

MMS TODAY

U.S. Department of the Interior ■ Minerals Management Service

Winter 2000

in his own words

Rosenbusch Presents his Vision for the Agency

Last May, after being sworn in as Director, I said I was committed to keeping MMS the leader it has always been in offshore safety and environmental responsibility, fiscal accountability, and working closely with our stakeholders. At the same time, I know that this is an agency born of reinvention, so I will keep working to build a better MMS.

When it comes to minerals resource management, we want to be recognized as the “best in the business.” That means continuing our practice of developing and implementing innovative practices and new technology; using a ‘common sense’ approach to revenue management; conducting quality scientific research to make sound decisions; working to ensure safe and environmentally responsible offshore activities; and reaching out to all our stakeholders. Several initiatives, some of which we highlight in this issue of *MMS Today*, are going to help us get there.

The MMS Royalty Management Program’s (RMP) Reengineering Initiative is one of my top priorities. The new royalty management business process and accounting system will mean savings for industry and the taxpayers. It will mean more efficient service for those due revenues from mineral leasing and production, such as the states, American Indian Tribes and allottees, and the U.S. Treasury.

Additionally, through our ongoing Royalty-In-Kind (RIK) program, we continue to improve royalty collection and increase the net benefit to taxpayers. We are presently conducting RIK pilot projects in Wyoming, Texas, and the Gulf of Mexico that will help us determine if RIK is in the country’s best interest, and if so, under what circumstances. While we know that it may not be applicable in all cases, I believe RIK can be a viable alternative to the valuation debates as well as serve to lower our administrative costs.

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Director Walt Rosenbusch visits OHMSETT, the national oil spill response test facility in Leonardo, New Jersey.

Royalty-in-Kind: From Pilot to Program

by Walter Bonora

Legendary football coach Vince Lombardi’s statement, “winning isn’t everything, it’s the only thing” has become a part of American pop culture. For years, successful businesses evoked Lombardi’s image, echoing his message as a battle cry for success.

The federal government, in working to improve its various operations, often embodies, or borrows from practices that have made some businesses winners. Like many forward thinking companies, the Minerals Management Service, a federal agency, spends a considerable amount of time and effort to find better ways to do the business of serving the American people. One area that has seen change is in the taking of natural

resource royalties in-kind from mineral producers.

Royalty payment in monetary value usually works best for the taxpayer. But taking in-kind payments can also work under certain circumstances.

“Taking royalty-in-kind is not a new concept,” says Bonn Macy, special assistant to the agency’s director. “It is nearly as old as the Pyramids. It is the most primitive form of the royalty concept. The ancient Greeks, and medieval German, Saxon, and Norman kings

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Message from the Director

Rosenbusch from cover

Ultimately, I want it to be an integral part of our royalty management operations.

As the leader in offshore safety, science, and environmental responsibility, the MMS Offshore Minerals Management (OMM) program is responsible for balancing the nation's search for energy and marine minerals with the protection of the human, marine, and coastal environments. To do this, MMS employs hundreds of scientists - many of whom are internationally recognized experts in their field - who provide the solid, scientific underpinnings for the critical decisions that must be made to achieve this delicate balance.

To give you a greater understanding of the important public service they perform, we unveil in this issue a new column: *Profiles: MMS Scientists*. Each month, *Profiles* will highlight one of our scientists and their work.

Over the last decade, as the world-wide scope of the offshore oil and gas industry has changed and interest in global environmental issues has grown, MMS met the challenges of this rapid evolution and globalization of the industry. Through domestic and international cooperation and partnerships, we have met those challenges. I want to keep MMS a model for other government agencies on stakeholder participation in developing sensible and effective policies and regulations.

For almost 18 years, MMS has managed the Nation's mineral resources on the Outer Continental Shelf, and collected, and disbursed revenues from offshore and onshore Federal and Indian mineral leases.

We have a record of success, and my vision is for us to continue to be the best in public resource management; to continue our leadership in safe operations and environmental responsibility; and to continue working with our constituents to build consensus and balance interests.

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Rosenbusch visits an offshore production platform in the Gulf of Mexico.
photo by Stephen Shaffer

Rosenbusch's Expertise Ideal for Directorship

Director Walt Rosenbusch took the helm at MMS in May 1999 succeeding Cynthia Quarterman who resigned in February. He hit the ground running bringing with him an arsenal of experience and expertise in federal service and private industry.

Before joining MMS he was a senior tax manager at Ernst and Young's Houston Energy Team since 1996, where he was responsible for coordinating major projects that resulted in significant tax savings for clients. At the Department of the Interior, from 1993-1996, he served as a special assistant to the assistant secretary for Land and Minerals Management, where he was a liaison for MMS working to resolve federal oil, gas and mineral royalty issues involving federal onshore and offshore leasing. He also served as the Department's primary contact with the Executive Office of the White House for the Clinton Administration's initiatives on oil and gas policy.

From 1989-1993, Rosenbusch worked in the Texas General Land Office as deputy lands commissioner of Energy Resources where he managed and administered 13.5 million mineral acres. He established leasing and mineral development policies and procedures to ensure fair market value for the mineral resources extracted from public lands.



Walt Rosenbusch

Rosenbusch, a native of Austin, Texas, holds a bachelor's degree in business administration from the University of Texas at Austin. He is a member of the Petroleum Accountants Society of Houston, the Institute of Professional Taxation, and the Interstate Oil and Gas Compact Commission.

RIK, *continued from cover*

all took a royal share of production from their lands in exchange for permission to mine it. What we are doing today is taking the old system and dusting it off.”

The United States has long recognized the option for taking royalties in kind. Today, all federal leases contain a provision that allows for the Secretary of the Interior to take royalties in-kind under certain circumstances.

“We are determining the extent to which taking in-kind payments rather than cash payments can fit into our long range plans,” says MMS Director Walt Rosenbusch. “While RIK may not be applicable in all cases, I believe it can be a viable alternative to the valuation debates as well as serve to lower our administrative costs.”

To test this method, MMS began a series of pilot programs. The 1995 Royalty Gas Marketing Pilot was the first attempt to look at the potential benefits of an RIK system. Though this early pilot was not a success, there were many benefits.

“The reason for this pilot was to learn more about operating an RIK program,” said Walter Cruickshank, the agency’s associate director for policy

and management improvement. “The best way to do that is by practical experiment. With the first pilot we asked ourselves the question can we do this. We learned that we can. Now we are trying to move forward so that it is a win-win situation for everyone. We still have a lot to learn but we are learning something new with each lease sale.”

By taking the concept from a solely academic discourse, MMS learned first hand about what it takes to have a successful RIK program. “Even though the 1995 pilot lost money,” said Cruickshank, “the agency still felt RIK had potential to improve the process.”

MMS moved forward with its efforts by conducting a study looking at the feasibility of implementing RIK across all federal oil and gas leases. The study suggested that an RIK program in certain areas could be successful if structured in a way that allowed MMS the flexibility to market the production as necessary to maximize value to the taxpayer. However, the study determined that taking royalties in-kind across the board in all cases was not feasible.

This led to three new pilot programs to test the concept: an oil RIK pilot in Wyoming; an offshore natural gas pilot off the coast of Texas; and a larger, more complex pilot that takes natural gas from

offshore leases in the Gulf of Mexico.

“As we identify successful pilots, those projects will become part of our royalty collection process,” said Cruickshank. “World demand for energy is increasing and we are always looking for better ways to serve the American people. The Wyoming pilot will continue, and we are looking to add more volume to the natural gas taken in the Gulf of Mexico.”

As with any experiment, companies and federal agencies take a close look at the results and what lessons are learned. Through its pilots, MMS expects to find cases where RIK will be successful. When companies make changes to their internal operations, the results are sometimes not seen immediately. Full implementation of a reengineering effort can take several years.

“The taking of royalties in-kind,” says Rosenbusch “will become part of MMS’s toolbox for managing royalty assets. It will be around for a long time, and as we learn more about RIK it will become institutionalized and we will remove the word ‘pilot’ from our RIK initiatives.”

The Global Perspective

International Regulators Forum

MMS is continuing to strengthen and promote its efforts toward greater international production and development standards for oil and gas operations. This year MMS is going to continue its active participation in the International Standards Organization’s effort toward greater standardization of oil and gas operations. Recently, the MMS joined a number of technical committees of ISO and may even incorporate ISO standards into agency regulations, and for the first time, MMS had a line item added to the FY 2000 budget for \$250,000 to fund this participation.

The Caspian Partnership for Regulatory Cooperation (CPRC)

The agency is in the second year of the U.S. Agency for International Development funded program to assist the Caspian Basin states of the former Soviet Union in their development of new regulatory regimes to govern their

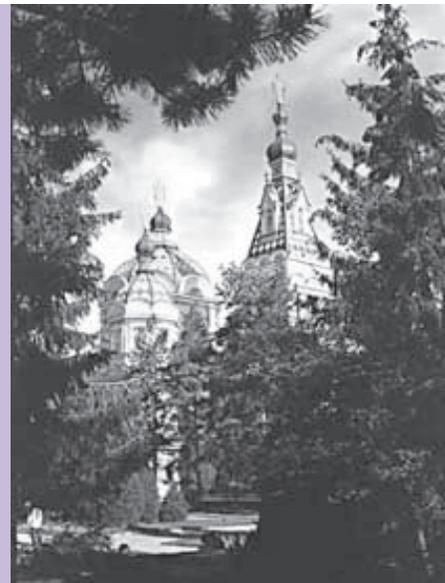
highly valued oil and gas resources. In the coming year, MMS will partner with Turkmenistan, Georgia, and Kazakhstan in their efforts to establish new rules in accordance with international standards. Projects include joint computer modeling of resource evaluation and reserve classifications, joint field operation inspections of offshore facilities, and workshops that highlight MMS’s vast experience managing oil and gas activities on the U.S. OCS.

MMS/Norwegians to Assist Russians

In 1997 the agency and the Norwegian Petroleum Directorate agreed to assist the Russians in reforming their offshore oil and gas regulatory system. The first phase of the project was completed in 1998, and essentially made recommendations to reform the Russian system to meet their changing needs.

Proposed changes would help bring the Russian system in line with modern international standards and practices.

The second phase of this effort is



Ascension Orthodox Church in Almaty, Kazakhstan

currently underway, and will set the foundation for proposed changes by developing Russian standards for offshore development. The effort continues in earnest as the three nations work together to improve Russia’s offshore oil and gas operations.

For more information visit the web at www.mms.gov/intermar.

Natural Wonders Benefit From Offshore Energy Development

by Robin Cacy



Purchased with money from the Land and Water Conservation Fund, Four Dances Natural Area along the Yellowstone River in Montana is an example of lands acquired through the fund.

A canoe slips into the water and glides across a lake in Chugach State Park. Much farther north in Barrow, two baseball teams take to the field to enjoy a game played during endless summer daylight.

In Anchorage, MMS employees write an environmental impact statement on a proposal for a lease in the Beaufort Sea. What do these activities have in common? Through the Land and Water Conservation Fund Act (LWCF) of 1965, some of the funds the government earns from offshore oil and gas leases are returned to the states for parks and recreational site development. Here's how it works.

Private companies bid competitively for the right to explore for petroleum on the federal Outer Continental Shelf (OCS). The companies pay rental fees and a royalty on any petroleum products produced on the lease. This money is used in many different ways. Some of the money goes into the national treasury and a portion goes back to states.

The fund, administered by the National Park Service, must total \$900 million each fiscal year. A portion of the money for the LWCF comes from property sales held by the General

Services Administration, motorboat fuel taxes, and recreation fees collected by the Departments of Interior and Agriculture. Any difference between these receipts and the \$900 million total is made up from revenues from the OCS. Since 1971, those revenues have provided more than 70 percent of the LWCF monies and in some years, more than 90 percent.

Alaska has received more than \$27 million from the fund. These grants have funded varying projects like baseball fields in Barrow, Klawock, Thorne Bay, and Nuiqsut; a rifle range on Kodiak Island; a statewide comprehensive outdoor recreation plan, and municipal parks and greenbelts all across the state.

During its first 30 years, LWCF provided nearly \$9 billion to acquire new federal recreation lands and provided grants to state and local governments.

These grants have supported the purchase and protection of more than 2,000,000 acres of recreation lands, and the development of nearly 27,000 basic recreation facilities in every state and territory of the nation. Seventy-five percent of the total funds obligated have gone to locally sponsored projects to provide close-to-home recreational opportunities that are readily accessible to

America's youth, adults, senior citizens and the physically or mentally challenged.

The federal lands acquired through the LWCF have been added to national park trail systems throughout the United States.

In addition to acquiring new areas, the fund has helped expand existing sites in places like the Cape Cod National Seashore in Massachusetts, the Padre Island National Seashore in Texas, the Sleeping Bear Dunes National Lakeshore in Michigan, the Appalachian National Scenic Trail from Maine to Georgia, the Kenai River Viewing Area near Kenai, Alaska, and Waterfront Park in Seward, Alaska.

These recreational sites were funded, in large part, by monies generated from OCS oil and gas leasing.

So the next time you are walking along the beach on Cape Cod, or sitting on a bench watching the sunset over Resurrection Bay in Seward, remember that offshore oil and gas doesn't only provide energy for our nation, but also the opportunity to enjoy many of our nation's most beautiful natural wonders.

Ken Turgeon, the Agency's Chief Scientist by *Walter Bonora*

He was shot at by snipers, kidnapped and held at gun point by Muslim zealots, and barely escaped being dragged to the bottom of the Indian Ocean. No, Ken Turgeon was not a member of Delta Force. Instead, he faced these and other harrowing adventures while teaching biology in politically volatile areas of the world.

"I was in Beirut in 1975 when the fighting between the Muslims and Christians began to heat up," he recalled. "I had this burning desire to go overseas, so I took a job teaching biology at the American University in Lebanon.

"The university sat on the green line—the imaginary border between the Christians and Muslims in Beirut. One night I went to buy a pack of cigarettes in an area where I wasn't supposed to be. Suddenly, I'm surrounded by some scary characters pointing AK47s at me."

While being interrogated and threatened with being shot on the spot, Turgeon told the group's captain that he was an *anglais* teaching marine biology at the university. That may have saved his life because the captain of the interrogation team had a cousin who was a student at that same university.

"One minute they were about to shoot me: the next minute I'm being told how good the school is and what a good teacher I must be," Turgeon said.

With an admonition to be careful because he might not be so lucky next time, Turgeon was released.

"Good thing his cousin had attended the university, or I might not have lived to experience my next brush with death."

And that happened on the terrace of his apartment, when a shot rang out and a bullet ricocheted off the balcony wall, only inches from his head. "I dove head-first back into the apartment as a second shot ripped through the air," he recalled. "To this day, and I'll never know why, but for some reason I was the target of sniper fire."

Turgeon experienced one year of Beirut's turmoil before he and other Americans were evacuated by the U.S. Navy.

Today, packed with more war stories than a combat veteran, Turgeon serves as chief scientist for the Minerals Management Service. He brings with him not only academic credentials, but also a worldly expertise that enables him to move with ease through diverse

groups of professionals. He advises all levels of management on environmental and scientific issues that affect natural gas and oil development activities in the marine environment. His work reaches into academia and research institutions where he promotes the agency's scientific interests.

Turgeon's journey began in a little town outside New Bedford, Mass. His parents used to take him into New Bedford where he was struck by the rich whaling tradition of the town.

"I can remember as a little kid going to town with my mom to go shopping. She liked to go down where the seaman's bethel was, and there were a couple of whaling museums and shops that sold fishing heirlooms. Seeing all this made a favorable impression on me.

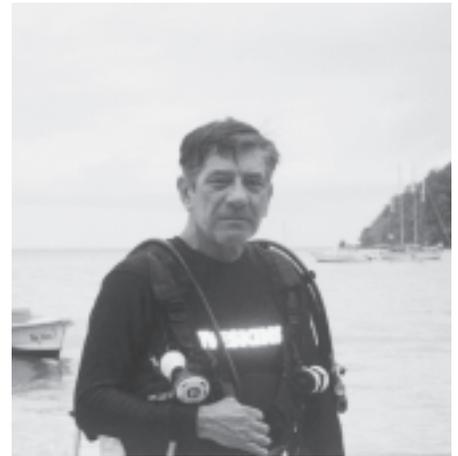
Watching the television show *Sea Hunt*, with Lloyd Bridges, may have also heightened Turgeon's spirit of adventure, "That show captured my imagination and I thought oceanography is where I should be. I then graduated from high school at about the time Jacques Cousteau was gaining popularity, and he was an inspiration to many of us.

Along with this developing interest in the sea, I was becoming interested in science. Every Christmas, I was always the kid who had to have the newest and best chemistry set. In short order, I went from one of those little kit microscopes to a good quality, college laboratory level microscope."

But before embarking on his oceanographic journey, Turgeon had his sights set on a medical career. "I wanted to be a doctor, and worked my way through Stonehill College in Massachusetts as an emergency room orderly. After five years of that, I said 'no thanks.' I didn't have the make-up for it, and besides I had always had a love of the sea."

So Turgeon went to The College of William and Mary where he got his masters degree in biological oceanography and then on to the University of New Hampshire for a doctorate in marine zoology.

And along the way he had other brushes with death, like being chased by a mean spirited hippopotamus while studying crayfish in Lake Nivasha for the Kenyan Fish and Game Department, and receiving a painful and debilitating sting from a poisonous worm while diving in the Indian Ocean. But after a circuitous route, Turgeon landed on the shores of MMS in 1988. During his



Both professionally and recreationally, **Ken Turgeon** has logged over 1,000 hours of diving time in 33 years of diving. Here he prepares to dive in the waters off Tobago, home to the world's oldest known, living coral formation.

tenure here, he has led efforts to make the public understand that MMS does research. "We are not just managers. And once we announced that we were also a research agency, we generated a lot of interest from outside scientific organizations."

In considering the future for the agency, Turgeon would like to see the position of chief scientist remain after he leaves. "I think the position is needed in representing our agency to the scientific community in all arenas - academic, private sector, state, and federal."

Because of the position, MMS has become involved in many issues that it normally would not have prior to its creation.

"For example," Turgeon said "we became a major player in the National Oceanographic Partnership Program, a congressional law listing us as an ocean leader. We are actively involved in the National Ocean Conference. People are increasingly recognizing us as an agency involved in top-notch scientific, and environmental research."

Turgeon thinks this job will be the last stop in his long and successful government career. After he leaves federal service, he would like to put his energies towards efforts designed to educate the public in the importance of protecting the marine environment.

MMS Does the “BLITZ”

by Mike Saucier

It's not only football teams that occasionally call out “blitzes.” MMS has a form of blitz called “blitz inspections.”

It had come to the attention of the agency that regulators in the North Sea had concerns with platform maintenance in critical safety areas. Thus, MMS decided that it might be a good time to verify if the Gulf of Mexico had any reason for concern. In October of last year, all districts were directed to perform a production selected facilities review, better known as a “blitz.”

The main objective of the blitz was to conduct inspections using the 24 potential incidents of non compliance (PINC's). The districts would use a modified version of the critical PINC list for sampling inspections on major, manned platforms more than 10 years old and with well bays and quarters. The inspectors were to determine if operators were properly maintaining facilities especially with regard to

firewater and gas detector systems. Special emphasis was placed on complexes that had received PINC's on firewater and gas detector systems in the past.

A total of 65 platforms were inspected throughout the Gulf. All districts participated.

Districts ran one to two helicopters with two inspectors per helicopter. This enabled the districts to complete their assignment within the allotted time. The firewater pumps were started and tested for operation. The gas detectors were physically tested with test gas to ensure proper operation. Additionally, the inspectors surveyed how many platforms had chemical firefighting in lieu of



water firefighting systems.

MMS learned a great deal from the blitz inspections, primarily that gas detector actuation testing was not routinely being conducted by the operator, contractor, or third-party personnel. Contributing to this decision was the fact that many offshore operators prepare for routine MMS inspections by what the inspectors ask for and look at during the previous inspection. Therefore, MMS will refocus its inspection strategy to ensure equipment is tested as required.

So, the next time you hear the word “blitz,” it may not be referring to a football game. It might mean MMS is on its way to an offshore platform for a special inspection.

Improving Business Practices Underway *RMP staff article*

The agency's Royalty Management Program (RMP) continues to move aggressively to implement its reengineered business processes and automated support systems for the 21st century. Recently, RMP achieved yet another of its critical project milestones with the award of a major financial system development and implementation contract to Andersen Consulting. This represents an important step by RMP in the three-year implementation of its reengineering effort.

Begun in 1996, RMP's reengineering initiative involved a complete redesign of all of the program's core business processes and support systems to achieve its desired performance improvement goals, which include: reducing the royalty management business cycle from 6 years to 3 or fewer; providing revenue recipients with access to their money within 24 hours of the due date; establishing organizational accountability at the

producing property level for royalties taken both in-value and in-kind; simplifying and streamlining industry reporting requirements, and modernizing RMP's aging automated support systems.

The reengineering of RMP has been no simple procedure. The program began the initiative with the design phase, which initially involved a thorough evaluation of constituent needs and what the RMP already had in the way of resources and processes. In proceeding through the design phase to define future RMP business processes, many technical surveys were conducted, experts and constituents consulted, numerous private and public sector enterprises were benchmarked for best practices, and information technologies evaluated. And, there was continual dialogue with customers, constituents and employees to acquaint them with progress and development, while inviting their expertise and support. The design phase concluded with the issuance of RMP's

Preliminary Design Concepts Document in March 1998. The next phase of the project involved further analysis, process piloting and technology prototyping, and led to the RMP's publication of the “Road Map to the 21st Century” in November 1998.

The road map presents RMP's strategy for implementing, by September 2001, its reengineered business processes and automated support systems. Through successful implementation, the RMP will be transformed from a function-based to a process centered organization and be positioned to meet its performance improvement goals.

It will be organized around two core, end-to-end, business processes - the

see **Reengineering**, page 9



The second session of the 106th Congress reconvened January 24, 2000. During the first session, Congress worked on or enacted several issues of interest with regard to MMS programs. A partial list follows:

OCS Impact Assistance/Lands Legacy Legislation

The Lands Legacy initiative expands federal protection of critical lands across America, helps states and communities preserve local green spaces, and strengthen protection of our oceans and coasts.

There have been numerous bills introduced in both the House and Senate on this legislation. The predominant bills on the Senate side are S. 25 (Murkowski-AK and Landrieu-LA) and S. 446 (Boxer-CA);

In the House, the predominant bills are H.R. 701 (Young-AK) and H.R. 798 (Miller-CA). During the first session of the 106th Congress, both the House Resources Committee and the Senate Energy and Natural Resources Committee held extensive hearings on the major bills in an effort to move the process forward and to develop a consensus approach. To date, the House has had more luck in developing a consensus than the Senate. The Resources Committee reported a bipartisan version of H.R. 701 prior to their November adjournment.

OCS Moratoria

After years of controversy, Congress has “institutionalized” OCS moratoria, at least on an annual basis, through the appropriations process. However, there are still members, particularly from California, Florida, New Jersey, and North Carolina, who would like to see more long-term protections enacted. Despite numerous bills that have been introduced during the past few Congresses, none have proceeded past the hearing stage. This scenario has been true for the 106th Congress as well. For example, the House Resources Subcommittee on Energy and Mineral Resources held a hearing on August 5, 1999, on H.R.33 (Goss-FL). This bill prohibits oil and gas activities offshore Florida until certain conditions are met.

MMS Director Walt Rosenbusch testified on behalf of the

Administration and noted that they have concerns with the bill.

Since the hearing, there has been no further congressional action with regard to H.R. 33 and none is expected on this, or any other free-standing moratoria bill, prior to the 106th Congress adjourning.

DOI Fiscal Year 2000 Appropriations

The Department of the Interior appropriations bill was one of five bills that was ultimately rolled into one massive “omnibus” appropriations bill at the end of the first session of the 106th Congress. All in all, MMS fared well in the appropriations process. Of note, Congress gave MMS the monies it requested to fund its programs and initiatives over the next year and even added \$600,000 to MMS base funding to run the Mississippi Marine Mineral Technology Research Center. Congress also raised the amount of offsetting receipts that MMS is allowed to retain to \$124 million (\$24 million more than in FY 1999). However, the additional \$24 million in receipts is offset by reducing the MMS appropriated dollars by an identical amount.

Ocean-Related Legislation

There are several laws affecting the OCS program whose authorization expired in 1999 and are in need of reauthorization—most notably, the Coastal Zone Management Act (CZMA), the National Marine Sanctuaries Act (NMSA), and the Marine Mammal Protection Act (MMPA). There have been bills introduced on all three Acts.

These bills have seen some movement during the first session of the 106th Congress. Most notably, the House passed H.R. 1243 (NMSA). However, given the time constraints of the second session, reauthorization chances are difficult to predict.

Federal Crude Oil Valuation Regulation

The Federal crude oil valuation regulation has been an issue with Congress for over three years. The Department has tried to finalize the crude oil regulation and has been halted

several times by congressional riders attached to appropriations bill.

At the end of the first session of the 106th Congress, the Department of the Interior appropriations bill was rolled into an “omnibus” appropriations bill which included language preventing MMS from publishing a final oil rule until March 15, 2000.

MMS repropose the rule in the *Federal Register* on December 30, 1999, and the comment period closed on January 31, 2000. MMS held three workshops around the country for further comments on the oil rule. The comments are currently being reviewed.

S. 924, “The Federal Royalty Certainty Act”

Last year, Senator Don Nickles (OK) introduced the “Federal Royalty Certainty Act” which would amend the Outer Continental Shelf Lands Act and the Mineral Leasing Act by changing the valuation of oil for royalty purposes.

This bill would fundamentally change longstanding valuation principles by forcing the government to share in costs historically considered the responsibility of the lessee.

Last summer, Tom Kitsos, Deputy Director of the Minerals Management Service, testified before the Senate Energy and Natural Resources Committee on S. 924. He explained several of the Department’s concerns and stated that this legislation falls short of its objectives. And as a result, would cost the American taxpayers as much as \$250 million a year in lost revenues.

The Department opposes this legislation, and if passed, it would recommend a presidential veto. Last fall, the Department provided Congress with a detailed analysis of the bill which outlined its concerns.

Also, last year, the Senate Energy and Natural Resources Committee and the House Committee on Resources anticipated a joint hearing but were unsuccessful.

Editor’s Note:

Depending on how things develop in Congress, some of the information and dates contained herein are subject to change.

Islands of Life *by Villere Reggio*

Who would have thought over 40 years ago that oilmen and fishermen would seek out the same location to pursue their dream? The fact is, the growing demand for fossil fuels and marine recreational fishing has formed an established symbiotic relationship off Gulf states with active offshore oil and gas leasing and development programs.

In the producing oil and gas fields of the Gulf of Mexico, recreational fishermen and SCUBA divers seek out petroleum structures as the most likely places to find, catch, and enjoy a concentration of sport fish and undersea marine life. Numerous surveys have shown that oil and gas structures have become a major recreational destination for offshore sport fishermen, divers, and charter boat captains.

Reports by the Coastal Fisheries Institute at Louisiana State University (LSU) state that some production sites harbor as many as 28,000 fish within a few hundred feet of a structure. LSU and Texas A&M Universities are also documenting distribution of fish throughout the water column and seasonal variations of fish densities.

As the normal oil and gas production life of an offshore platform seldom extends beyond 25 years, accurate information on fish and human behavior affected by petroleum structures in the marine environment helps fishery managers develop better offshore artificial reef programs. To date, approximately 150 retired oil and gas structures are permanently dedicated to fisheries conservation and development through state-sponsored rigs-to-reef programs.

Fish and other marine creatures are not the only critters attracted to offshore platforms. Every spring and fall numerous species of colorful neotropical birds, monarch butterflies, moths, and other flying insects are known to cross the Gulf of Mexico.

Offshore platforms sometimes serve as unwitting refuge sites when adverse weather conditions interrupt normal bird migration patterns. Warblers, vireos, thrushes, flycatchers, orioles, and many other songbirds joyfully appreciated in America's backyards have been recognized on isolated petroleum structures throughout the Gulf of Mexico. In 1997, MMS and several oil



Recreational fishermen enjoy leisure time near an offshore oil rig.

and gas companies began cooperating with the LSU Museum of Natural History to document and analyze the scope of migrant bird fallout on offshore platforms. Increasing our understanding of all creatures known to associate with offshore structures will provide a better foundation for informed decisions designed to protect the cycle of life affected by America's offshore energy development program.

The Minerals Management Service has published and distributes upon request a colorful poster and accompanying teacher's guide focusing on offshore platforms as "Islands of Life." Additional information and copies of the poster and guide are available by calling the Gulf of Mexico Regional Office at 1-800-200-GULF or by accessing our web site at www.mms.gov/omm/gomr/.



Neo-tropical songbirds, one of the many varieties of birds making their long trek across the Gulf of Mexico, have been spotted on offshore platforms.



Fast swimming dolphins (left) sometimes grab a quick meal around platform legs which are also a popular destination for divers (above).





rmp staff photo

Taking part in the signing of a multi-million dollar contract with Andersen Consulting are, from left to right, Bob Brown, Stan Gutkowski, Lucy Querques Denett, Milt Dial (standing), Director Rosenbusch, and Steve Rohleder.

financial management process, which will focus on financial accounting and receiving and rapidly distributing revenues; and the compliance and asset management process, which will assure that RMP collects proper and timely royalties whether paid in cash or received by the agency in-kind and sold in the marketplace.

Through the compliance and asset management process, the RMP will, for the first time, be positioned to make timely asset management decisions, at the lease and producing area level, as to whether royalties should be taken in-kind or in-value, and act on those decisions.

One of the critical aspects of the reengineering Road Map is the introduction of technology to support RMP's future business processes.

"While several important milestones of the reengineering initiative have been reached, perhaps the most important step so far is the awarding of a \$47 million, seven-year contract to Andersen Consulting to develop, install and operate an integrated financial system," said RMP Associate Director Lucy Querques Denett.

"With the signing of this contract, MMS advanced well into the implementation phase of its reengineering initiative, an undertaking which was originally spurred by aging computer systems, changing energy markets, and the need to better align its business cycles and processes with those of industry and financial institutions," she added.

Under the contract, Andersen Consulting will serve as the overall integrator, responsible for both the design and installation of the new financial system and the operation and support of the system in the future. They will employ an Oracle relational database management system and the PeopleSoft suite of commercial off-the-shelf products to meet the needs of MMS's future financial system.

USInternetworking, Inc. will provide data center facilities and operations support to Andersen in operating the system. Additionally, Andersen Consulting will provide technical and integration support services to introduce a variety of technologies including data warehousing, workflow, document management, geographic information systems and online, analytical processing tools.

"The new business processes and technology support systems will have significant payoffs for our customers, including states, Indian tribes and allottees, the minerals industry and the American public," Denett concluded, "Everybody wins!"

Another critical aspect of the Road Map implementation is the operational model phase. With this phase, RMP has established four operational model teams (Offshore, Onshore, Solid Minerals, and Jicarilla Apache) that are applying aspects of the compliance and asset management process, in a live environment, to logical subsets of leases in specific producing areas. In addition to addressing current compliance issues, the operational models are providing

valuable experience that is being applied to many aspects of the process refinement and organization transition strategy. Joining the MMS in the operational models are representatives from the States of Utah, Colorado, Wyoming and Montana; the Ute, Navajo and Hopi Tribes; and several oil and gas and mining companies including Chevron, Texaco, BP Amoco, Coastal, Barrett, Peabody, Pacificorp, BHP, and RAG American, Inc.

Also actively engaged with RMP in many aspects of the reengineering initiative is the Council of Petroleum Accountants Society which serves as a vital participant in best defining future information reporting requirements, business process interfaces with industry, and future technology opportunities to reduce administrative costs for both MMS and industry.

"With reengineering remaining as our number one priority, and with the help of our state, tribal and industry partners, the Royalty Management Program is making progress daily and on schedule to meet both forecast and evolving demands," said Denett.

Recent Publications

Final California Offshore Oil and Gas Energy Resources Study: Development scenarios and onshore physical infrastructure in the tri-county area of San Luis Obispo, Santa Barbara, and Ventura counties.
MMS 99-0043

Executive Summary (Final): California Offshore Oil and Gas Energy Resources Study.
MMS 2000-008

Estimated oil and gas reserves, Pacific Outer Continental Shelf (as of December 31, 1997).
MMS 99-0023

Monitoring of rocky intertidal resources along the central and southern California mainline: San Luis Obispo, Santa Barbara, and Orange counties, Fall 1995-Spring 1998.
MMS 99-0032

Annual Report to Congress: FY 96 & FY 97, OCS oil & natural gas leasing & production program. OCS report, MMS 99-0059

Note:

Due to the heavy volume of information for this issue a more extensive 'Recent Publication' section will be published in the next MMS Today.

Across MMS

For additional information on most of the following stories, visit our website at: <http://www.mms.gov>.

Pacific Dive Team Gears Up

by Walter Bonora

In December of 1998, the MMS Pacific Region saw the resurgence of their dive team. Their mission is to support various functions within that region when they need underwater work. They assist in marine environmental studies and field operations. Led by sociologist Jim Lima the team also includes Herb Leedy and Bob Phillips.

"We survey pipelines seaward of the tideline to check for any movement and to confirm that they are properly buried in the seafloor" said Lima. "We also do growth studies of marine organisms on platform legs. We look at their rate of accumulation and the physical make-up of the community."

The Pacific Dive Team also assists the Channel Islands National Park in kelp forest monitoring, shipwreck surveys, and with an underwater video program that introduces park visitors to the marine environment around Anacapa Island.

"The people at the park, in particular, dive officer Dave Stoltz, have been instrumental in helping us get our program going," Lima noted. "It makes sense for us to work together whenever we can."

Jim Lima formerly worked at Channel Islands National Park as a Maritime Historian. While at the park, he helped survey shipwrecks and

co-authored a cultural resource report on the wrecks around the Channel Islands. After working for the Park Service he spent several years teaching at Alabama's Troy State University. He returned to California in 1998 to accept a position with the agency as a social scientist. In addition to overseeing several regional studies, he also serves as the region's dive officer.

Lima has logged nearly 1,000 dives over the past 15 years, most of them in California waters. He has worked on a number of the area's sport diving boats, and helped teach scuba diving at the University of California, Santa Barbara.

Herb Leedy came to the Region's Office of Environmental Evaluation as a fisheries biologist from the National Biological Survey in 1996. With NBS he worked at an aquaculture research facility on pathology and immunology of channel catfish. Leedy has also worked as an aquaculture extension agent in central and west Africa with the Peace Corps. He has been diving since 1996 when he was certified in California. All of his dives have been logged off the coast of California and the Channel Islands.

In the summer of 1997, Leedy completed a 10-week, advanced diver program with LA County and NAUI. Leedy brings a knowledge of the marine



MMS divers check pipelines and growth on platform legs in the underwater environment of central California.

environment and ecology to the team.

Bob Phillips is an electrical engineer in the Pacific Region's field operations office. Phillips dove commercially in the Great Lakes prior to graduate school. Most of the commercial diving work in the Great Lakes is done for heavy industry with hard-hat and hose. He brings that experience, along with formal engineering education to the team.

Deepwater Activity Continues to Thrive in Gulf of Mexico

by Richie Baud



Shell's Bullwinkle platform operates in 1353 feet of water, and is located about 150 miles southwest of New Orleans.

Gulf of Mexico deepwater oil and gas production rates were at an all time high in 1999. By the end of 2000, MMS anticipates that deepwater oil production will have grown fast enough to surpass shallow water oil production for the first time in history.

Nine new deepwater Gulf of Mexico fields began production in 1999 and eight more are expected to begin production by the end of this year. December 1999 deepwater oil production rates increased about 30% from 1998 rates to an estimated 675,000 barrels of oil per day. Deepwater gas production rates rose about 13% during that period to approximately 2.3 billion cubic feet per day.

The MMS expects continued growth in deepwater oil and gas production through 2002. The influx of deepwater gas should offset declining shallow

water production through 2002, so that overall Gulf of Mexico gas production remains constant. Increasing deepwater oil production should more than offset declining shallow water production through 2002, yielding an overall increase in Gulf of Mexico oil production.

For more information, see the annual report *Gulf of Mexico Outer Continental Shelf Daily Oil and Gas Production Rate Projections from 2000 through 2004*, available free at our website.

E-Business on the Move in the Gulf

Gulf of Mexico Region report

The Offshore Minerals Management (OMM) program is pursuing e-business opportunities in response to industry requests to be able to submit reports electronically using the Internet and guidance from the Office of Management and Budget (OMB) that agencies develop methods to do business electronically.

For a number of years the MMS has worked with the American Petroleum Institute (API) and other regulatory or royalty management agencies such as the Bureau of Land Management (BLM), and the Texas Railroad Commission (TRRC) to develop standard exchange formats for digital petroleum data.

OMM is now exploring how these formats might be updated for e-business to facilitate reporting using web-based (Internet) technologies. During the last quarter of 1999, the OMM's Gulf of Mexico Region and the Information Technology Division partnered with the Petrotechnical Open Software Corporation (POSC), BLM, and API to develop petroleum e-business standards for reporting oil and gas well data. During this project several operators participated in a successful test of proposed e-business standards by submitting data from wells in the Gulf of Mexico using web-based applications and exchange formats developed by this partnership.

This year, OMM proposes to pilot the e-business standards that were tested, work with API and POSC to obtain approvals for the standards, and develop additional methods for conducting its business electronically. OMM plans to continue exploring Internet opportunities, leverage the work being done in other agencies, and seek e-business alliances that might lead to sharing information, technology, and development costs.



MMS biologists continue monitoring rocky intertidal resources along the central and southern coasts of California.

*photo by
Walter
Bonora*

Alaska Offshore Regional Advisory Group Appointed

The Secretary of the Interior appointed a new Alaska Region Offshore Advisory Committee (AOAC) to advise MMS for its proposed lease sale in the Beaufort Sea. Members of the committee represent a broad spectrum of MMS stakeholders and represent a wide range of views about developing oil and gas offshore Alaska.

State members include Patrick Galvin, director of the Division of Governmental Coordination and Patty Bielawski, special assistant, Department of Natural Resources.

Industry representatives are Krissel Crandall, senior landman for BP Exploration (Alaska), and Carver Richards, Alaska exploration representative for Phillips Petroleum.

Representing Alaska tribal interests and native groups are Arnold Brower, Jr., President of the Inupiat Community of the Arctic Slope; Thomas Napageak, Chair of the Alaska Eskimo Whaling Commission; Eugene Brower, President of the Barrow Whaling Captains Association; and Fenton Rexford, Native Village of Kaktovik. Pam Miller of Arctic Connections will represent the environmental community. Jack Laasch, President and General Manager of Alaska Petroleum Contractors will represent support industry workers.

The AOAC met in Anchorage on January 6, 2000, to discuss the comments received on the Call for Information for the proposed lease sale 176 and help identify areas to be studied in the environmental impact statement. They will continue to meet at critical decision points in the sale process.

COOGER Study

California Offshore Oil and Gas Energy Resources Study, also known by the acronym COOGER, began in 1995. It is a study of development scenarios and on-shore physical infrastructures in the tri-county area of San Luis Obispo, Santa Barbara, and Ventura.

The final report was published in January 2000. The emphasis of the project changed over time as a result of decisions made by the multi-interest, intergovernmental steering committee.

The steering committee included representatives from MMS, state and local agencies, area operators, local business interests, and the environmental community.

The final study provides a comprehensive inventory of onshore physical infrastructure associated with offshore oil and gas development.

(Requests for the COOGER report can be sent to Fred White, Minerals Management Service, 770 Paseo Camarillo, Camarillo, Ca 93010. A copy is also available on the MMS website at www.mms.gov/omm/pacific/public/public.htm)

NOTE: The next issue of *MMS Today* will be available in electronic format on our website. In order to reduce the number of paper copies we print and distribute, we'd like to know which format you'd prefer. If you'd like to receive an electronic version of *MMS Today*, please send an e-mail to mms.today@mms.gov, with your correct e-mail address.

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