

Five-Year Production Business Plan FY2008-2012



February 2009



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

Minerals Management Service

Five Year Production Business Plan

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Associate Director's Message

The Minerals Revenue Management (MRM) Program is entrusted with the collection and disbursement of billions of dollars in Federal and Indian mineral lease revenues. These revenues benefit all Americans. The MRM's fiduciary responsibilities for the Nation's royalty assets have increased as a result of initiatives contained in the Energy Policy Act of 2005 and the Gulf of Mexico Energy Security Act of 2006. This expanded role in national energy initiatives will impact MRM on all operational fronts. The MRM is constantly challenged to improve our processes and procedures and to perform at the highest standard of quality and integrity.

In December 2005, MRM issued the *Strategic Business Plan 2007-2012* to position the Program to meet current and future program challenges and performance expectations. Designed on a foundation of partnership, stewardship, and customer service, the Plan outlines corporate values, guiding principles, and a strategic approach for continuous program improvement. The Plan includes strategic goals, business objectives, and operational strategies for six mission areas - Asset Management, Financial Management, Compliance, Indian Trust, Resource and Information Management, and Production Reporting. The mission areas form the strategic framework for assessment of operations, identification of requirements, and design of business blueprints designed to achieve our strategic vision of excellence in mineral revenue services.

I am pleased and excited to issue this *Five Year Production Business Plan*. It arrays a formidable suite of program objectives and management actions. I am confident that working together, the MRM staff and our stakeholders in royalty management, Congress, State and Tribal governments, the minerals industry, contractors, and partnering Federal agencies, we can meet these challenging expectations and continue to be a top tier royalty management program of which all Americans can be proud.

Gregory J. Gould
Associate Director
Minerals Revenue Management

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A. Executive Summary

1. Purpose of Plan

In December 2005, MRM senior management issued the *MRM Strategic Business Plan, 2007-2012* to chart the course and direction of the MRM through the end of Fiscal Year (FY) 2012. The MRM Strategic Business Plan calls for the development and issuance of comprehensive business plans for six separate MRM strategic mission areas utilizing consensus-built MRM strategic guidance, business planning elements, and a phased approach.

Oil and gas production information impacts the Bureau of Land Management (BLM), Offshore Energy and Minerals Management (OEMM), the Bureau of Indian Affairs (BIA), States, Tribes, and industry. Changes to production business processes have the potential to impact a number of stakeholders, with far-reaching implications.

This document is the culmination of a multi-year planning effort to develop a Five-Year Production Business Plan. The primary strategic business goal for the Production mission area is

Collect and distribute accurate, timely, and complete oil and gas production information to meet the operational needs of BLM, OEMM, and MRM's compliance and asset management organizations.

This plan outlines business principles, objectives, and specific action items that will guide the Production mission area from FY 2008 through FY 2012 in achieving this goal.

2. Alignment with MRM Strategic Framework

Following are the operational strategies for the Production mission area:

- Develop and implement processes that result in timely and accurate production reporting to support timely and accurate royalty payments.
- Ensure continuous compliance with Office of Management and Budget Circular A-123.
- Support CFO audits and other internal and external audits and reviews and fully implement improvement recommendations.
- Work in partnership with BLM and OEMM to improve information exchange and more closely align minerals related processes (e.g. well data).

Overall, the current business model is moderately effective in carrying out the above operational strategies. This statement is based on several observations described in this report, including the following measurements

- The error rate on incoming production reports is below 5 percent.
- The service level agreement to provide 95 percent of production data to OEMM within 90 days of the due date is being met.
- The reduction in FY 2008 of missing well exceptions by 70 percent and the reduction of missing OGOR exceptions by 40 percent.
- Exception workload inventories exist in several areas.

The main challenge faced by the current business model is achieving the operational strategy to timely provide accurate production data. Achieving this will require the maintenance of accurate, up to date well data and the elimination of all data exception inventories related to the following processes:

- Production Allocation Schedule Reports (PASRs)
- Liquid Verification System (LVS)
- Gas Verification System (GVS)
- Well Data Transfer
- Missing Oil and Gas Operation Reports (OGORs)
- Missing Wells

Until recently, these functions were performed by several different organizational units within MRM and OEMM. Well data transfers, OGOR processing, and missing exception routines are done within MRM's Financial Management organization. MRM's Offshore Compliance and Asset Management organization was resolving PASR and LVS exceptions and OEMM was running LVS and GVS routines and resolving GVS exceptions. In December 2008, the MMS Executive Committee approved the consolidation of all of these functions in MRM's Financial Management organization.

3. Plan Development Approach

The planning process contained three distinct phases: the assessment phase, the blue-print phase, and the development phase. During the assessment phase, the assessment team identified the business processes performed in the Production mission area. The team then gathered information on each process, including:

- The purpose of the process.
- The procedures within the process.
- The roles and responsibilities of employees in the process.
- Key control points in the process.
- Outputs of the process.
- Process observations and recommendations.

The assessment team prioritized the process observations and recommendations and determined which areas to pursue in the blueprint “to be” phase of the planning process. The assessment phase resulted in the following “focus” areas:

- Communication/Data Exchange
- Training
- Workload Backlogs
- Systems
- Data

The blueprint phase of the project involved studying each of the focus areas by gathering data, interviewing stakeholders, benchmarking, and obtaining information on feasibility and costs associated with potential solutions. The blueprint phase resulted in the following consolidation of the focus areas:

- Workload Inventory Reduction/Consolidation of Production Accounting and Verification Processes
- Data Improvement/Data Exchange
- Systems
- Communications/Training

The final phase focused on the planning required for successful implementation and/or accomplishment of the process improvements identified in the blueprint phase. The team identified tasks required to implement each improvement and developed a detailed timeline.

4. Strategic Business Goals and Objectives

The following goals and objectives provide a framework for conducting future operations, and provide the foundation for a successful Production Accounting and Verification program.

Strategic Business Goal:

Collect and distribute accurate, timely, and complete oil and gas production information to meet the operational needs of BLM, OEMM, and MRM's compliance and asset management organizations.

Business Objectives:

- Ensure timely, accurate, and complete mineral production reporting by the oil and gas industry to support timely and accurate royalty payments.
- Meet service level agreements developed in conjunction with OEMM and BLM.
- Ensure availability of timely, accurate and complete production data reports.
- Coordinate with other government agencies and outside sources to promote the ongoing improvement and accuracy of production processes.
- Achieve internal control requirements.

5. High-Level Timeline for 5-Year Business Plan

The overall timeline reflects a plan to eliminate workload inventories, consolidate functions, streamline and improve processes, and improve data. MRM can accomplish most of these efficiencies within the first couple of years. Achieving other efficiencies, such as new automated solutions and increased/improved communication with other Federal agencies and industry, require additional time.

Business Plan Segment	Implementation Steps	Year 1				Year 2				Year 3				Year 4				Year 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Workload Inventory Reduction/ Consolidation of Production Accounting and Verification Processes	Commence Workload Inventory Reduction and Production Accounting and Verification Consolidation Project																				
	Contact Project Management Office to support project	■																			
	Get Executive Committee approval	■																			
	Project Management					■															
	Scope Document	■																			
	Project Plan	■																			
	Risk Analysis and Contingency Plans	■																			
	Project Implementation					■															
	Project Monitoring					■															
	Project Reporting					■															
	Branch Creation/Hiring					■															
	Initiate Consolidation Effort	■																			
	Personnel					■															
	Office Space					■															
	New Branch					■															
	Identify and Implement Efficiencies from Consolidated Processes	■																			
	Document processes	■																			
Develop measurements	■																				
Develop goals	■																				
Identify Risks and Controls	■																				
Identify and Implement Efficiencies	■																				
Data Improvement/Data Exchange	Go from error correction to error prevention:																				
	Increase the number of Inovis edits	■																			
	Require EDI reporters to comply with edits	■																			
	Improve the exchange of data with other agencies.	■																			
	Implement Project to Perform Well Data Clean up and System Assurance					■															
	Contact Project Management Office to support project					■															
	Coordinate on Scope of Project with BLM					■															
	Scope Document					■															
	Project Plan					■															
	Risk Analysis and Contingency Plans					■															
Project Monitoring					■																
Project Reporting					■																
Systems	Develop upload and download capabilities for:	■																			
	Production Error Correction	■																			
	Database Assurance					■															
	Explore IDVS for Well Data with BLM					■															
Explore IDVS for Well Data with OEMM					■																
Communications/Training	Training	■																			
	Establish Training Advisory Committee	■																			
	Develop Internal Training Plans					■															
	Reporter Training					■															
	Communication	■																			
	Develop Communication Forums with BLM, BIA, and OEMM	■																			
	Increase face to face meetings with individual BLM offices	■																			
	Increase Industry Outreach	■																			
Increase BLM/BIA/OEMM Outreach	■																				

6. Impacts to Organizational Structure, Regulations, and IT Systems

MRM has achieved some success under the previous business model, including a high percentage of reports received electronically and significantly eliminating inventories of OGOR reporting errors and missing production data. MRM must now expand these successes to include other production reporting and verification processes.

MRM is focusing on eliminating all production related work inventories and will extend the previous business model by consolidating all production reporting and verification processes into a new Production Accounting and Verification (PAV) group. This change will enable MRM to realize increased efficiencies in the processing of production data and the resolution of production reporting errors. These efficiencies will result in increased timeliness and availability of production data.

MRM will also review and reconcile well data to ensure it is accurate and up to date. Timely and accurate well data is critical to MRM's ability to identify producing properties and to verify the completeness of production and royalty reporting.

Implementing this business extension will require:

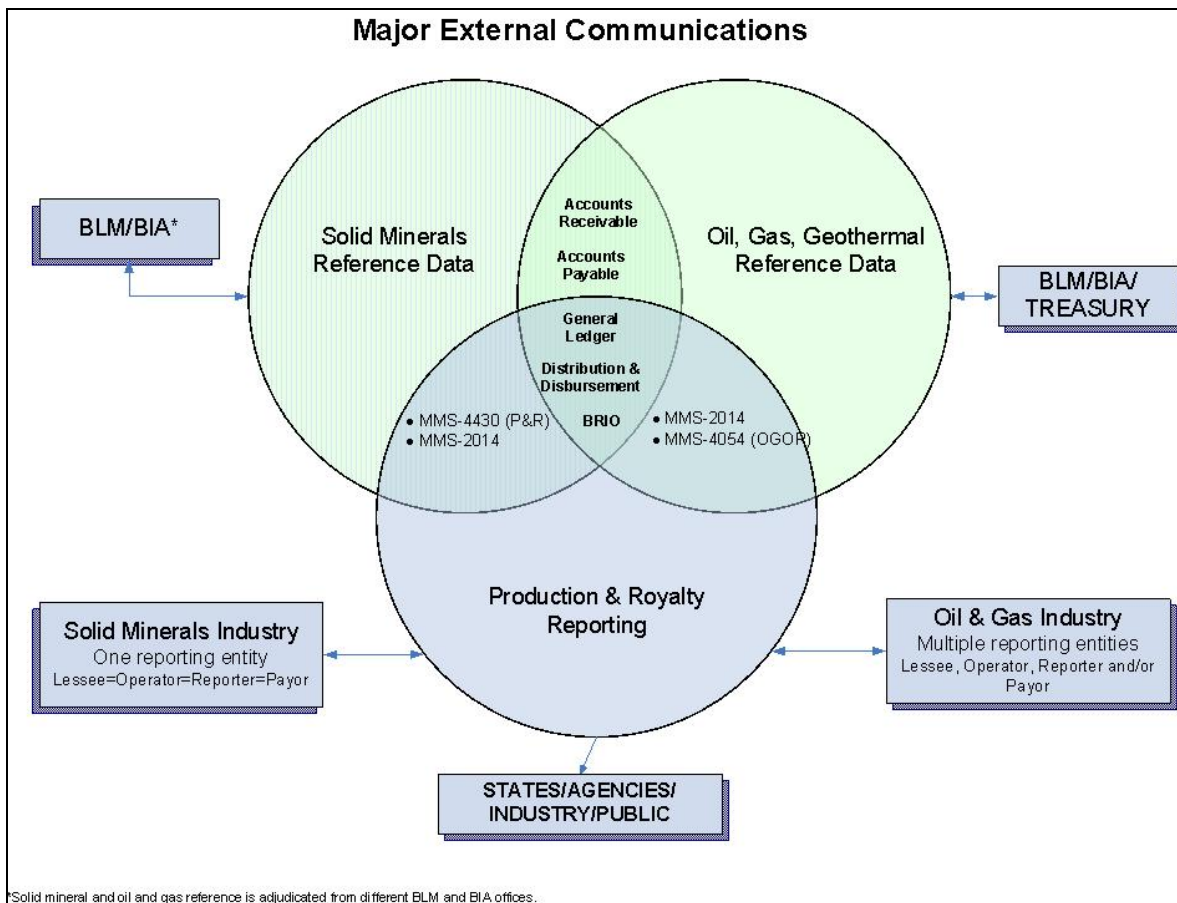
- Enhancing systems
- Moving from error correction to error prevention
- Improving communications with other agencies
- Enforcing accurate reporting
- Coordinating with OEMM and CAM to move processes and staff

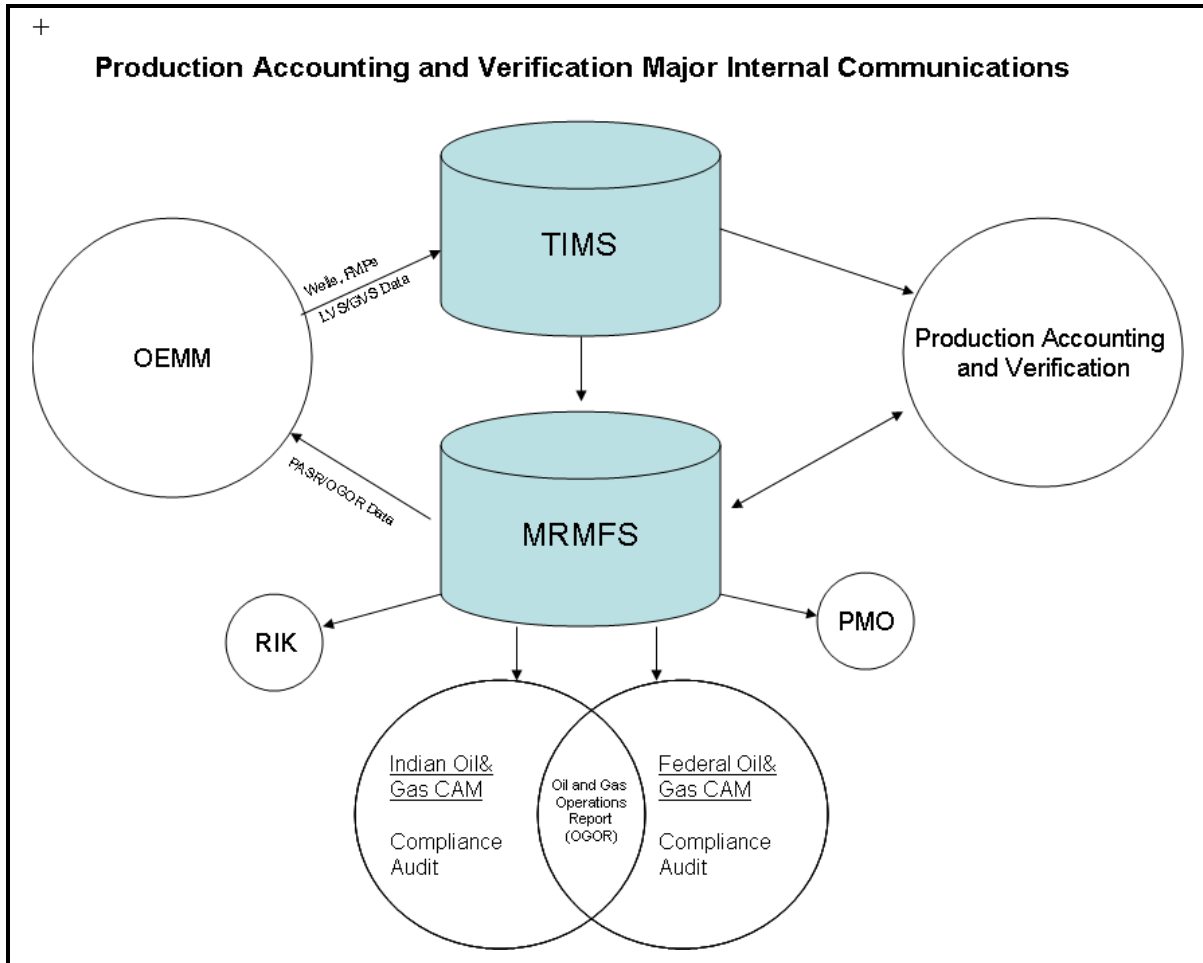
The new, consolidated PAV group will require staff to be flexible and to actively look for efficiencies that can be gained from centrally located processes. The workforce will require increased training that focuses on the knowledge and skills required to analyze oil and gas production data and to work in an organization that is very dynamic and constantly striving to improve.

MRM will modify IT Systems to create new tools to streamline processes, and new reports for use by industry, States, and Tribes. Additional tools may also need to be developed to facilitate the clean up of well data.

7. Communications

Production mission area communications are widespread and varied. They occur on a daily basis between MRM and industry (operators), OEMM, BLM, BIA, other Federal and State agencies, and within MRM itself. Communications with industry are informational – operators calling for information or to correct reporting errors, and MRM personnel answering questions or requesting information in order to resolve problems. Communications with other Federal and State agencies, including BLM and OEMM, are conducted to exchange data and resolve a variety of issues. Intra-MRM communications are more frequent and more varied than external communications. Each process overview in Section C has a list of the Business Process Outputs that describe relevant communications.





Many of the tasks outlined in this business plan require coordination and communication with other MRM Divisions, other Federal agencies, OEMM, States, Tribes and industry. The following chart summarizes the points of contact for each of the tasks requiring communication and coordination with groups external to the Production mission area.

Coordination and Communication												
Production BP Item	AD	DAD	CAM	ITC	OE	RIK	BLM	BIA	OMM	States	Tribes	Industry
Improve Communication with BLM/OMM	X	X					X		X			
Require EDI reporters to comply with edits					X							X
Improve the exchange of data with BIA, BLM, OMM	X	X		X			X	X	X			
Increase the number of Inovis edits			X	X								X
Upload/Download capabilities				X								
Implement well data verification with BLM							X					
Implement well data verification with OEMM									X			
Increase one on one company training			X									X
Develop communication forums with BIA/OST								X				
Develop communication forums with OMM									X			
Increase face to face meetings with individual BLM offices			X				X					
Increase industry outreach												X
Increase BLM/BIA/OMM outreach							X	X	X			
Consolidate Production processes		X	X						X			X
Eliminate workload inventories							X	X	X			X

8. Summary of Major Implementation Components or Actions

This business plan lays out a course for improving the accuracy of well data, verifying the accuracy of oil and gas production data, eliminating all oil and gas production workload inventories, and streamlining and improving oil and gas production data processes. A validation of well data will occur to ensure well reference data is accurate and up to date, enabling MRM to identify producing areas and to determine the completeness of reported production and associated royalties. The plan also promotes a consolidation of all production related functions resulting in a highly efficient group that collects and processes accurate production data efficiently and timely. This will enable MRM to make available accurate and timely production data to be used for compliance activities, and by industry and other government agencies.

The business plan outlines four focus areas, summarized below. Each focus area is discussed in detail in Section C.

MRM will ensure the processing of production data is efficient and effective. Achieving this goal will enable MRM to eliminate duplication of effort and eliminate workload inventories. This goal will require the consolidation of production accounting and verification processes and the identification and elimination of inefficiencies.

MRM will work with BLM and OEMM to improve the exchange of data. MRM will verify the accuracy of well data currently in the system and create a system assurance process to identify future discrepancies. This will improve the accuracy of MRM's database and reduce the number of exceptions identified by other production accounting and verification processes.

MRM will institute many changes and improvements to system tools. Increasing MRM access to PeopleSoft tables and streamlining system changes will improve flexibility. Developing new upload and download capabilities will make the system more dependable, accurate and user friendly.

MRM will increase communication and coordination activities—both internal and external. This will involve participating in various communication forums and increasing one-on-one contact with industry. Internal and external training will focus on current issues and areas of concern. In addition, MRM will develop training plans for each of the job series within the FM division, including production accounting and verification positions.

B. Production Area

1. MMS and Management of Oil and Gas Production Data

The Federal Government has been collecting mineral production data on Federal onshore lands since 1920, from Indian lands since 1925, and from Federal offshore lands since 1953. In 1982, the MMS was created, thereby establishing a comprehensive, consolidated system for the automated collection of mineral production and revenue data. In 1983, the Production Accounting and Auditing System (PAAS) was implemented to automate the collection of production data.

In November 1983, a pilot project began, in which 12 onshore operators began reporting their mineral production data on the OGOR to MMS. In December 1984, the offshore federal oil and gas phase – containing all federal oil and gas leases not already included in the pilot phase – was implemented, and offshore operators began reporting offshore mineral production data on the OGOR to MMS.

In October 1988, a phased-in approach to convert production reporting from BLM to MMS for all onshore and Indian mineral production data began. MMS (PAAS) implemented an automated version of the BLM's Monthly Report of Operations (6-3160); the automated version is the MMS-3160. The phased-in approach was completed in October 1989. In May 2002, the MRM production accounting system was reengineered, the MMS-3160 was eliminated, and the OGOR was implemented for all mineral production reporting.

The MMS collects mineral production data from approximately 2500 oil and gas operators for approximately 28,000 producing onshore and offshore Federal and Indian leases and agreements. In FY 2006, MRM loaded 4,629,083 production lines into the Minerals Revenue Management Support System (MRMSS). Ninety-nine percent of the production data is reported electronically through an automated reporting system (Inovis). MRM performs front-end edits when operators enter production data into the MRM internet web site. The remaining one percent is reported using the hard copy OGOR. After OGORs are transferred from Inovis to the MRMSS, Peoplesoft performs numerous additional edits on wells, well status, disposition of production, and inventory balances.

Production data received by MRM is edited, corrected and updated in MRMSS. MRM distributes onshore production data to BLM on a weekly basis and includes all cleared (accepted) OGORs and original OGORs that are suspended (on hold) at MMS due to errors. MRM transmits offshore production data weekly to OEMM and includes all cleared (accepted) OGORs. MRM provides suspended original OGORs to OEMM on a biweekly basis. Modified and Replace OGORs are not provided to BLM or OEMM until updated.

In 1989, the MMS implemented an automated system to verify production data received from offshore leases. This automated system known as the LVS matches oil run ticket production volumes for offshore leases with production reports submitted for those same properties on a monthly basis. In 2004, this automated verification process was expanded through the creation of the GVS. The GVS matches offshore gas production volumes with the production reports submitted for the same leases on a monthly basis. BLM manages onshore production verification for oil and gas volumes.

2. Business Corporate Values and Principles

- Commitment to meeting the highest professional standards.
- Commitment to performing at the highest standards of ethical conduct.
- Commitment to managing and safeguarding the minerals production data.
- Commitment to partnerships with States, Indian Tribes and other DOI bureaus to assure open communications and coordination of mineral production data reporting.
- Commitment to excellence in customer service.
- Commitment to provide the government and minerals industry with accurate and timely production data.
- Commitment to pursue best practices to evaluate and improve the efficiency and effectiveness of production reporting management operations.

3. Implementation Strategies and Approaches

- Collect and maintain lease, agreement and well reference data to support production reporting operations.
- Receive, process, and maintain oil and gas production reports submitted by oil and gas reporters to support MRM mineral production reporting and accounting operations
- Verify accuracy of oil and gas production reports through use of edits and comparison to third-party source documents.
- Identify and pursue all missing production reports and well data.
- Issue Orders to Report and Notices of Noncompliance to operators, when necessary, to ensure compliance with oil and gas production reporting regulations
- Use oil and gas production data and data mining tools to ensure timely reporting and payment of royalties on all Federal and Indian oil and gas leases.

4. Production Area Goals

The strategic business goal for the Production area is to collect and distribute accurate, timely, and complete oil and gas production information to meet the operational needs of BLM, OEMM, and MRM's compliance and asset management organizations.

Other specific goals for FY 2008 included:

- Reducing inventory of missing OGOR and well exceptions by the end of Calendar Year (CY) 2008.
- Increasing use of Orders to Report (OTRs) and Notices of Non-Compliance (NONCs).
- Providing 95 percent of production data to OEMM within 90 days of due date.
- Reducing production reporting error rate to 5 percent.

All of these goals are either being met or exceeded.

5. Production Area Business Objectives

The business objectives for the Production area are already being addressed as follows:

- Front-end edits - Requiring companies to submit lines correctly will reduce error correction. Planned increases in electronic reporting interface edits and the utilization of these edits by EDI reporters will increase reporting accuracy.
- Interfaces - Implementing new methods will improve the ability of the user to update the system quickly.
- Industry meetings - MRM will meet with companies with a high number of exceptions to improve reporting and to ensure compliance.
- NONCs - MRM will increase the utilization of NONCs to encourage compliance with reporting requirements.
- Reporter Training - MRM will continue to provide annual Reporter Training sessions to industry.
- Internet - MRM will increase use of the MRM website to provide industry with information. Interactive capabilities will be explored.
- A-123 process - This process is a priority for MRM. Employees are actively involved in identifying risks. Quarterly reviews ensure that controls are adequate.
- Audits - Prompt implementation of corrective actions and controls in response to audit findings is a top priority. MRM's proactive strategy of identifying risks will result in reduced audit findings.
- Documentation - All procedures are documented, and procedures are updated whenever process changes occur. MRM will update procedures as necessary.

- Partnerships - MRM will continue to work with OEMM and BLM to improve the exchange of data.
- Optimize processes and systems. MRM is evaluating automation of manual processes and improving access and quality of information.

Achieving the business objectives described above will require the realization of synergies gained through a consolidation and streamlining of processes and identification of efficiencies. Achieving this will be the primary focus of the Production Accounting and Verification area over the next several years.

6. Production Focus Areas

The assessment phase (“as-is”) of the Production BP identified four key focus areas to be reviewed during the “to be” phase of the business planning project which supports the accomplishment of the business objectives identified in the Strategic Plan. During the “to be” phase, the focus areas were consolidated into the following four key focus areas.

- Workload Inventory Reduction/Consolidation of Production Accounting and Verification Processes:
 - Consolidating all production accounting and verification processes including OGOR reporting and error correction, PASR reporting and error correction, and LVS and GVS exception resolution.
 - Identifying efficiencies that can be gained from consolidated processes.
 - Obtaining permanent and temporary additional staff for SWAT efforts.
 - Prioritizing system changes required to improve processes.
- Data Improvement/Data Exchange:
 - Moving from error correction to error prevention by increasing the number of edits at our electronic reporting website.
 - Implementing a project to reconcile the well data in the MRMSS to the data in BLM’s and OEMM’s systems.
 - Implementing a system assurance process to ensure well data remains accurate in the future.
 - Coordinating with OEMM and BLM on the exploration of Remote Data Acquisition technology.
- Systems:
 - Identifying system solutions, including upload/download capabilities
 - Improving the prioritization and implementation of Production SIRs.
- Communications/Training:
 - Developing internal training plans to ensure MRM maintains a knowledgeable and efficient staff.
 - Developing training focused on problem areas, directed at both Production Reporting staff and operators.

- Maintaining up-to-date on-line reporting guidance.
- Increasing the number of face-to-face meetings with industry, especially with operators who have a high number of exceptions.
- Developing communication forums with BLM and OEMM.
- Increasing BLM and OEMM outreach.

C. Production Focus Areas

1. Workload Inventory Reduction/Consolidation of Production Accounting and Verification Processes Focus Area

a. Overall Explanation of Area

MRM is consolidating all oil and gas production accounting and verification processes into a single organizational group. This consolidation of processes will enable MRM to streamline and gain efficiencies by eliminating duplication of effort. This will result in a more efficient use of resources and the ability to eliminate workload inventories in a more efficient manner. MRM will eliminate workload inventories involving Well data, OGORs, PASRs, the LVS and the GVS exception resolution.

This focus area will ensure production data is accurate and timely available, which fulfills the Production business objective outlined in Part B, Section 5.

b. Processes Employed and Specifics

Financial Management is using the Project Management Office's (PMO) assistance in a project to consolidate production processes and eliminate workload inventories.

The project team has defined the scope of the project, developed a project plan, and developed procedures for monitoring and reporting on the project's progress. The project includes seeking senior management approval for the consolidation of production processes, identifying resource requirements to eliminate inventories, and hiring and/or transfer of additional staff to support the project. MRM will analyze the consolidated process to identify any duplication of effort and inefficiencies and develop new, streamlined processes. MRM will implement improved processes and eliminate workload inventories.

The following timeline illustrates the projected timing for these improvements.

Business Plan Segment	Implementation Steps	Year 1			Year 2			Year 3			Year 4			Year 5								
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4					
Workload Inventory Reduction/ Consolidation of Production Accounting and Verification Processes	Commence Workload Inventory Reduction and Production Accounting and Verification Consolidation Project																					
	Contact Project Management Office to support project																					
	Get Executive Committee approval																					
	Project Management																					
	Scope Document																					
	Project Plan																					
	Risk Analysis and Contingency Plans																					
	Project Implementation																					
	Project Monitoring																					
	Project Reporting																					
	Set up Document Storage																					
	Set up ABC code																					
	Project Setup complete																					
	Branch Creation/Hiring																					
	Initiate Consolidation Effort																					
	Meet with Staff																					
	Personnel																					
	Detail CAM Personnel																					
	Identify New work assignments for FM Personnel																					
	Identify hiring needs and conduct hiring																					
	Office Space																					
	New Branch																					
	Complete Approval Process to form Production Accounting and Verification Branch																					
	Name "Acting" Branch Chief																					
	Hire new Branch Chief																					
	Re-assign personnel to New Branch																					
	Identify and Implement Efficiencies from Consolidated Processes																					
	Document processes																					
	Develop measurements																					
	Develop goals																					
	Identify Risks and Controls																					
	Identify and Implement Efficiencies																					

c. Performance Measures and Internal Controls

The following performance measurements will track the success of the above improvements.

- Number of Production lines reported accurately
- Total number of Production lines reported
- Total number of missing OGORS
- Total number of missing wells
- Total number of LVS exceptions
- Total number of GVS exceptions

MRM managers will be responsible for ensuring implementation of the improvements and tracking progress. Internal controls are covered in Appendix A.

d. Impact/Benefits and Cost

MRM will realize the following benefits and cost savings by implementing these improvements:

- Operational efficiencies as a result of streamlined processes and elimination of duplication of effort.
- More timely availability of production data.
- Improved accuracy of production data.
- Reduced exceptions as the result of more current data.

e. IT and System Support Impacts and Requirements

Improved processes may require the development of additional system tools to identify and process exceptions in a more efficient manner. MRM will identify the need for additional tools by the end of FY 2009.

f. Communication and Outreach

MRM will communicate organizational and process changes to industry, OEMM, and BLM. MRM will ensure staff is fully trained to fully perform and new tools and processes.

Progress on the elimination of inventories will be communicated to management and staff on a monthly basis.

Communications with industry will occur to resolve exceptions and eliminate workload inventories. These communications may involve the use of Orders and NONCs. MRM will notify industry of process changes through email and Dear Reporter letters.

g. Focus Area Summary

Implementation of the elements in this focus area will result in a consolidated, highly efficient Production Accounting and Verification group able to eliminate workload inventories and ensure production data is accurate and available on a timely basis.

2. Data Improvement/Exchange Focus Area

a. Overall Explanation of Area

MRM will move from error correction to error prevention by moving edits to the electronic reporting provider. This will force companies to correct reporting errors prior to their acceptance by MRM. Moving responsibility for correcting errors back to industry will result in an increased availability of MRM resources for other priorities such as data mining.

Accurate well data is critical to MRM’s ability to identify producing properties and verify the accuracy and completeness of production and royalty reporting. MRM will review and reconcile all well reference data to ensure it is accurate and up to date. This will be done in cooperation with BLM and OEMM. To ensure will data remains accurate, MRM will implement system assurance and data verification processes.

b. Processes Employed and Specifics

MRM will analyze edits for possible placement with the electronic reporting provider. The analysis will include consideration of budget constraints, table requirements, and impact to workloads.

MRM will require EDI reporters to either implement the same edits on their systems or to report through the electronic reporting provider.

MRM will coordinate with BLM, BIA and OEMM to improve the timeliness and accuracy of reference data.

MRM will implement a well reference data clean up project. The project team will identify the scope of the project, develop a project plan, and establish a method for monitoring and reporting on the progress of the project.

The following timeline illustrates the projected timing for these improvements.

Business Plan Segment	Implementation Steps	Year 1				Year 2				Year 3				Year 4				Year 5				
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Data Improvement/Data Exchange	Go from error correction to error prevention:																					
	Increase the number of Inovis edits																					
	Analyze budget options																					
	Analyze need for tables by Inovis																					
	Analyze edits																					
	Monitor impact of edits																					
	Identify and analyze issues requiring policy decisions																					
	Require EDI reporters to comply with edits																					
	Improve the exchange of data with other agencies.																					
	Implement Project to Perform Well Data Clean up and System Assurance																					
	Contact Project Management Office to support project																					
	Coordinate on Scope of Project with BLM																					
	Scope Document																					
	Project Plan																					
	Risk Analysis and Contingency Plans																					
	Project Monitoring																					
	Project Reporting																					

c. Performance Measures and Internal Controls

The following performance measurements will track the success of the above improvements.

- Number of Production lines reported accurately
- Total number of Production lines reported
- Total number of missing OGORs
- Total number of missing wells
- Total number of LVS exceptions
- Total number of GVS exceptions.

MRM managers will be responsible for ensuring implementation of the improvements and tracking progress.

Internal controls are covered in Appendix A.

d. Impact/Benefits and Cost

MRM will realize the following benefits and cost savings by implementing these improvements:

- Improved accuracy of reported production data.
- Increased resource availability for data mining and other priorities.
- More timely availability of production data.
- Operational efficiencies enabling accurate identification of missing production and/or royalties.

e. IT and System Support Impacts and Requirements

Planned improvements to MRM systems include moving or adding front-end edits to the electronic reporting interface, and developing system assurance and data verification processes for well reference data. These accomplishments will result in the accurate, timely, and efficient processing of production reports.

MRM will implement additional front-end edits in a phased approach over the course of the next several years. MRM will implement system assurance processes for well reference data during the well data reconciliation project.

f. Communication and Outreach

Moving edits up front will require improved communications with industry, OEMM, and BLM. MRM must be able to respond quickly if a reporter is unable to submit a

production report because of data exchange issues between MRM and BLM/OEMM. To improve communication with OEMM and BLM, MRM is actively participating in the:

- Production Coordination Committee (PCC) established as an MRM and BLM communication and coordination team;
- Eight in '08 Communication and Coordination Committee established to improve communication and coordination between MRM and OEMM;
- Offshore Steering Committee established as a communication and coordination team; and
- Various teams involved in improving processes between OEMM and MRM.

In addition to those activities, MRM plans to visit individual BLM offices to discuss improving the timeliness and accuracy of data exchanges.

MRM will improve communications with industry through Dear Reporter letters, Reporter Training, e-mail exchanges, and on-site visits with companies that frequently submit reports with a high number of errors.

g. Focus Area Summary

Implementation of the improvements in this focus area will result in accurate well data that supports MRM's ability to verify the completeness of production and royalty reporting. Preventing errors by moving edits to the electronic reporting interface will result in the increased availability of resources for data mining and other priority projects.

3. Systems Focus Area

a. Overall Explanation of Area

MRM’s primary financial system is the Minerals Revenue Management Support System (MRMSS). During the “as-is” phase of the Strategic Business Plan, MRM identified opportunities to improve the performance of the MRMSS, which involve reducing manual employee workarounds and minimizing offline databases. Specific opportunities for improvement include:

- Upload/download capabilities to MRMSS through a new user interface will improve several time-consuming, manual processes. Currently, changing information in the MRMSS involves downloading a piece of information from the MRMSS, changing it, and then uploading it back to the MRMSS. The interface will allow data to be entered en masse and uploaded to the MRMSS, which will accelerate updating MRMSS information and allow analysts and accountants to complete additional work requirements.
- Development of system assurance reports and interagency verification routines will help MRM ensure accurate and timely well reference data is maintained to support the ability to verify completeness of production and royalty reporting.

This focus area will ensure that MRM achieves its goal of timely availability of accurate oil and gas production data and meets all of the Production Mission Area business objectives.

b. Processes Employed and Specifics

MRM will make some system improvements and changes to improve the efficiency and effectiveness of the MRMSS. These changes will support the timely availability of accurate production data.

- MRM will develop upload/download capabilities to streamline production error correction.
- MRM will develop system assurance reports and an interagency data verification routine to verify the accuracy of well reference data.

Following is the timeline for implementing these improvements.

Business Plan Segment	Implementation Steps	Year 1				Year 2				Year 3				Year 4				Year 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Systems	Develop upload and download capabilities for:	██████████				██████████				██████████				██████████				██████████			
	Production Error Correction	██████████				██████████				██████████				██████████				██████████			
	Database Assurance	██████████				██████████				██████████				██████████				██████████			
	Explore IDVS for Well Data with BLM	██████████				██████████				██████████				██████████				██████████			
	Explore IDVS for Well Data with OEMM	██████████				██████████				██████████				██████████				██████████			

c. Performance Measures and Internal Controls

The success of the above improvements will positively impact the following measurements:

- Number of Production lines reported accurately
- Total number of missing OGORs
- Total number of missing wells
- Total number of LVS exceptions
- Total number of GVS exceptions

MRM managers will be responsible for ensuring implementation of the improvements and tracking progress.

Internal controls covering this focus area can be found in Appendix A.

d. Impact/Benefits and Cost

MRM will realize the following benefits and cost savings by implementing these improvements:

- Improving timeliness and efficiency of the error correction process.
- Improving the timeliness of data availability.
- Availability of resources for other priorities as a result of efficiency/time savings.

e. Communication and Outreach

MRM will communicate system changes and improvements and implement training to ensure staff is fully prepared to utilize new tools and processes.

f. Focus Area Summary

Completion of this action plan will result in more accurate data and new tools that provide increased efficiency in the processing of rejected lines. These improvements will result in resource savings that can be utilized to perform new tasks and achieve new goals, including data mining and systems assurance.

4. Communication and Training Focus Area

The Financial Management (FM) Mission Area identified communication and training improvements for the Financial Management Division which includes the Production Accounting and Verification group. The following focus area overview is, for the most part, from the FM Business Plan and pertains to all Financial Management Division functions including production accounting and verification. Minor changes were made for the continuity of this report.

a. Overall Explanation of Area

Communication

MRM interacts with several other agencies. MRM will pursue increased and structured coordination, cooperation, and communication with those entities. The actions of BLM and OEMM, in particular, affect the business processes of MRM, and vice versa. Too often, decisions are made by one agency without considering the impacts to other agencies. MRM will work to establish forums and avenues that foster open, positive, coordination and communication in order to minimize these impacts.

Training

MRM will develop Training Plans for the Production mission area for each major job category within the organization. Production mission area employees will be required to take a minimum number of Continuing Professional Education (CPE) classes each year. This is in line with the requirements for MRM auditors who are required, in accordance with Yellow Book standards, to take 80 hours of CPE every two years. The Production mission area needs a CPE requirement to ensure its employees maintain or enhance their knowledge, skills, and abilities in areas applicable to Production Accounting and Verification.

This focus area supports all of the Production mission area business objectives outlined in the Strategic Plan.

b. Processes Employed and Specifics

Communication

Improving communication with industry and between MRM and other agencies is critical to the success of FM processes. MRM will actively pursue the development of and participation in communication forums with BIA, BLM and OEMM. Initial priorities of these forums will include documenting shared processes and updating existing Memorandums of Understanding. MRM's outreach to industry will include more face-to-face meetings with companies and increased participation in industry trade organizations.

Training

MRM will improve the already successful training it provides to industry. External training will be more focused and emphasize current issues. MRM will increase its one-on-one training sessions with industry and focus on specific reporting issues. In addition, the Financial Management Division will establish a Training Advisory Committee (TAC) to develop internal, occupational training plans for its Accountants, Analysts, Technicians, Systems Staff, and Secretaries. We will model these plans on existing audit training plans. Implementation of occupational training plans will result in a more knowledgeable and well-rounded work force.

Following is the timeline for implementing these improvements.

Business Plan Segment	Implementation Steps	Year 1				Year 2				Year 3				Year 4				Year 5				
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Communications/Training	Training																					
	Establish Training Advisory Committee																					
	Develop Internal Training Plans																					
	<i>Analysts</i>																					
	<i>Technicians</i>																					
	<i>Systems</i>																					
	<i>Secretaries</i>																					
	Reporter Training																					
	<i>Focus on areas of concern</i>																					
	Communication																					
	Develop Communication Forums with BLM, BIA, and OEMM																					
	Increase face to face meetings with individual BLM offices																					
	Increase Industry Outreach																					
	<i>Identify "biggest offenders"</i>																					
	Increase BLM/BIA/OEMM Outreach																					

c. Performance Measures and Internal Controls

MRM’s success in implementing the communication and training improvements will positively impact the following measurements:

- Number of Production lines reported accurately
- Total number of missing OGORs
- Total number of missing wells
- Total number of LVS exceptions
- Total number of GVS exceptions

MRM managers in the Production mission area will be responsible for ensuring implementation of the improvements and tracking progress.

Internal controls covering this focus area can be found in Appendix A.

d. Impact/Benefits and Cost

The following benefits and cost savings will be realized by implementing communication and training improvements:

- Forums will increase the successful resolution of mission and limit issues and problems between agencies.
- A reduction in reporting errors.
- Improved communication.
- Training economies of scale.
- Reduced errors/issues.
- Identification of best practices through inter-agency and intra-agency collaboration.
- Improved job satisfaction and morale.
- Quality performance and motivation

e. IT and System Support Impacts and Requirements

The Communication and Training Focus Area will not impact IT systems.

f. Focus Area Summary

The success of oil and gas production processes is highly dependent on optimal communication with industry, and other Federal agencies. Active and open communication forums will allow the streamlining of processes and increased sharing of information with other Federal agencies. Increased one-on-one communication with industry, and outreach tailored to communicate current issues and concerns, will increase reporting accuracy and will ensure that industry is kept up to date on critical information. Developing and implementing training plans for FM Division staff will ensure they maintain the knowledge and skills necessary to process production and royalty reports and mineral revenues and to train industry on proper reporting and payment requirements.

Appendix A – Risks and Controls

The risks and controls on the following chart are for OGOR processes. Additional risks and controls will be identified and documented for all other production processes during the consolidation of production accounting and verification processes.

Control Number	Risk to be Mitigated	Control Description
PA-RSPR-1	Federal and Indian Mineral production data is inaccurate.	A quarterly sampling of accepted OGOR lines that were error corrected is done to ensure corrections are accurate and proper documentation occurred.
PA-RSPR-2	Federal and Indian Mineral production data is incomplete.	Missing exceptions report is run in the Financial Management System (FMS) monthly which is reviewed to determine missing or inaccurate well or OGOR data
PA-RSPR-3	Federal and Indian production data is inaccurate.	Edit overrides are approved and performed by someone independent of the original requestor.
PA-RSPR-4	Federal and Indian Mineral production data is inaccurate, or not processed timely.	Management Reports of rejected production lines are reviewed monthly to monitor employee performance, to identify companies with large numbers of errors, and to ensure timely clearing of rejected lines.
PA-RSPR-5	Federal and Indian Mineral production data is incomplete.	All OGOR reports received electronically are processed by MRM in MRMSS. Systems assurance reports are reviewed to verify this occurs.

