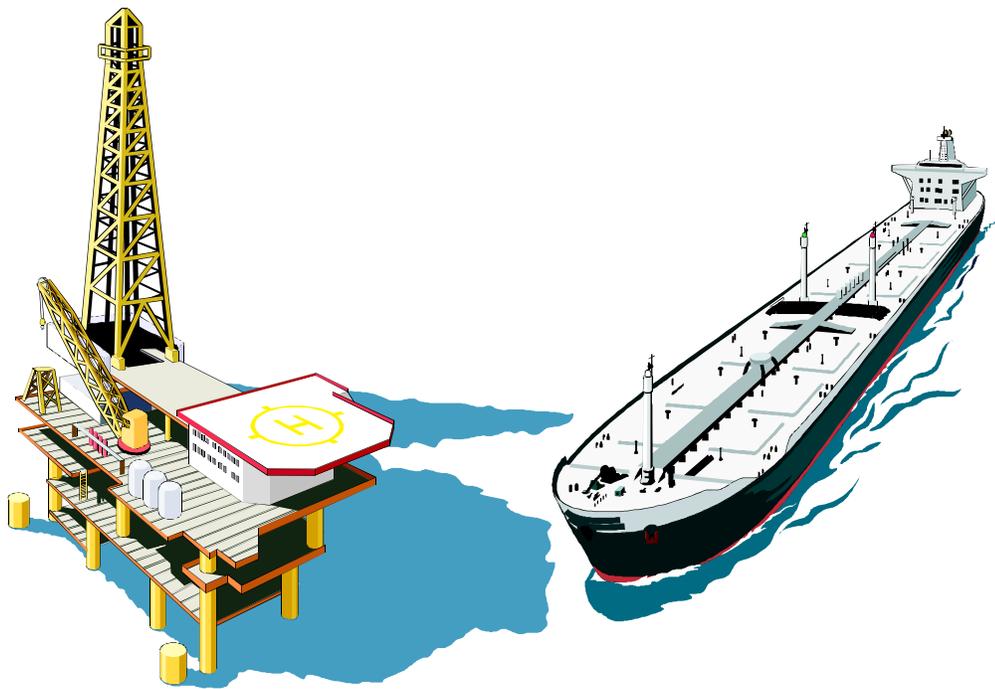


# ANNUAL FINANCIAL REPORT OF FISCAL 1995 ACTIVITY



Department of the Interior  
Minerals Management Service

March 1996

## Preface

It is my pleasure to submit to you this Fiscal Year (FY 1995) Annual Financial Report of the Minerals Management Service (MMS).

The achievements of MMS in FY 1995 are a watershed in the creation of a streamlined government that responds to the concerns of the American people by cutting red tape and working smarter, better and for less—all part of President Clinton's promise to the people. MMS is committed to ensuring an environmentally sound offshore leasing program that contributes to our domestic energy supply and a healthy economy. MMS believes that a clean environment and offshore natural gas and oil development are mutually attainable goals. Key to our program is ensuring that the American public receives in a prompt, accurate manner fair market value for the use of resources on their lands.

During FY 1995, MMS distributed over \$3.8 billion to Tribes and Allottees and to States and the Treasury in mineral leasing revenues from leases on Indian lands and from Federal onshore and offshore leases. MMS directly administered approximately 25 million acres of Federal offshore lands, which supplied more than 25 percent of all the natural gas produced in the United States and more than 17 percent of the oil. Since the inception of the Outer Continental Shelf (OCS) program, 17 OCS lease sales have been conducted generating more than \$109 billion in bonus, rent and royalty revenues to the Government.

Consistent with the goals of the National Performance Review and building upon the redefinition of our mission and establishment of significant goals and objectives to help us carry out that mission, MMS has:

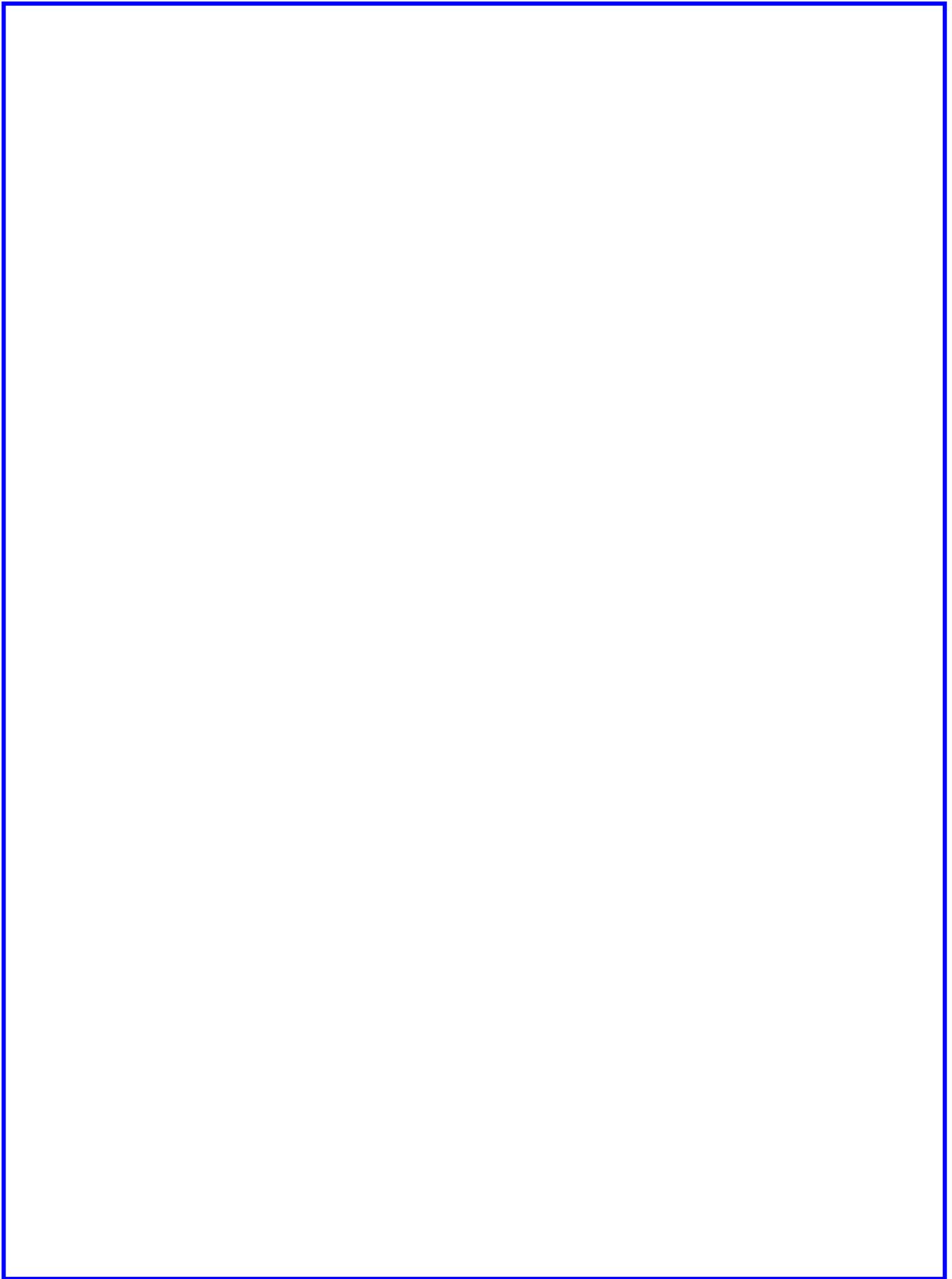
- \* committed to collecting all royalties due in a timely, efficient manner;
- \* begun streamlining regulations, while maintaining clean, safe offshore operations;
- \* implemented a more efficient communications program with a strategy that includes all stakeholders; and
- \* dedicated ourselves to a stronger national energy policy by promoting and implementing the Administration's Domestic Natural Gas and Oil Initiatives.

MMS has supported incentives for deep water and other areas which provide for increased economic activity, while guarding against undue windfalls. And in FY 1995 MMS has moved forward in shaping America's energy future by listening to the American people and working to achieve consensus.



**Cynthia Quarterman**

— Director —



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# United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL  
Washington, D.C. 20240

MAR 29 1996

## Memorandum

To: Director, Minerals Management Service

From: Judy Harrison *Judy Harrison*  
Assistant Inspector General for Audits

Subject: Final Report on Minerals Management Service Financial Statements  
for Fiscal Years 1994 and 1995

In accordance with the Chief Financial Officers Act of 1990, we audited the Minerals Management Service's financial statements for the fiscal years ending September 30, 1994, and 1995, as listed in the table of contents of the Service's "Annual Financial Report of Fiscal Year 1995 Activity." These financial statements are the responsibility of the Minerals Management Service, and our responsibility is to express an opinion, based on our audit, on these financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," and was completed on March 20, 1996. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we found that the financial statements and accompanying notes present fairly the Minerals Management Service's assets, liabilities, and net position; collections, financing sources, and operating expenditures; and changes in net position. We also found that these financial statements are presented in conformity with the accounting standards and policies described in the notes to the financial statements. Further, we found that the financial information in the Service's supplemental schedules relating to the financial statements is consistent with the information presented in the statements.

As part of our audit, we evaluated the Service's internal control structure, tested the Service's compliance with selected provisions of laws and regulations, and reviewed the financial information presented in the Service's overview. We also reviewed the Service's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the Service's internal control structure. However, because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may diminish.

We found that the Service's internal control structure in effect on September 30, 1995, was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were executed in accordance with laws and regulations; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. In addition, we found that there were no material instances of noncompliance with selected provisions of laws and regulations that we tested, and nothing came to our attention during our audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in the Service's overview is consistent with the information presented in the financial statements.

Our review of Office of Inspector General and General Accounting Office audit reports related to the scope of this audit disclosed that there were no significant unimplemented recommendations that affected the financial statements.

# PART 1

## OVERVIEW OF MINERALS MANAGEMENT SERVICE'S OPERATIONS

# Minerals Management Service Annual Financial Report of Fiscal Year 1995 Activity

## Overview

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The Secretary of the Interior established the Minerals Management Service (MMS) in 1982 to:

strengthen the Nation's mineral revenue collection efforts, and

improve the management of its Outer Continental Shelf (OCS) offshore lands resources.

Although the MMS is a relatively small Bureau, our activities are of national significance. The benefits we provide to States, Indian tribes and allottees, and localities include:

Administering 25 million acres of the OCS, which, during FY 1995, supplied over 25 percent of the natural gas and 17 percent of the oil produced in the United States.

Distributing over \$2.7 billion per year in royalties, rents, and bonuses from mineral leases on the OCS. This effort provides \$1.7 billion per year to the Federal and state treasuries; the remaining \$1 billion is distributed to the Land and Water Conservation Fund and the National Historic Preservation Fund.

Distributing about \$1.1 billion per year in royalties, rents, and bonuses from onshore mineral leases, of which over \$.5 billion is distributed to States, Tribes, and Indian allottees; the remainder is distributed to the Reclamation Fund and the Treasury.

The MMS's responsibilities are performed by our Offshore Minerals Management Program (OMMP) and our Royalty Management Program (RMP) organizations. The OMMP administers the outer continental shelf competitive leasing program and oversees the safe and environmentally sound exploration and production of our nation's offshore natural gas, oil and other mineral resources. The RMP meets its responsibilities by ensuring the efficient, timely and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottees, States and the U.S. Treasury.

## Overview

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These organizations are supported by an Office of Administration and Budget and an Office of Policy and Management Improvement. The MMS administrative financial operations are performed by the Financial Management Division in the Office of Administration and Budget. A chart of our organization is shown in Illustration 1.

MMS offices are located throughout the United States; including major offices in the Washington, D.C. area; Lakewood, Colorado; New Orleans, Louisiana; Camarillo, California; and Anchorage, Alaska. MMS also has compliance (audit) offices and OMM district offices located near the centers of the minerals industry.

MMS's operations are primarily funded from two appropriations: 1451917 and 14X8370. Additional financial resources, representing less than 3% of MMS's budget, are also obtained from offsetting collections from non-Federal sources.

Our FY 1995 obligations and FTE were allocated as follows:

	Obligations (\$000's)	Fulltime Equivalent Employment
Offshore Minerals Management	\$105,251	858
Royalty Management	67,224	660
General Administration	33,361	255
Total	\$205,836	1,773

We take seriously our important role as the Nation's custodian of its mineral leasing receipts. The MMS collects mineral receipts from 110,000 leases which support a broad constituency of 38 states, 29 Tribes, and about 20,000 individual Indian mineral owners.

# M M S Organization Chart

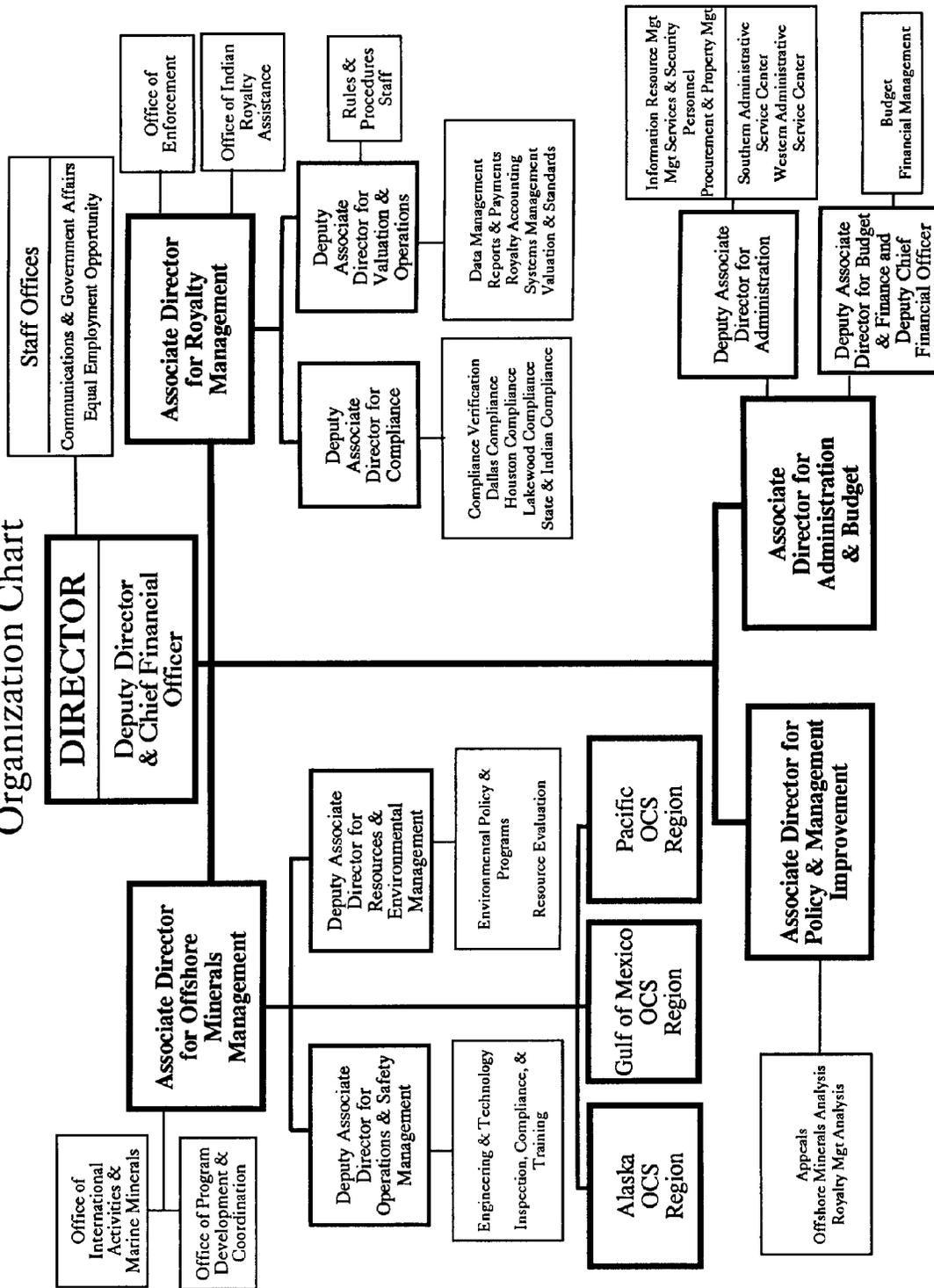


Illustration 1

## Overview

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### Distribution of Mineral Receipts Disbursements

Recipient	Amount (\$ in millions)
From OCS activities:	
U.S. Treasury	\$ 1,620
Land & Water Conservation Fund	897
Historic Preservation Fund	150
Coastal States	75
<i>Subtotal</i>	<i>2,742</i>
From Onshore Federal activities:	
U.S. Treasury	173
Onshore States	477
Other Federal Agencies	390
Indian Tribes and allottees <sup>1</sup>	33
<i>Subtotal</i>	<i>1,073</i>
Miscellaneous Disbursements	48
<b>TOTAL</b>	<b>\$ 3,863</b>

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<sup>1</sup> The \$33 million disbursed to Indian Tribes and allottees represents amounts deposited to U.S. Treasury accounts managed by the Bureau of Indian Affairs. An additional \$117 million was transferred directly to Indian Tribes and Agencies by royalty payors.

## Overview

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As of October 1, 1995, there were about 5,225 leases under supervision on the OCS encompassing approximately 25 million acres. In FY 1995, these leases supplied 5.06 trillion cubic feet of natural gas representing over 25 percent of all the natural gas produced in the United States. The volume of crude oil from these leases exceeded 421 million barrels, or over 17 percent of the nation's output of oil.

From the OCS program's inception through FY 1995, 117 OCS lease sales have been conducted generating over \$109 billion in bonus, rent, and royalty revenue to the Federal Government.

Since 1990, OCS receipts have provided more than 90 percent of the total funding for the Land and Water Conservation Fund (LWCF). The LWCF provides funding for the acquisition of Federal recreational lands and for acquisition and development of State and local recreational areas on a matching grant basis. The OCS receipts are the sole source of the Historic Preservation Fund (HPF) which provides grants to States and to the National Trust for Historic Preservation. Both the LWCF and HPF are administered by the National Park Service.

The FY 1995 OCS receipts of \$2.742 billion represent a decrease of \$343 million from the FY 1994 receipts due principally to decreased prices and September's Royalty payment not being due until after the close of the fiscal year. OCS royalty receipts account for 71% of all MMS mineral receipts.

Many factors, including oil consumption, domestic production, foreign imports, world oil prices, the state of the economy, and environmental concerns affect the level of revenues collected by MMS.



## **The Royalty Management Program**

The MMS Royalty Management Program (RMP) employs 660 Federal staff and 310 contract support personnel. Its headquarters is in Lakewood, Colorado, with compliance offices at various major centers of the oil and gas industry. Its FY 1995 operating budget was \$67 million.

### **Goal**

The MMS goal for our mineral revenue collection function is to provide timely, accurate, and cost-effective mineral royalty collection and disbursement services. To accomplish this goal, we have developed the following strategies:

Assist and encourage royalty payors to submit royalty reports and payments correctly the first time.

Streamline and simplify royalty collection and disbursement processes whenever possible.

Use modern information management tools to improve the royalty collection and disbursement processes.

Involve stakeholders in decision making, and make decisions by consensus whenever possible.

In addition to our correct first time report and payment goal, we focus on preventing future noncompliance. In each activity, we seek and implement improvement to increase the percentage of mineral revenue from Federal and Indian leases that is paid voluntarily.

### **Accomplishments**

During FY 1995, we had numerous accomplishments in pursuit of our goal for the revenue collection function. Following are the most significant accomplishments, categorized by our strategies for achieving the goal.

## **The Royalty Management Program**

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### **Correct and Timely Reporting**

#### Payor/Reporter Training

As part of its efforts to improve correct reporting, the RMP continued to provide on-site reporter training to the minerals industry, including oil, gas, and solid companies. In 1995, we gave 36 training sessions to over 1,000 industry representatives.

#### Measures

- On-time royalty reporting.

If there is an increase in the percentage of royalty report lines received by the due dates, it indicates that timely reporting is increasing. In 1994 and 1995, reporters submitted 97 percent of all royalty lines on-time.

- Royalty and production reporting accuracy.

An increase in the percentage of royalty and production report lines that clear fatal edits during initial processing indicates that reports are more accurate. In 1994, reporters submitted 96.6 percent of royalty lines and 96.2 percent of all production lines correctly. In 1995, reporters submitted 97.5 percent of all royalty lines and 97.2 percent of all production lines correctly. [Please note that correct reporting means that companies completed the forms correctly. It does not necessarily mean payments were properly calculated.]

### **Streamline Royalty Collection and Disbursement Process**

#### Compliance Action Plan

The MMS Compliance Action Plan (CAP) was completed in FY 1995, although a few of the plan's actions will be ongoing through FY 1996 and beyond. The multi-year plan implemented recommendations from the Task Force on Royalty Compliance. CAP instituted a range of program-wide improvements targeted at encouraging voluntary compliance by companies through clarification of policies and requirements as well as more aggressive enforcement. The Inspector General reviewed the CAP and concluded that MMS made significant progress in implementing the Task Force's recommendations.

## **The Royalty Management Program**

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### Common Reference Data Laboratory

As part of the National Performance Review, a reinvention team, that included industry representatives, proposed to re-engineer the Oil and Gas Payor Information Form and its process. Accounting for approximately \$4 billion in revenues each year requires the acquisition, manipulation and processing of volumes of lease and payor data. The team's recommendations will:

reduce the oil and gas form from two pages to one,  
make completion of the form easier,  
streamline and simplify data gathering processes, and  
reduce levels of review.

We reduced average document processing time by two thirds and staff resources by one third in a pilot test of the modified procedures. We expect annual savings to exceed \$700,000.

### Measures

- On-time disbursements to states.

An increase in the percentage of disbursements made by the end of the month following the month of receipt indicates that disbursements are more timely. During 1994, RM P disbursed timely to states 98.9 percent of the dollars collected. During 1995, 98.4 percent of the dollars collected were disbursed timely to states. The slight decrease in timely disbursements was due to a temporary software design issue that prevented automatic matching of payments and reports. During a 3-month period in 1995, payments and reports were matched manually.

## The Royalty Management Program

- Late disbursement interest paid to states.

A decrease in interest paid to states on late disbursements indicates that disbursements are being made more timely. For 1994, RMP paid \$58,000 interest to states at a rate of 8 percent. In 1995, RMP paid \$86,000 interest to states at a rate of 9 percent. The decrease in on-time disbursements to states described above resulted in the increase in late disbursement interest paid to states. The increase in interest rates also contributed to the increase in interest paid.

### Use Modern Information Tools

#### Electronic Commerce Technology Development and Implementation

Various electronic reporting alternatives are available to royalty payors, including electronic data interchange, magnetic tape, diskettes, and electronic mail. Electronic reporting decreases reporting error rates, minimizes delays and eliminates manual re-entry of data, thus increasing our ability to timely disburse revenues to the recipients. Following are error rates for royalty report lines received during FY 1995 by various media:

Reporting Media	Error Rate (Report Lines)
Electronic Data Interchange	.79 percent
Magnetic Tape or Disk	1.04 percent
Hard Copy	5.65 percent

#### Measure:

##### Volume comparisons

During the year, we collected over \$20 million from researching almost 18,000 variances between production and sales volumes. The object of volume comparisons is to identify potential royalty underpayments by comparing production volumes reported by operators to sales volumes reported by royalty payors. These recovered royalties go to state, Indian, and Treasury accounts. In 1995, these comparisons achieved a collection to cost ratio of 15:1.

## **The Royalty Management Program**

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### **Involve Stakeholders in Decisions**

#### Improved Delivery of Royalty Information

Under the auspices of the Indian Minerals Steering Committee, MMS is working with the BIA and BLM to explore opportunities to maximize the delivery of royalty information to all of the Indian constituents. A reinvention laboratory is working to streamline the delivery of services provided by the 3 Bureaus in Farmington, New Mexico. MMS also worked closely with BLM in the interagency Oil and Gas Performance Review to develop and implement recommendations to improve business processes such as bonding, unfunded liability, regulatory review and interagency coordination.

#### Royalty Policy Committee Established

The RMP established a 29-member committee, comprised of representatives from the Western Governors Association, Western States Land Commissioners Association, involved states, Indian tribes and allottee associations, the minerals industry, the interested public and other federal agencies, to provide recommendations and guidance on royalty management policies and procedures. The committee established eight subcommittees to study the following issues:

- 1) royalty reporting and production accounting,
- 2) valuation,
- 3) audit,
- 4) appeals, settlements, and alternative dispute resolution,
- 5) non-conventional alternatives,
- 6) disbursements and net receipts sharing,
- 7) coal, and
- 8) phosphate, trona and other leasable solid minerals.

As representatives of stakeholder groups most affected by mineral revenue practices, this special caucus of experts will serve an important role in advising Minerals Management Service (MMS) on issues related to management of the Nation's multi-billion dollar, federal and Indian minerals revenue program.

#### Federal Gas

We established the Federal Gas Valuation Negotiated Rulemaking Committee with a diverse membership of MMS, States, and large and small producers to simplify valuation and associated administrative burden on industry and MMS, reached consensus on a new method to value natural gas production from federal leases.

## **The Royalty Management Program**

The proposed rule should:

- \* reduce administrative costs to MMS and the States that share in those costs;
- \* allow for flexibility in valuation;
- \* eliminate unnecessary forms and accounting procedures;
- \* reduce the number of retroactive adjustments to royalty reports;
- \* simplify royalty reporting requirements overall.

### **Gas Marketing Pilot**

The Royalty Gas Marketing Pilot is a dramatic effort by MMS, in conjunction with industry, to streamline gas royalty determination and collection procedures. In the pilot, MMS is testing the concept of removing itself from the complex business practice of valuing and auditing royalties away from the lease, while keeping the government whole on its royalty collections. The pilot is a cooperative effort between MMS and industry. As of September 30, 1995, 14 volunteer producers were providing royalty gas for the pilot from 79 leases, representing approximately 7 percent of the non-8(g) royalty gas in the Gulf of Mexico. The producers worked with MMS to develop an agreement that governs the pilot and served as the basis for an Invitation for Bids. The MMS received 23 bids from 22 gas marketing companies and initially awarded 14 sales contracts.

### **New Comprehensive Performance Measure**

The RMP is testing an overall outcome measure, called a compliance index as part of its Government Performance and Results Act Pilot program. The index is summarized by the following formula:

$$\frac{\text{Actual voluntary royalty payments}}{\text{Expected royalty payments}}$$

The index will evaluate RMP progress in helping industry report and pay correctly.

## The Royalty Management Program

Historically, RMP has not had a reliable method to calculate expected royalty payments because:

- Royalty payments from industry are "voluntary," i.e., RMP does not routinely bill for royalty. Rather, lessees pay a percentage of the proceeds from the sale of their production, making identification of expected royalty payments a very complex task.
- The amount of underpaid royalties is not immediately available, but is identified over time by exception processing system modules and by audits.

We are hopeful that the compliance index, through ongoing refinement, can give important information over time on whether RMP is successfully collecting all revenue due. The RMP compliance index target is 1.00. The computed index was 0.951 for 1992 and 0.948 for 1993. The index for 1994 is not yet available. The RMP will continue to analyze, refine, and validate this measurement tool.



## **The Offshore Minerals Management Program**

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The MMS Offshore Minerals Management program (OMMP) employs 858 staff. Its headquarters is in Washington, D.C., with major field offices in Anchorage, Alaska, Camarillo, California, and New Orleans, Louisiana. Its FY 1995 operating budget was \$105 million.

### **Goal**

The MMS goal for our Offshore minerals management function is to maximize development on the outer continental shelf while ensuring fair market value and safe, environmentally sound offshore operations. To achieve this goal, we have developed the following strategies:

Improve the decisionmaking process through increased internal coordination and involvement of relevant staff.

Ensure that customers have the opportunity to provide input into the decisionmaking process.

Recognize and respond to the public's concerns.

Use modern information tools to ensure timely dissemination of accurate information.

Streamline operations and simplify processes.

Maintain a high level of scientific expertise and base decisions on high quality scientific information.

Issue regulations that focus on results, rather than processes.

Provide a consistently high level of customer service.

## **The Offshore Minerals Management Program**

During FY 1995, offshore operations were conducted in a very safe and environmentally sound manner. There were 35 oil spills during FY 1995 and only one oil spill was greater than 1,000 barrels. (A total of 5,152 barrels spilled was reported for FY 1995.) There were no fatalities from well control incidents during the year.

### **Accomplishments**

During FY 1995, we had many accomplishments in our efforts to effectively manage the mineral resources on the outer continental shelf. Following are our most significant accomplishments, organized by our strategies for meeting our comprehensive goal for the offshore minerals management function.

#### **Improve the decisionmaking process through increased internal coordination and involvement of relevant staff.**

The skills of MMS personnel who inspect offshore oil and gas wells are being upgraded. During FY 1995, the first interactive computer training module was developed and distributed to the MMS inspection workforce. This module, Hazard Communications, is also intended to satisfy the Occupational Safety and Health Administration's requirements to provide periodic awareness training to employees working around hazardous substances.

#### **Ensure that customers have the opportunity to provide input into the decisionmaking process.**

Open dialogue was conducted with the geophysical service industry to resolve a regulatory dispute. The MMS has a need for a certain type of seismic data to evaluate tracts for fair market value. Although MMS contends it has access to these data under its regulations, the geophysical service companies disagreed. Rather than elevate the dispute to a threatened lawsuit, MMS and industry worked together to agree on "Trial Procedures" which would allow MMS limited access to certain seismic data and still protect the service companies' ownership interest in the data. These procedures have been successfully implemented in the Gulf of Mexico Region.

P.L. 103-426, enacted in October 1994, authorizes the Secretary of the Interior to negotiate agreements for use of OCS sand, gravel, and shell resources. The legislation facilitates coastal communities' and States' access to Federal OCS resources for beach and wetlands restoration, and other

## **The Offshore Minerals Management Program**

projects of public benefit, without going through a competitive lease sale process. One negotiated lease has been concluded and several other requests for negotiations are in various stages of review or discussion.

In August 1995, MMS issued the "OCS Draft Proposed Oil and Gas Leasing Program for 1997-2002." The program embraces the advice provided by the OCS Policy committee and reflects the beginning of a long-term movement from conflict to consensus in the OCS program. Before the Draft Proposed Program was issued, MMS conducted extensive outreach efforts on a regional basis to describe the overall 5-year program process, discuss formulation of the draft proposal, and continue the scoping of issues for the Environmental Impact Statement (EIS).

### **Recognize and respond to the public's concerns.**

A Joint Study of the Development Scenarios and Onshore Constraints in the Tri-county Area of San Luis Obispo, Santa Barbara, and Ventura, California was designed to move the Offshore program into a more proactive relationship with its many customers. By having state and local government representatives working with oil and gas industry representatives and MMS, we have helped to facilitate a better understanding of the issues and concerns that affect our diverse and often competing customers. To further enhance meeting our customers' needs, the study contract was modified to include an initial public release document "The Consolidated Public Proposal" and to hold public workshops to receive public input on the study. Regular monthly mailings on the status of the study have been initiated. The mailing list is approximately 200 names and includes a range of elected officials, Federal, state, and local agencies, industry, environmental groups, and interested private parties.

The Alaska Regional Stakeholders Task Force prepared a report which included 10 recommendations on developing the proposed 5-year oil and gas leasing program for 1997-2002. The report was accepted by the Secretary and was the basis for developing the Alaska portion of the Draft Proposed Program. The Task Force was composed of diverse local stakeholders, including the environmental, subsistence, Alaska Native, fishing and development communities, industry, Coastal Districts and Coastal Resource Service Areas, and local, State and Federal government representatives. This was the first time local stakeholders had the opportunity to participate early in the planning process and before any program decisions were made.

## **The Offshore Minerals Management Program**

### **Use modern information tools to ensure timely dissemination of accurate information.**

Two multi-media based video training tapes, Safety Orientation and Safety and Environmental Management Program, were initiated. Additionally, two multi-media based video tapes were developed that address the impact of Hurricane Andrew on the OCS.

The Alaska OCS Region has implemented an extensive outreach program to inform and involve the local communities that may be affected by proposed offshore oil and gas operations in Alaska. These efforts include: installation of a Statewide 800 phone number; training sessions in local communities about what is contained in an EIS; regular bi-monthly MMS presentations in the community on OCS-related subjects; expanded numbers of topics covered by Focus Sheets; development of an interactive MMS office computer program in a kiosk format for use in local libraries; one-on-one dialogue meetings with community leaders and interested citizens.

The Draft Proposed Oil and Gas Leasing Program for 1997-2002 Document was made available to Members of Congress and other constituents in diskette form in August 1995. Internal to the organization, comments on the draft program were scanned and transmitted to offices via e-mail, eliminating the extensive use of paper copies that had been generated for previous programs.

### **Streamline operations and simplify processes**

MMS's Environmental Impact Statements (EIS's) Streamlining Task Force developed and implemented procedures to produce EIS's that are concise, readable, and better tailored to the needs of decisionmakers and our customers. The benefits to customers will be noticeable in early 1996 in the form of smaller EIS's which are easier to read and understand and less costly to produce.

MMS's Alaska Region entered into cooperative agreements during FY 1995 with the Environmental Protection Agency's (EPA) Region 10 and the Alaska Department of Environmental Conservation to eliminate duplication of effort

## **The Offshore Minerals Management Program**

and inconsistencies, and to share spill-prevention and response planning resources and information pursuant to Oil Pollution Act of 1990.

### **Maintain a high level of scientific expertise and base decisions on high quality scientific information**

The MMS has installed seismic monitoring probes on the seafloor adjacent to three platforms in southern California. This project, using a network of seismic probes to collect scarce offshore seismic data, will provide the only existing network of offshore seismic probes in the United States. From this network, regulatory and industry engineers will receive data necessary to verify and, if required, modify existing soil-response models used in the design of offshore facilities. Once the project is operating, the data will be provided to the California Division of Mines and Geology and Southern California Earthquake Center, complementing onshore data for a more complete picture of seismic activity in the region.

The MMS's three Coastal Marine Institutes were instrumental in fostering cost-sharing partnerships with Alaska, California and Louisiana to identify and financially support research that addresses key OCS issues. The research is jointly funded 50-50 by MMS and the States, and allows the Federal government and the States to realize twice as much research for only one-half the cost to each.

The Gulf of Mexico Air Quality Study was successfully completed with cooperation from EPA, the States of Louisiana and Texas and industry. The results indicated that overall the offshore industry's contributions to ozone exceedance levels is extremely small. Work continues with the EPA, National Park Service, Fish and Wildlife Service, the states of Louisiana, Mississippi, Alabama and industry on other Gulf of Mexico air quality issues.

### **Measures**

During FY 1995, 3,565 Environmental Reviews and 146 Assessments were performed by the MMS to determine the environmental impact of proposed industry actions.

## **The Offshore Minerals Management Program**

### **Issue regulations that focus on results, rather than processes.**

The OMMP continues to promote adoption by all offshore operators of its Safety and Environmental Management Program (SEMP). The SEMP uses an industry standard that provides guidance on how to adopt internal safety and environmental protection practices under a corporate management plan endorsed by senior company officials. The MMS cosponsored several focused training workshops during FY 1995, designed to help operators develop portions of their plans dealing with process hazards analysis, standardized operating procedures, and managing change to critical systems; additional guidance was provided on pre-startup reviews and on how to audit their SEMP plans.

OMMP has continued its work on revising the 30 CFR 250 Training regulations. The new program will present the offshore lessee training requirements in plain English, rely more on performance based standards instead of prescriptive requirements, provide for alternative training procedures (i.e.; computer based), and allow for third party accreditation. In the first quarter of FY 1996 a Notice of Proposed Rulemaking is expected to be released with a workshop describing this rule held during the same timeframe.

### **Provide a consistently high level of customer service.**

Since 1993, the MMS has actively participated as a member of a Federal Agency Task Force to develop the State of Texas Coastal Management Program. This includes participation in quarterly Task Force Meetings, periodic Texas Coastal Coordination Council meetings, public hearings, and individual consultations with the Texas General Land Office, which serves as the State's designated coastal management agency. MMS has provided guidance and comments at various stages of policy and document formulation. The proposed program was forwarded by Governor Bush to the National Oceanic and Atmospheric Administration (NOAA) in October 1995.

## **The Offshore Minerals Management Program**

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The MMS International Training Program, applicable to Newly Emerging Democracies interested in learning how to develop oil and gas resources in an environmentally sound manner, continued to be used to assist (using United States Agency for International Development funds) the Russian Federation in FY 1995. Three short courses were conducted in Anchorage for Russian specialists dealing with environmental assessment, resource assessment, and rights conveyance. A fourth course, on resource assessment, was taught in Tyumen, Russia.

A highly successful joint MMS/National Oceanic and Atmospheric Administration partnering and outreach effort was conducted to inform industry of agency expectations regarding exploration and development activity proposed near the Flower Garden Banks Marine Sanctuary. A workshop was held to provide guidance on sanctuary regulations and monitoring operations. The MMS also conducted trajectory runs to assist NOAA in setting up spill notification standards and to assist with other related planning efforts near the sanctuary.

The Pacific OCS Region has established the MMS/Tri-County Forum. The Forum is composed of members representing the MMS and Santa Barbara, Ventura, and San Luis Obispo Counties. It was established to promote dialogue and communication and provide a forum for discussing issues related to offshore oil and gas development activities in the Tri-County Region. Among the Forum's successes are a new process for reviewing exploration proposals on leases for which Exploration Plans were approved over 3 years prior to the new drilling proposals.

The Gulf of Mexico Region has initiated day-long, open communication meetings with our external customers. These meetings enhance communication with our external customers, improve our understanding of their needs, and provide input to improving our processes to better meet our customers expectations.

The Gulf of Mexico Region materially assisted the U.S. Coast Guard and shipping industry in developing designated lightering zones in the Gulf of Mexico. These zones enhance safety and assist in protecting the environment of the Gulf of Mexico.

## The Offshore Minerals Management Program

### Measures

During FY 1995 MMS performed 12,352 inspections of offshore platforms, to ensure that they are being operated safely. This represents an increase of 1,731 inspections over FY 1994.

During FY 1995, 160 oil spill plans were reviewed to assess the adequacy of preparedness for such accidents.

### New Comprehensive Performance Measure

The MMS has developed a comprehensive measure of our effectiveness at promoting the exploration for energy resources. The measure is:

Number of exploratory wells drilled during the year

This measure reflects the results of many pre-lease and sale activities, including environmental studies, analyzing of scientific data, conducting lease sales, and issuing drilling permits.



## **Conclusion**

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The MMS continually strives to increase the efficiency and effectiveness of our operations within the parameters of reduced FTE and budget targets. We rely on numerous strategies to increase our productivity, including simplifying our organizational structure and implementing modern information tools. We also frequently review our regulations to eliminate those that are unnecessary or cumbersome. The MMS met the goal of the President's Executive Order 12861 which requires the reduction of internal regulations by 50 per cent.

In our efforts to fulfill our responsibilities, we also take special care to follow general guiding principles of:

Being responsive to the public's concerns and interests by maintaining a dialogue with all affected parties; and

Working to enhance the quality of life for all Americans by lending MMS assistance and expertise to economic development and environmental protection.

Our efforts have led to the numerous notable FY 1995 achievements presented in this report.



