MINERALS MANAGEMENT SERVICE

> **MMS Mission**
>
> *"To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from Federal and Indian lands."*

The Minerals Management Service (MMS) manages the Nation's natural gas, oil, and other mineral resources on the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore Federal mineral leases and from onshore mineral leases on Federal and Indian lands.

Since 1992, the MMS, like many Government agencies, has had to adjust to increased demands for services while undergoing reductions in available resources. In order to operate in this new environment, the MMS has been continually reevaluating how it goes about its business. In 1995, the MMS initiated a process which evaluated every part of the organization to see if it could be streamlined or improved to better serve our constituents' needs. These processes resulted in *MMS 2000*, a comprehensive reorganization of the entire Bureau. The plan received Congressional approval in November 1996, and was implemented in January 1997. *MMS 2000* was developed with input from all levels of the MMS. It was designed to result in a more efficient and effective organization, to make the MMS more responsive to its overall mission, and to move the MMS of today toward the MMS envisioned in its Strategic Plan. The results of the reorganization included reducing management layers and providing increased opportunities for the delegation of decision making to lower levels. *MMS 2000* was accomplished within the existing allocated FTE ceiling and budget.

The MMS is composed of two specialized operating programs, the Offshore Minerals Management (OMM) and the Royalty Management Program (RMP). The Associate Directorates of Policy and Management Improvement and Administration and Budget, and the Executive Offices of the Director provide support for the programs.

Offshore Minerals Management

As the manager of the Nation's OCS energy and non-energy mineral resources, the long-term strategy of the MMS is to assess those resources, in consultation with affected parties, to determine if they can be developed in an environmentally sound manner and, if leased, to regulate activities to ensure safety and protect the environment. This long-term strategy affects the way the MMS manages OCS resources and the way the MMS faces the challenge of providing energy while protecting the Nation's unique and sensitive environments and other natural resources.

Although a relatively small bureau, MMS provides major economic and energy benefits to the Nation, taxpayers, States and the Indian community -- benefits at both the national and local level. For example, *Figure 4* shows the distribution of contractors that have supplied materials or services in support of a single deep water development in the Gulf of Mexico. While the great majority of contractors are located in the States of Texas and Louisiana, contractors from all over the country are involved in and benefit from OCS development.

Since 1982, approximately $90 billion in revenues from mineral activities on Federal lands has been distributed by the MMS to the U.S. Treasury, States, Indian tribes

Figure 4

Distribution of Contractors
MARS Development

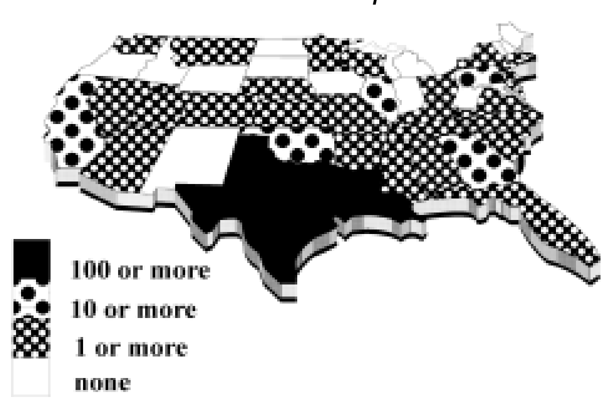

Figure 5

and Indian allottees. A portion of the revenues distributed to the U.S. Treasury goes into accounts that support the Land and Water Conservation Fund and the National Historic Preservation Fund. The largest recipient of funds produced by the MMS is the General Fund of the U.S. Treasury. Since 1982 the Treasury has received over $57 billion in MMS collections. The fiscal year 1997 disbursement to the General Fund was the largest in over 10 years and reflects a resurgence in OCS activity in the Gulf of Mexico.

The OCS continues to play a significant role in our Nation's energy picture. The MMS administers 27 million acres of the OCS under active lease, which supplies over 27 percent of the natural gas and more than 18 percent of the oil produced in the United States. This role will become even more significant with the recent discoveries and legislation related to the Gulf of Mexico.

Because of technology, new discoveries, and the passage of the Deep Water Royalty Relief Act (DWRRA) of 1995, there has been a renewed interest in leasing, especially deep water leasing, in the Gulf of Mexico. During fiscal year 1996, the number of new leases in the Gulf of Mexico increased by 80 percent. In fiscal year 1997, the number of new leases increased by another 20 percent *(Figure 5)*. For the past two years, each sale in the Gulf of Mexico has set a new record for the number of tracts leased.

Due to this increased leasing activity, the number of inspections conducted in the Gulf of Mexico is expected to increase 20 percent in fiscal year 1998. Between 1992 and 1995, the number of exploration plan applications increased by 70 percent.

It is projected that this renewed activity in the Gulf of Mexico will raise current Gulf of Mexico oil production of 940,000 barrels per day to about 1.7 million barrels per day. Potentially, this could generate an additional $700 million in annual royalties by the year 2000.

Royalty Management

The Royalty Management Program is that part of the MMS which is responsible for collecting revenues earned from the leasing and production of mineral rights on all Federal and most Indian lands, and for disbursing these revenues to various recipients as authorized by numerous statutes. The RMP collects and disburses revenues collected on lands administered by the Department of the Interior (the MMS Offshore Program, Bureau of Indian Affairs, and Bureau of Land Management), the Forest Service, the Army Corps of Engineers, and the U.S. military.

In order to meet its expanding responsibilities, the RMP has been examining the way it does business. This examination or reengineering began in fiscal year 1996 and will continue for several years. However, improvements will be introduced into the work environment as early in the process as possible. Contractor and reengineering team analysis now underway will ultimately yield final reengineered process designs and plans for future implementation.

The principal objective of this initiative is to design, develop, and implement new core business processes. Reengineering challenges the underlying assumptions upon which the organization is built and fundamentally redesigns systems, processes, and structures around desired outcomes, rather than functions and departments. Initially, the RMP reengineering effort was focused on its activities ensuring compliance. In March 1997, the RMP expanded the reengineering initiative beyond compliance activities to conduct in-depth reengineering of all RMP core business processes.

Implementing the Government Performance and Results Act

During 1997, the MMS completed its first Strategic Plan in support of the Government Performance and Results Act. While the Strategic Plan describes a fiveyear action plan, the Annual Performance Plan will define what will be accomplished in any one year. The Annual Performance Plan sets out measurable goals to be accomplished during the fiscal year linked to the budget request using the program activity structure.

MMS's performance objectives and measurement indicators are linked directly to its two mission goals and to one human resources goal. These goals and objectives are clear, measurable, and relevant to the fundamental MMS mission. The first two goals are directly linked to the mission and are based on legislative mandates, the mission statement of the Department of the Interior, stakeholder input, and MMS experiences. The third goal, the human resources goal, encourages improved performance at all levels of the organization by providing a work environment that supports excellence and productivity.

The MMS has developed measurement indicators for each performance objective. These indicators will measure program outcomes using available data and will provide a quantitative assessment of annual progress towards reaching long-range goals. During fiscal year 1997, all of the major program areas within MMS were refining their performance measures, establishing baseline measurements, and collecting actual measurement data.

Customer Service

The MMS has involved its constituents in participatory decision-making through multi-constituent teams of MMS, State, Indian, and industry representatives. MMS constituents welcome the opportunity to review and recommend improvements to the royalty accounting process through various National Performance Review work groups and negotiated rulemaking committees.

To obtain timely and constructive advice on collection policies and procedures, the Department established the Royalty Policy Committee (RPC) in 1995 as part of the Minerals Advisory Board. The MMS believes it can best reinvent its activities and serve the needs of its customers by working closely with constituents. Accordingly, the RPC includes representatives from States, tribes, Indian allottees, industry, Federal agencies, and the public. The RPC has provided recommendations to MMS on a variety of royalty management issues, including: audit; report streamlining; disbursements to the States; net receipts sharing; appeals; settlements and alternative dispute resolution; treatment of phosphate, trona, and other leasable non-energy minerals, coal; and alternatives to conventional royalty collection methods.

The MMS is improving its relationships and coordination efforts with State and tribal auditors by treating them as partners in our compliance strategies. The MMS regularly participates in quarterly meetings of the State and Tribal Royalty Audit Committee, providing information and receiving input. States and tribes provide RMP policy formulation and regulatory development, and representation on RMP's reengineering team.

An example of this type of MMS customer relations is the MMS establishment of a "205 Delegation Team," comprised of State representatives and MMS staff. This team worked to develop the proposed regulation authorizing the delegation of Federal royalty management functions to State governments. The MMS also met with industry in four locations in January 1997 and again in June 1997 prior to publication of the final rule.

The Alaska OCS Region Advisory Committee serves as a direct link between the Alaska Regional Director and the key constituents in individual planning areas during the lease sale process. Current committee membership focuses on sale 170, Beaufort Sea, and represents the State of Alaska, North Slope Borough, Alaska Eskimo Whaling Commission, Nuiqsut, the oil and gas industry, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service. Based on recommendations of the committee, the MMS is developing modifications to the proposed sale that will be analyzed in the final Environmental Impact Statement.