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NEWS RELEASE

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MMS REQUESTS \$205 MILLION FOR FY '98 BUDGET

The U.S. Department of the Interior's Minerals Management Service (MMS) is asking for \$205 million for the 1998 fiscal year to manage the Nation's natural gas, oil and other mineral resources on the Outer Continental Shelf (OCS), and to collect, account for and disburse mineral revenues owed from federal and Indian lands - on average, about \$4 billion each year.

"The request is about \$600,000 above the 1997 level," said MMS Director Cynthia Quarterman, "and includes \$164 million in current appropriations and \$41 million in receipts -- the same level of offsetting collections authority we had last year. In addition, \$584.6 million in permanent appropriated funds will provide States their statutory shares of mineral leasing revenues generated on federal lands."

Quarterman said the budget proposes an increase of about \$6.3 million in OCS Lands activity to handle the resurgence of industry interest in the Gulf of Mexico. "The record-breaking results of recent lease sales in the GOM, particularly in deeper waters, have placed a heavy demand on our efforts to ensure the safe and environmentally sound development of the OCS, to service the needs of our stakeholders in a timely manner, and to assure the public a fair return on the leasing of OCS minerals. Deepwater operations are vastly different from conventional operations in shallower waters of the shelf. Deepwater operations also are much farther from shore, encounter different environmental conditions, are technologically more sophisticated, may produce at much higher rates and are subject to different economic determinants. These differences will significantly impact the MMS's workload and present many technical and regulatory challenges. We cannot afford to skimp on overseeing what promises to be a 70-100% increase in oil production in the Gulf of Mexico by the year 2002.

"For example," she continued, "geological and geophysical permit requests have increased to their highest level ever. This funding increase provides for such things as geological and geophysical data acquisition and conversion costs. This will give us the means to more accurately evaluate bids and royalty relief applications to ensure that the public receives fair market value on offshore leases.

"We also need to expand the inspector team and support increased helicopter use to maintain inspection rates over more offshore facilities and drilling operations, many of which are located great distances," Quarterman declared. "We are receiving more exploration, development and deep water operating plans and pipeline applications for review and action that requires us to do more environmental assessments, categorical exclusions and architectural analysis. In order to continue to respond on a timely basis, the increased workload associated with document and application reviews and permitting required in the post-lease process must be addressed."

The environmental studies program will get an increase to focus on environmental issues and risks associated with deep water operations, according to Quarterman. "As industry moves into deeper areas of the Gulf of Mexico, we need this body of knowledge to evaluate effectively operating plans and permits for deep water facilities."

To offset increases in the OCS Lands program, MMS is proposing reductions of \$3.7 million in the Royalty Management Program, \$1.6 million in General Administration, and \$322,000 in the Oil Spill Research account.

"MMS has been diligent in identifying other more efficient and effective methods of doing business, especially in our royalty management and general administrative programs. Those efficiencies make it possible for us to shift our limited resources to those areas where we will see a marked uptick in work," she concluded.

