

MMS TODAY

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Creating a Government that Works Better and Costs Less: How Far Have We Come?



September 7, 1993 -- Vice President Al Gore presents "From Red Tape to Results: Creating a Government that Works Better and Costs Less" to President Bill Clinton. (Photo courtesy of the White House)

The National Performance Review (NPR) began on March 3, 1993, when President Clinton announced a six-month review of the federal government. In *Putting People First*, the President and Vice President stated:

"We can no longer afford to pay more for—and get less from—our government. The answer for every problem cannot always be another program or more money. It is time to radically change the way the government operates—to shift

from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don't."

That was 1993. This 1996 summer issue of *MMS Today* is devoted to a look over the past three years to see what the Minerals Management Service (MMS), with the input of its constituents, has achieved to make the Bureau work

better. It will focus on issues such as common sense government, regulatory reform, improved customer service, alternative dispute resolution, partnerships, continuous improvement initiatives, the 5-Year Oil and Gas Leasing Program for 1997-2002 and other ways MMS has integrated the NPR initiative into its culture.

(MMS Wins Environmental Award. See page 2.)

Message from the Director



MMS wins Environmental Quality Award for the second time. Bob Rogers (left), Les Dauterive (right), and Dr. Ann Bull (not pictured) prepared the winning proposal.

“Reinventing Government” and the Vice President’s National Performance Review are specific areas where I believe MMS, in particular, shines. This issue of *MMS Today* will focus on ways we’ve sought to streamline, cut red tape, do more with less, to serve our customers better, and to encourage public input every step of the way.

Since 1993 we’ve come remarkably far, as you’ll see in the innovative ways we have developed to reduce paperwork, save dollars, and develop a consensus-based program.

One area of which I am particularly proud is that of Alternative Dispute Resolution (ADR). MMS was the first Bureau to implement such an innovative program in the Department. ADR is the process of settling disputes through informal and direct means. It is designed to resolve disputes without litigation or administrative adjudication.

ADR techniques involve negotiation, mediation, and collaborative decisionmaking—resulting in more satisfying solutions to conflicts. MMS implemented ADR to reduce the costs to MMS and to industry and to resolve the many disputes associated with compliance with regulatory requirements, and to resolve the differences that occur between state and local governments, industry, and the federal government over the use and preserva-

tion of our country’s natural resources. From 1993 through 1995, MMS resolved over 150 royalty disputes saving both government and industry money in litigation costs and bringing in over \$400 million in disputed royalties to the U.S. Treasury. These resolutions closed numerous outstanding disputed bills, orders, and administrative appeals. For example, we resolved amicably 167 administrative appeal cases in 1994, and 128 cases in 1995.

I am proud of all of our accomplishments in NPR such as regulatory reform, receiving the Vice President’s Hammer Award for our Plain English Initiative, our new and innovative contracting methods, Continuous Improvement Initiatives, and our commitment to building consensus in both the Offshore and Royalty Management Programs. As part of our NPR commitment to improved customer service, we have included stakeholders in an unprecedented way through such avenues as the 5-Year Program, the Royalty Policy Committee and the Joint Subcommittee on Environmental Information for Select OCS Areas under Moratoria. MMS employees, together with the combined efforts of our customers, have led us to new, productive relationships in which everyone’s voice is heard.

I also want to take this opportunity to congratulate MMS for receiving the

“What we’re trying to do is to create a large number of changes, simultaneously, in the federal government. Because if you just change one thing without changing some of the other things that need to be changed, we won’t get anywhere.”

*—Vice President Al Gore,
August 4, 1993*

1996 Federal Environmental Quality Award, which recognizes excellence achieved through implementing the National Environmental Policy Act. MMS received the award for environmental work done in the Flower Garden Banks National Marine Sanctuary in the Gulf of Mexico, offshore Texas. MMS has integrated environmental values into its agency mission and its commitment to excellence in environmental decisionmaking. MMS also received the award in 1994, by demonstrating that we can develop offshore natural gas and oil resources while protecting the environment. This achievement is a tribute to the professionalism and commitment of MMS staff.

MMS is committed to fulfilling our responsibilities with the President’s “common sense” government, which means giving people good service, creating partnerships to get the job done more efficiently, getting back to basics and eliminating bureaucracy that no longer makes sense.

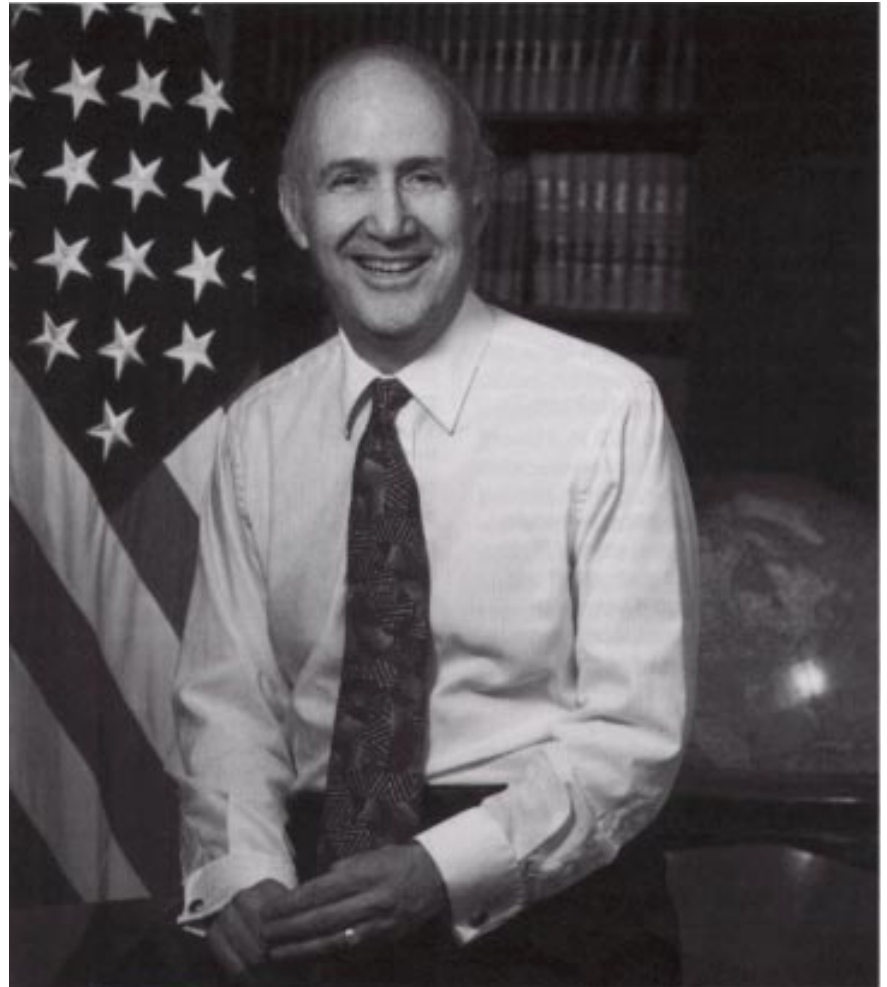
It is my pleasure to share with you this issue of *MMS Today*, which highlights just some of our recent accomplishments.

REINVENTING GOVERNMENT: The Quiet Revolution

Not enough Americans have heard about the quiet revolution going on in the federal government. In fact, I've been told that the positive changes being made by federal employees under the banner of Vice President Al Gore's Reinventing Government initiative may just be one of the best kept secrets in America. The excellent work being done by the men and women of MMS is an important part of this quiet revolution.

MMS is producing a steady stream of innovations to improve how it provides service to customers and stakeholders. Just recently, I presented the Vice President's Hammer Award to a team of MMS employees who tackled the job of reviewing and rewriting thousands of pages of bureaucratic regulations and transforming them into simple, understandable "Plain English" regulations.

MMS is listening to its customers and stakeholders--the natural gas and oil industry, the environmental community, Indian nations and allottees, and state and local governments--to continuously improve its services. MMS and its partners are demonstrating that reinventing government isn't an event, it is a cultural change founded in the belief that we must work together to build a government that works better and costs less. I congratulate you on your accomplishments and challenge you to continue this important work.



Bob Stone is the Project Director of the National Performance Review.

"In short, it's time our government adjusted to the real world, tightened its belt, managed its affairs in the context of an economy that is information-based, rapidly changing, and puts a premium on speed and function and service, not rules and regulations."

—President Bill Clinton, March 3, 1993

Regulatory Reform—It's Working at MMS

"The President has directed us to reward results, not red tape; to create grassroots partnerships by getting out of Washington and working with frontline regulators and affected citizens; and to operate by negotiation—not dictation—by working with the regulated community during the development of regulations to promote a better understanding of the issues and develop a less adversative environment," says MMS Director Cynthia Quarterman.

MMS has been and will continue to use negotiated rulemaking committees, multi-constituent teams, and pilot projects to reach consensus on how to improve its regulations.

Highlights of Regulatory Reform follow:

1. Plain English.

Part of good customer service means eliminating "legalese" and using "Plain English." The Plain English effort is based on the belief that if you write clearer regulations, users won't have to waste time figuring out what the government means.

MMS took the "Plain English" philosophy to heart and recently received the Vice President's "Hammer Award" for writing regulations in "Plain English" so that anyone can understand them. A before and after example follows:

Before:

"Insufficient estimates also result in interest charges. These exceptions are generated when the actual royalties reported for a given sales month exceed the previously paid royalty estimates on file for that lease. In the "Dear Payor" letter, dated July 8, 1991, and the *Federal Register*, 57 FR 3435 (January 29, 1992) MMS informed you of the procedures for calculating interest for insufficient estimates. If the enclosed invoice(s) includes charges for insufficient estimates, a detailed insufficient estimate report used to calculate these charges is also enclosed."

After:

"How to pay your bill: To avoid penalties as well as further interest, you must pay this bill by its due date."

2. Negotiated Rulemaking Committee on Federal Gas Valuation.

The President directed the federal government to make partnerships the rule—not the exception. The Negotiated Rulemaking Committee on Federal Gas Valuation is a multi-constituent team comprised of representatives of states, industry and MMS. The committee issued its final report in March 1995. MMS published the consensus recommendations of the Committee in a Notice of Proposed Rulemaking, published on November 6, 1995. MMS received comments from 44 entities. In light of the comments received, MMS reconvened the negotiated rulemaking committee to provide input into five options for proceeding with further rulemaking. The committee met June 12-14, 1996, in Denver. Simultaneously, MMS reopened the comment period to solicit the public for comments on how to proceed. When the comment period closes, MMS will decide how to proceed with further rulemaking.

3. Negotiated Rulemaking Committee on Indian Gas Valuation.

The Indian Gas Valuation Negotiated Rulemaking Committee was chartered in January 1995 and was comprised of affected stakeholders' representatives. The committee reached consensus on an index-based valuation methodology to meet the major portion requirement unique to Indian leases. The new major portion method would satisfy gross proceeds valuation in MMS-designated index zones. The Committee also developed a separate valuation methodology for Indian leases in areas that do not have valid indexes. In these areas, MMS will calculate and distribute major portion values from information lessees report to MMS. To address the dual accounting requirement unique to Indian leases, the Committee developed a simple optional method. This option is available in all Indian areas. MMS anticipates a proposed rule this summer.

4. Certificate of Financial Responsibilities Portion of Oil Pollution Act of 1990.

Through the partnerships MMS has forged with its constituents during this

Administration, we have been successful in resolving many complex issues. We are hopeful that Congress may soon help us to reach closure on one of the most complicated issues that the Department has faced—implementation of the financial responsibilities portion of the Oil Pollution Act of 1990. We have involved stakeholders in our discussions of the law in an unprecedented way. In November 1994, the OCS Policy Committee of the Minerals Management Advisory Board formed a subcommittee comprised of representatives of marinas, the boating industry, pipeline companies, environmental groups, states and industry to study the law and make recommendations. Last July, the Secretary of the Interior endorsed and sent to the Hill most of their recommendations. We hope that the final bill will reflect recommendations put forth by the Secretary.

5. Annual Review of Regulations.

In March, MMS continued the practice of asking its customers to perform an annual review of regulations. MMS's overall goal is to continue to develop regulations that are streamlined and less costly, while still enhancing the nation's economy and protecting the environment. Each year, MMS asks its customers to review all significant regulations to ensure they are efficient and effective, impose the least burden possible, and are tailored to be no broader than necessary. The May 20 *Federal Register* notice also provided a status update of the actions MMS has taken on comments previously received in response to last year's notice, which informs the public that not only is MMS listening, but the Bureau is doing something to accommodate the public's concerns. Some of the regulations commented on last year, and an abbreviated status of them follows:

■ **Regulations applicable to production in deepwater**—An MMS workgroup completed recommendations on its deepwater regulatory issues. The major recommendation of the report was that MMS should evaluate and regulate deepwater production activities through a "total systems" approach. MMS would require a lessee to submit a Deepwater Operations Plan for each

"We need a federal government that delivers more for less. We need a federal government that treats its taxpayers as if they were customers and treats taxpayer dollars with respect for the sweat and sacrifice that earned them."

—Vice President Al Gore, May 24, 1993

deepwater or subsea development project. Individual projects could then be evaluated within the context of the master plan. A Letter to Lessees explaining the Deepwater Operations Plan was issued in June 1996.

■ **Regulations applicable to blowout preventer (BOP) testing and maintenance requirements**—Comments requested that BOP testing regulations be less frequent and shorter, allowing 14-day BOP testing intervals, vs. the current seven-day intervals. To address the comments, MMS, in a joint venture with industry, selected an engineering consulting firm to assess the performance of BOP equipment and the frequency it should be tested. MMS will use the study's results to revise regulations as appropriate.

■ **Regulations governing safety and pollution prevention equipment (SPPE)**—Comments requested reducing unnecessary record keeping requirements and to revise regulations governing safety valves to increase time between test and allowable leakage rates. MMS is currently drafting a proposed rule to revise the regulations governing SPPE regarding recordkeeping. MMS is reviewing the section regarding safety valves and plans to update requirements where warranted.

■ **Regulations regarding construction and removal of platforms and structures**—MMS held an international workshop in New Orleans on April 15-17, 1996, to discuss lease abandonment and platform removal with interested parties. To followup the workshop, MMS is publishing a **FR**

notice that describes MMS's action plan to respond to recommendations made by the Marine Board Study and general comments from the workshop. MMS is also working with a committee to draft international guidelines.

■ **Regulations applicable to production safety system training**—Based on comments received, MMS has rewritten training regulations in a plain English format, published a proposed rule and will be publishing a final rule by the end of 1996.

■ **Regulations applicable to Pipelines and Pipeline Rights-of-Way**—Comments requested avoiding duplicative requirements between the Interior Department and the Department of Transportation (DOT). MMS is continuing work with DOT to develop a memorandum of understanding. Following that, MMS will revise regulations to clarify rules and remove redundancy.

■ **Statute of Limitations and Record Retention**—The extent of the time periods covered by audits of royalty payments has been a matter of considerable controversy between MMS and the minerals industry for several years. MMS's goal, more recently, has been to conduct all audits on a contemporaneous basis consistent with the effective and efficient use of audit resources as set forth in the Director's guidelines limiting most audit orders to within six years of payment.

■ **Reporting Procedures and Threshold**—MMS has revised its billing thresholds and assessments policy to reduce administrative costs and will continue to review these issues through the Royalty Policy Committee.

■ **Refunds due to Industry which are controlled by Section 10 of the OCS Lands Act**—A legislative change would be required to eliminate refund requirements of the United States Code. MMS supports such a change under the Royalty Simplification and Fairness Bill, S. 1014. MMS published a final rule in 1994 titled "Offsets Recoupments and Refunds of Excess Payments of Royalties, Rentals; Bonuses, or other amounts under federal Offshore Minerals Leases." The rule also provides for a minimum exception to the MMS approval process. MMS raised the minimum reporting level from \$250 to \$2500. The change will reduce administrative costs for MMS and companies.

■ **The Appeals Process**—Comments indicated the appeals process was "too long." MMS has made and will continue to make administrative processing changes to streamline the appeal process.

—Donna Cedar-Southworth

MAJOR MILESTONES

- ◆ MMS is committed to developing regulations only if they are required by law, necessary to interpret the law, or there is a compelling public need (e.g., health/safety).
- ◆ MMS has been assessing costs and benefits of regulatory impact. The objective is to minimize the cost of burdens on society and consider alternatives to regulating.
- ◆ MMS is obtaining input from affected parties during regulation development. The objective is the development of regulations through consensus with the use of negotiated rulemaking.
- ◆ MMS has made strides in making regulations easy to read and understand.
- ◆ MMS is avoiding regulations that duplicate or conflict with regulations of other bureaus/agencies.
- ◆ MMS will continue to conduct periodic reviews of significant regulations.



MMS receives the Vice President's Hammer Award for writing regulations in plain English. Associate Director Bob Brown accepts the award from White House representative Bob Stone.

NPR: Involving Customer Input in Developing MMS's 5-Year Plan

"The process for developing the 5-Year Oil and Gas Leasing Program for 1997-2002 is an excellent example of NPR at work. MMS has involved our affected constituents in an unprecedented way, and has been working more at the local level than ever before," said Program Director Carol Hartgen.

"What makes this program so unique is the face-to-face constituent input and an ongoing dialogue with those parties, rather than just relying on and responding to written comments. Because MMS worked so extensively with parties from the outset, there were no changes from the Draft Proposed Program to the Proposed Program. Our goal, consistent with the philosophy of NPR, was to create a consensus-based program.

"This has not been a program dictated from Washington, D.C. To the contrary, it represents a compendium of regional interests and recommendations. To create such a program, we have made a concerted effort to get out and talk to people and to create a number of forums for their input," she added and cited a number of examples which made this program truly unique.

Alaska Regional Stakeholders Task Force. To encourage more communication with varied constituents, the Alaska Region brought together a group of people representing vastly different viewpoints and concerns about development on the federal Outer Continental Shelf (OCS). Chartered by the OCS Policy Committee, an advisory group to the Secretary of the Interior, the Task Force was asked to develop recommendations on the size, timing, and location of oil and gas lease sales in federal waters. The 22-member Task Force devised a list of recommendations that reflected what areas should be *considered* for leasing.

MMS conducted public outreach meetings in Anchorage in January and March 1995, and in March 1996. In remote areas, MMS hooked people in via telecon. Task force members held meetings in local communities throughout the State to gather information and suggestions on the evaluation criteria that the Task Force recommended be



The 22-member Alaska Taskforce devised recommendations to ease the impacts on coastal waters and to stress the importance of Alaskan subsistence.

used in developing the 5-Year Program. Based on these meetings, the Task Force reached a majority decision and presented their recommendations to the OCS Policy Committee in May 1995 and drafted a final report.

"The Task Force was extremely useful in helping us look at those areas where MMS should focus its efforts. It brought the issue of subsistence and its importance to the culture and life-style of Alaska Natives before the Committee. This is an important aspect of life in Alaska that the Alaska Region staff works on every day," Hartgen added.

"Using a regional task force approach to provide information to the stakeholders and gather information from the stakeholders is an efficient and cost effective way to keep our diverse constituents involved in our program. And, for the first time ever, MMS posted the Proposed Program on the Internet so it is assessable far and wide," she said.

MMS/Tri-County Forum. Offshore California, the Pacific OCS had previously been one of the most controversial areas in the country. Now, however, California has become a prototype for MMS's best working relationship.

Pacific OCS Regional Director Lisle Reed involved the MMS/Tri-County Forum in the actual development of the 5-Year Program. The MMS/Tri-county Forum includes MMS and the California counties of Santa Barbara, San Luis

Obispo, and Ventura. Not only did they provide substantial input to the 5-Year Program, but MMS and the counties have made dramatic progress in resolving issues and developing options together for the future production of oil reserves from existing leases offshore Southern California.

Gulf of Mexico and East Coast States. MMS has established a dialogue with the Florida Governor's office and with groups in the Panhandle to provide information and discuss local residents' concerns related to the high potential, low risk natural gas prospects offshore on existing leases. The Proposed 5-Year Program reflects the State's concerns and input about offshore development. "In addition," said Hartgen, "MMS worked extensively with the State of Alabama and also with east coast states." Hartgen said that in the upcoming 5-Year program, no lease sales are scheduled in the Atlantic or in the Eastern Gulf of Mexico offshore Florida.

OCS Policy Committee. MMS included the OCS Policy Committee members in meetings relevant to their areas and encouraged them to take an active role in developing the 5-Year Program.

"We believe the Proposed Program represents the voice of affected parties and is in the spirit of NPR," said Hartgen.

—Robin Lee Cacy
—Donna Cedar-Southworth

From Red Tape to Results: MMS's Continuous Improvement Initiatives

Over the past year, the Minerals Management Service has embarked upon a series of continuous improvement initiatives to streamline, reduce paperwork and save money. In short, to cut red tape and achieve results. MMS announces these initiatives in the format of monthly or bi-monthly "Innovations."

■Reforming Assessment Policy.

MMS changed how it assesses charges on late and erroneous royalty and production reports on federal and Indian lands by no longer charging companies for filing royalty and production reports late. MMS will also no longer charge them for erroneous reports unless their overall monthly error rate exceeds their fiscal year 1995 level. **Result: This action will benefit industry and relieve the federal government of the need to process nearly 1000 assessment bills annually and eliminate approximately 35 percent of all MMS appeals. The error rate is now less than 3 percent compared to 5.4 percent in 1990.**

■Common reference Data Reinvention Laboratory. MMS has made strides in reengineering its mineral lease and payor processes. **Result: The changes will involve the use of new computer technology that will increase efficiency in submitting payor information and result in a \$1.1 million savings when fully implemented in 1997.**

■Environmental Studies on Line.

MMS has implemented its Environmental Studies Program Information System (ESPIS). **Result: Over 20 years of environmental studies research available to the public in a user-friendly data base on the world wide web. Already, technical summaries of all studies are accessible, and the entire text of the studies will be available on line by the end of September 1996.**

■Simplifying Royalty Relief Guidelines.

MMS issued interim guidelines that streamline and simplify the royalty relief application process for producers operating offshore leases with revenues that are inadequate to sustain continued production. **Result: This promotes**

the recovery of oil and gas resources that otherwise may be left in the ground when a lease is relinquished.

■Eliminating Paperwork. MMS eliminated several transportation and processing allowance forms required of companies operating federal mineral leases and decreased sanctions that had been imposed when companies failed to observe reporting procedures in filing those forms. **Result: This is a significant change with savings estimated at \$500,000 a year from forms processing and billing, which are no longer required.**

■Streamlining Royalty Recoupments.

MMS has streamlined the paperwork associated with recoupment of royalties that companies have overpaid the government for federal offshore mineral leases. By raising the minimum threshold for refunds of offshore royalty overpayments from the previous \$250 to \$2,500, companies may now recover overpayments below \$2,500 directly from future royalty payments. **Result: A cost savings of about \$230,000 per year, and cutting paperwork by over 50 percent.**

■Guidelines for Extraordinary Cost Allowance Guidelines. MMS recently published guidelines to assist industry in preparing extraordinary processing cost allowance applications and MMS in reviewing those applications. The current gas valuation regulations allow a lessee to apply for an extraordinary processing cost allowance if the lessee can demonstrate that the costs are extraordinary, unusual, or unconventional. **Result: Helps to "get it right the first time" by letting lessees know what we want upfront.**

■MMS Doubles Timeframe Allowed to Extend Active Leases. MMS has proposed increasing from 90 to 180 days the time allowed between operations for an offshore natural gas and oil lease to continue beyond its primary term. Changes in industry exploration practices have increased the time necessary to collect and analyze data, especially in the areas such as deepwater and subsalt. **Result: The proposed changes allow for more**

efficient and expedient production, drilling and well reworking operations.

■MMS Cooperates with National Response Center to Reduce Duplicate Reporting for Industry. MMS will no longer require reporting of oil spills of less than a barrel. MMS will require lessees to notify MMS directly for spills of one barrel or more. **Result: This requirement allows quicker action for MMS to work with the lessee to remove the source of the spill and respond to the oil already in the water, and also reduces the number of reported spills by more than 95 percent.**

■Gulf of Mexico Natural Gas and Oil Resource Data Base. MMS is participating in compiling and publishing an atlas series on Gulf of Mexico offshore natural gas and oil fields. MMS is also providing additional drilling data by expanding its Indicated Hydrocarbon List, which details hydrocarbon information about previously drilled tracts in MMS inventory. **Result: Access to more information allows companies to better focus exploration strategies and increases competition.**

■MMS Proposed Rule to Amend Lease Term Requirement for OCS Operations. MMS proposed a rule that would amend federal regulations to eliminate the requirement that exploratory drilling commence in the first five years for eight-year term natural gas and oil leases. **Result: MMS expects to see increased bidding, ultimately helping to ensure fair market value on leased tracts and increased domestic federal offshore production.**

■MMS to Simplify Environmental Impact Statements. MMS is taking steps to produce short, more readable Environmental Impact Statements (EIS). As part of the Administration's call to simplify and streamline the government, future MMS EIS's will describe the proposed action in simple, non-technical terms. **Result: The changes should result in EIS's shortened up to 25 percent or more.**

MMS Provides Deepwater Royalty Relief—Creates Regulations that are More Responsive to Americans

MMS has woven the NPR initiative into its very culture. This has been demonstrated through the commitment and speed in which MMS has implemented deepwater royalty relief.

For years, the offshore natural gas and oil industry has been seeking royalty relief for deepwater exploration and development. Last year, President Clinton signed into law the bill to provide royalty relief to deepwater production on the Outer Continental Shelf (OCS) in the Central and Western Gulf of Mexico. Signing this legislation, and the public input into the development of subsequent rules is a significant accomplishment of this Administration and MMS.

As a cornerstone of our domestic energy policy, this Administration believes we must have a healthy, robust, and efficient domestic natural gas and oil industry. MMS has supported deepwater royalty relief to encourage and expand the development of certain resources.

As a result, MMS has been working to develop rules that are clear and will allow industry to make decisions with as much certainty as possible about future royalty obligations. At the same time, MMS wants to establish an administrative process that is simple and avoids unnecessary burdens on the federal government and industry.

MMS has been bullish on the potential of the deepwater Gulf. The Bureau recognizes its potential for adding to the nation's domestic resource base and for allowing U.S. companies to develop new technology and market those technologies around the world.

MMS did not want to hamper deepwater development by overregulation, but has remained steadfast in ensuring environmental protection in its commitment to protect the environment.

The Statute provides for royalty relief for new eligible leases issued at sales conducted after November 28, 1995.

Because Sale 157 in the Central Gulf of Mexico was scheduled for April 24 and was the first sale under provisions of the Deepwater Royalty Relief act, MMS worked hard and fast, and was successful in publishing an interim rule on March 25 that permitted the sale to be held on time and leases issued with royalty suspension volumes. To enhance the process, MMS conducted public meetings to supplement written and oral comments from interested parties and took all of those comments into consideration in the interim rule.

The royalty relief offered affected the Central Gulf of Mexico Sale 157, held on April 24. MMS received a record 1,381 bids on 924 tracts, including 471 bids on tracts in water depths of 200 meters or more. Production resulting from this sale will likely increase jobs not only in the Gulf, but also throughout the country.

Under the March 25 interim rule, eligible leases on fields that did not produce before November 28, 1995, may receive royalty suspension volumes of at least:

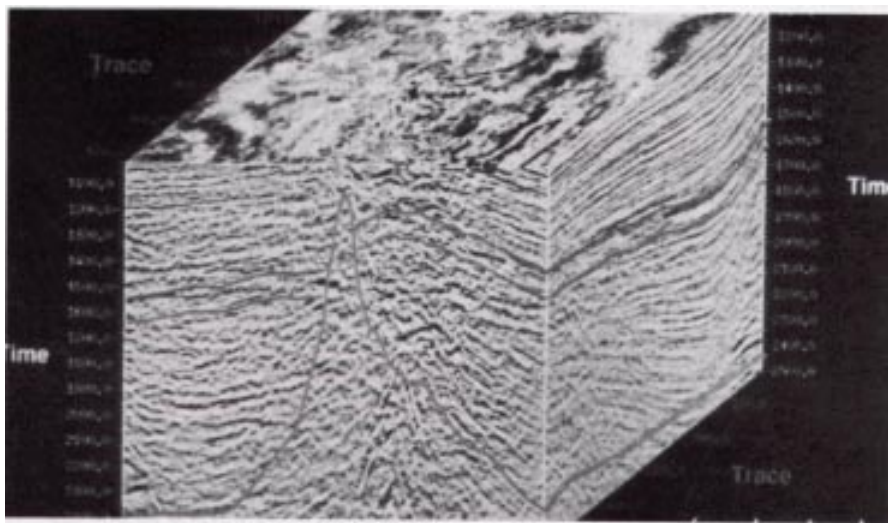
- 17.5 million barrels of oil equivalent in 200 to 400 meters of water;
- 52.5 million barrels of oil equivalent in 400 to 800 meters of water; and

- 87.5 million barrels of oil equivalent in more than 800 meters of water.

In May, MMS published a second interim rule establishing conditions for granting suspensions of royalty payments on oil and gas production from deepwater leases that would be uneconomic without royalty relief. Another part of the regulations will make it easier for owners of currently producing leases in shallow or deep water to apply for royalty relief. A notice to lessees provided operators with an explanation of fees and information on how fees should be paid.

MMS encourages public input on this interim rule to assist the Bureau in preparing the subsequent final rule. The royalty relief available under this rule will add even greater momentum to industry's efforts to find and produce the deepwater resources needed for the growing U.S. economy. From an NPR perspective, the development of deepwater royalty relief rules demonstrates working in conjunction with affected parties to develop clear, concise regulations—in an unprecedented time frame.

—Donna Cedar-Southworth



With the use of 3-Dimensional Seismic Data, scientists can see what they previously had to imagine, making deepwater exploration more plausible.

With deepwater activities, oil production in the Gulf of Mexico could increase from about 900,000 barrels per day--17% of the total domestic output in 1995--to about 1.6 million barrels a day--28% of the total domestic output--over the next four years.

Streamlined Contracting Procedure Used in Study of Blow Out Preventer Equipment

"Contracting with the federal government is an onerous process and time consuming," said Katherine Valltos, a Procurement Officer in MMS. Katherine would know—she's worked as a contracting officer for the federal government since 1986.

"What we're hoping to do is streamline and eliminate all the reams of paper that go back and forth between the government and industry. We also felt that the best indicator of future success on a contract is **'past performance.'** As far as I'm concerned, there's no better indicator," she added. "It's just common sense—if you were going to have a patio built, nine times out of ten, you would first check out references to see if past customers were satisfied or not. We're spending the government's money with the same discretion that we use to take money out of our own pocketbooks," she said.

Valltos played a major role in a new contract just awarded by the Minerals Management Service to Tetrahedron, an engineering consulting firm, to assess the performance of blowout preventer (BOP) equipment during testing. The control of wells during drilling is one of the agency's most important regulatory concerns.

"What we're finding," said Valltos, "is that companies were hiring professional proposal writers. The end result was that the beautifully written proposal showed no connection to the final product. So what we're hoping to accomplish is to talk face-to-face with the people who would actually be performing the tasks, and skip all of the technical proposals, verbose documents that stack up to the ceiling that someone gets paid to write, and then the government has to sift through, read, and digest."

Is it working? Bud Danenberger and Bill Hauser of MMS's Offshore Operations and Safety Branch couldn't be more pleased. While no one likes to deal with a lot of unnecessary paperwork, Danenberger and Hauser's main concern is safety on the federal offshore and to ensure the best contractor was selected for this very important study.

What is BOP equipment and why is this study so important? According to Danenberger, BOP equipment is installed on the top of the well casing during drilling, completion, and workover operations. Should gas or fluids enter the well bore, the operator can actuate "rams" on the BOP stack and shut-in the well. Using well control lines and valves associated with the BOP system, the operator can circulate the influx from the well bore and increase the weight of the drilling fluid to prevent future influxes.

The study is being conducted at the request of the natural gas and oil industry. "Current regulations call for testing blowout preventer equipment every seven days. The record for clean, safe offshore operations has been outstanding, which we felt was proof that testing equipment at seven-day intervals was working. Industry, on the other hand, felt it was preferable to test the equipment at 14-day intervals, instead. Industry felt 14-day intervals would be adequate and represent substantial cost savings," said Hauser.

The result—MMS committed to select an independent firm to conduct a nine-month study on blowout preventer equipment and the testing frequency the equipment requires to ensure maximum safety.

MMS and industry worked cooperatively in selecting the contractor based in Baltimore, Maryland. The American Petroleum Institute, the Independent Petroleum Association of America, the International Association of Drilling Contractors, the National Ocean Industries Association and the Offshore Operators Committee are participants and are underwriting half the \$100,000 cost.

Hauser explained that the new contracting procedure and the participation of industry proved to all parties that the best contractor had been selected for the job. Hauser said MMS formed a committee of ten individuals from the five outside groups and from MMS. The group developed the agreed on criteria that the contractor must meet. Interested contractors then came before the group to present their proposal. Each

presenter was given an uninterrupted hour to present their methodology. They were then asked to leave the room, and the committee took one hour to review the proposal and formulate questions. The contractor and committee then reconvened and the committee asked questions, which Hauser said proved valuable in establishing a dialogue and speaking freely about how the project would be handled.

The committee interviewed one contractor each day and filled out evaluation forms.

But what if the presenters were professional presenters, like professional proposal writers? Valltos had already thought of that possibility and had established rules. The only individuals permitted to give oral presentations were key personnel, she said—the people who would be performing the study. Valltos did not allow sales representatives, attorneys or presidents and CEO's to do the presenting. The president was invited to attend, but not to present.

David Sutfin, Chief of Procurement, has been working on convincing more program managers to use the same contracting procedure. He says it ensures selection of the best contractor and it also cuts the contracting time from approximately 6 months to less than 3 months—saving the government and industry time and money. "We are rapidly moving toward the day when all solicitations will use the oral presentation method. Since the first of the year, we have issued four oral presentation solicitations. The largest was MMS's National Oil Spill Test Facility contract for \$7 million," he said.

Danenberger and Hauser are pleased with the results. Safety is their job, and they feel confident they have the best contractor to perform this study. Danenberger adds that studies of the effectiveness of offshore equipment are critical to MMS's Technology and Assessment Research Program and the way he anticipates the Program spending more time and resources.

—Donna Cedar-Southworth
9

Pilot Program Making Progress

In his performance agreement with the President, Secretary Babbitt included provisions that MMS would pilot opinion research with employees and external customers in Fiscal Year 1994. The research was to identify areas for future change. The subsequent effort was conducted under the guidelines of Executive Order 12862, Setting Customer Service Standards, and the principles of Total Quality Management. The Gulf of Mexico Region's Public Information Office was chosen to conduct the pilot. This group of employees, referred to as TEAM 1, conducted a customer survey in June 1994 and again in August 1995. As a result of these surveys, improvements have been made in their customer service and in TEAM 1's working environment.

Some of the changes made over the past two years include setting customer service standards, expanding and modernizing the customer visiting area, installing a toll-free telephone number, installing a fax machine, allowing customers to pay for products with credit cards, evaluating and improving three major work processes and, probably most prominently, was answering customer pleas to "get on the Internet!".

"Getting on the Internet" is the Region's latest achievement, launching its HomePage on May 20. The HomePage contains information about the Gulf and Atlantic areas, offshore operations, lease sales, environmental studies, and how to order publications. Visit the Gulf's HomePage at <http://www.mms.gov/omm/gomr>.

Well Team Improves Process

The management of data handling has been a longstanding concern in the Gulf of Mexico Region. With the tremendous increase in the number of leases held in the Gulf, the most efficient method of handling of data must be found to ensure sustained levels of productivity. One of the major concerns has been open hole data--data obtained from operators of wells in federal Gulf waters from commencement of drilling to the

well reaching total depth of drilling. When several process improvement proposals were submitted to the Quality Office, it became apparent that this process needed to be reviewed.

Realizing that the system in question affects 55 percent of the Region's employees, the Region's Executive Steering Committee (ESC) formed a cross-functional team to identify problems associated with the receipt, handling, verification, and dissemination of open hole data. Thus, the Open Hole Data Submittal Team, better known as the Well Team, was formed.

The team was charged with identifying the needs of customers concerning open hole data, diagraming the workflow process of the current system, determining the form (digital or non-digital) and method of receiving data, and recommending the future teams for resolving identified problems. In nine months, the Well Team diagramed 27 workflow processes that became the basis of 39 recommendations on 73 problems.

The report recommended the formation of 11 separate teams over the next two years. These teams would revolutionize the Data Management System within the Region. The Well Team envisions that the Region will: reduce the number of points of contacts of the data; establish a Central Data Collection Unit

that will track, acquire, verify, and disseminate the data; reduce turnaround time for data receipt for all customers; reduce multiple submissions of data by operators; move to digital submission of data; and reduce internal duplication of hardcopy data.

The team relied on the experience of 45 subject matter experts (SMEs) to diagram the workflow process of the data from the point of contact in the Region to its repository. Each SME was asked to identify any problems and recommend solutions.

The team focused on the needs of the customers by inviting four daily users of the Public Information Office to an open forum to address their concerns relating to open hole data acquisition. Surveys were also sent to operators. The team concentrated on processing open hole data and not on the individuals doing the work.

The ESC has sanctioned three cross-functional teams to address selection of the event to start the 30-day submittal clock, a structured weekly drilling activity report (for tracking purposes), and a new workflow process for receipt of the hardcopy of logs. The ESC is finalizing the charter for a feasibility study to establish a Central Data Collection Unit and remains committed to change in the method of data acquisition, verification, dissemination, and storage.



GOM Regional Director Chris Oynes (far left) congratulates Well Team members (from left to right): Steve Lucky, Bunny Robinson, Peter Harrison, Mildred Williams, Steve Patkowski, Roger Corbeille, and Lee Tilton.

Library Reinvention Laboratory Continues in Alaska

Scientists working for the many Interior agencies in Anchorage might have a difficult time finding the information they need if it weren't for the different natural resource libraries located in the city. These libraries have extensive information about the geology, hydrology, biology, marine environments, and fisheries of Alaska and the Arctic. The collections of the Alaska Resources Library and libraries within the Fish and Wildlife Service, Minerals Management Service, and other agencies throughout Anchorage document the history and life of Alaska and provide the research material needed to make knowledgeable land management decisions.

These libraries are now in jeopardy. Budget reductions and personnel cutbacks threaten their existence. The Alaska Resources Library, located in the Anchorage Federal Building, has cut its staff and hours in half. The MMS Library, which specializes in petroleum engineering and geology, was boxed and put in storage last year when the agency consolidated its space. Other resource libraries in Anchorage aren't faring much better.

To stem the tide of potential library closings, a coalition of federal, state, and municipal librarians are working to maintain Alaska's natural resource libraries. Chartered as a national reinvention lab, the Alaska Natural Resources Library Group is working to consolidate the collections of several libraries in Anchorage.

The concept of a coalition of natural resource libraries was submitted to the Alaska Cooperative Planning Group (ACPG), along with a request to apply for Department of the Interior Reinvention Laboratory Status. The ACPG includes the managers of Department of the Interior agencies in Alaska. With their approval, the Alaska Natural Resource Library Group applied for and received Reinvention Laboratory status through the office of Vice President Gore.

Pacific Region Takes Lead in Promoting Efficiency in Multi-Agency Pipeline Inspections Offshore California

In reviewing recent offshore pipeline inspection surveys, the MMS Pacific Region recognized the need to refine the pipeline inspection process to benefit both government and industry. Realizing that other federal, state and local agencies have different inspection requirements on the same pipelines, the Pacific Region invited interested agencies to participate in a technical workgroup to identify ways to promote consistency and reduce duplication of pipeline inspection efforts among government agencies. Thus, the Pipeline Inspection Quality Improvement Team (PIQIT) was established. The multi-agency team was charged with reviewing existing federal and state agency requirements for inspections of pipelines on the Pacific Outer Continental Shelf and to develop guidelines to improve the quality of such surveys. Over an 18-month period, the Offshore California Pipeline Inspection Survey (OCPIS) Plan was developed by the PIQIT. Participating team members included representatives from the MMS, the Department of Transportation, California State Lands Commission, California State Fire Marshal and California Department of Oil, Gas and Geothermal Resources.

The OCPIS is a consensus-based, decisionmaking process intended to provide user agencies with an analytical framework for assessing the present condition and inspection needs of offshore pipelines. Implementation of the OCPIS Plan will permit pipeline operators to develop inspection strategies that are tailored to the needs of individual lines based on the actual condition of the pipeline. Requiring the operator to conduct the most beneficial surveys based on the actual condition of the line will improve pipeline safety and reduce the risk of failure while affording industry an opportunity to reduce survey costs as a benefit of diligent and innovative inspection maintenance.

MMS Presents Annual Stewardship Awards To Top Mineral Resource Companies

On May 17 MMS lauded four mineral resource companies for their superior records in royalty reporting and production reporting during 1995.

El Paso Natural Gas Company, of El Paso, Texas (which was unable to attend the presentation ceremony); Western Production Company of Rapid City, South Dakota; Dugan Production Company of Farmington, New Mexico; and Hallador Production Company of Denver, Colorado, were honored with the Secretary of the Interior's Mineral Revenues Stewardship Awards at the 1996 North American Petroleum Accounting Conference in Dallas, Texas.

"We applaud these four companies for their achievements," said MMS Director Cynthia Quarterman. "Their professionalism has not only contributed to a continuing, successful partnership between the federal government and industry, but has enhanced our Nation's energy program, which benefits all Americans," she added.

In presenting the awards, MMS Acting Associate Director for Royalty Management Robert Brown said, "While many companies maintain especially good records to meet their responsibilities for payment and reporting, these four were the best in the business last year. In fact, both Western Production Company and Dugan Production Company are each receiving this award for a second time, and El Paso Natural Gas is a recipient for a third time. They are genuine examples of performance excellence. Their continued dedication to perfection saves taxpayers' money and assists us in meeting our obligation to responsibly manage the revenues from the mineral resources of our Nation's public lands," he said.

Since 1987, the Interior Department has been commending exceptional performances by companies that report production and pay royalties for federal and Indian minerals leases to MMS.

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