S.C. 1721 (b) and (d):

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

5. Deletion: Provided further, That of the above enacted amounts, up to one-half of the increase over the fiscal year 1989 funding provided for mineral royalty audits may be used to compensate States and Indian tribes for audit activities under the provisions of sections 202 and 205 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1732, 1735):

   The language proposed for deletion restricts MMS's ability to fully and effectively commit fiscal resources to priorities established by the Director. Removal of the language would eliminate those restrictions.

6. Deletion: Provided further, That for fiscal year 1990 and each fiscal year thereafter, notwithstanding the provisions of section 201 of the Federal Oil and Gas Royalty Management Act of 1982, sections 202 through 206 of that Act shall apply to any lease or portion of a lease subject to section 8(g) of the Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1337), which for purposes of those provisions and for no other purposes, shall be regarded as within the coastal State or States

entitled to receive revenues from it under section 8(g):

The language, as written, provides a continuing basis for the provision, thus not requiring its inclusion.

7. Deletion: Provided further, That notwithstanding any other provision of law, $64,000 under this head shall be available for refunds of overpayments made by Samedan Oil Corporation in connection with certain Indian leases in Oklahoma (Case No. MMS-85-0135-IND before the Director of the Mineral Management Service) and by Bow Valley Petroleum Corporation and Mapco in connection with certain Indian leases in Utah in which the Director concurred with the claimed refund due.

These refunds were one-time events, therefore, not requiring inclusion in the FY 1991 appropriation language.

## Appropriation Language Citations

## LEASING AND ROYALTY MANAGEMENT

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

   30 U.S.C. 181 <u>et</u> <u>seq.</u>

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

   30 U.S.C. 1701 <u>et</u> <u>seq.</u>

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

   43 U.S.C. 1331 <u>et</u> <u>seq.</u>

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

   43 U.S.C. 1801

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

   43 U.S.C. 4321-4347

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

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

   30 U.S.C. 189

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

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

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

3. "and for matching grants or cooperative agreements;"

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

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

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

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

5. "$194,252,000, of which not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine clean-up activities:"

No specific authority

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

6. "Provided, that and not withstanding section 5901(a) of Title 5, United States Code, as amended, the uniform allowance for each uniformed employee of the Minerals Management Service shall not exceed $400 annually:"

5 U.S.C. 5901(a)

This provision is requested to raise the current $125 maximum annual allowance for uniforms to $400.

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

No specific authority

This provision is added to enable MMS to expend Government securities used as corporate surety bonds, in the event of default, to provide protective or rehabilitative work that is necessary due to the lessee's default.

DEPARTMENT OF THE INTERIOR
Minerals Management Service
Leasing and Royalty Management
Activity/Subactivity Change Crosswalk - FY 1990 President's Budget
(In thousands of dollars)

| FORMAT OF FY 1990 CONGRESSIONAL BUDGET ACTIVITY/SUBACTIVITY | FY 1990 Estimate | FORMAT OF FY 1991 CONGRESSIONAL BUDGET ACTIVITY/SUBACTIVITY | FY 1990 Estimate |
|---|---|---|---|
| A. Outer Continental Shelf Lands | | A. Outer Continental Shelf Lands | |
| (1) Leasing & Environmental Program | 38,040 | (1) Leasing & Environmental Program | 37,978 |
| (2) Resource Evaluation Program | 22,124 | (2) Resource Evaluation Program | 22,042 |
| (3) Regulatory Program | 30,242 | (3) Regulatory Program | 30,136 |
| Total, Outer Continental Shelf Lands | 90,406 | Total, Outer Continental Shelf Lands | 90,156 |
| B. Royalty Management | | B. Royalty Management | |
| (1) Mineral Revenue Collections | 18,284 | (1) Mineral Revenue Collections | 17,985 |
| (2) Mineral Revenue Compliance | 18,574 | (2) Mineral Revenue Compliance | 18,374 |
| (3) Systems Development & Operation | 18,359 | (3) Systems Development & Operation | 17,833 |
| (4) Refunds to Indians | 63 | (4) Refunds to Indians | 63 |
| (5) Late Interest Payments | 0 | (5) Late Interest Payments | 0 |
| Total, Royalty Management | 55,280 | Total, Royalty Management | 54,255 |
| C. General Administration | | C. General Administration | |
| (1) Executive Direction | 3,531 | (1) Executive Direction | 4,731 |
| (2) Administrative Operations | 9,959 | (2) Administrative Operations | 10,034 |
| (3) General Support Services | 16,866 | (3) General Support Services | 16,866 |
| Total, General Administration | 30,356 | Total, General Administration | 31,631 |
| Combined Total | 176,042 | Combined Total | 176,042[1] |

[1] The 1990 column has been realigned to conform to the 1991 request, subject to Congressional approval of a reprogramming to transfer $1.2 million in 1990. The reprogramming would move $950,000 from the Royalty Management activity and $250,000 from the Outer Continental Shelf Lands activity to the Executive Direction subactivity.

**DEPARTMENT OF THE INTERIOR**
**Minerals Management Service**
**Leasing and Royalty Management**
**Activity/Subactivity Change Crosswalk - FY 1990 President's Budget**
**(In thousands of dollars)**

**FORMAT OF FY 1990 CONGRESSIONAL BUDGET**

| ACTIVITY/SUBACTIVITY | FY 1991 Estimate |
|---|---|
| A. Outer Continental Shelf Lands | |
| (1) Leasing & Environmental Program | 45,902 |
| (2) Resource Evaluation Program | 22,586 |
| (3) Regulatory Program | 32,413 |
| Total, Outer Continental Shelf Lands | 100,901 |
| B. Royalty Management | |
| (1) Mineral Revenue Collections | 20,262 |
| (2) Mineral Revenue Compliance | 21,989 |
| (3) Systems Development & Operation | 20,293 |
| (4) Refunds to Indians | 0 |
| (5) Late Interest Payments | 0 |
| Total, Royalty Management | 62,544 |
| C. General Administration | |
| (1) Executive Direction | 4,109 |
| (2) Administrative Operations | 10,669 |
| (3) General Support Services | 16,029 |
| Total, General Administration | 30,807 |
| Combined Total | 194,252 |

**FORMAT OF FY 1991 CONGRESSIONAL BUDGET**

| ACTIVITY/SUBACTIVITY | FY 1991 Estimate |
|---|---|
| A. Outer Continental Shelf Lands | |
| (1) Leasing & Environmental Program | 45,840 |
| (2) Resource Evaluation Program | 22,504 |
| (3) Regulatory Program | 32,307 |
| Total, Outer Continental Shelf Lands | 100,651 |
| B. Royalty Management | |
| (1) Mineral Revenue Collections | 19,963 |
| (2) Mineral Revenue Compliance | 21,789 |
| (3) Systems Development & Operation | 19,767 |
| (4) Refunds to Indians | 0 |
| (5) Late Interest Payments | 0 |
| Total, Royalty Management | 61,519 |
| C. General Administration | |
| (1) Executive Direction | 5,309 |
| (2) Administrative Operations | 10,744 |
| (3) General Support Services | 16,029 |
| Total, General Administration | 32,082 |
| Combined Total | 194,252 |

## Summary of Requirements

**Appropriation: Leasing and Royalty Management**

(Dollar amounts in thousands)

| Summary of Base Adjustments | FTE | Amount | FTE | Amount |
|---|---|---|---|---|
| Appropriation Enacted, 1990 | --- | --- | 2,076 | 178,525 |
| Reduction pursuant to P.L. 99-177 | --- | --- | --- | -2,483 |
| Adjusted Appropriation, 1990 | --- | --- | 2,076 | 176,042 |
| **Base Adjustments:** | | | | |
| FERS and other Benefits | --- | 451 | | |
| One more Paid Day in FY 1991 | --- | 361 | | |
| Rental payments to GSA | --- | 690 | | |
| Commercial Communication, Postage | --- | 170 | | |
| FY 1990 impact of P.L. 99-177 | --- | 2,483 | | |
| Workers' Compensation payments | --- | 120 | | |
| Drug-Free work place | --- | 25 | | |
| FY 1991 Pay Raise Allowance | --- | 1,043 | | |
| Departmental Working Capital Fund | --- | -20 | | |
| Administrative And Staffing Efficiency | -10 | -1,078 | | |
| Total Base Adjustments | -10 | 4,245 | -10 | 4,245 |
| 1991 BASE BUDGET | | | 2,066 | 180,287 |

## Summary of Requirements

| Comparison by Activity/Subactivity | FY 1989 Enacted FTE | FY 1989 Enacted Amount | FY 1990 Enacted to Date FTE | FY 1990 Enacted to Date Amount | PL 99-177 Reduction Amount | FY 1990 Adjusted Appropr'n Amount | FY 1991 Base FTE | FY 1991 Base Amount | FY 1991 Estimate FTE | FY 1991 Estimate Amount | Inc./Dec from FY 1990 Appropriation FTE | Inc./Dec from FY 1990 Appropriation Amount | Inc./Dec from FY 1990 Adj. Approp. FTE | Inc./Dec from FY 1990 Adj. Approp. Amount | Inc./Dec from FY 1991 Base FTE | Inc./Dec from FY 1991 Base Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OCS LANDS | | | | | | | | | | | | | | | | |
| Leasing & Environmental Program | 363 | 38,063 | 337 | 38,515 | 537 | 37,978 | 335 | 38,692 | 335 | 45,840 | -2 | +7,325 | -2 | +7,862 | --- | +7,148 |
| Resource Evaluation Program | 345 | 22,759 | 346 | 22,354 | 312 | 22,042 | 344 | 22,504 | 343 | 22,504 | -3 | +150 | -3 | +462 | -1 | --- |
| Regulatory Program | 411 | 29,887 | 410 | 30,563 | 427 | 30,136 | 409 | 30,707 | 409 | 32,307 | -1 | +1,744 | -1 | +2,171 | --- | +1,600 |
| Subtotal | 1,119 | 90,709 | 1,093 | 91,432 | 1,276 | 90,156 | 1,088 | 91,903 | 1,087 | 100,651 | -6 | +9,219 | -6 | +10,495 | -1 | +8,748 |
| Royalty Management | | | | | | | | | | | | | | | | |
| Mineral Revenue Collections | 293 | 16,924 | 292 | 18,243 | 258 | 17,985 | 292 | 18,654 | 294 | 19,963 | +2 | +1,720 | +2 | +1,978 | +2 | +1,309 |
| Mineral Revenue Compliance | 260 | 14,986 | 303 | 18,636 | 262 | 18,374 | 302 | 18,596 | 339 | 21,789 | +36 | +3,153 | +36 | +3,415 | +37 | +3,193 |
| Systems Development & Operation | 88 | 19,202 | 85 | 18,092 | 259 | 17,833 | 83 | 17,920 | 83 | 19,767 | -2 | +1,675 | -2 | +1,934 | --- | +1,847 |
| Indian Refunds | --- | --- | --- | 64 | 1 | 63 | --- | 64 | --- | --- | --- | -64 | --- | -63 | --- | -64 |
| Interest on Late Payments | --- | 215 | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Subtotal | 641 | 51,327 | 680 | 55,035 | 780 | 54,255 | 677 | 55,234 | 716 | 61,519 | +36 | +6,484 | +36 | +7,264 | +39 | +6,285 |
| General Administration | | | | | | | | | | | | | | | | |
| Executive Direction | 69 | 4,735 | 73 | 4,780 | 49 | 4,731 | 73 | 4,828 | 77 | 5,309 | +4 | +529 | +4 | +578 | +4 | +481 |
| Admin. Operations | 227 | 10,152 | 230 | 10,174 | 140 | 10,034 | 228 | 10,271 | 229 | 10,744 | -1 | +570 | -1 | +710 | +1 | +473 |
| Gen. Support Services | --- | 13,822 | --- | 17,104 | 238 | 16,866 | --- | 18,051 | --- | 16,029 | --- | -1,075 | --- | -837 | --- | -2,022 |
| Subtotal | 296 | 28,709 | 303 | 32,058 | 427 | 31,631 | 301 | 33,150 | 306 | 32,082 | +3 | +24 | +3 | +451 | +5 | -1,068 |
| TOTAL REQUIREMENTS | 2,056 | 170,745 | 2,076 | 178,525[1] | 2,483 | 176,042 | 2,066 | 180,287 | 2,109 | 194,252 | +33 | +15,727 | +33 | +18,210 | +43 | +13,965 |

1.4%

from '90 Approp.

from '90 adj'd approp

from '91 Base

[1] See Footnote on page MMS-22

## Justification of Adjustments to Base

## LEASING AND ROYALTY MANAGEMENT

| | FTE | Amount ($000) |
|---|---|---|
| Adjustment for 1990 Effect of P.L. 99-177........................ | --- | +2,483 |

The Balanced Budget and Emergency Deficit Control Reaffirmation Act (P.L.99-177) required a reduction in non-exempt programs in FY 1990 Since the reduction applies to FY 1990 only, this adjustment is made to allow a more comparable basis for showing program changes from FY 1990 to FY 1991. Restoration of these funds will be applied to new (60 percent of the January 1991 pay increase) and continuing (annualization of the January 1990 pay increase) pay act absorption requirements in FY 1991.

| | FTE | Amount ($000) |
|---|---|---|
| Adjustment for Administrative Efficiency........................ | --- | - 660 |

The Department is proposing to decrease spending for consultants, travel, overtime, supplies, and equipment by about 5 percent to improve administrative efficiency and place greater priority on 1990 program initiatives. Specific reductions are proposed in the following areas:

| | |
|---|---|
| Consultants............... | -$ 31,000 |
| Travel.................... | - 201,000 |
| Overtime.................. | - 18,000 |
| Supplies.................. | - 108,000 |
| Equipment................. | - 302,000 |
| Total.............. | -$ 660,000 |

| | FTE | Amount ($000) |
|---|---|---|
| Adjustment for Staffing Efficiency.............................. | -10 | - 418 |

Savings are proposed from a planned reduction in the average grade achieved by filling vacant positions at an average of one grade lower than previously filled and from taking into account an expected additional lapse of 30 days before filling positions that become vacant in FY 1991. Specific reductions follow:

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

This estimate of the number of FTEs that will be saved by refraining from filling expected vacancies for one month longer than normal. The number of vacancies was determined by using an average attrition rate of 5 percent applied to the 1991 FTE usage.

| | FTE | Amount ($000) |
|---|---|---|
| Additional cost in 1991 of the 1991 pay raise.................... | --- | +1,043 |

The adjustment is for the additional amount needed in 1991 to cover 40 percent of the additional three quarters' cost of the estimated 3.5 percent pay raise effective in January 1991. Of this amount $1,042,000 is for the general schedule pay and $1,000 is for the wage board pay. The 1991 cost of the remaining 60 percent will be absorbed in FY 1991.

| | | |
|---|---|---|
| Rent payments.................................................... | --- | +690 |

This adjustment reflects increased costs payable to the General Services Administration (GSA) resulting from higher rates for office and non-office space, increased costs in rent payments to others, and the cost resulting from the net change in the square footage and types of space occupied nationwide.

| | | |
|---|---|---|
| Commercial communications....................................... | --- | +50 |

This adjustment is for the operations and maintenance contract for the Rolm switch located in Herndon Virginia.

| | | |
|---|---|---|
| Workers' Compensation payments.................................. | --- | +120 |

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

| | | |
|---|---|---|
| Departmental Working Capital Fund............................... | --- | - 20 |

The adjustment is for decreased costs assigned to the bureau for administrative services provided on a Department-wide basis (-$40,500). In FY 1991, costs for the Washington Interagency Telecommunications System (WITS), the GSA-provided computerized telephone system for the Interior Complex and the Department's in-house data interface/transport system, will decrease. Major acquisition and start-up costs for WITS will occur in FY 1990, with reduced costs in 1991 related primarily to maintenance. This reduction will be partially offset by adjustments for safety management and printing, miscellaneous working capital fund adjustments (+$2,000), FTS (+$4,000), and PAYPERS (+$14,000).

| | | |
|---|---|---|
| FERS and other Benefits......................................... | --- | +451 |

This adjustment is for the increase in estimated retirement costs resulting from the continuing growth in the relative proportion of FERS employees in the bureau work force and the increase in the Government's cost of other benefits.

| | FTE | Amount ($000) |
|---|---|---|
| One More Pay Day in FY 1991 ........................................ | --- | +361 |

The increase in personnel compensation results from there being one more pay day in FY 1991 than in FY 1990.

| | | |
|---|---|---|
| Mail Services ........................................................ | --- | +120 |

This adjustment is for the increase in the volume of mail and postage rate, overnight mail, maintenance of mail metering equipment, and the Denver mail contract.

| | | |
|---|---|---|
| Drug Free Workplace .................................................. | --- | +25 |

The adjustment is for increased costs of fostering a drug free workplace.

| | | |
|---|---|---|
| TOTAL BASE CHANGES | -10 | + 4,245 |

Activity: Outer Continental Shelf Lands

(In thousands of dollars)

| Subactivity | FY 1989 Actual | FY 1990 Approp Enacted | FY 1990 Adjusted Approp | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Leasing & Environmental Program | 38,063 | 38,515 | 37,978 | 38,692 | 45,840 | +7,148 |
| Resource Evaluation Program | 22,759 | 22,354 | 22,042 | 22,504 | 22,504 | --- |
| Regulatory Program | 29,887 | 30,563 | 30,136 | 30,707 | 32,307 | +1,600 |
| Total Requirements | 90,709 | 91,432[1] | 90,156 | 91,903 | 100,651 | + 8,748 |

Authorizations

43 U.S.C. 1331, et. seq. — The Outer Continental Shelf Lands Act of 1953, as amended, extended the jurisdiction of the United States to the Outer Continental Shelf (OCS) and provided for granting of leases to develop offshore energy and minerals.

43 U.S.C. 4321, 4331-4335, 4341-4347 — The National Environmental Policy Act of 1969 required that Federal agencies consider in their decisions the environmental effects of proposed activities and that agencies prepare environmental impact statements for Federal projects having a significant effect on the environment.

16 U.S.C. 1451-1464 — The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that industry activity in the coastal zone is consistent with coastal zone plans set by the States.

16 U.S.C. 1531-1543 — The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations on endangered and threatened species.

[1] See Footnote on page MMS-22.

| | |
|---|---|
| 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)<br>30 U.S.C. 1601<br>et.seq. | The Mining and Minerals Policy Act of 1970 and the Materials and Minerals Policy, Research and Development Act of 1970, set forth the continuing policy of the Federal Government, in the national interest, to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves. MMS is responsible for the assessment of oil, gas, and management of the exploration and development of OCS leases. |
| 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 regarding the mineral resource potential in areas being considered for designation as marine sanctuaries. |
| 16 U.S.C. 1361-1362,<br>1371-1384, 1401-1407 | The Marine Mammal Protection Act of 1972 provides for the safeguard of marine mammals which are, or may be, in danger of extinction or depletion as a result of man's activities. |

The Outer Continental Shelf Lands budget finances the classification and evaluation of OCS resources, environmental studies and assessments, the management of energy and mineral leases by regulating exploration, development, and production on Federal OCS lands in an environmentally sound manner. The budget for the program is described in three subactivities entitled: Leasing & Environmental Program; Resource Evaluation Program; and Regulatory Program. Each subactivity represents an integral component of a highly coordinated program.

## Justification of Program and Performance

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

(Dollar amounts in thousands)

| Program Element | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Environmental Studies | | $ 21,565 | 21,028 | 21,235 | 27,410 | +6,175 |
| | (FTE) | (---) | (---) | (---) | (---) | (---) |
| Leasing & Environmental Assessment | | $ 16,950 | 16,950 | 17,457 | 18,430 | +973 |
| | (FTE) | (337) | (337) | (335) | (335) | (---) |
| Total Requirements | | $ 38,515[1] | 37,978 | 38,692 | 45,840 | +7,148 |
| | (FTE) | (337) | (337) | (335) | (335) | (---) |

Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 38,515[1] | -537 | 37,978 |

Reductions of $537,000 from the FY 1990 Leasing and Environmental base level will impact the Environmental Studies budget by eliminating funding for some new study starts in areas included in the current 5-Year Plan. The budget reduction will result in the delay until 1991 of a study in the Gulf of Mexico dealing with the occurrence and distribution of chemosynthetic communities. In addition, first-year costs for the Texas-Louisiana Shelf Circulation and Transport Process Program will be reduced by delaying the start of the field program. While these delays (approximately 12 and 6 months, respectively) are undesirable, they will not cause irreparable damage to the Environmental Studies effort in the Gulf of Mexico.

1 See Footnote on page MMS-22.

## Environmental Studies

Objectives:

To conduct a studies program that:

- o Plans and initiates scientific investigations to contribute to a basic and broad scope understanding of the marine environment in OCS areas;
- o Integrates new and existing data to provide assessments of the effects of oil and gas activities in terms of environmental and socioeconomic impacts;
- o Provides information leading to means to lessen or remove adverse impacts and insure safe operations;
- o Is designed to provide information for consideration in the development of the 5-Year OCS Oil and Gas Program and for individual leasing proposals; and
- o Provides data to help monitor postlease OCS oil and gas and other mineral operations.

### Program Description

The resources of the Environmental Studies (ES) Program were initially devoted to prelease decisions involving the prediction and assessment of environmental impacts of OCS oil and gas operations. This strategy was based on the need for this information in the numerous frontier regions existing during FY 1973-1977 and on the limited areas in which to conduct well-defined monitoring studies. Since its inception in 1973, the program has supported prelease studies in all areas on the OCS leasing schedules. The program has produced a significant amount of relevant information on environmental and socioeconomic characteristics of currently proposed leasing areas. This information is used to characterize the existing environment and in the analyses of risks and benefits of OCS leasing as required by Section 18 of the OCSLAA and in the production of sale-specific and programmatic Environmental Impact Statements (EIS's), Secretarial Issue Documents (SID's), and other decision documents.

In 1980, the Environmental Studies Program began to invest an increasing proportion of its funds in issues related to postlease management decisions. Such redirection could be taken because the number of studies required in frontier areas had decreased, most lease areas had several years of completed study, and opportunities for scientifically credible monitoring experiments became available.

Studies related to interpretation of postlease impacts now constitute the majority of studies in the program, except in certain frontier areas. These studies focus on possible long-term, low-level impacts which, if present, remain to be more clearly defined. In addition, studies are concentrated in areas where industry interest or prospects are high, and are sensitive to the timing of development and production activities. Increasing emphasis is also being directed to the socioeconomic impacts of oil and gas activities.

In 1991 the Environmental Studies program will once again be redirected to reflect the changing priorities of the program. The ES program is a critical part of the MMS evaluation and decision making process. This process will determine which areas are environmentally acceptable for potential leasing. In a very real sense the ES program will be of critical importance in providing technical and scientific input concerning the development of mineral and hydrocarbon resources in the nation's Outer Continental Shelf area.

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

At present, particular emphasis is being given to endangered species issues in Washington/Oregon, fisheries studies and long-term monitoring and ecosystem studies in several regions, physical oceanography in the Gulf of Mexico and synthesis and evaluation reports for selected topics. The basic data collection in frontier areas not previously studied is also supported. The goal of maximum use and availability of existing information has also led to development of initiatives in information and data management.

The Environmental Studies Program is designed to support both regional and national information needs. These needs are assessed every two years through the development of study plans, which are then updated annually. These plans are developed in close consultation with the Regional Technical Working Groups. During FY 1991, regional offices will review and update the FY 1991/1992 regional study plans for studies to be procured in FY 1992. Development of these updates requires several months from initiation to final approval, including extensive coordination.

During the annual formulation of the National Study List, regional needs are combined with national needs and ranked in order of their importance to decision makers. Studies are ranked using a set of criteria based on a system developed for the program. MMS is assisted in defining nationally important information needs by the OCS Advisory Board through its technical and Scientific Committee.

The ranking system emphasizes the following criteria:

- o Importance of the information to the decision maker, and
- o Timing of the management decision for which the study is designed.

However, the following considerations also influence study selection:

- o Generic applicability of study results,

- Availability of information in the subject of the study, and
- Applicability of the study to issues of regional or programmatic concern.

Recent activities and accomplishments for this program element include:

- Subsequent to the EXXON VALDEZ tanker spill, the Environmental Studies Program responded rapidly to support researchers in the field conducting immediate response sample collections and field observations which would not otherwise have been undertaken. Staff also participated in field activities collecting seabird and marine mammal observational data and worked in sea otter and seabird rehabilitation centers.
- A multiyear study was initiated late in FY 1988 to document the chemical and biological impacts resulting from OCS produced waters discharged in Louisiana coastal areas.
- To further our understanding of the long-term effects of a coastal oil spill and the time needed for recovery, a project initiated late in FY 1989 will collect field data and compare results with data collected 20 years ago in West Falmouth Bay, Mass.
- A symposium addressing the long-term effects of oil and gas activities in the Gulf of Mexico was sponsored by the Environmental Studies Program in FY 1989. Results of the symposium are to be used in implementing a multiyear program of field study designed to monitor the long-term impacts associated with offshore oil and gas development and production in the Gulf of Mexico.
- A major conference, co-sponsored by MMS, was held in October 1989 to develop a coastal ocean prediction program based upon field sampling and modeling. Recommendations developed during this conference will be used as a guide for future studies in the OCS.
- A circulation model of the Gulf of Alaska, Bering Sea, and Beaufort Sea is under development in a multi-year contract. A major part of the effort is directed towards coupling ice and wind models to the ocean circulation model.
- A high resolution circulation model for the U.S. Atlantic coast is under development which incorporates Gulf Stream dynamics. An important aspect of this investigation is the use of field data and modeling products to better define the environmental conditions in the model.
- The Gulf of Mexico OCS Region will be managing a major physical oceanographic study of the northwestern quarter of the Gulf of Mexico. The objectives of this study will be to identify key dynamic processes governing circulation, transport, and cross-

shelf mixing on the Texas and Louisiana shelf.

- A major study of an oil spill from a refinery in Panama which affected a coastal research facility of the Smithsonian Institution is now in its fourth year, and will continue for one more year. This spill is unique in that it affected an area of coral reefs, mangroves, and seagrass beds for which the Smithsonian had a significant amount of pre-spill data. This effort represents one of the best opportunities to document oil spill impacts in a tropical coastal environment.

- A major conference and workshop were held in May 1988 in Portland, Oregon, for the purpose of developing recommendations for studies related to offshore oil and gas activities in Washington and Oregon. A smaller workshop was held in March 1988 to evaluate the present database available in terms of the physical oceanography off the coasts of Washington and Oregon. Final results, obtained in FY 1989, have been used to plan future marine ecology, fisheries, and physical oceanography studies in that area.

- A multiyear field study was continued in the Mississippi-Alabama shelf area to characterize the OCS, describe current movements, and survey topographic features. In FY 1990, the primary focus of this study is on areas of significant topographic relief known as Pinnacles. The outer shelf area has surprisingly more topographic relief and fisheries resources than was previously known to exist.

- The Santa Barbara Channel Field Study and Model was completed. It should be noted that this was the first major physical oceanography experiment in which field personnel and modeling personnel worked together jointly during the design and implementation of the field program and subsequent modeling effort. The model will be further refined under a present Pacific modeling contract.

- As an adjunct to a general characterization of deep water biological communities in the Gulf of Mexico, a project is underway to better define the potential for impact, by oil and gas activities, on recently identified chemosynthetic communities.

- Several initiatives addressing fisheries issues in the Pacific OCS Region which began in FY 1988 were continued in FY 1989 and FY 1990. One study will provide MMS with information on species composition, local distribution movements, and abundance of fish species associated with offshore rocky reef habitats. A second will modify and expand a computerized fisheries data base system to include information for the entire Pacific Region, and provide product compatibility with efforts ongoing within the states of Washington, Oregon, and California. See Table 1 for additional information.

Increase from FY 1991 Base:

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 21,235 | 27,410 | +6,175 |
| (FTE) | (---) | (---) | (---) |

OCS Environmental Studies Program (+$2,600,000)

An increase of $1,600,000 is requested to support initiation of new studies required for any oil and gas lease sale decision in those offshore areas where the public have continuing concerns about the environmental effects of leasing or development. The studies will provide additional information for MMS leasing decisions concerning offshore oil and gas activities. Because of the contractual obligation on future fiscal year funds to complete multi-year studies, the Environmental Studies Program (ESP) is limited in its ability to react quickly to demands for priority studies in controversial areas, e.g., offshore the States of Alaska, Washington, Oregon, Florida, California, and North Carolina. This inability to address more fully, Federal, State, and public concerns of potential environmental impacts related to offshore oil and gas activities leads to greater confusion and uncertainty about offshore plans for certain areas. In the planning for these increased efforts, the ESP will consider recommendations and guidance received from the OCS Scientific Committee and the various task forces. The Report released November 3, 1989, by the National Academy of Sciences further emphasizes the need for increased studies. The expanded outreach effort, to resolve conflicts early in the leasing process, will put increased demands on the ESP for the collection of data concerning specific issues. Funds are included to cover these anticipated requirements.

$1,000,000 of this increase is to fund five environmental studies which were delayed in FY 1990. In FY 1990, an adjustment to the President's Budget redistributed $1 million from the Environmental Studies Program (ESP) to the Technology Assessment and Research Program. This redistribution included $500,000 from the ESP base and $500,000 from a planned FY 1990 increase. The redistributed $1 million is for the MMS FY 1990 share of a jointly-funded enhanced oil spill containment and cleanup technology research program. This program was initiated in FY 1989 subsequent to the Prince William Sound tanker spill and other tanker spills in order to improve the response to possible future spills.

This funding redistribution from the ESP meant that four studies would be delayed and deferred until FY 1991 and a fifth was reduced in scope for the first year. Those five studies are:

1. Exploratory Rig Monitoring Program, Eastern Gulf of Mexico
2. Northern Gulf Habitat Mapping
3. Potential Influence of Environmental and Industrial Factors on Bowhead Whale Hunting

4. Petroleum Discharges into Alaskan Waters
5. Ecological Studies of Walrus and Endangered Grey Whales in the Chukchi Sea, and Walrus in Norton Sound

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services........................................ | +2,600 |
| Total........................................ | +2,600 |

Global Change Research (+$3,575,000)

In early 1989, the President recommended a strategy for addressing the nation's interrelated concerns of ozone depletion, climate warming, sea level change, drought, deforestation, desertification, and reduction in biodiversity. In response to his recommendation, an interagency group called the Committee on Earth Sciences (CES) outlined the U.S. Global Change Research Program in a report entitled, Our Changing Planet: The FY 1990 Research Plan. The DOI has initiated a series of meetings to determine its ability to assist in the research program which is designed to monitor, understand, and ultimately predict the effects of global climate change.

The world's oceans figure prominently in this research program because of their moderating influence on climate changes. The highest science priorities include: an increased understanding of ocean circulation, ocean mixing, heat flux, air/sea interactions, temperature and ocean circulation effects on biogeography and larval dispersal, effects of eddy motions on food availability and population recruitment. MMS is in a position to make a strong contribution to an increased understanding of climate change through our environmental studies of the Outer Continental Shelf.

The MMS Environmental Studies Program has put forward two proposals which address some of these high priority concerns dealing with the marine environment and its role in global climate change. A third proposal is the MMS share of the Department's development of a data base and models. These proposals are related to ongoing studies currently being planned for or underway in the MMS Environmental Studies Program. The following paragraphs summarize the research goals and methodology of each proposal.

Indices of Global Climate Change in the Gulf of Mexico ($1,535,000): This project would examine all existing long-term data bases of hydrographic properties in the Gulf of Mexico (including data from coastal waters, estuaries and ports) and monitor certain hydrographic properties and indicators of air-sea interaction to detect evidence of climate change. A major goal of the research would be to synthesize these resulting data and other data from concurrent MMS studies into numerical ocean circulation models. The earliest detectable sub-mixed layer expression of global temperature change may arise in the Gulf of Mexico, well before the lagged response of the deep ocean.

Marine Arctic Indicator Species Studies ($1,540,000): This study (MAISS) will build upon established (up to 10-years) monitoring programs for key indicator species, including bowhead whales, ringed seals, and marine colonial seabirds/water fowl in the Arctic. MAISS-1 is an expansion of the current program which will enhance the resolution, scales, and frequency of existing data bases. These activities will be coordinated with other programs sensing physical parameters (including sea ice, solar input, cloud cover, marine and atmospheric temperatures, $CO_2$, etc.) and certain biogeochemical factors (e.g., marine chlorophyll) to enhance the linkages between their respective data sets. MAISS-2 would statistically analyze trends, and correlate relationships of population and physical data. Results would be used to predict the effects of global climatic change on sensitive species, explain, and understand climatic linkages to bowhead whale, ringed seal, and marine avian species. MAISS-3 would design a predictive system for indicator species parameters. Key emphasis would include coupling to existing MMS models of human-induced environmental stress. Simulations and sensitivity analyses would compare global climate scenarios with other human-induced changes on bowhead, ringed seal and marine bird distributions and abundances.

Departmental Data Base and Modeling ($500,000): In support of the Administration's efforts to address global change, funding is requested for a series of studies to examine the social, environmental, and economic consequences of global change, and of any actions dealing with such change, as related to Interior decisions and policies for the land and resources for which it has stewardship responsibility. This funding will assist the Department in developing methodologies to estimate these social, economic and environmental consequences by developing both a data base and models relating such consequences to global change.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services | +3,575 |
| Total | +3,575 |

Table 1 - FY 1991 Environmental Studies

| Region and Type of Activities | END. SP. | POLL. TRANS. | MAR. ECOL. | MONITOR. | F. & E. | SOCIO-ECON. | METEOR. | OTHER | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Study Categories | | | | | | | | |
| ATLANTIC | | | | | | | | | Continue studies of endangered whales; effects of oil and gas on recreation and tourism, compile baseline data on south Florida; and field studies on circulation patterns to support oil spill trajectory analyses. |
| Prelease Activities | X | X | X | | X | X | | | |
| Exploration Activities | | X | | X | X | | | | |
| Production & Development Activities | X | X | X | X | X | X | | | |
| GULF OF MEXICO | | | | | | | | | Continue oil spill trajectory modeling and physical oceanography; evaluate OCS operations on protected species; socioeconomic analyses; regional ecosystem characterizations in developed regions; initiate monitoring studies of long term effects of production. |
| Prelease Activities | X | X | X | X | X | X | | | |
| Exploration Activities | | | | X | | | | | |
| Production & Development Activities | X | X | X | X | X | X | X | | |
| PACIFIC | | | | | | | | | Continue field monitoring to evaluate chronic OCS discharge impacts; collect fisheries data; continue study to define physical oceanography of N.&C.CA.; collect and analyze existing info for WA/OR with emphasis on protected species. |
| Prelease Activities | X | X | X | X | X | X | X | | |
| Production & Development Activities | | X | X | X | X | X | X | | |
| ALASKA (Gulf of Alaska) | | | | | | | | | Update information base developed for prior offerings in this area; reconnaissance of commercially important organisms. |
| Prelease Activities | | | X | | | | | | |
| ALASKA (Bering Sea) | | | | | | | | | Continue to develop reconnaissance info on endangered species, biological communities, & physical oceanographic features; monitor effects of OCS operations on whales, native communities, and fishing resources; evaluate hazards to operations posed by sea ice. |
| Prelease Activities | X | X | | X | X | X | | | |
| ALASKA (Arctic Ocean) | | | | | | | | | Continue monitoring effects of OCS operations on Bowhead whales, other marine mammals, and native populations. Study sea ice hazards on operations and pollutant transport by ocean features and sea ice. |
| Prelease Activities | X | X | | X | X | X | | | |
| Exploration Activities | X | | | X | X | | | | |
| Production & Development Activities | | | | X | | | | | |
| Programmatic Studies | | | | | X | X | | X | Continue to improve program quality and integrity; manage info transfer; develop consistent socio-econ and environment data for 5-year schedule; design and coordinate monitoring programs. |

## Leasing and Environmental Assessment

### Objectives

- To promote responsible stewardship of OCS resources through a comprehensive foundation of environmental and socioeconomic information.

- To assess the extent and the location of the oil and gas resources of the OCS through the acquisition and analysis of scientific information.

- To preserve, protect, and develop the resources of the OCS in a manner consistent with the need to balance orderly energy resource development with protection of the human, marine, and coastal environments.

- To provide affected States, and through such States affected local governments, with opportunities to participate in policy and planning decisions relating to leasing, exploration, development, and production of energy and minerals on the OCS.

- To ensure that leasing and permitting actions are in accordance with all Federal environmental laws and that required coordination with Federal and State agencies occurs, such as for endangered species, archaeological resources, and coastal zone management.

### Program Description

The primary functions of the Leasing and Environmental Assessment Program are to:

- Provide a comprehensive foundation of environmental, socioeconomic and resource assessment information to manage the OCS energy and mineral resources consistent with the need to balance orderly resource development with protection of the human, marine, and coastal environments;

- Develop a balanced OCS 5-year oil and gas program process pursuant to the purposes and authorities granted by the OCS Lands Act;

- Determine size, timing, location, terms and conditions for any leasing proposal which provide a reasonable balance between the national interest and the well-being of the citizens of each affected State; and to consult and communicate with the Governor of each affected State for any determination vis-a-vis the Governor's recommendations; and

- Review and assess the environmental and socioeconomic impacts associated with permits issued under the Resource Evaluation and Regulatory Program.

Major tasks of this program are active coordination and consultation with other Federal agencies, affected State and local governments, the scientific community, and the public. These tasks occur throughout the development of the broad-based environmental and hydrocarbon information base needed for responsible stewardship of the OCS resources, the 5-year planning process, and the prelease process. Figure 1 depicts the coordination and consultation steps used in the development of a lease sale proposal. Additionally, the activities required to develop OCS strategic and critical minerals leasing procedures and to expand the information base for potential future minerals development on the OCS will continue to be studied and evaluated.

The Leasing and Environmental Assessment Program relies on continuous involvement with State and affected local governments, other Federal agencies, industry and public interest groups in the development and conduct of the program. The information transfers between these parties and the Department help the Secretary to achieve consensus on design and timing of lease sale proposals, and promote early resolution of issues and concerns (e.g., public scoping meetings, comments on EIS's, endangered species consultations, and EIS hearings).

The Environmental Studies Program's information base acquisition focuses on numerous scientific and environmental effects including monitoring and addressing potentially subtle effects of long-term, low-level pollution and cumulative effects in concert with other impacts occurring on the OCS. A considerable amount of basic environmental data and applied oil and gas information have been collected over the 17 years of the Studies Program resulting in increased efforts to manage the data, effectively disseminate results, and share the raw data. MMS has initiated a Long-Range Studies Plan to be released for public comment.

The contentious nature of the oil and gas leasing portion of the offshore minerals management program has required the examination of numerous new methods to resolve issues. Examples have included the formation of special joint Federal/State task forces concerned with leasing proposal issues, extensive negotiated rule making efforts, special studies by the National Research Council to evaluate technical information for various areas, and several other similar activities. In many respects, each effort has been an unique response to views expressed by various interest groups. The timing, subject matter, and interested parties in these matters are often difficult to predict. Experience indicates that different methods for addressing various concerns will continue to be required. Greater efforts are needed to work with various local coastal community public interest groups to better understand their concerns and to assure that they have information necessary to allow them to better understand the benefits and risks associated with the program. This sharing of information is essential to finding ways of mitigating public concerns and allowing the program to fulfill its mandated energy, environmental, safety, and economic objectives.

Pre-Lease Process

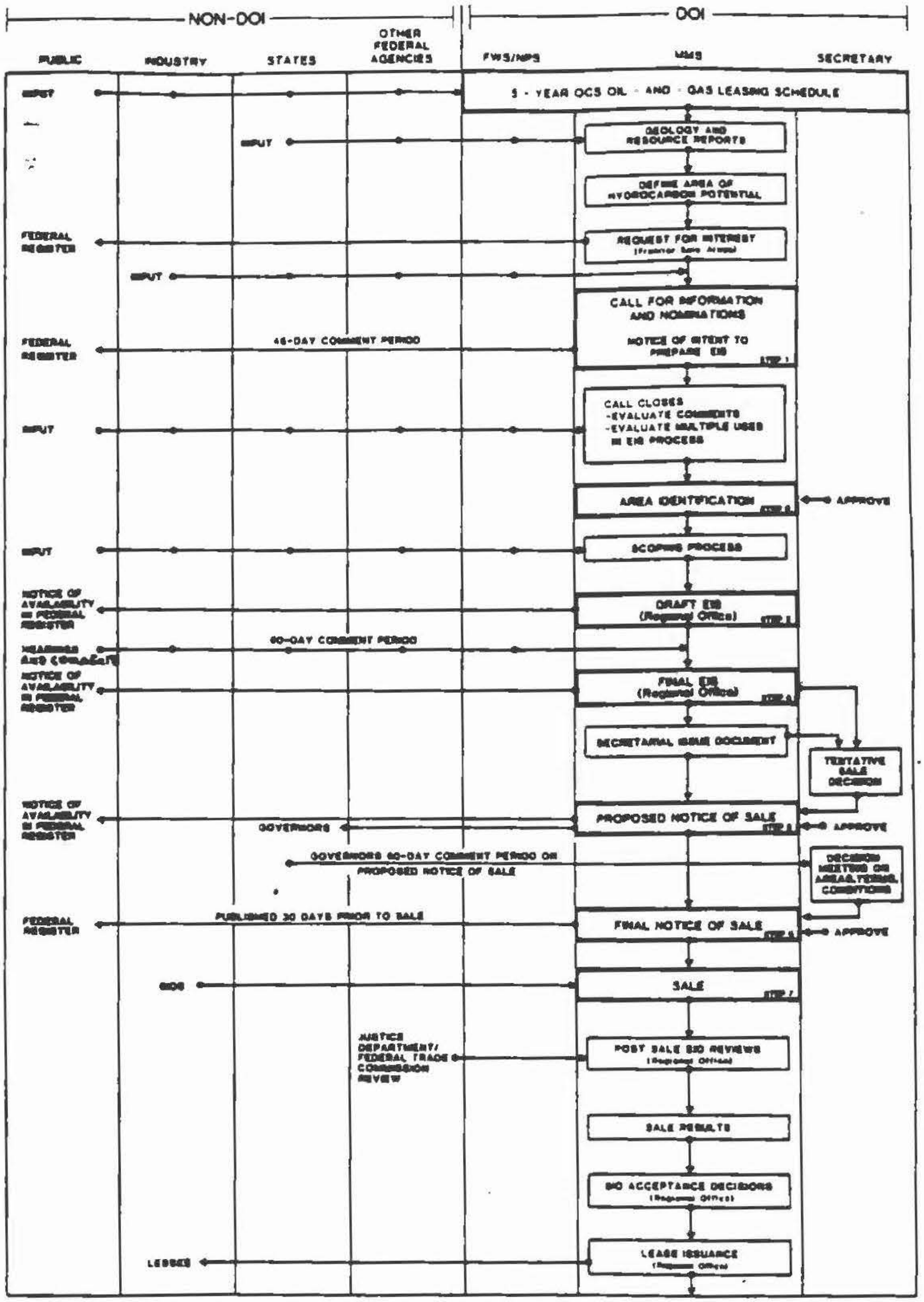



Figure 1

The responsible stewardship of the oil and gas resources of the OCS program supports the Administration's goals of protecting the environment, reducing the Nation's reliance on insecure foreign oil sources, enhancing national security, and strengthening the Nation's economy. The OCS contributes significantly towards the achievement of these goals as it currently provides about 11 percent of domestic oil production and about 25 percent of domestic gas production in an environmentally sound manner.

Bonuses and rents paid for OCS leases and royalties from subsequent production have a positive effect on the Federal Budget. Approximately $2.9 billion was received in FY 1989 from bonuses, rents, interest, and royalties. Approximately $3.0 billion is estimated to be received in FY 1991. Of the FY 1991 amounts, royalty receipts from producing OCS leases are estimated to be $2.15 billion. Lease sale bonuses and rentals are estimated at $854 million.

Prelease and/or leasing activity on approximately 20 sales will be in progress during FY 1991 with 7 sales scheduled (see Table 2). Two sales proposed off California in FY 1990 and two in 1992 are on hold due to the Presidential Task Force while one in Washington-Oregon will require continuing extensive consultation in FY 1990. Continuing activity is scheduled in all three Atlantic planning areas, including preparation of a final EIS for the Mid-Atlantic planning area. In Alaska, the program entails work on follow-up sales for several Bering Sea sale areas including the holding of a sale for Navarin Basin, and the preparation of a draft EIS in the St. George Basin. In the Arctic area, lease sales are scheduled for the Chukchi Sea and Beaufort Sea planning areas. A Call will be issued for the Shumagin Basin in FY 1990. Meanwhile, planning steps are scheduled for four sales in the Gulf of Mexico.

The Alaska boundary project will be continued in FY 1991. This effort was initiated in FY 1984 because of long-term issues which continue to affect both State and Federal oil and gas leasing programs within the offshore submerged lands and on the OCS. When Federal/State boundary locations cannot be determined, disputes arise as to which governmental entity may lease lands near to and abutting the 3-geographical-mile line. In many areas around Alaska, the location of the 3-geographical-mile line boundary is not known. This situation exists because Alaska is remote and the costs of surveying are very high--up to $6,000 per mile in some coastal areas. In addition, tidal readings (datums) used to establish the baseline (from which the 3-geographical-mile line is measured) must be accumulated for approximately 20 years before that line can be determined. Without resolution of the boundary issue, Federal lease sales offshore Alaska might have to be cut back in terms of size, postponed, or not held due to litigation such as the ongoing Supreme Court case in connection with the Federal/State boundary along the Beaufort Sea.

Table 2

Minerals Management Service
Lease Sales

**FY 1989 Actual**

| Sale Number | Area |
|---|---|
| 116 | E. Gulf of Mexico, Part I |
| 118 | C. Gulf of Mexico |
| 122 | W. Gulf of Mexico |

**FY 1990 Planned**

| Sale Number | Area |
|---|---|
| 123 | C. Gulf of Mexico |
| 125 | W. Gulf of Mexico |

**FY 1991 Planned**

| Sale Number | Area |
|---|---|
| 107 | Navarin Basin |
| --- | Solid Minerals Sale, Norton Sound |
| 124 | Beaufort Sea |
| 131 | C. Gulf of Mexico |
| 121 | Mid-Atlantic |
| 126 | Chukchi Sea |
| 135 | W. Gulf of Mexico |

For the purposes of presentation, the Leasing and Environmental Assessment Program has been divided into nine subelement groupings. It is important to point out, however, that the subelements are not independent. Each phase, step, or activity of the program is linked to and is interactive with other subelements. In most cases, individual staff members participate in many of the subelements.

Subelement 1 depicts the work effort involved with the administration of the Environmental Studies Program funded under the Environmental Studies program element, information that is needed in most of the other elements. The information provided under subelements 4 and 8 cover the major environmental thrusts of the program.

Under subelement 2, a discussion of the development and review of the 5-year program is provided. The activities included under subelements 3 and 5 are closely related but have been segregated to clarify the discussion. These sections provide information on the major processes followed and documents prepared which integrate hydrocarbon, environmental, and other critical information needed to define and make decisions to enhance the balanced development of the resources.

Subelements 6 and 7 discuss the lease sale, lease issuance and maintenance activities.

Subelement 9 discusses program management and support activities.

Also included are discussions of several program components which are not detailed in the discussion of the basic subelements. These discussions include: (1) Leasing area maps and diagrams which are used in various activities throughout the entire leasing process; (2) OCS Advisory Board coordination, which provides the Secretary and Director with expertise from States, the scientific community, the private sector, and the public; and (3) strategic and other minerals.

The nine major subelements of the Leasing and Environmental Assessment Program and their products are described below:

1. Management of Environmental Studies ($2,666,000)

    The Environmental Studies Program has continually evolved and changed to meet the needs of the OCS Program and the cumulative increase in information and understanding of the OCS environment. The program contributes to the basic and broad scope understanding of the environment in OCS areas, provides information for the development of the five year program leasing proposals, and for the safe operation of OCS oil and gas activities. As stated in the OCSLAA, the purpose of the Environmental Studies Program (ESP) is "...to establish information needed for prediction, assessment, and management of impacts on the human, marine, and coastal environments which may be affected by OCS oil and gas activities.... " The most recent changes, which respond to the final 5-year OCS program for the period from 1987 through 1992, include: (1) greater balance between prelease and postlease studies; (2) greater emphasis on generic studies; (3) development of a strategy for postlease monitoring studies; and (4) increased emphasis on summary reports and management of existing information. The management of this broad scale effort to enhance the understanding of the OCS environment requires a staff of highly knowledgeable environmental scientists.

The knowledge gained from the studies conducted under this program is used by the Department in making decisions on the balanced development of marine mineral resources. Many of the studies, while targeted for determining potential effects of oil and gas activities, result in the collection of fundamental data on the marine environment. Study results often contribute to the full range of environmental issues. The data are used in avoiding environmentally critical areas for inclusion in proposed leasing areas, analyzing environmental effects, formulating lease stipulations, modifying leasing and operating rules and regulations, and assessing effects of industry activities. Environmental studies are also designed to monitor the effects of hydrocarbon and other mineral exploration, and the effects of development and production activities. If potential adverse effects are discovered by these monitoring efforts, appropriate measures are taken to mitigate or change the expected effects by amending and modifying OCS regulations or by issuing Notices to Lessees and Operators (NTLs). When an environmental study in a specific geographical area indicates a need to further protect the environment, new or changed operating conditions may be imposed on existing and future leases.

Availability of the study data is the end result of a very complex and lengthy process. This process begins with an assessment of information needs and the biennial development of environmental studies plans with annual updates. MMS establishes and disseminates policy and guidance for the preparation of regional studies plans. This guidance includes interpretations of departmental policy and advice from the OCS Advisory Board's Scientific Committee. Regional studies plans are prepared with the assistance of the OCS Advisory Board's six Regional Technical Working Groups and other local advisors. These plans include statements of local information needs, the regional perspective on the priorities of these needs, cost estimates, and a brief description of each proposed study. A plan is developed which concentrates on identifying studies that address numerous scientific, economic and associated issues to better focus on areas where hydrocarbon development might proceed in an environmentally sound manner. MMS has also developed a Long-Range Studies Plan to be released as a draft report for public comment in early 1990. This document contains an analysis of available information pertaining to pertinent environmental issues. This analysis presents a national perspective and provides guidance to the Regions as to what kinds of studies will need to be undertaken by the Agency within the next 10 years.

Following development and approval of the regional studies plans, MMS compiles a preliminary National Studies List which includes all studies proposed for funding. Because the total cost of all studies nominated for funding during any fiscal year has historically exceeded available funds, criteria (discussed in the Environmental Studies program element) were designed to rank each study. This list of proposed studies and order of priority receives extensive and critical independent public, academic and private sector review.

The National Studies List serves as the basis for preparation of the annual advance procurement plan (required by Federal regulation) and execution of the procurement process which includes the following three major steps: (1) development of a procurement package by scientists who proposed and designed the particular study; (2) development of the solicitation which is completed by the MMS procurement staff; and (3) evaluation of proposals and award of the contract, responsibilities shared by the program and procurement staffs.

Once an award has been made for conduct of an environmental study, administration and monitoring of the contract begins. Program scientists perform these functions in their role as contract officer's technical representatives.

Reports resulting from the ESP are kept by the regional offices and headquarters for their use and copies are distributed to appropriate Federal and State agencies, libraries, National Technical Information Service and limited general distribution. MMS Regions hold scientific meetings on a regular basis to transfer up-to-date information to in-house staff, other government agencies, industry, and the interested public. These meetings take place as synthesis meetings for specific lease sales, technical workshops, and information transfer meetings. Professional environmental staff and principal investigators also attend national meetings and represent MMS at environmental and technical workshops sponsored by other Agencies. Numerous formal presentations of MMS-sponsored research occur annually at MMS, professional society, and other Federal meetings.

<u>Description of Subelement Products</u>

a. <u>Regional Studies Plan</u>

A regional studies plan is prepared biennially by the four regional offices and the headquarters office. These plans include statements of regional information needs, the regional perspective on the priorities of these needs, and a brief description of the rationale for each study. These plans are the basis for developing the National Studies List. They are updated at the end of the first year to reflect any changes in requirements.

b. <u>National Studies List</u>

The National Studies List is prepared each fiscal year and reflects the ranked list of studies to be funded under the Environmental Studies Program.

c. <u>Procurement Package</u>

A procurement package is developed for each study on the National Studies List. It includes: requisition; statement of work; independent government cost estimate; technical evaluation criteria; justification for noncompetitive procurement, if required; and the necessary funding approvals required by Federal regulation. The statement of work is the most important element in the procurement process. It is used to describe the Government's requirements, evaluate competing proposals to accomplish the work, guide or control the contractor's performance, and determine if the requirements are being satisfied.

d. <u>Technical Proposal Evaluation</u>

The basic purpose of the evaluation process is to determine which of two or more competing proposals should be selected for contract award or in the case of a single proposal, if the proposal is of adequate quality for contract award. The ultimate question to be answered is: Which proposal will be most advantageous to the Government, considering price and qualitative factors? The evaluation process is conducted by a committee selected by the contracting and program officers and complies with the requirements of the Federal procurement regulations.

e. <u>Contract Monitoring</u>

Program scientists who assisted in design of the environmental studies are designated Contracting Officer's Technical Representatives (COTR). They are responsible for the technical administration and monitoring of the contracts. A COTR is authorized to perform the following tasks: (1) inspect and monitor contract performance to assure technical compliance with the specifications; (2) inspect and verify satisfactory delivery of all items; (3) verify efficient and satisfactory performance of work for payment purposes; and (4) furnish the contracting officer copies of all approved invoices, trip and conference reports, and general correspondence dealing with the administration and monitoring of the contract. The COTR also serves as an in house expert on studies in progress, where limited reports are available.

<u>Recent activities and accomplishments for this subelement include</u>:

o MMS is continuing several complementary reviews of the ESP to assess the long-term direction of the program. These include a major effort with the National Academy of Sciences (NAS) to review MMS information needs and the availability of information in topics such as marine ecosystems, physical oceanography, and socioeconomics. At the same time, MMS is completing a Long-Range Studies Plan that focuses on long-term commitments to obtain significant information on environmental and socioeconomic aspects of OCS development. Both efforts are intended to help MMS assess how well the ESP has met its goals and to identify where future studies efforts should lie.

- MMS is implementing an aggressive policy of information management through the preparation of project summaries for all major studies funded through the program since 1973 and development of an improved computer indexing and reference retrieval system. This, combined with the ongoing information transfer meetings in each region, ensures that the scientific community has full access to this wealth of information. The first hardcopy publications in this effort, a comprehensive bibliography and the first volume in a series of technical summaries, was completed in Fiscal Year 1989. Efforts are also increasing to provide computer files of field data to other Agencies (State and Federal) working with marine environmental issues.

2. Development/Review of 5-Year OCS Program ($440,000)

The Secretary of the Interior is responsible for the preparation and maintenance of, and periodic revisions to, a 5-year program. He is required to balance the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse effects on the coastal zone. The program must be developed on the basis of a number of environmental, economic, and other factors which assure evaluation of the characteristics of each planning region, equitable sharing of developmental benefits and environmental risks, relative national and regional energy needs, relationships to other marine resource uses, relative environmental sensitivity and marine productivity, and other relevant information.

The program consists of a schedule of proposed lease sales, indicating the size, timing, and location of proposed leasing activity which the Secretary determines should be considered to best meet national energy needs for a 5-year period following its approval. In accordance with Section 18(e) of the amended OCS Lands Act, the Secretary is also required to review the leasing program at least once each year. He may revise and reapprove the program at any time in accordance with statutory procedures.

During the preparation of a proposed 5-year program, the Secretary of the Interior is required to invite and consider suggestions and relevant information from all interested parties, including Federal agencies, industry, and the Governor of each potentially affected State, and from the general public. These comments and/or suggestions are submitted in response to a request for information issued as a notice in the Federal Register. Comments are requested on the geographical, geological, and ecological characteristics of the broad areas under consideration, other uses of offshore resources and space, identification of areas of environmental sensitivity and marine productivity, and the technological feasibility of, time periods required for, and interest in offshore exploration and development. The Secretary also sends letters to the Governors of affected States, asking them to identify specific laws, goals, and policies they believe should be considered in connection with the leasing program. States that are developing or administering a coastal zone management (CZM) program are also requested to supply information concerning the relationship between their CZM programs and potential offshore oil and gas activity.

After considering comments and information received, a Draft Proposed Leasing Program is prepared. A copy is sent to the affected States at least 60 days prior to publication of a Notice of the Proposed Program in the Federal Register . Within 90 days after publication of the Proposed Program, comments and recommendations may be submitted on any aspect of the program. At least 60 days prior to approval, a Proposed Final Program is provided to the President and Congress, along with any comments received on the Proposed Program. This transmittal must indicate why any specific recommendations from the governor were not accepted. Sixty days after Congressional and Presidential notification, the Final Program is approved and published.

Recent activities and accomplishments for this subelement:

o In FY 1990, work continued on the development of the next 5-year OCS Program. On July 14, 1989, the Department of the Interior requested suggestions for the development of a new 5-year program with the publication of two Notices published in the Federal Register. Requests for suggestions were also made by means of letters to coastal State Governors, the heads of interested Federal agencies, and OCS Policy Committee members.

  - The issuance of the first program proposal, the draft proposed program, is scheduled for the spring of 1990 -- to provide time for incorporating the results of the decision process following the results of the President's Task Force on OCS Leasing and Development, scheduled for January 1990.

o After a 60-day comment period on the draft proposed program, MMS will develop options and revised analyses for the proposed program and draft EIS, to be issued in FY 1991.

o Identified measures for conflict resolution related to better working relationship with the coastal communities involved with OCS oil and gas leasing in the South Florida, North Atlantic and Washington-Oregon areas are as follows:

    - Efforts in Florida resulted in agreement by the State to withdraw its litigation against the 5-year program and provided a basis for agreement on terms and conditions for conduct of Part I of Sale 116 in the EGOM. Task Forces were established and met during FY 1989 to review information on oil spill risk and effects from drilling discharge. The reports of the task forces were completed in December 1989.

- Concerning the North Atlantic, the report of the National Research Council expected in February 1990 will be used on a long-term basis to explore possible alternatives to develop the resources in that area.

- Formally initiated in January 1989, the Pacific Northwest OCS Task Force, composed of representatives from the Governors of Washington and Oregon, Pacific Northwest tribal governments, and the Secretary, has met several times in FY 1990. The Task Force has accomplished milepost subtasks including establishing an operating agreement and deciding on nominations and protocol for a scientific subcommittee charged to provide scientific and technical expertise to the 5 steering committee members. We expect that the Task Force will continue to meet in FY 1991 and provide advice to the Secretary.

- o Prepared background materials and gave extensive verbal and written briefings to the Office of the Solicitor and the Department of Justice on the 5-year program litigation. Compiled and submitted an administrative record for the approved program. The Service provided comments on briefs and suggested responses to petitioners' briefs and issued a draft supplemental environmental impact statement for the 5-year program in response to litigation. The final supplemental EIS is scheduled to be issued in February, 1990.

- o Conducted Annual Review of the 5-year program as required by the OCS Lands Act.

- o Worked to implement recommendations of the OCS Policy Committee to the Secretary concerning improvements in the process for developing the next 5-year program.

- o Developed briefing materials and letters for use in congressional consideration of legislation affecting the 5-year program.

- o Initiated staff studies concerning marine productivity and environmental sensitivity to assess whether new methods and data should be used in the next 5-year program; initiated preliminary program assessment of the work plan, schedule, procedures, and methodologies for the next 5-year program.

3. <u>Process to Determine 5-Yr Program proposals that will be analyzed in EIS ($558,000)</u>

For proposed lease sales which have been identified in the 5-year leasing program, a detailed prelease process is followed by MMS. The objective of the initial steps in this process through the Area Identification (discussed below in detail) is to determine the leasing proposal area for further study in the environmental analysis process under the National Environmental Policy Act. This determination is made by the Department after ample opportunity for public and governmental involvement which considers all comments, concerns and expressions of interest received during the consultation process.

Following are discussions of the major workload areas of this subelement of the Leasing and Environmental Program:

a. Request for Interest

A request for interest may occur as a first prelease step. This is most likely to occur for lease sale proposals in frontier areas where there is limited industry interest. Such proposed sales were identified as frontier exploration sales during the development of the 5-year program. Industry's responses, along with other information, are used to determine if enough interest exists to begin the lengthy prelease process. In some regions, at the same time that the request for interest is issued, preliminary consultations may take the form of meetings and information exchanges with coastal States and members of Congress to discuss OCS concerns and issues. These meetings often require the development of specialized information (histories, statistics, briefing and option papers, graphics, and summaries) so the complex and technical activities of the offshore program can be adequately presented, reviewed, and evaluated.

A request for interest may be issued at any stage in planning for a proposed sale when it is believed that current economic or market conditions may have changed industry interest or changed the number of companies interested in exploring an area. The request to industry is published in the Federal Register, responses are analyzed, and a decision is made to proceed with, delay, or cancel the prelease process.

# OCS PLANNING AREAS


Figure 2

MMS-53

## OCS PLANNING AREAS

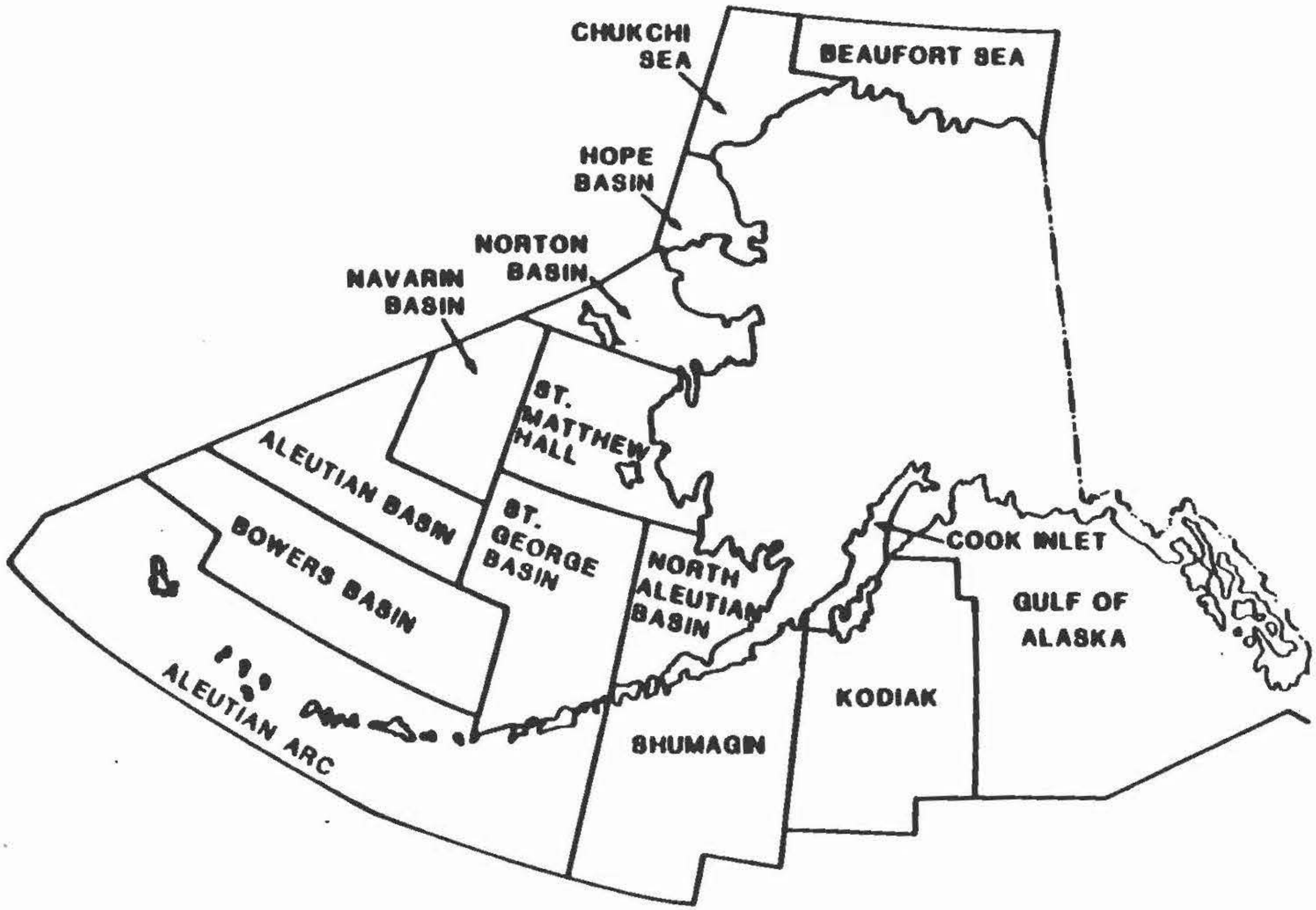



Figure 3

MMS-54

b. Call for Information and Nominations (Call)

The Call is a public participation and information-gathering step. It provides industry, the States, and the public with a formal opportunity to participate in the prelease process by submitting specific information (geological, biological, archaeological, socioeconomic, and technical) which might bear upon the potential leasing and development of particular areas proposed for lease (Figures 2 and 3). The comments are used in future decision making points in the leasing process. Also, during this step, consultation begins with the Department of Defense to identify possible multiple-use conflicts in the sale area, pursuant to a Memorandum of Agreement with the Department of Defense.

In the process used for focusing on promising acreage the Minerals Management Service highlights on a map issued with the Call for Information and Nominations its view of the promising acreage within the Call area. The text of the Call explains that while primary consideration would be given to the highlighted area, respondents may nominate any acreage within the Call area. Such nominations and comments will be considered at the Area Identification stage for identification of the proposal, which will be analyzed in the EIS.

Industry, States, local governments, public interest groups, and individuals respond to the Call, published as a Federal Register Notice. A Notice of Intent to prepare an Environmental Impact Statement (EIS) is issued with the Call. This initiates the scoping process, which is discussed under subelement 4 on the following pages. Industry identifies and ranks areas of potential for oil and gas development and provides information on sale terms and conditions. Government agencies and public respondents provide comments on the subjects listed above and on possible environmental conflicts. The resulting information is a direct input to the area identification step and is used in subsequent planning and analysis activities.

c. Area Identification

The purpose of this step is to identify the leasing proposal area that will also be further analyzed in the EIS. In preparation for the area identification decision, information received in response to the Call for Information and Nominations and other information such as that received during the development of the 5-Year Program is carefully reviewed. Industry provides priority information indicating the order in which it wants to explore areas and also nominates areas it would like to lease, identifying them as being of high, medium, or low interest. Information on environmental resources in the area of the leasing proposal is summarized and incorporated into the decision process. Information and comments provided in response to the Call by States, local governments, and public interest groups is also analyzed, summarized, and incorporated into the decision process.

Through the use of written material, briefings, and graphics, departmental decision makers are provided with information on industry interest; public concerns; State and local government positions; resource potential and geophysical and geologic conditions; environmental resources and conditions; multiple-use conflicts; past leasing history; recommendations on potential sale area configurations; and other relevant information. The concerns expressed by the public are addressed and the process of balancing the exploration for oil and gas with the need to protect the environment is continued.

Once area identification decisions are made, affected States and selected Federal agencies are provided with information regarding the area of the leasing proposal. Consultations are also initiated with States regarding potential boundary disputes in the leasing proposal area.

4. <u>Environmental Assessment Process ($5,676,000)</u>

The Minerals Management Service normally prepares an Environmental Impact Statement (EIS) and holds public hearings on this EIS before the Secretary of the Interior decides whether to hold an OCS lease sale proposed in the 5-year oil and gas program. These procedures comply with the requirements of the National Environmental Policy Act (NEPA). NEPA requires the preparation of an EIS before the conduct of any major Federal action which could significantly affect the quality of the human environment and specifies the basic information that the EIS shall include. In limited instances for small-scale proposed sales (such as proposed supplemental sales), an environmental assessment may be prepared to determine whether an EIS is needed.

The environmental analyses may be started as early as one year before the Call for Nominations with the development of general descriptive material. Following the Call for Information and Nominations and issuance of a Notice of Intent to prepare an EIS, the scoping process (required by CEQ regulations) begins. Scoping is the process of identifying the range and significance of important issues associated with a proposed Federal action and alternatives to that action through coordination and consultation with Federal, State, and local governments; the public; and any interested individual or organization before pursuing development of an EIS. Information gathered through the Environmental Studies Program, from ongoing exploration and development activities, and the Call for Information and Nominations, is also reviewed during the scoping process. This leads to the identification of major issues and alternatives to be addressed in the EIS and assists in the design of the sale proposal. Topics addressed in the EIS usually include effects of the leasing proposal on air and water quality, archaeological resources, endangered species, marine mammals, fisheries, areas of special biological concern, and onshore socioeconomics.

One of the most useful aspects of the environmental assessment process for proposed lease sales is the oil spill risk analysis. This is a computer modeling technique. The availability of adequate environmental data, such as that on wind and ocean currents, is an important factor in the model. The Environmental Studies Program provides for timely gathering and analysis of these data, as well as the examination of historical oil spill production and accident statistics. Oil resource estimates used in the model are provided by the Resource Evaluation Program. The model incorporates the best available physical oceanographic and meteorological data; estimated locations and potential volumes of oil projected to be produced and transported over the life of the proposed leases if commercial quantities of hydrocarbons are discovered and developed; the locations of environmental resources (e.g., fish spawning areas, recreational beaches, whale migration routes, etc.); potential transportation routes; and the likelihood of oil spills based on historical accident rates. The model provides a measure of the likelihood of oil spill occurrence, as well as the estimated mean trajectories of spills in relation to recreational and biological resources. To report model results, an oil spill risk analysis report is prepared for each EIS.

The development of mitigating measures appropriate to the pertinent environmental concerns is another important phase of the prelease NEPA process for specific leasing proposals. Lease stipulations and Information to Lessees clauses, which are implemented through work in the Regulatory Program, are developed in conjunction with the environmental analyses. Included is an analysis showing impacts to environmental resources assuming (1) that no mitigation is used, and (2) that the proposed mitigation is used. In this way, the efficacy of the proposed measures is apparent. These mitigating measures, in conjunction with the existing regulatory framework, have proven to be an effective and economical means of minimizing many potential adverse environmental effects while allowing the search for offshore oil and gas resources to proceed. Additionally, much of the analytical environmental work carried out at this stage provides background information that directly supports environmental analyses related to review and permitting of postlease activities.

Pursuant to Section 7 of the Endangered Species Act of 1973, the Minerals Management Service formally consults with the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (FWS), as appropriate, if the proposed activity has the potential to affect an endangered or threatened species or harm its critical habitat. The Minerals Management Service provides NMFS/FWS with detailed background information on each leasing proposal and formally requests consultations and "Biological Opinions" on whether OCS mineral leasing or exploration in an area will jeopardize the continued existence of endangered or threatened species or destroy or adversely modify their habitat. The formal consultation process is associated with the preparation of the EIS and the information provided is factored into the EIS analysis and/or the lease-sale decision process. Additional consultation is undertaken as necessary as a part of the postlease environmental activities at the development stage. A Draft Environmental Impact Statement (DEIS) is filed with the Environmental Protection Agency (EPA) and released for public review about 8 months after the Area Identification. A Notice of its availability is published in the Federal Register, and the document is made available upon request.

Public Hearings are held in the vicinity of the area of the leasing proposal for the purpose of receiving comments on the draft EIS. These hearings are held within the 45- to 60-day public review period with the time and location of the hearing being announced in the Federal Register. Written or verbal testimony is invited from environmental organizations; the academic community; Federal, State, and local government representatives; industry, and the public.

The information received through public hearings and the public comment process is analyzed along with any newly acquired information and, when appropriate, is incorporated into a final EIS. At this stage, new mitigating measures may be included after comments from affected States and other interested parties are reviewed. In some cases, new deferral options are developed and incorporated into the final EIS. Usually about 3 to 5 months after the public hearing, the final EIS is filed with EPA and made available to the public. Notice of its availability is published in the Federal Register.

Technical papers may be prepared to support the lease sale EIS's and can be incorporated by reference into the EIS, thus avoiding lengthy technical and descriptive material, while maintaining the usefulness of the EIS as a decision making document.

Description of Subelement Products

a. Scoping Process and Report

Scoping is conducted in response to CEQ regulations. Preparation, review, and approval of a scoping report takes place within 2 months after Area Identification. The scope and significance of the major issues associated with the leasing proposal and alternatives to that action are included in the report. These issues and alternatives are addressed in the EIS and are used to help design the leasing proposal.

b. Draft Environmental Impact Statement

NEPA requires preparation of an EIS before the conduct of any major Federal action which could significantly affect the quality of the human environment. The DEIS is filed with EPA, a notice of its availability is published in the Federal Register, and the document is released for public review.

c. <u>Oil Spill Risk Analysis and Report</u>

The oil spill risk analysis examines potential risks from proposed and existing production and transportation of oil in United States waters and provides a quantitative basis for discussion in the environmental impact statement. It estimates the probabilities of oil spills from the leasing proposal area occurring and contacting environmental resources. A formal report describing the oil spill model analysis (including assumptions and findings) is prepared for each EIS.

d. <u>Endangered Species Consultation</u>

In accordance with Section 7 of the Endangered Species Act, formal consultation is required if the leasing proposal's activity has the potential to affect an endangered or threatened species or destroy or adversely modify its critical habitat. Information gathered during these consultations is used in the EIS and/or the lease-sale decision process.

e. <u>Public Hearings</u>

A 45- to 60-day comment period immediately follows public availability of the draft EIS. Public hearings are held in a location convenient to residents in the areas adjacent to the area of the leasing proposal. Notification of the intent to hold public hearings is published in the <u>Federal Register</u>, including the date, location, and procedures for providing oral and written testimony.

f. <u>Final Environmental Impact Statement (FEIS)</u>

The FEIS, which includes an analysis of pertinent comments received during the comment period and any newly acquired information, is prepared and filed with EPA 3 to 5 months after the public hearings. A notice of its availability is published in the <u>Federal Register</u> and the document is released for public review.

g. <u>Environmental Assessment</u>

An environmental assessment may be prepared to evaluate the environmental effects of new issues which may arise after completion of the FEIS, or for smaller scale sale proposals, such as supplemental sale proposals or sulphur/salt sale proposals.

h. <u>Technical Papers</u>

Technical papers are normally listed and summarized as supporting documents in the appendix section of environmental impact statements. Copies are made available, upon request, to program reviewers.

Recent activities and accomplishments for this subelement include:

- o The following EIS's have been published and filed with the Environmental Protection Agency during FY 1989:

  - Norton Sound Mining Proposed Sale (Draft EIS)
  - Proposed Sales 123/125 - Central and Western Gulf of Mexico (Draft and Final EIS)
  - 5-year Program Supplemental (Draft EIS)

- o In 1988, a joint Federal/State Technical Task Force (later designated as Coordination Team) was formed by the Department of the Interior and the State of Alaska to ensure early and continued consultation on the Norton Sound Proposed Lease Sale under the OCS Mining Program. This Coordination Team was established with 31 members (including four from MMS) representing Federal, State, and local agencies and special interest groups; industry observers; and other interested parties. The Coordination Team has shared in the scoping and in the continuing evaluation of environmental studies to assess the development of potential gold placers and other non-energy mineral resources and provides recommendations to the Secretary and the Governor regarding possible leasing and development of those resources on the OCS.

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

5. Lease Sale Notification and Decisions ($1,223,000)

The objective of this subelement is to build upon the analyses performed under subelements 3 and 4 and culminates in the decision on leasing proposal's configuration, terms, and conditions. To this end, activities discussed below focus on important factors for decision makers, and solicit participation of Department of the Interior executives, other Federal agencies, State and local governments, and the private sector. This coordination and distillation of issues and options builds upon information collected and analyzed throughout the prelease process.

Description of Subelement Products:

a. Secretarial Issue Document (SID) and Associated Decision Material

The purpose of the SID is to clearly and concisely present information which the Department of the Interior needs to make decisions. The decisions concern the size, timing, location, terms, and conditions of a proposed lease sale. Additionally, the

SID provides a basis for balancing decisions between State and national interests as required by Section 19 of the OCSLAA. While the SID is only one of a number of decision documents presented to the decision maker, it is significant because it integrates all the analyses relevant for decision making including environmental, legal, economic, technical, and hydrocarbon resource information.

The SID relies heavily on the EIS which accompanies the SID through the decision process. The SID focuses on analysis and detailed discussion of sale-related issues and synthesizes information germane to decision-making. The SID contains no recommendations but rather presents relevant information on each decision option. It contains a neutral summary of factors relevant to the decisions to be made and does not attempt to support a particular point of view.

A decision memorandum summarizing all issues and options for decisions on the sale proposal is then prepared. It is accompanied by the SID, the EIS, and the decision sheet. Departmental decision makers are provided copies of the decision material and their recommendations are solicited. These materials provide a basis for decisions on the size, timing, location, terms, and conditions which are then included in the proposed Notice of Sale document.

b. Proposed Notice of Sale

A Federal Register Notice announcing the availability of the proposed Notice is published about 90 to 120 days before an oil and gas lease sale is scheduled to be held. The Proposed Notice contains specific information on the blocks and bidding units which may be offered for sale. It also specifies lengths of lease terms, minimum bid levels, rentals, royalty rates, and numerous items of information to prospective bidders, including stipulations, joint usage conditions, and bidding instructions. This step gives the public, industry, and other agencies such as the Department of Defense, an opportunity to comment on the sale proposal.

Gulf of Mexico Notices are supplemented with detailed maps providing additional information on blocks and bidding units, acreage, and status. This material is mailed promptly to qualified bidders, and upon request, to all parties.

c. Section 19 Consultation

Section 19 of the OCSLAA mandates that Governors of affected States be provided the opportunity to comment on the size, timing, and location of a proposed lease sale. The Governors receive the SID, the EIS, and the Proposed Notice decision memorandum for information on the decision process, as well as a copy of the Proposed Notice. The letter transmitting the material describes the decisions made at this stage in the prelease process and explains how the State's comments on the proposed sale and its coastal zone management policies were considered in making the decisions on the proposed Notice. It also invites the Governor's comments on the size, timing, and location of the proposed sale, as required by Section 19 of the OCSLAA. During the following 60-day review period, MMS may meet with State officials to discuss and possibly resolve issues associated with the proposed sale.

d. Final Notice of Sale Decision Memorandum

Once comments on the Proposed Notice are received from the Governors of affected States and interested parties, MMS prepares a decision memorandum outlining the final decisions to be made on the proposed sale. The decision memorandum summarizes the comments on the Proposed Notice, analyzes all of the sale issues, and if needed, presents new decision options addressing concerns raised by commenters. It is an important analytical document since it contains information of any new decision options developed for Secretarial decision. The SID, the EIS, the proposed Notice decision memorandum, the proposed Notice itself, comments on the Proposed Notice, a recommendation memorandum and transmittal memorandum along with a Final Notice decision sheet accompany the Final Notice decision memorandum.

e. Final Notice of Sale

Once a decision is made to hold a sale, a Final Notice of Sale is published in the Federal Register at least 30 days before the announced sale date. This Notice, in similar manner to the Proposed Notice, includes, in final form, the various terms and conditions applicable to the sale and to ensuing leases. It places limitations on joint bidders (by Federal Register reference) and establishes the stipulations applicable to the various blocks offered, and procedures to be followed by successful bidders in paying the balance of payments due and obtaining their leases.

f. Balancing Letter

In accordance with Section 19 of the OCSLAA, the Governor of each affected State is notified, in writing, of the reasons for the determination to accept or reject the Governor's recommendations on the lease sale. Section 19 requires DOI to accept such recommendations if it is determined, after having provided the opportunity for consultation, that they provide for a reasonable balance between the national interest and the well-being of the citizens of the affected States. A letter explaining the balance reached is sent to each Governor with a copy of the Final Notice of Sale.

6. <u>Lease Sale and Issuance of Leases ($516,000)</u>

The prelease process of MMS ends with the conduct of the lease sale and the issuance of leases from that sale. The sales of offshore leases are conducted under competitive bidding procedures. Separate sealed bids are submitted for each block bid on and are received before the date of the sale as specified in the Final Notice. The purpose of this lease sale step is to record and publicly announce the bids received; no bids are rejected or accepted at the sale. After the bid opening, MMS conducts a review of the bids to determine whether the highest valid bid for each block exceeds our bid adequacy criteria. Technical and economic information gathered prior to the lease sale for the purpose of evaluating the potential mineral resource value of the blocks (provided by the Resource Evaluation Program subactivity) is considered during this review. The evaluation and acceptance or rejection of the bids on a case-by-case basis must, by regulation, occur within 90 days after the lease offering is held. Pertinent information is sent to the Department of Justice, Antitrust Division, and the Federal Trade Commission (FTC) for review. The Justice Department and FTC recommendations are considered in the final decision on which bids will be accepted or rejected.

Lease sales are conducted by the appropriate OCS regional office. Before most sales, extensive training sessions and mock sales are held to assure that all procedures and activities are carried out accurately and quickly. Detailed procedures are put in place to safeguard bids, facilitate the public opening and announcement of bids, adjudicate bid documents, enter information into computers for processing, and create the reports used by managers in the bid acceptance or rejection process. Monies received for the one-fifth bonuses, which are required when bids are submitted, must be protected, recorded, and deposited in the U.S. Treasury or returned, in a timely manner, to unsuccessful bidders. Facilities large enough for the sale are procured in each region for each sale. In FY 1991 six oil and gas sales and one solid mineral sale are scheduled to be held.

7. <u>Postlease Adjudication and Maintenance of Leases ($570,000)</u>

The records for each lease must be maintained until that lease is terminated by law, relinquished, or expires. In FY 1989, approximately 6,224 lease records were being maintained in the four regional offices. Maintenance included actions related to assignments of record title (approved by the Department of Justice), relinquishments, extensions, rentals, status (tract and serial register books), statistics, and the development and updating of bidder qualification files.

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

8. <u>NEPA and other Reviews for Industry Activities ($2,805,000)</u>

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

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

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

In addition, Section 25 of the OCSLAA provides that an EIS will be required for the approval of at least one oil and gas development and production plan in any area other than the producing areas of the Central and Western Gulf of Mexico and the Santa Barbara Channel offshore California.

During conduct of lessee operations, activities are monitored to ensure compliance with any required mitigation measures and that the measures in place are sufficient to mitigate the adverse impacts. By carefully evaluating the mitigation measures, technical and operational requirements are kept up-to-date and are incorporated in regulations, orders, and conditions for granting permits. At the end of the life of a platform, MMS reviews the lessee's proposed method of its removal, prepares an Environmental Assessment, and completes Endangered Species Act Section 7 consultations.

Also as part of its oversight of industry activity, MMS does an environmental review of proposals for geological and geophysical activities permitted under the Resource Evaluation Program. These activities typically require Categorical Exclusion Reviews or Environmental Assessments.

Description of Subelement Products

a. Categorical Exclusion Review for Regulatory Action

The Department's categorical exclusions (CE) cover actions which in its experience do not cause significant environmental effects. Included as CE's are most exploration, development, and production plans in the central and western Gulf of Mexico, and rights-of-way permits that do not result in a new pipeline corridor to shore. Prior to approval of such plans or permits, a categorical exclusion review of the environmental effects of the activities proposed in the plan is made. If the potential for a significant impact does not exist, the plan may be approved. Otherwise, an environmental assessment is prepared.

b. Environmental Assessment (EA) for Regulatory Action

For non-categorically excluded activities, the environmental effects of the activities proposed in the plan are reviewed prior to approval of an exploration plan or a development/production plan (DPP) in accordance with NEPA. During the reviews, environmental effects are analyzed and documented in an EA.

c. Environmental Impact Statement for Regulatory Action

The NEPA compliance for development and production plans results in the preparation of an EIS when MMS concludes that the environmental assessment indicates that approval of the plan would constitute a major Federal action significantly affecting the quality of the marine, coastal, or human environment. Notice of the availability of a draft EIS is published in the Federal Register and public hearings are held. After reviewing public comments, a final EIS is prepared and a decision can be made on the plan.

d. Oil Spill Risk Analysis and Report

An oil spill risk analysis may be prepared for each development/production plan EIS and some DPP EA's. The analysis examines potential risks from proposed and existing production and transportation of oil in United States waters and provides a quantitative basis for discussion in the development and production plan EIS. A formal report describing the oil spill model and analysis (including assumptions made and results) may be prepared.

e. Endangered Species Consultation

The Endangered Species Act (ESA) Section 7 consultation conducted in the prelease process covers exploration activities. Such consultation may be reinitiated at the development stage if the proposed development/production activity has the potential to affect an endangered or threatened species or destroy or adversely modify its critical habitat. Information gathered during these consultations is used in the decision process for approval of development/production plans. Consultation may be reinitiated at any time if species are newly listed or critical habitat designated, if an action or its effects change significantly, if new biological information or effects warrant reexamination of previous biological opinions, or if allowable incidental take limits are exceeded.

f. Environmental Reports Review

Environmental reports are prepared by the lessee or operator and submitted along with an exploration or a development/production plan. These documents are reviewed, along with the plan, and must be approved before exploration or development and production activities can begin.

g. Categorical Exclusion Review for Geological and Geophysical Activity

Prior to issuing a permit to conduct a Geological and Geophysical (G&G) survey (an activity conducted through the Resource Evaluation Program), MMS conducts an environmental analysis of the potential effects of the proposed survey activities. Approval of such activities are categorically excluded except when the proposed activity includes the drilling of deep stratigraphic test holes or uses solid or liquid explosives. If the categorical exclusion review shows a potential for a significant impact or significant controversy, an environmental assessment must be prepared. Otherwise, the permit may be approved.

h. Environmental Assessment for Geological and Geophysical Activity

An environmental assessment is prepared if (1) the permit involves deep stratigraphic drilling or the use of explosives, or (2) the categorical exclusion review shows the potential for causing a significant impact. The permit may be approved if no significant impact is found.

Recent activities and accomplishments for this subelement include:

- In order to address the wide range of issues concerning the air quality impacts from OCS facilities adjacent to California, MMS participated in a negotiated rule making process to revise its OCS air quality rules. The information gathered during the negotiated rule making process was used to develop a notice of proposed rule making revising the air quality rules for OCS facilities adjacent to California. This rule making was published in the Federal Register on January 17, 1989. In addressing numerous comments on the January 1989 notice of proposed rule making, the MMS is considering different approaches including publication of a new notice of proposed rule making. The MMS has worked closely with the Environmental Protection Agency in reconsidering the proposed rule.

- MMS prepared a report to Congress pursuant to Section 20(e) of the Outer Continental Shelf Lands Act for assessment of the cumulative effect of activities conducted under the Act.

- Completed work on 2 task forces with the State of Florida on exploratory drilling issues in the Outer Continental Shelf off Southwest Florida. One task force assessed the likelihood, fate, and transport of oil spills, and the second assessed potential impacts of drilling operations on Florida coastal and marine resources.

- MMS and the National Marine Fisheries Service (NMFS) have concluded a generic platform removal ESA Section 7 consultation for Gulf of Mexico oil and gas platforms. This consultation was needed because removal of platforms with explosives could adversely affect endangered marine turtles. Lessees may operate under provisions of the generic consultation if the proposed activity meets certain standards. An assessment of the risk to endangered and threatened sea turtles as a result of structure removals by explosives in the Gulf of Mexico region is being conducted by both MMS and NMFS. A survey to address the relative abundance and distribution of sea turtles in relation to OCS structures is being conducted and is likely to provide needed information on the seasonal and distributional movement of these species.

9. Program Management and Support ($1,704,000)

This subelement provides program guidance and direction, internal and external coordination of program activities, and program and technical support for the work of the entire Leasing and Environmental Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems

Center which centrally develops or reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. The Offshore Minerals Management (OMM) presently has seven Perkin-Elmer minicomputers which are operational in regional offices located in Anchorage, Los Angeles, and New Orleans. Currently, three major systems reside on the Offshore Perkin-Elmer computers: the Outer Continental Shelf Information System; the Offshore Inspection System; and various Offshore mapping systems. Collectively, these systems utilize almost all the available Offshore data and form the core body of knowledge of oil and gas operations on the Outer Continental Shelf. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

## Other Programs ($2,272,000)

In addition to the nine major subelements described above, the Leasing and Environmental Program is responsible for managing other mineral leasing activities and coordinating the work through task forces and advisory groups. This workload is discussed below.

### Leasing Area Maps and Diagrams

The Federal Government has jurisdiction over and is authorized to issue mineral leases on the OCS. The OCS must be precisely defined to assure that only those submerged lands falling under the jurisdiction of the United States are offered for lease. The Federal Government must also be able to detect instances where leasing efforts by coastal States or foreign countries might inadvertently include OCS lands.

The OCS cadastre is the foundation upon which MMS and industry base most offshore activity. To date, this cadastre, as portrayed on approximately 500 Official Protraction Diagrams (OPD's) and Leasing Maps (LM's), is based upon the North American Datum of 1927 (NAD 27). OPD and LM information is presented in greater detail along with additional data on approximately 15,200 Supplemental Official OCS Block Diagrams (Split Blocks), of which 4,700 have been computed and approved. Split Blocks are customarily issued only for nearshore blocks which contain the 3-geographical-mile and 8(g) areas (where 27 percent of the revenues are shared with affected coastal States). They also depict international, Federal, and State boundary lines, identify Section 7 (boundary dispute) areas, and list precise areal measurements for each sub-area.

The development of these products is an exacting and lengthy process requiring research using various products and procedures such as: hydrographic and topographic survey sheets, coast pilots, and nautical charts produced by the National Ocean Service (NOS) and/or topographic maps produced by the U.S. Geological Survey (USGS); satellite, terrestrial, and reconnaissance surveys; mathematical computations; consultation and review with coastal States; frequent evaluation and concurrence by the Department of State; and in some cases, approval by the Department of Justice. Existing diagrams are periodically revised and reissued if physical coastline changes occur and the changes are documented by (1) the NOS on new/revised large-scale charts or (2) cadastral surveys. Diagrams are also revised and reissued if legal decisions cause jurisdictional changes.

The extensive database supporting development of the leasing diagrams and maps is also used when technical and legal boundary disputes arise over the location of the 3-geographical-mile and 8(g) lines. Precise information and skilled technical, professional, and legal expertise are required to monitor boundary issues. It must also be available when decisions are made on the impact that certain offshore features (low water elevations and islands) and boundary concepts (decree lines, straight baselines, bay closing lines, and historical statehood land grants) have on the location of boundary lines.

When NAD 27 was adopted as the official datum for the contiguous 48 States and mainland Alaska over 50 years ago, it was based upon the best and most accurate contemporary geodetic surveying instruments and procedures. NAD 27, however, has inherent problems; and in 1974, based upon the National Academy of Sciences' findings, the governments of the U.S., Canada, Mexico, and Denmark (for Greenland) agreed to readjust the control survey network for North America. The result of this agreement is what has become the North American Datum of 1983 (NAD 83), officially adopted by the U.S. as its datum in December 1988.

Most of the geographic source data used by MMS to develop offshore boundaries for the OCS cadastre are derived from other Federal surveying and mapping agencies which have instituted NAD 27 to NAD 83 conversion plans - primarily the NOS and the USGS. The official adoption of the new datum by the Federal Government and the implementation of datum conversion plans by these two agencies was the impetus for MMS in FY 1989 to begin identifying the impacts of the datum conversion. It is estimated that full MMS conversion from NAD 27 to NAD 83 on the OCS will be an ongoing process until the end of this century.

Resources are also devoted each year to identify, monitor, and resolve specific boundary disputes which exist in all regions of the OCS. A key boundary related lawsuit (United States vs. State of Alaska, No. 84, Original) concerns the location of the 3-geographical-mile and 8(g) lines in the Northern Chukchi and Beaufort Seas. The Supreme Court has jurisdiction over this case which will ultimately result in the establishment of a fixed decree line along portions or all of the northern coastline of Alaska.

Work related to fixing a decree line (coordination, planning analysis, mapping, and agreement on the location of the baseline) will continue throughout FY 1990. Careful attention will be paid to the precedents set during this process since they have the potential for affecting other areas of the OCS.

Recent activities and accomplishments include:

- Completed the video taping portion of the Federal/State California shoreline reconnaissance survey (for resolution of offshore boundary issues).
- Began design development of the Federal/State video shoreline reconnaissance survey of Oregon at the State's request; the survey project will be expanded to also include the State of Washington.
- Completed Goodnews Bay (Alaska) revisory shoreline survey.
- Commenced acceptance testing the Offshore Block, Boundary, and MAP/OPD Information System (OB2MIS).
- Continued technical support for Chandeleur Sound litigation.
- Prepared "An Issue Paper Relating to: North American Datum of 1983 Implementation on the Outer Continental Shelf;" began working with the National Geodetic Survey and the oil industry (through the National Ocean Industries Association) to develop standardized NAD 27/NAD 83 transformation software for use on the OCS; developed 4 NAD 83-referenced OPD's with USGS assistance.
- Resolved international boundary portrayal issues with the Department of State; revised published OPD's to reflect the current U.S. positions; and began production of new OPD's to depict the Exclusive Economic Zone (EEZ) boundaries of the continental U.S.

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 OCSLAA.

The OCSLAA requires consultation by Interior with affected States and other interested parties on all aspects of leasing, exploration, development, and protection of the resources on the OCS. This requirement is partially fulfilled through the activities of the OCS Advisory Board, which is comprised of: (1) a policy committee; (2) six regional technical working group committees; and (3) a scientific committee. The policy committee, consists of representatives of the Governors of all coastal States, including Hawaii and Pennsylvania, various Federal agencies, and the private and public sectors. It provides policy advice to the Secretary on all aspects of the OCS program. The committee is empowered to and often does appoint subcommittees to deal with specific issues and report back to the full committee.

Six regional technical working group committees, which operate at the field level and meet generally twice a year, provide advice to the Director and Regional Directors on technical matters of regional concern relating to OCS activities. Membership totals about 120 technical level representatives of coastal States and Federal agencies, and members of the private and public sector. The latter appointments are made to effect balance in terms of expertise, points of view, and functions of the committees.

The scientific committee is composed of 15 scientists, each selected on the basis of his or her scientific competence, reputation within their field of expertise, and ability to assess important elements of the Environmental Studies Program. The committee normally meets three times a year and advises the Director on the feasibility, appropriateness, and scientific value of the Environmental Studies Program.

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

Planned FY 1991 activities and accomplishments include:

- Two Policy Committee meetings will be held in FY 1991.
- Twelve RTWG meetings will be held in FY 1991.
- Three Scientific Committee meetings will be held in FY 1991.

Strategic and International Minerals

MMS has established cooperative agreements with nine coastal States for the joint analysis of mineral resources and environmental impacts of potential marine mineral leasing. This has included the preparation of documents required by NEPA to evaluate effects of mineral development.

During FY 1990, a final EIS was completed which was jointly prepared by MMS and the State of Hawaii for a potential cobalt crust lease sale in the Hawaii/Johnston Islands area. Further environmental analysis might be expected in FY 1991 should a decision be made to continue the presale process. A February 1991 marine minerals sale is also planned for the Norton Sound area offshore Nome, Alaska. A revised draft EIS for this sale is scheduled for completion in mid-1990 and the final EIS would follow in the early part of FY 1991. In connection with this proposed sale, a November 1989 public workshop was funded by MMS. The workshop considered results of new studies which necessitated the revision of the original Draft EIS. The workshop recommended additional baseline studies and monitoring proposals to accompany potential marine mineral development in Norton Sound. These studies, if initiated and leasing ensues, would likely begin in FY 1991.

A project aimed at mitigating wetland and barrier island destruction in Louisiana has grown out of the work of the Gulf of Mexico Federal/State Task Force. The cooperative arrangement was renewed in September 1989 with the objective of evaluating the potential of developing Ship Shoal in Federal waters off the coast of Louisiana as a source for beach sand to renourish Isles Dernieres and Bayou LaFourche and stave off wetland loss. The evaluation phase of the project is expected to conclude in early FY 1991.

Should resource evaluation results of 1990 show promise for placer development offshore Oregon, it is likely that environmental evaluations will follow in FY 1991 to gauge potential obstacles or limitations on such development. Other initiatives may materialize by FY 1991 involving Northeast States, but it is not yet possible to fully evaluate early indications of interest. The planning, evaluation, and development of leasing and environmental guidelines for any potential Federal marine minerals sale will typically be accomplished by joint Federal/State task forces or similar coordinative mechanisms on a case-by-case basis. These task forces will include interested Federal Agencies and affected States.

## SELECTED WORKLOAD OUTPUTS

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

| Subelement | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc(+) Dec(-) |
|---|---|---|---|---|
| 1. Management of Environmental Studies: | | | | |
| o Regional Studies Plans | 13 | 13 | 13 | --- |
| o National Studies Lists | 1 | 1 | 1 | --- |
| o Procurement Packages | 189 | 193 | 177 | - 16 |
| o Technical Proposal Evaluations | 92 | 87 | 80 | - 7 |
| o Contracts Monitored | 159 | 180 | 166 | - 14 |
| 2. Development/Review of 5-Year OCS Program: | | | | |
| o Develop a New Program | 1 | 1 | 1 | --- |
| o Annual Review | 1 | 1 | 1 | --- |
| 3. Process to Determine 5-Yr Program Proposals that will be Analyzed in EIS: | | | | |
| o Requests for Interest | 1 | 5 | 4 | - 1 |
| o Calls for Information Nominations | 6 | 4 | 9 | + 5 |
| o Area Identifications | 5 | 3 | 8 | + 5 |
| 4. Environmental Assessment Process: | | | | |
| o Scoping Process Reports | 5 | 4 | 0 | - 4 |
| o Draft Environmental Impact Statements | 4 | 7 | 4 | - 3 |
| o Oil Spill Risk Analyses/Reports | 4 | 4 | 3 | - 1 |
| o Endangered Species Consultations | 11 | 13 | 12 | - 1 |
| o Public Hearings | 4 | 7 | 4 | - 3 |
| o Final Environmental Impact Statements | 1 | 6 | 7 | + 1 |
| o Environmental Assessments | 0 | 0 | 0 | --- |
| o Technical Papers | 7 | 15 | 12 | - 3 |
| 5. Lease Sale Notification and Decisions: | | | | |
| o Secretarial Issue Documents | 2 | 4 | 7 | + 3 |
| o Proposed Notice of Sale Decision Memoranda | 2 | 6 | 7 | + 1 |
| o Proposed Notices of Sale | 1 | 5 | 8 | + 3 |
| o Section 19 Letters | 2 | 11 | 19 | + 8 |
| o Final Notices of Sale | 2 | 2 | 8 | + 6 |
| o Final Notice of Sale Decision Memoranda | 2 | 2 | 8 | + 6 |
| o Balancing Letters | 6 | 6 | 18 | + 12 |
| 6. Lease Sale and Issuance of Leases: | | | | |
| o Lease Sales | 3 | 3 | 7 | + 4 |

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| 7. Postlease Adjudication and Maintenance of Leases: | | | | |
| o Active Leases Maintained | 6,375 | 6,867 | 7,710 | + 843 |
| 8. NEPA Review for Industry Activities: | | | | |
| o Categorical Exclusion Reviews for Regulatory Action | 1,019 | 1,112 | 1,219 | + 107 |
| o Environmental Assessments for Regulatory Action | 119 | 150 | 161 | + 11 |
| o Environmental Impact Statements for Regulatory Action | 0 | 1 | 3 | + 2 |
| o Oil Spill Risk Analysis/ Reports | 1 | 4 | 3 | - 1 |
| o Endangered Species Consultations | 15 | 24 | 24 | --- |
| o Environmental Reports Reviewed | 263 | 311 | 359 | + 48 |
| o Categorical Exclusion Reviews for Geological/Geophysical Activity | 270 | 278 | 312 | + 34 |
| o Environmental Assessments for Geological/Geophysical Activity | 9 | 14 | 15 | + 1 |
| Other Initiatives | | | | |
| 1. Leasing Area Maps and Diagrams: | | | | |
| o Official Protraction Diagrams and Leasing Maps | 120* | 62** | 64** | + 2 |
| o Supplemental Official Block Diagrams | 180 | 1,904** | 3,300** | +1,396 |
| 2. Advisory Board Coordination: | | | | |
| o Policy Committee Meetings | 1 | 2 | 2 | --- |
| o Regional Technical Working Group Committee Meetings | 9 | 11 | 12 | + 1 |
| o Scientific Committee Meetings | 3 | 3 | 3 | --- |
| 3. Strategic and International Minerals (***) | | | | |

* Revised 66 previously published OPD's/LM's; developed 54 new OPD's.

** Reflects the estimated number of 3-mile and 8(g) Split Block diagrams, as designated by the 5-year schedule, that may have to be produced or revised 90-120 days prior to the Proposed Notice of Sale. Does not account for delays, cancellations, or deferrals, and does not generally include Split Blocks that may be needed along the EEZ boundary. For FY 1990 there are 2 sales, and for FY 1991 there are 7.

*** Workload units included in subelements 1-7.

Increase from FY 1991 Base:

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 17,457 | 18,430 | +973 |
| (FTE) | (335) | (335) | (---) |

Conflict Resolution (+$615,000)

The Leasing and Environmental Program requests an increase of $615,000 to help resolve concerns and to expand outreach efforts related to oil and gas leasing on the OCS. Over a period of several years, the OCS oil and gas leasing program has experienced a series of delays which have slowed the rates of discovery, development, and production, and also, resulted in the loss of hundreds of millions of dollars in bonus, rental, and potential royalty revenues to the States and Federal Government. Overall, the delays are partly a result of insufficient or conflicting information concerning the program, and different perceptions regarding the level of acceptable risk.

These additional funds would allow for increased participation in joint task forces or other cooperative and informational ventures to resolve issues and narrow differences. Third-party mediator initiatives could be initiated to resolve specific program issues. Additionally, the funds would provide for public meetings and workshops to expand opportunities to allow MMS to be aware of public concerns and respond to them, as well as foster understanding of the nature of the OCS planning process and different types of operational activities associated with the program.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Travel | +160 |
| Transportation of Things | +1 |
| Rents and Communications | +15 |
| Printing | +10 |
| Supplies and Materials | +4 |
| Other Services | +425 |
| Total | +615 |

Excellence in Education (+$300,000)

Interior supports the President's goal of raising the standard of education in America. In addition to Indian education programs, the Department has a variety of non-Indian education initiatives that include activities in support of elementary, secondary and post-secondary school programs as well as programs for the general public regarding the Nation's natural resources. For the Minerals Management Service a total of $300,000 is being proposed for the excellence in education effort.

These additional funds would be used to prepare an oceans energy/environment education curriculum for distribution to schools and materials to be used by participants in an MMS Speakers Bureau, which would address schools as well as other public groups. The curriculum and materials would include, but not necessarily be limited to, a video, brochures, and other literature that would enhance awareness of the role of energy resources from the OCS in daily life. The curriculum and materials would also address the role of these energy resources in the economy and discuss environmental concerns.

Additionally, this funding will allow MMS to obtain better public input and improve consultation through the production of general interest materials that satisfy public demands for information regarding environmental effects and demonstrate the integral relationship of the OCS program to the national energy strategy.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services........................................ | +300 |
| Total........................................ | +300 |

Maintenance of Perkin-Elmer Computer System (+$85,000)

The Leasing and Environmental Program requests an increase of $85,000 to cover a portion of increasing maintenance costs and partial assistance in a feasibility study for the proposed replacement of Offshore's primary support computers.

As the seven (7) Perkin-Elmer computers age, maintenance becomes not only more frequent but more extensive. The current maintenance contract, negotiated in 1987, must be readvertised for bidding. Costs are expected to increase by 25 to 100 percent depending on location. Therefore, an increase in funds is requested to assist in addressing these increasing costs.

The Perkin-Elmer computers are the major data information and processing system for the Outer Continental Shelf (OCS). Important functions such as bid evaluation and lease block data storage are based on this system. Due to the increasing number of requests for information from Minerals Management Service

(MMS), the States and other Federal agencies, as well as increasing complexity of MMS operations, this system is close to technological obsolescence and exceeding its capacity. As the effectiveness of the OCS program relies on accurate and timely data processing and integration, an increase is requested to fund contractual assistance and/or intra-agency support for the development/review of technical specifications, as well as technical consulting during the evaluation of vendor's proposals.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services | +85 |
| Total | +85 |

Centralized Training (-$27,000)

A transfer of $27,000 is being made to the Administrative Operations subactivity of the General Administration budget activity due to the centralization of certain training activities. This transfer is discussed in detail in the increase statement for the Administrative Operations subactivity.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation | -14 |
| Personnel Benefits | -2 |
| Travel | -2 |
| Other Services | -9 |
| Total | -27 |

## Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Resource Evaluation Program

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Resource Evaluation | $ | 22,354 | 22,042 | 22,504 | 22,504 | --- |
| Program | (FTE) | (346) | (346) | (344) | (343) | (-1) |
| Total | $ | 22,354[1] | 22,042 | 22,504 | 22,504 | --- |
| Requirements | (FTE) | (346) | (346) | (344) | (343) | (-1) |

Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 22,354[1] | -312 | 22,042 |

A reduction of $312,000 in the Resource Evaluation subactivity has been accomplished by a decrease of $156,000 in the collection of geological and geophysical data. This reduction curtails data collection activities for both the Atlantic and Pacific Regions and delays data review and analyses. If sales in those areas occur, evaluation would be made with older data. Acquiring some new data being shot by industry would be delayed by at least a year in those areas. Once Resource Evaluation is able to collect the data, costs and time for processing, analyzing, and reproduction must be included. This would not affect fair market value of tracts offered in these sales.

In addition, $156,000 was taken from the Strategic and International Minerals Program. This amount represents a 22 percent loss in program contract support. The effect falls primarily on Federal/State cooperative agreement activities. The program would be forced to defer a possible beach nourishment project affecting Alabama barrier islands. In addition, funding for cooperative agreements involving prelease activities in Alaska (Norton Sound placers) and Hawaii (cobalt-manganese crust resources) would be reduced.

[1] See Footnote on page MMS-22.

## Objectives

- To identify areas favorable for accumulation of hydrocarbons and to provide information on the distribution of offshore resources and the hydrocarbon potential of the OCS.

- To acquire and analyze scientific data and information in order to develop a basic knowledge of the geologic history and its effect on hydrocarbon generation, distribution and accumulation in the OCS.

- To provide scientific data and information concerning offshore lands to assure an adequate data base is available to the Secretary to make informed decisions regarding the stewardship of the OCS.

- To provide estimates of undiscovered mineral resources, exploration and development scenarios, and economic parameters and statistical data for the OCS to assess the impacts of the objectives of the OCSLAA.

- To develop and maintain an accurate data base of estimates for proven and indicated oil and gas reserves, as mandated by the OCSLAA, and an inventory of hypothetical and speculative oil and gas resources.

- To provide resource economic evaluations and bid adequacy determinations for blocks bid upon in lease sales to assure that the Government receives fair market value for leased offshore lands.

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

## Program Description

The Resource Evaluation Program identifies the potential location and accumulation of offshore hydrocarbon resources. Through acquisition, development, and analysis of scientific data the extent and economic value of the OCS resources is determined. This resource assessment is the core for understanding the relative resource potential of the various OCS areas. The determination of this potential allows MMS to fulfill it's mandate of responsible stewardship of the OCS. Section 18(a)(3) of the Act provides that the timing and location of individual OCS lease sales be selected based on consideration of balancing the potential for environmental damage, for the discovery of oil and gas, and for adverse impacts on the coastal zone. The development of estimates of technologically and economically recoverable hydrocarbon resources serves as the basis for identifying candidate areas for assessing potential environmental impacts. Economic analyses of possible environmental damages and adverse coastal zone effects from proposed OCS oil and gas leasing are performed to evaluate the net social value (development benefits minus social costs) from this activity. Additionally, the Resource Evaluation Program develops and maintains current estimates of oil and gas reserves in developed and developing fields and provides information on the potential availability of undiscovered offshore oil, gas, and mineral resources. Accurate inventories of these resources are essential to the national security of the United States; these resources may need to be made available to meet future energy and mineral supply emergencies. These inventories are reported to Congress, as required by law.

The resource information, the economic estimates, and the conclusions resulting from analyses of these data also enable the Department to make informed balancing decisions in resolving conflicts on the OCS with other Federal Agencies, State and local governments, and other interested groups. Furthermore, MMS provides data and information concerning the resource potential of OCS areas to other Federal Agencies in support of their activities, e.g., proposed marine sanctuaries, traffic separation schemes, international boundary disputes, etc.

Those aspects of the Resource Evaluation Program which focus on providing scientific data, information, and analyses on offshore geology and hydrocarbon resource potential include: (1) acquisition of G&G data; (2) production of regional G&G maps and analyses; and (3) production of tract- and prospect-specific maps and analyses for resource economic evaluations. These outputs are essential to completing major OCS management milestones and to the evaluation process leading to the acceptance/rejection of high bids received at the lease sale.

The Resource Evaluation Program combines much of the G&G data and analyses with resource economic and engineering data to produce outputs and products that are also essential to completing major steps in the leasing process. These steps proceed from the Geology Report through the acceptance/rejection of high bids. The objectives of these analyses are to: (1) develop estimates of technologically and economically recoverable undiscovered hydrocarbon resources for planning and for potential lease sale areas to be used throughout the leasing decision process; (2) inventory oil and gas reserves of individual fields, reservoirs, and leases in support of planning decisions, lease sale evaluations, supervision of field and reservoir development and long-range energy supply projections; (3) analyze, develop, and design economic and engineering parameters on both a lease sale and a tract-specific basis to be used in assessing environmental impact and in determining bid adequacy; and (4) develop economic and engineering methodologies and studies for the leasing process. Fundamental to accomplishing these objectives is the design, maintenance, and update of advanced computer models, ADP systems, and data bases for economic and engineering analyses that are a basic part of the overall OCS program and decision making process.

To fulfill requirements of Section 8(g) of the OCSLAA, the Governors of States adjacent to areas proposed for leasing are provided with the following information at the time of the Call for Information and Nominations:

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

- At the request of the Governor of such State, all information from all sources concerning the geographical, geological, and ecological characteristics of such tracts;

- Estimates of the oil and gas reserves in the areas proposed for leasing; and

- At the request of the Governor of such State, an identification of any field, geologic structure, or trap located wholly or partially within 3-nautical miles of the seaward boundary of such coastal State, including all information relating to the entire field, geologic structure, or trap.

At the time of Area Identification, the Resource Evaluation program staff is responsible for making a determination of whether or not a common structure exists with State submerged lands on each tract in the Section 8(g) zone. This information is then provided to the Governors of affected States.

The eight major subelements of the Resource Evaluation Program and their products are described on the following pages:

1. Acquisition of G&G Data ($2,284,000)

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

Industry collects G&G data under permits issued through the Resource Evaluation Program. A condition of the permits issued to industry allows MMS to selectively acquire G&G data to directly support the analyses required throughout the leasing process. These data include logs and other data from deep stratigraphic tests and significant amounts of Common Depth Point (CDP) seismic data. Since 1968, over 1,215,000 line miles of CDP data have been acquired in OCS areas. These data are analyzed and interpreted in order to map a proposed lease sale and determine areas having potential for the occurrence of hydrocarbon resources. They are also used to specifically locate and map geologic structures capable of trapping hydrocarbons, and to establish values for the geologic parameters necessary for resource economic evaluation in support of determinations of the adequacy of bids received at a lease sale.

A comparison of these costs for the period FY 1989-1991 is presented below. It should be noted that the costs given in this table only represent the cost associated with acquiring the data and do not reflect the costs for analysis of this data by MMS personnel.

(In thousands of dollars)

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Data reproduction and special processing of data not available under permit to support litigation, Section 8(g), and boundary disputes. | 1,657 | 1,498 | 1,498 | --- |

Description of Subelement Products

a. G&G Permits Processed and Approved

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

b. G&G Data Acquisition Actions

After data have been collected by permittees, MMS selectively acquires those data which are needed to augment the existing data base. The steps in acquiring data from permittees include: preparation and approval of a proposed data acquisition list; onsite inspection of data; selection of data; preparation and submittal of requisition forms to reimburse permittees for data reproduction and the cost of special reprocessing requested by MMS; preparation of justifications for selection of data and lists of deliverable items; and contact and correspondence with permittees, administrative personnel, and headquarters personnel. At the beginning of each fiscal year, G&G data requirements to support the leasing schedule are identified and priorities established. Throughout the year these data needs are reassessed as required by the leasing schedule.

c. Line Miles of CDP Data Acquired

The CDP seismic data provide the primary data base required for much of the effort in the Area Identification and prospect evaluation process and to support the activities of other Federal Agencies. Seismic data in a planning area are used not only for products related to a specific proposed sale, but are supplemented, as required, with new data for later proposed sales in the same planning area.

Recent activities and accomplishments for this subelement include:

- There has been continuing participation by program personnel as technical advisors on various Federal, State, and joint task forces where geophysical data collection and interpretation on the OCS play a part.

- Compilation of a statistical summary report on G&G data acquired by MMS through FY 1989 was initiated with completion scheduled for FY 1990. The publication will detail the quantity and costs associated with the various types of data vital to the Resource Evaluation Program.

- The Resource Evaluation Program continues to manage the largest and most comprehensive OCS G&G data base in the Federal Government. Dissemination of nonproprietary data and information to other agencies and the public is accomplished locally at MMS regional offices and internationally through a cooperative agreement with the National Oceanic and Atmospheric Administration.

- Updating of 30 CFR 251, Geological and Geophysical Explorations of the Outer Continental Shelf, was initiated in FY 1987, and will be completed in FY 1990.

- A bureau-wide effort is underway to review the specific requirements of the Resource Evaluation Programs geologic mapping functions for the purposes of automating regional mapping activities.

- A publication is being designed to provide information concerning deep stratigraphic tests drilling on the OCS and general procedures on acquiring a permit for a test.

- A report will be prepared which describes the process of securing a G&G permit for offshore lands. It will describe the process and report on past statistics.

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

2. Production of Regional G&G Maps and Analyses ($2,312,000)

The objective of this subelement is the development of maps identifying areas favorable for the accumulation of hydrocarbons and the analysis of the geologic history and processes involved in the formation and distribution of offshore resources. These maps and data are the basis for the Geology Report used in development of the 5-Year Program, the early stages of the leasing process, and later for individual proposed sales as input to the resource economic evaluation process.

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

The Geology Report consists of a regional geology Section, a petroleum geology section, and an environmental geology section that includes a general description of potential geohazards. Release of the Geology Report generally precedes the Call for Information and Nominations by approximately two months. The data, information, and analyses in the Geology Report are updated and used in the leasing process as input to the National Environmental Policy Act (NEPA) documents, the Exploration and Development (E&D) Report, and other MMS and Department decision and option documents. The maps and information also support preparation of resource estimates and analyses carried out in the Area Identification and prospect evaluation process. Once an initial Geology Report is prepared for a planning area, it is updated with new or additional data, as appropriate, to prepare geology reports for succeeding sale proposals in the same planning area.

Description of Subelement Products

a. Geology Report

This report consists of the following specific sections:

- o The Regional Geology section describes the general geology and geologic history of the planning area. This provides the basic understanding of the geology and the resource occurrence and potential of the area.

- o The petroleum geology section analyzes and provides data and information on the resource potential, probability of hydrocarbon occurrence and items such as source and reservoir rock, traps, and maturation.

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

b. Determinations of Area of Hydrocarbon Potential

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

To initiate action on a lease offering, it is necessary to determine which specific areas, within a planning area, have potential for oil and gas accumulation. This effort goes beyond the analysis of G&G data. The identification of the Area of Hydrocarbon Potential provides a basis for industry and public reaction during the Call for Information and Nominations and must be completed two months prior to its issuance.

c. Recommendations for Area Identification

A significant step in the leasing decision process is the identification of the prospective portion of the planning area proposed to be offered for lease from a hydrocarbon occurrence and leasing interest perspective. Area Identification typically occurs three months after the Call for Information and Nominations is issued. In response to the Call, industry, the public, and other interested parties submit information to MMS on any areas within the Call area which should or should not be included in the proposed sale.

The information and knowledge of the hydrocarbon potential in the planning area developed in the MMS Resource Evaluation Program are combined with information on industry interest and priorities and then weighed against environmental, economic, and defense concerns to identify the specific area to be included in the proposed sale. This area is the focus of the analysis in the NEPA documents.

Recent activities and accomplishments for this subelement include:

- Resource evaluation scientists published a series of regional cross-sections and maps in the Gulf of Mexico OCS. Over 40 oil companies and geophysical contracting companies active in the Gulf of Mexico granted permission for use of their proprietary data in support of this effort.

- Geologic Appendix for "Estimates of Undiscovered Economically Recoverable Oil and Gas Resources for the OCS as of January 1987" completed in FY 1989. This report is scheduled for release in FY 1990.

- o A COST Well publication will be prepared and completed in FY 1990 to discuss the purpose of the deep stratigraphic test program and how it relates to the overall goals of the Resource Evaluation program. Included in it will be discussions of permitting, regulations, and summaries of drilling results.

3. <u>Production of Tract and Prospect Specific Maps and Analyses ($6,459,000)</u>

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

<u>Description of Subelement Products</u>

a. <u>Completed sales</u>: Maps and analyses associated with those oil and gas lease sales which are scheduled to be held during FY 1990 and FY 1991.

b. <u>Sales in progress</u>: Maps and analyses for oil and gas lease sales proposed beyond FY 1991. Generally, work devoted to mapping and analysis of tracts commences two years prior to a proposed lease sale, with the exception of sales in the Gulf of Mexico, where mapping and analysis begin one year prior to the sale.

4. <u>Development of Estimates of Undiscovered Resources for Planning Areas ($1,001,000)</u>

Economic and engineering analyses, supplemented by geologic and geophysical analyses, are carried out to develop estimates of undiscovered technologically and economically recoverable resources for the OCS. These analyses are conducted for planning areas, proposed lease sales and alternatives, Secretarial Issue Documents (SID's), and the OCS Information Program. These activities include the economic and engineering analyses needed for resource assessment. Products can be divided into those related to planning areas and those related to proposed lease sale areas. Those initially developed for planning areas are updated, as appropriate, with new or additional data for succeeding proposed sales in the same planning area.

<u>Description of Subelement Products</u>

a. <u>Section 606 Reports</u>: Resource estimates are developed for biennial reports to Congress containing estimates of undiscovered recoverable oil and gas resources and known reserves in the OCS as required by Section 606 of the OCSLAA.

b. <u>Review of 5-Year Leasing Schedule</u>: Planning area resource estimates are also developed for use in the annual review of the 5-Year OCS Program and any subsequent development of a new 5-year program

c. NEPA and Decision Documents: Lease sale area resource estimates are developed for use in E&D reports, NEPA documents and other decision documents, as well as summary reports and updates produced by the OCS information program.

- The Presidential Task Force (PTF) was mandated to examine in detail the concerns over adverse impacts of sales in three environmentally sensitive areas. The National Academy of Sciences (NAS) was contracted to provide the PTF with a scientific and technical analyses of potential hydrocarbon resources and potential environmental impacts associated with development of those resources. MMS has been working with both the PTF working group and the NAS subcommittees investigating the adequacy of MMS's hydrocarbon resource assessment during the past year. The initial NAS National Research Council reports were submitted in October, 1989. Their comments are being analyzed for possible means of improving MMS's hydrocarbon assessment techniques.

- MMS has participated in multi-agency briefings presented to the PTF working group and is actively facilitating the NAS subcommittees' analysis of the MMS resource assessment process, both at headquarters and in the regions.

Recent activities and accomplishments for this subelement include:

o A report entitled "Estimates of Undiscovered Economically Recoverable Oil and Gas Resources for the Outer Continental Shelf as of January 1987" is in progress. This publication, scheduled for release in FY 1990, presents updated offshore resource estimates by planning area and describes methodology used in performing the assessment.

o In FY 1990, a Committee of the National Academy of Sciences will complete a comprehensive study of the resource assessment methodology utilized by MMS. The final report will analyze the methodology and outline enhancements for future consideration.

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

5. Reserve Inventory ($1,576,000)

The primary objective of the reserve inventory subelement is to develop and maintain estimates of oil and gas reserves as mandated by the OCSLAA. Reserve inventories are generated from well and reservoir data and tabulated by individual field, reservoir, and lease. The analyses and mapping associated with reserve estimates directly support field and reservoir development and provide geological and engineering data required for lease sale evaluations. Reserve estimates support the leasing process, future energy leasing policy analyses and decisions, and oil and gas assessment for projecting energy supplies as they relate to the national security of the United States.

Description of Subelement Products

Field Reserve Estimates: Estimates of oil and gas reserves are developed for new field discoveries as well as the updating of information on remaining reserves in previously inventoried fields.

Recent activities and accomplishments for this subelement include:

- o MMS published two reports during 1989 which revised estimates of the remaining recoverable reserves for the Federal Outer Continental Shelf. OCS Report (MMS 89-0074) reported that recoverable reserves for the Federal portion of the Gulf of Mexico as of December 31, 1988, are estimated at 3.39 billion barrels of oil and 42.4 trillion cubic feet of gas. OCS Report (MMS 89-0085) reported that recoverable reserves for the Federal portion of the Pacific OCS as of December 31, 1988, are estimated at 1.30 billion barrels of oil and 2.04 trillion cubic feet of gas.

- o In FY 1989, MMS revised its reserve categories to comply with industry-wide definitions developed by the Society of Petroleum Engineers and being advocated for use by industry, Government and other appropriate parties. The Reserve Inventory function will continue providing estimates of new field discoveries and updated reserve estimates in those fields previously inventoried. However, emphasis is now placed upon those fields containing the larger remaining recoverable reserves.

6. Economic and Engineering Evaluations of Potential Hydrocarbon Resources ($1,289,000)

Economic and engineering parameters, on a regional and tract-specific basis, are analyzed, developed, and designed for the purpose of determining bid adequacy and assessing impacts on the objectives of the OCSLAA. These parameters include: oil and gas prices; inflation and discount rates; exploration, development, production, and transportation costs; supply and demand, and number of platforms, wells, and subsea completions; well productivity and infrastructure scheduling.

Description of Subelement Products

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

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

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

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

e. Economic Value Estimates: This product includes cost/benefit analyses and economic and social value estimates for SID's, the formulation of the 5-Year Program Schedule, each proposed lease sale (including alternatives considered), revenue projections for budget purposes, and other estimates associated with statutory or policy changes (e.g. leasing and drilling moratoria).

Recent activities and accomplishments for this subelement include:

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

- Formal guidance was provided to regions for consistent methodologies for determining viable/non-viable prospects for tract evaluations.

- Studies are being performed which focus on encouraging exploration in frontier areas. New strategies will be required because of current market conditions and earlier exploration disappointments.

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

- Resource assessment models normally utilized for estimating potential oil and gas accumulations were modified for use in estimating potential undiscovered amounts of sulphur in the Gulf of Mexico. In a similar manner, a model was developed incorporating MMS evaluation policies to evaluate industry bids for hard minerals leases.

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

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

7. Geologic, Economic, and Engineering Methodologies and Studies for the OCS Leasing Program ($1,568,000)

Advanced computer models and ADP systems and data bases are analyzed, designed, maintained, and updated to serve as the primary support for the conduct of economic and engineering studies that are used throughout the resource assessment process and for overall OCS program and policy issues. Activities in this support function are generic in nature and are described below.

Description of Subelement Products

a. Economic Studies.

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

- Design, development, refinement, maintenance, and update of ADP data bases and systems to support lease sale fair market value determinations, and to provide a historical data base for economic studies, other analyses, and reports such as the Annual Report to Congress on bidding systems and competition.

- Recommendations on leasing policy for the overall program and for each offering, economic studies are conducted on specific bidding system parameters such as royalty rates, minimum bid levels, regulatory changes, lease terms, rental policies, and tract size.

- Various generic, program-wide studies applicable to the entire leasing process are performed. Study issues include the costs and benefits associated with the OCS program, bid adequacy procedures, and effects of various policies on Government receipts.

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

- o Social Cost Estimates for Formulation of the 5-year OCS Leasing Schedule. These are estimates of the costs to lessees of complying with the offshore regulatory program; the potential costs offsetting adverse effects; and the damages associated with unavoidable adverse effects.

- o Development and drafting of the "Alternative Energy" appendix to the Environmental Report on Mobil Oil Company's Exploration plan for drilling off the North Carolina coast. Alternative energy was one of the chief concerns of North Carolina. An agreement was reached between MMS, North Carolina, and Mobil to conduct an environmental review prior to issuing a drilling permit.

b. Engineering Studies: Consistent and pertinent program-wide technological procedures are designed, developed, and implemented, and technology for adverse and severe conditions is assessed.

These studies are used in the development of the resource evaluation computer programs and in the estimation of inputs for the program.

c. Geologic Studies: Analyses of geologic characteristics and size of oil and gas accumulations in similar geologic conditions on a worldwide basis necessary to better estimate the number, size, and recoverability of undiscovered and discovered resources on offshore planning basins where data quality, quantity, or other factors may be supplemented by such data. These studies are used in the development and testing of new resource assessment computer programs to evaluate technically or economically recoverable resources.

Recent activities and accomplishments for this subelement include:

- o The Post-sale Analysis System (PSAS) was converted to process offshore sale-related information on a microcomputer, in FY 1988. During FY 1989, the system was used to generate reports on bidding data, company bidding performance, and acreage bid on and leased at offshore lease sales. These reports will continue to be used for developing recommendations to accept/reject bids and for review by the Department of Justice and the Federal Trade Commission for possible antitrust problems.

- o The Offshore Lease Data System (OLDS) is a centralized database management system which interacts with other nationwide systems to store historical offshore lease sale information in order to answer queries or conduct economic and statistical analysis. Inquiries from the Department, Congress, and the public have been responded to during FY 1989 and continued use of OLDS is expected.

- TSL-80 is an economic simulation model that permits costs, resource levels, minimum bid levels, and risk factors to be inputted and recommends the preferable bidding system to lease specific tracts in offshore sales. This model has been used extensively in individual planning areas in preparing for sales on the current schedule and will be used extensively in preparing the next 5-year SID in FY 1990 and 1991.

- A generic industry model (IMODEL) continues to forecast the response of the oil and gas industry to various schedules for OCS lease sales. It estimates tracts bid on and bonus received for each sale. This model has been and is used to estimate bonus revenues in offshore sales for budget purposes.

- Spreadsheets normally used to estimate sale specific net economic values are being modified to be used for aggregate planning area analysis for the FY 1992 5-Year program.

- The Revenue Model is a spread sheet model that was developed to understand how the economic measures of a tract are affected by an economic parameter change or a change in the timing of leasing or exploration. The model is used to estimate bonuses, royalties, taxes as well as Net Economic Value for a particular set of economic conditions or for a particular sale.

- Discounted cash flow methodologies models normally utilized for estimating the value of oil and gas leases are being used in models for non-energy minerals sales (e.g., an Alaskan gold sale, a Gulf of Mexico (GOM) sand and gravel sale, and a GOM sulphur sale). Policy-related documents are being developed for the gold or other non-energy minerals sales to support the leasing conditions used in the sales.

- A statistical book called Sale Statistics was developed to answer frequently asked questions relating to bidding information for offshore lease sales, eliminating the need to query an on-line database in all instances. It contains summary tables, figures, individual sale data, and a glossary of terms. It encompasses sales from December 1979 through 1986; 1987 through 1989 sale statistics will be added early in FY 1990.

- Montcar (MMS tract evaluation model) has been updated with the latest tangibles/tax intangibles treatment and has been converted from the mainframe environment to personal computers thereby ensuring greater security and decrease in ADP expenditures.

- o Continued modifications of PRESTO (MMS resource assessment model) with economic and engineering input capability and multi-planning area aggregation capability.

- o Modification of existing Bureau of Mines and State of Alaska computer models are being evaluated for possible use in anticipated future sales of OCS non-energy minerals. Concurrently, efforts are underway to develop a model specifically addressing offshore dredging as a means of developing offshore gold placers for possible use in the planned FY 1991 Norton Sound Sale of non-energy minerals.

8. Program Management and Support ($3,813,000)

This subelement provides program guidance and direction, internal and external coordination of OCS program activities and program and technical support for the work of the Resource Evaluation Program. Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Director for Offshore Leasing, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems Center which centrally reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

## Other Programs

### Cooperative Agreement: Texas Bureau of Economic Geology ($540,000)

In an effort to broaden the base of data and information available to MMS on offshore lands, MMS entered into a cooperative agreement with the Texas Bureau of Economic Geology (BEG), University of Texas at Austin, in September 1983. The BEG acts as a central contact between MMS and the geological surveys of coastal States and monitors multidiscipline, scientific activities conducted by the surveys for MMS. The general area that the cooperative effort addresses is geologic studies relating to hydrocarbon and solid mineral resources. In FY 1991, approximately 23 coastal States will participate in the program. Proceedings of the Second Continental Margins Symposium, held in May 1989, are scheduled for publication in FY 1990.

### Strategic and International Minerals ($1,662,000)

MMS has established cooperative agreements with the States of Hawaii, North Carolina, Georgia, Mississippi, Alabama, Louisiana, Texas, Alaska, and Oregon for the joint analysis of marine mineral resources and environmental consequences of potential marine mineral leasing.

Offshore areas within the jurisdiction of the United States are identified and investigated for the development potential of minerals other than oil, gas, and sulphur.

State response to the task force approach has been positive. The Hawaii joint planning approach has been commended by the Governor and by an organization representing the State. The Alaska/Federal Coordination Team has worked successfully to resolve public concerns and is proceeding with presale steps for the proposed Norton Sound minerals sale. The work of the Gulf of Mexico task force has been noteworthy in providing Louisiana with a promising option for dealing with its barrier island/wetland loss problem.

In FY 1991, the primary thrust of this program will be the continuation of ongoing studies of marine mineral resources, such as cobalt-rich manganese crusts, heavy mineral-placers, phosphorites, sand and gravel, and carbonate sands, to determine whether future lease sales of these resources are indicated. The studies will generally begin as resource evaluations and feasibility assessments, advancing to more detailed mineral-and site-specific resource and environmental impact evaluations where near-term commercial potential and industry interest are demonstrated. Comments from affected States and interested parties would be solicited through the Notice of Intent and the publication and hearings on NEPA documents. After receiving comments, decision material would be prepared, decisions made, and if indicated, a Notice of Sale would be published in the Federal Register. On a more specific basis, positive industry interest would lead to expanded efforts to characterize cobalt resources in the Hawaiian island area through FY 1991. Oregon offshore placer potential studies will focus on the Cape Blanco area for the next year. The evaluation of Ship Shoal as a sand source for Louisiana barrier island beach renourishment should conclude early in FY 1991 and would be followed by an implementation phase if appropriate. It is not certain whether coring and seismic work for phosphorite delineation offshore Georgia will carry over into FY 1991.

Two new initiatives are possible for FY 1991. MMS has received inquiries relating to the New England States, New York-New Jersey and Mid-Atlantic (Virginia) areas that could result in the formation of joint Federal/State task forces or similar coordinative mechanisms. Once formed, the Northeastern States task forces would address development of sand and gravel resources and the Virginia task force would address heavy mineral placer deposits which are known to occur east of the mouth of the Chesapeake Bay. Increased industry interest in phosphate deposits offshore North Carolina and/or Georgia could also lead to presale activities in those areas.

## SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 | Inc. (+) Dec. (-) |
|---|---|---|---|---|
| 1. Acquisition of G&G Data: | | | | |
| o G&G permits processed and approved | 238 | 259 | 261 | + 2 |
| o G&G data acquisition actions | 62 | 48 | 56 | + 8 |
| o Line miles of CDP data acquired | 52,150 | 55,000 | 62,000 | + 7,000 |
| 2. Production of regional G&G maps and analyses: | | | | |
| o Geology reports | 7 | 5 | 9 | + 4 |
| o Determination of area of hydrocarbon potential | 7 | 6 | 9 | + 3 |
| o Area identification recommendations | 7 | 6 | 9 | + 3 |
| 3. Production of tract- and prospect-specific maps & analyses: | | | | |
| o Completed sales | 3 | 2 | 7 | + 5 |
| o Sales in progress | 12 | 14 | 16 | + 2 |
| 4. Development of estimates of undiscovered resources for planning areas: | | | | |
| o Section 606 reports | 2 | 1 | 2 | + 1 |
| o Review of 5-Year Leasing Schedule | 1 | 1 | 1 | -- |
| o NEPA and decision documents | 9 | 9 | 14 | + 5 |
| 5. Reserve inventory: | | | | |
| o Field reserve estimates | 65 | 50 | 48 | - 2 |
| 6. Economic and engineering evaluations of potential hydrocarbon resources: | | | | |
| o E&D reports | 12 | 8 | 7 | - 1 |
| o Cost estimates and price assumptions | 6 | 4 | 9 | + 5 |
| o Bidding system design analyses | 2 | 4 | 8 | + 4 |
| o Fair market value determinations | 3 | 2 | 7 | + 5 |
| o Economic value estimates | 14 | 12 | 23 | + 11 |

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc. (+) Dec. (-) |
|---|---|---|---|---|
| 7. Geologic, economic and engineering methodologies and studies for the OCS leasing program: | | | | |
| o Geologic studies | 10 | 10 | 10 | --- |
| o Economic studies | 25 | 25 | 25 | --- |
| o Engineering studies | 15 | 12 | 16 | + 4 |

Changes from FY 1991 Base:

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 22,504 | 22,504 | --- |
| (FTE) | (344) | (343) | (-1) |

Maintenance of Perkin-Elmer Computer System (+26,000)

An increase of $26,000 in the Resource Evaluation subactivity is needed for increased maintenance costs of the Perkin-Elmer computers, which support many OCS programs, including the Offshore Mapping System. (See discussion in the corresponding increase statement under Leasing and Environment.)

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services.......................................... | +26 |
| Total........................................... | +26 |

Centralized Training (-$26,000, -1 FTE)

A transfer of $26,000 and one FTE is being made to the Administrative Operations subactivity of the General Administration budget activity due to the centralization of certain training activities. This transfer is discussed in detail in the increase statement for the Administrative Operations subactivity.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation.............................. | -14 |
| Personnel Benefits.................................. | -2 |
| Travel.............................................. | -2 |
| Other Services...................................... | -8 |
| Total........................................... | -26 |

## Justification of Program and Performance

Activity: Outer Continental Shelf Lands
Subactivity: Regulatory Program

(Dollar amounts in thousands)

| Program Element | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Regulation of | $ | 27,826 | 27,613 | 28,194 | 29,333 | +1,139 |
| Operations | (FTE) | (403) | (403) | (402) | (402) | (---) |
| Technology Assessment | $ | 1,864 | 1,650 | 1,634 | 2,095 | +461 |
| and Research | (FTE) | (---) | (---) | (---) | (---) | (---) |
| Oil and Gas | $ | 873 | 873 | 879 | 879 | --- |
| Information | (FTE) | (7) | (7) | (7) | (7) | (---) |
| Total | $ | 30,563[1] | 30,136 | 30,707 | 32,307 | +1,600 |
| Requirements | (FTE) | (410) | (410) | (409) | (409) | (---) |

Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 30,563[1] | -427 | 30,136 |

A reduction of $427,000 in the FY 1990 Regulatory Program will be accomplished by reductions in two general areas. A reduction of $213,000 would be applied to helicopter funding and will reduce inspection activity. This action also reduces the number of inspections since less flight time is available.

The second area affected by the reduction will be the Technology Assessment and Research Program. A $200,000 reduction will eliminate or curtail investigations which support MMS operations in safety and pollution prevention and cleanup. These projects pertain to: reduction of air emissions from offshore activities; funding the reactivation of the Oil and Hazardous Materials Simulated Test Tank (OHMSETT) Facility; improved beachline cleanup; and structural integrity of platforms in hostile environments. These projects will be stretched out over a longer time of completion, delaying the use of technical results in developing improved regulations. A reduction of $14,000 in the FY 1990 oil spill studies funding will be accomplished by limiting

1 See Footnote on page MMS-22.

contract support of one of the larger multi-year contracts. This reduction should not significantly delay any of the major milestones and goals within a three to five year period.

Objectives

- To ensure safe operations, protection of the environment, and conservation of natural resources by regulating OCS oil, gas and marine nonenergy minerals exploration, development, and production operations.

- To provide a technical basis and methodology for the determination of reliability and risk associated with OCS operations.

- To develop a comprehensive technology base to support the supervision of leasehold operations, including the use of best available and safest technologies (OCSLA Sec. 21(b)).

- To provide information concerning OCS oil and gas and other mineral activities to affected State and local governments and the public.

The Regulatory Program consists of the following separate program elements: Regulation of Operations; Technology Assessment and Research; and Oil and Gas Information.

## Regulation of Operations

Objectives

- To assure safe and environmentally sound OCS development through careful regulation of activities such as exploration, development, and production operations, the transportation of production to shore, and pipeline design and maintenance.

- To conduct an inspection and enforcement program which ensures that operations on the OCS are conducted in compliance with regulations and, in the absence of full compliance, generates information needed for implementation of effective civil and criminal penalty programs.

- To provide operators with information enabling them to develop improved operating practices by developing and implementing accident investigation procedures.

- To provide affected States, other Federal Agencies, and the public with ample opportunity for participation in the decision making process during the review and approval of lessee-submitted exploration plans and development and production plans.

- To avoid waste of hydrocarbons through regulation of unitization agreements, maximum efficient rates of production, verification of shut-in wells, flaring of gas, suspensions of production, and the use of enhanced recovery techniques.

- To ensure that Minerals Management Service regulations and management systems for leasing and mining of nonenergy minerals provide for safe operations, protection of the environment, and conservation of natural resources.

- To ensure protection of public interests by determining pricing categories for natural gas production from new leases, new reservoirs on existing leases, high cost natural gas reservoirs, and stripper wells.

Program Description

Regulation of the OCS oil, gas, and marine minerals Operations Program provides for safe operations, protection of the environment, and conservation of natural resources through the comprehensive and systematic review, approval, and oversight of lessee-conducted exploration, development, and production operations on the OCS. This is accomplished through the review and approval or disapproval, if appropriate, of exploration plans, development and production plans, and development operations coordination documents; the review of applications for and issuance of permits to conduct such activities; the inspection of lessee-conducted activities; and the taking of appropriate enforcement actions when activities are not conducted in compliance with the governing requirements. It also is accomplished through training of industry personnel engaged in all aspects of activities on the OCS in matters concerning safety, environmental protection, and conservation of natural resources.

Mandated responsibilities require: coordination of approvals of OCS exploration plans and development and production plans with the affected States; conducting scheduled annual inspections and intermittent unscheduled inspections to ensure regulatory compliance; the shutdown of facilities not in compliance when necessary to ensure safety, environmental protection, and conservation of natural resources; and the establishment and implementation of a civil penalties program through which the Minerals Management Service may assess and collect monetary penalties.

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

Oil and gas reserves are increasing in the Gulf of Mexico. Significant discoveries in deep water areas of the Gulf of Mexico are expected to continue to contribute to these reserves. Leases off the Alaskan Arctic coast will continue to be subjects of near-term exploration drilling. The Arctic area is highly promising and could lead to prolific discoveries ready for development and production in the late 1990's. The environments of the deep water areas and the Arctic areas will provide technical challenges and the Minerals Management Service must maintain the expertise necessary to ensure safety and environmental protection during these operations.

The four major subelements of the Regulation of Operations program element and their products are described on the following pages:

Major Subelements and Subelement Products:

1. Exploration and Production Review and Approval ($5,088,000)

   The objective of this subelement is the review and approval of plans and applications related to all aspects of operations, i.e., drilling, producing, developing, flaring, commingling, unitizing, etc., in the interest of ensuring the conduct of safe, environmentally sound, and workmanlike operations. This work is also conducted in the interest of ensuring that responsible and prudent production and conservation practices are followed in the production, depletion, drainage, transportation, and measurement of produced hydrocarbons, in accordance with applicable Regulations and Notices to Lessees and Operators.

   Description of Subelement Products

   a. Exploration and Development Plans Processed

   o Lease Plans

   The OCS Lands Act, as amended, and the implementing Regulation 30 CFR 250.34 require OCS operators to prepare and submit to the Minerals Management Service, for approval, an Exploration Plan (EP), a Development and Production Plan (DPP) or a Development Operations Coordination Document (DOCD) prior to commencing exploratory or development operations, respectively.

   Generally, after an operator acquires an OCS lease, the initial step to be taken is the drilling of one or more wells in an attempt to determine whether the lease contains oil or natural gas in commercial quantities. However, such exploration of a lease can begin only after the operator has submitted a EP and received approval of it by the Minerals Management Service.

   Each EP includes an Environmental Report (ER). A typical EP includes a description of the proposed activities together with a schedule of the activities, a description of the major equipment to be used, a discussion of safety and pollution-control features and an oil spill contingency plan, a map showing the location of each well, a map showing appropriate geological formations, and a discussion of potential geological or man-made drilling hazards. The ER addresses the potential environmental effects of the proposed activity.

After an EP is received, the Minerals Management Service performs a technical review of the plan. This review includes, in part, verification that the operations are to be conducted using sound engineering practices, that the proposed locations for drilling activities are free of potential hazards, and that the operations will not interfere unduly with other uses of the OCS, such as shipping, fishing, and military activities.

The Minerals Management Service also performs an environmental assessment (EA) of each plan. This review ensures that potential impacts on air and water quality, endangered species, cultural resources, undersea biological features, and live-bottom areas are minimized. The Minerals Management Service's environmental scientists prepare appropriate documentation for each plan to determine compliance of the proposed activities with the requirements of the National Environmental Policy Act of 1969. Any modifications of a plan required as a result of the technical or environmental review must be made by the operator prior to approval of the plan.

If an exploratory program is successful, the operator then must submit to the Minerals Management Service for approval a DPP or a Development Operations Coordination Document (DOCD) prior to drilling development wells or installing fixed production platforms, pipelines, or production equipment. In the Western Gulf of Mexico, a DOCD is required in lieu of a DPP, per 43 U.S.C. 1351.

A typical DPP or DOCD for lease operations in the Gulf of Mexico includes most of the items which are required for a EP in addition to a description of any fixed structures and production equipment to be used and a discussion of the hydrocarbons discovered, including expected production rates and the anticipated time to produce the reserves. As with EP's, the Minerals Management Service performs an extensive technical and environmental review of DPP's and DOCD's. Any modifications required as a result of this review must be made prior to approval.

Another important function of the EP, DPP, and DOCD program is to satisfy the requirements of the Coastal Zone Management (CZM) Act of 1972, as amended. The CZM Act requires all Federal agencies which regulate activities that affect the coastal zone to cooperate and participate with State and local governments by assisting them to effectively exercise their responsibilities of managing the coastal zone. The EA contains information that is utilized by State officials in the formulation of decisions pertaining to the use of land and water resources of their coastal zone, with full consideration being given in such decisions to ecological, cultural, historic, and aesthetic values, as well as economic development. During the Minerals Management Service review process, plans and accompanying EA's are transmitted to the affected States. The Minerals Management Service does not approve DPP or DOCD's until the State has concurred that the activities proposed in the plan are consistent with its CZM plan. The Minerals Management Service may approve the EP prior to the plan receiving a consistency concurrence, but no drilling is permitted until concurrence is received or consistency is presumed pursuant to failure of timely action by the State.

Approval of a plan does not constitute final approval to conduct any specific operations associated with the plan. Such specific operations require that operators file with the Minerals Management Service an individual Application for Permit to Drill (APD) for each activity, which describes in detail how the activity is to be performed, and receive approval from the Minerals Management Service before actual operations can begin. Approval of the plan constitutes general approval of the activities. Activities which are later permitted must agree with those in the approved plan.

o Unit Plans

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

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

b. Permitting

o Processing of Applications for Permit to Drill, Workover, Recomplete, and Abandon

Applications for Permit to initially drill a well require completion and submittal of Form MMS-331-C, supported by a detailed well plan including procedures and schematic drawings giving well location, directional plan casing procedures, cementing program, mud program, etc. Applications to deepen, redrill, plug back, workover, recomplete, or abandon require completion and submittal of Form MMS-331, Sundry Notices and Reports on Wells, supported by detailed plans, procedures, depths, drawings, etc. Prior to approval, each such application or proposal is thoroughly reviewed from the technical, engineering, and regulatory viewpoints to ascertain compliance with regulations in order to ensure safety and protection of personnel and environmental resources.

Although the number of drilling applications currently being received is less than the number during the peak oil price period, it is anticipated that drilling activity will continue to increase along with oil prices in FY 1991. The workload related to workovers will continue to increase in FY 1991 as a result of more strenuous workover requirements contained in the current OCS regulations. Recent FY 1989 lease sales activity is another indicator of increasing operations when compared to the past few years.

- Platform Installation Applications Processed

Provisions in 30 CFR 250 Subpart I, Platforms and Structures, requires that an operator submit to the Minerals Management Service for approval, applications for the installation of new bottom founded or fixed platforms and applications for significant modifications to applications that have already been approved. All new platforms or other structures are required to be designed, fabricated, installed, and inspected in accordance with these requirements. These requirements are intended to minimize occurrences of platform failures from conditions such as hurricanes, earthquakes, ice, other natural hazards, and boat collisions that may endanger life or health or cause damage to the environment.

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

In addition, platforms which are to be installed in water depths exceeding 400 feet; have natural wave periods greater than three seconds; are to be installed in areas of unstable bottom conditions; have designs not previously proven for use; or are to be installed in seismically active areas, require approval under the Platform Verification Program. The Platform Verification Program requires more detailed review by the Minerals Management Service and the review and approval of a third party verification agent who provides an independent engineering assessment of the design, fabrication, and transportation and installation of the platform.

- Pipeline Applications Processed

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

  Each new pipeline application is reviewed by a petroleum engineer and environmental scientist. A petroleum engineer reviews the pipeline design to ensure that meets the operating requirements previously enumerated. An environmental scientist conducts a review to assess the projected effects of the construction and operation of the pipeline to determine and document compliance with Federal environmental protection statutes.

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

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

- Suspension of Operations

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

- Gas Flaring Approvals

  Requests for flaring or venting are reviewed to ensure that unnecessary flaring does not occur and are approved only when requested operations are in accordance with Minerals Management

Service regulations intended to avoid unnecessary loss of natural resources and minimize environmental effects of flaring. Flaring requires written application and written approval. When warranted, such approvals are given for periods up to one year. Emergency requests (e.g., equipment failure, testing, and well purging) are handled by telephone and confirmed with a letter.

- <u>Enhanced Recovery Operation Analysis</u>

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

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

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

- <u>Production Verification</u>

  The Minerals Management Service has begun a nationwide production verification program by assigning additional responsibilities to an existing organizational unit. This nationwide program is designed to ensure that the public interest in OCS minerals is protected. The program is being phased into the current OCS program over a 3-year period that began in FY 1989.

  Annual inspections are conducted of all (currently 1,019) onshore and offshore custody transfer liquid meter locations for site security, verification of sales volumes, and compliance with OCS regulations. Minerals Management Service personnel perform onsite production verification and inspections to check discrepancies noted in the records being reviewed. The Minerals Management Service is developing an automated system that would verify crude oil production by analyzing run tickets, meter proving reports and system sales allocation reports on a continuous basis. The system is intended to detect under-reported crude oil production. The Minerals Management Service plans to conduct a pilot gas production verification project in the Gulf of Mexico Region to determine whether a complete gas verification program is needed.

c. Determination and Agreements

o Determination of Reservoir Maximum Efficient Rates (MER) of Production and Well Maximum Producible Rate (MPR)

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

o NGPA Category Determinations

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

o Commingling Agreements

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

o Review Development Activities/Lease Drainage

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

Recent Activities and Accomplishments for this Subelement Include:

- o On September 30, 1989, the Minerals Management Service was monitoring the development and production of 202 active units on the OCS.
- o During FY 1989, the Minerals Management Service approved 24 unit agreements (23 for exploration and 1 for development).
- o During FY 1989, 413 suspensions of production (SOPs) and 3 suspensions of operations (SOO's) under 30 CFR 250.10 were approved. A total of 115 SOO's were issued due to Lease Stipulation No. 5 which directs extension of operations for leases in the Eastern Gulf of Mexico. As of September 30, 1989, there were 245 leases beyond their primary term with approved SOP's.
- o As of September 30, 1989, there were 267 active secondary and tertiary enhanced oil recovery projects on the OCS.
- o In FY 1989, the Minerals Management Service processed 4,228 MER/MPR applications, 16,600 Quarterly and Semiannual Well Tests, and 214 NGPA applications, most of which are for the 102(d) category.

2. Inspection and Certification ($14,713,000)

The objective of this subelement is to ensure safe operations, protection of the environment, conservation of natural resources through the inspection of all OCS oil and gas exploration, development, and production activities, the certification of well-control and safety device training programs, and accreditation of safety and pollution prevention equipment. The inspection of OCS operations is required by the OCS Lands Act to ensure compliance with all applicable safety and environmental protection laws and regulations. To measure lessee compliance and to evaluate the inspection program, selected facilities reviews are performed on operations in a specific area. The certification and accreditation programs are instituted to ensure that personnel working on the OCS are properly trained and that certain equipment used on the OCS has a high degree of reliability. These programs have provided positive results in the pursuit of safe operations on the OCS as well as ensuring that the environment is protected.

a. Inspection and Enforcement Activities

o Inspections

The inspection of OCS operations is a major work unit of the regulatory program. Drilling and production facilities on the OCS are inspected using both scheduled and unannounced inspections.

Scheduled inspections are conducted annually on all facilities and unannounced inspections are conducted on at least 10 percent of all facilities each year. Inspections are conducted utilizing the Minerals Management Service developed National Potential Incident of Noncompliance (PINC) inspection characteristics list. In the scheduled annual inspection, all inspection characteristics pertaining to the operation being inspected are checked. In the unannounced inspections, a minimum of 25 percent of the pertinent PINC's are checked.

Inspections are conducted on drilling, production, measurement, pipeline, workover and completion, and abandonment operations. In addition, there are PINC's which pertain to environmental requirements and other general requirements pertinent to all operations. Drilling inspections are conducted to ensure that the proper equipment is used, sufficient supplies are on location, and proper techniques are followed to maintain control of the well and prevent blowouts, spills, and other accidents in order to protect personnel and the environment and minimize conflicts with other uses of the OCS.

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

Gulf
4 District offices
2 Subdistrict
Pacific
2 District off.
Alaska
1 District off

Inspections are conducted by petroleum engineering technicians located in district offices near the offshore facilities. The Minerals Management Service has four district offices and two sub-district offices in the Gulf of Mexico OCS Region, two district offices in the Pacific OCS Region, and one district office in the Alaska OCS Region. Inspections are highly technical in nature and consist of inspecting a number of small individual items that in the aggregate, measure the overall condition and compliance record of the particular operation being examined. The number of inspections that are completed must be viewed in an overall context as representing a compilation of numerous checks and examinations performed by Minerals Management Service inspection personnel. Some of the inspections conducted may take as long as 80 hours to complete. The difference in drilling and production equipment, and environmental conditions in the three regions must also be taken into account when considering individual inspections and overall statistics. For example, in Alaska, the equipment is usually state-of-the-art, designed for Arctic ice and severe weather conditions, as compared to other than deep water areas of the Gulf of Mexico and Pacific OCS Regions, where drilling equipment is usually conventional, designed for generally mild environmental conditions. The weather conditions frequently affect travel involved with inspection efforts. Due to the unique conditions imposed on lessee activities and logistical constraints, the Alaska OCS Region maintains a near continuous inspection presence at the drill site.

- <u>Accident Investigation</u>

  Accident investigations are conducted to identify and eliminate specific safety or environmental problems, to analyze and assess the effectiveness of current equipment, procedures, and operations, to identify the need for new or modified regulations and to provide information needed to support all aspects of OCS activities. The OCS Lands Act requires that major fires, explosions, and oil spills be investigated and that a public report be prepared for each such incident. The Minerals Management Service is notified of every accident occurring on the OCS. Major accidents are investigated by a panel of experienced personnel and a public report is prepared. Improved accident investigation procedures are being implemented to increase dedicated staff available for accident investigations using both headquarters and regional personnel, increase data management, data review, and data analysis activities, and improve the comprehensiveness of accident investigation reports.

- <u>Safety Award for Excellence</u>

  The Safety Award for Excellence Program was developed to recognize and commend those operating companies that expend extra effort and conduct their operations in a safe and pollution-free manner by adhering to all regulatory requirements, employ trained and motivated personnel, and take that extra step to enhance safety of operations and environmental protection. This award provides positive reenforcement of superior performance.

  The Safety Award for Excellence is presented on both district and national levels. The District Safety Award for Excellence is based on exemplary performance on a single platform or rig, lease, or field or throughout an entire district. The National Safety Award for Excellence is given to a lessee or company selected from the winners of the district awards. The District Safety Awards for Excellence are presented semi-annually by the Regional Director of the Minerals Management Service, and they cover the periods January 1 through June 30 and July 1 through December 31 of each calendar year. The National Safety Award for Excellence is presented annually by the Secretary of the Interior or his representative.

- **<u>Selected Facilities Review</u>**

  A selected facilities review (SFR) is an intensive inspection effort aimed at facilities in a specific geographic area. Special inspection teams comprised of two to four inspectors from two or more OCS Regions inspect a designated number of various types of facilities in a short (usually three days) period of time using preselected PINC's. The inspections are unannounced and are intended as a tool to evaluate both the effectiveness of the Minerals Management Service inspection program and the level of lessee compliance with OCS regulation.

- **<u>Enforcement</u>**

  Provisions governing issuance of civil and criminal penalties significantly influence how Minerals Management Service requirements are enforced. Each house of Congress has passed provisions which would allow civil penalties to be assessed in certain cases without need for providing the lessee time for corrective action as currently required under the OCS Lands Act. Differences between the versions passed by each house are expected to be agreed upon and passage of final legislation is expected in FY 1990. The Mineral Management Service plans to adopt implementing regulations soon after final passage to be effective in FY 1991. The added flexibility in assessing civil penalties is expected to significantly aid in dealing with lessees who do not operate in compliance with applicable plans, permits, and regulations.

<u>Recent activities and accomplishments for this subelement include</u>:

- The Minerals Management Service performed 11,048 inspections of drilling, production, meter, pipeline, workover, and abandonment operations during FY 1989.

- In 1989, the Minerals Management Service, through the Platform Verification Program, reviewed the design and fabrication of the first Tension Leg Platform on the OCS and approved its installation in 1,760 feet of water.

- In the Arctic, structural inspections of a spray-ice island and other unique structures have been conducted to evaluate the construction and technology for exploratory drilling structures. Annual inspections have also been made of the abandoned gravel islands to assess damage to the islands after breakup and to note the presence of oil, trash, or other debris which may have been uncovered.

- Beginning in FY 1990, the Gulf of Mexico Region began inspecting up to 50 OCS facilities per year for compliance with the National Pollutant Discharge Elimination System permit provisions for the Environmental Protection Agency (EPA). A Minerals Management

Service inspection checklist, agreed to by EPA, is being used to conduct the facility inspections.

- o Pilot facility inspections were conducted in 1988 by a special joint EPA-MMS team. In May 1989, EPA provided the necessary training for Minerals Management Service technicians to independently conduct these inspections.

- o In April 1989, the Minerals Management Service organized a task force to evaluate oil spill response capabilities and regulations in each Outer Continental Shelf (OCS) Region. The task force reviewed each Region's procedures for assuring lessee compliance regarding requirements for: (1) oil spill contingency planning; (2) oil spill containment and collection equipment; (3) inspection and maintenance of equipment; (4) pollution preventing training and drills; and (5) oil spill reporting to the Minerals Management Service and other Federal, State, and local agencies.

  Recommendations were made to improve oil spill response in each of the OCS Regions. The task force found that the regulations and procedures were generally in good order, however, a few changes were recommended. As a result of the task force's evaluation, the Gulf of Mexico OCS Region, began conducting unannounced oil spill containment and cleanup drills. All four OCS Regions developed internal guidelines for conducting four different levels of spill drills and exercises from simulations to actual unannounced deployments. Each OCS Region also conducted a review of all operators' Oil Spill Contingency Plans to insure that each plan was appropriate for responding to the largest possible spill from the operators' facilities. National guidelines with regional supplements were also substantially developed for the review of Oil Spill Contingency Plans and the inspection of response equipment. Both the Gulf of Mexico and the Pacific OCS Regions initiated studies of the adequacy of collision avoidance in high vessel traffic areas within their region.

  The task force also reviewed the Minerals Management Service program for research into oil spill response and made several recommendations about accelerating or continuing projects. Much of this research is being funded under agreements that are presently being negotiated with the Canadian Government and the American Petroleum Institute.

- o In November 1989, the Minerals Management Service conducted a seminar to discuss several offshore accidents, the probable causes of these accidents, techniques for predicting the probability of accidents, and the probable effectiveness of proposed safety and environmental improvements. As a result of the seminar, a Safety Review Task Group was formed to analyze current operating practices and regulations related to platform and pipeline safety.

After sufficient information is gathered, the task group is expected to propose new guidelines or regulations on the following items:

Platform operations and procedures when process equipment safety devices are out of service.

Location of pipeline safety valves on platforms and/or pipelines.

Emergency pressure reduction capability in pipelines.

Fire fighting systems on platforms including; equipment requirements; equipment placement; and control.

Repair procedures for pipelines, pipeline risers, and platforms.

Standard for fire survivability of platforms, living quarters, control rooms, etc.

Requirements for on board storage of flammable or toxic materials.

The task force is comprised of members of the headquarters staff and representatives from each OCS region. The first meeting is scheduled for mid-January 1990.

b. School Certification Activities

To ensure that workers in the OCS receive proper training necessary for safe operations, protection of the environment, and conservation of natural resources, the Minerals Management Service certifies drilling well control training schools and in FY 1990 is planning to begin certification of training schools in completion/ workover well control and in production safety systems. In certifying the training schools, the Minerals Management Service first reviews the schools' proposed program and curriculum. Once the program is deemed to conform with the appropriate set of training standards, the Minerals Management Service grants approval of the school's documented program, subject to an onsite evaluation of a class in training. Final certification is given after the onsite evaluation if the course is conducted in accordance with the school's documented, approved program. All certified schools are subject to unannounced audits by the Minerals Management Service.

o Drilling Well Control Training

Certain industry personnel who work in drilling operations on the OCS are required by regulations to attend and successfully complete a certified course in drilling well-control operations.

The Minerals Management Service certifies drilling well-control training schools in accordance with Minerals Management Service regulations. The regulations are applicable to personnel classified as rotary helpers, derrickmen, drillers, toolpushers and operator's representatives.

- Completion/Workover Well Control Training

  Certain industry personnel who work in completion or workover operations on the OCS will be required to attend and successfully complete a certified course in completion/workover well control operations. The Minerals Management Service plans to begin certifying completion/workover well control training schools in FY 1990 in accordance with Minerals Management Service regulations which are currently being developed. Beginning in FY 1990, the regulations will be applicable to floorhands, completion/workover supervisors, and well servicing operators and supervisors during operations with the "christmas tree" (i.e., the wellhead control valves manifold) removed and during snubbing, coiled tubing, or wireline operations.

- Production Safety System Training

  In FY 1990, the Minerals Management Service plans to begin certifying training schools in production safety systems on the OCS. Lessee and contractor personnel will be required to attend and successfully complete a certified course on production safety systems in accordance with Minerals Management Service regulations that currently are being developed. The regulations will be applicable, beginning in FY 1990, to all OCS production personnel engaged in the installation, testing, maintenance, and operation of production safety systems and the platform supervisor or operators.

Recent activities and accomplishments include:

- During FY 1989, the Minerals Management Service performed onsite evaluations on 15 certified or recertified well control training schools. Unannounced audits were conducted on 19 schools. There are currently 161 certified well-control training schools (49 basic, 49 refresher, and 63 rotary helper/derrickmen).

- There has been no recent activity in completion/workover well-control training or Production Safety System Training. Both programs are in the "proposed rule" stage. It is anticipated that these programs will become effective in FY 1990 and the number of schools to be certified will increase during FY 1991.

c. Equipment Certification Activities

- Safety and Pollution Prevention Equipment Accreditation
  Certain safety and pollution prevention equipment (SPPE) used on the OCS must conform to the American National Standards Institute (ANSI) /American Society of Mechanical Engineers Standard (ASME)

"Quality Assurance and Certification of Safety and Pollution Prevention Equipment Used in Offshore Oil and Gas Operations," (ANSI/ASME SPPE-1). The purpose of this program is to provide assurances of safety and pollution prevention by ensuring that key safety and pollution prevention equipment is manufactured and maintained in accordance with accepted quality assurance standards and practices.

The Minerals Management Service currently participates with the ASME in the accreditation program. The Minerals Management Service monitors ASME surveys of manufacturers and serves on ASME advisory committees. It is anticipated that a similar program with the American Petroleum Institute will be initiated in FY 1990.

3. Operations Supervision ($4,455,000)

The objective of this subelement is to continue to develop technical expertise and information necessary to provide support for the Minerals Management Service Regulation of Operations responsibilities for OCS lease management. This support includes:

- Training of Minerals Management Service personnel in the performance of their duties and in the improvement of technical capabilities.
- Development and/or assembly of technology and equipment capabilities information for use during the review and approval of oil and gas exploration, development, and production plans.
- Development and/or assembly of technology and equipment capabilities information for use in conjunction with Government inspection and certification activities.
- Development, preparation, promulgation, and review of rules and regulations, safety alerts, Notices to Lessees, and internal operating procedures.
- Review, analysis, and improvement of the Minerals Management Service safety and pollution prevention inspections of oil and gas drilling and production operations and facilities.
- Other associated operations support.

Description of Subelement Products

a. Training

A variety of technical and safety training courses are attended by all employees. As a technically oriented Agency, training is an integral part of the Minerals Management Service operations. Training to enhance professional and managerial capabilities is considered vital to maintaining a work force capable of monitoring the expanding technology of the petroleum industry. Included is the spectrum of safety training to make the work environment reasonably safe for Minerals Management Service employees and to ensure that Minerals Management Service inspectors recognize unsafe equipment and unsafe operating procedures when they occur.

b. <u>Technology and Equipment</u>

The Minerals Management Service continuously assesses the offshore oil and gas industry's capabilities, procedures, and currently available equipment to conduct oil and gas operations in a safe and pollution-free manner. This is in compliance with OCS Lands Act, Section 21(b) which requires that the best available and safest technologies (BAST) be used in offshore minerals drilling and production operations. To assess BAST, the Minerals Management Service has established a technology information coordination network which makes use of Operations Technology Assessment Committees (OTAC) at each OCS Region. These groups review problems, new procedures and technologies, and evaluate potential alternatives for a variety of operational procedures.

Oil spill technology, equipment, and procedures continue to provide effective measures for minimizing environmental effects on OCS resources and uses from oil spills. The Minerals Management Service will be participating on national and regional hazardous material spill response teams. The Minerals Management Service also participates with other interested Federal Agencies and the Canadian Government in research activities including the evaluation of capabilities for oil spill containment and cleanup equipment and procedures. Testing is conducted both offshore and in a test tank for open-ocean and broken-ice conditions. Recent tests in the laboratory and in-situ burning of oil spills have contributed significantly to the approval of drilling operations during broken-ice periods in the Beaufort Sea. Other information is being used to quantify the effectiveness of manufactured equipment and operational procedures and to assist in the evaluation of oil spill contingency plans submitted to the Minerals Management Service for approval.

A formal contract research program (i.e., Technology Assessment and Research) is administered by the Minerals Management Service which addresses operational needs for permitting OCS drilling and production, safety and pollution inspections, enforcement actions, accident investigations, and well control requirements. Program planning is guided by lease sale plans and by inferences drawn from industry research. Examples of Minerals Management Service administered studies include:

- o Diverting shallow gas blowouts away from drilling vessels.
- o Environmental effects of removing old OCS platforms with explosives.
- o Critical technical concerns relative to new types of OCS platforms for deep water areas (i.e., tension leg platforms and floating production systems).
- o Cleanup of oil spills by in-situ burning.
- o Validation of standardized procedures for testing the performance of oil containment booms without using spilled oil. Minerals Management Service technical material developed via this program is transferred to regulatory personnel through conferences, workshops, OTAC meeting, briefings, and written reports.

c. <u>Rules and Regulations</u>

In association with studies of technology and equipment, the adequacy of current regulations, and standards are continually reviewed relative to operating experience and new and emerging technology and information gained from analysis of accident reports. For example, recent experience has show a deficiency in documentation of tests of blowout preventer systems. This deficiency is the result of varying interpretations of operating regulations. An amendment is under development which is planned to be issued in FY 1990 and will result in documentation of this important test in a manner more usable by Minerals Management Service inspectors. Other rules under development include amendments to current regulations governing safety of operations in areas where hydrogen sulfide is present and a restructuring and updating of regulations governing sulphur operations in the OCS.

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

d. <u>Inspection Analysis</u>

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

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

e. <u>Associated Operation Support</u>

These support activities include a "plethora" of requests from local, State, and other Federal agencies for information and meetings relative to regulations, terms, and conditions which affect OCS operations. Additionally, they involve providing support to Minerals Management Service inspection and enforcement related activities. These support activities include the generation of weekly, monthly, semi-annual, and annual reports of various kinds and types, review of requests for departure or variance from specific regulatory requirements, and review of particular problems related to OCS drilling and production operations.

<u>Recent activities include</u>:

- A symposium on oil spill response technology was held in December 1988 and was well attended both by representatives of industry and various Federal Agencies. The Minerals Management Service continues to initiate interagency cooperative research in oil spill response technology with U.S. Coast Guard, EPA, and the Navy. It also is continuing a long standing cooperative effort in oil spill response research with the Canadian Government and has recently developed a cooperative agreement with the American Petroleum Institute. The Minerals Management Service hopes in the very near future to reopen the Oil and Hazardous Materials Simulated Environmental Task Tank (OHMSETT) facility. Approximately 95 percent of all current performance data for oil spill response booms and skimming systems were generated at the OHMSETT facility. Reopening this facility will enable the Minerals Management Service with other Agencies to continue important research concerning the performance of oil spill containment booms and skimming systems.

- Preparation of responses to Freedom of Information Act requests.

- Maintenance of public and proprietary information files.

- Implementation of an ongoing coordination program with military installations in locations where military activities may conflict with OCS oil and gas exploration and development activities.

- Providing technical support and information for highly sensitive environmental and political negotiations relating to OCS activities.

- During FY 1989, Minerals Management Service promulgated a number of significant rule makings. Those were the proposed and final rules for Leasing and Operations for Minerals other than Oil, Gas, and Sulphur; a proposed rule and proposed technical determinations of Best Available Control Technology (BACT) to address emission of air pollutants from OCS oil and gas operations off the coast of California; a proposed rule for revision of well-control training requirements to include well-completion and workover operations; and numerous others.

- On August 29, 1989, the Minerals Management Service and the U.S. Coast Guard signed a new memorandum of understanding (MOU) to promote the safety of personnel, activities, and facilities on the OCS associated with the exploration, development, production, and processing of mineral resources. This new MOU better addresses current technology, the capabilities of each Agency, and the coordination of regulatory responsibilities and activities.

4. Program Management and Support ($5,077,000)

This subelement provides program guidance and direction, internal and external coordination of program activities, and program and technical support for the work of the Regulation of Operations Program. Policy guidance and program direction are provided by the Associate Directors for Offshore Minerals Management and Policy and Planning, the Deputy Associate Director for Offshore Operations, Regional Directors, the Office of Information and Publications, and the Office of Offshore Management Support. Included in the Office of Offshore Management Support is the Offshore Systems Center which reviews all of Offshore's ADP procurement and major systems design, standardizes data elements for all Offshore regions and headquarters offices, prepares activity reports and develops the ADP Strategic Plan. Cartographic, editorial, and other program support duties are provided by support staffs within each region and are funded within this subelement.

## SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Inspections | 11,048 | 12,405 | 12,900 | + 495 |
| Exploration/Development and Production Plans Processed | 658 | 761 | 809 | + 48 |
| Production Verifications | 12,580 | 30,080 | 31,140 | +1,060 |
| Applications for Permit to Drill Processed | 803 | 860 | 882 | + 22 |
| Platform Installation Applications Processed | 258 | 261 | 261 | --- |
| Pipeline Applications Processed | 310 | 271 | 302 | + 31 |
| Production Rate Control (MER, MAR,) | 4,228 | 4,050 | 4,000 | - 50 |
| Quarterly and Semiannual Well Tests | 16,600 | 16,300 | 16,100 | - 200 |
| NGPA Category Determinations | 214 | 240 | 125 | - 115 |
| Commingling Agreements | 296 | 250 | 250 | --- |
| Unitizations and Other Agreements Processed | 781 | 842 | 855 | + 13 |
| Review Development Activity/ Lease Drainage | 353 | 246 | 230 | - 16 |
| Accident Investigations | 162 | 166 | 166 | --- |
| Applications for Workover, Recompletion, and Abandonments | 7,463 | 7,565 | 7,911 | + 346 |
| Suspensions of Operation/Production | 575 | 525 | 484 | - 41 |
| Enhanced Recovery Operation Analyses | 9 | 9 | 6 | - 3 |
| Gas Flaring Approvals | 360 | 352 | 412 | + 60 |
| Verification of New Platforms | 16 | 18 | 22 | + 4 |
| Well Control School Certification Activities Workover | 34 | 180 | 250 | + 70 |
| Water Survival Training Actions | 63 | 69 | 66 | - 3 |
| Inspector Training Program Activities | 1 | 2 | 1 | - 1 |
| Selected Facilities Review | 1 | 1 | 1 | --- |

Increase from FY 1991 Base:

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 28,194 | 29,333 | +1,139 |
| (FTE) | (402) | (402) | (---) |

Helicopters (+$1,165,000)

An increase of $300,000 will be required to cover a 5.85 percent contract rate increase for helicopter usage in the Gulf of Mexico. This increase will enable the Minerals Management Service to maintain its current level of helicopter service.

An additional $465,000 will be used to cover the additional inspection activities required by additional facilities, increasing distances from shore, and the recently revised Offshore Operating Regulations. These additional activities include inspections of operations which ensure wellbore and pipeline integrity, such as workovers, completions, pipelines, and well abandonments, as well as, more unscheduled inspections. A major part of these activities occur in the Gulf of Mexico Region where a great majority of the offshore activity takes place. This Region's operations are also moving further from shore and into deeper waters. These funds are required to upgrade the single-engine helicopters presently under contract in three of the district offices to larger twin-engine helicopters. These helicopters will provide greater speed, larger capacity, and multi-engine safety to transport additional technicians to more facilities and to facilities further offshore.

In order to ensure the accuracy of oil and gas production volumes, an increase of $400,000 is required to complete all liquid royalty meter site security inspections and to witness the provings/calibrations of about 400 liquid and gas meters at least once a year. This requested amount will be used to contract an additional single-engine helicopter needed to transport the technicians to the additional inspection sites and to verify gas flaring.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services.................................... | + 1,165 |
| Total.......................................... | + 1,165 |

Centralized Training (-$26,000)

A transfer of $26,000 is being made to the Administrative Operations subactivity for the general administration budget activity due to the centralization of certain training activities. This transfer is discussed in detail in the increase statement for the Administrative Operations subactivity.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation.............................. | - 14 |
| Personnel Benefits.................................. | - 2 |
| Travel.............................................. | - 2 |
| Other Services...................................... | - 8 |
| Total......................................... | - 26 |

## Technology Assessment and Research (TA&R)

### Objectives

- To provide technology support to enable the Minerals Management Service to better understand and address new or more hazardous OCS operating conditions as the industry moves into the hostile frontiers of the deep oceans and ice-infested Arctic and expand research on oil spill response technologies.

- To assure the use of the Best Available and Safest Technologies (OCSLAA Section 21(b)-BAST) through independent analyses of the OCS technologies, performance of research where deemed necessary, and continued engineering dialogue with the industry and the research community.

### Program Description

Offshore operations conducted by oil and gas lessees and monitored by the Minerals Management Service are becoming increasingly involved in pioneering efforts in a number of complex technologies as exploration and production move into deeper and more hostile environments of the open oceans and the Arctic. The TA&R Program provides a comprehensive technological base for the Minerals Management Service in the supervision of leasehold operations. This support is stated within the OCS Lands Act Amendments of 1978 (OCSLAA), Section 21(b), which requires the use of the BAST on all offshore operations.

The TA&R Program operates through contracts with universities, private firms, and Government laboratories. It takes advantage of participatory or collaborative studies with industry, other agencies, and with other countries, in particular Canada and the United Kingdom, where similar operations, programs, and concerns exist.

### Examples of activities and accomplishments:

- Theoretical analyses and large-scale tests at Louisiana State University (LSU) of shallow gas blowout diverter (piping) systems, used when blowout preventers are not installed, are being run to develop an improved understanding of design and operational parameters. This information is needed to improve Minerals Management Service regulations on the usage of these safety systems which have heretofore proven generally less than successful in operation.

- Theoretical and experimental investigations are being conducted at LSU into improved methods of controlling well kicks (potential blowouts) in deep water drilling operations where the long flow lines between the rig and the blowout preventer on the ocean floor make effective control operations more difficult. A signalling device has been developed which can digitally transmit bottom hole pressure readings, while drilling, to the rig and, through the use of a computer, actuate a surface choke to control these blowout pressures as quickly as possible.

- Experimental investigations of the physics of burning various crude oils on the ocean surface are being conducted at the National Institute of Standards and Technology in collaboration with the Canadian government. These studies have resulted in recent encouraging test findings in confined areas of broken ice.

- The Minerals Management Service is participating with industry on the evaluation of verification procedures for deep water platforms and of reverification procedures for aging platforms.

- In collaboration with industry, the Minerals Management Service is determining the mechanical properties of multiyear sea ice and the forces which the ice pack exerts against structures.

- The Minerals Management Service is participating with industry and the U.S. Coast Guard in evaluating the inspection approaches and monitoring techniques for the tendons (tensioned legs) of buoyant tension leg platforms. The first platform of this type in U.S. waters was installed in the Gulf of Mexico in 1989.

- The Minerals Management Service has conducted international workshops on subjects such as oil spill response technologies for Alaska waters, Nitrogen Oxide control technologies for OCS operations and the use of risk analysis in OCS operations. A second international workshop on platform operational risks is planned as a result of lessons learned from the United Kingdom's Piper Alpha disaster.

- Oil spill containment and cleanup technologies are being investigated in collaboration with Canadian government agencies.

- The Minerals Management Service is pursuing a program to seek industry, state, and public cooperation to develop and demonstrate offshore technologies which would reduce the emission of nitrogen oxides during offshore operations.

- The Minerals Management Service is greatly expanding its oil spill containment and cleanup technology research and development program. In 1989, the Minerals Management Service entered into a cooperative arrangement with the American Petroleum Institute in which the Minerals Management Service and the American Petroleum Institute would share the total project cost of approximately $6 million over a three-year period. That agreement will allow the Minerals Management Service to gain added leverage from its research and development budget and to benefit from the enhanced technical exchanges with industry.

## SELECTED WORKLOAD OUTPUTS

Selected outputs for the Technology Assessment and Research Program are:

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Technological Investigations | 25 | 25 | 30 | +5 |
| Technological Assessments | 6 | 6 | 8 | +2 |
| Technology Seminars Conducted | 2 | 3 | 5 | +2 |
| Technical Reports Published | 2 | 2 | 3 | +1 |

Increase from FY 1991 Base:

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 1,634 | 2,095 | +461 |
| (FTE) | (---) | (---) | (---) |

Safety and Pollution Prevention Research (+$461,000)

An increase of $461,000 is requested to supplement funding for regulatory assessment and research as the oil and gas industry moves into the deeper water and harsher environments by means of the development of advanced technologies. The proposed increase would allow for a more rigorous independent analysis of the effectiveness of blowout prevention technology, the structural integrity of deepwater platforms and pipelines, and the impact of Outer Continental Shelf operations on air quality.

The requested increase will fund additional effort in the following research topics:

Deep Ocean Blowout Prevention/Diverter Operations
Deep Ocean Structures and Pipelines
Engine Exhaust Emissions Reduction
Operational Risk Analysis

Distribution of change by object class:

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

| | Amount ($000) |
|---|---|
| Other Services........................................ | +461 |
| Total........................................ | +461 |

## Oil and Gas Information

### Objectives

- o To assist State and local officials and the general public in planning for potential nearshore and onshore impacts of OCS mineral exploration, development, and production activities and to assist them in working with the Minerals Management Service by providing summaries of scientific, technical and policy data.

- o To compile, organize, print, and disseminate OCS laws and regulations on a current and continuing basis to facilitate efforts by other Federal Agencies, State and local governments, and the public to manage OCS activities.

### Program Description

This program has the prime responsibility for providing State and local officials with summary information to aid them in planning for and effectively managing potential coastal and onshore impacts resulting from OCS mineral exploration, development, and production as mandated by the OCS Lands Act. The siting, construction, and operation of onshore support facilities are regulated by a number of State and local governments.

### Major Subelements and Subelement Products

1. OCS Oil and Gas Information Program

    a. Provide continuing coordination with Minerals Management Service headquarters and regional personnel, other Federal Agencies, State agencies, industry representatives, and local government officials regarding data needs related to Offshore activities.

    b. Develop Regional Update Reports, Regional Map Plates, OCS Compendium, OCS Directory, and OCS Leasing/Operations Procedures Document from analysis and synthesis of available data.

    c. Develop and maintain current automated mailing list of State and local officials and other interested parties, and provide Regional Summary Updates, reports and other data upon request.

2. OCS Regulations (Section 21(f) OCSLAA).

    Compile, organize, format, print, and disseminate the compilation of OCS regulations in accordance with requirements of the OCS Lands Act.

3. OCS Laws

    Compile, organize, format, print, and disseminate the compilation of OCS laws in accordance with requirements of the OCS Lands Act.

4. Program Management and Support

This subelement provides overall program guidance and direction, internal and external coordination of program activities, and information and technical support. The function of the Office of Offshore Information and Publications includes:

a. Overall management, development, and coordination of offshore technical and scientific publications, graphic design and information policies, products, and activities related to the OCS program.

b. Development and implementation of policies, procedures, and products that support these activities to meet the objectives of the Minerals Management Service in providing State and local officials, industry, and the public with timely, useful scientific, technical, and policy information for working cooperatively with the Minerals Management Service and planning for OCS mineral activities and related effects.

Policy guidance and program direction are provided by the Associate Director for Offshore Minerals Management, the Deputy Associate Directors, and the Office of Offshore Management Support.

Recent Activities and Accomplishments Include:

- Printing of the Gulf of Mexico Update Report on Offshore and Onshore Oil and Gas Activities as mandated by Section 26 of the OCS Lands Act, as amended.
- Preparation of the Pacific Update Report on Offshore and Onshore Oil and Gas Activities, as mandated by Section 26 of the OCS Lands Act, as amended.
- Preparation of the Alaska Update Report on Offshore and Onshore Oil and Gas Activities as mandated by Section 26 of the OCS Lands Act, as amended.
- Dissemination of the OCS National Compendium.
- Printing of the Pacific and Alaska OCS Map Plate Series.

SELECTED WORKLOAD OUTPUTS

Selected Oil and Gas Information Program outputs are:

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Annual Regional Update Reports...... | 2 | 4 | 4 | --- |
| OCS Regulations Document............ | 1 | 0 | 0 | --- |
| OCS Regulations Revision............ | 0 | 0 | 1 | +1 |
| OCS Laws Update..................... | 0 | 1 | 0 | -1 |
| OCS National Directory.............. | 1 | 1 | 1 | --- |
| OCS Leasing/Operations Procedures... | 0 | 1 | 0 | -1 |
| Annual Update of Regional Map Plate Series................ | 2 | 2 | 3 | +1 |
| OCS National Compendium............. | 1 | 0 | 1 | +1 |
| OCS 5-year Program Map.............. | 1 | 0 | 1 | +1 |

## Activity Summary

Activity: Royalty Management

(In thousands of dollars)

| Subactivity | FY 1989 Actual | FY 1990 Approp Enacted | FY 1990 Adjusted Approp | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Mineral Revenue Collections | 16,924 | 18,243 | 17,985 | 18,654 | 19,963 | +1,309 |
| Mineral Revenue Compliance | 14,986 | 18,636 | 18,374 | 18,596 | 21,789 | +3,193 |
| Systems Development and Operation | 19,202 | 18,092 | 17,833 | 17,920 | 19,767 | +1,847 |
| Indian Refunds | --- | 64 | 63 | 64 | --- | -64 |
| Interest on Late Payments | 215 | --- | --- | --- | --- | --- |
| Total Requirements | 51,327 | 55,035[1] | 54,255 | 55,234 | 61,519 | +6,285 |

### Authorizations

| | |
|---|---|
| 25 U.S.C. 397, et seq. | The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on lands bought and paid for by Indians. |
| 25 U.S.C. 396, et seq. | The Indian Mineral Leasing Act of 1909 authorizes oil and gas leases on Indian allotted lands. |
| 25 U.S.C. 396-396(g), et seq. | The Indian Mineral Leasing Act of 1938 authorizes oil and gas leases on Indian Tribal lands and provides uniformity with respect to leasing of Tribal lands for mining purposes. |
| 30 U.S.C. 181, et seq. | The Mineral Leasing Act (MLA) provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulphur, and sodium and the payment of bonuses rents, and royalties on such leases. |

[1] See Footnote on page MMS-22.

| | |
|---|---|
| 43 U.S.C. 1331, et seq. | The Outer Continental Shelf Lands Act of 1953 as amended, (OCSLAA) extends the jurisdiction of the United States to the Outer Continental Shelf; provides for granting of leases to develop offshore energy and minerals; and provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states. |
| 30 U.S.C. 1001, et seq. | The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States. |
| 30 U.S.C. 181, et seq. | The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries. |
| 25 U.S.C. 2101, et seq. | The Indian Mineral Development Act of 1982 provides that any Indian Tribe may enter into lease agreements for mineral resources within their boundaries with the approval of the Secretary. Allotted land owners may join Tribal mineral agreements. |
| 30 U.S.C. 1701, et seq. | The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) provides for comprehensive fiscal and production accounting and auditing systems to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner. |

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

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

Operation subactivity).

## Recent Program Initiatives

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

- The MMS audit strategy has been revised to provide improved audit coverage of Federal and Indian leases. The MMS is directing the majority of its audit resources toward more than 230 major payor company audits. The remaining payors are subject to audit through a sample selection process; through audit referrals from the Bureau of Indian Affairs (BIA) and the Bureau of Land Management (BLM); and through exception referrals from the Auditing and Financial System (AFS), the Production Accounting and Auditing System (PAAS), and the Bonus and Rental Accounting Support System (BRASS).

- The MMS started a major project in FY 1989 to accelerate the completion of prior-year audits and place the ongoing cycle on a more contemporaneous schedule. Prior to this initiative, companies were often required to retain records for 7-12 years to accomplish an audit of 6 years of data. This project will reduce these retention periods and accelerate collections of any additional royalties due. The MMS believes that this new steady state audit cycle is consistent with the intent of Congress, although MMS believes Congress envisioned a period of several years would elapse before this equilibrium condition would be achieved, when it established a 6-year record retention requirement in FOGRMA.

- As part of the audit strategy, MMS, States, and Indian Tribes jointly schedule comprehensive company audits at offices of the major payors who submit over 90 percent of Federal and Indian revenues.

- During FY 1988, MMS assumed the responsibility of accounting for Indian nonstandard leases and agreements. Because these leases and agreements contain unique provisions not readily adaptable to AFS, MMS developed off-line microcomputer applications to process these documents. The implementation of the new off-line system was completed in FY 1989.

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

- On January 15, 1988, MMS published final regulations for determining the value for royalty purposes of oil and natural gas produced from Federal and Indian leases. These regulations became effective March 1, 1988. Final rulemaking for coal product valuation was published in the Federal Register on January 13, 1989, and became effective on March 1, 1989. As discussed on page MMS - 147, the Secretary is proposing to amend the rule. Proposed rulemaking for valuing geothermal resources was published in the Federal Register on January 5, 1989.

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

- The Office of External Affairs (OEA) projected efforts in FY 1991 include 20 visits with the BIA Area and Agency Offices, 12 visits with Allottee groups and 8 visits with Indian Tribes. The OEA received requests for 166 desk reviews in FY 1989, completed 112 desk reviews in FY 1989, and has 184 outstanding reviews to complete. The OEA is projected to receive requests for 250 desk reviews in FY 1991.

- The MMS will continue to retain the services of a major accounting firm during FY's 1990 and 1991 for accounting and systems advice. The contract has been beneficial to MMS, resulting in significant improvements and giving assurances of a properly operating accounting system. During FY 1989, the firm assisted MMS in documenting the accounting procedures necessary to process Indian nonstandard leases; completed review of MMS procedures for regression testing of AFS software; completed review of the MMS audit strategy; and initiated reviews of write-off procedures and development of criteria and procedures for RMP use of letters of credit and other bonding techniques.

- The MMS is continuing its initiative to enhance the AFS in response to recommendations from systems users, the Royalty Management Advisory Committee (RMAC), and other interested parties. Benefits derived so far from these enhancements include: simplified reporting, as a result of the elimination of zero sales reporting and an extended reporting period for adjustments; increased revenues, as a result of onshore AFS/PAAS comparisons; and improved information to RMP clientele through enhancements to Explanation of Payment Reports, dissemination of unedited royalty data, and publication of RMP policy changes. Long-term enhancements to further simplify industry reporting, accelerate the processing and disbursement of receipts, and improve relations with and services to clientele were incorporated in the RMP's Business System Improvement Plan. The implementation phase of this plan is the Business System Planning Implementation (BSPI). The MMS is continuing implementation of this plan during FY's 1990 through 1991.

- In response to the issues raised by the Special Committee on Investigations of the Senate Select Committee on Indian Affairs, MMS established an Initiative for Indian Tribes and Allottees (IITA) Task Force to evaluate the Committee's concerns and to develop an improvements plan. The IITA task force developed several proposed improvement initiatives responsive to the findings of the Senate Select Committee. The proposed improvements were reviewed by the RMAC. Final

RMAC recommendations were forwarded to the Secretary of the Interior on September 13, 1989. The MMS is developing an Action Plan for Improved Indian Royalty Management that will be incorporated into a Department Action Plan for improved services to Indians. Increases totaling $1.656 million are requested to intensify audit, outreach, product valuation, and collection oversight on Indian leases.

- In late 1988 and early 1989, RMP requested assistance from its constituents in a review and reassessment of RMP's statutory and regulatory requirements, as well as its mission, goals, and overall performance. The RMP requested comments from States, Indian Tribes, industry, and other Federal entities on its Draft Strategic Plan for Operations and Systems. During July and August 1989, the RMAC convened a working panel to review the Draft Strategic Plan. The RMAC rejected a diverse range of options for change. The RMP is currently developing a final Strategic Plan based on the input from RMAC and other constituents.

- The RMP is continuing its active participation in the President's quality and productivity improvement program. A variety of RMP initiatives including IITA, BSPI, and onshore production reporting are incorporated into a Strategic Plan for Royalty Management Excellence in the 1990's. The plan is geared toward improving the quality of RMP services and fulfilling its stewardship mandate, while fostering a customer orientation throughout the gamut of RMP functions and activities.

## Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Collections

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Mineral Revenue Collections | $ (FTE) | 18,243 (292) | 17,985 (292) | 18,654 (292) | 19,963 (294) | +1,309 (+2) |
| Total Requirements | $ (FTE) | 18,243[1] (292) | 17,985 (292) | 18,654 (292) | 19,963 (294) | +1,309 (+2) |

Impact of Public Law 99-177

(In thousands of dollars)

| | FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|---|
| Mineral Revenue Collections | 18,243[1] | -258 | 17,985 |

In FY 1990, the Mineral Revenue Collections subactivity must absorb a Gramm-Rudman-Hollings sequestration of $258,000. To absorb the cost of sequestration in FY 1990, the RMP will delay work recommended by GAO and the Department Inspector General on a special project designed to detect certain rent and minimum royalty underpayments through a lease review process. In addition, MMS will delay the purchase of laser optic equipment for enhanced fiscal document processing. As a result, the use of microfiche technology will continue, causing prolonged use of inefficient manual document processing procedures, increased backlogs of documents awaiting microfilm processing, and delayed document retrieval and research efforts. The MMS expects to complete these projects in FY 1991 following restoration of the sequestered funding.

Objective

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

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[1] See Footnote on page MMS-22.

Program Description

The Mineral Revenue Collections subactivity provides funds to collect, process, account for, and distribute bonuses, rents, royalties, penalties, interest, associated fees, and other payments received by MMS. In addition, this activity supports the operation of the Royalty-In-Kind (RIK) Program which provides a long-term secure supply of crude oil at a reasonable price to small, independent refiners. The MMS charges a fee to recover the administrative costs of the RIK Program and deposits this revenue in the General Fund of the Treasury. $432,535 in FY 1989

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

In FY 1991, it is estimated that RMP will collect and account for approximately $4.0 billion in mineral leasing revenues through AFS and BRASS. To further verify payments and guard against under reporting of sales volumes, the RMP operates a centralized production reporting system, PAAS, which tracks production reports from Federal and Indian leases.

The RMP compares production data to royalty data to verify that proper royalties have been reported and paid. The RMP was created to minimize under collections and will continue to work toward improving collection and reporting mechanisms in FY 1990.

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

- Payor and system error rates have dropped to systems integrity levels; sustaining these levels has required a continuing resource-intensive effort on the part of RMP staff;
- Over 96 percent of all dollars collected each month is disbursed within the following month; and
- The penalty and assessment procedures contained in MMS regulations have been helpful in reducing error rates and improving payor and reporter compliance.

Auditing and Financial System (AFS)

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

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

Exception Processing: The purposes of the exception processing program are to identify payor noncompliance in royalty reporting and paying and to point out recurring problems in order to improve reporting and paying accuracy. Billable exceptions are generated by comparing what a payor reports and pays to what the system expects the payor to report and pay. Although the AFS generates these exceptions each month, a manual effort is necessary to assure that a true discrepancy exists and that the royalty payor is in fact responsible for the problem.

Since FY 1986, MMS has augmented the exception processing effort with contractor employees in order to handle the large workloads. Through the contractual effort, MMS issues bills on Federal and Indian leases for late reporting, late payments, and insufficient estimated payments on Indian leases. In FY 1991 it is anticipated that the contractor workload will increase due to the implementation of the Federal Insufficient Estimate Module and other Business Systems Planning Implementation (BSPI) and Initiative for Indian Tribes and Allottees (IITA) related initiatives in exception processing. The workload, in the areas of pre-bill research and billing, will increase by approximately 2,500 actions to a total of 10,500. Annual contractor and in-house costs to carry out the exception processing program are projected to total $2.9 million in FY 1991.

The RMP has utilized IBM's Business Systems Planning (BSP) methodology to evaluate the effectiveness of current systems, to identify both short-term and long-term functional improvements, and to develop a long-term strategic plan for future systems design and implementation within the Systems Development and Operation subactivity. Part of RMP's in-house cost within the Mineral Revenue Collections subactivity is for the testing of new and modified software. This cost will increase in FY 1991 due to a higher level of testing required on the BSP system improvements to permit full acceptance of the new and enhanced software.

Although exception processing has the primary goal of increasing compliance with the law and implementing regulations, increased revenues are a secondary benefit of this activity. From February 1985 through September 1989, MMS has increased royalty collections by $53.3 million as a result of exception processing. During FY 1989 alone, MMS collected additional gross revenues of $17.3 million. This FY 1989 collection amount is approximately $5 million higher than collections have been averaging due to a retroactive billing project. In FY's 1990 and 1991, additional gross receipts are estimated to average $14 million each year. The MMS will also be exploring further enhancements to exception processing routines which could favorably impact billings and collections.

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

Error Correction: The RMP made continued progress during FY 1989 towards reducing payor error rates in the AFS and improving payor compliance. This progress is attributed to:

- o Payor training efforts which included the presentation of eighteen 2-day training sessions for 212 royalty paying companies in FY 1989.
- o Substantial improvements to the MMS Payor Handbook (the official guide to royalty payors on how to report to the AFS).
- o A vigorous program of assessments and penalties for incorrect reporting and failure to submit payor information forms. These penalties are levied under the provisions of the OCSLAA, the MLA, the FOGRMA, and various implementing regulations.

The improvement in payor compliance with paying and reporting requirements can be seen in the historical drop in the percent of total fatal lines (those data lines with errors which make it impossible to accurately disburse funds until corrected) as reflected in Figure 4 shown below.

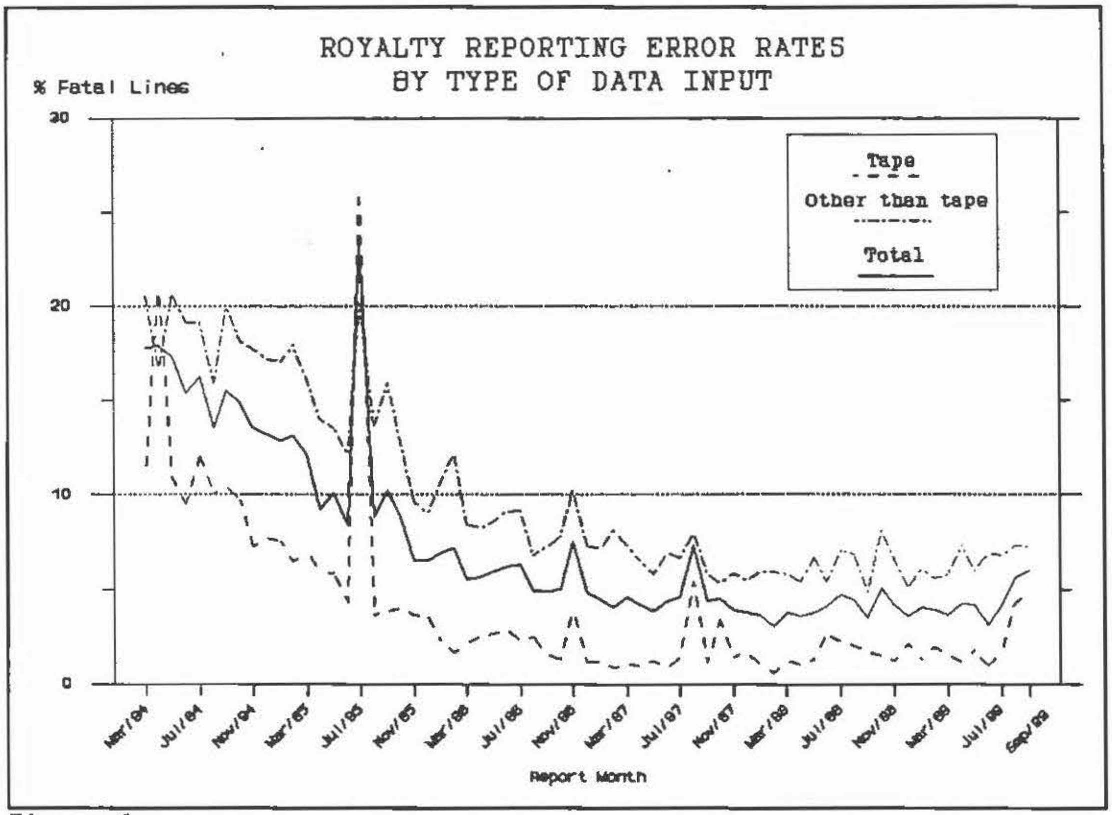


Figure 4

The number of error corrections completed will increase by 60,000 in FY 1990 because of the conversion of the last major payor to the AFS. This conversion will add approximately 500 additional royalty payors and as many as 50,000 to 70,000 more accounting lines. The RMP anticipates a relatively high initial error rate with these new payors but expects this problem to be mitigated by certain on-line computer enhancements which will make error correction more efficient. A further increase of about 21,000 error correction actions will occur in FY 1991 due primarily to the tightening of tolerances in edit criteria. Although the workloads will increase, the changes will improve the accuracy and integrity of the data base and the accounting operations.

As displayed in Figure 4, the percentage of rejected fatal lines is depicted by type of data input: tape; other than tape; and total lines. The trend over time has been a steady decline in the percent of total fatal lines, from 17.3 percent in FY 1984 to 4.2 percent in FY 1989.

Electronic Funds Transfer: In an effort to run an efficient accounting operation and realize savings to the Federal Government, MMS initiated the use of Electronic Funds Transfer (EFT) to expedite royalty payments to the Government. Regulations initially in place required all payors with transactions in excess of $50,000 to use EFT. Then, in keeping with Treasury Department goals, MMS reduced the EFT threshold to $10,000 in FY 1987. In addition, MMS extended the use of EFT to solid mineral and geothermal leases and certain deferred bonus payments. The MMS will continue converting payors to EFT as their payments meet the appropriate criteria. For FY 1991, RMP expects the number of EFT to increase by 800 with a decrease in the number of checks received. The MMS is also working on a pilot program with a major billee to convert all of their BRASS lease rental payments to EFT via the Automated Clearing House. The conversion of approximately 100 of these leases is planned to be completed in FY 1990 with the pilot program continuing through FY 1990. An increase of 1,400 EFT's is expected on BRASS rental payments with a corresponding decrease in checks received during FY 1991.

Payor Information Forms Processed: Because the last major payor will be converted to AFS in FY 1990, the number of Payor Information Forms processed will decrease in FY 1991 by 5,000. However, the overall workload will increase substantially. This is because new product value and allowance regulations, the BSPI, and the repeal of the Windfall Profit Tax have made it necessary to change the definition of a "selling arrangement." As a result, it will be necessary to review all 90,000 "selling arrangements" that currently reside in the AFS data base. The RMP anticipates that contractor support staff will need to be substantially expanded to handle this new work.

Accounting for Indian Nonstandard Leases: In March 1988, MMS assumed the responsibility of accounting for and auditing nonstandard leases and agreements for Tribes and allottees. This is consistent with the recommendations of the RMAC and the desires expressed by several Indian Tribes. Nonstandard leases are those that contain unusual provisions such as nonstandard royalty rates, variable or escalating arrangements, joint venture provisions, and RIK provisions. Many of these leases and agreements cannot be processed by the standard AFS formats and are being processed on an off-line microcomputer.

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| AFS Warnings/Bills Issued | 8,200 | 8,000 | 10,500 | +2,500 |
| AFS Reporting Error Corrections Completed | 100,200 | 160,000 | 181,000 | +21,000 |
| Checks Deposited | 35,200 | 35,000 | 34,600 | -400 |
| Payor Information Forms Processed (New and Revised) | 37,200 | 42,000 | 37,000 | -5,000 |
| EFT Messages Received | 6,400 | 6,500 | 7,300 | +800 |
| Percentage of Collections by EFT | 88 | 93 | 95 | +2 |

## Production Accounting

Complementing the mineral revenue accounting operation, RMP conducts a sophisticated, centralized production accounting activity. With the conversion of onshore production reporting to the MMS systems in 1988 and 1989, MMS completed the final phase of the centralization and automation of all Federal and Indian production accounting. For the first time in its history, the Department has a consolidated, consistent, timely repository of production information on all Federal and Indian mineral leases nationwide.

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

The MMS receives, processes, edits, and corrects production reports from lease operators and provides monthly production data to agencies, States, and Tribes. Comparisons of AFS/PAAS data are made on a monthly basis and exceptions representing differences between sales and production data are examined and reconciled. The MMS then contacts payors and operators to assure reports are corrected and any additional royalties are paid. This effort has continually proven to be highly cost-effective. From June 1985 through October 1989, this effort has resulted in additional royalty collections of $39.2 million. With the completion of the onshore conversion and the system enhancements discussed below, MMS expects to increase annual collections from about $12 million in FY 1989 to about $21 million in FY 1991, although actual collections cannot be predicted with great accuracy.

The onshore conversion, which was completed in October 1989, culminated more than 2 years of joint effort by BLM, MMS, and the oil and gas industry. Standardized reporting required the development of an automated production reporting system capable of processing and distributing over 200,000 lines of data monthly from 18,000 onshore production reports submitted by over 2,000 operators. As a result of extensive advance coordination and communication among the parties involved, the conversion was extremely effective. Although most of the operators were reporting to MMS for the first time, the initial reporting error rate was less than 9 percent, about half the expected rate.

Comparison of offshore production volumes and run-ticket volumes by the Offshore Minerals Management-Liquid Verification System will begin in FY 1990 and, as a result, require work effort in production verification support. The MMS will also implement assessments for late and erroneous production reporting for onshore properties in FY 1990, generating a significant increase in the workload to process assessments and appeals in FY's 1990 and 1991.

The MMS has enhanced its exception processing software to increase efficiency and productivity. The upgraded software increases efficiency by eliminating several manual research, follow-up, and tracking activities, and minimizes generation of erroneous exceptions. This efficiency has been factored into resource requirements. Additionally, the enhanced software summarizes lease exceptions at a higher level for efficient exception resolution. As a result, what the system would previously have recognized as 40,000 exceptions is now counted as 31,230 exceptions. It should be noted that while the count is different, the workload remains the same.

Contractors are currently providing operation and maintenance support for the automated system. Additionally, contract personnel perform document error correction and front-end AFS/PAAS exception processing. Contract effort expanded as a direct result of the increased workload associated with the October 1989 conversion.

Presently, PAAS operates in two computer environments: (1) offshore and some onshore production data submitted on Form MMS-4054 is processed on a VAX minicomputer; and (2) onshore production data submitted on Form MMS-3160 is processed on the IBM mainframe computer. The MMS will begin designing software in FY 1990 to convert production data from the VAX computer to the IBM mainframe. Additionally, an automated access system similar to STATSS will be designed to provide on-line production data to States and Tribes in FY 1991.

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Technical Assistance Projects | | | | |
| --Operators | 1,325 | 100 | 100 | --- |
| --Other DOI Offices | 35 | 50 | | --- |
| Error Corrections | | | | |
| --Reference Document Errors | 15,080 | 21,000 | 21,000 | --- |
| --Operating Document Errors | 99,770 | 145,000 | 135,000 | -10,000 |
| Exception Resolution | | | | |
| --AFS/PAAS Comparison Exceptions | 37,000 | 31,230 | 34,200 | +2,970 |
| --Other PAAS Exceptions | 45,960 | 135,000 | 135,000 | --- |
| Assessments and Appeals | 75 | 1,120 | 1,120 | --- |
| Production Verification Support | | | | |
| Liquid Verification System | --- | 4,600 | 4,600 | --- |
| Bureau of Land Management | 280 | 600 | 600 | --- |

Bonus and Rental Accounting Support System (BRASS)

In FY 1984, MMS accepted responsibility for the collection of bonuses and rents from Federal onshore nonproducing leases. As of September 30, 1989, there were 60,601 active leases in rental status. For this function to be compatible with the AFS and to meet the requirements of the FOGRMA, an automated BRASS was designed and installed. Operation of this system began in April 1984.

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

On January 19, 1989, the Secretary stated that rental fees for federal onshore oil and gas leases could not be increased for a period of three years. As a result, RMP performed lease financial adjustments and processed refunds on many of the 36,000 affected leases. Therefore, the number of BRASS refunds processed and the number of industry inquiries for FY 1990 are expected to increase compared to FY 1989 levels, while the number of lease financial adjustments will decline.

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Unidentified Checks | 6,900 | 8,000 | 8,000 | --- |
| Refunds Processed | 2,400 | 3,000 | 3,000 | --- |
| Lease Financial Adjustments | 14,400 | 12,000 | 12,000 | --- |
| Industry Inquiries | 11,400 | 12,000 | 12,000 | --- |
| Data Base Maintenance Actions | 26,800 | 27,000 | 27,000 | --- |
| Checks Deposited | 47,900 | 48,400 | 47,000 | -1,400 |
| EFT Messages Received | 19 | 100 | 1,500 | +1,400 |

Increase from 1991 Base

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 18,654 | 19,963 | +1,309 |
| (FTE) | (292) | (294) | (+2) |

Initiative for Indian Tribes and Allottees (IITA) (+$77,000, +2 FTE)

An increase of $77,000 and 2 FTE is proposed to review and resolve improper overrecoupments and to expedite monthly disbursements of royalties to the BIA for Indian allottees. This increase is requested as a result of recommendations made by the Senate Select Committee on Indian Affairs and of problems cited by the Indian community. Improved levels of service are consistent with the Secretary's Indian trust responsibilities. Related increases under IITA are being requested in the Mineral Revenue Compliance and Systems Development and Operation subactivities.

The recoupment of royalties by a company is a common and permitted practice whereby a company offsets a current royalty payment due against a previous excess royalty payment. Unfortunately, recoupment can produce significant shifts in the level of payments made monthly to allottees. To reduce this fluctuation in payments, companies are permitted to recoup in any one month no more than 50 percent of the current royalties owed. However, overrecoupmments do occur and MMS has been able to provide only limited oversight of recoupment activity. This increase will provide the staffing necessary to monitor overrecoupment activity and assure that Indian allottees can expect relatively consistent monthly royalty payments.

Similarly, MMS can better assure timely royalty payments to allottees by expediting disbursements to BIA. While MMS has achieved a high degree of success in performing this function, further improvements are possible. Currently, MMS disburses all funds to BIA within 24 hours of receipt so they may be invested. The MMS furnishes accounting details to BIA twice-monthly so it can provide the funds to the individual allottees. The MMS provides this information within one month in 97 percent of the cases. This initiative includes funding to provide the necessary accounting details to BIA to further expedite the disbursement of royalties to allottees.

Billing for Allowance Exception Processing (+$66,000)

An increase of $66,000 is requested to provide contractor support for the billing process associated with the implementation of allowance exception processing.

Companies are permitted to deduct oil transportation and gas transportation and processing allowances from the value of these products before royalties are calculated. Prior to the revision of the product value guidelines for oil and gas which became effective on March 1, 1988, companies had to secure MMS approval before claiming allowances. The new regulations permit companies to take these allowances subject to later review. The regulations require MMS to monitor, review, and audit these allowances.

In response to a recommendation identified in the BSPI, MMS is developing an automated allowance monitoring and review system which will determine if a company is claiming an allowance without having filed an allowance form or if the amount claimed is inconsistent with the allowance form on file. Funds requested under this proposal will provide for reviewing and sending bills to companies and for follow-up to assure that billed amounts are collected. Once this system is fully operational, MMS believes that substantial additional royalties may be recovered.

Fiscal Accounting Contract (+$960,000)

An increase of $960,000 is proposed to perform new workloads for fiscal accounting services and to assure that service levels are maintained at an adequate level. The RMP's central mission consists of the:

- Accurate and timely collection, verification, and distribution of mineral revenues.

- Distribution of royalty accounting data to BLM, BIA, States, and Indians.

- Observance of a comprehensive system of internal controls.

Within this broad range of responsibility, RMP experiences a steady growth in the workload and complexity of the accounting processes.

The increase in contractor staffing is needed to handle the following new workloads and duties associated with previous agency commitments and new program requirements:

EPNG → Meridian add 25-40,000 lines to base of 200,000/mo. system contract $3.2 million

- o Greater workload in AFS exception processing due to the conversion of the last major payor to the system and the implementation of the Federal Insufficient Estimates Module on the AFS.

- o Review of 90,000 selling arrangements affected by new product valuation regulations and repeal of the Windfall Profit Tax.

- o Greater error correction workload due to the conversion of the last major payor to the AFS and the upgrading of error edits as recommended by the General Accounting Office (GAO) and the Office of the Inspector General (OIG).

- o Greater level of system testing due to BSPI improvements.

- o Additional workloads associated with new regulatory and program requirements.

This proposal would provide funding for 27 contract staff years of effort to meet the requirements stated above.

Increases of Contract Costs of Ongoing Activities (+$230,000)

An increase of $230,000 is proposed to address the increased costs of maintaining the base level contract effort for accounting activities. In FY 1991, 44 percent of the workload in the fiscal and production accounting functions will be carried out by contractor staff. The accounting services contract covers such vital functions as AFS exception processing, error correction, and reference data base maintenance, and PAAS error correction and exception resolution. Because most MMS contracts include adjustments for normal salary increases and other associated costs, the amount of work which can be accomplished with an unchanging funding level declines each year.

During the past several years, the costs of obtaining contract support have increased by an average of 4 percent per year. Further, contract costs are expected to increase by at least that amount during FY 1990.

This proposed increase is necessary to enable MMS to meet its mission responsibilities at an acceptable level of performance. Without this increase, the AFS and PAAS data bases may become less accurate and error rates will increase. This may cause disbursements to States to be delayed, thus incurring interest charges. Additionally, new exception processing backlogs may develop and revenues may be lost as fewer exceptions can be worked.

Centralized Training (-$24,000)

A transfer of $24,000 is being made to the Administrative Operations subactivity of the General Administration budget activity due to the centralization of certain training activities. This transfer is discussed in detail in the increase statement of the Administrative Operations subactivity.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation............. | +64 |
| Personnel Benefits................. | +13 |
| Other Services..................... | +1,256 |
| Equipment.......................... | -24 |
| Total...................... | +1,309 |

## Justification of Program and Performance

Activity: Royalty Management
Subactivity: Mineral Revenue Compliance

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Mineral Revenue Compliance | $ | 18,636 | 18,374 | 18,596 | 21,789 | +3,193 |
| | (FTE) | (303) | (303) | (302) | (339) | (+37) |
| Total Requirements | $ | 18,636[1] | 18,374 | 18,596 | 21,789 | +3,193 |
| | (FTE) | (303) | (303) | (302) | (339) | (+37) |

Impact of Public Law 99-177

(In thousands of dollars)

| | FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|---|
| Mineral Revenue Compliance | 18,636[1] | -262 | 18,374 |

In FY 1990, the Mineral Revenue Compliance subactivity must absorb a Gramm-Rudman-Hollings (GRH) sequestration of $212,000 associated with ongoing compliance activities and another $50,000 associated specifically with MMS's audit acceleration initiative. Reduction of compliance resources by these amounts will affect the overall MMS audit strategy by postponing some discretionary work, causing MMS to experience delays in some audit completion dates. With funding reduced, fewer new auditors can be hired and delays will occur in MMS's efforts to place audits on a current schedule.

Objectives

- o To provide accurate and effective product value guidance to royalty payors which will better assure that royalties paid on all products removed from Federal and Indian lands are in accord with law and regulation.

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[1] See Footnote on page MMS-22.

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

Program Description

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

The product valuation function provides the technical support, including product valuation and allowance monitoring and review, needed by the RMP to assure that royalties are being calculated on the market value of minerals produced from Federal, Indian, and OCS lands; prepares regulations and guidelines to be used in valuing minerals for royalty purposes; provides regulatory training to RMP and industry on new and revised product valuation and allowance regulations and guidelines; approves certain transportation and processing allowances which are deducted by payors from royalty payments; and provides advice and assistance on valuation, appeals, and allowance issues.

Within the audit function, MMS performs audits of mineral revenue and payor activities. This function also includes resolution of exceptions which have been identified by automated royalty management systems, but cannot be resolved by other RMP organizations. The MMS audit staff also undertake special audits and reviews in support of MMS and BLM lease management activities and in response to requests from Indians, through the BIA. Delegated or cooperative audit agreements with States and Indians under the provisions of FOGRMA are monitored to assure that audit work is being performed in accord with applicable standards, applicable regulations, and statutes.

Other activities in the Mineral Revenue Compliance subactivity include: an effort to provide contact and assistance for the external user community; e.g., States, Indians, industry, the public, and other Government entities, and the development and promulgation of regulations.

Product Valuation

Royalty payments due are based on the value of the commodity produced, the volume of production sold, and the royalty rate applicable to the lease. In the past, the product value reported by the lessee (normally the sales price) was usually accepted as the value for royalty purposes. The value of the commodity, however, cannot always be determined by the reported sales price. Several factors add to the complexity in determining the value of the commodity sold, such as vertically integrated companies selling to themselves, Government price controls, long-term sales contracts, complicated marketing agreements, and complex relationships among the various owners and operators of producing leases. As a result of these complexities, new product value regulations for oil and gas were published and went into effect on March 1, 1988. These new regulations provide more definitive and consistent guidance to industry for valuing production from Federal and Indian leases for royalty purposes.

Shortly after publication, a lawsuit was filed against these rules. To settle this lawsuit, it was decided that several issues would be considered by means of proposed rulemakings. By the end of 1988, MMS had prepared and issued Federal Register Notices on extraordinary cost allowances, percentage-of-proceeds contracts, and the royalty liability on take-or-pay payments. The MMS also prepared draft Federal Register notices on gas valuation benchmarks and dual accounting. On November 8, 1988, a final rulemaking which deleted take-or-pay payments from the definition of gross proceeds was published in the Federal Register. Final action on the remaining issues is expected in FY 1990.

Final rulemaking for coal product valuation was published and became effective on March 1, 1989. Due to a controversy over the exclusion of the cost of certain taxes and fees from value for royalty purposes, the Secretary directed the Department to review the revised regulations. As a result, the Department is proposing to amend its rule for determining the value of coal. Proposed geothermal rules were published in the Federal Register on January 5, 1989. A public hearing to discuss the proposed geothermal regulations was held in Denver, Colorado, on March 28, 1989.

In FY 1991, the Royalty Valuation and Standards Division (RVSD) will continue to provide valuation and allowance approvals as required under both the old and the new regulations. It will also provide assistance to MMS's Appeals Division and advice and assistance to industry and other parties affected by the regulations. The RVSD will also develop oil and gas valuation and allowance guidelines which will become chapters in the MMS Payor Handbook. The intent of these guidelines is to provide further clarification and interpretation of MMS's new regulations.

The new valuation regulations specify that all royalty values reported and transportation and processing allowances claimed by lessees are subject to monitoring and review. To provide for this requirement, MMS is developing an automated allowance exception processing system to assist in regulatory compliance and monitoring. This system is scheduled to be operational in late FY 1990. Additionally, MMS will perform automated comparisons to assure that only those lessees who have filed the appropriate allowance forms are reporting and claiming allowances. The MMS will also perform automated checks to assure that revised allowances match actual allowance costs incurred (such checks will be performed after the end of the allowance period). In addition, the MMS will assess the feasibility of developing oil and gas product value data bases for the purpose of performing automated comparisons of expected values to those reported on royalty reports. The MMS will, if product value exception processing is determined to be feasible, develop and maintain product value data bases to be used for exception processing, majority price determinations, and major purchaser determinations. The MMS will then use the information produced by the automated comparisons to identify and select projects for detailed review. Depending on the outcome of the feasibility studies, a majority pricing system for valuing production from Indian Tribal and allottee lands is planned for FY 1991.

It is anticipated that an automated coal product value exception processing system, if feasible, will also be developed and implemented during FY 1991. The MMS is currently developing a manual allowance exception processing system for coal which will be completed in FY 1991. By focusing on allowance and valuation projects having the potential for the greatest discrepancies, MMS expects to increase the overall effectiveness of its valuation and allowance program and to provide greater assurance to the States and Tribes that royalties are being properly and timely paid.

The impact on MMS workload of implementing the new regulations is significant. Having begun in FY 1988, the MMS will continue to process: (1) a backlog of projects that are covered under the old regulations; (2) newly received projects that are covered under the old regulations, and (3) new projects that are covered under the new regulations. Projects affected by the old regulations can take place for a period of at least six years following the implementation of the new regulations, or at least until FY 1994. The current backlog of projects covered under the old regulations is expected to be eliminated in FY 1990.

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Valuation Determinations | 83 | 100 | 100 | --- |
| Advice and Assistance | 227 | 200 | 200 | --- |
| Processing Allowance Applications Reviewed | 199 | 130 | 130 | --- |
| Transportation Allowance Applications Reviewed | 671 | 170 | 120 | -50 |
| Appeals of Royalty Valuation Determinations | 33 | 35 | 35 | --- |
| Valuation/Allowance Regulatory Training | 18 | 10 | 10 | --- |
| Regulatory Compliance and Monitoring (exceptions reviewed) | --- | 150 | 2,500 | +2,350 |

Audit

From FY 1986 through FY 1989, the MMS audit program recovered $344 million in collections from previously unpaid or underpaid royalties, interest payments, liquidated damages, and refund denials.

The MMS audit strategy provides audit coverage for mineral revenues from Federal and Indian leases. The MMS will direct the vast majority of its audit resources toward major payor company audits. The strategy proposes that audits of major payors, who submit over 90 percent of Federal and Indian revenues, be performed on a 6-year cycle. Audit coverage for remaining payors and revenues will be accomplished using sampling, system monitoring, and other special audit techniques. The FY 1991 budget request proposes a $244,000 increase to meet the increased costs of travel, training, and other audit support activities.

In addition, MMS started a major project in FY 1989, the Contemporaneous Audit Initiative, that will accelerate the completion of prior-year audits and place the 6-year cycle on a more contemporaneous schedule. Prior to the initiative, companies were often required to retain records for 7-12 years to accommodate the audit of 6 years of data. This project will minimize retention periods for companies and it will accelerate collections of any additional royalties due. We believe that this is consistent with the intent of Congress when it established a 6-year record retention requirement in FOGRMA. The MMS believes that Congress anticipated a significant lag until this equilibrium cycle could be achieved and intended that MMS be able to audit records predating FOGRMA over a reasonable number of years. However, MMS now has completed pre-FOGRMA periods for most companies and is able to move to a more contemporaneous cycle. To accomplish this initiative audit resources must be increased temporarily. The FY 1991 budget request proposes a $1,770,000 and a 26 FTE increase to support the full annual funding requirement of the Contemporaneous Audit Initiative.

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

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

<u>Company Audits</u>

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

## Residency Audits

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

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

The 11 companies included in this activity pay approximately two-thirds of all royalties received by MMS. A major historical focus of the residency program has been on the follow-up to findings contained in OIG audit reports. The work will be completed in FY 1990. The residency program is involved in follow-up and resolution activities involving audit issues identified in audits of the 1980-1983 business period as well as conducting audits of the 1984-1989 business period. The resident audit work force also reviews refund requests from the company.

## State and Tribal Audit Activities

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

In addition, MMS has unfunded joint audit agreements with States and Indian Tribes. The MMS has an agreement with the Jicarilla Apache Tribe to audit oil and gas leases; with the Navajo Indian Tribe to audit coal leases; with the State of New Mexico to share data; with the State of Utah to audit coal and geothermal leases; with the State of Montana to audit coal leases; and with the State of California to audit geothermal and sodium leases.

The MMS annual base funding to States and Indian Tribes under Sections 202 and 205 is $2.5 million. In FY 1990 State and Indian Tribal base funding was increased by about $0.7 million for States and Indian Tribes to participate in the Contemporaneous Audit Initiative. The FY 1991 budget request proposes a $0.6 million increase to expand the Indian cooperative audit program by increasing 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.

Indian Audits

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

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

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

- Residency audits at 11 major companies provide audit coverage for about 60 percent of the total revenue from Indian mineral leases.

- Company audits of major non-resident companies provide audit coverage for about 15 percent of the revenue from Indian mineral leases.

- Audits targeted on other predominant Indian payors provide coverage of about 20 percent of the total revenue from Indian mineral leases.

- Special audit techniques, such as statistical sampling and compliance monitoring through exception processing, provide additional coverage so that all royalty payors for Indian leases will have an opportunity for audit.

- Periodic audits of negotiated nonstandard mineral lease agreements that contain unique terms and conditions for the calculation and payment of mineral revenues provide audit coverage of these specialized leases.

- Review of specific royalty payment issues/problems on Tribal or allotted leases are identified and referred to RCD, through BIA, for resolution.

- The MMS is proposing for FY 1991 an Initiative for Indian Tribes and Allottees which will provide $432,000 and 8 FTE to initiate a spot audit approach of companies holding Indian Tribal and allottee leases, and

$132,000 and 3 FTE to expand the Office of External Affairs to provide more on-site problem resolution.

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

<u>Net Profits and Indian Joint Venture Agreements</u>

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

<u>Exception Resolution</u>

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

<u>Litigation Support</u>

Litigation support is necessary due to: (1) industry's testing in court of MMS positions expressed in demand letters, (2) implementing regulations of FOGRMA, and (3) application of product valuation regulations. Litigation support entails staff efforts such as responding to requests for documents, preparing responses to interrogatories, gathering statistical royalty data, preparing position papers in defense of the Government's position in appeals and legal actions, and preparing for and undergoing deposition. The MMS estimates that support for litigation, appeals, and Freedom of Information Act requests will be necessary for approximately 297 cases during FY 1991. Many of these cases will involve new product value regulations and other new or unique issues.

Referrals and Requests from Other Organizations

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

Refund Request Reviews

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

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Company Audits | 127 | 127 | 127 | --- |
| Lease/Subject Audits | 310 | 310 | 310 | --- |
| Refund Request Reviews | 268 | 268 | 268 | --- |
| Referrals | 128 | 128 | 128 | --- |
| AFS/Production Accounting System (Case Load) | 28 | 28 | 28 | --- |
| OIG Support (Case Load) | 141 | 141 | 141 | --- |
| Special Projects (Compliance Enforcement | 54 | 54 | 54 | --- |
| Litigation/Appeals/FOIA (Case Load) | 297 | 297 | 297 | --- |
| Cooperative Audit Agreements | | | | |
| --Section 202 of FOGRMA | 3 | 4 | 8 | +4 |
| --Unfunded Cooperative | 6 | 7 | 7 | --- |
| Delegated Audit Agreements | 8 | 10 | 10 | --- |
| Residency Audit Teams | 12 | 11 | 11 | --- |

Increase from 1991 Base

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 18,596 | 21,789 | +3,193 |
| (FTE) | (302) | (339) | (+37) |

Initiative for Indian Tribes and Allottees (+$1,179,000, +11 FTE)

An increase of $1,179,000 and 11 FTE is proposed to provide additional auditing and other services to Indian Tribes and allottees to help assure that they are receiving all revenues due them. This proposal would provide $615,000 to expand the cooperative audit program with the Tribes, $432,000 and 8 FTE to initiate a spot audit approach of companies holding Indian Tribal and allottee leases, and $132,000 and 3 FTE to expand OEA to provide more on-site problem resolution.

This increase addresses concerns raised by the Indian community and recommendations made by the Senate Select Committee on Indian Affairs. Related increases for IITA are being requested in the Mineral Revenue Collections and Systems Development and Operation subactivities in order to support the Secretary's trust responsibilities.

Currently, MMS has funded agreements with three Indian Tribes--the Navajo, the Northern Ute, and the Southern Ute. Several additional Tribes have expressed interest in securing funded cooperative agreements. In addition, Indian agreements are now funded at only 50 percent, while delegated agreements with States are funded at 100 percent. This proposal will provide funding for the additional Tribes and will also bring funding for each agreement to the 100 percent level. The MMS seeks to provide this funding as a matter of equity, to maintain our compliance with section 202 of FOGRMA, and to enhance the fulfillment of our Indian trust responsibility.

The MMS's comprehensive audit strategy emphasizes scheduled audits of residency and major nonresidency companies, providing audit coverage for over 90 percent of the revenues paid on Indian leases. A specific spot audit approach will augment this strategy by providing an identifiable resource for increased audit coverage of the last 10 percent of Indian payors thereby funding audits that would not necessarily take place under the current audit strategy. Specific emphasis will be placed on allottee leases.

The MMS proposes to expand OEA to improve issue resolution with Tribes and allottees. This is accomplished through meetings with groups such as Tribal chairpersons, Tribal councils, Tribal auditors and attorneys, allottee associations, and individual allottees. These expanded efforts will allow MMS to better inform Tribes and allottees of RMP functions and they will enable MMS to more effectively address specific issues identified by the Tribes and allottees.

The OEA will also perform additional desk reviews upon request which help resolve allegations of specific accounting and reporting problems. A desk review is an internal review of the lease based on information in MMS, BIA, and BLM files. It does not include a review of company data. Once a problem is identified, the OEA will refer it to the appropriate program office in RMP for resolution. This proposal will enable MMS to be more responsive to problems encountered by the Indian community.

Contemporaneous Audit Initiative (+$1,770,000; 26 FTE)

An increase of $1,770,000 is requested to fund the second full year of a one time project to place the audit cycle at the 11 residencies and at the other major payors on a more current schedule. This increase will accelerate the completion of prior royalty payment periods.

Prior to this initiative, MMS audited 6-year blocks of residency company records during the subsequent 6-year period. As a result company royalty accounting records had to be kept open for 7-12 years to accommodate this cycle. Similarly, at the 220 nonresidency major payors, a 6-year period of records was audited in the following 1-2 year period. These cycles delayed the ultimate collection of any royalties due and required companies to retain records for long periods. Under the contemporaneous audit initiative, MMS will conduct audits in shorter cycles and it will usually bill for any additional royalties within 6 years from when the original payment was made. We believe that this is consistent with the intent of Congress in establishing a 6-year record retention requirement in FOGRMA.

The MMS plans to hire additional inhouse auditors and to obtain additional assistance from State and Tribal auditors by increasing the extent of their participation in the delegated and cooperative audit program.

The resources requested under this proposal will supplement the FY 1990 request. The FY 1990 initiative contained $3,600,000 to fund:

- o Forty-nine auditors to start the catchup phase at the residencies;
- o Two administrative staff to support the increase in audit staff; and
- o Additional delegated and cooperative audit support.

The FY 1991 proposal will provide funding to achieve the full staff level for this initiative. With this funding, MMS will obtain 26 additional auditors, for a total of 75, to conduct audits at residency and other major payor companies. Once completed, this initiative will result in:

- o Faster identification and resolution of royalty payment problems;
- o More timely assurance of proper royalty payments to recipients;
- o Better compliance with FOGRMA's record retention provisions; and

- o More certainty for all parties, including recipient States and Indians, that correct royalty payments are identified when finalizing royalty reporting transactions and periods.

Increases in Contract Costs of Ongoing Activities (+$244,000)

An increase of $244,000 is proposed to meet the increased costs of maintaining the base level contract effort and other nonpersonnel expenses associated with conducting audit and product valuation activities.

Several factors are contributing to the overall increased cost of conducting audits. Audits require onsite review of financial records. Travel expenses to conduct these audits are rising in the areas of air fare, lodging, taxicabs, and car rentals. Without an increase to cover these rising costs, a smaller number of leases will be audited from the lease base each year. This will result in the recovery of less royalties and it will hinder MMS's ability to successfully fulfill its audit strategy.

In other areas, the MMS compliance function covers such activities as:

- o State and Tribal audit work;
- o Space rental to conduct conferences, seminars, and training for States, Tribes, and industry;
- o Communication charges between auditors in the home office and at remote locations;
- o Training for the compliance work force;
- o Maintenance for equipment such as typewriters, calculators, microcomputers, and photocopiers; and
- o Various other contracted functions.

Without an increase to cover higher costs in these areas, the compliance activity will become increasingly less efficient as equipment cannot be repaired in a timely fashion, telephone communications are reduced, training becomes less available, and informative meetings and discussions are curtailed. The net effect would be to reduce payors' compliance with regulation and policy, diminish the confidence that States, Tribes, and industry have in the MMS compliance program, and reduce audit recoveries.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation............. | +1,211 |
| Personnel Benefits................. | +304 |
| Travel............................. | +360 |
| Rents, Communications.............. | +39 |
| Other Services..................... | +1,092 |
| Supplies........................... | +63 |
| Equipment.......................... | +124 |
| Total...................... | +3,193 |

## Justification of Program and Performance

Activity: Royalty Management
Subactivity: Systems Development and Operation

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Systems Development and Operation | (FTE) | $ 18,092 (85) | 17,833 (85) | 17,920 (83) | 19,767 (83) | +1,847 (---) |
| Total Requirements | (FTE) | $ 18,092[1] (85) | 17,833 (85) | 17,920 (83) | 19,767 (83) | +1,847 (---) |

Impact of Public Law 99-177

(In thousands of dollars)

| | FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|---|
| Mineral Revenue Systems | 18,092[1] | -259 | 17,833 |

In FY 1990, the Systems Development and Operation subactivity must absorb a Gramm-Rudman-Hollings sequestration of $259,000. To absorb these reductions, MMS will reduce the level of effort on the BSPI. As a result, the project will be redefined to complete only those efforts which form the foundation of the project and all remaining enhancements will be deferred. Restructuring of the BSPI will necessitate a less efficient design and testing approach, additional software design efforts when enhancement work is restarted, and further complications associated with loss of trained staff and existing project momentum. In addition, MMS will delay the purchase of computer hardware and software, and it will delay the purchase of spare parts for its computers. As existing computers fail, these procurement delays will degrade MMS's capacity to efficiently conduct some administrative and program activities, disrupting normal operations and leaving managers and staff less able to respond timely to program requirements.

Objectives

- To maintain and operate an effective and cost efficient Automated Data Processing environment in which the RMP systems can operate.

[1] See Footnote on page MMS-22.

- o To devise and manage a program for ensuring that RMP systems operate at maximum production levels to accomplish within statutory timeframes the accurate collection and distribution of mineral revenues.

- o To continually review the condition of the four large-scale automated systems (AFS, PAAS, BRASS, and STATSS) to determine the need for enhancements and changes to reflect modified program requirements.

Program Description

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

Planning, Designing, and Installing Software Systems

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

The AFS began operations in FY 1983 and was later converted from a minicomputer configuration to a mainframe environment in order to realize the full functionality and efficiency of the system. The mainframe hardware was successfully installed in the fall of 1985 and AFS was reimplemented in the fall of 1987. For the first time, the AFS ran on the mainframe with sufficient capacity to provide on-line support for data correction and update processes.

The PAAS and BRASS were designed, developed, and placed in operation in 1984 to meet the initial operational responsibilities of the RMP. Because of the timing of their development, both systems were designed to operate on the minicomputer configuration, but will eventually be consolidated on the mainframe. As the first step in this consolidation, the final and largest phase of the production accounting workload was implemented directly onto the mainframe.

The initial PAAS phases--consisting primarily of solid mineral and offshore leases--were implemented on the minicomputer environment. However, following a 1987 departmental decision to consolidate all onshore production reporting with MMS, RMP designed, developed, and installed a mainframe-based production reporting software system patterned after the PAAS software operating on the minicomputers. The first phase of the new mainframe-based software was placed in operation in FY 1988 and has enabled RMP to handle the massive workloads associated with the onshore conversion without encountering the hardware constraints expected of the minicomputer configuration. The MMS is continuing the development of follow-on phases of this software system in FY 1990 and FY 1991.

A major element of the Royalty Management Action Plan was to improve access by States and Indian Tribes to data on the MMS systems. On April 30, 1986, AFS data from individual leases was made available to States and Indian Tribes through STATSS. Additionally, MMS provides the States and Tribes with continuous training and equipment to promote interaction with the MMS computer. As of November 1989, 11 States, 10 Tribes, and 22 BIA offices could access AFS data through STATSS. STATSS had 650 users as of November 1989 and this number is expected to remain relatively stable through FY 1991. In FY 1991, MMS will begin an equipment replacement program to replace the oldest and least reliable STATSS hardware, thereby keeping STATSS readily available to Indian Tribes and other system users.

In FY 1991, MMS will continue to assess the feasibility of developing a "majority pricing system" to collect pricing data needed by RMP staff to calculate majority prices for minerals produced on Indian lands. The intent of this new system is to meet regulatory and lease requirements and to provide assurance to Indian Tribes and allottees that royalties are being properly computed and paid.

<u>Modifying and Enhancing Operating Systems to Meet Changing Needs and to Increase Efficiency</u>

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

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

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

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

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

Many of the highest priority short-term improvements were implemented in FY 1989. The remaining improvement projects will be implemented as funding permits. The BSPI was originally envisioned as a three year effort to develop and implement 34 of the initial 59 systems improvement recommendations. Work on the 34 recommendations began in FY 1989. However, a more restricted funding environment in FY 1990 is causing MMS to review the original plan. As described on page MMS - 159, the FY 1990 Gramm-Rudman-Hollings sequestration is expected to reduce BSPI funding by $259,000. As a result, the project will be redefined to continue only those efforts which form the foundation of the project while all remaining systems improvements will be deferred. This restructuring of the project means that anticipated gains in efficiency and customer service will be delayed. In addition, MMS expects that costs to restart and complete the project at a later time will be higher as a result of hiring and training new contract staff.

Of the remaining 25 systems improvement recommendations, 19 have been completed, three are currently being developed, and three are not considered feasible. The MMS will continue consulting with RMP clientele on the proposed improvements.

Several workload and activity indicators are increasing substantially as a result of enhancements to RMP systems and because of the development and operation of the PAAS onshore system. For instance, input lines processed (key entered and verified) will grow from the FY 1990 level of 883,000 to 981,000 by the end of FY 1991 with the implementation of the PAAS onshore initiative. During the same period, the number of office automation stations supported (word processors, personal computers, optical readers, etc.) is expected to increase by nearly 40 percent. In addition, with the PAAS onshore project fully implemented, RMP anticipates that its computer system will have to support approximately 75 additional interactive terminal users during FY's 1990 and 1991.

Operating and Maintaining the Systems

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

- Computer operations - Computer operations are performed in two operating environments. The mainframe computer has been running STATSS software since April 1986 and AFS software since October 1987; PAAS onshore software is being developed on the mainframe. A minicomputer configuration runs the existing PAAS and BRASS software. Once all phases of the PAAS software are fully operational on the mainframe, MMS expects the number of lines of program code maintained to decrease by approximately 720,000 due to the greater sophistication of the software in the mainframe environment.

- Data entry - Data entry and data validation services for the three operating systems.

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

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

SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Lines of Program Code Maintained (000) | 3,480 | 3,570 | 2,850 | - 720 |
| Database Size Maintained (Megabytes) | 25,860 | 25,970 | 27,370 | +1,400 |
| Contracts Managed ($000) | 16,350 | 16,250 | 16,600 | +350 |
| Interactive Terminal Users Supported | 630 | 655 | 705 | +50 |
| Input Lines Processed (000) | 520 | 883 | 981 | +98 |
| Data Transactions Keyed (000) | 5,060 | 5,500 | 5,500 | --- |
| STATSS Users Supported | 650 | 650 | 650 | --- |
| Reference Documents Processed (000) | 400 | 450 | 500 | +50 |
| Responses to Information Requests | 800 | 850 | 900 | +50 |
| Office Automation Stations Supported | 475 | 550 | 750 | +200 |

Increase from 1991 Base

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 17,920 | 19,767 | +1,847 |
| (FTE) | (83) | (83) | --- |

Mainframe CPU Upgrade (+$1,422,000)

An increase of $1,422,000 is requested to fund the expansion of the MMS's data processing capacity through an upgrade of the IBM mainframe's central processing unit (CPU). The additional processing capacity will allow RMP to maintain and respond to increased demands in the level of service to both RMP users and to the States and Tribes.

The original procurement of the mainframe included a system expansion path up through 1989, ending with the current KX4 system. The original procurement did not anticipate the two additional program operating systems that evolved since its award: the STATSS access system and the PAAS onshore lease accounting system. This request addresses increased processing requirements into the 1990's. Funding requested represents the annual incremental cost over current funding for a 4-year period. The request is based on a market survey of vendors offering the type of hardware being considered.

Programmatic decisions to significantly expand and enhance PAAS, to convert El Paso Natural Gas to the AFS, to integrate and enhance financial production processing on the mainframe, and to improve executive management support systems have led to an aggressive systems development schedule. To accommodate this additional workload as well as to maintain the schedule for converting all workload from the VAX minicomputer environment to the mainframe, a central processing unit upgrade will be required by FY 1991.

Without the upgraded central processing unit, utilization of the systems will exceed 80 percent of capacity by FY 1991. Eighty percent is an industry-accepted level above which systems degradation is expected to occur. Above this level the following adverse impacts will likely ensue:

- o Users can expect delays in on-line response time.
- o Delays and deterioration of transaction processing and report generation will occur.
- o System development activities will be less efficient.
- o Production scheduling flexibility and the ability to respond to user requests will be reduced.

Funding this proposal will help preclude these adverse impacts and would ensure that services to the user community are maintained at appropriate levels.

Initiative for Indian Tribes and Allottees (+$400,000)

An increase of $400,000 is proposed to develop, install, and operate software systems which support MMS's Initiative for Indian Tribes and Allottees. Indian Tribes and allottees as well as the Senate Select Committee on Indian Affairs have identified various operational needs which can be addressed through enhancement of current software systems or development of new systems. This increase will provide funding to develop, install, and operate various systems projects which support IITA objectives and further the Secretary's trust responsibilities.

Among the key enhancements under consideration is a system to facilitate majority pricing analysis. The March 1, 1988, oil and gas product value regulation contains an exception to normal valuation standards for certain Indian Tribal and allottee leases. The MMS must compare the highest value determination by the regulations to the highest price paid or offered for a major portion of production in the relevant field or area. The value of production used in computing the royalties paid to Indian Tribes and allottees must be based on the higher value. The MMS is conducting a feasibility study and exploring various options for implementing this regulation. If appropriate, MMS will develop software systems to collect pricing data for fields and areas pertaining to Indian Tribal and allottee leases; perform the necessary comparison and analysis to assure that royalties are being calculated on the proper basis; and better assure that Indian Tribes and allottees are receiving all the royalty revenues due them.

Other software efforts supporting IITA include:

- An AFS recoupment monitoring module will enable MMS to monitor unauthorized adjustments and recoupments through an exception processing routine; target problems payors; provide an opportunity to correct reporting problems without delaying distribution of revenues; increase detection of underpaid royalties; provide better service to allottees; and reduce manual effort and errors.

- An exception processing module to monitor severance taxes will enable RMP to systematically target payors who improperly deduct severance taxes; provide an opportunity to correct underpayment problems without delaying distribution; reduce the potential for human error; and respond to the concerns of Indian lease owners.

- Enhanced reporting will enable RMP to better identify and communicate possible exceptions regarding royalty rates and unit values.

- Additional operational costs area also expected regarding the allowance tracking system being implemented in FY 1990.

Replacement of State and Tribal Support System (STATSS) Equipment (+$25,000)

An increase of $25,000 is proposed for the initial step in the phased replacement of the personal computers and related peripherals used by States and Tribes to access AFS data through STATSS. This system provides States, Tribes, and BIA with access to AFS data through communication links between microcomputers located at the users' facilities and the RMP mainframe computer in Lakewood, Colorado. Currently, 11 States, 10 Tribes and 22 BIA offices have access to AFS data through STATSS. The States and Tribes use this data to monitor activity on their leases and to perform various analyses as required. Prior to the development of this system, RMP expended staff time to respond to questions raised by these entities.

This equipment replacement project will allow MMS to buy computers, monitors, printers and modems to replace the aging and malfunctioning equipment currently being used by the States and Tribes. This project will be ongoing as each year that equipment most in need of replacement is identified.

The existing equipment was provided to the States and Tribes in 1986 and will be five years old at the beginning of the phased replacement period. Maintenance and reliability problems have been increasing and are exacerbated in that some of the equipment is located at remote sites where servicing is difficult. Replacement of the equipment will better enable the States and Tribes to access the AFS through STATSS and thereby will help assure they are receiving all the royalties due them. Also, it will minimize the amount of RMP staff time that would otherwise be spent in researching and resolving various inquiries.

Distribution of change by object class

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

| Amount ($000) | |
|---|---|
| Other Services.................... | +1,822 |
| Equipment......................... | +25 |
| Total...................... | +1,847 |

Activity: Royalty Management
Subactivity: Indian Refunds

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Indian Refunds | $ | 64 | 63 | --- | --- | (-64) |
| | (FTE) | -- | -- | --- | --- | --- |
| Total Requirements | $ | 64 | 63 | --- | --- | (-64) |
| | (FTE) | -- | -- | --- | --- | --- |

Impact of Public Law 99-177

(In thousands of dollars)

| | FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|---|
| Indian Refunds | 64 | - 1 | 63 |

The reduction of $1,000 in this subactivity will have no significant impact.

Refunds on Indian Allotted Leases (-$64,000)

A $64,000 decrease is proposed as obligations due certain companies were satisfied in FY 1990. These companies had successfully appealed bills that were levied on Indian allotted leases that they held. The companies were unable to recoup their overpayments as future royalty payments on these leases were small or non-existent.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Grants, Subsidies and Contributions.......... | - 64 |
| Total | - 64 |

## Activity Summary

Activity: General Administration

(In thousands of dollars)

| Subactivity | FY 1989 Actual | FY 1990 Approp Enacted | FY 1990 Adjusted Approp | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Executive Direction | 4,735 | 4,780 | 4,731 | 4,828 | 5,309 | +481 |
| Administrative Operations | 10,152 | 10,174 | 10,034 | 10,271 | 10,744 | +473 |
| General Support Services | 13,822 | 17,104 | 16,866 | 18,051 | 16,029 | -2,022 |
| Total Requirements | 28,709 | 32,058[1] | 31,631 | 33,150 | 32,082 | -1,068 |

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

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

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

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[1] See Footnote on page MMS-22.

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

## Justification of Program and Performance

| | |
|---|---|
| Activity: | General Administration |
| Subactivity: | Executive Direction |

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Executive Direction | $ (FTE) | 4,780 (73) | 4,731 (73) | 4,828 (73) | 5,309 (77) | +481 (+4) |
| Total Requirements | $ (FTE) | 4,780[1] (73) | 4,731 (73) | 4,828 (73) | 5,309 (77) | +481 (+4) |

Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 4,780[1] | -49 | 4,731 |

The cancellation of $49,000 in Executive Direction will result in reduced travel and equipment purchases. This will limit management's ability to interface with regional personnel and replace equipment.

Authorization

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

### Executive Direction

Objective

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

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[1] See Footnote on page MMS-22.

Program Description

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

The Office of the Director is responsible for providing general policy guidance and management of the organization.

The Office of Congressional and Legislative Affairs serves as the primary point of contact between MMS and the Congress, providing information and assistance in response to inquiries by Members of Congress or congressional staff and committee personnel. Specifically, the Office evaluates, or coordinates the evaluation of, legislative proposals affecting MMS responsibilities; maintains continuing communications regarding programs and policies, items of legislative action, statements of positions on matters under consideration by the Congress, legislative initiatives, preparation and coordination of testimony for witnesses; and coordinates arrangements for congressional authorizing committee hearings and meetings, and congressional activity that affects or may affect MMS.

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

The Office of Equal Employment Opportunity develops, directs, monitors, and operates the Equal Employment Opportunity (EEO) Program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, Departmental directives, and other related statutes and orders. Specifically, these duties include the discrimination complaint system, counseling, development and implementation of equal employment opportunity and affirmative action plans, special emphasis programs, and EEO-related training. The Office also provides expertise and leadership for other civil rights matters and technical assistance to supervisors and managers.

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

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

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

The Appeals Division administers the appeals process within the MMS through direct staff support of the appellate responsibilities of the Director (and the Deputy Assistant Secretary - Indian Affairs in appeals cases involving Indian lands) pursuant to 30 CFR Part 290 - Appeals Procedures. Specifically, the Appeals Division reviews, considers, and prepares recommended decisions on matters within the jurisdiction of the MMS in accordance with existing policies, regulations, and procedures. These responsibilities include program and policy liaison and coordination between the various MMS programs, other Bureaus and departmental offices, and various segments of the Federal Government and the private sector.

Increase from FY 1991 Base

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 4,828 | 5,309 | +481 |
| (FTE) | (73) | (77) | (+4) |

Appeals review and processing (+$181,000, +4 FTE)

The Appeals Division is responsible for the review and analysis of appeals to the Director which contest the payment of royalties and for the preparation of decisions. Appeals decisions are also prepared for the Deputy to the Assistant Secretary - Indian Affairs for Indian leases. Appeals decisions were prepared for $133 million of contested royalties in 1989.

Figure 5, below, portrays the significant increase in the number of cases on the docket and number of completed cases in each year since 1981. The increase beginning in 1984 is principally due to the enforcement of the Federal Oil and Gas Royalty Management Act of 1982 and the conduct of more audits.

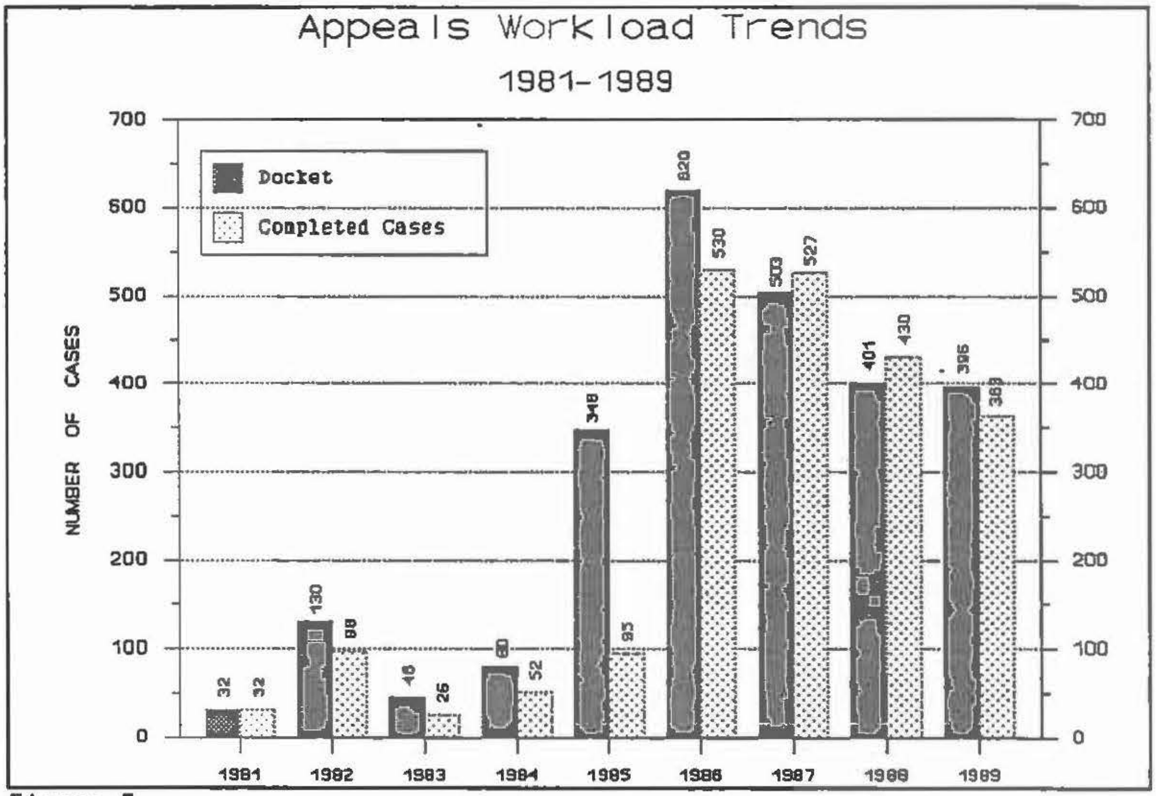

Figure 5

The workload is expected to increase in number and complexity in FY 1991 and beyond. These appeals will be more complex than those completed in 1986 and 1987 since they dealt routinely with late and erroneous reporting. The number of appeals is expected to increase because industry and MMS use the appeals process to test and further define new regulations (e.g. new product value regulations and across-the-board policy changes) and to correct errors and oversights. The appeals will, therefore, require more time to analyze and research than in the past. The proposed increase will provide the personnel support to reduce the current docket of 406 cases and to process the anticipated increase in new appeals.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation................. | +141 |
| Personnel Benefits.................... | +40 |
| Total........................... | +181 |

Equal Employment Opportunity (EEO) Recruitment Program (+$300,000)

Interior's goal is to involve more women and minorities in all facets of the programs and at all management levels in an effort to exceed the minimum equal opportunity requirements. Interior bureaus are continually seeking ways to enhance the recruitment, training, and advancement within the Department of women and minorities, particularly in such critical professional areas as engineering, science, accounting, and computer programming. A total of $300,000 is being proposed for the women and minorities effort. The types of activities to be carried out by MMS include the following:

- Participation in career and job fairs at the high school and college levels and interacting with local and national organizations concerned with the development and employability of these groups. The recruitment efforts will also be strengthened to obtain and employ the individuals who qualify for these occupations.

- Preparation of a career development plan will also be implemented to provide guidance, training, and advancement opportunities for under utilized women and minorities. This plan will require increasing usage of the Cooperative Education Program, the upward mobility program, worker-trainee program, and expanding participant levels in the MMS Management Development Program and the Department of the Interior Management Development Program. Increased participation in these programs by women and minorities will result in a more equitable distribution and representation in the workforce.

- Training will be offered to managers and supervisors in employee development and human resource planning and in improving the quality of the work life. Addressing these issues and effecting change is necessary in preventing employee complaints and grievances while ensuring a productive and efficient workforce.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Travel | +20 |
| Printing & Reproduction | +5 |
| Other Services | +250 |
| Supplies | +5 |
| Equipment | +20 |
| Total | +300 |

## Justification of Program and Performance

Activity: General Administration
Subactivity: Administrative Operations

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Administrative Direction and Coordination | $ | 528 | 528 | 541 | 561 | + 20 |
| | (FTE) | (11) | (11) | (11) | (11) | (---) |
| Financial Management | $ | 1,707 | 1,682 | 1,722 | 1,784 | + 62 |
| | (FTE) | (41) | (41) | (40) | (40) | (---) |
| Personnel Management | $ | 1,326 | 1,307 | 1,338 | 1,489 | +151 |
| | (FTE) | (28) | (28) | (28) | (29) | (+1) |
| Procurement and General Services | $ | 1,506 | 1,484 | 1,519 | 1,574 | + 55 |
| | (FTE) | (33) | (33) | (33) | (33) | (---) |
| Information Resources Mgmt | $ | 1,255 | 1,237 | 1,266 | 1,312 | + 46 |
| | (FTE) | (20) | (20) | (20) | (20) | (---) |
| Field Admin Services | $ | 3,852 | 3,796 | 3,885 | 4,024 | +139 |
| | (FTE) | (97) | (97) | (96) | (96) | (---) |
| Total Requirements | $ | 10,174[1] | 10,034 | 10,271 | 10,744 | +473 |
| | (FTE) | (230) | (230) | (228) | (229) | (+1) |

### Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 10,174[1] | -140 | 10,034 |

As a result of sequestration in FY 1990, equipment replacements and upgrades will be delayed.

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[1] See Footnote on page MMS-22.

Authorizations

| | |
|---|---|
| 31 U.S.C. 65 | Budget and Accounting Procedures Act of 1950 |
| 31 U.S.C. 3901-3906 | Prompt Payment Act of 1982 |
| 31 U.S.C. 3512(c) | Federal Managers' Financial Integrity Act of 1982 |
| 5 U.S.C. 552 | Freedom of Information Act of 1966, as amended |
| 31 U.S.C 7501-7507 | Single Audit Act of 1984 |
| 41 U.S.C. 35-45 | Walsh Healy Public Contracts Act of 1936 |
| 41 U.S.C. 351-357 | Service Contract Act of 1965 |
| 41 U.S.C. 601-613 | Contract Disputes Act of 1978 |

Authorizations

| | |
|---|---|
| 44 U.S.C. 35 | Paperwork Reduction Act of 1980 |
| 44 U.S.C. 2101 | Federal Records Act of 1950 |
| 40 U.S.C. 486(c) | Federal Acquisition Regulation of 1984 |
| 31 U.S.C. 3501 | Privacy Act of 1974 |
| 31 U.S.C. 3501 | Accounting and Collection |
| 31 U.S.C. 3711,3716-19 | Claims |
| 31 U.S.C. 1501-1557 | Appropriation Accounting |
| 5 U.S.C. 1104 et seq. | Delegation of Personnel Management Authority |
| 31 U.S.C. 665-665(a) | Anti-Deficiency Act of 1905, as amended |
| 41 U.S.C. 252 | Competition in Contracting Act of 1984 |
| 18 U.S.C. 1001 | False Claims Act of 1982 |
| 18 U.S.C. 287 | False Statements Act of 1962 |
| 41 U.S.C. 501-509 | Federal Grant and Cooperative Agreement Act of 1977 |
| 41 U.S.C. 253 | Federal Property and Administrative Services Act of 1949 |

| | |
|---|---|
| 41 U.S.C. 401 | <u>Office of Federal Procurement Policy Act of 1974, as amended</u> |
| 15 U.S.C. 631 | <u>Small Business Act of 1953, as amended</u> |
| 15 U.S.C. 637 | <u>Small Business Act Amendments of 1978</u> |
| 10 U.S.C. 137 | <u>Small Business and Federal Competition Enhancement Act of 1984</u> |
| 15 U.S.C. 638 | <u>Small Business Innovation Research Program of 1983</u> |
| 10 U.S.C. 2306(f) | <u>Truth in Negotiations Act of 1962</u> |

## Administrative Operations

### Objective

- o Provide continuing administrative direction and coordination to support the Outer Continental Shelf Lands and mineral revenue collection programs of the MMS.

### Program Description

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

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

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

Financial and Administrative Management Division (FAMD) is responsible for administering the financial management and administrative services programs. FAMD operates the administrative accounting systems, provides payroll liaison functions, audits and schedules bills for payment, collects debts, manages imprest fund activities, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with departmental offices and other Government agencies. This Division is also responsible for facilities management; transporting of goods/materials; voice telecommunications operations; mail management; safety and health programs; records and paperwork management; directives; organizational and management studies; regulations processing; the information collection budget; productivity improvement, including A-76; and compliance with the Privacy Act, Freedom of Information Act, and Paperwork Reduction Act compliance. Technical direction is provided nationwide through the issuance of policy and onsite assessment and assistance.

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

In the areas of management analysis and records management, FAMD conducts management reviews, systems studies, analyses, productivity initiatives, and special projects. One or more reviews will be conducted under productivity improvement initiatives. The Division will continue to provide advice, counsel, and direction on organizational activities; will analyze and process organizational structures for implementation; provide guidance to program offices on the preparation, review, and issuance of Federal Register documents and delegation of authorities; manage the directives system; and provide policy and procedural review to ensure compliance with regulations and utilization of enhanced records and information management technologies. Emphasis will continue on efforts to aid MMS in meeting its information collection budget requirements.

The safety and facilities management program will continue to oversee assigned space in 31 buildings in 21 cities. Responsibilities include: operation of a consolidated facility in the Northern Virginia area; processing space requests and reimbursable work authorizations; conducting space utilization surveys, safety inspections of facilities, and annual space inventories; and issuing facilities management, voice communications, and mail management policy and guidelines Bureauwide. Responsibilities also include: coordinating office moves and telephone design and ordering; providing mail delivery services, overseeing a Bureauwide metered mail system, airline ticket deliveries, messenger services, mail shipments, household goods, and bulk shipments; and managing general services contracts for shuttle and courier services and a highly technical computerized telecommunications system. Safety responsibilities include developing and implementing a safety program; investigating accidents and incidents; providing employees with safety training; and overseeing the disposal of toxic materials.

## SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for the Financial and Administrative Management Division are:

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc. (+) Dec. (-) |
|---|---|---|---|---|
| Obligations Recorded | 18,000 | 18,250 | 18,500 | +250 |
| Auditing & Paying Invoices | 24,200 | 24,000 | 24,000 | --- |
| Auditing & Paying Travel Vouchers | 8,500 | 9,000 | 9,500 | +500 |
| Miscellaneous Financial Documents Processed | 5,000 | 5,500 | 5,500 | --- |
| Cash Management Reports Processed | 16 | 16 | 16 | --- |
| Debt Management Reports Processed | 16 | 16 | 16 | --- |
| Financial Policies & Procedures Developed | 7 | 8 | 8 | --- |
| Internal Reports Prepared | 100 | 100 | 100 | --- |
| External Reports Prepared | 60 | 60 | 60 | --- |
| Conduct Management Reviews/Studies | 11 | 6 | 6 | --- |
| Monitor Federal Register Cost Accountability | 184 | 200 | 200 | --- |
| Review Policy Documents (Directives System) | 80 | 100 | 120 | +20 |
| Analysis of Organization Proposals | 19 | 20 | 20 | --- |
| Process Other Documents | 455 | 435 | 435 | --- |
| Conduct Records Management Training | 2 | 5 | 3 | -2 |
| Conduct Space Utilization Studies/ Layouts | 2 | 2 | 2 | --- |
| Design Office Space Layouts | 375 | 50 | 50 | --- |
| Plan and Implement Inhouse Moves | 375 | 50 | 50 | --- |
| Process Telephone Orders | 2,000 | 225 | 225 | --- |
| Handle Telephone Complaints | 700 | 400 | 400 | --- |
| Conduct Bureau Safety Inspections | 6 | 6 | 6 | --- |
| Investigate Accidents/ Incidents | 55 | 60 | 70 | +10 |

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

In FY 1991, two personnel management evaluations are planned. These evaluations will cover operating practices; merit promotion and recruitment; classification accuracy; performance management; compliance with governing policies, regulations, and guidelines; management assistance activities; and personnel processing. Increased emphasis will be given to supervisory and managerial development training with the continuance of the Minerals Management Service's Managerial Development Program, participation in the Departmental Managerial Development Program, and development of a new MMS policy regarding basic training for new supervisors and managers. Technical and administrative training will be addressed more specifically and actual training scheduled and carried out in the MMS training facility in the Atrium Building. With the purchase of computer hardware for the training room, more in-house computer training will also be scheduled. With the implementation of the automated SF-52 tracking system, the Personnel Division will be providing technical support and taking the lead in ensuring that the system functions optimally. The Bureau of Reclamation's conversion of the personnel and payroll system will also require heavy involvement in technical requirements and the actual conversion process (e.g., training, development of user manuals, and data conversion). Portions of the Minerals Management Service Manual (MMSM) will continue to be revised as changes are made to Federal personnel regulations or to reflect changes in MMS policy.

## SELECTED WORKLOAD OUTPUTS

A summary of selected workload outputs for Personnel Management are:

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc. (+) Dec. (-) |
|---|---|---|---|---|
| Positions Reviewed | 250 | 250 | 200 | -50 |
| Vacancy Announcements Processed | 120 | 120 | 120 | --- |
| Classification Audits Conducted and Positions Reviewed | 100 | 100 | 100 | --- |
| Personnel Actions Processed | 2,500 | 2,500 | 2,500 | --- |
| PAY/PERS Processing | 3,500 | 3,500 | 3,500 | --- |
| Employment and Financial Interest and Public Disclosure Statements Processed | 2,000 | 2,150 | 2,150 | --- |
| Personnel Management Evaluations Conducted | 1 | 2 | 2 | --- |
| Personnel Policies/ Procedures Issued | 50 | 50 | 50 | --- |
| Training Requests Processed & Reviewed | 1,500 | 1,500 | 1,500 | --- |
| Executive/Managerial Training Processed | 150 | 150 | 150 | --- |
| Training Courses Developed/Presented | 16 | 20 | 20 | --- |
| Performance Appraisal/ Merit Pay Reviews Conducted | 1,000 | 1,200 | 1,200 | --- |
| Employee Relations Cases Processed/ Guidance Given | 900 | 900 | 900 | --- |
| Labor Relations Cases Processed/Guidance Given | 150 | 200 | 225 | +25 |
| Worker Compensation Cases, Incentive Awards, Beneficial Suggestions, and Retirements Processed | 440 | 440 | 440 | --- |

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

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

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

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

   The MMS established a property management system for the Office of Surface Mining Reclamation and Enforcement (OSM) under an intra-agency agreement. In FY 1991 MMS will provide the required services in maintaining the system on a reimbursable basis.

## SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Award Contracts | 250 | 230 | 245 | +15 |
| Award Small Purchases | 1,600 | 1,650 | 1,700 | +50 |
| Administer Contracts | 370 | 395 | 420 | +25 |
| Conduct Acquisition Management Reviews: | | | | |
| Primary | 1 | 1 | 2 | +1 |
| Follow-up | 0 | 1 | --- | -1 |
| Update Property Management Records | 8,230 | 8,500 | 9,000 | +500 |
| OSM Transactions | 6,178 | 4,300 | 1,000 | -3,300 |
| Contractor-Property Transactions | 0 | 800 | 1,300 | +500 |
| Conduct Property Management Reviews of ASC's | 1 | 1 | 1 | --- |
| Issue Individual Inventories of Controlled Property | 225 | 200 | 200 | --- |
| Review Property Survey Board Actions | 20 | 20 | 20 | --- |
| Process Printing Requests | 451 | 500 | 600 | +100 |
| Desk Top Publishing | 46 | 50 | 100 | +50 |
| Issue Supplies: | | | | |
| Filling Orders | --- | 1,500 | 2,000 | +500 |
| Ordering/Restocking | --- | 1,000 | 1,500 | +500 |
| Inventory Reconciliation | --- | 2,000 | 2,500 | +500 |
| Develop Procurement Policy Directives | 22 | 25 | 25 | --- |
| Issue Information Requests or Transmittals | 90 | 100 | 100 | --- |
| Prepare Pricing Reports: | | | | |
| Pre-award | 60 | 50 | 45 | -5 |
| Closeout | 20 | 12 | 30 | +18 |
| Process Audit Requests: | | | | |
| Pre-award | 20 | 20 | 20 | --- |
| Closeout | 11 | 11 | 20 | +9 |
| Initiate, Review, and Implement Special Projects | 300 | 325 | 350 | +25 |
| Analyze, Revise, or Provide Written Guidance on Procurement Approval Requests | 26 | 30 | 35 | +5 |
| Review and Adjudicate GAO/OIG/Departmental (PAM) Audit Investigations | 5 | 10 | 10 | --- |
| Respond to GAO/GSA/CO Protests | 0 | 5 | 5 | --- |
| Conduct Internal Control Reviews | 1 | 2 | 2 | --- |

Information Resources Management (IRM). The IRM Division is responsible for direction and review of the MMS's IRM programs. These include planning, analyses, and direction for data administration and telecommunication; office automation; security of data, systems, and equipment; and operation, maintenance, and improvement of the administrative systems, such as the Advanced Budget/Accounting Control and Information System (ABACIS) and Payroll/Personnel System (PAY/PERS).

In FY 1991, the Division will issue the annual MMS Automated Data Processing (ADP) Strategic Plan, providing the Department consolidated budgetary and planning information on the MMS's ADP activities and future programs. The Division will also participate in Bureauwide efforts identified in the MMS ADP Strategic Plan, such as cyclical reviews of current systems; telecommunications activities; common data elements and standards between program areas; information resources security; awareness of and analysis of ADP costs; future ADP hardware, microcomputer, and electronic mail policy; and analysis of ADP roles and responsibilities. The plan calls for development of a number of new administrative systems, consistent with Department wide systems initiatives, (e.g., an integrated property and procurement system, an improved activities/correspondence control system, and ad hoc retrievals under the new Federal Personnel Payroll System). Some of these tasks will be initiated in FY 1991.

The Division will continue to provide administrative and technical support to the ADP Review Council in the planning and oversight of ADP projects. The Division will participate in implementing and executing a departmental Strategic Framework for Information Resources Management to increase productivity, improve the management and delivery of information, and increase effectiveness in the use of technology. The system life cycle management, the IRM review, and the ADP security programs will continue.

Maintenance efforts and improvements to existing administrative systems will continue. Support of the Office of Surface Mining's controlled property tracking requirements will continue to be provided using the Property Management System. Similarly, the departmental requirement to furnish data on vehicle costs will be satisfied for both MMS and OSM by means of the Vehicle Maintenance Systems (VMS). Assistance will be given, as required, in the conversion efforts to the Federal Personnel Payroll System (FPPS). This will require significant development efforts to accommodate new requirements in a new hardware and software environment. Existing hardware and software will be evaluated for utility in supporting the new departmental system, and expected procurements should be accomplished early in the fiscal year. Support for Headquarters microcomputer users and local area networks will continue, and connectivity among program functions will be reviewed and enhanced. The Administration local area network will become fully implemented with all Divisions participating.

## SELECTED WORKLOAD OUTPUTS

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

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Maintain/Operate Administrative Systems | 17 | 16 | 17 | +1 |
| Develop/Enhance (Major) Administrative Systems | 7 | 7 | 5 | -2 |
| Operate Vendor-Supplied Systems | 8 | 11 | 20 | +9 |
| Issue MMS ADP Strategic Plan | 1 | 1 | 1 | --- |
| Conduct ADP Security Reviews | 2 | 3 | 5 | +2 |
| Participate in Departmental IRM Projects | 6 | 6 | 6 | --- |
| Respond to Requests for ADP Data | 10 | 9 | 8 | -1 |
| Perform Studies of Bureau ADP/Telecommunications Operations | 7 | 6 | 6 | --- |
| Prepare Planning Documents (5 yr. ADP/Telecommunication Plan) | 3 | 3 | 3 | --- |
| ADP Acquisition Reviews | 400 | 500 | 500 | --- |

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

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

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

## SELECTED WORKLOAD OUTPUTS

The summary of selected workload outputs for the Administrative Service Centers are:

| | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate | Inc.(+) Dec.(-) |
|---|---|---|---|---|
| Small Purchases Processed | 4,425 | 4,654 | 4,854 | +200 |
| Contracts Awarded | 98 | 135 | 142 | +7 |
| Contracts Administered | 94 | 125 | 130 | +5 |
| Property Actions | 17,984 | 13,000 | 16,150 | +3,150 |
| Property Inventoried | 1,993 | 2,060 | 2,140 | +80 |
| Space Utilization Studies/Layouts | 63 | 68 | 82 | +14 |
| Building Services/ Repairs/Complaints | 3,009 | 3,175 | 3,375 | +200 |
| Telephone Connects/ Disconnects Processed | 1,275 | 1,360 | 1,365 | +5 |
| Safety Inspections/Accident Investigations | 76 | 59 | 60 | +1 |
| Security Clearances Processed | 363 | 395 | 395 | 0 |
| Positions Reviewed | 798 | 510 | 535 | +25 |
| Vacancy Announcements Processed | 184 | 180 | 170 | -10 |
| Training Courses Deve- loped/Presented | 18 | 13 | 13 | 0 |
| Training Requests Processed & Reviewed | 3,940 | 3,490 | 3,450 | -40 |
| Personnel Actions Processed | 4,320 | 5,600 | 5,500 | -100 |
| Employee Relations Cases Processed/ Guidance Given | 2,612 | 2,375 | 2,350 | -25 |
| BPA Calls Processed | 1,048 | 1,025 | 1,125 | +100 |
| Invoices Processed | 5,162 | 5,050 | 5,200 | +150 |
| Mail Processed | 1,233,650 | 1,425,000 | 1,430,000 | +5,000 |
| Reproduction Work | 4,921,672 | 5,300,000 | 5,300,000 | 0 |
| Imprest Fund Actions | 3,033 | 3,130 | 3,250 | +120 |
| Payroll/Personnel System Input | 67,431 | 60,800 | 61,600 | +800 |

Increase from 1991 base

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| | | (Dollar amounts in thousands) | |
| $ | 10,271 | 10,744 | +473 |
| (FTE) | (228) | (229) | (+1) |

Centralized training (+$103,000, +1 FTE)

This initiative will centralize certain training activities and achieve program efficiencies by:

1. Procuring a contractor to provide Contracting Officer Technical Representative (COTR) training required by MMS, and Procurement Ethics Training as required by procurement regulations; and

2. Establishing an in-house training facility in the newly consolidated Northern Virginia headquarters location.

Funding of this initiative will be achieved by transferring resources from the OCS Lands and Royalty Management Programs to the Administrative Operations subactivity.

Recent concerns about procurement activities across the Government have led to the recognition that insufficient emphasis has been placed on training of Government employees in the management of contracts. The MMS requires 24 hours of training for COTR's. Unfortunately, at the present time, this training is somewhat random and subject to course availability and funding constraints. Furthermore, due to changing laws and regulations governing procurement activities, even employees who were trained previously are in need of new training. About 200-300 employees require training in procurement rules and regulations so that they may function effectively as COTR's. If training is obtained on an individual basis, costs can range from $350-$875 per course.

Additionally, procurement regulations establishes training requirements on procurement ethics for all officials involved in the procurement process. It is estimated that about 750 employees require appropriate ethics training classes.

The second element of this centralized training initiative is made possible by the recent consolidation of all Northern Virginia headquarters and regional components into one facility. This move has enabled MMS to establish its own in-house training facility. As a result, the Personnel Division can now offer in-house courses tailored specifically to the needs of employees rather than relying solely on more generalized courses provided by other entities. This flexibility in meeting training needs is expected to provide improved training for employees. A further benefit of this initiative is the expected cost efficiencies which will be achieved by directly contracting for training classes instead of obtaining training through other organizations on a reimbursable basis. To implement this initiative, one FTE and $79,000 are to be transferred from the OCS Lands Activity and $24,000 from Royalty Management Activity to this subactivity. OCS Lands Activity staff are expected to be the primary beneficiaries of this initiative.

Equipment modernization (+$370,000)

This increase would enhance productivity throughout the administrative organizations by providing funds for equipment modernization and upgrades.

Administrative Operations is a very salary-intensive subactivity. Pay raise absorptions have caused funds intended for periodic equipment replacement to be redirected to cover the unfunded pay increases. The administrative organization, thus, finds itself in a situation where equipment is wearing out and certain functions have not been able to utilize modern technology to develop and automate processes to enhance productivity (e.g., an SF-52 tracking system).

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Compensation................. | +35 |
| Personnel Benefits..................... | +8 |
| Other Services......................... | +40 |
| Equipment.............................. | +390 |
| Total.......................... | +473 |

## Justification of Program and Performance

Activity: General Administration
Subactivity: General Support Services

(Dollar amounts in thousands)

| Subactivity | | FY 1990 Enacted to Date | FY 1990 Adjusted Approp. | FY 1991 Base | FY 1991 Estimate | Inc.(+) Dec.(-) from Base |
|---|---|---|---|---|---|---|
| General Support Services | $ | 17,104 | 16,866 | 18,051 | 16,029 | -2,022 |
| | (FTE) | --- | --- | --- | --- | --- |
| Total Requirements | $ | 17,104 | 16,866 | 18,051 | 16,029 | -2,022 |
| | (FTE) | --- | --- | --- | --- | --- |

Impact of Public Law 99-177

(In thousands of dollars)

| FY 1990 Enacted To Date | P.L. 99-177 B. A. Cancellation | FY 1990 Adjusted Appropriation |
|---|---|---|
| 17,104 | -238 | 16,866 |

Since General Support Services consists exclusively of fixed costs and support services, the cancellation of $238,000 must be distributed to program areas for absorption, thus further impacting MMS's ability to carry out its missions.

Authorization

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

### General Support Services

Objectives

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

- o Provide appropriate services to support the operating programs.

Program Description

The General Support Services subactivity includes funding for fixed costs and related support services for all of the MMS. Fixed costs include expenses for rental of office space, Federal Telecommunications System (FTS) service, and postage, etc. Rent, which is estimated at $12.2 million in FY 1991, is the payment for all Federal building space rental and associated expenses for the normal 40 hour, 5-day workweek.

The FTS cost of $1.3 million is based on data developed by the Department and actual FY 1989 costs. Commercial communication expenses of $0.4 million are based on FY 1990 estimates and include maintenance and local and long distance telephone and telecommunications expenses for headquarters offices located in the Washington, D.C. area.

A summary of the expenses for General Support Services is shown below:

(In thousands of dollars)

| | |
|---|---|
| Rent ................................ | 12,211 |
| Mail Services.......................... | 420 |
| Commercial Communications............... | 400 |
| Department of Interior Working Capital Fund and Miscellaneous Charges ....... | 724 |
| Federal Telecommunications System ...... | 1,256 |
| Reimbursable Services .................. | 346 |
| Employees' Compensation Fund ........... | 233 |
| Miscellaneous Costs.................... | 386 |
| Unemployment Compensation ............. | 53 |
| Total............................. | 16,029 |

Decrease from 1991 Base

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 18,051 | 16,029 | -2,022 |
| (FTE) | (---) | (---) | (---) |

Completion of Pacific OCS Regional Office Relocation (-$2,039,000)

A decrease of $2,039,000 is proposed due to the one-time expense related to the relocation of the Pacific OCS Regional office in Los Angeles, California, and the consolidation of the Ventura District office into a new single location in Ventura County, California.

Miscellaneous Services (-$54,000)

An additional decrease of $54,000 is possible due to the net reduction in miscellaneous costs such as courier services, operating building costs, and ZAP mail maintenance.

Take Pride in America (+$71,000)

The MMS is requesting $71,000 as its share of funding required to support the Department's Take Pride in America effort.

Take Pride in America is a national public awareness campaign designed to encourage wise use of the lands and resources shared by all Americans. Many Federal, State, local, and private sector organizations are involved in this program. The focus of the campaign is at the grassroots level. The campaign is not intended to be a vast Federal program, but rather to provide a unifying theme for thousands of local and individual activities. Through national public service announcements, public-private partnerships, a national awards program, and other activities, the campaign seeks to provide a boost for stewardship action and awareness efforts around the nation.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Personnel Benefits.................... | -700 |
| Travel and Transportation of Personnel. | -106 |
| Equipment............................. | -125 |
| Transportation of Things.............. | -243 |
| Other Services........................ | -848 |
| Total.......................... | -2,022 |

**DEPARTMENT OF THE INTERIOR**
**Minerals Management Service**
**Leasing and Royalty Management**
**Program and Financing (In thousands of dollars)**

| 14-1917-0-1-302 | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate |
|---|---|---|---|
| **Program by activities:** | | | |
| DIRECT PROGRAM: | | | |
| 00.0101 Outer Continental Shelf Lands...... | 90,682 | 90,157 | 100,651 |
| 00.0201 Royalty Management................ | 52,201 | 54,255 | 61,519 |
| 00.0301 General Administration............ | 27,375 | 31,631 | 32,082 |
| 00.9101 Total direct program............ | 170,258 | 176,043 | 194,252 |
| 01.0101 Reimbursable program.............. | 399 | 2,470 | 2,470 |
| **10.0001 Total obligations...............** | **170,657** | **178,513** | **196,722** |
| FINANCING: | | | |
| Offsetting collections from: | | | |
| 11.0001 Federal funds..................... | -399 | -1,270 | -1,270 |
| 14.0001 Non-Federal sources............... | --- | -1,200 | -1,200 |
| 21.4001 Unobligated Balance Available, Start of Year...................... | --- | -1 | -- |
| 24.4001 Unobligated Balance Available, End of Year........................ | 1 | --- | -- |
| 25.0001 Unobligated balance lapsing........ | 486 | --- | -- |
| 39.0001 Budget Authority.................. | 170,745 | 176,042 | 194,252 |
| 40.0001 Budget authority (appropriation)... | 170,745 | 178,525 | 194,252 |
| 40.0009 Reduction pursuant to P.L. 99-177.. | --- | -2,483 | -- |
| 43.0001 Budget Authority, Net............. | 170,745 | 176,042 | 194,252 |
| Relation of obligations to outlays: | | | |
| 71.0001 Obligations incurred, net.......... | 170,258 | 176,043 | 194,252 |
| 72.4001 Obligated balance, start of year......................... | 74,802 | 68,794 | 68,874 |
| 74.4001 Obligated balance, end of year......................... | -68,794 | -68,874 | -72,358 |
| 77.0001 Adjustment in Expired Accounts..... | -813 | --- | --- |
| **90.0001 OUTLAYS.........................** | **175,453** | **175,963** | **190,768** |

## Summary of Requirements by Object Class

**Appropriation: Leasing and Royalty Management** **(Dollar amounts in Thousands)**

| Object Class | | FY 1991 Base FTE | FY 1991 Base Amount | FY 1991 Estimate FTE | FY 1991 Estimate Amount | Difference FTE | Difference Amount |
|---|---|---|---|---|---|---|---|
| 11. | Personnel Compensation: | | | | | | |
| 11.1 | Full-time permanent | 1,966 | 74,341 | 2,009 | 75,767 | 43 | 1,426 |
| 11.3 | Other than full-time permanent | 100 | 2,180 | 100 | 2,180 | --- | --- |
| 11.5 | Other personnel compensation | 9 | 1,172 | 9 | 1,172 | --- | --- |
| 11.8 | Special personal services payments | --- | 11 | --- | 11 | --- | --- |
| 11.9 | Total Personnel Compensation | 2,075 | 77,704 | 2,118 | 79,130 | 43 | 1,426 |
| 12.1 | Personnel benefits: civilian | | 17,200 | | 16,842 | | -358 |
| 13.0 | Benefits for former personnel | | 53 | | 53 | | --- |
| 21.0 | Travel and transportation of persons | | 4,426 | | 4,854 | | 428 |
| 22.0 | Transportation of things | | 410 | | 168 | | -242 |
| 23.1 | Standard level user charges | | 11,085 | | 11,085 | | --- |
| 23.2 | Rental payments to others | | 90 | | 123 | | 33 |
| 23.3 | Communications, utilities and miscellaneous charges | | 2,321 | | 2,342 | | 21 |
| 24.0 | Printing & reproduction | | 1,100 | | 1,115 | | 15 |
| 25.0 | Other services | | 60,663 | | 72,887 | | 12,224 |
| 26.0 | Supplies and materials | | 2,206 | | 2,278 | | 72 |
| 31.0 | Equipment | | 2,823 | | 3,233 | | 410 |
| 41.0 | Grants, subsidies and contributions | | 200 | | 136 | | -64 |
| 42.0 | Insurance claims and indemnities | | 6 | | 6 | | --- |
| | TOTAL Requirements | | 180,287 | | 194,252 | 43 | 13,965 |

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

| 14-1917-0-1-302 | FY 1989 Actual | FY 1990 Estimate | FY 1991 Estimate |
|---|---|---|---|
| Direct Obligations: | | | |
| PERSONNEL COMPENSATION | | | |
| 111.10 Full-time permanent.................. | 70,787 | 73,347 | 75,325 |
| 111.30 Other than full-time permanent....... | 2,076 | 2,140 | 2,180 |
| 111.50 Other personnel compensation......... | 1,133 | 1,178 | 1,172 |
| 111.80 Special personal services payments... | 10 | 10 | 11 |
| 111.90 Total personnel compensation...... | 74,006 | 76,675 | 78,688 |
| 112.10 Civilian personnel benefits.......... | 14,990 | 16,382 | 16,732 |
| 113.00 Benefits for former personnel........ | 94 | 53 | 53 |
| 121.00 Travel and transportation of persons. | 4,027 | 4,577 | 4,854 |
| 122.00 Transportation of things............. | 408 | 410 | 168 |
| 123.10 Rental payments to GSA............... | 8,894 | 10,571 | 11,085 |
| 123.20 Rental payments to others............ | 114 | 90 | 123 |
| 123.30 Communications, utilities and miscellaneous charges.............. | 3,226 | 2,151 | 2,342 |
| 124.00 Printing and Reproduction............ | 1,075 | 1,100 | 1,115 |
| 125.00 Other services....................... | 58,015 | 58,574 | 73,439 |
| 126.00 Supplies and materials............... | 2,216 | 2,283 | 2,278 |
| 131.00 Equipment............................ | 2,979 | 2,972 | 3,233 |
| 141.00 Grants, subsidies, and contributions. | 213 | 199 | 136 |
| 142.00 Insurance claims and indemnities..... | 1 | 6 | 6 |
| **199.00 SUBTOTAL, direct obligations.........** | **170,258** | **176,043** | **194,252** |
| Reimbursable Obligations: | | | |
| 211.10 Reimbursable, Full-Time Perm Pos..... | 24 | 0 | 0 |
| 211.90 Reimbursable, Total Personnel Comp... | 24 | 0 | 0 |
| 212.10 Reimbursable, Personnel Benefits..... | 3 | 0 | 0 |
| 225.00 Other services....................... | 372 | 2,470 | 2,470 |
| **299.00 SUBTOTAL, reimbursable obligations...** | **399** | **2,470** | **2,470** |
| **999.90 Total obligations................** | **170,657** | **178,513** | **196,722** |

**DEPARTMENT OF THE INTERIOR**
**Minerals Management Service**
**Leasing and Royalty Management**
**Personnel Summary**

| 14-1917-0-1-302 | FY 1989 Estimate | FY 1990 Estimate | FY 1991 Estimate |
|---|---|---|---|
| Direct: | | | |
| Total number of full-time permanent positions | 1,966 | 2,009 | 2,041 |
| Total compensable workyears: Full-time equivalent employment | 2,056 | 2,076 | 2,109 |
| Full-time equivalent of overtime and holiday hours | 10 | 10 | 9 |
| Average ES salary | $76,394 | $79,167 | $82,038 |
| Average GS grade | 10.54 | 10.52 | 10.52 |
| Average GS salary | $35,844 | $37,134 | $38,434 |
| Average salary of ungraded positions | $10,640 | $11,023 | $11,409 |

**DEPARTMENT OF INTERIOR**
**Minerals Management Service**
**Leasing and Royalty Management**
**Detail of Permanent Employment**

| 14-1917-0-1-302 | FY 1998 Actual | FY 1990 Estimate | FY 1991 Estimate |
|---|---|---|---|
| ES-6 | 2 | 2 | 2 |
| ES-5 | 3 | 3 | 3 |
| ES-4 | 9 | 9 | 9 |
| ES-3 | 2 | 2 | 2 |
| ES-2 | 1 | 1 | 1 |
| ES-1 | 1 | 1 | 1 |
| Subtotal | 18 | 18 | 18 |
| GS/GM-15 | 69 | 70 | 72 |
| GS/GM-14 | 172 | 174 | 175 |
| GS/GM-13 | 406 | 416 | 422 |
| GS-12 | 461 | 466 | 472 |
| GS-11 | 153 | 158 | 160 |
| GS-10 | 43 | 42 | 41 |
| GS-9 | 127 | 135 | 146 |
| GS-8 | 37 | 36 | 36 |
| GS-7 | 136 | 144 | 149 |
| GS-6 | 131 | 133 | 134 |
| GS-5 | 126 | 129 | 127 |
| GS-4 | 76 | 75 | 75 |
| GS-3 | 9 | 11 | 12 |
| GS-2 | 0 | 0 | 0 |
| GS-1 | 0 | 0 | 0 |
| Subtotal | 1,946 | 1,989 | 2,021 |
| Ungraded | 2 | 2 | 2 |
| **Total permanent employment, end of year** | **1,966** | **2,009** | **2,041** |

Appropriation Summary Statement

Minerals Management Service

Appropriation: Payments to States from Receipts under Mineral Leasing Act

Payments to States from Receipts under Mineral Leasing Act: (+$11,643,000)

In accordance with 30 U.S.C. 181 et seq. (the Mineral Leasing Act), all States (except Alaska) are paid 50 percent of the receipts from bonuses, royalties, and rentals resulting from the leasing of mineral resources under the Act, on public domain and certain acquired lands. Alaska is paid 90 percent of the receipts from such leasing.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) required monthly, instead of semi-annual, payments to a State of its share of mineral leasing receipts from federal leases within the State (and of payor late payment interest collected under that Act on oil and gas royalties from public domain lands) and payments to Indian accounts of mineral leasing receipts from leases on Indian lands. Additionally, FOGRMA mandates the payment of late disbursement interest to States and Indians for those disbursements which do not meet the FOGRMA prescribed timeframes. This appropriation provides for monthly payments to all States for their share of revenues realized as a result of mineral leasing activities under the MLA on Federal lands within their boundaries.

Miscellaneous Payments (+$558,000)

-- Interest on Late Payments. An increase of $200,000 is requested to pay interest to States and Indian accounts when mineral leasing revenues are not disbursed by the dates prescribed in 30 U.S.C. 191 and 1714, as required under 30 U.S.C. 1721(b) and (d).

-- Interest on Refunds. An increase of $150,000 is requested to pay interest to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government. *

-- Rewards. An increase of $200,000 is requested to reward persons who provide information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government.

-- Refunds. An increase of $8,000 is requested to pay certain one-time refund payments for successfully appealed bills due on Indian allottee leases. *

* Authorization required.

Appropriation Language Sheet

PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

In fiscal year 1991, from amounts received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Leasing Act of 1920, as amended, and the Geothermal Steam Act of 1970, as amended, which are not otherwise payable, for the following payments: (1) such amounts as may be necessary for interest owing to States, Indian Tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714, and 1721(b) and (d); (2) $8,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due; and (3) such amounts as may be necessary for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government in accordance with 30 U.S.C. 1723.

Further, during fiscal year 1991 and each fiscal year thereafter, from amounts received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for payment of interest on any refund of any amounts paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian Tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law. Interest shall be paid without regard to whether the amounts refunded were paid to the Secretary before or after the date of enactment of this Act, and shall be from the date of payment until the date of refund except that interest on refunded amounts paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978.

Justification of Proposed Language Changes

PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

1. "In fiscal year 1991 from amounts received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Lands Leasing Act of 1920, as amended, and the Geothermal Steam Act of 1970, as amended, which are not otherwise payable, for the following payments: (1) such amounts as may be necessary for interest owing to States, Indian Tribes, or Indian allottees in accordance with 30 U.S.C. 191, 1714, and 1721(b) and (d);"

This is an annual provision which asks for an appropriation to pay authorized late disbursement interest to the States from undistributed mineral leasing receipts.

2. "(2) $8,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due;"

This provision would allow the MMS to make refunds from undistributed mineral leasing receipts on behalf of certain Indian allottees. The allottees do not have the monies to pay refunds to the companies, and as the monthly rents and royalties currently collected on the affected leases are either so small or nonexistent, recoupment from future royalty payments is not possible in a reasonable time. As a matter of fairness, the MMS asks for authority to reimburse the companies and for an appropriation to do so.

Past policy required the MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible. New procedures allow the companies to post bonds for the disputed amounts and to have the MMS suspend the disputed payment. Only after the appeal is settled would the MMS distribute BIA's portion. Due to these new procedures, the need for these settlements should not recur for bills issued after 1987. However, settlements may be necessary for bills issued prior to 1987.

3. "(3) such amounts as may be necessary for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government in accordance with 30 U.S.C. 1723;"

This is an annual provision which requests an appropriation to pay FOGRMA authorized rewards from undistributed mineral leasing receipts.

4. "Further, during fiscal year 1991 and each fiscal year thereafter, from amounts received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation

Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for payment of interest on any refunds of any amount paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian Tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law. Interest shall be paid without regard to whether the amounts refunded were paid to the Secretary before or after the date of enactment of the act, and shall be from the date of payment until the date of refund except that interest on refunded amounts paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978."

This provision would give the MMS permanent, indefinite authority to pay, from undistributed mineral leasing receipts, appropriate interest on all refunded payments for the period of time during which the disputed amount has been in the accounts of the Government, thus reflecting greater fairness and better business practice toward all royalty payors. Interest shall be paid without regard to whether the monies refunded were paid to the Secretary before or after the date of enactment of this Act.

## Appropriation Language Citations

### PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

1. "In fiscal year 1991, from amounts received from sales, bonuses, royalties, (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands under the provisions of the Mineral Leasing Act of 1920, as amended,"

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

   The Mineral Leasing Act, provides for the sharing of receipts with States from various mineral leasing activities on Federal public domain lands within their boundaries.

2. "and the Geothermal Steam Act of 1970, as amended,"

   30 U.S.C. 1001 *et seq.*

   The Geothermal Steam Act of 1970 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

3. "which are not otherwise payable, for the following payments: (1) such amounts as may be necessary for interest owing to the States, Indian Tribes, or Indian allottees in accordance with 30 U.S.C. 191, and 1721(b) and (d);"

   30 U.S.C. 1721(b) and (d)

   The Federal Oil and Gas Royalty Management Act of 1982 provides for monthly payments to a State of its share of royalty funds from oil and gas production on Federal public domain lands within the State and to Indian accounts on production from leases on Indian lands, and for payments of interest to States and Indian accounts when funds are not disbursed as required by 30 U.S.C. 191 and 1714.

4. "(2) $8,000 for refunds of overpayments made by companies in connection with certain Indian leases in which the Director concurred with the claimed refund due;"

   This provision is being proposed to allow MMS to refund companies amounts successfully appealed which are due from Indian allottees.

5. "(3) such amounts as may be necessary for payment of rewards to persons who provide information to the Government which results in the collection of additional mineral lease revenues owed to the Government in accordance with 30 U.S.C. 1723;"

   30 U.S.C. 1723

   The Federal Oil and Gas Royalty Management Act of 1982 authorizes payment of a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government.

6. "Further, during fiscal year 1991 and each fiscal year thereafter, from amounts received from sales, bonuses, royalties (including interest charges collected under the Federal Oil and Gas Royalty Management Act of 1982), and rentals of the public lands and the Outer Continental Shelf under the provisions of the Mineral Leasing Act of 1920, as amended, the Geothermal Steam Act of 1970, as amended, and the Outer Continental Shelf Lands Act of 1953, as amended, which are not payable to a State or to the Reclamation Fund, and notwithstanding section 10(a) of the Outer Continental Shelf Lands Act of 1953, such amounts as may be necessary shall be available for the payment of interest on any refund of any moneys paid to the Secretary as royalty or any other payment made under or in connection with any lease or leasing law administered by the Secretary for exploration or development of oil, gas, coal, any other mineral, or geothermal steam, which are the subject of any administrative appeal or action for judicial review and which are determined not to be due or owing to the United States or any State, Indian Tribe, Indian allottee, Alaska native corporation (under any lease which the Secretary administers for such corporation) or any other recipient to whom any portion of mineral revenues is paid pursuant to applicable law. Interest shall be paid without regard to whether the amounts refunded were paid to the Secretary before or after the date of enactment of this Act, and shall be from the date of payment until the date of refund except that interest on refunded amounts paid to the Secretary before the date of enactment of this Act shall be paid only from the date of enactment of this Act until the date of refund, and at the rate equal to the rate determined by the Secretary of the Treasury for interest payments under section 12 of the Contract Disputes Act of 1978."

   This provision is being proposed to allow the MMS to pay appropriate interest on successfully appealed bills. This would reflect greater fairness and better business practice towards royalty payors.

## Summary of Requirements

Appropriation: Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

| | FTE | Amount |
|---|---|---|
| Appropriation Enacted, 1990 .................. | --- | 471,043 |
| Base Adjustments............................ | --- | ----- |
| 1991 Base Budget............................ | --- | 471,043 |

| Comparison by Activity/Subactivity | FY 1989 Actual FTE | FY 1989 Actual Amount | FY 1990 Enacted to Date FTE | FY 1990 Enacted to Date Amount | PL 99-177 Reserve Amount | FY 1990 Adj.Approp. FTE | FY 1990 Adj.Approp. Amount | FY 1991 Base FTE | FY 1991 Base Amount | FY 1991 Estimate FTE | FY 1991 Estimate Amount | Inc(+)/Dec(-) From FY 1990 Enacted FTE | Inc(+)/Dec(-) From FY 1990 Enacted Amount | Inc(+)/Dec(-) From FY 1990 Adj. Approp. FTE | Inc(+)/Dec(-) From FY 1990 Adj. Approp. Amount | Inc(+)/Dec(-) From FY 1991 Base FTE | Inc(+)/Dec(-) From FY 1991 Base Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payments to States from Receipts under Mineral Leasing Act | --- | 432,363 | --- | 471,043 | -13,347 | --- | 471,043 1/ | --- | 471,043 | --- | 482,686 | --- | +11,643 | --- | +11,643 | --- | +11,643 |
| Miscellaneous Payments | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | 558 | --- | +558 | --- | +558 | --- | +558 |
| | --- | 432,363 | --- | 471,043 | -13,347 | --- | 471,043 | --- | 471,043 | --- | 483,244 | --- | +12,201 | --- | +12,201 | --- | +12,201 |

1/ In accord with P.L. 99-177, as amended, this amount includes an obligation limitation at $457,696 and a resultant deferral of $13,347 which will remain in the account and be available for use in FY 1991, to the extent permitted by law. The FY 1990 and 1991 amounts are based on the receipt estimates used in the FY 1991 President's Budget.

## Justification of Program and Performance

Activity: Payments to States from Receipts under Mineral Leasing Act

(Dollar amounts in thousands)

| Activity | | FY 1990 Enacted to Date | FY 1990 Adjusted Appropr'n | FY 1991 Base | FY 1991 Estimate | Inc.(+)/ Dec.(-) from Base |
|---|---|---|---|---|---|---|
| Payments to States | $ (FTE) | 471,043 (---) | 471,043 [1] (---) | 471,043 (---) | 482,686 (---) | +11,643 (---) |

### Impact of Public Law 99-177

(In thousands of dollars)

| Activity | FY 1990 Enacted to Date | P.L. 99-177 Obligation Limitation | FY 1990 Adjusted Appropr'n |
|---|---|---|---|
| Payments to States | 471,043 | -13,347 | 471,043 |

In accord with P.L. 99-177, as amended, this amount includes an obligation limitation at $457,696 and a resultant deferral of $13,347 which will remain in the account and be available for use in FY 1991, to the extent permitted by law.

### Authorizations

30 U.S.C. 181, *et seq.* — The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty Management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that 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

[1] In accord with P.L. 99-177, as amended, this amount includes an obligation limitation at $457,696 and a resultant deferral of $13,347 which will remain in the account and be available for use in FY 11991, to the extent permitted by current law.

| | |
|---|---|
| | 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 the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States. |
| 30 U.S.C. 191a | This law authorizes the sharing of all late payment interest collected on all Government lands and from all minerals categories. This law applies to all interest paid to the Government on or after July 1, 1988. Any interest the Government has improperly shared prior to July 1, 1988, shall not be recouped from any recipient. |
| 30 U.S.C. 104(a), 30 U.S.C. 191, as amended | The Federal Oil and Gas Royalty Management Act of 1982 authorizes the monthly sharing with the States oil and gas royalties and all other charges collected from oil and gas leases located on public domain lands. |

Objective

- o Provide payments to the States on a monthly basis for their share of mineral leasing receipts and associated payor late payment interest from Federal lands within their boundaries which are subject to the Mineral Leasing Act distribution formula.

Base Program

This activity provides for payments to all States due shares of mineral leasing receipts and payor late payment interest realized as a result of the leasing of minerals on Federal lands located within the boundaries of the States. Revenues for these payments are accrued from bonuses, rentals, and royalties collected from Federal onshore mineral leases. The payment a State receives is based on the total revenues collected from mineral leasing and production within their boundaries.

The Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., provides that all States be paid 50 percent of the revenues from bonuses, royalties, and rentals resulting from the leasing of mineral resources on Federal public domain lands within their borders (except Alaska which receives 90 percent). The estimate of payments to each State for any future fiscal year is an allocation based on the projected total mineral leasing receipts during that year. The actual payments from the prior fiscal year are used to determine the estimated allocation by State.

whatever "mineral resources"!

In addition, FOGRMA authorized sharing with the States payor late payment interest accrued from oil and gas leases located on public domain lands.

30 U.S.C. 191a authorizes sharing with the States and all other recipients any interest on payor late payments accrued from all payments due on all Government lands, and from all minerals. Interest received by the Government on or after July 1, 1988, has been shared in the same manner as the rents, royalties, or bonuses with respect to which it is paid.

Distribution to the States

Figure 6 details the steps in this derivation process in flow chart form. Table 4 provides the amounts distributed or planned for distribution to the States during FY 1989-1991. The amount estimated for distribution to the States in FY 1991 increases from FY 1990 projected receipts due to an increase in the mineral leasing receipts as well as the inclusion of amount sequestered during FY 1990 under P.L. 99-177, as amended. The reader may find it useful to refer to Figure 6 and Table 4 while reading the following paragraphs.

MMS
BLM
+
Forest Serv

An estimate of the total gross mineral collections is obtained from the various agencies which administer the onshore mineral leasing programs. Then any applicable deductions are made for legislative proposals to derive a subtotal of mineral leasing receipts. In the FY 1991 budget, no legislative proposals affect mineral leasing receipts.

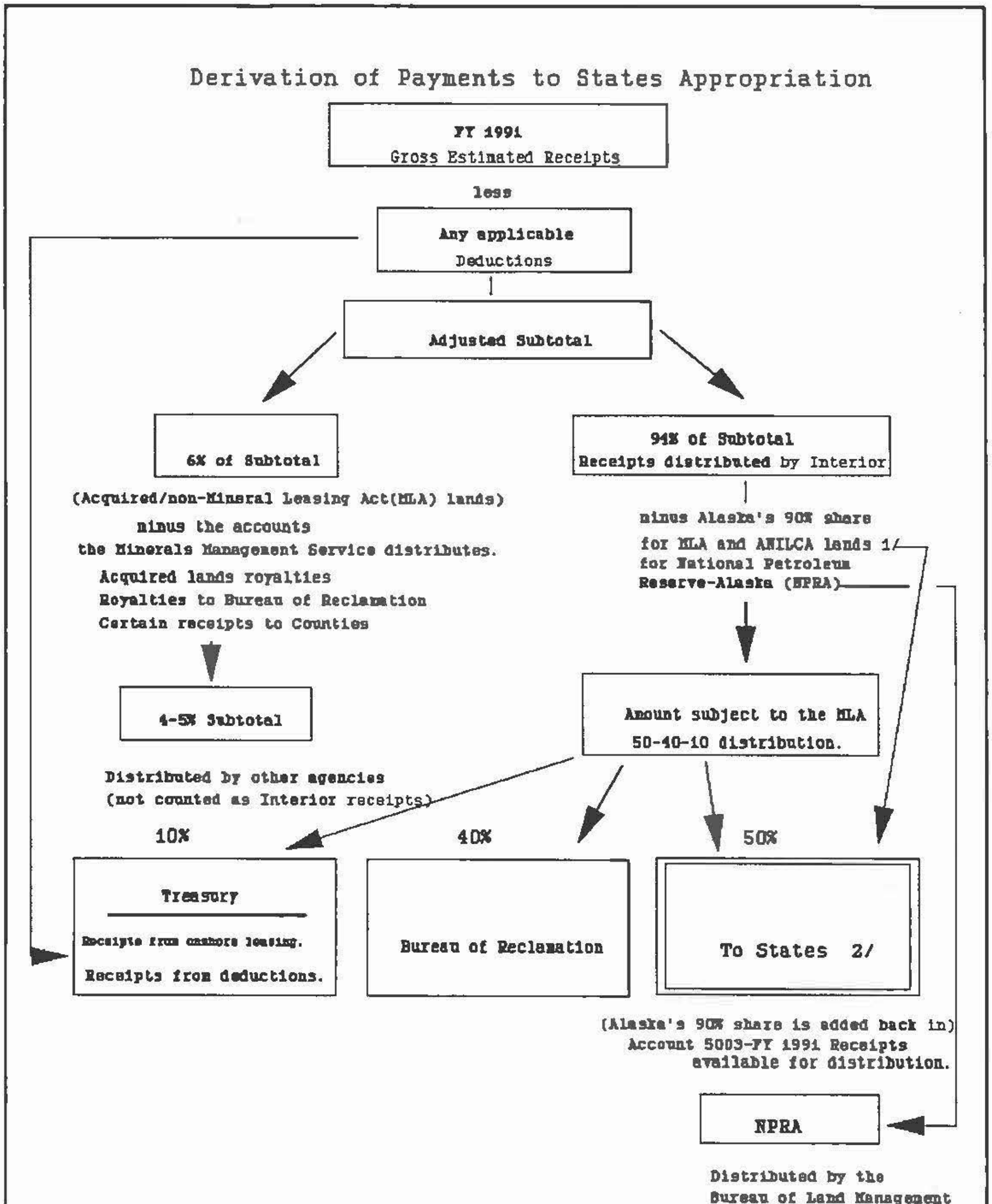
From this subtotal (gross collections less applicable deductions), six percent is then deducted which represents the amount collected for non-MLA lands ($61 million) and is based on past actuals. For the most part, these monies are distributed by other Federal agencies. These collections are not considered Interior receipts, do not follow the Mineral Leasing Act distribution formula, and therefore are not in the Payments to States calculations.

But are they on-shore mineral leasing receipts?

FWS +
Army Corp
of Engineers

The Payments to States estimate is derived from the remaining 94 percent of the mineral collections estimate. Its derivation may be tracked on the right hand side of the flow chart (Figure 6), or, if the reader prefers, Table 3 presents the same flow of events in dollar terms. Because of Alaska's unique revenue sharing arrangements, Alaska's estimated receipts are deducted prior to determination of amounts available for distribution to the Lower 48 States. After the Lower 48 States' 50 percent share is calculated, the amount to be distributed to Alaska for its 90 percent share of MLA collections is added to the Lower 48 total to arrive at the total amount to distribute through the Payments to States from Mineral Leasing Receipts activity account. Alaska's share of National Petroleum Reserve--Alaska (NPRA) receipts are not included in the Payments to States from Mineral Leasing Receipts activity account. They are distributed by the Bureau of Land Management through a separate account.

The estimate of the annual amount available for distribution to the States in a fiscal year must consider the approximately one month delay necessary for processing receipts collection and subsequent distribution. Receipts that are collected in September 1990 will be distributed in October 1990 (the following fiscal year). Thus, 11/12ths of budget year collections and 1/12th of current year collections are combined to equal the distribution amount in the budget year. The estimated distribution to each State is based on the percentage of total mineral leasing revenues historically generated within the boundaries of each State (Table 4).




1/ Alaska Native Indian Lands Conservation Act

2/ There is approximately one month of processing time between receipt and distribution. The States' share is paid out through the PAYMENTS TO STATES appropriation.

Figure 6

Table 3

METHOD OF ESTIMATING THE FY 1991
PAYMENTS TO STATES FROM MINERAL RECEIPTS
(Dollar amounts in thousands)

| | | FY 1990 | | FY 1991 | |
|---|---|---|---|---|---|
| Total Estimated Receipts | | 1,003,575 | | 1,022,438 | |
| Deduct: Any applicable proposals | | --- | | --- | |
| Total Receipts for Distribution | | 1,003,575 | | 1,022,438 | |
| Deduct: Other Distributions (6%) | | 60,215 | | 61,346 | |
| Available for Distribution to States (94% of receipts) | | 943,360 | | 961,092 | |
| Deduct: Alaska | | 7,010 | | 7,170 | |
| ANILCA | 1/ | 1,598 | | 1,438 | |
| NPRA | 2/ | 1,128 | | 1,128 | |
| Available to share with Lower 48 States | | 933,624 | | 951,356 | |
| Lower 48 States' 50% share | | 466,812 | | 475,678 | |
| add in Alaska's 90% share (includes ANILCA revenues) | | 7,747 | | 7,747 | |
| Receipts available for distribution to States | | 474,559 | | 483,425 | |
| Adjust for processing lag | | X 1/12 | | X 11/12 | |
| 1 month of FY 1990 plus 11 months of FY 1991 equals | | 39,530 | + | 443,156 | = |

**Payments to States from Mineral Leasing Receipts, SUBTOTAL...482,686**
**Amount deferred in FY 1990, in accord with**
**P.L. 99-277, as amended, now available for obligation:....... 13,347**

**TOTAL PAYMENTS TO STATES FROM MINERAL LEASING RECEIPTS.......496,033**

1/ Receipts collected on lands controlled by the Alaskan Native Indian Land Conservation Act.

2/ The NPRA receipts are deposited to a separate account for distribution to the state of Alaska.

Table 4
FY 1991 PRESIDENT'S BUDGET
MINERAL REVENUE PAYMENTS
(Dollar amounts in thousands)

| | FY 1989 Actual Payments | FY 1990 1/ Estimated Payments | FY 1991 2/ Estimated Payments |
|---|---|---|---|
| Alabama | 221 | 234 | 254 |
| Alaska | 8,608 | 9,112 | 9,876 |
| Arizona | 240 | 254 | 275 |
| Arkansas | 7,775 | 8,231 | 8,920 |
| California | 24,397 | 25,826 | 27,990 |
| Colorado | 32,596 | 34,506 | 37,396 |
| Florida | 186 | 197 | 213 |
| Idaho | 1,930 | 2,043 | 2,214 |
| Kansas | 830 | 879 | 952 |
| Louisiana | 452 | 478 | 519 |
| Michigan | 668 | 707 | 766 |
| Mississippi | 74 | 78 | 85 |
| Montana | 19,944 | 21,113 | 22,881 |
| Nebraska | 115 | 122 | 132 |
| Nevada | 9,283 | 9,827 | 10,650 |
| New Mexico | 88,219 | 93,388 | 101,210 |
| North Dakota | 4,981 | 5,273 | 5,715 |
| Ohio | 5 | 5 | 6 |
| Oklahoma | 1,904 | 2,016 | 2,184 |
| Oregon | 289 | 306 | 332 |
| South Dakota | 669 | 708 | 768 |
| Texas | 5 | 5 | 6 |
| Utah | 53,027 | 56,134 | 60,836 |
| Virginia | 20 | 21 | 23 |
| Washington | 208 | 220 | 239 |
| Wisconsin | 0.5 | 1 | 1 |
| Wyoming | 175,716 | 186,013 | 201,593 |
| **Total Payments** | **432,363** | **457,696** | **496,033** |

1/ FY 1990 payments reflect obligation limitation of $457,696 as required by P.L. 99-177, as amended.

2/ FY 1991 payments relect obligation of $13,347, deferred in FY 1990 until FY 1991 as a result of P.L. 99-177, as amended. FY 1991 payments also reflect increase of $11,643 in mineral leasing receipts due to an increase i mineral leasing receipts, as well as planned revisions to the current coal product value regulations.

(By State numbers may not add due to rounding).

Increase from 1990 Base (+$11,643)

(Dollar amounts in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | 471,043 | 482,686 | +11,643 |
| (FTE) | (---) | (---) | (---) |

The increase in the Payments to States budget authority is due to an increase in estimated mineral leasing receipts ($11.6 million).

**Detail of Changes from FY 1990**

The following is a detailed explanation of the FY 1991 increase in Payments to States over the FY 1990 Payments to States.

**Mineral Leasing Receipts**

FY 1991 mineral leasing receipts increase from FY 1990's due to increasing oil and gas royalties, based on increasing oil (+1.6 percent) and gas (+4.9 percent) prices. This offsets a slight (oil -0.6 percent and gas -1.6 percent) estimated decline in production. The Lower 48 States' oil and gas rental and bonus payments are estimated to increase based on recent actuals.

Coal bonuses are also estimated to increase based on recent industry interest as well as on the pending decertification of the Powder River Basin (PRB) region which will allow for leasing by application. Coal production (+2 percent) and price (+1.6 percent) are estimated to increase from FY 1990. Additionally, the FY 1991 budget proposes to change the coal product valuations. Allowances for Black Lung, AML fees, and State Severance taxes will not be included. This increases the States' payments by $18.5 million. However, these increases cannot offset an estimated decrease in coal royalties because the FY 1990 estimate includes $87 million from coal lease readjustment cases expected to be resolved during that fiscal year.

The receipts shown include the one month processing delay between receipt collection and distribution for comparability with the Payments to States from Receipts under Mineral Leasing Act activity. These receipts do not include amounts transferred to other agencies.

**Receipt Estimates based on the FY 1991 President's Budget**
(Dollars in thousands)

| Rents and Bonuses | FY 1990 Receipts | FY 1991 Receipts | Difference |
|---|---|---|---|
| Oil and Gas | 125,048 | 134,055 | 9,007 |
| Coal | 5,700 | 14,379 | 8,679 |
| Geothermal | 3,325 | 3,434 | 109 |
| Oil Shale | 3 | 3 | 0 |
| Other Minerals | 825 | 904 | 79 |
| | 134,901 | 152,775 | 17,874 |
| Royalties | | | |
| Oil and Gas | 509,309 | 525,791 | 16,482 |
| Coal | 261,363 | 250,300 | -11,063 |
| Geothermal | 19,366 | 19,909 | 543 |
| Oil Shale | 0 | 0 | 0 |
| Other Minerals | 19,511 | 18,961 | -550 |
| | 809,549 | 814,962 | 5,412 |
| TOTAL.................... | 944,450 | 967,736 | 23,286 |

**States receive approximately 50 percent of mineral leasing receipts..+11,643**

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Grants, subsidies, and contributions............ | +11,643 |

## Justification of Program and Performance

Activity: Miscellaneous Payments

(Dollar amounts in thousands)

Activity: Miscellaneous Payments

| Subactivity | FY 1990 Enacted to Date | FY 1990 Adjusted Appropr'n | FY 1991 Base | FY 1991 Estimate | Inc.(+)/ Dec.(-) from Base |
|---|---|---|---|---|---|
| Interest on Late Payments | --- | --- | --- | +200 | +200 |
| Interest on Refunds | --- | --- | --- | +150 | +150 |
| Rewards | --- | --- | --- | +200 | +200 |
| Refunds | --- | --- | --- | +8 | +8 |
| Total Requirement | --- | --- | --- | +558 | +558 |
| (FTE) | (---) | (---) | (---) | (---) | (---) |

### Authorizations

| | |
|---|---|
| 30 U.S.C. 1714, 1721(b), 1721(d), 30 U.S.C. 191, as amended | The Federal Oil and Gas Royalty Management Act of 1982 provides for timely payments of royalty funds and from oil and gas production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed by the date required under 30 U.S.C. 191 and 1714. |
| 30 U.S.C. 1723 | This provision of the Federal Oil and Gas Royalty Management Act of 1982 provides for payment of rewards to persons who furnish information resulting in recovery of mineral lease revenues owed to the government of up to 10 percent of amounts collected. |

### Objectives

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

- To assure an equitable payment of interest forgone is made to royalty payors who successfully appeal royalty payment orders and are refunded all or part of the principal paid to and held by the Government.

- To encourage receipt of information that results in the collection of additional mineral revenues owed to the Government.

Increase from FY 1990 Base (+558,000)

(Dollars in thousands)

| | FY 1991 Base | FY 1991 Estimate | Difference |
|---|---|---|---|
| $ | --- | +558 | +558 |
| (FTE) | (---) | (---) | (---) |

Indefinite amounts are requested for three different types of payments: (1) $200,000 to pay Interest on Late Payments, (2) $150,000 to pay Interest on Refunds, and (3) $200,000 to pay Rewards. A definite amount of $8,000 is requested for a refund type payment.

Interest on Late Payments (+$200,000)

The Federal Government shares with States revenues generated from most Federal mineral leasing activities within State boundaries. Indian lessors receive all the revenue from mineral leasing activities on their land. The Minerals Management Service collects, processes, accounts for, and audits, bonuses, rents, royalties, and interest due the Federal Government from mineral leasing activities and distributes shares to the Treasury, States, and various Indian accounts. Funding for this service is provided by three subactivities within the Royalty Management budget activity of the Leasing and Royalty Management appropriation--Mineral Revenue Collections, Mineral Revenue Compliance, and Systems Development and Operation.

The Payments to States from Mineral Leasing Receipts budget activity provides permanent, indefinite authority to pay the States their share of revenues. A portion of the Miscellaneous Payments activity is requested to provide funds to make payments of interest to States and Indian accounts when mineral leasing revenues due them are not disbursed within the timeframes prescribed by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA).

The FOGRMA changed the distribution of payments to the States for their share of mineral leasing revenues from a semi-annual to a monthly schedule. For States, payments must be made by the last business day of the month in which receipts are warranted by the United States Treasury. In addition, FOGRMA provides that deposits of any royalty funds from oil or gas production on Indian lands will be made to the "appropriate Indian account" at the earliest practicable date, but in no case later than the last business day of the month in which such funds are received. Section 111 (b) and (d) of the Act provides 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, an error which prevents a royalty accounting line item from processing through the system may occur, which will result in interest liability. Thus, in this instance, MMS has the cash available, but cannot determine to whom the cash belongs until the error is corrected.

In contrast to money due the States, Indian lease revenues are deposited in the Treasury the same day they are received and transferred to the Bureau of Indian Affairs (BIA) as soon as practicable (normally within 2 working days). MMS has undertaken several initiatives to reduce errors and keep interest owed on late disbursements to a minimum. These efforts have resulted in late interest payments being reduced from $1.16 million in FY 1985 to approximately $200,000 in the past two years. FY 1989 payments were $213,372. Late disbursement interest payments for FY 1991 are estimated at $200,000 once again.

Interest on Refunds (+$150,000)

Some royalty payors who contest a particular assessment or royalty payment obligation pay the disputed amounts to MMS pending administrative appeal or judicial review. In some cases, all or some portion of the amount paid is ultimately determined to be not owing to the United States, an Indian account, or an Alaska Native Corporation.

The MMS believes it is appropriate to pay interest on the amount refunded for the period from payment until refund, thus reflecting greater fairness and better business practice toward the royalty payors. The interest rate provided is one which corresponds closely to the time value of the funds; it is not a punitive interest rate. Interest on refunds for FY 1991 is estimated to be $150,000. This is the first year of this permanent request, therefore, it is now included under current authority rather than under permanent authority per OMB Circular A-11.

Rewards (+$200,000)

The MMS is authorized by Section 113 of the Federal Oil and Gas Royalty Management Act of 1982 to pay a reward of not more than 10 percent of recovered amounts when a person provides information to the Secretary of the Interior that results in the collection of additional mineral revenues owed to the Government. Regulations to implement the reward program were published in the Federal Register in July 1987. The reward percentage will be dependent upon the amount and usefulness of the information provided. The regulations provide a formula similar to that used by the IRS to determine what percentage of the collected amount individuals will receive. These rewards do not apply to information obtained from Federal Government employees, an officer or employee of a State or Indian tribe acting pursuant to a cooperative agreement or delegation under this Act, or any person acting pursuant to a contract authorized by FOGRMA.

This reward program will enhance current royalty collection efforts and lead to increased royalty collections. In FY 1991, $200,000 is estimated to be needed for reward payments.

Refunds (+$8,000)

Refund payments estimated for FY 1991 for Indian lease cases total approximately $8,000. The Indian allottees are not able to make refunds and due to the current royalty revenue on the leases being either so small or non-existent, recoupment from lease royalty payment is not possible or would require an unduly long period of time.

Past policy required a payor who appealed a bill to pay the bill pending the outcome of the appeal. Additionally, the policy required the MMS to distribute BIA's portion of an appealed bill to BIA regional offices as soon as possible so they could subsequently disburse the revenues to the individual Indian royalty owners. In cases where the payor's appeal was upheld and the moneys were not available to repay the company, recoupment was made against future royalty payments. To mitigate these situations, in 1987, the BIA changed its policy and the MMS implemented new procedures. These new procedures allow the companies to post bonds for the disputed amounts and to have the MMS suspend the disputed payment. Only after the appeal is settled would the MMS distribute BIA's portion. These procedures insure that the distribution is not made until after the appeal is resolved. However, the need may arise for settlements of pre-1987 bills as it has in these cases, with refunds being required.

Distribution of change by object class

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

| | Amount ($000) |
|---|---|
| Other Services................................ | +200 |
| Refunds........................................ | +158 |
| Grants, subsidies, and contributions........... | +200 |
| | +558 |

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
PAYMENTS TO STATES FROM RECEIPTS UNDER MINERAL LEASING ACT

Program and Financing
(In thousands of dollars)

| 14-5003-0-2-806 | FY 1989 Actual | FY 1990 Enacted | FY 1991 Estimate |
|---|---|---|---|
| **Program by activities:** | | | |
| Direct Program: | | | |
| 00.01 Payments to States | 432,363 | 457,696 | 496,033 |
| 00.02 Miscellaneous Payments | --- | --- | 558 |
| 10.00 Total obligations | 432,363 | 457,696 | 496,591 |
| Financing: | | | |
| 21.00 Unobligated balance available, start of year | --- | --- | -13,347 |
| 24.00 Unobligated balance available, end of year | --- | 13,347 | --- |
| 39.00 Budget authority | 432,363 | 471,043 | 483,244 |
| Budget authority: | | | |
| 40.00 Appropriation | --- | --- | 558 |
| 60.00 Appropriation | 432,363 | 471,043 | 482,686 |
| Relation of obligations to outlays: | | | |
| 71.00 Obligations incurred, net | 432,363 | 457,696 | 496,591 |
| 90.00 OUTLAYS | 432,363 | 457,696 | 496,591 |