



BUDGET The United States
Department of the Interior

JUSTIFICATIONS

and Annual Performance Plan
Fiscal Year 2001

**MINERALS MANAGEMENT
SERVICE**

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Minerals Management Service

FY 2001 President's Budget

The Federal Government is the largest mineral royalty owner in the United States. The Minerals Management Service (MMS) is responsible for managing the Nation's Outer Continental Shelf (OCS) mineral resources in an environmentally sound and safe manner and ensuring that revenues from Federal and Indian mineral leases are collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. To assure OCS development is happening in an environmentally sound and safe manner, MMS inspects all offshore facilities, reviews plans of exploration and development, analyses statements of financial responsibility, and funds scientific and engineering research related to OCS mineral development. To assure proper revenues are collected and disbursed MMS utilizes a broad range of financial services, and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid and an audit program staffed by MMS, State, and tribal auditors. The business environment in which MMS administers royalty payments is similar in many respects to that in which private and State land minerals owners operate. However, in scale of activity and variety and complexity of lease terms, it is significantly different. Currently, MMS administers the rental, royalty, and other financial terms for approximately 26,025 producing and 54,185 non-producing mineral leases.

The MMS provides major fiscal and energy benefits to taxpayers, States, the Indian community and the Nation. In FY 2001, MMS will account for an estimated \$6.3 billion in Federal receipts, including \$3.2 billion from OCS rents, bonuses, and royalties, \$1.2 billion in onshore receipts and \$1.8 billion from the Alaska Escrow Settlement. From a taxpayer's perspective, that converts to \$3.4 billion deposited to the General

MMS

Benefits Everyone

National Energy Supply. The OCS is projected to account for approximately 28 percent of total U.S. natural gas production and 26 percent of crude oil production in 2001.

The Federal Treasury. In FY 2001 MMS is projected to collect approximately \$6.2 billion in OCS rents, bonuses, and OCS and onshore Federal and Indian royalties and payments from the Alaska Escrow Fund.

Enhanced Lifestyle. The MMS will disburse over \$600 million to the States in fiscal year 2000. This money is used by the States for schools, roads, and public works projects, or placed in the general fund and used as needed. Another \$900 million from OCS receipts is deposited into trust funds to acquire, restore, and create parks, wildlife preserves, wilderness areas, and recreational facilities.

Fund of the U.S. Treasury to pay for Federal programs. Of local significance are \$587 million in mineral revenue payments made to onshore States, approximately \$897 million transferred to the National Park Service for the Land and Water Conservation Fund, \$458 million credited to the Bureau of Reclamation Fund, and \$150 million to Indian tribes and allottees. Additionally, coastal States will receive \$94 million in shared mineral revenue receipts.

The Offshore Minerals Management (OMM) Program oversees all OCS minerals activities, from initial lease offerings through exploration, development, production, and lease abandonment. More than 44 million acres on the OCS are under lease. The Royalty Management Program (RMP) collects and disburses bonuses, rents, and royalties paid on Federal (onshore and on the OCS) and Indian mineral leases. RMP processes more than 250,000 transactions each month (involving over \$500 million per month) from over 26,000 producing Federal and Indian leases. Administration and Budget, Policy and Management Improvement, and the Office of Communications provide policy and administrative support for MMS missions. Types of support include funding for fixed cost items such as rent, communications and postage, as well as providing guidance, support, and coordination on such functions as budget and finance, personnel, equal employment and development opportunity, procurement, and information technology, and coordination of public affairs and Congressional relations.

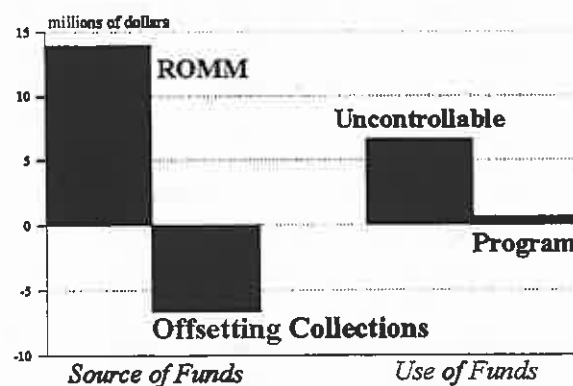
Although leasing activity is expected to remain at 1999 levels through 2001, the MMS workload will remain very active: reviewing new exploration and development plans, examining pipeline right-of-way applications, conducting environmental assessments, and conducting on-site inspections as tracts leasing previous years go into the development and production stage. For example, even as the number of new leases has declined sharply the number of exploration and development plans filed in the GOM region for technical and environmental review has remained relatively stable at between 640 to 719 per year.

The Budget Request

The MMS budget request is \$247.7 million, an increase of \$7.3 million or slightly less than 3 percent above the 2000 enacted level of \$240.3 million. The \$7.3 million increase includes \$6.6 million for uncontrollable cost changes (mostly pay raises), \$1.3 million for programmatic increases, and a programmatic decrease of \$600,000. Programmatic increases/decreases include:

- +\$500,000 for personnel and related cost in connection with hiring five additional FTE. The additional FTE are needed to respond to the drastically shortened time period for deciding appeals compliance as required by the Royalty Simplification and Fairness Act;

**Minerals Management Service
Components of Proposed FY 2001 Changes**



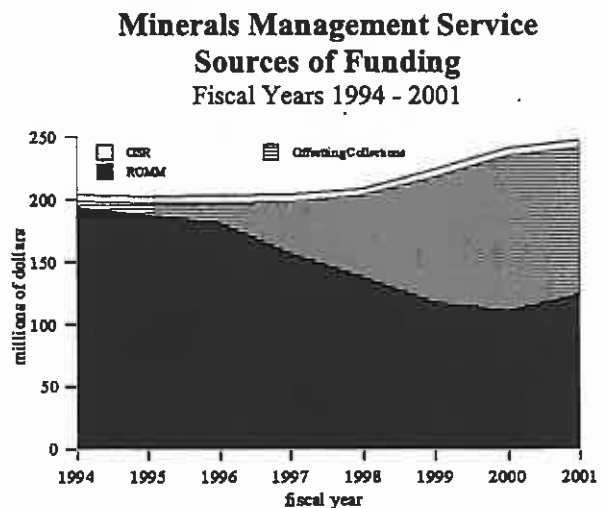
- +\$818,000 for upgrading MMS Geographical Interpretive Tool (GIT) computer capability to ensure that the public continues to receive fair market value for OCS oil and gas resources.
- -\$600,000 to discontinue funding for the Marine Minerals Research Center at the University of Mississippi.

In addition, this proposed funding level would allow MMS to complete funding of its highest priority initiative, the reengineering of the Royalty Management Program.

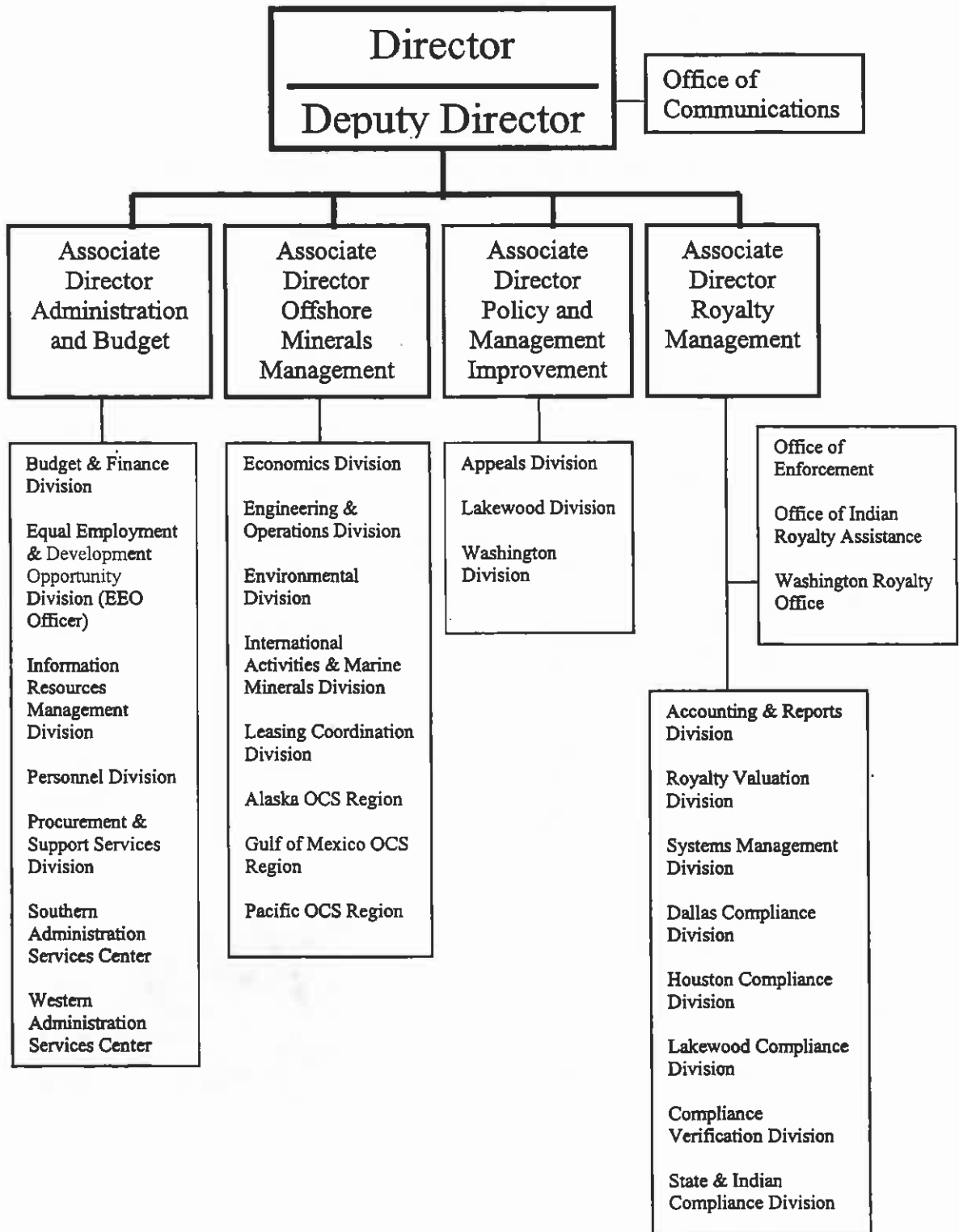
FY 2001 Proposed Operating Appropriations/Offsetting Collections	
<i>dollars in thousands</i>	
Royalty and Offshore Minerals Management	\$124,128*
Offsetting Collections	\$117,410*
Oil Spill Research	\$6,118
Total	\$247,656

* Assumes approval of legislative proposals to return \$10 million in new user fees.

MMS receives funding for operations from three sources: the Royalty and Offshore Minerals Management (ROMM) appropriation, Oil Spill Research (OSR) appropriation, and offsetting collections (primarily from rental receipts from offshore leases). The largest portion (97.5 percent) of the MMS operating budget is the Royalty and Offshore Minerals Management (ROMM) appropriation. This account is comprised of both direct appropriations and offsetting collections. Direct appropriations from ROMM have declined from FY 1993 until 2000, at the same time MMS's reliance on offsetting collections grew significantly (from \$0 in FY 1993 to \$124 million, in FY 2000). Initially, these offsetting collections were only used in the OCS Lands Program, however, with progressively more of MMS's budget funded from offsetting collections, authority for use of these receipts is now bureau-wide. What made it possible to switch MMS funding away from appropriations to offsetting collections was the dramatic increase in leasing activity in the Gulf of Mexico (GOM). This increased activity was made possible by new technologies that allowed exploration and development in very deepwater and allowed geoscientists to look below the



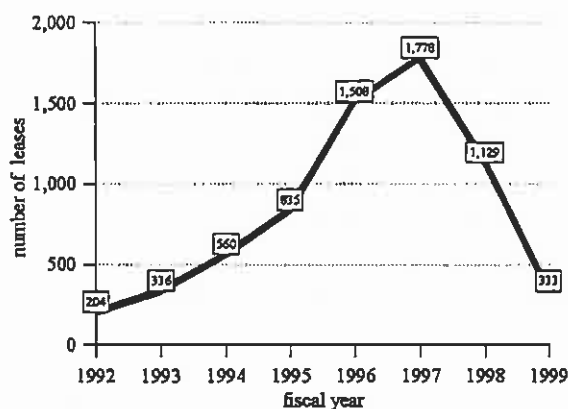
Minerals Management Service Organizational Chart



previously impenetrable layers of salt. Also a steep change occurred in the flow rate of deepwater wells so that the number of wells (and thus the costs) needed to produce a field declined dramatically. In addition to the technological advances, Congress enacted legislation (OCS Deep Water Royalty Relief Act) encouraging deepwater exploration. The combination of technological advances and legislative incentives caused leasing in the GOM to increase almost ten fold between 1992 and 1997.

In 1998 however, the number of tracts leased in the two GOM sales declined by 37 percent from the record levels of 1997. While 1998 marked the first time that the number of tracts leased in the GOM had declined in the past several years, the number of tracts leased (1,129) was still considered to be significant. In 1999 the number of tracts leased (333) fell 71 percent below the 1998 level and 81 percent below the peak level reached in 1997. The MMS believes that the level of leasing in 2000 and 2001 will remain near the 1999 levels.

Gulf of Mexico Leasing Activity
Fiscal Years 1992 - 1999



Because of the decline in new leasing activity, MMS is requesting the cap on currently authorized offsetting collections be lowered to \$107.41 million in FY 2001. This funding would be supplemented with an additional \$10 million in new user fees. These new user fees will require Congressional approval, so authorizing legislation will be proposed for these fees.

Offsetting collections are receipts scoreable to the ROMM appropriation from an increase in the offshore natural gas and oil lease rental rates. The ability of MMS to collect and retain these receipts has been a significant benefit in that it has enabled MMS costs to be paid from revenues instead of appropriations and thereby "freed up" the offset budget authority to fund other critical programs.

In addition to appropriations for operations, the MMS receives appropriations for distribution of the States' share of onshore mineral receipts. Those permanent appropriations are:

FY 2001 Proposed Permanent Appropriations (dollars in thousands)	
Mineral Leasing Associated Payments (MLAP)	583,233
National Forest Fund Payments to States (Forest Fund)	3,347
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes (Flood Control)	783
Total	\$587,363

Industry Trends

Although MMS is a relatively young bureau, it has changed dramatically over the years and continues to evolve and become more streamlined and efficient. Many changes in MMS organizations and functions are internally initiated, designed to improve program efficiency and effectiveness. Other changes are in response to an array of external forces including industry, States, local governments, Tribes, Indian allottees, and environmental and public interest organizations. Arguably, the most dramatic changes have been made in response to external driving forces challenging MMS every day to keep pace.

U.S. Dependence on Foreign Sources of Oil and Gas

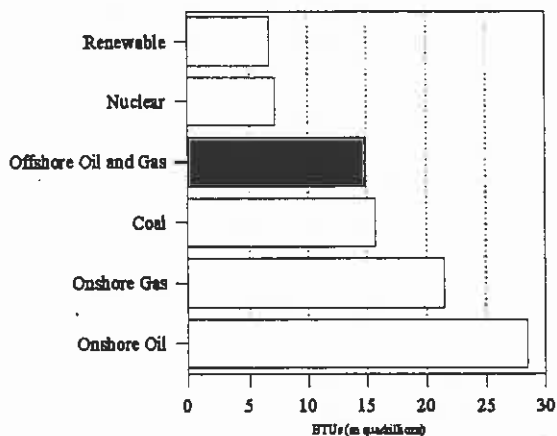
The United States now depends on oil and natural gas for nearly two-thirds of its energy needs. While promising new sources of energy may be on the distant horizon, our reliance on natural gas and oil is not likely to change over the next 20 to 30 years. Because of this dependence, obtaining sufficient supplies of natural gas and oil at reasonable prices is crucial to our security and our economy. While the United States is mostly self sufficient in natural gas, the Nation currently imports over half of all the oil it consumes. Much of the imported oil that the United States depends on comes from areas of the world that may be hostile to the interest of the United States and where political instability is a concern. For this reason, MMS programs are vitally important to the security of the Nation and the well being of the national economy.

The DOE projects consumption of oil will increase by 1.3 percent per year, while the consumption of natural gas will increase by 1.8 percent per year. While the DOE projects natural gas production to increase, it projects oil production to continue to decline. The DOE projects that by the year 2020 domestic oil production will fall by over 15 percent to 5.3 million barrels per day.

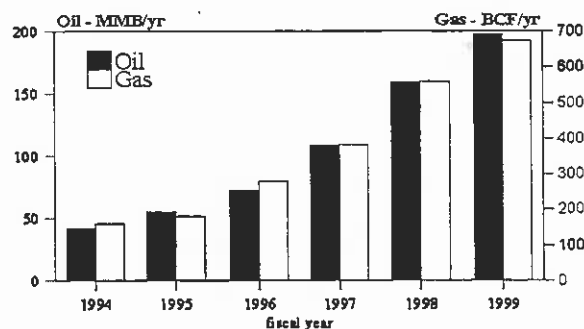
The Federal OCS is an area that industry hopes will provide considerable supplies of oil and natural gas in the future. Production from the Federal offshore of both natural gas and oil has increased in recent years and larger increases are projected in the future.

Currently oil and natural gas from the Federal offshore provide the Nation with about the same amount of energy as coal and twice as much energy as all the nuclear power plants in the Nation. In 1997, there were 637 million barrels (oil) of new field discoveries. The Gulf of Mexico

U.S. Consumption of Energy by Source - 1998



Gulf of Mexico Deepwater Oil and Gas Production



FY 1999 oil production estimated M/U 99

(GOM) Federal offshore accounted for 79 percent (506 million barrels) of these new discoveries.¹ Between 1993 and 1997 production of natural gas from the Federal offshore increased by more than 400 billion cubic feet annually.² Among the new deepwater GOM offshore fields that went into production in late 1999 or are scheduled to go into production in 2000 are:

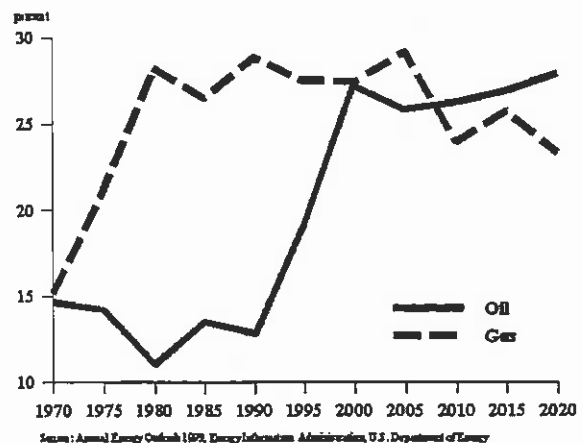
- Hoover-Diana – East Breaks Block 945 (Texas) – In the year 2000 Exxon plans to begin production with a floating caisson in over 5,100 feet (approximately 1 mile) of water. Exxon estimates this field holds 400 million barrels of oil equivalent (oil and gas).
- Europa – Mississippi Canyon Block 935 (Louisiana) – Shell plans to begin production in the year 2000 from a subsea system tied back to the MARS platform some 20 miles away. Peak production is estimated at 60,000 barrels of oil and 45 million cubic feet of gas per day.
- Macaroni – Garden Banks Block 602 (Texas) – Shell will use a subsea system tied back to the Auger Platform to develop this field. Shell estimates peak production at 35,000 barrels of oil and 65 million cubic feet of gas per day.
- Marlin – Viosca Knoll Block 915 (Louisiana) – Amoco and Shell are developing this field using a tension leg platform. Peak production is estimated at 40,000 barrels of oil and 250 million cubic feet of gas per day.

Production and Price Forecast

During 1998, the price of crude oil decreased dramatically. This reduction caused severe problems in the domestic energy sector, causing many marginal wells to be closed down permanently. By 1999 the price of crude oil had recovered. This price is projected to remain relatively stable through 2001. The Energy Information Administration (EIA) projects that increased demand for oil will cause prices to increase by 2.8 percent a year through the year 2020.

Unlike oil, prices for natural gas have remained much more stable during the 1990s. The EIA projects natural gas prices to increase from \$1.96 per thousand cubic feet to \$2.81 per thousand cubic feet in the year 2020, an increase of only 1.7 percent per year. This rate of increase will keep the price of natural gas well below the peak levels reached in the early 1980s.

OCS Oil and Gas Share of Total U.S. Production



¹ U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 1997 Annual Report, Energy Information Administration pages 22-23.

² Natural Gas 1998 Issues and Trends, Energy Information Administration, page 91.

Since the majority of MMS receipts are derived from oil and gas royalties, changes in the price of oil and natural gas have a substantial impact on MMS's total collections. Changes in the price of oil and gas can have significant impacts on MMS receipts to the General Treasury.


Changes in the Minerals Industry

Mergers, acquisitions, partnerships, and revolving lease ownership are becoming increasingly common in the oil and gas industry and will continue in the near future. This restructuring of the oil and gas industry has and will continue to put strain on MMS's ability to ensure that correct royalty payments are received, and that industry's demands for permitting and approvals are processed in a timely manner.

The oil and gas industry is currently undergoing a technological revolution that is allowing exploration and production in areas that were unthinkable just a few years ago. The offshore is an area that is especially sensitive to technological change and an area that industry hopes will provide considerable supplies of oil and gas in the future. Offshore oil and gas production has already shown significant increases in recent years and larger increases are expected in the near future. Deepwater leases now account for 36 percent of oil production and over half of the proven reserves in GOM. These increases would not have been possible without recently developed technology that has allowed exploration and production in ever-deeper waters. In just the last 10 years the depth at which production is possible has increased from 1,760 feet (Joliet platform – 1989) to 5,376 feet (Mensa project – 1999). Since 1996, there has been a dramatic increase in leasing in "ultra-deepwater," i.e., water depth over 2,600 feet.

Did You Know?

Approximately one out of every ten barrels



of oil produced in the United States comes from a deepwater field in the GOM.

Total U.S. discoveries of oil were 1.233 billion barrels in 1997, roughly twice as high as the prior 10-year average and a third higher than 1996. The GOM offshore, mostly deepwater, accounted for over 50 percent of the increase. New field discoveries in 1997 amounted to 637 million barrels or 5 times the prior 10-year average. The GOM offshore, mostly deepwater, accounted for 79 percent of the new field discoveries.

Royalty-in-Kind

Under the terms of standard Federal oil and gas leases, the government is entitled to a royalty share of production removed or sold from the lease. Historically, the government has received its share in value (i.e., as a percentage of the sales proceeds received by the mineral lessee). There are several reasons to clearly define situations and methods appropriate for the government to receive at least some of its royalties "in-kind" (RIK), by taking and selling volumes of oil or gas equaling the percentage royalty share.

MMS is conducting pilots of taking royalty in kind to determine where royalty in kind makes good business sense. The pilots are being structured to existing lease terms, and to examine where, when, and under what conditions RIK might be feasible, to permit collection of as much revenue as in-value royalty payments for the U.S. Treasury, and for the States entitled to a share of those revenues.

MMS Today

Offshore Minerals Management Program

For over 50 years, the Federal Government has been regulating oil and gas activity on the OCS. Although the Federal Government did not officially gain jurisdiction over the OCS until the enactment of legislation in 1953, oil and gas activity began in 1946 with the drilling of an exploratory well and a year later with the installation of a fixed platform off the coast of Louisiana. Since then, the OCS program has become a significant source of petroleum and the associated economic benefits at national, regional, and local levels. In recent years, the U.S. program has made huge strides into water depths exceeding 7,500 feet in the GOM and into the icy, arctic waters of Alaska. Through 1999 the Federal OCS has produced approximately 12.5 billion barrels of oil and 135 trillion cubic feet of natural gas. This production has generated approximately \$130 billion in lease bonuses, rents, and royalty payments. The largest recipient of Federal Mineral Lease Revenues has been the U.S. Treasury. Since 1982, over \$63 billion has been deposited to the General Fund of the Treasury. In addition, States have received over \$11 billion, the Land and Water Conservation Fund has received over \$15 billion, and Indian Tribes and Allottees have received almost \$3 billion.

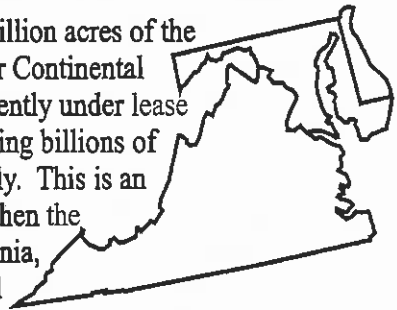
Safety and Environmental Protection

While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, MMS is extremely concerned with safety and environmental concerns -- striving to provide domestic energy while protecting sensitive coastal and marine environments. The move into deeper water and the overall increased activity have increased both the level and complexity of monitoring OCS operations. The number of operators drilling in the GOM has increased over the past several years by about 30 percent. Some of these new operators are not as experienced as those that have been working in the GOM for several years. There is also a much greater reliance on contractors today as compared to the past. In addition, the offshore industry downsized significantly during the 1980's. All of these events have reduced the skilled labor pool of offshore workers. The presence of workers without much offshore experience is placing an added burden on the inspection and compliance program.

The MMS feels particularly committed to ensuring that industry maintains its excellent safety and environmental record as the level of activity increases in both amount and complexity. Unless this record is maintained, industry will not be able to go forward with its ambitious plans for the GOM and the Arctic because the public will lose confidence in the integrity of the program. In addition, the Nation will lose the significant contributions that the Offshore Program makes to the economy in the form of revenues and secure supplies of oil and natural gas.

Did You Know?

Over 40 million acres of the Federal Outer Continental Shelf are currently under lease and producing billions of dollars annually. This is an area larger than the States of Virginia, Maryland, and Delaware combined.



Deepwater Production

Pushed by new deepwater production in the GOM, production of oil and natural gas from the Federal OCS reached record levels in 1998 and continues to increase in 1999. Deepwater oil production increased by over 300 percent between 1994 and 1999 and is forecast to continue to increase over the next several years. Deepwater natural gas production increased by a similar percent from 1994 to 1998 and is also forecast to increase for the next several years. Oil and gas from deep water has become a strong and growing component of our total domestic energy policy. While total domestic oil production (not including deep water) declined by 735,000 barrels a day between 1994 and 1998, oil production from deep water increased by 323,000 barrels a day over the same period. Deepwater production continued to increase in 1999, with 11 new projects coming on line. The importance of deepwater production has grown rapidly, as production from shallow water has declined. This increased production from deepwater fields is coming at a time when new deepwater leasing has declined significantly. The reason for this can be explained by the long lead time (up to 10 years) between leasing a deepwater tract and starting production. Along with this continued increased production will come a continued increasing workload for MMS to review new exploration and development plans, examine pipeline right-of-way applications, conduct environmental assessments, and conduct on-site inspections.

Working with Other Nations

Today's offshore oil and gas industry is global in scope. The MMS continues to expand its collaborative projects with other countries that are technologically advanced in their regulatory programs to promote safe and environmentally sound oil and gas operations, worldwide. In addition, there is a need for emerging nations to develop regulatory programs that facilitate, or at a minimum, do not discourage, investment from foreign companies. Because of its regulatory expertise and its successful oversight of environmentally safe and sound operations, MMS is increasingly being called upon to assist and participate in international conferences and projects that further our Nation's foreign policy goals. The growing scope and effects of international and regionally developed environmental and operational standards on the activities of the domestic industry require increased monitoring by the Bureau.

Royalty Management Program

The MMS's Royalty Management Program (RMP) 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. RMP collects mineral leasing revenues from Indian lands and transfers these monies to the Office of Trust Funds Management for distribution to either the appropriate Tribe or individual Indian mineral owner.

Did You Know?



There are approximately as many miles of oil and gas pipelines in the Gulf of Mexico as there are miles of interstate highways.

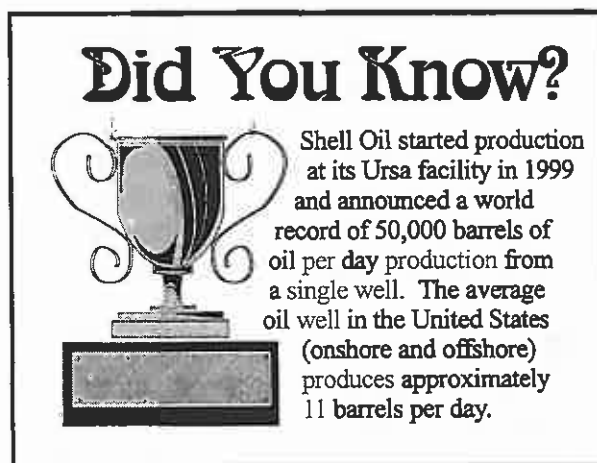
The RMP is not a land administration organization. Therefore, unlike the MMS's offshore program, the Bureau of Indian Affairs (BIA), or the Bureau of Land Management (BLM), it does not determine the lease contract conditions (*amount of rent, bonuses, or royalty rate to charge, or any lease compliance requirements*). Rather RMP's role is to determine the market value (*gross proceeds*) on which the royalty rate is applied to determine the recipient's share of revenues - this is both complicated and often contentious with revenue sharers (States, counties, Indian mineral owners, and industry). As part of this role, RMP conducts audits of payors' accounting records to determine if the proper amount has been paid. During the last 10 years over \$1 billion dollars have been collected through these efforts. This amounts to almost twice the total budget of the entire RMP over the same time period.

The RMP collects and disburses revenues collected on lands administered by the Department of Interior (the MMS Offshore Minerals Management Program, BIA, and BLM), the U.S. Forest Service, the U.S. Army Corps of Engineers, and the U.S. military. RMP works closely with the staffs of these agencies and MMS offshore program organizations on a continuing basis to improve overall royalty management.

Royalty Reengineering Initiative

In September of 1999, MMS awarded Andersen Consulting a \$21 million contract for the development of the Financial module of the MMS Royalty Reengineering Initiative. The reengineering of the RMP began in 1997. Its purpose is to design and implement new royalty management processes and automated support systems for the 21st century. A key aspect of RMP's reengineering transition and implementation is the continuing engagement of States, Tribes, and industry as partners in the process. We will modernize existing systems infrastructure to implement the reengineered business processes by implementing a relational database management system, workflow/case management tools, and commercial-off-the-shelf (COTS) accounting products. MMS's future royalty management operations will be radically different. We are moving away from a functionally aligned organization to one that is based on business processes. This will result in improved timeliness and accuracy of payments to States, Indian tribes and others. It will improve the cost effectiveness of our collections and disbursements and increase compliance with lease terms, regulations, and laws.

Currently MMS collects over \$4.5 billion per year in mineral revenues, (2001 is exceptional because of the Alaska escrow pay out) while compliance related findings have averaged in excess of \$100 million per year. Through reengineered processes, compliance personnel will be able to more quickly focus on areas with the greatest potential for underpayment. Better analytical tools and improved processes will allow greater compliance coverage. A more comprehensive review of allowances as anticipated will also yield additional revenues. Recent Office of Inspector General (OIG) reports calling for modernization of RMP systems estimate that once fully implemented, annual operational savings of \$2 million would be realized. Revised and simplified reporting recommendations will reduce reporting burdens on both industry and RMP. Furthermore, these simplified reporting schemes will save the minerals



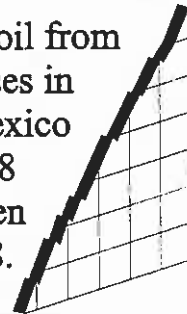
industry additional millions. In FY 1999 MMS implemented onshore, offshore, solids, geothermal, and Jicarilla model teams. These teams brought work from their respective areas and operate in a live environment. Insights gathered during this phase will be accepted into the newly reengineered systems. Full operational implementation is anticipated in FY 2002. The monetary benefits are significant, additional benefits include:

- Increased confidence that royalties have been paid correctly;
- A dramatic reduction in the RMP business cycle from 6 to 3 years;
- Improved reporting accuracy; and
- Better understanding of properties, markets served, and the production environment.

The RMP staff will become true resource managers and have the capability to make asset management decisions as to whether royalties should be taken in-kind or in-value.

Did You Know?

Production of oil from deepwater leases in the Gulf of Mexico increased by 48 percent between 1997 and 1998.



Oil Valuation Rule

The current Federal oil valuation rules rely heavily on posted prices, which many believe substantially understate market value (*MMS estimates that the Treasury loses approximately \$5.3 million per month, while Indian Tribes lose an additional \$.2 million per month*). To respond to these concerns, MMS published an Advance Notice of Proposed Rulemaking during December 1995 asking for comment through March 1996 on whether postings still represent market value, and suggestions on alternative valuation bases. Based on the comments, MMS put together a proposed rule drafting team, including representatives from MMS, STRAC, the Navajo Nation, and the Western States Land Commissioners.

The FY 2000 Interior Appropriation Bill included a further moratorium on the issuance of the oil value regulation. This moratorium runs through March 15, 2000. Operating within this guidance, a further supplementary proposed rulemaking for valuing oil produced on Federal lands was published in the December 30, 1999 Federal Register. This rulemaking benefits from comments received on previously proposed rules and contains changes to previous proposals in the following areas.

- Specific regulatory language regarding “second guessing” of sales under arm’s length contracts
- Binding valuation determinations,
- Calculation of actual transportation cost, and,
- Changes to the definition of affiliate given a recent court decision issued after the end of the most recent comment period.

A series of public workshops were held in for January 2000 to discuss the supplementary proposed rule for valuing oil produced from Federal lands. The comment period on the further supplementary proposed rule closed on January 31, 2000. The final rule is scheduled to be published on March 15, 2000.

Congressionally Reporting

The MMS is currently tracking two Congressional Directives (Modification to Deepwater Leases and Report on OCS Drilling Activities of the Coast off North Carolina).

- **Modification to Deepwater Leases** encourages MMS to maintain its current financial terms for deepwater leases until the OCS Deepwater Royalty Rate Relief Act expires and to report to the Congress if the current financial terms are changed. The MMS conducted a public workshop to discuss financial terms for deepwater leases. As a result of information obtained from the workshop and the subsequent drop in oil prices in 1998, MMS plans no changes in the financial terms for deepwater leases prior to the expiration of section 304 of the OCS Deepwater Royalty Rate Relief Act.
- Report on OCS Drilling Activities of the Coast off North Carolina is related to the concern of Congress that any drilling activities off the coast of North Carolina (Manteo Exploration Unit and adjacent lease blocks) occur only after a thorough assessment and compliance with all State (including State coastal consistency determinations) and Federal permitting requirements have been met. The Congress expects MMS to closely monitor lease activity in the area and provide periodic reports to Congress should permitting activity occur. Currently only one of the lease blocks adjacent to the Manteo Exploration Unit (block 777) remains active. Three leases in the Manteo Exploration Unit (blocks 466, 555, and 641) were cancelled on April 8, 1999. MMS will continue to closely monitor

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Visit MMS's homepage on the internet at www.mms.gov

- ✓ Find out about upcoming public meetings; review the results of the latest offshore oil and gas sales; analyze the distribution of Federal and Indian royalty receipts; and review and comment on MMS' new Strategic Plan
- ✓ The MMS homepage allows the user to access information from hundreds of millions of dollars worth of MMS environmental studies.
- ✓ Through the homepage the user can locate and communicate with MMS employees.
- ✓ Educate the kids about exploring for oil and gas.

all potential drilling activities that may be proposed off the coast of North Carolina and will keep the Congress fully informed.

GPRA

The Government Performance and Results Act (GPRA) requires agencies to submit annual performance plans to Congress with their fiscal year budget requests, and to prepare annual performance reports at the end of each fiscal year to report on how well they met their goals. Rather than preparing a separate FY 1999 Annual Performance Report, MMS has combined the FY 1999 Report with the FY 2001 Annual Performance Plan; this is in compliance with departmental guidance. The Consolidated Report is included with this document as an appendix.

In the Consolidated Report, MMS presents a detailed look at:

- FY 1999 performance
- An updated annual performance plan for FY 2000; and
- The annual performance plan for FY 2001.

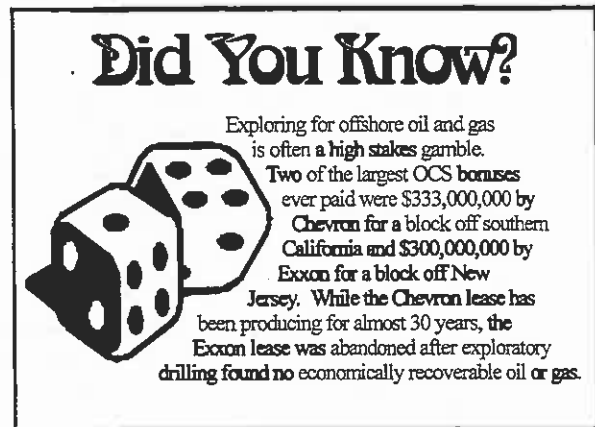
The information for FY 1999 and FY 2000 for the most part will not be reiterated here. However, the information for the FY 2001 relates to this budget request, and therefore is summarized below. Please see the Consolidated Report for more details.

The FY 2001 Annual Performance Plan, portion of the Consolidated Report, is based on the MMS's revised Strategic Plan for Fiscal Years 2000-2005, published in February 2000. The MMS Strategic Plan presents the mission, vision statements and guiding principles for the agency, as well as setting out MMS's mission goals and related outcome-oriented, long-term performance goals. The plan contains discussions about the strategies that MMS's programs intend to follow to achieve their long-term goals. The Annual Performance Plan links to the Strategic Plan by delineating the annual performance targets that MMS managers have set in order to attain the long-term goals.

The MMS has two operating programs, the Offshore Minerals Management Program (OMM) and the Royalty Management Program (RMP).

The OMM's mission is the direct result of the Outer Continental Shelf Lands Act of 1953 (OCSLA), which provides for the expeditious and orderly development of minerals on the OCS in an environmentally sound manner. The OCSLA established a mandate for managing natural resources on the OCS. The primary facets of this mandate are to:

- make OCS lands available for mineral development to meet national needs;



- ensure that any mineral development occurs in a safe and environmentally sound manner;
- ensure that the public receives fair market value for making these mineral resources available

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) established a framework to improve management of federal and Indian mineral royalties. In response to this mandate, RMP's overall mission is to provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

Offshore Minerals Management Goals

The OMM administers more than 8,000 active leases on 44 million acres of the OCS. While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, OMM is especially mindful of safety and environmental concerns — striving to achieve the proper balance between providing a domestic energy source and protecting sensitive coastal and marine environments.

The OMM has established three mission goals, with corresponding long-term and FY 2001 goals, to carry out its legislative mandates.

The first OMM mission goal is: *Ensure safe OCS mineral development.*

The related long-term goal is: *Maintain or show a decrease in the average accident index of .594*

The OMM administers several programs to protect life, property, the environment, and OCS resources. These programs include:

- performance standards and regulations for safe and pollution-free operations;
- inspection and enforcement to ensure industry complies with standards and regulations;
- civil and criminal penalties to emphasize compliance;
- the Safety and Environmental Management Program (SEMP) that instills a safety attitude in the industry that goes beyond mere compliance;
- industry training and certification in well control and production safety systems; and
- technology assessment and research to promote the “best available and safest technology.”

The OMM has established the following FY 2001 annual performance goal to measure its performance on the safety goal: *By the beginning of FY 2001 we will evaluate our new accident index and strive to improve our safety record by showing a decrease in the average accident index from the FY 2000 baseline.*

The OMM had a similar goal for 1999, with a stated target accident index of .588. They exceeded the goal by achieving an accident index of .578 for FY 1999. The OMM has made a concerted effort in the past several years to improve safety on the OCS by building partnerships and increasing communications. The OMM has worked to raise industry's safety consciousness by encouraging SEM and other safety programs. In addition, OMM uses various methods, including on-site inspections, to enforce compliance with MMS regulations. Finally, OMM performs annual company performance reviews and assign each a performance index. The

OMM talks with each about their index and what may have impacted it, spending more time with companies that perform poorly. Companies that perform well are rewarded with safety awards and Corporate Citizen Awards.

The OMM's long-term goal is to maintain or decrease the average accident index. However, OMM has recognized limitations in the data that it has been using for performance measurement in the past. They are in the process of reevaluating the components of this goal in order to develop a new accident index, which will be based on OMM's operator performance review process. The new index will be more comprehensive, and will better reflect OMM's efforts to improve operator performance by including, among other things, the results of inspections, portions of the formula used to rank operator performance, and accident information.

The second OMM mission goal is: *Ensure environmentally sound OCS mineral development.*

The related long-term goal is: *By 2005, show a decrease in the environmental impact index from the 2000 baseline.*

Activities associated with the extraction of OCS minerals potentially can impact environmental resources, habitats, and the human environment. Such impacts can be low level and chronic in nature, accumulate over time, or be sudden high-impact events with localized effects. The OMM program strives to ensure environmentally sound OCS activity by fostering compliance through inspections and enforcement; protecting sea floor resources and air and water quality; and protecting threatened and endangered species.

The OMM has established the following FY 2001 annual performance goal to measure its performance on the environmental goal: *By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced.*

The OMM is in the process of developing an environmental index that will calculate the number of adverse environmental impacts to sea floor resources, protected biological resources, air, and water. The environmental index, once complete, with a supportable baseline, will be a good measure of performance in achieving environmentally sound OCS mineral development. In the interim, the preliminary compilation of environmental index and the amount of oil spilled per million barrels of oil produced will be used to demonstrate success in decreasing environmental impacts.

The OMM has been monitoring oil spill information for several years, and reported a low level of 4.70 barrels spilled per million barrels produced in 1998. The OMM's 1999 goal was 5.07 barrels per million. However, the largest pipeline spill since FY 1992 occurred late in FY 1998, and was reported until early FY 1999. This one spill caused a spill rate of 17.5 barrels per million for the year. This FY 1999 result actually could be as high as 24.0 because of a July 23, 1999, spill, the results of which are not yet known. The spill is under investigation, and OMM has not yet verified the volume. There is a lag time of 6 to 12 months for gathering and verifying data before OMM can complete an investigation.

The OMM has used the oil spill rate as a reportable measure of its performance in the past, but has come to realize that the spill rate, by itself, is not a good measure of environmental outcomes. This is because spills can be caused by events, such as a tanker dragging its anchor over a pipeline, that are not within OMM's span of control. However, OMM can do some things to influence caution and try to mitigate spills, so it intends to include the oil spill rate as a factor in its new environmental index. Whether OMM reports the rate separately, as it will be doing in FY 2000, or includes it in the environmental index, it will continue to monitor the rate, analyze spills, and determine courses of action to address the problems that caused them.

The third OMM mission goal is: *Ensure that the public receives fair market value for OCS mineral development.*

The related long-term goal is: *From 2000 - 2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-95 average level of 1.8 (+/- 0.4) to 1.*

The OCS mineral leasing program generates revenue from bonus bids paid on tracts at lease offerings, annual payments on leases not in production, minimum royalties on producible leases that are not actively producing, shut-in gas payments on producible gas wells temporarily closed for mechanical, safety, or other problems, and royalties paid on sales of oil, condensate, natural gas, sulphur, and salt. Given uncertainties over how much (if any) oil and gas exist under a lease, future oil and gas prices, and production costs, the estimate of a tract's value will vary considerably. In order to make better, more efficient estimates of monetary values, OMM acquires state-of-the-art seismic information, and reviews and revises bid adequacy procedures, the tract evaluation process, the auction format, and tract evaluation and economic models.

The OMM has established the following FY 2001 annual performance goal to measure its performance on the fair market value goal: *By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.*

The OMM's current tract evaluation procedures are designed to ensure that the federal government receives fair market value (FMV) for tracts that are leased. Internal and external reviews of OMM's auction and evaluation procedures have concluded that the procedures effectively ensure that OMM receives fair market value. The OMM designed this measure as an indicator of performance prior to 1995, and tested it during the period 1989 to 1995. Based on this history, a ratio of 1.8 to 1 has been determined to give reasonable assurance that the government is receiving fair market value for leased tracts.

However, OMM constantly is studying ways to refine the methodology and procedures that are involved in tract evaluation. The OMM recognizes that industry is continuously investing in technological advances in order to improve its tract evaluation process. The OMM must keep pace with industry advances in technology and be able to have the same data and analytical capabilities as industry in order to ensure fair market value for the public. For that reason, MMS is requesting an increase of \$818,000 in this budget to help maintain the Geologic Interpretive Tools (GIT) that are used to evaluate tracts for fair market value.

Royalty Management Program Goals

The RMP has established a comprehensive, consolidated system for collecting, accounting for, and disbursing mineral revenues. In addition to a broad range of financial services, RMP also pursues a comprehensive compliance effort staffed by RMP employees and State and tribal auditors. Currently, RMP administers the rental, royalty, and other financial terms for over 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

The RMP began a program-wide royalty management reengineering initiative in April 1997, and is proceeding on schedule for complete implementation in October 2001. The objective is to design and implement new royalty management business processes and automated support systems for the 21st century.

The RMP is requesting a total of \$15 million for royalty management reengineering in FY 2001, the same as the 2000 enacted level. These funds are intended to provide implementation and enhanced automated support of RMP's reengineered compliance and asset management processes, and will support recommended information technology investments, which include implementation of a relational database management system, workflow/case management tools, a commercial off-the-shelf royalty accounting system, and a contractor owned and operated data center. A host of automated analytical tools and enhanced use of the capabilities of the Internet for reporting and information exchange is contemplated as well. Finally, the RMP envisions a reengineered program that is:

- Highly integrated.
- Fully supported by state-of-the-art technology.
- Process centered.
- Focused on outcomes.
- Less costly.
- Viewed by our stakeholders as the best.

Two end-to-end core business processes will meet the primary mission requirements:

- The financial management process will receive and disburse information and money.
- The compliance and asset management process will manage a full range of activities, including product valuation, market analysis, verification, and audit.

The RMP has developed the following goals to accomplish its FOGRMA and RSFA mandated royalty management mission in the reengineered environment. All of these goals were established in MMS's revised Strategic Plan for FY 2000 to 2005, published in February 2000. Therefore, this discussion, for the most part, will not contain information about FY 1999 performance. That information is included in the Consolidated GPRA Report (Appendix).

The first RMP mission goal is: Provide revenue recipients with access to their money within 24 hours of the due date.

The related long-term goal is: *By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.*

Using sophisticated, computerized accounting systems, RMP collects and processes reports and payments on nearly 70,000 leases each month related to bonuses, rents and royalties. The FOGRMA requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. The RMP distributes and disburses these revenues-more than \$4 billion annually-directly to recipients: states, the Office of the Special Trustee's (OST) Office of Trust Funds Management (OTFM), Federal agencies, and U.S. Treasury accounts. The Bureau of Indian Affairs (BLA), working together with OTFM, disburses revenues to the appropriate tribes and individual Indian mineral owners (allottees).

The RMP has established the following FY 2001 annual performance goal to measure its performance on the access to money goal: *By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.*

The long-term objective of this goal is to improve disbursement timeliness by providing recipient's access to mineral revenues by the end of the business day following the day of receipt. Further, the objective is to continue to ensure that RMP disburses funds as required by law, by the end of the month following the month of receipt. The RMP will begin general design of new systems to accomplish these objectives in FY 2000, with full implementation scheduled for October 2001. These new systems and reengineered processes will expedite efficient management and timing of RMP's disbursements and recipients' access to funds. The RMP has maintained a high level of performance over the past few years, consistently disbursing over 98 percent of funds timely, as defined by FOGRMA. RMP's goal is to maintain that excellent level of fund disbursement service.

However, once new systems become operational in FY 2002, RMP aspires to provide recipients access to funds within one business day (or later if the recipient prefers), so recipients have much quicker use of the funds.

In addition to reengineering its systems in order to improve its disbursement performance, RMP will take steps to ensure that company reporting and payments are more accurate. Steps that it will take include implementing streamlined reporting requirements by the end of FY 2001, ensuring increased electronic payments and reporting by companies, and publishing chronic erroneous reporting.

The second RMP mission goal is: *Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.*

The RMP has established two long-term goals for this mission goal. The first is: *By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.*

Up until now, RMP's goal has been to accomplish most compliance activities within 6 years, with a focus on companies. However, the reengineered RMP's end-to-end compliance and asset

management activities will encompass product valuation, verification, major portion, audit, etc. and will focus on a property basis over a 3-year cycle. The RMP also will implement an independent audit function to ensure that end-to-end financial and compliance processes are consistently applied and effective.

The RMP has established the following FY 2001 annual performance goal to measure its performance on the first compliance long-term goal: ***By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties.***

This is a new goal for FY 2001. The objective of this goal is to improve the accuracy and timeliness of company royalty payments at the due date. This goal is a refocus of RMP's previous compliance index, which compared overall dollars expected to dollars received. The new goal focuses around defined producing areas and properties

By the end of FY 2001, RMP's goal is to have converted most production into the new reengineered compliance processes, and to achieve compliance (payments within 90 percent of the expected value at the due date) on 35 percent of the converted properties. The RMP will establish progressively higher percentages as FY 2005 approaches. Once the majority of leases are converted to the new reengineered compliance processes, RMP will be able to run all leases through the computerized system to determine a statistically valid expected value for each property on a real-time basis. The RMP also will be able to run a program-wide compliance index on all properties, instead of on the sampling of properties now used for the current compliance index.

To refine and advance the new reengineering concepts, RMP established Operational Model Teams in 1998. In 1999, RMP managers began transferring responsibility for leases to these teams. The teams will develop and test the new methodology for calculating expected value. In 1999, the Operational Model teams began testing a model compliance and asset management system to determine whether RMP has sufficient data and expertise to discover all of the significant instances of incorrect payment. With the knowledge gained from these tests, RMP will contract in FY 2000 for a permanent compliance and asset management system to be integrated with the new financial system. The new system will provide RMP the ability to focus on several properties at once, enhancing timely and cost-effective processes, and making the 3-year goal more realistic.

Supplemental steps that RMP will take to improve compliance include:

- In FY 2000, RMP will begin revising regulations to reflect simplified reporting requirements.
- In the FY 2000 enacted appropriation for Interior, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. The MMS has re-proposed the rule for valuing oil produced from Federal lands and plans to publish a final rule in March 2000. The MMS also re-proposed the rule for valuing oil on Indian lands, and expects to publish this rule in final by April 2000. Publication of these rules will assist RMP in ensuring earlier certainty of expected value.
- In FY 2000 and 2001, MMS will continue RIK pilots, and phase them in operationally. For properties where MMS determines that RIK makes the best business sense, the price will be set up-front in the contract, providing greater certainty of expected value for these properties.

The second long-term goal for the compliance mission goal is: *By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date.*

The RMP has established the following FY 2001 annual performance goal to measure its performance on the second compliance long-term goal: ***By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties.***

This also is a new goal for FY 2001. The objective of this goal is to measure and ensure the effectiveness of RMP's new reengineered end-to-end compliance processes and 3-year compliance cycle by ensuring that all orders and demands that should have been issued have been issued. By doing so, RMP will be better able to ensure industry compliance with laws, lease terms, and regulations.

Once new systems are implemented in October 2001, the new process will use automated tools to discover significant instances of potential non-compliance by testing companies' reported information against expected values for volume, royalty rate, value, and allowances. The expected values will be generated by a combination of automated processes using data from various sources, and the expertise gained by compliance specialists (auditors, economists, accountants, etc.) who work on the properties in one market area. The RMP will use a variety of techniques to test whether the payments made are actually incorrect.

To refine and advance the new reengineering concepts, RMP established Operational Model teams in 1998 and in 1999 began assigning lease compliance activities to these teams. These Operational Model teams will continue in 2000 and 2001, developing and testing reengineered compliance under the new 3-year compliance processing cycle. For FY 2001, in order to ensure that necessary orders and demands have been issued within the 3-year cycle, RMP will perform independent random sample audits of properties converted in 1999 to determine whether RMP discovered and ordered the necessary correction of all significant non-compliance by lessees. The goal of these audits is to ensure that the three-year process is effective, thereby also ensuring industry compliance with laws, lease terms, and regulations. The timing, extent, and scope of these audits will not be known until the new business processes are finalized and their related automated controls are designed and made fully operational.

With the knowledge gained from the system being used in the test environment, RMP will contract for a permanent compliance system to be integrated with the new financial system. The recommended IT investments respond to Inspector General recommendations and reengineering conclusions that a relational database and program-wide workflow/case management tools are necessary but not currently available. The RMP's reengineering analysis noted that current operations are time-consuming, frequently repetitive, somewhat arbitrary and take entirely too long. New systems, targeted for implementation in October 2001, will automate the targeting and resolution process for compliance, focusing on properties and analyzing all compliance components concurrently, and making the 3-year goal more realistic.

In addition, RMP has developed the "Transition Audit Strategy for 1999 and Beyond" as the plan to move from the current 6-year company-focused audits to the 3-year property-focused end-to-end compliance processes. The RMP has set an aggressive schedule for converting leases into the new 3-year compliance process. Though most production will be converted to the new 3-year cycle by 2001, residual audits for past periods will remain. During 2001, 2002 and 2003,

RMP will complete these residual audits, with a goal of being fully transitioned by the end of 2003.

The third RMP mission goal is: *Fulfill our mineral revenue Indian trust responsibilities.*

The RMP has established two long-term goals for this mission goal. The first is: ***By the end of FY 2005, ensure 100 percent of Indian gas-producing properties are in compliance with major portion and dual accounting for the time period 1984-2005.***

In an effort to provide the highest possible Indian trust protection, and to enforce the unique terms contained in Indian leases, RMP is expanding its major portion³ and dual accounting⁴ coverage to Indian tribes and allottees not currently being serviced. RMP policy requires calculations dating as far back as 1984. To date, this initiative has resulted in additional royalty collections of approximately \$7 million.

Indian lease terms require lessees to compute royalties using specific calculation processes to determine both "major portion" and "dual accounting" amounts for gas leases and "major portion" amounts for oil leases. The information lessees' need for past periods to calculate these liabilities is not readily available to them. The RMP collects the necessary information, calculates major portion and dual accounting and bills companies for any additional royalties due.

The RMP has established the following FY 2001 annual performance goal to measure its performance on the first Indian trust responsibilities long-term goal: ***By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001.***

The second long-term goal for the Indian trust responsibilities mission goal is: ***By the end of FY 2005, ensure 100 percent of Indian oil-producing properties are in compliance with major portion for the time period 1984-2005.***

The FY 2001 annual performance goal that RMP has established to measure its performance on the second long-term Indian trust responsibilities goal is: ***By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001.***

These are new goals for FY 2001. The RMP intends to eliminate the backlog of major portion and dual accounting calculations and enforcement for the time period 1984-1999 and perform these calculations more contemporaneously for 2000-2005. The RMP anticipates significant additional revenues to Indian stakeholders as the initiative advances. Separate long-term goals are established for properties producing gas and properties producing oil because of different valuation complexities, varied lease term requirements, and the specialized resource expertise

³ "Major portion" means the highest price paid or offered at the time of production for the major portion of oil or gas production from the same field. The price is calculated using a percentage of the arms-length sales in the field.

⁴ "Dual accounting" is the comparison of two values of gas: 1) prior to processing and 2) after processing at a gas plant. The higher of the two values is the basis for royalty payments.

needed for each product. Because much of the related information is the same, the descriptions of both goals have been combined below.

As RMP set the targets for completing the 1984-1999 time period, priority was given to the leases for each tribe with the highest revenues. Specific tribes on which RMP would focus were selected for each year, based on an analysis of the total Indian revenues reported to RMP. The 2001 annual target ensures that RMP will continue moving incrementally toward its 2005 goal.

To achieve the goals, RMP must maximize utilization of resources who have specialized expertise to complete calculations based on both past regulations and new regulations, understand differences between oil and gas lease term requirements, and can efficiently complete the calculations.

Also, the targets are based on publication of the Indian Oil Valuation Rule. In the recently enacted appropriation for the Department, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. The MMS re-proposed the rule for valuing oil on Indian lands, and expects to publish a final rule by April 2000. Any change in any of these factors could cause RMP to adjust its targets.

Finally, while RMP is completing implementation of major portion and dual accounting for 1984-1999, it contemporaneously will be ensuring compliance with these lease requirements for FY 2000 and forward. Changes provided in the new Indian Gas Valuation Rulemaking will simplify the burden of complying with these lease terms.

This FY 2001 Annual Performance Plan is based on the newly revised strategic plan for FY 2000 to 2005. The strategic plan focuses on strategic outcomes and establishes long-term goals to achieve those outcomes. MMS believes these plans will help ensure that MMS continues to provide valuable services for the American public. The annual performance plan for FY 2001, as summarized above, provides the interim goals that will measure MMS's progress toward:

- ensuring safe, environmentally sound mineral development while ensuring fair market value for resources; and
- providing timely, accurate, and cost effective mineral revenue collection and disbursement services.

For additional details about the FY 2001 goals, as well as MMS's FY 1999 performance and updated FY 2000 performance plan, please see the Consolidated GPRR Report (Appendix).

**Summary of Requirements
Royalty and Offshore Minerals Management**
dollars in thousands

	FY 1999 Actual		FY 2000 Enacted		Uncontrollable and Related Changes		Programmatic Changes		Collections to Appropriation		FY 2001 Request		Inc(+) Dec(-) From 2000	
	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt
OCS Lands														
Leasing/Environment Appropriation	124	12,087	124	9,406	0	655	0	0	0	2,200	124	12,261	0	2,855
Offsetting Collections	83	23,265	83	26,483	0	0	0	0	-2,200	83	24,283	0	-2,200	
Total	207	35,352	207	35,889	0	655	0	0	0	207	36,544	0	655	
Resource Evaluation Appropriation	131	10,448	134	9,268	0	705	0	218	2,200	134	12,391	0	3,123	
Offsetting Collections	74	12,085	74	13,633	0	0	0	0	-2,200	74	11,433	0	-2,200	
Total	205	22,533	208	22,901	0	705	0	218	0	208	23,824	0	923	
Regulatory Appropriation	211	17,221	218	17,837	0	967	0	0	2,460	218	21,264	0	3,427	
Offsetting Collections	138	22,907	138	24,377	0	0	0	0	-2,460	138	21,917	0	-2,460	
Total	349	40,128	356	42,214	0	967	0	0	0	356	43,181	0	967	
Information Mngt Appropriation	37	2,447	0	0	0	0	0	0	0	0	0	0	0	
Offsetting Collections	72	11,743	109	14,507	0	270	0	0	0	109	14,777	0	270	
Total	109	14,190	109	14,507	0	270	0	0	0	109	14,777	0	270	
Total OCS Lands														
Appropriation	503	42,203	476	36,511	0	2,327	0	218	6,860	476	45,916	0	9,405	
Offsetting Collections	367	70,000	404	79,000	0	270	0	0	-6,860	404	72,410	0	-6,590	
Total	870	112,203	880	115,511	0	2,597	0	218	0	880	118,326	0	2,815	

Summary of Requirements
Royalty and Offshore Minerals Management
dollars in thousands

	FY 1999 Actual		FY 2000 Enacted		Uncontrollable and Related Changes		Programmatic Changes		Collections to Appropriation		FY 2001 Request		Inc(+) Dec(-) From 2000	
	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt
RMP														
Valuation/Operations														
Appropriation	251	25,623	251	26,053	0	799	0	0	0	0	251	26,852	0	799
Offsetting Collections	0	8,250	0	13,250	0	0	0	0	0	0	0	13,250	0	0
Total	251	33,873	251	39,303	0	799	0	0	0	0	251	40,102	0	799
Compliance														
Appropriation	333	28,218	333	29,101	0	1,029	0	0	0	0	333	30,130	0	1,029
Offsetting Collections	0	8,250	0	13,235	0	0	0	0	0	0	0	13,235	0	0
Total	333	36,468	333	42,336	0	1,029	0	0	0	0	333	43,365	0	1,029
Indian/Allottee Refunds														
Appropriation	0	15	0	0	0	0	0	0	0	0	0	0	0	0
Offsetting Collections	0	0	0	15	0	0	0	0	0	0	0	15	0	0
Total	0	15	0	15	0	0	0	0	0	0	0	15	0	0
Late Interest														
Appropriation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Offsetting Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Service Office														
Appropriation	26	2,583	26	2,708	0	67	0	0	0	0	26	2,775	0	67
Offsetting Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	26	2,583	26	2,708	0	67	0	0	0	0	26	2,775	0	67
Total RMP														
Appropriation	610	56,439	610	57,862	0	1,895	0	0	0	0	610	59,757	0	1,895
Offsetting Collections	0	16,500	0	26,500	0	0	0	0	0	0	0	26,500	0	0
Total	610	72,939	610	84,362	0	1,895	0	0	0	0	610	86,257	0	1,895

Note: In FY 1999, the Valuation and Operations activity received a funding transfer of \$250,000 from the OST in support of Cobell related activities.

Summary of Requirements
Royalty and Offshore Minerals Management
dollars in thousands

	FY 1999 Actual		FY 2000 Enacted		Uncontrollable and Related Changes		Programmatic Changes		Collections to Appropriation		FY 2001 Request		Inc(+) Dec(-) From 2000	
	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt
Administration														
Executive Direction														
Appropriation	20	1,870	20	921	0	63	0	0	0	0	20	984	0	63
Offsetting Collections	0	0	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Total	20	1,870	20	1,921	0	63	0	0	0	0	20	1,984	0	63
Policy & Mgmt Improv														
Appropriation	36	3,722	36	2,860	0	128	5	500	0	0	41	3,488	5	628
Offsetting Collections	0	0	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Total	36	3,722	36	3,860	0	128	5	500	0	0	41	4,488	5	628
Admin Operations														
Appropriation	186	12,092	191	12,046	0	589	0	0	0	0	191	12,635	0	589
Offsetting Collections	0	500	0	1,555	0	0	0	0	0	0	0	1,555	0	0
Total	186	12,592	191	13,601	0	589	0	0	0	0	191	14,190	0	589
Gen Support services														
Appropriation	0	1,706	0	0	0	1,348	0	0	0	0	0	1,348	0	1,348
Offsetting Collections	0	13,000	0	14,945	0	0	0	0	0	0	0	14,945	0	0
Total	0	14,706	0	14,945	0	1,348	0	0	0	0	0	16,293	0	1,348
Total Administration														
Appropriation	242	19,390	247	15,827	0	2,128	5	500	0	0	252	18,455	5	2,628
Offsetting Collections	0	13,500	0	18,500	0	0	0	0	0	0	0	18,500	0	0
Total	242	32,890	247	34,327	0	2,128	5	500	0	0	252	36,955	5	2,628
Total ROMM														
Appropriation	1,355	118,032	1,333	110,200	0	6,350	5	718	0	6,860	1,338	124,128	5	13,928
Offsetting Collections	367	100,000	404	124,000	0	270	0	0	0	-6,860	404	117,410	0	-6,590
Total	1,722	218,032	1,737	234,200	0	6,620	5	718	0	0	1,742	241,538	5	7,338

Summary of Requirements
Oil Spill Research
dollars in thousands

	FY 1999 Actual		FY 2000 Enacted		Uncontrollable and Related Changes		Programmatic Changes		Collections to Appropriation		FY 2001 Request		Inc(+) Dec(-) From 2000	
	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt	FTE	Amt
OSR														
OSR														
Appropriation	23	6,118	23	6,118	0	0	0	0	0	0	23	6,118	0	0
Offsetting Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	23	6,118	23	6,118	0	0	0	0	0	0	23	6,118	0	0

Uncontrollable and Related Cost Cost in 2001 of January Pay Raises

	2000 Estimate	2001 Change
2000 Pay Raise	+3,861	+1,364

The January 2001 pay raise amount above was calculated before the Presidential Policy pay raise amount was available to the Department of the Interior. In total, the sum of the amounts above for pay raise costs is nearly the same as the correct amount. The amounts above offset the equivalent of a 4.025% for the full fiscal year rather than 3.975%, that is, they are 0.05% too high. The amounts above are based on raises of 4.4% and 3.9% respectively, rather than the actual 4.8% for January 2000 and the President's requested 3.7% for January 2001. The Office of Budget will compile the correct amounts and provide them to the Appropriations Subcommittees and post them on our website (www.doi.gov/budget) soon after the release of the President's budget request.

	2000 Estimate	2001 Change
2001 Pay Raise	NA	+3,725

The January 2001 pay raise amount above was calculated before the Presidential Policy pay raise amount was available to the Department of the Interior. In total, the sum of the amounts above for pay raise costs is nearly the same as the correct amount. The amounts above offset the equivalent of a 4.025% for the full fiscal year rather than 3.975%, that is, they are 0.05% too high. The amounts above are based on raises of 4.4% and 3.9% respectively, rather than the actual 4.8% for January 2000 and the President's requested 3.7% for January 2001. The Office of Budget will compile the correct amounts and provide them to the Appropriations Subcommittees and post them on our website (www.doi.gov/budget) soon after the release of the President's budget request.

Other Uncontrollable Cost Changes

	2000 Estimate	2001 Change
Workers Compensation Payments	470	+57

The adjustment is for actual changes from 2000 in the cost compensating injured employees and dependents of employees who suffered accidental death while on duty. Cost for 2001 are for the 12-months ending June 1999 and will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.

Budget Estimate

	2000 Estimate	2001 Change
Unemployment Compensation	31	-18
The adjustment is for changes in the cost of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment trust Fund, pursuant to Public Law 96-499.		

	2000 Estimate	2001 Change
Rental Payments to GSA	11,340	+732
The adjustment is for changes in the cost payable to General Services Administration resulting from changes in rates for office and non-office space as estimated by GSA.		

	2000 Estimate	2001 Change
CSRS/FERS Retirement Cost	227	+366
This adjustment reflects the bureau's increased cost as a result of an increasing proportion of the workforce being covered by the FERS retirement plan		

	2000 Estimate	2001 Change
Department Working Capital Fund Changes	776	+166
The change reflects expected changes in the charges for Department services and other services through the working capital fund. Includes \$87,000 previously allocated to USGS for IDEAS.		

	2000 Estimate	2001 Change
Increase Cost of Employee Health Cost	5,922	+593
The adjustment is for changes in estimated cost of supplying health insurance (government's share) to Federal employees.		

	2000 Estimate	2001 Change
One Fewer Pay Day	NA	-365
This adjustment reflects the fact that there is one fewer pay day in FY 2001 than in FY 2000.		

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FY 2001 Planned Activities

- All reporting will be on the new 2014.
- Publish a final Prepayment of Royalties for Marginal Properties rule that will promote production, reduce administrative costs, and increase net receipts.
- Publish a final rule to implement the accounting and auditing relief provisions for marginal properties as provided in Section 7 of RSFA that will encourage lessees to produce and develop properties.
- Publish a proposed chronic erroneous assessment rule, and a final rule following implementation of the redesigned computer system, for those reporters who consistently submit errors on one or more of their regulatory reports.
- Publish a final rule on RSFA Takes vs. Entitlements requirements.
- Publish a proposed rule on RSFA Interest and OCS Section 10 Repeat requirements.
- Assure that the redesigned computer system will provide tools to facilitate automated maintenance of the Lessee Designee database.

Revenue Receipt and Disbursements

FY 2000 Planned Activities

- Create a fully automated process to generate the Online Payment and Collection documents to eliminate transcription errors and reduce manual workload.
- Participate in all reengineering discussions/planning sessions designed to revamp the disbursement and distribution processes within RMP.
- Convert Indian Non-Standard payor reports from the a manual system to automated.

FY 2001 Planned Activities

- Convert and update the automated general ledger functions from outdated COBOL legacy software to client server-based customized software in conjunction with the Financial Systems Reengineering Project scheduled for completion by 9/30/01.

Data Collection and Reporting

FY 2000 Planned Activities

- Utilize the Lessee Designee database to identify responsible lessees when payors fail to pay required royalties, and maintain the database.
- Work closely with the Harbinger Corporation to convert “paper-reporting” reporters to electronic reporting and transition the current “electronic” reporters from RMP-devised electronic reporting options to Harbinger-developed methodologies with a smooth transition.
- Assure that IDVS is functioning properly so that MMS and BLM can verify that all legitimate leases are included in the MMS and BLM databases.
- Initiate and complete scanning of all reference data information currently located in RMP’s Reference Data Branch so data can be retrieved electronically by any MMS employee who requires this information.
- Eliminate all paper leases and agreement data transfers between BLM and MMS.

FY 2001 Planned Activities

- Publish a proposed chronic erroneous assessment rule, following implementation of the redesigned computer system, for those reporters who consistently submit errors on one or more of their regulatory reports.
- Publish a final chronic erroneous assessment rule and implement it for those reporters who consistently submit errors on one or more of their regulatory reports.
- Assure that the redesigned computer system will provide tools to facilitate automated maintenance of the Lessee Designee database.
- Represent MMS in the BLM’s new LR2000 Legacy System Project to validate objectives and requirements for an automated land and mineral system develop best business practices and user needs, and recommend modules for development.

Information Technology

FY 2000 Planned Activities

Document Management System:

- Develop an MMS-wide document management system that will encompass electronic folders, correspondence tracking, and records management.

Hardware and Software Upgrades:

- In FY 2000 and 2001, RMP will upgrade the consolidated file and print servers with up-to-date reliable technology. The NT servers that support RMP's desktop client server applications will be consolidated into a clustered super server.
- Under this project, these servers would be consolidated into a clustered super server. Disk storage will be consolidated into a share disk array.

FY 2001 Planned Activities

Telecommunication Network Security:

- Establish an MMS-wide secure network; including appropriate firewalls, encryption, filtering, or other appropriate technologies. The MMS will pursue a bureau-wide operations and maintenance contract for network security.

Network Management System - Phase I:

- Implementation of this system is aimed directly at shifting from a help desk (canary in the cage) reactive network management system to a proactive system. Phase I would be completed in FY 2000 and would include the installation of NETIQ and CA Uni-center network management software.

Network Management System - Phase II:

- Phase II will add the single user logon and add additional resources under the control of Uni-center (e.g. mainframe, SQL server, etc.).

Desktop Computer Upgrade:

- In FY 2001, all MMS employees will receive an upgrade of desktop software, Windows 2000 Office Professional, in accordance with agency standards. Training will be provided for the new software.

Verification

FY2000 Planned Activities

- Publish regulations to document and implement interest and OCS repeal provisions of RSFA.
- Implement system modules to distribute funds directly from lease financial term bills and not require payors to submit Form 2014 saving payors cost and time in paying bills.

- Complete design and implementation of new system modules for Major Portion regulations.
- Bill solid minerals interest as required by court decision.
- Publish 6-year limit on adjustments regulations and implement monitoring processes

Audit

FY 2000 & 2001 Planned Activities

- Execute nation-wide audit activity consistent with the “audit strategy for FY 1999 and beyond.”
- Complete contract settlements initiative through ongoing audit activity.
- Continue to integrate audit staff into Operational Models and begin transition to the compliance and asset management process. Also provide audit records production, and negotiated settlement support for DOJ False Claims Act cases.
- Continue to provide records review support for Cobell litigation.
- Develop and present new training classes for MMS, State and Tribal auditors and Operational Model Teams, including:
 - Solid Mineral Valuation and Compliance Issues
 - Indian Oil Valuation
 - Federal Oil and Gas Valuation
 - Transportation and Processing Allowances

Collections and Enforcement

FY 2000 & 2001 Planned Activities

- Continue to conduct settlement meetings on the approximately 300 orders appealed annually in the administrative appeals process.
- Reach settlement on approximately one-half to one-third of appeals pending.
- Continue to aggressively pursue mis-reporting, false reporting, and under payments through the use of civil penalties and affirmative civil enforcement, together with the Department of Justice, under the False Claims Act.

Protecting Indian Trust/Indian Royalty Assistance

- Participate in audit of major Coal Company operating on the Crow Reservation.

FY 2000 & 2001 Planned Activities

- Continue to operate the Farmington National Performance Review Laboratory pilot and determine what aspects of the lab can be transported to other areas of Indian country.
- Issue internship announcements to mineral producing Tribes and recruit more candidates to enter into the internship program.
- Expand outreach program to include two more Tribes.
- Increase assistance to Tribes to improve their expertise and expand the number of audits they conduct.
- Continue to support the Departmental training course, "Indian Trust Responsibilities and Federal Obligation", scheduled for presentation to Departmental and Tribal employees in Oklahoma in April 2000 and in New Mexico in June 2000.

General Administration

Subactivity		2000 Enacted	Uncontrollable And Related Changes	Programmatic Changes	2001 Budget Request	Change From 2000
Executive Direction	\$	1,921	+63	0	1,984	+63
	FTE	20	0	0	20	0
Policy and Management Improvement	\$	3,860	+128	+500	4,488	+628
	FTE	36	0	+5	41	+5
Administrative Operations	\$	13,601	+589	0	14,190	+589
	FTE	191	0	0	191	0
General Support Services	\$	14,945	+1,348	0	16,293	+1,348
	FTE	0	0	0	0	0
Total, General Administration	\$	34,327	2,128	500	36,955	2,628
	FTE	247	0	5	252	5

The General Administration activity provides leadership, direction, management, coordination, communications strategy, and outreach (Executive Direction); policy, management, and strategic planning (Policy and Management Improvement (PMI)); financial, personnel, procurement, facilities, and information management services (Administrative Operations); and infrastructure support (General Support Services) to the Offshore Minerals Management and Royalty Management Programs.

Among the key reasons for MMS current programmatic achievements is the ability of its senior managers to develop a sense of the direction of the industry and public it serves. This has been achieved through utilization of communication outreach via advisory councils, discussions with members of Congress, Congressional Committees and their staff, industrial and environmental spokesmen, and community representatives affected by ongoing and proposed MMS activities.

These efforts, recent technological developments, fundamental changes in the auditing and accounting philosophies, and MMS response to enactment of recent legislation have yielded a clear vision of where the MMS of the 21st century needs to be headed. Providing the leadership, securing the resources, developing the organizational capabilities, building the infrastructure and assuring appropriate delivery of services are the responsibility of General Administration.

Executive Direction
Justification of Program and Performance
Analysis by Subactivity
(dollars in thousands)

		2000 Enacted	Uncontrollable And Related Changes	Programmatic Changes	2001 Budget Request	Change From 2000
Executive Direction	\$ FTE	1,921 20	+63 0	0 0	1,984 20	+63 0

The Executive Direction subactivity is comprised of the Office of the Director and the Office of Communications. The Office of the Director, which includes the Director, the Deputy Director and their immediate staff, is responsible for providing general policy guidance and management of the organization.

The Office of Communications (OC) is responsible for broad communications strategy and outreach. Its goal is to ensure a coordinated and consistent message and effective exchange of information with all customers and stakeholders. OC manages the coordination and implementation of an effective, efficient, and inclusive outreach program to all audiences including government, the industry, related trade associations, the environmental community, Indian Tribes and Allottees, and the general public. The goal is to ensure a coordinated and consistent message and effective exchange of information with all customers and stakeholders.

The OC serves as the primary point of contact with Congress, the press and news media, external constituencies and the general public, providing information and assistance in response to inquiries. The Office serves as the primary liaison for all MMS congressional and legislative matters with Congress, state and local governments, and the Department on activities and legislative proposals that affect MMS. This activity includes evaluation of legislative proposals; communications regarding programs and policies and statement of positions on matters under consideration by the Congress; preparation and coordination of testimony for MMS witnesses; and coordination of arrangements for MMS's involvement in congressional meetings and committee hearings. In addition, the Office serves as primary point of contact and bridge-builder with our external constituencies, by facilitating dialogue and establishing ongoing, two-way communication with constituencies to ensure informed participation from all stakeholders in the decision-making process. The office serves as the focal point MMS print and news media information and education. OC provides advice to the Director and other officials on policy and procedures for disseminating information.

Policy and Management Improvement
Justification of Program and Performance
Analysis by Subactivity
(dollars in thousands)

		2000 Enacted	Uncontrollable And Related Changes	Programmatic Changes	2001 Budget Request	Change From 2000
PMI	\$	3,860	+128	+500	4,488	+628
	FTE	36	0	+5	41	+5

The Office of Policy and Management Improvement (PMI) provides the Director with a small independent organization capable of providing an impartial review and assessment of organizational policies and procedures. Because of its size, and freedom from the daily operational requirements of larger programs, PMI is flexible enough to be responsive to a broad range of cross-cutting organizational issues. These include: conducting and coordinating internal reviews; coordinating audits performed by the Office of the Inspector General and GAO; assuring implementation of recommendations derived from internal reviews, Inspector General audits, and GAO reviews or audits; managing MMS' compliance with the Departmental regulatory process; coordinating information collection requirements; and assuring Program compliance with the requirements of the Federal Advisory Committee Act (FACA).

PMI also initiates pilot and laboratory projects for the Director and promotes efforts aimed at improving organizational performance such as those advanced by the Government Performance and Results Act of 1993 (GPRA) and the National Partnership for Reinventing Government. Finally, PMI is responsible for developing fair and impartial decisions on administrative appeals filed under the regulatory program.

Policy Reviews and Program Analyses

Evaluation of MMS' existing and proposed policies and programs is generally conducted through economic and programmatic analyses. PMI provides policy reviews and analysis on a broad range of matters within MMS. Assignments are typically conducted:

- in support of proposed or existing Royalty and Offshore Program issues, or
- to evaluate or implement new Bureau initiatives.

These efforts are generally carried out as special studies or technical assistance to the programs. Special studies may involve major analytical efforts, usually long-term in nature, to examine technical issues relevant to the program, analyze policy implications, and provide recommendations to the Director. These efforts may encompass both program specific subjects and developments elsewhere that may have an impact on the programs. Technical assistance to the programs is accomplished by leading or participating on Bureau task forces; or by directly supplementing staff of the office responsible for specific projects.

PMI reviews legislation, regulations, and other documents for their policy content and provides analysis of proposals from outside MMS that affect Bureau programs. PMI is responsible for ensuring that programmatic plans and policies are consistent with and integrated into the overall Bureau mission and responsibilities, as well as the Department and Administration policy framework.

During the current fiscal year, PMI will be participating in the development of policy options or performing analyses on such items as:

- Future bureau policy for Deepwater incentives;
- Final implementation of requirements found in the Federal Oil & Gas Royalty Simplification & Fairness Act;
- The sale of royalty oil and gas from federal leases directly to the open market;
- Ongoing evaluation of alternative valuation methods of gas and oil on Federal lands with related cost benefit analyses;
- Use of fees for certain services or sales of minerals;
- Final resolution on complex issues under administrative appeal to the Director;
- Effectiveness of the royalty relief program for leases with declining production;
- Benchmarking of “Best Practices” for regulatory programs; and
- Level of services provided to individual Indian mineral landowners.

Royalty in Kind (RIK) Pilots

Under the terms of standard Federal oil and gas leases, the Government is entitled to a share (royalty) of production removed or sold from the lease. Historically, the Government has received this share in value (i.e., as a percentage of the sales proceeds received by the mineral lessee).

There are, however, several emerging reasons to examine whether the Government should receive at least some of its royalties not in value, but “in-kind,” that is, by taking and selling volumes of oil or gas equaling the percentage royalty share. A primary reason to examine this issue is that taking royalty-in-kind (RIK) may provide opportunities to substantially reduce disputes between lessees and the Government over the value of Federal production.

In 1995, MMS conducted a pilot (limited test) to evaluate taking oil in-kind. That test produced mixed financial results but provided invaluable experience and knowledge to

MMS about the operation and marketing of crude oil. Despite the initial mixed results, interest in Government RIK programs continued. A September 1997 *RIK Feasibility Study* assessed the potential for the United States to take its oil and natural gas royalties in kind. It concluded that, under the right conditions, RIK programs could be workable, revenue positive, and administratively more efficient for all parties. In certain situations, taking RIK would probably increase royalty revenue. Committee report language accompanying the FY 1997 Interior Appropriations directed MMS to consider additional RIK projects. PMI has managed the implementation team to pursue these recommendations by conducting additional RIK pilots in both oil and natural gas since the request by Congress.

The pilots are being structured to be consistent with existing lease terms and to examine where, when, and under what conditions RIK might be feasible, yet permit collection of at least as much revenue as in-value royalty payments for the U.S. Treasury and for states entitled to a share of those revenues. MMS has solicited participation from States affected by the pilot programs and will be evaluating the feasibility and efficiency of providing RIK production directly to other Federal agencies for Government consumption. MMS anticipates that the lessons learned from these pilot projects will eventually improve organizational efficiency and become part of normal operations.

Administrative Appeals

Sometimes companies or individuals disagree with compliance actions taken by MMS. These disagreements arise most frequently when the Royalty Management Program (RMP) finds that the company did not pay sufficient royalties and orders the company to correct the error. Any party disagreeing with a final order or decision issued by an officer of MMS has a right under federal regulation at 30 CFR Part 290 (1999) to appeal to the MMS Director; or, if Indian land is involved, the appeal is filed with the Deputy Commissioner of Indian Affairs. The program office (generally RMP) reviews the appeal, and if it is not resolved at that stage, they forward the appeal to the Appeals Division, PMI, for review. The decisions on these appeals are prepared by PMI's Appeals Division.

PMI's staff is insulated from RMP so they can render an independent review of the issue under appeal. The staff is largely professional, trained in legal research, and their work load is dedicated primarily to reviewing appeal information and writing decisions. Increasingly, staff has become more involved in settlement (conflict resolution) activities. Generally, technical expertise associated with complex issues is provided by other personnel in PMI or MMS.

The Appeals Division reviews the facts and arguments presented by both the appellant and the program office, analyzes the case against legal and policy precedents, and recommends a decision for signature by the Director, the Associate Director, PMI, or the Deputy Commissioner of Indian Affairs for cases involving Indian leases. If the appellant disagrees with the decision of MMS or BIA, they can appeal further to the Interior Board of Land Appeals (IBLA).

The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 requires the Department to render final decisions on administrative appeals involving Federal oil and gas leases within 33 months of the filing of the appeal. MMS and the IBLA are taking steps to ensure that this time frame can be met. Over the past few years, MMS has made substantial strides in deciding old cases.

In addition, the Royalty Policy Committee (RPC) recommended to the Secretary of the Interior that the entire appeals process be substantially restructured. A team consisting of staff from IBLA, MMS, and the Office of the Solicitor prepared proposed regulations to implement most of the RPC recommendations, which should further expedite the processing of appeals. In particular, the reforms recommended by the RPC include:

- Increasing efforts to resolve policy disputes before conducting audits of royalty payments.
- Further encouraging informal resolution of disputes.
- Clarifying the standing of states and Indian lessors in the administrative appeals process.
- Restructuring the process to encourage earlier development of the administrative record, facilitate settlement efforts, impose time limitations on the appeals process, and allow for appeals to be filed with the IBLA rather than the MMS so that appellants can obtain a faster, more independent review of legal issues raised on appeal.

The regulations were proposed in early 1999 and will be made final after all of the comments received have been addressed and resolved.

Implementation of the Government Performance and Results Act

Strategic planning and accountability for results is being woven into the culture of MMS. A team approach has been used to involve employees throughout the organization, including Offshore Minerals Management and Royalty Management staff, in the development of the mission, goals and performance indicators that are being used to measure the performance of MMS's critical programs. As part of this process, the organization has examined political, legislative, judicial, administrative, environmental, and economic factors, developed a strategic plan and annual performance plans, and focused the bureau on programmatic outcomes. PMI has overall responsibility for coordinating and guiding the bureau in developing and implementing the plans, monitoring and reporting performance, and improving the performance planning process. To date, MMS has made great strides with the development and refinement of strategic and annual performance plans and in the development of a methodology to gather and report performance information as required under the Government Performance and Results Act (GPRA). The bureau views implementation of this act as one of the cornerstones of its management improvement efforts. As more experience and knowledge is gained, MMS continues to refine its strategic thinking, re-evaluate its goals and

measures and improve its capacity to gather, analyze and make performance information available to MMS managers, external customers and stakeholders, Congress and OMB. MMS will consider implementation successful when performance measurement and accountability for results are fully integrated into the culture and day-to-day operations of the organization.

Continuing efforts in FY 2001 and beyond will focus on:

- Verification, validation and reporting of performance information in a way that is useful and useable to managers and decision makers.
- Refining and revising strategic plans to respond to a changing world.
- Creating stronger linkages between performance and the budget.
- Creating more accountability for program performance.

Performance Improvement

PMI is responsible for overseeing the Bureau-wide performance improvement undertakings; coordinating training; providing internal consulting services; and implementing Bureau-wide improvement initiatives. The staff provides technical assistance when possible in the form of training and consulting engagements for MMS offices that are pursuing performance improvement initiatives. The staff serves as the clearinghouse for disseminating improvement information, resources, and expertise throughout MMS and in cooperative departmental and government initiatives. During the current fiscal year PMI will be involved in new and on-going MMS performance improvement initiatives, including:

- Efforts to improve Customer Service through performance measurement;
- Steps to reduce and improve internal and external regulations;
- Use of “Plain English” regulation writing when regulations are necessary (PMI introduced the plain English style to the Department and Bureau);
- Operating and evaluating the results of RIK oil and gas pilots which test new concepts for collecting the government’s royalty share of federal resources;
- Improvement of the methods and systems for gathering and reporting performance information to provide more timely and more frequent information to managers.

Regulatory Direction

PMI manages the MMS regulatory program and serves as liaison to the Department’s regulatory office. In this capacity, it plays a major role in the Bureau’s efforts to coordinate MMS policy and implement the requirements of:

- The Paperwork Reduction Act of 1995 and related information collection requirements;
- Executive Orders (e.g., 12866) or legislation (e.g., The Regulatory Flexibility Act) directed towards the reduction and improvement of federal regulations;
- Executive Orders or legislation promoting methods of alternate dispute resolution, a more effective administrative appeal process, and improved regulatory drafting procedures; and
- The Negotiated Rulemaking Act (Neg-Reg Act) PL 101-648.

PMI leads bureau initiatives in regulatory reform and fosters activities utilizing conflict resolution. PMI's Appeals Division is actively engaged in dispute resolution of administrative appeals. Dispute techniques are being used to resolve disagreements without litigation or administrative adjudication.

Management Controls

PMI is the coordinator and manager for the MMS Management Control Review (MCR) Program. A Management Control Plan (MCP) is developed by the MMS program offices and managed by PMI. This MCP is designed to assess the bureau's systems of management, administrative and financial controls in accordance with the standards and guidelines established by the Federal Managers' Financial Integrity Act and the Office of Management and Budget. The objectives of the assessment are to ensure that:

- programs achieved their intended results;
- resources were used consistent with agency mission;
- resources were protected from waste, fraud, and mismanagement;
- laws and regulations were followed; and
- reliable and timely information was maintained, reported, and used for decision-making.

During FY 1997, MMS conducted a test, for the Department, of an automated computer-based tool to expedite audits and reviews. The test, of the Process Management Assessment Tool (PMAT), was expanded in FY 1998 and was subsequently adapted by other bureaus in Interior. PMAT is now in use throughout the Department and MMS conducted two of its FY 1999 reviews using this automated tool. PMAT is expected to bring more accuracy and less reliance on staff in the completion of MCR reviews in future years. It is not a substitute for a complete audit or internal review but it has proven to be an useful "targeting" tool, i.e., it identifies areas that require further attention. Seven MCR reviews were planned in MMS for FY 2000. Of the seven, two of them were performed using the automated PMAT. For FY 2001, PMI will lead and assist the MMS program offices in performing its management control reviews. Participation will include ensuring that each review is planned, conducted, documented, and reported in accordance with MMS and departmental regulations and procedures.

Justification of Program Change

Policy and Management Improvement Implementation of the Royalty Fairness and Simplification Act

	2001 Budget request	Program Changes (+/-)
\$(000)	4,488	+500
FTE	41	+5

Relationship to Performance Goals:

These funds support the long term goal to ensure that the public receives fair value for mineral development, to ensure that mineral revenues are collected timely, and to ensure quality service to customers. The timely collection of onshore and offshore oil and gas revenues and royalty payments will be jeopardized without these resources.

Narrative Justification

The Appeals Division is responsible for the preparation of decisions on administrative appeals of actions taken by MMS to collect revenues on Federal and Indian mineral production. The Royalty and Simplification Act (RSFA) mandated accelerated time deadlines and new settlement procedures for the processing and resolution of the 468 administrative royalty appeals currently pending before the agency. The RSFA now requires the Department to issue a final decision on all appeals involving Federal oil and gas royalties within 33 months of the appeal filing date or incur a statutory default. This 33-month period must be divided between MMS and the Interior Board of Land Appeal (IBLA) which means that appeals must be prepared for decision and decided by MMS within 16 months of the appeal filing date.

In addition to the new processing deadlines, appeals analysts will be required to prepare for and participate in at least one settlement conference for each appeal. It is expected that the additional workloads generated by the new Alternative Dispute Resolution steps will be significant and time consuming.

The MMS can add staff to comply with this mandate or reduce the output and quality of its responses to lessee royalty appeals that will result in more litigation. Without additional support, current staff would be required to process over 40 appeals per analyst per year compared to the average of 24. The requested resources will assure that the processing of royalty appeals will include the new settlement procedures and that the \$338 million of pending appeals will be resolved on an expedited basis so that none will be subject to default under RSFA.

Administrative Operations
Justification of Program and Performance
Analysis by Subactivity
(dollars in thousands)

		2000 Enacted	Uncontrollable And Related Changes	Programmatic Changes	2001 Budget Request	Change From 2000
Admin.	\$	13,601	589	0	14,190	+589
Operations	FTE	191	0	0	191	0

The Administrative Operations subactivity consists of the following functions: Administrative Direction and Coordination, Budget and Finance, Equal Employment and Development Opportunity, Personnel Management, Procurement and Support Services, and Information Resources Management. These functions are directed and carried out at Headquarters and nationwide through five Divisions and two Administrative Service Centers (ASC's), the Western Administrative Service Center (WASC) and, the Southern Administrative Service Center (SASC).

ADMINISTRATIVE DIRECTION AND COORDINATION

This function provides for oversight of all administrative activities within MMS. This oversight ensures compliance with laws relating to administrative activities; provides for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and develops appropriate guidance to ensure compliance with Department, Office of Management and Budget, General Services Administration, and other executive branch administrative policies and regulations. This function also includes responsibility for the Bureau's management analysis functions (management studies and reviews, organizational review, delegations of authority, and related activities, and special projects, such as benchmarking reviews) and, budget formulation and execution for Administration and Budget. In addition this function maintains a liaison with Departmental offices in order to effect a coordinated and unified administrative program consistent with the mission and goals of the Department.

BUDGET AND FINANCE DIVISION

The Budget and Finance Division (B&FD) is responsible for the planning and effective utilization of budgetary and financial system resources in support of the varied operating and support programs of the bureau. The B&FD serves as the focal point for the implementation of the provisions of the Chief Financial Officer's Act of 1990 including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report for the Bureau.

- The Budget Branch provides analysis and budget guidance, assures proper funding and staffing allocations, and oversees budget execution in accordance with appropriations signed into law. The Budget Branch develops and maintains

all budget data to support MMS budgetary requests to the Department, the Office of Management and Budget (OMB), and the Congress; and provides analysis of financial and other resource utilization reports for use by bureau and program managers. The Branch is responsible for preparing the annual Budget Estimates to the Department and OMB, as well as the annual Congressional Budget Justification. in the presentation and explanation of budget submissions to the Department, OMB, and the Congress.

- The Financial Management Branch (FMD) is responsible for the administrative accounting operations of the Bureau. The FMD operates the administrative accounting system, audits and schedules bills for payments, collects debts, develops financial data, prepares financial reports, provides advice and assistance on financial matters, and maintains liaison with Departmental offices and other Government agencies

EQUAL EMPLOYMENT AND DEVELOPMENT OPPORTUNITY

The Equal Employment and Development Opportunity Division (EEDOD) develops, directs, monitors, and operates the MMS Equal Employment Opportunity (EEO) program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, departmental directives and other related statutes and orders. Specifically, these duties include:

- Maintenance and operation of the discrimination complaint system;
- Implementation of equal employment opportunity and affirmative action plans;
- Implementation of programs for minority higher education and related partnerships;
- Administration of the Employee Counseling Program;
- Administration of a program for dispute resolution alternatives;
- Development and tracking of working place equity programs;
- Coordination of employee training programs;
- Responsibility for special initiative programs which are underway to involve more women and minorities and people with disabilities in the program areas and throughout all levels of management; and
- Responsibility for developmental programs such as Student Employment, Upward Mobility, and Management Development.

The division provides policy, coordination, and direction for MMS developmental programs which include managing and monitoring the equity of employee development opportunities associated with formal developmental program, cross training assignments, and mentoring activities. Emphasis is placed on training managers and supervisors in employee development and human resources planning.

To ensure that workforce activities are inclusive, that they promote the full utilization and exchange of skills and talent, the division will develop and coordinate Special Emphasis

activities; develop and implement EEO complaints prevention initiatives, and track and analyze applicant flow data and employment trends.

The EED coordinates compliance with the Departmental Office for Equal Opportunity and EEO Commission directives and Solicitor's requests regarding EEO issues and coordinates with the Department and other agencies concerning employee development issues. The division chief serves as the MMS Equal Employment Opportunity Officer.

PERSONNEL MANAGEMENT

The Personnel Division administers MMS's human resource management program.

Major responsibilities of the Personnel Management function are:

- Develops and implements policies, procedures, guidelines, and standards relating to general personnel management, recruitment and employment, position management and classification; human resource planning; personnel program evaluation; labor management relations; conflict of financial interest and standards of conduct; employee relations and services; personnel security; incentive awards; family friendly programs; the Federal Equal Opportunity Recruitment Program; and Senior Executive Service programs.
- Prepares appropriate reports, performs all operational personnel services for MMS Headquarters and client organizations, and provides assistance and guidance related to personnel matters for all MMS regional installations.
- Reviews, processes, and represents management in employee grievances, appeals, and adverse or performance based actions.
- Provides Bureau wide payroll and personnel systems liaison services. Maintains liaison with the Office of Personnel Management, the Federal Labor Relations Authority, the Merit Systems Protection Board, and the Department on personnel management and related issues. Coordinates MMS matters involving personnel investigations by maintaining liaison and coordination with the Department's Office of Inspector General concerning such investigations. Conducts and coordinates inquiries and determines appropriate actions related to whistle blower complaints.
- Consults with and refers actions related to allegations based on discrimination to the Equal Employment and Development Opportunity Division staff, advising them of any issues which may impact on the administrative remedy process.
- Carries out reductions-in-force, reorganizations, and executive initiatives related to human resource issues.
- Seeks to ensure regulatory compliance to prevent real or apparent conflicts by providing guidance on standards of conduct and conflict of financial interest to employees Bureau wide through proactive employee awareness training and

information bulletins, advice on specific conflict issues, and the initiation of remedial orders when needed.

In addition, the MMS's Personnel Management Division provides operational personnel services to client organizations on a reimbursable arrangement. Currently the Division currently provides full-service personnel support to the following organizations:

- Office of the Secretary of the Department of the Interior
- Office of the Special Trustee for American Indians
- James Madison Memorial Scholarship Foundation
- Harry S. Truman Scholarship Foundation

PROCUREMENT AND SUPPORT SERVICES

The Procurement and Support Services Division (PASSD) is responsible for the execution and administration of MMS' procurement, space and facilities management, property management, safety and health management, transportation, and general office services functions.

The Procurement Operations Branch (POB) awards and administers contracts, simplified acquisitions under \$100,000, cooperative agreements, and intra- and interagency agreements essential to the mission of the MMS. The PASSD manages the Business and Economic Development Program to maximize opportunities for small, disadvantaged, and women-owned businesses, as well as Historically Black Colleges and Universities as both prime and subcontractors.

The Division also provides policy guidance and advice to procurement and program personnel. It also conducts acquisition management and other internal control reviews of procurement activities. The PASSD coordinates and administers the Bureau's purchase card program.

The support services functions include facilities (31 buildings in 18 cities), space management, mail and courier activities, bureau-wide physical and document security, and the Safety and Health Management Program, day-to-day voice and data communications, and property management. The property management program maintains accountability records of all controlled property in the possession and control of custodial property officers and contractors within the MMS; manages the Bureau vehicle fleet; manages the Bureau museum property including an Arts and Artifacts program; manages a printing and publication activity; and issues policy guidance on the above.

- *Space Utilization Studies and Space Layout and Reconfiguration.* In FY 2001, as staff realignments continue in the MMS, the Division will continue to conduct MMS-wide space utilization studies and layouts. These studies allow us to proactively manage our space, which has resulted in its more efficient utilization and increased energy conservation.

- *Overall Acquisition Program.* Contract activity for the Offshore Technical Information Management System and the Technology Assessment and Research Program are an important part of the acquisition program within PASSD. In addition to the acquisition of information technology (IT) equipment and services to directly support the missions of MMS, PASSD continues to establish and administer contracts for Department-wide requirements for network servers, laptop computers, and software licensing agreements with Novell and Microsoft. Additional Department-wide IT requirements are anticipated in FY 2001. Under the Department's franchise pilot program authorization and the Government Management Reform Act, the MMS is providing acquisition support for other Interior activities as well as other government agencies.
- *Implementation of the Federal Acquisition Streamlining Act Requirements.* Under the provision of this Act: (1) MMS expanded its purchase card program allowing personnel to purchase the majority of their requirements of less than \$2,500; (2) PASSD will continue the use of oral proposals in FY 2001, a practice that was initiated in FY 1996 and which has proven to be an efficient and effective acquisition method that has been embraced by MMS personnel and the contractor community; (3) the Division will continue to acquire performance-based services to the greatest degree possible; and (4) PASSD will continue to use past performance as an evaluation factor. These, as well as other best practices, will be tools that will enable us to obtain the best value in our procurements.
- *Interior Department Electronic Acquisition System – Procurement Desktop (IDEAS-PD).* PASSD has implemented the new electronic acquisition system at MMS Headquarters and in the Western and Southern Administrative Centers. IDEAS-PD includes a Web-based requisitioning system that allows all users, including those in remote locations, to prepare and submit requirements to their respective procurement office. IDEAS-PD will continue to require maintenance and hardware and software enhancements to incorporate the latest technology advancements. The MMS actively participates in the IDEAS Departmental User Group (DUG) meetings and periodic user training, both of which require travel and associated costs.
- *Property Management Web (PMWEB).* PASSD is developing and in FY 2000 will implement a web-based property management system to manage all Bureau-owned and leased personal property assets. This system will interface with Procurement Desktop (PD), ABACIS, FPPS, and SAVES. The system is scheduled to be implemented by the MMS and OSM and will become available for other Interior bureaus and Federal agencies.
- *Safety Management Program.* PASSD provides policy and guidance for the Bureau Safety and Health program. The policy of the MMS and PASSD is to provide safe and healthful work conditions and to present information on injury- and work-related illness to its employees. Also, it protects MMS property from damage and provides for the safety of the public while using MMS facilities.

INFORMATION RESOURCES MANAGEMENT

The Information Resources Management (IRM) Division is responsible for providing direction and coordination of MMS-wide information technology and resource management initiatives and activities including: strategic planning, computer security, acquisition management, FTS2001 data and managed services, enterprise technology architecture and infrastructure support, implementation and support of departmental applications, desktop computing and end-user customer services, development of policies, procedures, and guidance, and records management activities that include electronic Freedom of Information and Privacy Act provisions.

In FY 2001, the Council of Information Management Officials (CIMO), chaired by the Chief, IRM Division, will continue to address, coordinate, and monitor enterprise-wide IT activities and projects with an eye toward improving the management and delivery of critical information services and leverage technology to improve mission accomplishment. The following are primary areas of focus during FY2001:

- *Enterprise Planning and Coordination.* Under the CIMO's direction, a strategic plan will be produced that is less weighted on the technology side than previous plans, but rather addressing topics such as the IT workforce challenge, security, and capital asset planning and management of our IT portfolio.
- *Departmental Initiatives.* The IRM Division will play a lead role in contributing to important Departmental IT activities that are sponsored by the agency's CIO. These include the development of the Department of the Interior Enterprise Technology Architecture and departmental capital asset management process.
- *FTS2001 Data and Managed Services.* In FY2001, an MMS goal will be to outsource its network management and security requirements to utilize the MCI WorldCom managed services including network managed router service, maintenance for routers, firewall and other security management activities, and remote access dial-up service.
- *Intranet Improvements – Part of the Knowledge Management Structure.* The MMS Intranet will continue to improve in design and functionality in 2001, thus providing both electronic search and retrieval of Administrative and Program-specific information, and automation of standard business processes throughout the Bureau. These initiatives support A&B's long-range goal which is to build an enterprise information knowledge management structure corporately managed for the benefit of the MMS as a whole. The Intranet is an integral part of this knowledge management structure, supported by our existing Microsoft Exchange infrastructure. With these tools, MMS will be well positioned to create a knowledge sharing, community within a distributed work force, support collaborative work teams, and provide the right piece of information to make successful business decisions throughout the Bureau.

- *Document Management/Records Management.* The Government Paperwork Elimination Act (GPEA) requires agencies to develop the capability of managing records electronically by October 2003. In addition, GPEA requires electronic records to be indexed with originator, recipients, dates, record number, and keywords by October 2001. MMS will continue to outline Bureau-wide requirements and a plan to implement an integrated Records and Document Management capability. Ongoing document management activities within the Bureau will be monitored to evaluate potential application.
- *Infrastructure Support.* The IRM Division will continue to support and maintain the Microsoft Exchange architecture taking advantage of new features and capabilities associated with software upgrades including web-based e-mail service. Other initiatives will include the migration to Microsoft NT and Systems Management Server (SMS) that provides for an automated approach to software distribution and network management. The IRM Division will continue to maintain and implement COTS and web-based applications to satisfy requirements for administrative information.

FIELD ADMINISTRATIVE SERVICE CENTERS

Direct administrative support is provided to Offshore and Royalty program managers through two Administrative Service Centers (ASC's). These offices provide administrative services to all field offices throughout MMS.

The Southern Administrative Service Center (SASC), located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico OCS Region (GOMR), Headquarters' Information Technology Division, and a resident RMP Metairie Compliance Office. Full support is also provided to 6 outlying District/Subdistrict GOMR offices, and an Eastern Gulf Information Office located in Pensacola, Florida.

The Western Administrative Service Center (WASC), located in Denver, Colorado, supports the Royalty Management Program (RMP) and its field entities, the Office of Policy and Management Improvement, the Offshore Program's Mapping and Survey Staff, and the Alaska and Pacific OCS Regions.

General Support Services
Justification of Program and Performance
Analysis by Subactivity
(dollars in thousands)

		2000 Enacted	Uncontrollable And Related Changes	Programmatic Changes	2001 Budget Request	Change From 2000
GSS	\$	14,945	1,348	0	16,293	+1,348
	FTE	0	0	0	0	0

The General Support Services subactivity includes funding for fixed costs and related support services for Offshore Minerals Management, Royalty Management Program, and Administration and Budget entities. Fixed costs include expenses such as rental of office space, workman's compensation, unemployment compensation, Federal Telecommunications System (FTS) Service/Commercial Communications, the Department's Working Capital Fund (WCF), annual building maintenance contracts, mail services, and necessary printing costs.

Two major program objectives are: Provide adequate and safe work space and facilities that will contribute to the productivity and efficiency of the employees of the MMS in achieving goals and objectives; and, provide appropriate services to support the operating programs.

A summary of the major fixed costs expenses for General Support Services is shown below (dollars in thousands):

Workman's Compensation	\$595
Unemployment Compensation	13
Rent	12,072
FTS/Commercial Communications	2,150
Working Capital Fund	1,029
Building Maintenance Contracts	295
Mail Services	475
Printing	85

Explanation of Authorizing Statutes

Outer Continental Shelf Lands:

43 U.S.C. 1331, et seq. The Outer Continental Shelf (OCS) Lands Act of 1953, as amended, extended the jurisdiction of the United States to the OCS and provided for granting of leases to develop offshore energy and minerals

43 U.S.C. 4321, 4331-4335, 4341-4347 The National Environmental Policy Act of 1969 required the Federal Agencies consider in their decisions the environmental effects of proposed activities and that Agencies prepare environmental impact statements for Federal actions having a significant effect on the environment.

16U.S.C. 1451, et seq. The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.

16 U.S.C. 1531-1543 The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.

42 U.S.C. 7401, et seq. The Clean Air Act, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those nonexcepted areas will require pollutant emission permits administered by the EPA or the States.

16 U.S.C. 470-470W6 The National Historic Preservation Act established procedures to ensure protection of significant archaeologic resource.

30 U.S.C. 21(a) The Mining and Minerals Policy Act of 1970 and the Materials and Minerals Policy, Research and Development Act of 1970 set forth the continuing policy et seq. of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.

- 30 U.S.C. 1601 Policy, Research and Development Act of 1970 set forth the continuing policy et seq. of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves
- 33 U.S.C. 2701, et seq. The Oil Pollution Act of 1990 established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
- 43 U.S.C. 1301 The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of the Interior prior to designating marine sanctuaries. The MMS provides information and comments regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
- 16 U.S.C. 1361-1362, 1371-1384, 1401-1407 The Marine Mammal Protection Act of 1972 provides for the protection and welfare of marine mammals.
- P.L. 104-58 Deepwater Royalty Relief Act provides royalty rate relief for offshore drilling in deepwater of the Gulf of Mexico (GOM).

Royalty Management Program:

- 25 U.S.C. 397, et seq. The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on land bought and paid for by Indians.
- 25 U.S.C. 396, et seq. The Indian Minerals Leasing Act of 1909 authorizes oil and gas leases on Indian allotted lands.
- 25 U.S.C. 396-396(g), et seq. The Indian Mineral Leasing Act of 1938 authorizes oil and gas lease on Indian Tribal lands and provides uniformity with respect to leasing of Tribal lands for mining purposes.
- 30 U.S.C. 181, et seq. The Mineral Leasing Act of 1920 (MLA) provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulphur, and sodium and the payment of bonuses, rents, and royalties on such leases.
- 43 U.S.C. 1331, et seq. The Outer Continental Shelf Lands Act of 1953 provides for granting of leases to develop offshore energy and minerals; provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
- 30 U.S.C. 1001, et seq. The Geothermal Steam Act of 1979 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.

- 30 U.S.C. 181, et seq. The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
- 25 U.S.C. 2101, et seq. The Indian Minerals Development Act of 1982 provides that any Indian Tribe may enter into lease agreements for minerals resources within their boundaries with the approval of the Secretary. Allotted land owners may join Tribal mineral agreements.
- 30 U.S.C. 1701, et seq. The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) provides for comprehensive fiscal and production accounting and auditing systems to provide the capability of accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owned and to collect for such amounts in a timely manner.
- 106 Stat. 1374 The FY 1993 Department of the Interior and Related Agencies Appropriations Bill requires the deduction of \$68.2 million from mineral receipts before their distribution to States and Treasury to recover a portion of the Government's mineral leasing program costs.
- 110 Stat. 1700 The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (P.L. 104-185) changes for royalty collection program by establishing a 7-year statute of limitations, limits of appeals, requires the government to pay interest on royalty overpayments, changes in definitions, and allows for delegation of certain functions. Omnibus Act of 1999 (P.L. 105-277) General Provisions Department of the Interior Sec. 130 Oil Valuation Rider
Sec. 139 - Small Refiner Ratification of Payments

General Administration

- 31 U.S.C. 65 Budget and Accounting Procedures Act of 1950
- 31 U.S.C. 3901-3906 Prompt Payment Act of 1982
- 31 U.S.C. 3512^c Federal Managers' Financial Integrity Act of 1982
- 5 U.S.C. 552 Freedom of Information Act of 1966, as amended
- 31 U.S.C. 7501-7507 Single Audit Act of 1984
- 41 U.S.C. 35045 Walsh Healy Public Contracts Act of 1936
- 41 U.S.C. 351-357 Service Contract Act of 1965

Authorizing Statues

41 U.S.C. 601-613	<u>Contract Disputes Act of 1978</u>
44 U.S.C. 35	<u>Paperwork Reduction Act of 1980</u>
44 U.S.C. 2101	<u>Federal Records Act 1950</u>
40 U.S.C.. 486 ^e	<u>Federal Acquisition Regulation of 1984</u>
31 U.S.C. 3501	<u>Privacy Act of 1974</u>
31 U.S.C. 3501	Accounting and Collection
31 U.S.C. 3711, 3716-19	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 <u>et seq.</u>	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	<u>Anti-Deficiency Act of 1905, as amended</u>
41 U.S.C. 252	<u>Competition in Contracting Act of 1984</u>
18 U.S.C. 1001	<u>False Claims Act of 1982</u>
18 U.S.C. 287	<u>False Statements Act of 1962</u>
41 U.S.C. 501-509	<u>Federal Grant and Cooperative Agreement Act of 1977</u>
41 U.S.C. 253	<u>Federal Property and Administrative Services Act of 1949</u>
41 U.S.C. 401	<u>Office of Federal Procurement Policy Act of 1974, as amended</u>
15 U.S.C. 631	<u>Small Business Act of 1953, as amended</u>
15 U.S.C. 637	<u>Small Business Act Amendments of 1978</u>
10 U.S.C. 137	<u>Small Business and Federal Competition Enhancement Act of 1984</u>
15 U.S.C. 638	<u>Small Business Innovation Research Program of 1983</u>
10 U.S.C. 2306(f)	<u>Truth in Negotiations Act of 1962 Authorization</u>
Secretarial Order No. 3071	The order established the Minerals Management Service in January 1982, under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Oil Spill Research:

- 33 U.S.C. 2701, et seq. Title VII of the Oil Pollution Act of 1990 authorizes the use of the Oil Spill Liability Trust fund, established by Section 9505 of the Internal Revenue Code of 1986, for oil spill research.
- 33 U.S.C. 2701, et seq. Title I, Section 1016, of the Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company, with respect to an offshore facility, has established, and maintains, evidence of financial responsibility in the amount of at least \$150,000,000 to meet potential pollution liability.
- 43 U.S.C. 1331, et seq. Section 21(b) of the Outer Continental Shelf Land Act, as amended, requires the use of the best available and safety technologies (BAST) and assurance that the use of up-to-date technology is incorporated into the regulatory process.
- Executive Order 12777 E.O. 1277, signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS Facilities to the Secretary of the Interior (Minerals Management Service).

Minerals Leasing and Associated Payments:

- P.L. 106-33 The Omnibus Budget Reconciliation Act of 1993 requires the recovery of one-half of the Federal Government's mineral leasing program costs, before distribution of receipts to States and the Treasury.
- 30 U.S.C. 181, et seq. The Mineral Leasing Act, as amended by the Federal Oil and Gas Royalty management Act of 1982 (see 30 U.S.C. 191, as amended) provides for the sharing of receipts with States on a monthly basis from various mineral leasing activities under that statute on Federal lands within their boundaries.

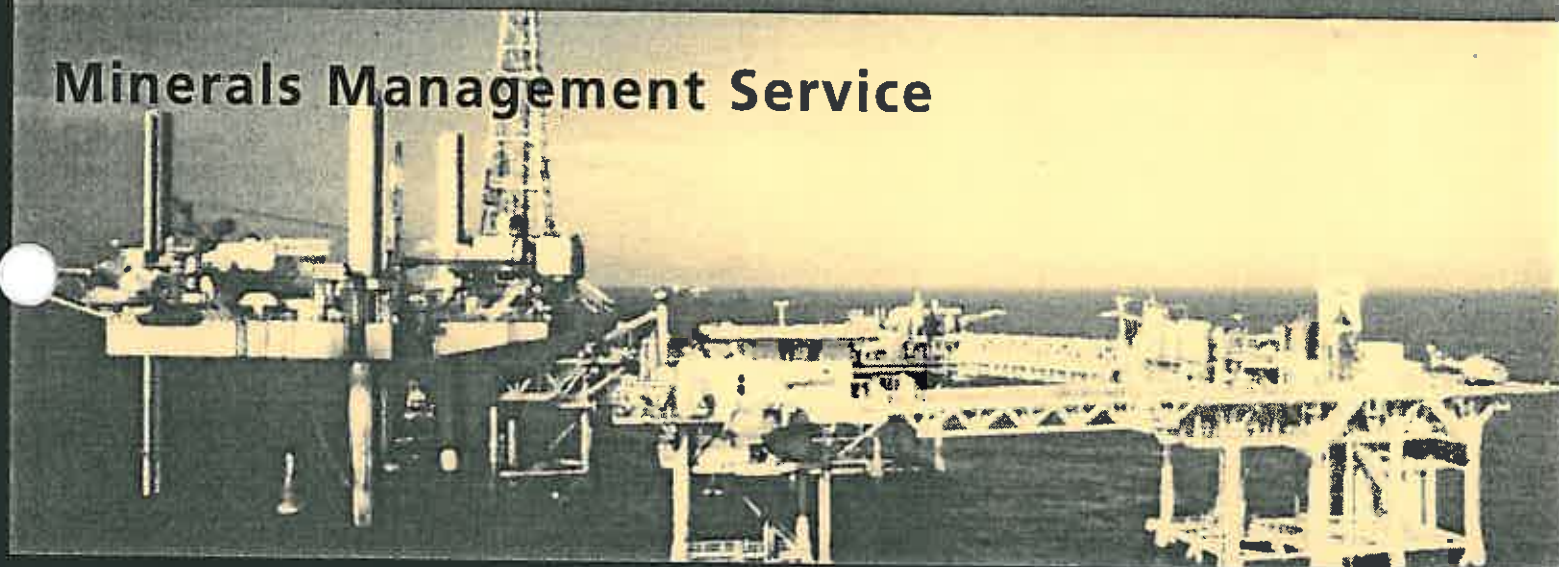
30 U.S.C. 351 <u>et seq.</u>	The <u>Minerals Leasing Act for Acquired Lands</u> , as amended, provides for leasing coal, oil, oil shale, natural gas, phosphate, and sodium on acquired lands and the sharing of receipts in the same manner as other receipts from the leased lands; receipts from such leasing on military acquired lands are shared with the State.
30 U.S.C. 1001, <u>et seq.</u> 1721(d), 30 U.S.C. 191	The <u>Geothermal Steam Act of 1970</u> authorized the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 1714, 1721(b), <u>30 U.S.C. 191, as amended</u>	<u>Federal Oil and Gas Management Act of 1982</u> provides for timely payments of royalty funds from gas and production on Indian lands to Indian accounts and for payments of interest to States and Indian accounts when funds are not disbursed by the date required under 30 U.S.C. 191 and 1714.
30 U.S.C. 104(a), <u>30 U.S.C. 191, as amended</u>	The <u>Federal Oil and Gas Royalty Management of 1982</u> authorizes the sharing of oil and gas royalties with States and all other charges collected from Oil and gas leases located on public domain lands.
30 U.S.C. 191a	This law authorizes the sharing of all late payment interest collected on all Federal Government lands and from all minerals categories. This law applies to all interest paid to the Federal Government on or after July 1, 1988. Any interest the Federal Government has improperly shared prior to the July 1, 1988, shall not be recouped from any recipient.

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Annual Performance Plan 2001

Annual Performance Report 1999

Minerals Management Service



DEPARTMENT OF THE INTERIOR

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FY 1999 Annual Performance Report

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Executive Summary

THE MINERALS MANAGEMENT SERVICE (MMS) IS COMMITTED TO MEASURING ITS PERFORMANCE AND MANAGING FOR RESULTS. THIS REPORT, PREPARED TO MEET THE REQUIREMENTS OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA), REFLECTS THE CHANGES AND LESSONS LEARNED IN IMPLEMENTATION OF PERFORMANCE PLANNING AND MEASUREMENT SINCE SUBMITTAL OF MMS'S FIRST STRATEGIC PLAN IN 1997 AND FIRST ANNUAL PERFORMANCE PLAN IN EARLY 1998.

These initial attempts at setting performance targets were the departure point for the MMS to begin its performance management journey. This Consolidated Report presents a picture of where we are today in that journey. While we have made significant progress, we recognize that our continued diligence will be needed to improve and make each iteration of our planning process more useful in the management of the agency.

In 1999, MMS continued to be a high-performing agency, providing high-quality, timely services to its customers and good value to the American people. We exceeded our targets for accident reduction for operators on the Outer Continental Shelf, reductions in the rate of decline for oil and gas reserves-to-production ratios, keeping late disbursement interest costs reasonable, and achieving compliance with expected values from leases. Also, we met other goals including increasing Tribal involvement by having Tribes assume some aspects of royalty collection for their own accounts. Other goals were not met due to a variety of reasons including the introduction of external factors such as the tremendous variation in the prices of oil and gas, and changes to policy based on stakeholder input.

We have taken our experience gained over the last three years in managing and measuring program performance and incorporated the knowledge and lessons learned from others. We listened to Congress, the Office of Management and Budget, the Government Accounting Office, our customers and stakeholders, and made significant changes that improved the focus of the plans. This document demonstrates and reflects what we have learned, the progress we have made, and the difficult issues ahead in measuring performance at the Minerals Management Service. These include:

First, in response to comments from the Office of Management and Budget, the Congress, and the Government Accounting Office, we have focused on fewer, more vital outcome goals and measures in our GPRA plans.

- We removed those goals that, through use and measurement, we learned were beyond our span of control and for which we did not have significant direct influence. For example, the Offshore Minerals Management Program determined that production goals are not appropriate due to the indirect role

MMS plays, compared to market factors, in determining activity and production. Instead, our goals need to focus on developing the mineral resources in a safe and environmentally sound manner and getting fair market value for those resources. We recognize the need to monitor this information, but production targets are not something the agency can reasonably be held accountable for.

- We developed Royalty Management goals that will demonstrate progress toward the re-engineered program versus the old way of doing business. The new Royalty Management Program goals focus on improving the timeliness of access to funds, compliance with lease terms, and fulfilling our mineral revenue trust responsibilities to American Indians.
- We added a goal to measure customer satisfaction. Our goal is to interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.

Second, we've learned that if assumptions change, targets need to be revised. For instance, the 1999 Annual Performance Plan contained a goal to increase the percentage of production reports received electronically to 95 percent. We based the original targets on an anticipated proposed rule that would have required electronic reporting on all forms for virtually everyone. However, as a result of stakeholder comments, we revised the final rule to exclude production reporting on some forms. At that point we revised our targets internally. We didn't meet our GPRA goal, but we did the right thing for the right reason.

Third, we've found that developing the right goals and measures is truly an iterative process. For example, as we began to gather and report performance data for the accident index, we recognized shortcomings and are developing a better index that will be more comprehensive and will better reflect MMS's efforts to improve operator performance.

Fourth, we've found that developing goals and measures for some programs is extremely difficult. Our leasing program and our ability to get fair market value for the

American people is one such area. Because we believe that our measure may be too narrowly focused, we are evaluating our approach and exploring the development of a more comprehensive performance measure. We expect to complete our assessments and create the new performance measure in 2001. We will continue to report our performance based on existing measures in the transition years.

And, finally, we have encountered limitations in the availability of reliable data needed to measure our outcomes. Measuring success in protecting the health of the environment continues to be a challenge for many agencies. We have encountered limitations in the data we have been using for performance measurement and are in the process of developing revised and improved indicators. We are making progress and are optimistic that we will have good, reliable data in the future.

In conclusion, while we are proud of the progress and accomplishment of the Minerals Management Service, we recognize that managing for results is hard work and will take time and practice before we become expert. We continue to be committed to fulfilling our mission, finding better ways to measure our progress, and providing good, high-quality performance information to the Congress and the public.

About This Document

THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) REQUIRES AGENCIES TO SUBMIT ANNUAL PERFORMANCE PLANS TO CONGRESS WITH THEIR FISCAL YEAR BUDGET REQUESTS AND TO PREPARE ANNUAL PERFORMANCE REPORTS AT THE END OF EACH FISCAL YEAR (FY) TO REPORT ON HOW WELL THEY MET THEIR GOALS. THE FY 1999 ANNUAL PERFORMANCE PLAN WAS THE MINERALS MANAGEMENT SERVICE'S (MMS) FIRST OFFICIAL PLAN SUBMITTED TO CONGRESS, AND THE FY 1999 ANNUAL PERFORMANCE REPORT IS MMS'S FIRST OPPORTUNITY TO REPORT ON OUR ACCOMPLISHMENTS.

Rather than prepare a separate FY 1999 Annual Performance Report (Report), MMS has combined the FY 1999 Report with the FY 2001 Annual Performance Plan (Plan). The MMS has followed Departmental guidance in developing this consolidated report. In this consolidated report, we present an overview of what we have accomplished in FY 1999; what we plan to accomplish in the current fiscal year, FY 2000; and what we propose to accomplish in FY 2001 with the budget resources we are requesting.

THE MMS CONSOLIDATED GPRA REPORT IS DIVIDED INTO THREE SECTIONS AND TWO APPENDICES:

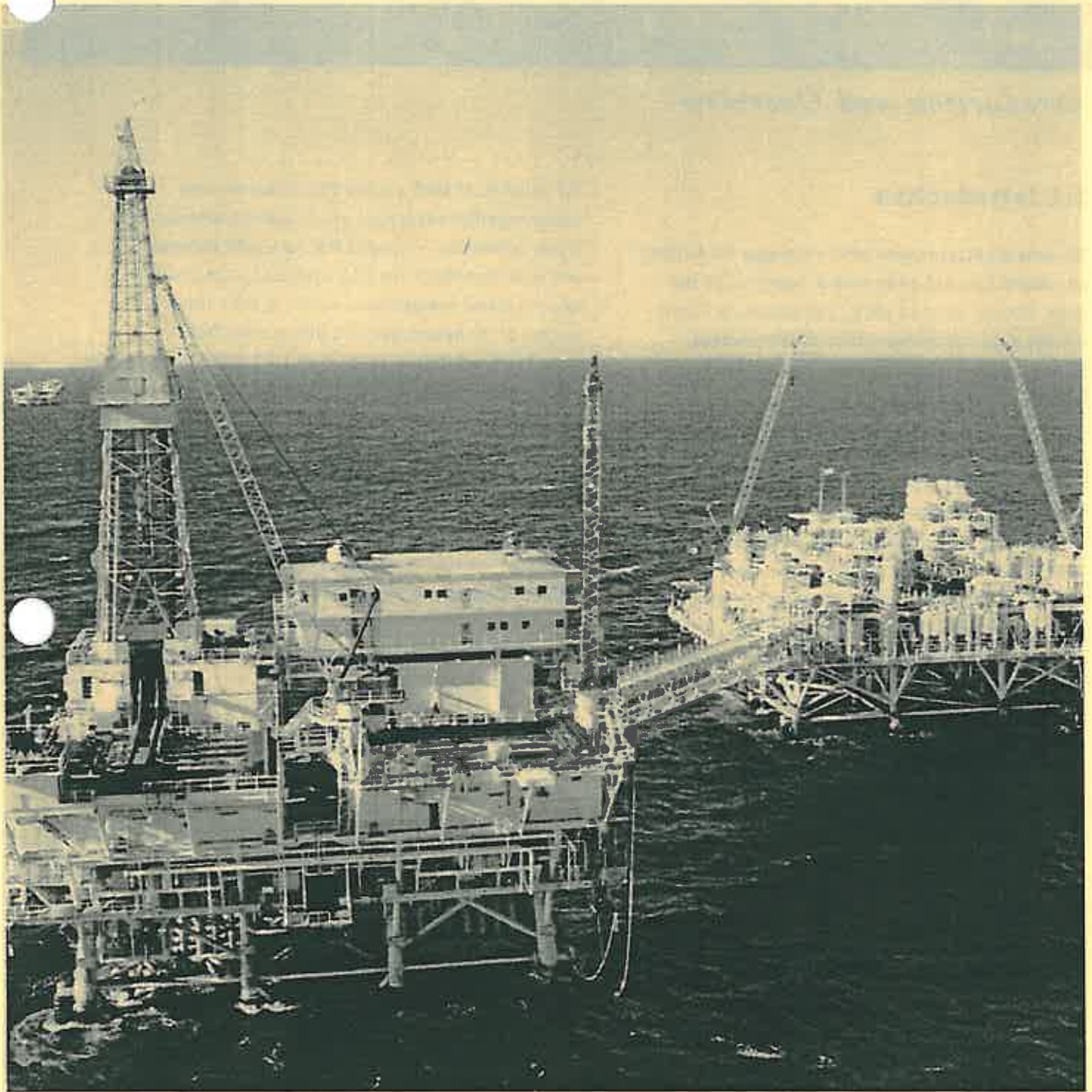
Section I — Introduction and Overview introduces MMS and states its mission and vision. It also addresses the linkages to Departmental goals, MMS's strategic plan, and the budget.

Section II — GPRA Program Activities and Goals includes MMS's FY 2001 Annual Performance Plan and discussions of FY 1999 performance. This section also includes budget information and discussions of MMS's methods to verify and validate data used to measure performance.

Section III — Additional GPRA Information contains discussions about several GPRA issues related to MMS's planning efforts.

Appendix 1 — FY 1999 Annual Performance Report At-a-Glance Table is a summary of FY 1999 performance information.

Appendix 2 — FY 2000 Annual Performance Plan At-a-Glance Table and revised final *FY 2000 Budget Table* presents MMS's updated FY 2000 annual performance goals.



The MMS provides for safe and environmentally sound development on the Outer Continental Shelf.

Section I

Introduction and Overview

1.1 Introduction

The Minerals Management Service manages the nation's oil, natural gas, 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.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) created a framework to improve management of federal and Indian mineral royalties. The Secretary of the Interior established MMS in 1982 following the Independent Commission on Fiscal Accountability's recommendation that proper fiscal accountability and management of the public's mineral resources would be best served by a bureau devoted solely to minerals management. The MMS was also designated the responsible administrative bureau to attend to the Secretary's obligations under the Outer Continental Shelf Lands Act of 1953, as amended (OCSLA).

The MMS is a relatively small bureau, with approximately 1,800 employees in 20 cities across the United States. It consists of two specialized operating programs: the Royalty Management Program (RMP) and the Offshore Minerals Management (OMM) Program. The Directorate of Policy and Management Improvement, the Directorate of Administration and Budget, and the Offices of Congressional and Public Affairs support both programs.

The activities of MMS provide major economic and energy benefits to taxpayers, states, and the American Indian community — benefits that have both national and local importance. The OCS significantly contributes to our national energy supply, providing more than 27 percent of the natural gas (135 trillion cubic feet since 1953) and 20 percent of the oil (12 billion barrels since 1953) produced in the United States.

The MMS Offshore Minerals Management Program administers more than 8,000 active leases on 42 million acres of the OCS. While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, MMS is especially mindful of safety and environmental concerns — striving to achieve the proper balance between providing a domestic energy source and protecting sensitive coastal and marine environments.

Since 1982, the MMS Royalty Management Program has disbursed nearly \$103 billion to federal, state, and Indian accounts; more than \$64 billion to the U.S. Treasury and approximately \$24 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund. In addition, approximately \$11 billion was disbursed to 38 states and \$2.8 billion to the Department's Office of Trust Funds Management (OTFM) on behalf of 41 Indian tribes and 20,000 individual Indian allottees.

1.2 Mission and Vision

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.

VISION

To be recognized as the best minerals resource manager.

1.3 Linkage to Bureau Strategic Plan and Departmental Goals

The Department of the Interior (DOI) has five broad goals that provide a framework for the numerous and diverse responsibilities of its bureaus. They are:

- Protect the environment and preserve our nation's natural and cultural resources
- Provide recreation for America
- Manage natural resources for a healthy environment and a strong economy
- Provide science for a changing world
- Meet our trust responsibilities to Indian tribes and our commitments to island communities

The breadth of MMS activities needed to effectively fulfill the MMS mission generally support all DOI goals.

For example, our "Rigs to Reef" program provides recreational opportunities for sport-fishing enthusiasts; the mineral revenues generated by the OCS and collected by the RMP provide funds for land acquisition programs through the Land and Water Conservation Fund; and we provide exemplary science for resource management decisionmaking through our environmental and technology research programs. This research is made widely available and is used by coastal states and other agencies.

Our mandated mission and long-term goals contribute most directly to DOI's call to "manage natural resources for a healthy environment and a strong economy" and to "meet our trust responsibilities to Indian tribes and our commitment to island communities." This relationship is depicted in the following table.

RELATIONSHIP BETWEEN DEPARTMENTAL GOALS AND MMS GOALS

Departmental Goals	MMS Mission Goals	MMS Long-Term Goals
<i>Manage Natural Resources for a Healthy Environment and a Strong Economy</i>	Ensure safe OCS mineral development.	Safety — see page 13
	Ensure environmentally sound OCS mineral development.	Environment — see page 17
	Ensure that the public receives fair market value for OCS mineral development.	Fair Market Value — see page 20
	Provide revenue recipients with access to their money within 24 hours of the due date.	Access to Money — see page 25
	Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.	Royalty Compliance — see pages 29 & 32
<i>Meet Our Trust Responsibilities to Indian Tribes and our Commitments to Island Communities</i>	Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.	Customer Service — see page 38
	Fulfill our mineral revenue Indian trust responsibilities.	Mineral Revenue Indian Trust Responsibilities — see page 35
	Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.	Customer Service — see page 38

This FY 2001 Annual Performance Plan links directly to the MMS Strategic Plan through mission and long-term performance goals, and by delineating the annual performance targets MMS managers have set in order to attain the long-term goals. The MMS Strategic Plan presents our mission and vision statements and guiding principles. It sets out our mission goals and their related long-term performance goals, which focus on outcomes. It also contains discussions about the strategies we intend to follow to achieve our long-term goals.

The target levels of performance in these bureauwide goals were developed by experts at various levels throughout the organization. Senior officials identified and prioritized the results that need to be attained during FY 2001 in order to achieve the longer-term strategic

goals. Technical and program experts identified the resources and specific actions needed to achieve those results. Resource allocations and work plans for each organizational unit will be tied to this plan.

1.4 Linkage to the Budget

In accordance with the Office of Management and Budget's (OMB) Circular A-11, section 220.8, the budget figures presented in this document are at the mission goal level.¹ The budget figures for the mission goals were determined by evaluating the contributions of the various parts of the organization toward each of the goals. The entire costs for the organization, including general and administrative costs, were allocated in this manner and then were totaled. The total for all the

At-a-Glance View of FY 2001 Annual Performance Plan

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Goal
Ensure safe OCS mineral development.	Maintain or show a decrease in the average annual index of .594.	By the beginning of FY 2001 we will evaluate our new accident index and strive to improve our safety record by showing a decrease in the average accident index from the FY 2000 baseline.
Ensure environmentally sound OCS mineral development.	By 2005, show a decrease in the environmental impact index from the 2000 baseline.	By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced.
Ensure that the public receives fair market value for OCS mineral development.	From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.	By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

¹ OMB Circular A-11 requires that each program activity in an agency's Program and Financing Schedule (P&F) be covered by a performance goal or indicator. An agency may choose to substitute a "GPRA program activities structure," which is developed by "consolidating, aggregating, or disaggregating the program activities included in the P&F schedules." For MMS, our mission goals equate to the GPRA program activities.

mission goals accounts for and matches the total appropriation for the Minerals Management Service.

1.5 Adjustments to Strategic Plan

The FY 2001 Annual Performance Plan, which is part of this Consolidated Report, is based on the MMS's revised *Strategic Plan for FY 2000-2005*, published in February 2000.

We have revised our previously published FY 2000 Annual Performance Plan (see Appendix 2) so that our FY 2000 annual goals also are aligned with the mission and long-term goals in our revised Strategic Plan.

The FY 1999 Annual Performance Report is based on the previous Strategic Plan (FY 1997-2002, published in September 1997), and on the previously published FY 1999 Annual Performance Plan.

No adjustments have been made to the Strategic Plan published in February 2000 through this Consolidated Report.

1.6 Minerals Management Service Goals At-a-Glance

The MMS's FY 2001 goals are presented below.

Comments

During FY 2000 we will evaluate the new accident index and establish a baseline. We then will establish a target for FY 2001 that will reflect improvement.

For FY 2000 and FY 2001 the preliminary compilation of the environmental index and the amount of oil spilled per million barrels of oil produced will be used to demonstrate success in decreasing environmental impacts.

We are considering adding more factors to this goal to give a better indication of our performance with respect to all economic factors related to leasing. In FY 2000 and FY 2001, we will be using our current methodology.

At-a-Glance View of FY 2001 Annual Performance Plan continued

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Goal
Provide revenue recipients with access to their money within 24 hours of the due date.	By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.	By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.	By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.	By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties.
	By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date.	By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties.
Fulfill our mineral revenue Indian trust responsibilities.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and dual accounting for the time period 1984-2005.	By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001.
	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005.	By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001.
Interact with our customers in an open and constructive manner to ensure that we provide quality services to satisfy our customers' needs.	By 2005, show an increase in customer satisfaction with our data and information services.	In FY 2001, we will increase the customer satisfaction index over the FY 2000 baseline.

Comments

FY 2000 and 2001 will be transition years while new reengineered systems are being developed. Therefore, during FY 2000 and 2001, we will measure only the disbursement portion of this long-term goal.

By the end of FY 2001, our goal is to have converted most production into the new reengineered compliance processes, and to achieve compliance (payments within 90 percent of the expected value at the due date) on 35 percent of the properties we've converted.

Once new systems are implemented in October 2001, the new process will use automated tools to discover significant instances of potential non-compliance by testing companies' reported information against expected values for volume, royalty rate, value, and allowances.

In setting the targets for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. The FY 2001 annual targets ensure that we continue to progress incrementally toward achieving our 2005 goal.

In setting the target for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. The FY 2001 annual target ensures that we continue to progress incrementally toward achieving our 2005 goal.

This is a new goal for FY 2001. We plan to gather baseline data for OMM in FY 2000 using surveys approved by the Office of Management and Budget.

Section II

GPRA Program Activities and Goals

2.1 Offshore Minerals Management Program

The OMM's overall mission is to provide for safe and environmentally sound mineral development on the OCS and ensure that the public receives fair market value.

This mission is the direct result of the Outer Continental Shelf Lands Act of 1953, which provides for the expeditious and orderly development of minerals on the OCS in an environmentally sound manner. The OCSLA established a mandate for managing natural resources on the OCS. The primary facets of this mandate are to: 1) make OCS lands available for mineral development to meet national needs; 2) ensure that any mineral development occurs in a safe and environmentally sound manner; and 3) ensure that the public receives fair market value for making these mineral resources available. MMS has developed the following goals to accomplish its mission to carry out the OCSLA mandate.

2.1.1 MISSION GOAL OMM-1: ENSURE SAFE OCS MINERAL DEVELOPMENT.

Description: The MMS administers several programs to protect life, property, the environment, and OCS resources. These programs include:

- 1) performance standards and regulations for safe and pollution-free operations;
- 2) inspection and enforcement to ensure industry complies with standards and regulations;
- 3) civil and criminal penalties to emphasize compliance;
- 4) the Safety and Environmental Management Program (SEMP), which instills a safety attitude in the industry that goes beyond mere compliance;
- 5) industry training and certification in well control and production safety systems; and
- 6) technology assessment and research to promote the "best available and safest technology."

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Offshore Minerals Management – Mission Goal 2.1.1						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.1.1	Total	Mission Goal 2.1.1	Total	Mission Goal 2.1.1
Leasing & Environmental	41,441	175	41,870	174	42,953	175
Resource Evaluation	26,414	1,261	26,717	1,255	28,002	912
Regulatory	47,040	39,664	49,249	41,762	50,754	43,212
Information Management	16,634	6,133	16,925	6,260	17,369	6,425
Oil Spill Research	7,172	4,634	7,138	4,612	7,191	4,646

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.

GOAL: SAFETY

Mission Goal OMM-1: <i>Ensure safe OCS mineral development.</i>					
Long-Term Goal OMM-1A: <i>Maintain or show a decrease in the average accident index of .594.</i>					
FY 2001 Annual Performance Goal: <i>By the beginning of FY 2001 we will evaluate our new accident index and strive to improve our safety record by showing a decrease in the average accident index from the FY 2000 baseline.</i>					
Performance Measure: <i>Ratio of the number of incidents x severity factor to the number of activities x complexity/risk factor.</i>					
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
.606	.583	.594	.578	.594	Decrease from the FY 2000 Baseline

Goal Description: Our long-term goal is to maintain or decrease the average accident index. We are in the process of reevaluating the components of this goal to develop a new accident index that will be based on our operator performance review process. We anticipate that the revised index will be available for use in FY 2001. The new index will be more comprehensive, and will better reflect MMS's efforts to improve operator performance by including, among other things, the results of our inspections, portions of the formula we use to rank operator performance, and accident information.

FY 2001 GOAL

During FY 2000 we will evaluate the new accident index and establish a baseline. We then will establish a target for FY 2001 that will reflect improvement.

STRATEGIES AND RESOURCES

Continue oversight activities: MMS needs to continue to use a comprehensive regulatory program to oversee OCS activities. We foster compliance through a consistent inspection and enforcement program and an active civil and criminal penalties program.

Forge partnerships: The MMS will continue to partner with operators and encourage industry participation in the voluntary safety and environmental management program and will move toward developing a flexible performance-based training regulation. In addition, MMS must continue to help create and adopt appropriate international standards. For example, we currently assist the American Petroleum Institute and the International Standards Organization in developing international standards acceptable for incorporation into OCS regulations. Having an active MMS research program addresses the use of technology to meet the goal of maintaining or decreasing the average accident index. At this time, we do not anticipate any increase in resources to meet the goal.

FY 1999 ANNUAL PERFORMANCE REPORT:

GOAL: In FY 1999, achieve an accident index no greater than 0.594.

REPORT: We exceeded our goal by achieving an accident index of .578 for FY 1999. MMS has made a concerted effort in the past several years to improve safety on the OCS by building partnerships and increasing communications. We have worked to raise industry's safety consciousness by encouraging SEMP and other safety programs. We also use various methods, including on-site inspections, to enforce compliance with our regulations.

In addition, we perform annual company performance reviews and assign each a performance index. We talk with each company about their performance and what may have impacted it, spending more time with those that perform poorly. We reward those that perform well with safety awards and Corporate Citizen Awards.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations

Information and data are reported by industry, the Coast Guard, MMS inspectors, and other authorities. The filed report data are entered into the MMS Technical Information Management System (TIMS).

Validation

Information is validated through on-site inspections, interviews, and discussions with reporting officials. Information from other federal reporting agencies may be presumed to be accurate due to their position as office of record.

Divers preparing to deploy a Tethered Remotely Operated Vehicle, used for deep sea sampling.



**2.1.2 MISSION GOAL OMM-2:
ENSURE ENVIRONMENTALLY SOUND
OCS MINERAL DEVELOPMENT.**

Description: Activities associated with the extraction of OCS minerals can potentially impact environmental resources, habitats, and the human environment. These effects can be low level and chronic in nature, accumu-

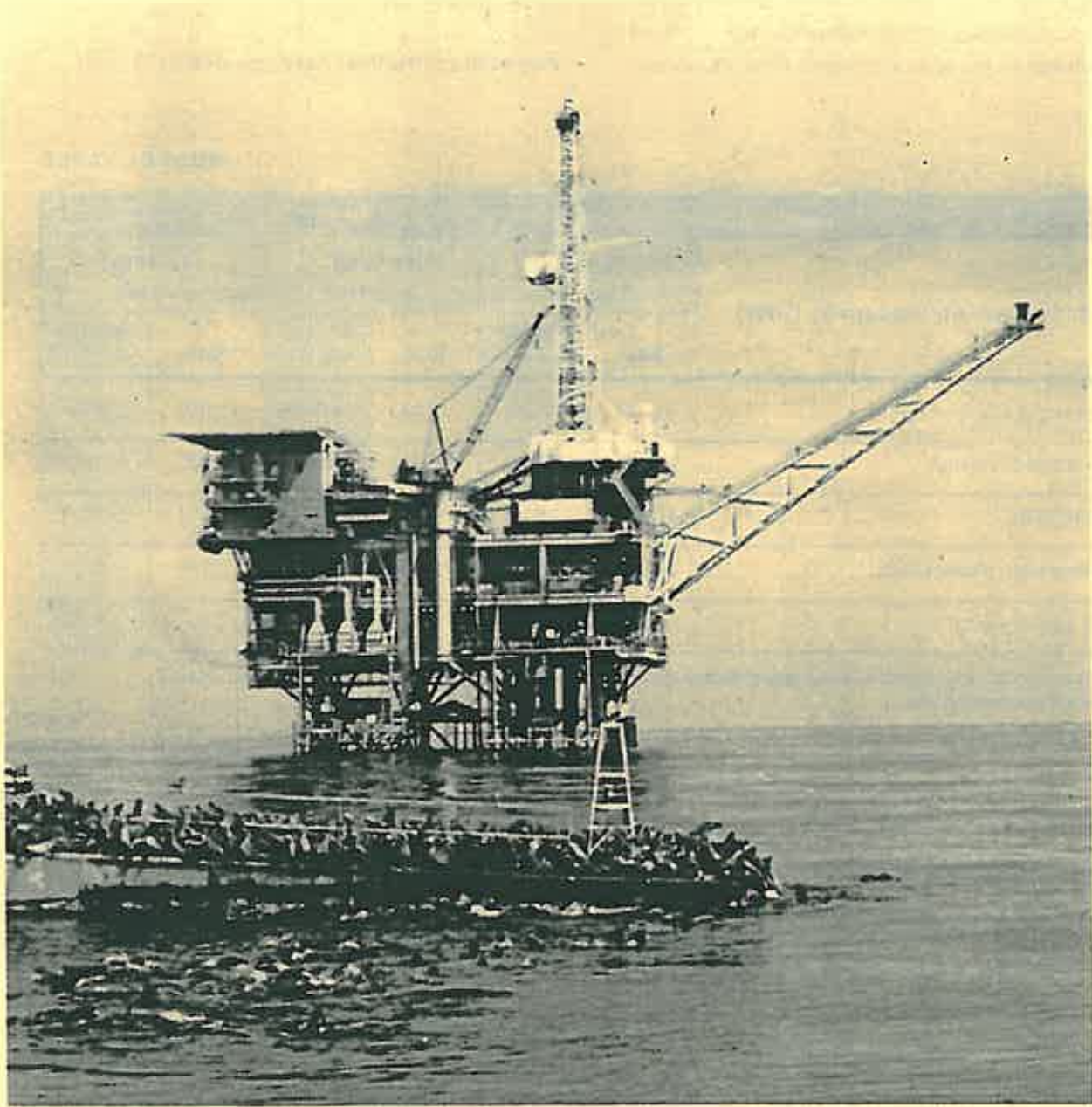
lating over time, or be sudden high-impact events with localized outcomes. The MMS ensures environmentally sound development of OCS minerals through a combination of plan and project reviews for compliance with numerous environmental laws, monitoring and follow-up, mitigation, regulations, and research.

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Offshore Minerals Management – Mission Goal 2.1.2						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.1.2	Total	Mission Goal 2.1.2	Total	Mission Goal 2.1.2
Leasing & Environmental	41,441	41,267	41,870	41,696	42,953	42,778
Resource Evaluation	26,414	2,095	26,717	2,085	28,002	1,748
Regulatory	47,040	5,660	49,249	5,778	50,754	5,822
Information Management	16,634	3,584	16,925	3,650	17,369	3,745
Oil Spill Research	7,172	2,538	7,138	2,526	7,191	2,545

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.



Seals off the coast of California. The OMM strives to ensure environmentally sound OCS activity.

GOAL: ENVIRONMENT

Mission Goal OMM-2:	<i>Ensure environmentally sound OCS mineral development.</i>
Long-Term Goal OMM-2A:	<i>By 2005, show a decrease in the environmental impact index from the 2000 baseline.</i>
FY 2001 Annual Performance Goal:	<i>By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced.</i>
Performance Measure:	<i>Ratio of the number of adverse environmental impact incidents observed during the review of a specified number of mineral development activities.</i>

FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	10.45	9.45 - 9.95	N/A (Annual) ¹	9.45	9.45

Performance Measure:	<i>Barrels of oil spilled per million barrels produced.</i>
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FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	4.70	5.07	17.5	5.06	5.05

*Note—These goals were not established until FY 1999, and we do not have sufficient data to calculate performance for FY 1997.

Goal Description: The OMM program strives to ensure environmentally sound OCS activity by fostering compliance through inspections and enforcement; protecting seafloor resources and air and water quality; and protecting threatened and endangered species. Developing performance measures continues to be a challenge. The MMS is researching and working to develop an environmental index that will calculate the number of adverse environmental impacts to seafloor resources, protected biological resources, air, and water.

We have recognized limitations in the data we have been using for performance measurement and are in the process of developing revised and improved indicators

to create the index for this goal. Once completed with a supportable baseline, this environmental index will be a good measure of performance in achieving environmentally sound OCS mineral development. Because of our progress to date, we are optimistic that we will have enough trend data to establish a baseline and set a target performance level in FY 2002. We will also evaluate our performance to determine how annual targets for the years 2001 to 2005 will help us meet our long-term goal of showing a decrease in the environmental index from the FY 2000 baseline.

¹ This is a calendar year annual goal. The result cannot be calculated until March 2000. However, we have no reason to believe we will not achieve our annual target.

FY 2001 GOAL

For FY 2000 and FY 2001, the preliminary compilation of the environmental index and the amount of oil spilled per million barrels of oil produced will be used to demonstrate success in decreasing environmental impacts. Once the environmental index is established and reliable, the oil spill measure will be reflected in the broader environmental index.

STRATEGIES AND RESOURCES

Monitor activities: Each OCS Region collects data on the number of actions in the planning areas from individuals on the environmental staffs to develop the environmental impact rate. These include the number of post-construction reports submitted for projects in protected biological areas (such as the Pinnacle Trend in the Gulf of Mexico); air quality inspections carried out; platforms or complexes at which water quality samples are taken; platforms removed using explosive devices; and incidents of adverse environmental impacts observed during inspections of a specified sample of activities. The incidents are recorded by resource, such as air quality and seafloor. Each resource is then assigned a number that represents the number of

incidents observed during the inspections. The ratios for all of the resources are factored together to determine the environmental index.

In the Gulf of Mexico, remote sensing devices and scuba divers have been used to spot-check compliance with mitigating measures in the Pinnacle Trend. This is not done on a regular basis as it relies on the availability of ship time, and on skilled manpower that is currently not budgeted for compliance inspections.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations

Information and data are reported by industry, the Environmental Protection Agency, MMS, and others.

Validation

The OMM will develop and document validation procedures in conjunction with the development of the index methodology.

FY 1999 ANNUAL PERFORMANCE REPORT:

GOAL: In FY 1999 show a decrease of .5-1.0 in the number of environmental impacts per OCS mineral development activity below the 1998 baseline level of 10.45.

REPORT: This is a calendar year annual goal. We cannot calculate the result until March 2000. We have no reason to believe we will not achieve our annual target.

GOAL: In FY 1999, show a decrease in the amount of oil spilled to a level of 5.07 barrels spilled per million barrels produced.

REPORT: The level of oil spilled in FY 1999 was 17.5 barrels per million produced. The largest pipeline spill since FY 1992 occurred late in FY 1998, but was not reported until early FY 1999. This one spill caused the high spill result for the year.

The FY 1999 result actually could be as high as 24.0 because of a July 23, 1999, spill, the results of which are not yet known. The spill is under investigation, and we have not yet verified the volume. There is a lag time of six to 12 months for gathering and verifying data before we can complete an investigation.

In the past, we have used the oil spill rate as a reportable measure of our performance. We have come to realize, however, that it by itself is not a good measure of environmental outcomes. Spills can be caused by events that are not within our span of control, such as a tanker dragging its anchor over a pipeline. We can do some things to try to mitigate spills and encourage caution, and therefore intend to include the oil spill rate as a factor in our new environmental index. Whether we report the rate separately, as we will be doing in FY 2000, or include it in the environmental index, we will continue to monitor it, analyze spills, and determine courses of action to address the problems that caused them.

2.1.3 MISSION GOAL OMM-3: ENSURE THAT THE PUBLIC RECEIVES FAIR MARKET VALUE FOR OCS MINERAL DEVELOPMENT.

Description: The OCS mineral leasing program generates revenue from bonus bids paid on tracts at lease offerings; annual payments on leases not in production; minimum royalties on producible leases that are not actively producing; shut-in gas payments on producible gas wells temporarily closed for mechanical, safety, or other problems; and royalties paid on sales of oil, condensate,

natural gas, sulphur, and salt. Given the uncertainties of how much (if any) oil and gas exist under a lease, future oil and gas prices, and production costs, the estimate of a tract's value will vary considerably. To create better, more efficient estimates of monetary values, MMS acquires state-of-the-art seismic information, and reviews and revises bid adequacy procedures, the tract evaluation process, the auction format, and tract evaluation and economic models.

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Offshore Minerals Management – Mission Goal 2.1.3						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.1.3	Total	Mission Goal 2.1.3	Total	Mission Goal 2.1.3
Leasing & Environmental	41,441	0	41,870	0	42,953	0
Resource Evaluation	26,414	23,058	26,717	23,377	28,002	25,343
Regulatory	47,040	1,716	49,249	1,708	50,754	1,721
Information Management	16,634	6,917	16,925	7,014	17,369	7,199
Oil Spill Research	7,172	0	7,138	0	7,191	0

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.

GOAL: FAIR MARKET VALUE

Mission Goal OMM-3:		<i>Ensure that the public receives fair market value for OCS mineral development.</i>			
Long-Term Goal OMM-3A:		<i>From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.</i>			
FY 2001 Annual Performance Goal:		<i>By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.*</i>			
Performance Measure:		<i>Ratio of the value of high bids received to the greater of MMS estimate of value or the minimum bid.</i>			
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	2.73 to 1	1.8 to 1	1.8 to 1	1.8 (+/- 0.4) to 1	1.8 (+/- 0.4) to 1

*Note—This goal was not established until FY 1999, and we did not calculate the ratio for FY 1997.

Goal Description: The MMS's current tract evaluation procedures are designed to ensure that the Federal Government receives fair market value (FMV) for leased tracts. Internal and external reviews of our auction and evaluation procedures have concluded that the procedures effectively ensure that we receive fair market value. We designed this measure as an indicator of our performance prior to 1995 and tested it during the period 1989 to 1995. The ratio varied over the years, but, with one exception on the high side, always fell within the range stated in the FY 2000 and FY 2001 goals. Because past reviews have shown that our procedures are effective, the range established during the test period gives us reasonable assurance we are receiving fair market value for leased tracts.

While our current goal is to maintain the current ratio of high bids received for OCS leases to MMS estimated value at 1.8 (+/- 0.4) to 1, we recognize that this measure may too narrowly focus on fair market value.

We are continuing to look at how we measure FMV. We may refine this measure or add new measures in the future.

Immediately after a lease sale, MMS begins the two phased process of determining whether a bid can be accepted and a lease issued. The first phase, designed to accept those high bids where the competitive market can be relied upon to ensure FMV, is conducted on a tract-by-tract basis and is normally completed shortly after the bid opening. Those high bids not accepted in Phase 1 receive further evaluation in Phase 2, where MMS geoscientists prepare detailed maps and estimates on the economic value of oil and gas resources on each tract. A computer model called MONTCAR uses a range-of-values technique for handling calculations with uncertain input data. It provides a means of handling a series of subjective judgments about each variable, whether it be net pay, potential reservoir fill-up, porosity, or permeability. The net result of the MONTCAR runs

is a resource economic value that is the mean of the range of values from more than 1,000 trials. The high bid on each tract is then compared to the government's value for that tract, and the ratio is developed based on the results.

FY 2001 GOAL

By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

STRATEGIES AND RESOURCES

Maintain technological expertise: As with other models used by MMS, research is constantly being done to refine the methodology and procedures that are involved with MONTCAR. We recognize that industry is continuously investing in technological advances to improve its tract evaluation process. The MMS must keep pace with industry advances in technology and be able to have the same data and analytical capabilities as industry to ensure fair market value for the public.

The MMS is requesting an increase of \$818,000 in the FY 2001 budget to help maintain the Geologic Interpretive Tools (GIT) that we use to evaluate tracts for fair market value.

Point Barrow, Alaska. The MMS conducted a scientific survey of shipwrecks in the Chukchi Sea in 1998.



FY 1999 ANNUAL PERFORMANCE REPORT:

GOAL: For FY 1999, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1.

REPORT: We achieved the goal largely because of our GIT investments, which have helped us keep pace with industry's advances in technology. It is important that we have the same data and analytical capabilities as industry to ensure fair market value for the public.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations

Data are extracted from TIMS, manually calculated, and manually entered into a performance matrix.

Validation

Data are cross-checked against related information submitted to RMP or independently acquired to assess accuracy or consistency.

DISCONTINUED OMM FY 1999 ANNUAL PERFORMANCE GOALS

GOAL: In FY 1999, decrease to 6.8 percent the instances in which tracts classified as nonviable are drilled within five years of lease issuance and a discovery is made capable of producing in paying quantities.

REPORT: The FY 1999 actual result was 8.8 percent. The goal was not met because of the uncertainties that both MMS and the industry experienced in evaluating tracts as they ventured into exploration and development in deeper waters with rapidly changing technology. The result indicates that industry has, on occasion, been able to see things that MMS didn't during tract evaluations in the past, especially for deep water leases — a direct effect of its investment in GIT. However, this measure is for leases that were issued (and therefore evaluated) several years ago. Since then, MMS has made great strides in its evaluation techniques. We anticipate better results in this calculation for leases we have issued in the recent past and in future lease sales, largely because of our use of GIT. This year's result, which measures our ability to evaluate tract potential in prior years, has demonstrated the importance of keeping abreast of industry on interpretive technological advances.

In this evaluation, we have discovered that this measure is not a good overall indicator of how well we are achieving our strategic outcomes. As a result, FY 1999 will be the last year that we will include this as a GPRA measure. We do think the measure has value as a management tool, and we will continue to monitor it internally.

GOAL: In FY 1999, increase to 265 the number of leases on which exploratory wells are drilled.

REPORT: There were 240 exploratory wells drilled in FY 1999, which was close to the goal and within approximately 4 percent of the most recent five-year average of 250. We believe the goal was not met because of the influence of external market factors, primarily the tremendous fluctuations in oil prices. Whether or not to drill an exploratory well is a business decision. All MMS can do is provide the opportunities that allow businesses to make these decisions. Because we cannot directly influence their decisions, this goal will not be included as a GPRA-reportable goal. We will continue to monitor and report the number of exploratory wells drilled, as well as continue to provide the opportunities to industry where we feel that they can make environmentally sound explorations.

GOAL: In FY 1999, show a reduction in the rate of decline in the oil reserves-to-production ratio to a level of .82 per year.

REPORT: The FY 1999 rate of decline was .33. Goal exceeded. For several years, Congress and MMS had been witnessing a decline in the recoverable reserves and wanted to slow it down. This was achieved through a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act. We have increased our efforts to make tracts available and exploration viable and attractive through such innovations as royalty suspensions.

However, our philosophy is to manage the OCS to achieve a balance that meets all laws and policies and allows businesses to make good decisions, not necessarily to increase production. MMS is not a business partner with industry, and the decision to produce is a business decision. Because we cannot directly influence industry production decisions, we have come to the conclusion that production-related goals are not truly indicative of our performance and influence. Therefore, we have dropped this and all of the following production goals effective in FY 2000. We will continue to monitor and report them, but not as targeted GPRA goals.

GOAL: In FY 1999, show a reduction in the rate of decline in the gas reserves-to-production ratio to .31 per year.

REPORT: The FY 1999 rate of decline was .11. We exceeded this goal for reasons similar to those for the oil reserves-to-production ratio above.

GOAL: In FY 1999, show an increase in annual oil production to not less than 554 million barrels.

REPORT: The FY 1999 actual production was 499 million barrels. We did not meet the goal, largely because prices were low for a good portion of the year, which caused some anticipated deep water projects to be put on hold by industry.

GOAL: In FY 1999, show an increase in annual gas production from the OCS to 4.9 trillion cubic feet.

REPORT: The FY 1999 actual production was 5.0 trillion cubic feet. (This figure is an estimate based on partial year actual data.) Therefore, the goal was met.

GOAL: In FY 1999, reach an annual sulphur production of 2.1 million long tons.

REPORT: The FY 1999 actual production was 1.5 million long tons. The goal was not met, because low prices drove down production, which involves only one offshore sulphur producer.

GOAL: In FY 1999, reach an annual production level of 25.4 million cubic yards of sand.

REPORT: There was no significant sand production in FY 1999. The goal was not met because local governments did not initiate any requests to negotiate leases for federal sand. We anticipate increased demand for sand in the future, but it is not our mission to solicit requests for sand. Our mission is to make it available, whenever environmentally feasible, to local governments that request it. We will continue to do so.

2.2 Royalty Management Program (RMP)

The Federal Oil and Gas Royalty Management Act of 1982 established a framework to improve management of federal and Indian mineral royalties. In response to this mandate, MMS accepted an overall mission to provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

The MMS's RMP has established a comprehensive, consolidated system for collecting, accounting for, and disbursing mineral revenues. In addition to a broad range of financial services, MMS also pursues a comprehensive compliance effort staffed by MMS employees and State and tribal auditors. Currently, MMS administers the rental, royalty, and other financial terms for over 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

The MMS began a program-wide royalty management reengineering initiative in April 1997, and is proceeding on schedule for complete implementation in October 2001. Our objective is to design and implement new royalty management business processes and automated support systems for the 21st century. We envision a reengineered program that is:

- Highly integrated
- Fully supported by state-of-the-art technology
- Process centered
- Focused on outcomes
- Less costly
- Viewed by our stakeholders as the best

Two end-to-end core business processes will meet the primary mission requirements:

- The financial management process will receive and disburse information and money.
- The compliance and asset management process will manage a full range of activities, including product valuation, market analysis, verification, and audit.

MMS has developed the following goals to accomplish its FOGPMA-mandated royalty management mission in the reengineered environment.

2.2.1 MISSION GOAL RMP-1: PROVIDE REVENUE RECIPIENTS WITH ACCESS TO THEIR MONEY WITHIN 24 HOURS OF THE DUE DATE.

Description: Using sophisticated, computerized accounting systems, MMS collects and processes reports and payments on over 80,000 leases each month related to bonuses, rents, and royalties. The Federal Oil and Gas Royalty Management Act requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. The MMS distributes and disburses these revenues—more than \$4 billion annually—directly to recipients: states, the Office of the Special Trustee's (OST) Office of Trust Funds Management (OTFM), federal agencies, and U.S. Treasury accounts. The Bureau of Indian Affairs (BIA), working together with OTFM, disburses revenues to the appropriate tribes and individual Indian mineral owners (allottees).

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Royalty Management Program— Mission Goal 2.2.1						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.2.1	Total	Mission Goal 2.2.1	Total	Mission Goal 2.2.1
Valuation and Operations	N/A*	N/A*	45,853	24,073	47,136	24,700
Compliance			49,390	0	50,972	0
Program Support Office			3,159	938	3,262	969
Indian Allottee Refunds			17	0	17	0

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity, see MMS's FY 1999 Annual Performance Plan.

GOAL: ACCESS TO MONEY

Mission Goal RMP-1: <i>Provide revenue recipients with access to their money within 24 hours of the due date.</i>					
Long-Term Goal RMP-1A: <i>By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.</i>					
FY 2001 Annual Performance Goal: <i>By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.</i>					
Performance Measure: <i>Percentage of funds disbursed by the end of the month following the month of receipt.</i>					
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
98.6%	98.7%	98.7%	98.15%	98%	98%

Goal Description: The objective of this goal is to improve disbursement timeliness by providing recipients access to mineral revenues by the end of the business day following the day of receipt. One business day was set as the target, rather than our stretch goal of 24 hours, to allow for holidays and weekends. Further, our objective is to continue to ensure that we disburse funds as required by law, by the end of the month following the month of receipt.

FY 2001 GOAL

FY 2000 and 2001 will be transition years while new reengineered systems are being developed. Therefore, during FY 2000 and 2001, we will measure only the disbursement portion of this long-term goal. The MMS is required to disburse funds to recipients by the end of the month following the month MMS receives payments and reports. The MMS now disburses over 98 percent of funds "timely," as defined by FOGRMA, and our goal is to maintain that excellent level of fund disbursement service.

Once new systems become operational in FY 2002, we will aspire to provide recipients access to funds within one business day (or later if the recipient prefers), so they have much quicker use of their funds. The 2002 target will not be overly aggressive because we will be in learning mode with the new systems, as will companies. The 2003 and 2004 targets, however, will move us incrementally closer to achieving 90 percent of funds accessible to recipients within one business day.

The FY 2000 plan showed an FY 2000 target of 98.7 percent for this goal. We have consistently maintained above 98 percent, and our new FY 2000-2005 long-term goal and annual targets will be to maintain this 98 percent disbursement level. Our primary focus is on our reengineering effort and improving our overall systems. At this time, a commitment of resources to achieve a higher level of performance would not provide as great a return on investment as committing them to developing new reengineered systems.

STRATEGIES AND RESOURCES

Implement New Systems and Improve Processes:

Our targets are based on the October 2001 system implementation date for these newly reengineered financial systems. General design sessions will begin for these systems in 2000 and will be developed in conjunction with more efficient future processes. These new systems and processes will expedite efficient management and timing of MMS disbursements and recipients' access to funds.

Streamline Reporting: Targets also will require that company reporting and payments be accurate and that we will have increased efficiencies in our processes as

now envisioned. Streamlined reporting requirements will be implemented by the end of FY 2001.

Increase electronic reporting and reduce reporting errors: Our targets also are based on assumed contractor capability to ensure increased electronic payments and reporting by companies. This will allow MMS to more quickly process and verify reports and to expedite fund access and disbursement. The Royalty Simplification and Fairness Act of 1996 (RSFA) provided for assessments for chronic erroneous reporting. The MMS will publish chronic erroneous reporting regulations in alignment with new reengineered systems.

FY 1999 ANNUAL PERFORMANCE REPORT:

GOAL: In 1999, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98.7 percent.

REPORT: The FY 1999 actual percentage was 98.15 percent, which did not meet the goal. The dollars and information provided timely to states and Indians is based on the average of monthly federal disbursements and monthly Indian distributions of information. The federal disbursements to states achieved 98.75 percent. However, Indian distributions reached only 97.53 percent. Because of our Indian trust responsibilities, we purposely ensure a greater amount of accuracy before distributing Indian information; thus the lower rate.

We have adjusted our 2000 and 2001 targets to 98 percent, providing a high level of service. We

also will be focusing resources on developing new reengineered systems so that we can provide access to federal funds and Indian information within one business day or less frequently at the request of the recipient.

Currently, MMS achieves disbursement within one business day for Indian revenues. However, this requires companies to report additional information to MMS. If companies fail to do so, MMS must manually research and process the payments so funds can be directed to OTFM within one business day. A similar manual process for federal revenues is not possible using current systems and processes. It would require companies to make significant changes in the way they report and pay. Due to the significant volume of monthly reports for federal leases, the MMS workload would be unmanageable without the reengineered RMP business processes.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations	This is a mainframe application. Dollars disbursed to states or distributed to Indians are based on the average of monthly federal disbursements and monthly Indian distributions of information, comparing disbursement date with later of the royalty receipt date or the payment receipt date.
Validation	Data are gathered directly from mainframe system. No manual calculation is required and results can be easily validated.

DISCONTINUED RMP FY 1999 REPORTING AND DISBURSEMENT ANNUAL PERFORMANCE GOALS

The following goals are not included in our FY 2000 and beyond annual plans because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan, and developed new annual performance goals in this FY 2001 Annual Performance Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we try to focus on fewer, more vital, strategic

- outcome goals in our plans; and
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001.

However, we will continue to internally monitor these goals because we believe they are indicators that relate to our new mission and long-term goals and are valuable for internal management.

GOAL: In FY 1999, late disbursement interest costs are targeted at \$45,000.

REPORT: The FY 1999 actual interest costs were \$40,804. Exceeded goal. Late disbursement interest is the total amount paid to states and Indians in FY 1999. Certain extraordinary events (payback of large net receipt amounts to states, based on policy calls) were excluded from this calculation.

Although the interest dollars are low relative to the total dollars disbursed, this goal provides an indicator of how well we are performing our disbursement function. We monitor this monthly and, if the dollars paid are higher than anticipated, we are able to immediately discover and correct the cause so that disbursements become more timely the following month.

GOAL: By 1999, increase the percentage of royalty reports, production reports, and dollars received electronically to 96 percent for royalty reporting, 95 percent for production reporting, and 95 percent for dollars received.



An old school house in the Tall Grass Prairie. Mineral revenues collected by RMP support education and land and water conservation.

REPORT: The FY 1999 actual percentages were 81 percent for royalty reporting, 52 percent for production reporting, and 93 percent for payments. We did not meet this goal because the original targets were based on the proposed rule, which would have required electronic reporting on all forms for virtually everyone. However, as a result of stakeholder comments, we revised the final rule (effective November 1999 and published July 15, 1999) to exclude production reporting on forms that will be eliminated in FY 2001 and hardship cases. This resulted in fewer electronic reports in FY 1999.

The MMS also published a final rule on April 22, 1997, to incorporate U.S. Treasury requirements that payments and collections be made by Electronic Funds Transfers. The MMS has hired an electronic commerce services contractor to ensure that most remaining companies are converted to electronic formats by the end of FY 2001.

The MMS is aggressively pursuing more electronic reporting. We anticipate a continual increase in electronic transmittals. Electronic reporting, along with other streamlining and process improvements, has reduced our error correction costs by 20 percent, our manual data entry costs by 60 percent, and our file maintenance costs by 24 percent. Many royalty and production reporters using an electronic reporting option have experienced up to a 50 percent reduction in resources needed to comply with our reporting requirements.

An additional advantage of electronic reporting is the expanded time to report. If reporters use e-mail or Electronic Data Interchange, they can transmit reports to us on the due date rather than several days before the due date to allow for manual delivery. This additional time allows a reporter to collect more accurate and complete data, thereby reducing the need for amended reports. The MMS also can process the reports faster because electronic reports do not require manual entry.

2.2.2 MISSION GOAL RMP-2: ASSURE COMPLIANCE WITH APPLICABLE LAWS, LEASE TERMS, AND REGULATIONS FOR ALL LEASES IN THE SHORTEST POSSIBLE TIME, BUT NO LATER THAN THREE YEARS FROM THE DUE DATE.

Description: Until now, our goal has been to accomplish most compliance activities within six years, with a focus on companies. As a result of our reengineering effort, our end-to-end compliance and asset management activities will encompass product valuation, verification, major portion, audit, etc., and will focus on a property basis over a three-year cycle. We also will implement an independent audit function to ensure that end-to-end financial and compliance processes are consistently applied and effective.

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Royalty Management Program – Mission Goal 2.2.2						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.2.2	Total	Mission Goal 2.2.2	Total	Mission Goal 2.2.2
Valuation and Operations	N/A*	N/A*	45,853	12,243	47,136	12,632
Compliance			49,390	37,734	50,972	38,994
Program Support Office			3,159	1,558	3,262	1,608
Indian Allottee Refunds			17	0	17	0

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity, see MMS's FY 1999 Annual Performance Plan.

GOAL: ROYALTY COMPLIANCE (2A)

Mission Goal RMP-2:		<i>Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.</i>			
Long-Term Goal RMP-2A:		<i>By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.</i>			
FY 2001 Annual Performance Goal:		<i>By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties.</i>			
Performance Measure:		<i>Percentage of properties with actual payments @ 90 percent of expected value.</i>			
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	N/A*	N/A*	N/A*	32%*	35%

*Note—There are no data available for these years because this is a new goal, and we do not have enough information to set a goal for FY 2000 or determine actual performance for prior years. However, we have established an estimate for FY 2000 to use as a baseline for future years. In addition, as stated below, we will continue to use our compliance index to measure our progress toward our compliance goals in FY 2000. The FY 2000 compliance index target is .9775.

Goal Description: This is a new goal for FY 2001. The objective of this goal is to improve the accuracy and timeliness of company royalty payments at the due date. This most closely relates to our previous compliance index, which compared overall dollars expected to dollars received. Our new goal focuses on expected values for defined production areas and properties, which is a major departure from our current company-based approach and will align us more with the way industry operates.

Based on information we are learning as we test reengineering concepts in Operational Model teams, we also have determined that we should revisit the methodology in the compliance index and expected value calculations regarding valuation criteria.

FY 2001 GOAL

In FY 2000, we will continue to use our compliance index as the measure that most closely relates to this goal. The current compliance index is program-wide,

based on total dollars. Before MMS calculates this index, we must wait one year for industry to make adjustments to their royalty and production reports and payments. For example, in 1999 we calculated the 1997 index.

By the end of FY 2001, our goal is to have converted most production into the new reengineered compliance processes, and to achieve compliance (payments within 90 percent of the expected value at the due date) on 35 percent of the properties we've converted. We will establish progressively higher percentages as we approach FY 2005. Once the majority of leases are converted to the new reengineered compliance processes, we will be able to run all properties through our computerized system on a real-time basis to determine whether they are in compliance with the expected value. We also will be able to run a program-wide compliance index on all properties, instead of on the sampling of properties now used for our current compliance index.

STRATEGIES AND RESOURCES

Implement New Systems and Processes: To refine and advance the new reengineering concepts, MMS established Operational Model teams in 1998. In 1999, we began transferring responsibility for leases to these teams. The teams will develop and test the new methodology for calculating expected value. In 1999, they began testing a model compliance and asset management system to determine whether MMS has sufficient data and expertise to discover all of the significant instances of incorrect payment. With the knowledge gained from these tests, MMS will contract for a permanent compliance and asset management system to be integrated with the new financial system in FY 2000. The new system will provide MMS the ability to focus on several properties at once, enhancing timely and cost-effective processes and making the three-year goal more realistic.

Streamline Reporting Requirements: In preparation for new systems and processes, MMS has simplified

reporting requirements. In FY 2000, we will begin revising regulations to reflect modified reporting requirements.

Publish Valuation Regulations: In the recently passed appropriations bill for DOI, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. MMS has re-proposed the rule for valuing oil produced from federal lands and plans to publish a final rule on March 15, 2000. MMS also re-proposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000. Publication of these rules will assist MMS in ensuring earlier certainty of expected value.

Implement Royalty-in-Kind (RIK) Initiatives: In FY 2000 and 2001, MMS will continue RIK pilots, and phase them in operationally. For properties where we determine RIK makes the best business sense, the price will be set up-front in the contract, providing greater certainty of expected value for these properties.

FY 1999 ANNUAL PERFORMANCE REPORT:

GOAL: In 1999, achieve a compliance index (actual voluntary royalty payments/expected royalty payments) of .975.

REPORT: We exceeded the target by achieving a compliance index of .9809. This is an annually calculated index. The actual index reported in calendar year 1999 is for calendar year 1997.

The MMS currently uses an overall outcome measure called a compliance index. The index is summarized by the following formula:

$$\frac{\text{actual voluntary royalty payments}}{\text{expected royalty payments}}$$

We will continue to calculate the compliance index until new systems are in place in October 2001, when our new goal, which focuses on expected value for defined producing areas and properties, is implemented. Once new systems are in place, we will be able to determine program-wide compliance while at the same time focus on compliance by property. The new systems will also allow us to create a real-time index, instead of waiting two years as currently required.

The increase this year is partially due to a change in the price data. Based on our contract reviews and other knowledge gained from operational models, the oil price is no longer based on posted prices but rather index prices.

DATA VERIFICATION AND VALIDATION

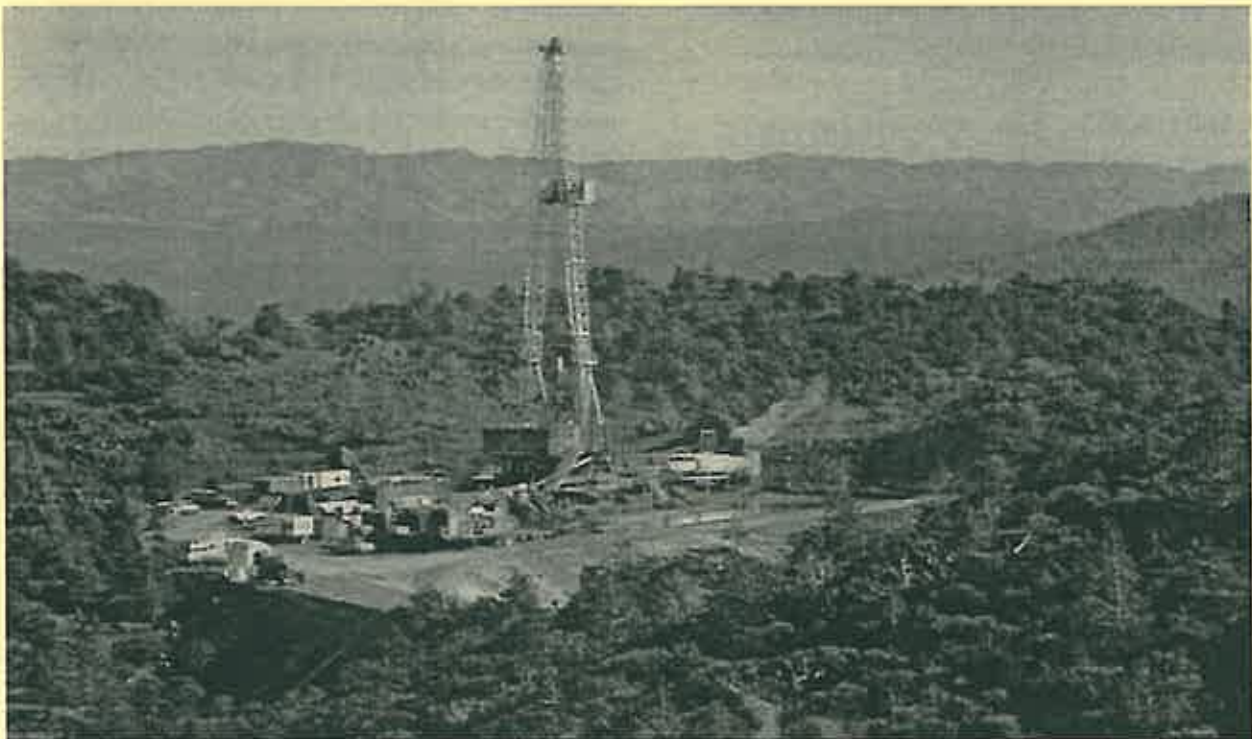
Data Collection Methodology, Sources, and Limitations

Current systems do not support our ability to perform in-depth analysis of expected value for all properties. Once properties are converted into the 3-year end-to-end process and new systems are available in FY 2002, we will refine our ability to gather this information on a real-time basis.

Validation

By FY 2002, new systems are scheduled to be in place that will calculate the expected values based on reported data, information gathered from third-party sources, industry contracts, information from surface management agencies such as BLM, and employee knowledge of the producing area.

An onshore gas well, from which RMP collects royalties.



GOAL: ROYALTY COMPLIANCE (2B)

Long-Term Goal RMP-2B: <i>By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date.</i>					
FY 2001 Annual Performance Goal: <i>By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties.¹</i>					
Performance Measure: <i>Percent of random audits completed for 1999 converted properties.</i>					
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	N/A*	N/A*	N/A*	N/A*	95%

*Note—There are no data available for these years because this is a new goal, and we do not have enough information to determine actual performance for prior years.

Description: This is a new goal for FY 2001. Its objective is to measure and ensure the effectiveness of MMS's new reengineered end-to-end compliance processes and three-year compliance cycle and determine that all orders and demands that should have been issued have been issued. However, we will not be able to measure the effectiveness of a full three-year compliance cycle until FY 2002. Therefore, during FY 2000 and 2001, we will be measuring various outputs, rather than the strategic outcome, in the long-term goal.

FY 2001 GOAL

Once new systems are implemented in October 2001, the new process will use automated tools to discover significant instances of potential non-compliance by testing companies' reported information against expected values for volume, royalty rate, value, and allowances. The expected values will be generated by a combination of automated processes using data from various sources, and the expertise gained by compliance specialists (auditors, economists, accountants, etc.) who work on the properties in one market area. The MMS will use a variety of techniques to test whether the payments made are actually incorrect.

To refine and advance the new reengineering concepts, MMS established Operational Model teams in 1998 and in 1999 began assigning lease compliance activities to these teams. These Operational Model teams will continue, developing and testing reengineered compliance under the new three-year compliance processing cycle in FY 2000 and FY 2001. For FY 2001, in order to ensure that necessary orders and demands have been issued within the three-year cycle and to determine whether MMS discovered and ordered the necessary correction of all significant non-compliance by lessees, MMS will perform independent random sample audits of properties converted in FY 1999. The goal of these audits is to guarantee that the three-year process is effective, and industry is in compliance with laws, lease terms, and regulations. The timing, extent, and scope of these audits will not be known until the new business processes are finalized and their related automated controls are designed and made fully operational.

¹ "Converted properties" are those properties that have been moved from RMP's current six-year company-focused audits into the three-year property-focused end-to-end compliance processes. The MMS has set an aggressive schedule for converting properties into the new three-year compliance process. The goal is to be fully transitioned by the end of FY 2003.

STRATEGIES AND RESOURCES

Implement New Systems: With the knowledge gained from our system being used in the test environment, MMS will contract for a permanent compliance system to be integrated with the new financial system. The recommended information technology (IT) investments respond to Inspector General (IG) recommendations and reengineering conclusions that a relational database and program-wide workflow/case management tools are necessary but not currently available. Our reengineering analysis determined that current operations are time-consuming, frequently repetitive, somewhat arbitrary and take entirely too long. New systems, expected to be implemented in October 2001, will automate the targeting and resolution process for compliance, focusing on properties and analyzing all compliance components concurrently, and making the three-year goal more realistic.

Transition Properties: The MMS has developed the "Transition Audit Strategy for 1999 and Beyond" as our plan to move from six-year company-focused audits to the three-year property-focused end-to-end compliance processes. We have set an aggressive schedule for transferring leases to the new three-year compliance process. Although most production will be converted by 2001, residual audits for past periods will remain. During 2001, 2002, and 2003, MMS will complete these residual audits. Our goal is to be fully transitioned by the end of 2003.

FY 1999 ANNUAL PERFORMANCE REPORT:

This is a new annual performance goal.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations

In order to ensure that necessary orders and demands have been issued within the 3-year cycle, MMS will perform independent random sample audits of converted properties to determine whether MMS discovered and ordered the necessary correction of all significant non-compliance by lessees.

Validation

The timing, extent, and scope of these process assurance audits will not be known until the new business processes are finalized and their related automated controls are designed and made fully operational.

DISCONTINUED RMP FY 1999 ROYALTY COMPLIANCE GOAL

The following goal is not included in the FY 2000 annual plan or beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan and developed new annual performance goals in this Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we try to focus on fewer, more vital, strategic outcome goals in our plans; and
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001.

RMP will continue to monitor this goal internally because we believe it is an indicator that relates to our new long-term goal and is valuable for internal management.

GOAL: In FY 1999, the percentage of royalty and production reports submitted without fatal errors is 97.5 percent.

REPORT: The FY 1999 actual percentage was 95.87 percent. This is linked to electronic reporting goals. Because electronic reporting conversion has slipped, we did not achieve this goal. (See discussion in Section 2.2.1.)

We are closely monitoring the accurate reporting measure to determine what actions may be necessary to improve compliance. In FY 2000, as we complete conversion of reporters to electronic format, we anticipate increased accuracy. The royalty error rate for electronically reported lines was 2 percent, compared with an 8 percent error rate on the paper reports. In addition to being more timely and accurate, electronic reports cost significantly less than paper. They also streamline the error correction process because reporters can make their own corrections and quickly resubmit the reports to us. As we increase the number of reporters converted to electronic formats, this measure should increase as well.

2.2.3 MISSION GOAL RMP-3: FULFILL OUR MINERAL REVENUE INDIAN TRUST RESPONSIBILITIES.

Description: In an effort to provide the highest possible Indian trust protection, and to enforce the unique terms contained in Indian leases, MMS is expanding its major portion¹ and dual accounting² coverage to Indian tribes and allottees not currently being serviced. MMS policy requires calculations dating as far back as 1984. To date, this initiative has resulted in additional royalty collections of approximately \$7 million.

Indian lease terms require lessees to compute royalties using specific calculation processes to determine both "major portion" and "dual accounting" amounts for gas leases and "major portion" amounts for oil leases. The information lessees' need for past periods to calculate these liabilities is not readily available to them. The MMS collects the necessary information, calculates major portion and dual accounting, and bills companies for any additional royalties due.

Proposed Legislation: None proposed for FY 2001.

BUDGET TABLE

Royalty Management Program – Mission Goal 2.2.3						
Budget Activity/Subactivity (\$000)	FY 1999 Enacted		FY 2000 Enacted		FY 2001 Request	
	Total	Mission Goal 2.2.3	Total	Mission Goal 2.2.3	Total	Mission Goal 2.2.3
Valuation and Operations	N/A*	N/A*	45,853	9,537	47,136	9,804
Compliance			49,390	11,656	50,972	11,978
Program Support Office			3,159	663	3,262	685
Indian Allottee Refunds			17	17	17	17

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity, see MMS's FY 1999 Annual Performance Plan.

¹ "Major portion" means the highest price paid or offered at the time of production for the major portion of oil or gas production from the same field. The price is calculated using a percentage of the arm's-length sales in the field.

² "Dual accounting" is the comparison of two values of gas: 1) prior to processing and 2) after processing at a gas plant. The higher of the two values is the basis for royalty payments.

GOAL: INDIAN TRUST RESPONSIBILITIES

Mission Goal RMP-3:	<i>Fulfill our mineral revenue Indian trust responsibilities.</i>
Long-Term Goal RMP-3A:	<i>By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and dual accounting for the time period 1984-2005.</i>
FY 2001 Annual Performance Goal:	<i>By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001.</i>
Performance Measure:	<i>Percentages of Indian gas producing properties that are in compliance with major portion and dual accounting.</i>

FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	N/A*	N/A*	MP-45% DA-9%	MP-60% DA-30%	MP-70% DA-47%

Long-Term Goal RMP-3B:	<i>By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005.</i>
FY 2001 Annual Performance Goal:	<i>By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001.</i>
Performance Measure:	<i>Percentage of Indian oil producing properties that are in compliance with major portion.</i>

FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	N/A*	N/A*	8%	15%	25%

*Note—There are no data available for these years because these are new goals, and we do not have enough information to determine actual performance for prior years. We are reporting FY 1999 actuals to establish the baseline, although these were not goals in the FY 1999 Annual Performance Plan.

Goal Description: These are new goals for FY 2001. Their objective is to eliminate the backlog of major portion and dual accounting calculation and enforcement for the time period 1984-1999 and to perform these calculations more contemporaneously for FY 2000-2005. We anticipate significant additional revenues to our Indian stakeholders as the initiative advances.

Separate long-term goals are established for properties producing gas and properties producing oil because annual targets will move at different paces due to different valuation complexities, varied lease term requirements, and the specialized resource expertise needed for each product. Because much of the related information is the same, the descriptions of both goals have been combined below.

FY 2001 GOAL

In setting the targets for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. We determined these specific tribes by analyzing the total Indian revenues reported to MMS. The FY 2001 annual target ensures that we continue to progress incrementally toward achieving our 2005 goal.

STRATEGIES AND RESOURCES

Maximize our Staff's Expertise: The MMS must maximize utilization of staff who have specialized expertise to complete calculations based on both past regulations and new regulations, who understand differences between oil and gas lease term requirements, and who can efficiently complete the calculations.

Publish the Final Indian Oil Valuation Rule: Targets are based on publication of the Indian Oil Valuation Rule. In the recently passed appropriations bill for the Department, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. MMS re-proposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000. Any change in any of these factors could cause us to adjust our targets.

Implement the Final Gas Valuation Rule: While MMS is completing implementation of major portion and dual accounting for 1984-1999, we also will be ensuring compliance with these lease requirements for FY 2000 and forward. Changes provided in the new Indian Gas Valuation Regulation will simplify the burden of complying with these lease term requirements.

FY 1999 ANNUAL PERFORMANCE REPORT:

These are new goals in our FY 2000-2005 Strategic Plan.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations

Current systems do not support our ability for automated gathering of this data. It is currently manually intensive and subject to human intervention and interpretation. We are designing data collection methodologies into our reengineered automated systems.

Validation

Once new systems are implemented in FY 2002, we will have online analytical data tools that will facilitate gathering of this information and ensure higher integrity of the data.

DISCONTINUED RMP FY 1999 MINERAL REVENUE INDIAN TRUST RESPONSIBILITY GOAL

The following goal is not included in our FY 2000 annual plans or beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan and developed new annual performance goals in this Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we focus on fewer, more vital, strategic outcome goals in our plans;
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001; and
- experience with these measures has taught us that they do not adequately reflect MMS's role in, and our ability to be accountable for, the measures.



Briefing Indian mineral owners at the Farmington Indian Minerals Office.

GOAL: By 1999, increase the number of Indian tribes having system access to 15, taking part in training as Inter-Governmental Personnel Act (IPA) Agreement employees or as interns to five, and assuming functions (audits, etc.) to eight.

REPORT: The FY 1999 actual was 14, four, and eight respectively. We did not meet the first two targets, but did meet the third. Tribal candidates must meet or exceed the basic qualifications for the prospective work. They also may need to devote full-time to this program for several months, possibly up to two years. Tribes have difficulty locating members who meet these criteria. We will continue to assist Tribes in overcoming these difficulties.

Under the Secretary's American Indian trust responsibilities, MMS is responsible for Indian mineral royalty collection and disbursement functions. We also are responsible for assisting tribes in assuming functions performed on their behalf because of their status as Indians, as provided by the Indian Self Determination and Education Assistance Act, P.L. 93-638, as amended. The goal is to facilitate tribal assumption of the work MMS does on Indian trust resources.

To help tribes prepare to assume royalty management services, MMS offers a number of opportunities. We teach online monitoring of royalties and accounts,

handling royalty audit work through cooperative agreements, and, through a new internship program for tribal employees, royalty collection processes.

We are working with tribes to let them know of our interest in having them successfully assume functions, if they wish. We recommend they get involved in our work, at least by accessing our databases, so they can independently view the mineral royalty information we have. If they would like to get more involved, but lack the expertise, we encourage them to participate in our Royalty Internship Program.

The Royalty Internship Program is intended for mineral producing tribes desiring to increase their royalty management expertise. Increased system access also provides tribes with the necessary link to MMS.

Considering customer needs, we designed a flexible training program, built around on-the-job training and customized to individual tribe needs. Interns will receive desired training in RMP's mineral revenue management activities, which can include royalty accounting, report processing, exception resolution, audit, and valuation. We use Intergovernmental Personnel Act Agreements similar to those used for FOGRMA Section 202 cooperative agreement internships. We negotiate reimbursement to the tribe for much of the cost for a participant.

2.3 Customer Service Goal

2.3.1 MISSION GOAL CS-1: INTERACT WITH OUR CUSTOMERS IN AN OPEN AND CONSTRUCTIVE MANNER TO ENSURE THAT WE PROVIDE QUALITY SERVICES THAT SATISFY OUR CUSTOMERS' NEEDS.

Both the Offshore and Royalty Management Programs have always focused on customer service. We are now developing a measure of our performance.

As discussed, RMP is currently involved in an extensive reengineering initiative, and is collaborating with its stakeholders to develop and test new processes. Therefore, MMS intends to pilot its performance

measurement in the OMM Program. The RMP will have the full benefit of OMM's efforts when it begins to measure its performance after implementing its reengineered processes.

Description: All of our stakeholders are our customers. Stakeholders served by all of MMS include states, the oil and gas industry, the public, Congress, and the Executive Branch. In the OMM program, additional stakeholders include environmental groups and other marine mineral industries. In RMP, our additional stakeholders include Indian tribes and allottees and the solid minerals industry. We define "data and information services" to include industry training and outreach sessions, and walk-in/call-in/Web-site customers.

Proposed Legislation: None proposed for FY 2001.

GOAL: CUSTOMER SERVICE

Mission Goal CS-1: <i>Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.</i>					
Long-Term Goal CS-1: <i>By 2005, show an increase in customer satisfaction with our data and information services.</i>					
FY 2001 Annual Performance Goal: <i>In FY 2001, we will increase the customer satisfaction index over the FY 2000 baseline.</i>					
Performance Measure: <i>Percentage of customers indicating satisfaction with OMM's data and information services.</i>					
FY 97 Actual	FY 98 Actual	FY 99 Plan	FY 99 Actual	FY 00 Plan	FY 01 Proposed
N/A*	N/A*	N/A*	N/A*	N/A*	TBD

*Note—There are no data available for these years because this is a new goal, and we do not have enough information to set a goal for FY 2000 or determine actual performance for prior years.

Goal Description: This is a new goal for FY 2001. We plan to gather baseline data for OMM in FY 2000 using surveys approved by the Office of Management and Budget. The RMP anticipates an intense learning mode for its new systems in FY 2002. In FY 2003, after new

systems are implemented and stabilized, RMP will gather baseline data regarding its stakeholders' satisfaction with new reengineered processes and systems. For each program, annual performance goals will be incremental increases above the baseline.

STRATEGIES

Provide Outreach, Public Information, and Training: The MMS has a vigorous communications program that includes public affairs, congressional affairs, and external affairs components. The public reviews all our proposed actions, and we hold frequent congressional briefings. We intend to continue and expand upon these activities.

The MMS maintains a highly popular Web site: www.mms.gov. It has information about MMS programs, ongoing activities, initiatives, and reference material. Regarding the Gulf of Mexico Region alone, the Web site has 2,617 pages available to the public. We will also continue innovations to improve quality data and information services to our customers, such as the recent release of 50 years of Gulf of Mexico oil and gas information in a four-CD-ROM set.

The MMS develops and maintains its relationships with industry in part by providing several royalty and production reporting training sessions each year. In addition, we hold more than 50 outreach sessions annually with Indian stakeholders and offer an Indian internship program for on-the-job-training.

Involve Stakeholders as Partners: We have established partnerships with Indian, state, and industry stakeholders. We engage them as full members on RMP's Operational Model teams and involve them in developing compliance strategies. In the early stages of reengineering, MMS held more than 50 workshops with RMP's stakeholders to keep them informed and involved in changes and to move from conflict toward consensus.

The MMS offers a number of opportunities to tribes, including access to automated systems and handling royalty audit work through cooperative agreements. These efforts will assist the tribes in assuming royalty functions and further improve our government-to-government relationship.

We also involve stakeholders through advisory committees and other forums. These include the Royalty Policy Committee, the State and Tribal Royalty Audit Committee, the OCS Policy and Scientific Committees, the Alaska OCS Region Offshore Advisory Committee, and the Environmental Forum.

DATA VERIFICATION AND VALIDATION

Data Collection Methodology, Sources, and Limitations	As we develop our strategies to achieve this goal, we will design data collection methodologies that meet our needs while complying with requirements of the Paperwork Reduction Act.
Validation	We will ensure that the data we use to tabulate our results are gathered following statistically valid protocol and can be validated.

Pursue Opportunities for Electronic Business: Most of RMP's large royalty payors report electronically; however, 80 percent of our smaller royalty and production reporters have not yet converted to electronic formats. Electronic submissions increase reporting accuracy, which increases timeliness of disbursements to recipients. The RMP has obtained the services of a contractor to convert the remaining reporters to electronic formats.

In the OMM Program, by receiving and providing quality data, applications (such as approvals for permit to drill), and information electronically, we can reduce the amount of paper being sent and show cost savings and quicker response times for all parties.

Locate MMS Staff in New Field Locations: By locating our staff nearer to Indian country, MMS will be closer to the Indian mineral owners and will be better positioned to address issues and concerns specific to each owner in locations convenient to them.

FY 1999 ANNUAL PERFORMANCE REPORT:

The MMS did not have a FY 1999 Customer Service goal.

Section III

Additional GPRA Information

3.1 Customer Service

Customer service and satisfaction are priorities for MMS. We constantly strive to deliver high quality, cost-effective, timely products and services to our customers and stakeholders. For FY 2001 we will be piloting direct measurement of customer satisfaction in OMM. We plan to expand this effort to RMP by FY 2003 (see section 2.3).

OMM has developed cooperative efforts with states and local governments, industry and others to address various OCS-related safety and regulatory issues. By working with its constituents, OMM has been able to find program efficiencies while continuing to improve the effectiveness of its safety and environmental program. Examples include:

- Finalizing a Memorandum of Understanding (MOU) in December 1998 with the U.S. Coast Guard concerning shared responsibilities under the OCS Lands Act. The two agencies based the MOU on input from affected groups.
- Developing an MOU in conjunction with the Special Programs Office of the Department of Transportation governing the regulation of offshore pipelines. With help from the regulated groups, the two agencies arrived at an agreement that gives pipeline owners a role in determining which agency will regulate a given pipeline.
- Implementing a series of agreements with other federal agencies and coastal state governments to cooperatively develop federal/state boundaries, describing data relevant to leasing as well as state regulatory and enforcement actions. Many of the agreements with coastal states will lead to fixing of the federal/state boundary by Joint Motions filed with the United

States Supreme Court. The latest effort has led to a Supplemental Decree fixing the offshore boundary with the state of Texas.

- Working in close association with the American Petroleum Institute to develop industry standards and with the Offshore Operators Committee to create performance measures for operators and contractors working on the OCS.

RMP has actively pursued customer and stakeholder participation throughout the reengineering processes. Stakeholders are consulted, and changes are made in response to their suggestions. The RMP receives input quarterly from the Council of Petroleum Accountants Societies (COPAS), a technical group that promulgates accounting regulations for the oil and gas industry and provides a link to other industry trade groups. The Royalty Policy Committee (RPC), which includes Indian, state, and industry representatives, also has provided valuable input, as has the State and Tribal Royalty Audit Committee.

We have established partnerships with Indian and state stakeholders, engaging them as full members on Operational Model teams. We also are partnering with industry as we develop new compliance strategies. In FY 2000, we will involve BIA, the OTFM, and BLM in developing the general design for our minerals revenue financial systems. We will continue involving our stakeholders in development of reengineered processes and systems through the October 2001 implementation and beyond.

3.2 Crosscutting Issues

The MMS coordinates OMM activities with the Fish and Wildlife Service, the U.S. Geological Survey, the National Oceanic and Atmospheric Administration, EPA, the Army

Corps of Engineers, the U.S. military, the Coast Guard, state and local governments, environmental groups, and industry, and provides information that sometimes would not be available otherwise. For example, the MMS supplied information to the National Marine Fisheries Service from MMS-funded research to aid them in identifying essential fish habitat.

The MMS also coordinates RMP activities with BIA, BLM, OST, state governments, Indian tribes and allottees, and industry.

3.3 Management Issues

As discussed in Section 3.5, Program Evaluations, the Department's Office of the Inspector General (IG) routinely conducts audits of MMS programs and activities, including overall financial management reviews. The IG conducted a review of MMS's Financial Management Branch in FY 1999 and has drafted its report. The draft report contains a finding that MMS's internal controls for financial data management were not sufficient to prepare FY 98 financial statements in accordance with federal accounting standards.

The MMS has accepted the IG audit finding and has initiated an aggressive program to address the deficiencies and design cost-effective and timely corrective action. We are working closely with the IG and with a multi-Bureau task force of financial management professionals to identify and perform the corrective actions and develop and implement an adequate internal control structure. In addition, we plan to engage a national public accounting firm to conduct a comprehensive review of the accounting system and our operational policies and processes. Correcting the identified deficiencies is of the highest priority and concern to MMS.

3.4 Data Verification and Validation

During FY 2000 and 2001, MMS's performance measures will be captured automatically to the extent possible from our current systems or from pilot reengineering systems. Because of current limitations, much of our performance data will require manual manipulation

during this transition period, especially for the new measures and indices that we are developing and testing.

An example of the attention that we will be giving to data verification and validation is our royalty management reengineering initiative. In October 1999, MMS awarded a contract to Andersen Consulting (Andersen) for a commercial off-the-shelf (COTS) financial accounting system, a relational database management system, and integration services for the development of a variety of technology tools. The COTS will be provided by PeopleSoft, whose software, Financials for Education and Government, has been certified in compliance with Joint Financial Management Improvement Program (JFMIP) requirements. In 2000, MMS will award a separate contract for compliance systems development. To provide the highest level of validation of the data, we will automate performance data-gathering capabilities and ensure the integrity of all systems developed.

3.5 Program Evaluations

A number of internal and external efforts comprise MMS's program evaluations. The RMP is a major source of revenue to the Federal Government, and therefore is continuously under review by oversight agencies such as the Office of Inspector General and the U.S. General Accounting Office. The OMM also is periodically reviewed by the IG because of its importance in monitoring safety and environmental impacts on the OCS. In FY 1999, the IG conducted two audits each in RMP and OMM, as well as overall financial management reviews. The IG has scheduled six audits in FY 2000 as well. These are discussed below.

In addition, MMS routinely conducts scheduled in-depth appraisals and ongoing self-analyses with various internal evaluations, including Alternative Management Control Reviews (AMCR), Performance Management Assessment Tool Reviews (PMAT's), Departmental Function Reviews (DFR), Automated Information System Reviews (AISR), and Quality in Contract Program Reviews (QUIC). We conduct the reviews on a rotating basis among the various programs and functional areas. These reviews examine whether adequate controls are in place to ensure that intended results are achieved,

resources are protected from waste, fraud, and mismanagement, and management information is reliable. In FY 1999, we conducted three reviews in the Directorate of Administration and Budget (A&B), four in RMP, and one in OMM. For FY 2000, we have scheduled three in A&B, three in RMP, and one in OMM.

We also use quantitative measures to assess our progress toward meeting our goals, use program evaluations to identify ways to improve our performance, and rely on internal and external feedback from our customers to gauge our success in meeting their needs.

OFFICE OF THE INSPECTOR GENERAL

The IG recently conducted an audit of RMP and concluded that a relational database and program-wide workflow with case management tools are necessary but not currently available in RMP. The RMP's internal reengineering analysis also noted that current operations are time-consuming and often repetitive, and cannot efficiently support reengineered business processes. The IG has scheduled a follow-up audit in FY 2000 to determine whether MMS has satisfactorily implemented the recommendations.

In October 1999, MMS awarded a contract to Andersen Consulting (Andersen) for a commercial off-the-shelf (COTS) financial accounting system, a relational database management system, and integration services for the development of a variety of technology tools. Under Andersen's contract, PeopleSoft will provide COTS and database management software, including reporting tools. PeopleSoft Financials for Education and Government has been certified as in compliance with JFMIP requirements.

In 2000, MMS will award a separate contract for compliance systems development. These compliance systems, targeted for implementation in October 2001, will automate many of the targeting and resolution processes for compliance, focusing on properties and analyzing all compliance components concurrently. The new systems also will provide capabilities to ensure early detection and resolution of compliance issues, which will enhance MMS's ability to detect whether companies are paying correctly at the due date.

In addition to financial audits, the IG conducted four performance audits in FY 1999. These audits, the results of which did not directly affect the formulation of the goals in this plan, were as follows:

- OMM's Technical Information Management System;
- OMM's Criminal Referral Process for Offshore Civil/Criminal Penalties;
- RMP's Indian Royalty Disbursement Process; and
- RMP's Small Refiner Royalty-in-Kind Program.

The IG has not yet issued reports for these audits, except for a draft report on the last one.

MANAGEMENT CONTROL REVIEWS

The OMM has scheduled one internal review in FY 2000, titled "Oil and Hazardous Materials Simulated Environmental Task Tank." This review will use the automated assessment approach PMAT, which focuses on six categories as required by OMB Circular A-123. These categories are organizational control and environment, program effectiveness, resource stewardship, regulatory compliance, risk management, and management information.

In addition to the program-wide reengineering initiative, RMP is conducting three reviews regarding Indian direct payments, records management, and billing procedures. We plan to complete these reviews by the end of FY 2000. We will analyze the results from these reviews for their impacts to all of our royalty management-related goals. Particularly, we anticipate impacts to our goal to fulfill our mineral revenue Indian trust responsibilities.

We also have scheduled three A&B reviews. Our scheduled FY2000 reviews are shown in the following table.

FY 2000 PROGRAM EVALUATION SCHEDULE

Program Evaluation	Type	Scope
Minerals Management Service Financial Statements for Fiscal Years 2000 and 1999 – MMS	IG Audit	The objective of this financial audit is to determine, among other things, whether MMS's financial statements for FY 2000 and FY 1999 were presented fairly and in accordance with applicable accounting standards.
MMS Exchange/Outlook Messaging System – A&B	AISR	The team is developing the scope of work.
Acquisition Performance Assessment – A&B	QUIC	The team is developing the scope of work.
Personal Property Performance Measurement – A&B	QUIC	The team is developing the scope of work.
Impact of Deepwater Royalty Relief Act of 1995 – OMM	IG Audit	The objective of the evaluation is to determine whether the criteria and process used to extend royalty relief to companies were in compliance with the requirements and intent of the Deepwater Royalty Relief Act.
Platform Removals and Site Clearances – OMM	IG Audit	The objective of the audit is to determine whether OCS operators complied with MMS requirements for removing platforms and clearing the locations of all obstructions.
Oil and Hazardous Materials Simulated Environmental Task Tank – OMM	PMAT	This review will focus on six categories as required by OMB Circular A-123. These categories are: organizational control and environment; program effectiveness; resource stewardship; regulatory compliance; risk management; and management information.
Follow-up of Recommendations for Improving General Controls over Automated Information Systems – RMP	IG Audit	The objective of this audit is to determine whether MMS satisfactorily implemented the recommendations made in prior IG audit reports on general controls over its automated information systems and whether any new recommendations are warranted.
Follow-up of Negotiated Royalty Settlements – RMP	IG Audit	The objective of this audit is to determine whether MMS satisfactorily implemented the recommendations made in the IG's September 1996 audit report on negotiated royalty settlements and whether any new recommendations are warranted.
Royalties on Tax Credits for Non-conventional Fuels – RMP	IG Audit	The objective of the audit is to determine whether MMS initiated the collection of royalties from monetized tax credits on non-conventional fuels.
Records Management – RMP	AMCR	The team is developing the scope of work.
Indian Direct Payments – RMP	AMCR	The team is developing the scope of work.
Billing/Follow-up – RMP	AMCR	The team is developing the scope of work.

3.6 Capital Assets/Capital Programming

The MMS submitted a Capital Asset Plan and Justification to OMB in 1998 for its major reengineering project, and has continued to work closely with OMB in submitting additional related documents. The principal objective of this initiative is to design, develop, and implement new royalty management business processes and supporting information technology systems for the 21st century. The new concept of operations was outlined in the March 1998, Preliminary Design Concepts document. IT plays a key enabling role in business process reengineering.

Current systems were implemented in the early 1980s and have been subjected to thousands of changes to meet an ever expanding mission. Today RMP's IT environment is complex, inefficient, difficult to change, and expensive to maintain. The mix of aging mainframe-based systems and substantial changes needed to support reengineered business processes represents a major risk to future systems reliability and operational stability. These factors could jeopardize RMP's ability to achieve GPRA-based performance objectives such as timely and accurate disbursement of receipts. The proposed IT investments supporting related process improvements will contribute directly to future RMP mission accomplishment. For example, once implemented, the new systems will give MMS the flexibility to disburse funds throughout the month, thus increasing timeliness.

The recent Capital Asset Plan and Justification identifies annual benefits from increased revenues, simplified

reporting, and operational cost savings to be \$19.1 million. While these tangible benefits are significant, there are important intangible benefits as well. This project will produce significant improvements to RMP's outputs and operational benchmarks that support its mission goals. Without a reengineered system, RMP cannot readily meet all RSFA requirements, particularly the delegation of functions to states. The modernization also will allow RMP to disburse funds earlier than the law requires, thus increasing the timeliness of payments.

The first of the two RMP modules contracted is the financial module. Andersen Consulting has been selected as the successful prime contractor. We are revising the acquisition strategy for the compliance and asset management (CAMP) module requirements, based on information gained during the financial contractor selection process. The revised strategy will facilitate the development and implementation of the CAMP applications and minimize risks associated with integrating different software solutions.

The MMS is requesting a total of \$15 million for royalty management reengineering in FY 2001 (this is not an increase in FY 2001). The funds requested will support recommended information technology investments, including the implementation of a relational database management system, workflow/case management tools, a COTS royalty accounting system, and a contractor-owned and -operated data center. A host of automated analytical tools and enhanced use of the capabilities of the Internet for reporting and information exchange is contemplated as well. Finally, these funds are intended to provide implementation and enhanced automated support of RMP's reengineered compliance and asset management processes.

3.7 Use of Non-Federal Parties in Preparing this Plan

This document was drafted by MMS employees and edited and formatted by PricewaterhouseCoopers under a Department of the Interior contract.

3.8 Waivers for Managerial Accountability and Flexibility

No waivers of administrative requirements to provide managerial flexibility are being requested in this plan.



San Francisco Bay National Wildlife Refuge, purchased with funds collected by MMS from offshore operations and disbursed to the Land and Water Conservation Fund.

Appendix I

At-a Glance View of Minerals Management Service's FY 1999 Performance

GPRA Mission Goal	Long-Term Goal	FY 99 Annual Goal ¹
Ensure safe OCS mineral development.	By 2002, show a decrease in the accident index below the 1996 level of 0.612.	In FY1999, achieve an accident index no greater than 0.594.
Ensure environmentally sound OCS mineral development.	By 2002, show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline.	In FY 1999 show a decrease of .5-1.0 in the number of environmental impacts per OCS mineral development activity below the 1998 baseline level of 10.45.
	By 2002, show a decrease in the amount of oil spilled below the 1992-96 average level of 5.09 barrels spilled per million barrels produced.	In FY 1999, show a decrease in the amount of oil spilled to a level of 5.07 barrels spilled per million barrels produced.
Ensure that the public receives fair market value for OCS mineral development.	From 1997-2002, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1.	For FY 1999, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1.
	By 2002, decrease below the 1989-96 average level of 7% the tracts classified as nonviable but on which a lessee makes a discovery within 5 years that a well is capable of producing in paying quantities.	*In FY 1999, decrease to 6.8 percent the instances in which tracts classified as nonviable are drilled within 5 years of lease issuance and a discovery is made capable of producing in paying quantities.
Provide for mineral development on the OCS.	By 2002, show an increase in the annual number of leases on which exploratory wells are drilled above the 1992-96 average level of 250 leases.	*In FY 1999, increase to 265 the number of leases on which exploratory wells are drilled.

¹ FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

Target Performance	Actual Results	Comments
.594	.578	Exceeded target. MMS has made a concerted effort in the past several years to raise industry's safety consciousness by building partnerships and increasing communications.
9.95	N/A (Calendar Year)	This is a calendar year annual goal. The result cannot be calculated until March 2000. We have no reason to believe we will not achieve our annual target.
5.07	17.5	The largest pipeline spill since FY 1997 occurred early this FY, causing the high spill result. This number actually could be as high as 24.0 because of a 7/23/99 spill, the results of which are not yet known.
1.8 to 1	1.8 to 1	We achieved the goal largely because of our GIT investments, which have helped us keep pace with industry's advances in technology.
6.8%	8.8%	The goal was not met because of the uncertainties that both MMS and the industry experienced in evaluating tracts as they ventured into exploration and development in deeper waters with rapidly changing technology.
265	240	There were 240 exploratory wells drilled in FY 1999, which was close to the goal and within approximately 4 percent of the most recent five-year average of 250. We believe the goal was not met because of the influence of external market factors, primarily the tremendous fluctuations in oil prices.

*At-a Glance View of Minerals Management Service's
FY 1999 Performance continued*

GPRA Mission Goal	Long-Term Goal	FY 99 Annual Goal ¹
<p>Provide for mineral development on the OCS.</p>	<p>By 2002, show a reduction in the rate of decline in the oil and gas reserves-to-production ratio that occurred from 1990-95, which was 11.5 to 7.3 for oil (0.84 per year) and 7.6 to 6.0 for gas (0.32 per year).</p>	<p>*In FY 1999, show a reduction in the rate of decline in the oil reserves-to-production ratio to a level of .82 per year.</p>
		<p>*In FY 1999, show a reduction in the rate of decline in the gas reserves-to-production ratio to .31 per year.</p>
	<p>By 2002, show an increase in annual OCS production above the 1996 level of 429 million barrels of oil, 5.0 trillion cubic feet of gas, 2.1 million long tons of sulphur, and 0.81 million cubic yards of sand and gravel.</p>	<p>*In FY 1999, show an increase in annual oil production to not less than 554 million barrels.</p>
		<p>*In FY 1999, show an increase in annual gas production from the OCS to 4.9 trillion cubic feet.</p>
		<p>*In FY 1999, reach an annual sulphur production of 2.1 million long tons. *In FY 1999, reach an annual production level of 25.4 million cubic yards of sand.</p>
<p>Improve the timeliness and accuracy of payments to states, Indian tribes, BIA offices, and other federal agencies.</p>	<p>Through 2002, maintain or increase the percentage of the collected dollars and accompanying information that is provided timely to states and Indians.</p>	<p>In FY 1999, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98.7 percent.</p>
	<p>By 2002, decrease the late disbursement interest costs to \$30,000 per year.</p>	<p>*In FY 1999, late disbursement interest costs are targeted at \$45,000.</p>

¹ FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

Target Performance	Actual Results	Comments
.820	.33	Exceeded target, largely as a result of a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act and our efforts to make tracts available and to make exploration viable and attractive.
.310	.11	Exceeded target, largely as a result of a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act and our efforts to make tracts available and to make exploration viable and attractive.
554 million barrels	499 million barrels	Goal not met. Prices were low for a good portion of the year, so some anticipated deep water projects were put on hold by industry.
4.9 trillion cubic feet	5.0 trillion cubic feet	Goal met. (However, this figure is an estimate based on partial year actuals.)
2.1 million long tons	1.5 million long tons	Goal not met. Industry did not produce as much due to price.
25.4 million cubic yards	0	Goal not met. Local governments did not initiate any requests to negotiate leases for federal sand.
98.7%	98.15%	<p>Goal not met. The percentages of dollars and information provided timely to states and Indians are based on the average of monthly federal disbursements and monthly Indian distributions of information.</p> <p>In FY 1999, federal disbursements to states achieved 98.75%. However, Indian information distribution reached only 97.53%. Because of our Indian trust responsibilities, we purposely ensure a greater amount of accuracy before distributing Indian information; thus, the lower rate.</p>
\$45,000	\$40,804	Exceeded goal. Certain extraordinary events (payback of large net receipt amounts to states, based on policy calls) were excluded from this calculation.

*At-a Glance View of Minerals Management Service's
FY 1999 Performance continued*

GPRA Mission Goal	Long-Term Goal	FY 99 Annual Goal ¹
<p>Improve the cost effectiveness of mineral royalty collection and disbursement services.</p>	<p>By 2001, increase the percentage of royalty reports, production reports, and dollars received electronically to</p> <ul style="list-style-type: none"> • 99 percent for royalty reporting • 99 percent for production reporting, and • 96 percent for dollars received. 	<p>*In FY 1999, increase the percentage received electronically for royalty reports to 96 percent.</p>
		<p>*In FY 1999, increase the percentage received electronically for production reports to 95 percent.</p>
		<p>*In FY 1999, increase the percentage of dollars received electronically to 95 percent.</p>
<p>Improve reporters' compliance with lease terms, rules, regulations, and laws.</p>	<p>Through 2002, maintain or increase the percentage of royalty and production reports submitted by reporters without fatal errors.</p>	<p>*In FY 1999, the percentage of royalty and production reports submitted without fatal errors is 97.5 percent.</p>
	<p>By 2002, achieve a compliance index (actual voluntary royalty payments/expected royalty payments) of .98.</p>	<p>In Calendar Year 1999, achieve a compliance index (calculated on the year 1997) of .975.</p>
<p>Provide Indian tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program.</p>	<p>By 2002, increase the number of Indian tribes that take part in one or more educational opportunities or that assume one or more functional responsibilities.</p>	<p>*In FY 1999, increase the number of Indian tribes having system access to 15.</p>
		<p>*In FY 1999, increase the number of Indian tribe training IPA's or internships to five.</p>
		<p>*In FY 1999, increase the number of Indian tribes assuming functions (audits, etc.) to eight.</p>

¹ FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

Target Performance	Actual Results	Comments
96%	81%	Goal not met. MMS published a final rule July 15, 1999, requiring electronic reporting effective November 1999, excluding hardship cases. The MMS plan has slipped for outsourcing the conversion and ongoing support of the required electronic infrastructure, but a contractor is on board.
95%	52%	Goal not met due to a recent management decision. Based on company input, electronic reporting will not be required on Form MMS-3160 (87% of production reporting is done on this form) because Form 3160 will be eliminated after we reengineer.
95%	93%	Goal not met. Offshore lease sale bonuses, which are large dollar amounts that are always paid electronically, significantly impact this percentage. Dollars received for offshore lease sales in FY 1999 were lower than in FY 1998, thus impacting the overall percentage.
97.5%	95.87%	Goal not met. This goal is linked to the electronic reporting goals above. Because electronic reporting conversion has slipped, we did not achieve this goal.
.975	.9809	Exceeded target. This is an annually calculated index. The actual index reported in calendar year 1999 is for calendar year 1997.
15	14	We did not meet this goal, but we will continue to encourage tribes to take advantage of this opportunity.
5	4	Goal not met. Tribal candidates must meet or exceed the basic qualifications for the prospective work. They also may need to devote full time to this program for several months, possibly up to two years. Tribes have difficulty locating members who meet these criteria.
8	8	Goal met.

Appendix II

UPDATED FY 2000 ANNUAL PERFORMANCE PLAN

Minerals Management Service's FY 2000 Revised Final Goals

We have revised our FY 2000 goals to align the FY 2000 Annual Performance Plan with our revised *Strategic Plan for FY 2000-2005*, which will be published in February 2000. The following goals reflect final performance targets under the enacted FY 2000 budget and the revised strategic plan:

Mission Goal	Long-Term Goal	FY 2000 Annual Performance Goal
Ensure safe OCS mineral development.	Maintain or show a decrease in the average annual index of .594.	Achieve an accident index not greater than 0.594.
Ensure environmentally sound OCS mineral development	<p>By 2005, show a decrease in the environmental impact index from the 2000 baseline.</p> <p>By 2002, show a decrease in the amount of oil spilled below the 1992-1996 average level of 5.09 barrels spilled per million barrels produced.</p>	<p>Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline.</p> <p>In FY 2000, show a decrease in the amount of oil spilled to a level of 5.06 barrels spilled per million barrels produced.</p>
Ensure that the public receives fair market value for OCS mineral development.	From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.	By the end of FY 2000 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

Mission Goal	Long-Term Goal	FY 2000 Annual Performance Goal
<p>Provide revenue recipients with access to their money within 24 hours of the due date.</p>	<p>By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.</p>	<p>In 2000, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98 percent.</p>
<p>Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.</p>	<p>By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.</p> <p>By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date.</p>	<p>In Calendar Year 2000, achieve a compliance index (calculated on the year 1998) of .9775.</p> <p>In FY 2000, issue 95 percent of all orders for issues found during end-to-end processing for properties converted in 1999.</p>
<p>Fulfill our mineral revenue Indian trust responsibilities.</p>	<p>By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion</p>	<p>By the end of FY 2000, ensure 60 percent of Indian gas producing properties are in compliance with major portion and 30 percent are in compliance with dual accounting for the time period 1984-2000.</p> <p>By the end of FY 2000, ensure 15 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2000.</p>

Discontinued Goals

The following goals, which were included in the February 1999 version of the Minerals Management Service's FY 2000 Annual Performance Plan, have been discontinued:

Offshore Minerals Management Program

MISSION GOAL: ENSURE THAT THE PUBLIC RECEIVES FAIR VALUE FOR OCS MINERAL DEVELOPMENT.

(Note—We are not dropping this Mission Goal, just one of the long-term goals.)

Long-term Goal

By 2002, decrease below the 1989-1996 average level of 7 percent the tracts classified as nonviable but on which a lessee makes a discovery within five years that a well is capable of producing in paying quantities.

FY 2000 Annual Performance Goal

Decrease 0.1 percent each year below the 1989-1996 average level of 7 percent the tracts classified as nonviable but on which a lessee makes a discovery within five years that a well is capable of producing in paying quantities.

Explanation

In evaluating this goal, we have decided that this measure is not a good stand-alone indicator of how well we are achieving our strategic outcomes. As a result, we have dropped this as a reportable goal for FY 2000 and beyond. We do think the measure has value as a management tool, and we will continue to monitor it internally.

MISSION GOAL: PROVIDE FOR MINERAL DEVELOPMENT ON THE OCS.

Long-term Goal

By 2002, show an increase in the annual number of leases on which exploratory wells are drilled above the 1992-96 average level of 250 leases.

FY 2000 Annual Performance Goal

Increase in the annual number of leases on which exploratory wells are drilled to 265.

Long-term Goal

By 2002, show a reduction in the rate of decline in the oil and gas reserves-to-production ratio that occurred from 1990-95, which was 11.5 to 7.3 for oil (0.84 per year) and 7.6 to 6.0 for gas (0.32 per year).

FY 2000 Annual Performance Goals

Reduce the rate of decline in the reserves-to-production ratio to 0.82 per year for oil and to 0.31 per year for gas.

Long-term Goal

By 2002, show an increase in annual OCS production above the 1996 level of 429 million barrels of oil, 5.0 trillion cubic feet of gas, 2.1 million long tons of sulphur, and .81 million cubic yards of sand and gravel.

FY 2000 Annual Performance Goals

Increase production to: 601 million barrels of oil, no less than 4.9 trillion cubic feet of natural gas, no less than 2.1 million long tons of sulphur, and 21.5 million cubic yards of sand and.

Explanation

The MMS is dropping the above "production" goals for FY 2000 and beyond. They are market driven and depend on oil and gas prices. Our philosophy is to manage the OCS to achieve a balance that meets all laws and policies and allows businesses to make good decisions, not necessarily to increase production. MMS is not a business partner with industry, and the decision to produce is a business decision. Because we cannot directly influence industry production decisions, we have come to the conclusion that production-related goals

are not truly indicative of our performance and influence. We will continue to monitor and report them, but not as targeted GPRA goals.

Royalty Management Program

We are dropping these goals for FY 2000 and beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan, and developed new annual performance goals in our FY 2001 Annual Performance Plan. We revised our goals this year because of several reasons, including:

- recommendations from Congress, OMB, and others that agencies try to focus on a "vital few" goals in their plans;
- RMP's reengineering initiative, which is due to be implemented in FY 2001; and
- our experience with prior measures, which we believe served their purpose, but are not expansive enough to properly measure our performance in the future.

However, we will continue to internally monitor these goals because we believe they are indicators that relate to our new goals.

**MISSION GOAL:
IMPROVE THE TIMELINESS AND ACCURACY
OF PAYMENTS TO STATES, INDIAN TRIBES, BIA
OFFICES, AND OTHER FEDERAL AGENCIES.**

Long-term Goal

By 2002, decrease the late disbursement interest costs to \$30,000 per year.

FY 2000 Annual Performance Goal

In 2000, the late disbursement interest costs are targeted at \$40,000 per year.

**MISSION GOAL:
IMPROVE THE COST EFFECTIVENESS OF
MINERAL ROYALTY COLLECTION AND
DISBURSEMENT SERVICES.**

Long-term Goal

By 2000, increase the percentage of royalty reports, production reports, and dollars received electronically to

99 percent for royalty reporting, 99 percent for production reporting, and 96 percent for dollars received.

FY 2000 Annual Performance Goals

By 2000, increase the percentage of royalty reports, production reports, and dollars received electronically to 99 percent for royalty reporting, 99 percent for production reporting, and 96 percent for dollars received.

**MISSION GOAL:
IMPROVE REPORTERS' COMPLIANCE
WITH LEASE TERMS, RULES, REGULATIONS,
AND LAWS.**

Long-term Goal

Through 2002, maintain or increase the percentage of royalty and production reports submitted by reporters without fatal errors.

FY 2000 Annual Performance Goal

In 2000, increase the percentage of royalty and production reports submitted by reporters without fatal errors to 98 percent.

**MISSION GOAL:
PROVIDE INDIAN TRIBES WITH INCREASED
OPPORTUNITIES FOR EDUCATION AND FOR
ASSUMING FUNCTIONAL RESPONSIBILITIES
WITH RESPECT TO THE ROYALTY
MANAGEMENT PROGRAM.**

Long-term Goal

By 2002, increase the number of Indian tribes that take part in one or more educational opportunities or that assume one or more functional responsibilities.

FY 2000 Annual Performance Goals

In 2000, increase the number of Indian tribes having system access to 16, taking part in training IPA's or internships to five, and assuming functions (audits, etc.) to nine.

REVISED FINAL FY 2000 BUDGET TABLE

Mission Goal	FY 2000 Enacted (\$000)
Ensure safe OCS mineral development.	54,063
Ensure environmentally sound OCS mineral development.	55,735
Ensure that the public receives fair market value for OCS mineral development.	32,099
Provide revenue recipients with access to their money within 24 hours of the due date.	25,011
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.	51,535
Fulfill our mineral revenue Indian trust responsibilities.	21,873

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.